

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 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 year ended 31 December 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.

On 28 December 2007, the Company paid a total of RM30 million being Bond Principal payment and redemption of the thirty (30) Non-Convertible Redeemable Preference Shares.

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

	3 months ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Revenue from continuing operations:				
Manufacturing	86,014	88,142	339,124	320,989
Construction & road maintenance	69,013	92,388	338,135	336,640
Construction materials	31,746	30,510	93,294	94,073
Stockbroking and other financial services	8,814	4,198	23,253	16,156
Property development	4,563	(715)	23,195	19,260
Others	43,848	16,118	146,992	96,020
Total revenue including inter-segment sales	243,998	230,641	963,993	883,138
Elimination of inter-segment sales	(19,532)	(18,959)	(66,325)	(89,045)
Total revenue from continuing operations	224,466	211,682	897,668	794,093
Revenue from discontinued operations	0	1,466,194	1,660,115	5,374,797
Total	224,466	1,677,876	2,557,783	6,168,890

Segment Results

Results from continuing operations:				
Manufacturing	14,055	22,800	72,888	63,696
Construction & road maintenance	17,601	11,476	(42,753)	32,163
Construction materials	4,781	1,859	(4,555)	7,061
Stockbroking and other financial services	637	1,021	(63,131)	3,850
Property development	2,144	(812)	(876)	(760)
Others	12,400	(13,768)	20,834	(26,891)
Total results from continuing operations	51,618	22,576	(17,593)	79,119
Results from discontinued operations	(1,183)	29,797	853,555	253,131
Total	50,435	52,373	835,962	332,250

Other Segment Information

Impairment losses included in income statement (Note A14):

Manufacturing	0	0	1,026	0
Construction & road maintenance	0	1,008	14,075	1,008
Construction materials	0	2,081	15,761	2,081
Stockbroking and other financial services	0	0	67,000	0
Others	0	174	14,440	174
Total	0	3,263	112,302	3,263

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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 twelve months ended 31 December 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 RM11,531,250 (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 31 December 2007 with the completion of the Disposal of RHB by UBG Berhad (“UBG”) on 22 May 2007 except for the following:

UBG has received a claim by correspondence from Merrill Lynch Pte Ltd (“MLS”) for the sum of USD 6,642,453.70 (which represents its primary claim) and out-of-pocket expenses amounting to USD 63,625.97 in relation to fees and out-of-pocket expenses in respect of the alleged provision by it of financial advisory services to UBG pursuant to the financial services agreement dated 27 June 2006 entered into between UBG and MLS.

UBG’s position is that MLS is not entitled to the fees as MLS had agreed to accept from UBG a fee amounting to USD 2.5 million in the event that it was not directly involved as a financial advisor in the consummated sale transaction. As regards the out-of-pocket expenses claimed by MLS, UBG has requested for MLS to provide details and copies of supporting documents for the basis of the claim for expenses and has reserved its rights in relation to this claim pending receipt of this information.

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A.12 Changes in contingent liabilities and contingent assets (cont'd)

(a) Guarantees and Contingent Liabilities (cont'd)

Save as to the abovementioned sum of USD 2.5 million and out-of pocket expenses that is subsequently verified to have been legitimately incurred by MLS (which represents a present liability for which UBG has made provision in its accounts), UBG regards any other liability consequent upon MLS's primary claim as a contingent one at this time. Notwithstanding the above, the directors are of the view that such a contingent liability, even if it subsequently becomes enforceable, would not have a material impact on the financial position or business of the Group.

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 31 December 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 31.12.2007 RM' 000	As at 31.12.2006 RM' 000
Capital expenditure for property, plant and equipment for continuing operations:		
- authorised and contracted for	5,376	6,691
- authorised but not contracted for	5,408	9,956
	<u>10,784</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>
Total	<u>22,784</u>	<u>32,647</u>

A14. Impairment losses

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

	3 months ended		12 months ended	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Impairment of goodwill	0	3,263	44,502	3,263
Impairment of investment in an associated company	0	0	67,000	0
Impairment of securities	0	0	800	0
Total	<u>0</u>	<u>3,263</u>	<u>112,302</u>	<u>3,263</u>

A15. Discontinued operations

(a) Rashid Hussain Berhad ('RHB')

On 8 March 2007, UBG announced that it had received and accepted, subject to shareholders and regulatory approvals, Employees Provident Fund 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 22 May 2007 ("Discontinued Operation").

The effect of the sale on the financial position of the Group as at 31 December 2007 was as follows:

<u>Group</u>	<u>Up to disposal date RM'000</u>	<u>For the financial year ended 31.12.2006 RM'000</u>
Income Statements		
Interest income	1,602,523	4,324,057
Interest expense	<u>(1,003,593)</u>	<u>(2,645,840)</u>
Net interest income	598,930	1,678,217
Other operating income	(15,973)	816,453
Income from Islamic Banking Business	<u>74,021</u>	<u>236,099</u>
Net income (expense)	656,978	2,730,769
Other operating expenses	<u>(459,982)</u>	<u>(1,357,931)</u>
Operating profit before allowances	196,996	1,372,838
Allowance for losses on loans and financing	(317,668)	(709,398)
Impairment losses	(37,221)	(66,404)
Share of results of associates	<u>15</u>	<u>(308)</u>
(Loss)/profit before INCPS dividends, taxation and Zakat	(157,878)	349,368
INCPS dividends	<u>(36,312)</u>	<u>(110,447)</u>
(Loss)/profit after INCPS dividends and before taxation and Zakat	(194,190)	486,281
Taxation	<u>(67,917)</u>	<u>(232,248)</u>
(Loss)/profit for the financial period from discontinued operations	(262,107)	254,033
Net gain on disposal of investment in RHB	<u>1,229,867</u>	
	967,760	
Impairment of goodwill	<u>(144,800)</u>	
	<u>822,960</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')	(2,633,057)	(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	<u>(1,104,469)</u>	<u>(1,104,469)</u>
Identifiable net assets	1,175,518	1,386,604
Less: Minority Interests	<u>(973,560)</u>	<u>(1,128,333)</u>
Identifiable net assets disposed	201,958	258,271
Add: Goodwill	<u>808,264</u>	<u>847,843</u>
	1,010,222	<u>1,106,114</u>
Net disposal proceeds	<u>(2,240,089)</u>	
Gain on disposal before and after tax	<u>(1,229,867)</u>	

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A15. Discontinued operations (cont'd)

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

RM'000

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>(12,865)</u>
Net disposal proceeds	2,240,089
Cash and cash equivalents of subsidiary disposed of	<u>(12,699,274)</u>
Net cash outflow on disposal of RHB	<u><u>(10,459,185)</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 was completed in the 4th quarter of 2007. The sale of the land and buildings is subject to approval from relevant authorities. Please refer to B8 (a)(iii). As at 31 December 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:

	3 months ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	RM'000	RM'000	RM'000	RM'000
Revenue	0	0	0	40,454
Loss before tax	(2,002)	3,623	(123)	(902)
Income tax expense	0	0	0	0
Loss for the period	(2,002)	3,623	(123)	(902)
Cash flows from operating activities	1,372	(2,038)	3,998	38,312
Cash flows from investing activities	(2)	79	38,719	119
Cash flows from financing activities	0	8,042	(14,000)	(79,256)
Total cash flows	1,370	6,083	28,717	(40,825)

The major classes of assets and liabilities of CMS Steel classified as held for sale as at 31 December 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 RM37.1 million for the twelve months ended 31 December 2007, compared to a pre-tax profit of RM32.4 million for the twelve months ended 31 December 2006. The significant loss for the current year under review is mainly due to the impairment of goodwill on consolidation, impairment in value 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 year.

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 proceeds from the disposal of RHB placed in short term deposits 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 RM853.6 million for the twelve months ended 31 December 2007 compared to RM253.1 million in the previous year. 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 RM40.2 million this quarter compared to the pre-tax profit of RM46.4 million in the preceding quarter.

UBG reported lower profit due to lower interest income earned from lower deposit placements following capital repayment of RM1.37billion to shareholders on 31 October 2007. Manufacturing Division also recorded lower profits in this quarter.

Construction and Road Maintenance Division reported better performance in this quarter compared to the preceding quarter. All other divisions' results are comparable to the preceding quarter.

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B3. Prospects for the year ending 31 December 2008

The Board expects that whilst the operating environment faced by the Group will remain challenging, Management is confident that its recent acquisition of Sarawak's only clinker operation, the restructuring of UBG Berhad consequent on the disposal of its interest in RHB, the Group's plans to play a major role in SCORE, Sarawak's Regional Growth Corridor and other measures it is taking, are positioning the Group for long term revenue and profitability growth.

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		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	RM'000	RM'000	RM'000	RM'000
Income tax based on results for the period for continuing operations				
- Malaysian income tax	8,271	3,427	36,780	26,042
In respect of prior years	(1,556)	(392)	(2,168)	3,897
Deferred tax	1,168	(188)	422	83
Real property gain tax	0	22	0	22
	<u>7,883</u>	<u>2,869</u>	<u>35,034</u>	<u>30,044</u>
Income tax based on results for the period for discontinued operations				
- Malaysian income tax	0	70,032	94,636	276,602
- Overseas	0	457	82	1,451
In respect of prior years	0	(8,233)	(9,469)	(9,021)
Deferred tax	0	9,803	(7,528)	(4,693)
Tax in INCPS dividends	0	(7,795)	(9,804)	(30,925)
Zakat	0	(246)	0	(1,166)
	<u>0</u>	<u>64,018</u>	<u>67,917</u>	<u>232,248</u>
Total income tax expense	<u>7,883</u>	<u>66,887</u>	<u>102,951</u>	<u>262,292</u>

The effective tax rate for the current quarter, prior year's corresponding quarter, current and previous financial year 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		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	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 31 December 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) 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 ("HOA") 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 RTA.

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B8. Corporate proposals (cont'd)

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

(i) Heads of Agreement (cont'd)

The 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 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.

(ii) Proposed Acquisition of Sarawak Clinker Sdn Bhd (“Sarawak Clinker”)

CMS Cement Sdn Bhd (“CMSC”), a wholly owned subsidiary of the Company has, on 30 August 2007, entered into a Share Purchase Agreement (“SPA”) with Maybach Investment Co and Mirzan bin Mahathir (collectively referred to as the “Vendors”) for the proposed acquisition of 146,337,729 ordinary shares of RM1.00 each (“Vendors’ Shares”), representing 100% of the equity interest in Sarawak Clinker, from the Vendors for a total cash consideration of RM110,000,000.00 as may be adjusted in accordance with the provisions in the SPA (“Proposed Acquisition”).

The Company announced on 26 November 2007 that all conditions precedent to the SPA have been met on 29 November 2007 and that the SPA has become unconditional.

In accordance with the terms of the SPA, the Purchase Consideration has been adjusted pursuant to the prescribed price adjustment formula and accordingly, the adjusted Purchase Consideration on Completion is RM131,700,335.

Save for the approvals which form part of the conditions precedent to the Proposed Acquisition, the Proposed Acquisition is not subject to the approval of the shareholders of the Company or any other regulatory bodies.

Notwithstanding that the Proposed Acquisition does not require the approval of the shareholders of the Company by virtue of the fact that the percentage ratio of the Proposed Acquisition does not exceed the 25% threshold set out in the Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”), an adjustment to the Purchase Consideration resulted in the percentage ratio of the Proposal to exceed the 15% threshold set out in the Listing Requirements.

In accordance with the Listing Requirement, a copy of the announcement has been sent to the shareholders for information only.

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B8. Corporate proposals (cont'd)

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

(iii) 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 the Company, 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 the Company whereby the Company agreed to accept the allotment and issuance of the Consideration Shares as part settlement of the outstanding debt owed by CMS Steel to the Company.

This proposed disposal is conditional upon the following:-

- (a) satisfactory due diligence audit by CMS Steel and KKB;
- (b) the approval of Securities Commission ("SC");
- (c) the approval of Bursa Malaysia Securities Bhd ('Bursa Securities') for the listing and quotation of the Consideration Shares on the Main Board of Bursa Securities;
- (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.

(iv) 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 the Company, the Security Trustee (if required) and other relevant authority (if required).

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2007

B8. Corporate proposals (cont'd)

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

(v) Proposed disposal of CMS Roads Sdn Bhd (“CMS Roads”) and CMS Pavement Tech Sdn Bhd (CMS Pavement”)

On 1 February 2008, the Company announced that PPES Works (Sarawak) Sdn Bhd (“PPES”), a 51.0% owned subsidiary, has entered into the following agreements with UBG, in relation to the proposed disposals of 81.0% equity interest in CMS Roads and 100.0% equity interest in CMS Pavement (Hereinafter, the Proposed CMS Roads Disposal and the Proposed CMS Pavement Disposal are collectively referred to as the “Proposed Disposals”):

- a) A conditional share sale agreement together with Sarawak Economic Development Board (“SEDC”) for the proposed disposal of PPES’ and SEDC’s entire respective equity interest in CMS Roads (“CMS Roads SSA”); and
- b) A conditional share sale agreement for the proposed disposal of PPES’ entire equity interest in CMS Pavement (“CMS Pavement SSA”).

The Proposed Disposals are in conjunction with UBG’s efforts to regularise its status as an Affected Lister Issuer pursuant to Practice Note 17/2005 (“PN 17”) of the Listing Requirements of Bursa Securities which was duly announced on 22 May 2007. The Proposed Disposals form part of UBG’s proposed regularisation scheme that also includes the proposed acquisitions of equity interests in Putrajaya Perdana Berhad (“PPB”) and Loh & Loh Coporation Berhad (“LLCB”) for cash from Swan Symphony Sdn Bhd (“SSSB”) and Binary Bestari Sdn Bhd (“BBSB”), and a proposed restricted issue of new shares of UBG to Majestic Masterpiece Sdn Bhd (“MMSB”) (“Proposed Restricted Issue”).

In conjunction with the abovementioned proposed restricted issue by UBG, the Company has entered into a shareholders’ agreement with MMSB (“Shareholders’ Agreement”).

The proposed disposal of CMS Roads entails the disposal of 810,000 ordinary shares of RM1.00 each representing 81.0% equity interest of CMS Roads by PPES to UBG at a total purchase consideration of RM99.63 million, which will be satisfied by the issuance of 39,852,000 new ordinary shares of RM0.25 each in UBG (“UBG Share(s)”) to PPES at an issue price of RM2.50 per UBG Share.

The salient terms of the CMS Roads SSA are as follows:

- (1) subject to the fulfillment of the conditions precedent, PPES, as one of the legal and beneficial owner of the CMS Roads shares hereby agree to sell to UBG the CMS Roads shares free from all liens, charges and encumbrances and will all rights attaching thereto on the date falling ten (10) days from the day the last of the conditions precedent being fulfilled (“Completion Date for the CMS Roads SSA”);

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2007

B8. Corporate proposals (cont'd)

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

(v) Proposed disposal of CMS Roads Sdn Bhd (“CMS Roads”) and CMS Pavement Tech Sdn Bhd (CMS Pavement”) (cont'd)

- (2) the purchase price payable by UBG shall be satisfied by the issuance of 39,852,000 new UBG Shares at the price of RM2.50 per UBG Share to PPES;
- (3) the purchase price in the form of shares shall be issued to PPES on the Completion Date for the CMS Roads SSA; and
- (4) the CMS Roads SSA shall be conditional upon fulfillment of the following conditions within four (4) months from the date of the CMS Roads SSA:
 - (a) approval from the SC being obtained for the Proposed CMS Roads Disposal and the issuance of the consideration shares;
 - (b) approval from the Equity Compliance Unit (“ECU”) of the SC being obtained for the Proposed CMS Roads Disposal;
 - (c) all consents and regulatory approvals required under any and all applicable laws being obtained;
 - (d) approval in-principle for the listing of the consideration shares being obtained from Bursa Securities;
 - (e) completion of such due diligence as UBG may opt to undertake in respect of CMS Roads and such due diligence being satisfactory to UBG;
 - (f) approval of the relevant shareholders to be obtained; and
 - (g) all necessary approvals required under the state road maintenance contract.

The proposed disposal of CMS Pavement entails the disposal of 5,000,000 ordinary shares of RM1.00 each representing 100.0% equity interest of CMS Pavement by PPES to UBG at a total purchase consideration of RM12.0 million, which will be satisfied by the issuance of 4,800,000 new UBG Shares at an issue price of RM2.50 per UBG Share.

The salient terms of the CMS Pavement SSA are as follows:

- (1) subject to the fulfillment of the conditions precedent, PPES as legal and beneficial owner of the CMS Pavement shares hereby agree to sell to UBG the CMS Pavement shares free from all liens, charges and encumbrances and will all rights attaching thereto on the date falling ten (10) days from the day the last of the conditions precedent being fulfilled (“Completion Date for the CMS Pavement SSA”);

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2007

B8. Corporate proposals (cont'd)

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

(v) Proposed disposal of CMS Roads Sdn Bhd (“CMS Roads”) and CMS Pavement Tech Sdn Bhd (CMS Pavement”) (cont'd)

- (2) the purchase price payable by UBG shall be satisfied entirely by the issuance of 4,800,000 new UBG Shares at the price of RM2.50 per UBG Share to PPES;
- (3) the purchase price in the form of shares shall be issued to PPES on the Completion Date for the CMS Pavement SSA; and
- (4) the CMS Pavement SSA shall be conditional upon fulfillment of the following conditions within four (4) months from the date of the CMS Pavement SSA:
 - (a) approval from the SC being obtained for the Proposed CMS Pavement Disposal and the issuance of the consideration shares;
 - (b) approval from the ECU of the SC being obtained for the Proposed CMS Pavement Disposal;
 - (c) all consents and regulatory approvals required under any and all applicable laws being obtained;
 - (d) approval in-principle for the listing of the consideration shares being obtained from Bursa Securities;
 - (e) completion of such due diligence as UBG may opt to undertake in respect of CMS Pavement and such due diligence being satisfactory to UBG;
 - (f) approval of the shareholders of PPES and UBG to be obtained; and
 - (g) all necessary approvals required under the state road maintenance contract.

The salient terms of the Shareholders Agreement are as follows:

- (1) The Company acknowledges that in the event that a mandatory general offer in respect of the UBG shares is triggered as a result of the proposed injection by MMSB of PPB's and LLCB's shares into UBG, it will not accept any offer which may be required to be made by MMSB for CMS' shares in UBG;
- (2) The company and MMSB accordingly agree to conduct themselves in such manner as to ensure that they do not do any act or thing or enter into any agreement, arrangement or understanding or co-operate to act jointly or severally for the purpose of exercising control over UBG;

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2007

B8. Corporate proposals (cont'd)

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

(v) Proposed disposal of CMS Roads Sdn Bhd (“CMS Roads”) and CMS Pavement Tech Sdn Bhd (CMS Pavement”) (cont'd)

- (3) To the extent that MMSB’s shareholding is greater than 35% of the total share capital of the Company, MMSB shall, following the closing of the offer period for the mandatory general offer of the Company that is triggered as a result of the Proposed Restricted Issue and for a period of twelve (12) months after the notification date of the Shareholders’ Agreement becoming effective (“Commencement Date”), to reduce its shareholding in the Company to 35% by disposing the portion of its Shares exceeding 35% of the issued share capital of the Company;
- (4) The Company undertakes to MMSB that it shall not, otherwise than as contemplated under the Shareholders’ Agreement, acquire any UBG shares resulting in it holding 40% or more of the issued share capital of UBG; and
- (5) The Company and MMSB mutually agree that in the event a party intends to dispose of its shareholding in UBG, it must be offered to the other party first before disposing the shares to a third party and both parties shall for a period of 36 months from the Commencement Date maintain shareholdings of at least 30%.

The Shareholders Agreement between MMSB and CMS is subject to the following conditions precedent:

- (a) the completion of the proposed acquisition of PPB and the proposed acquisition of LLCB; and
- (b) the completion of the proposed restricted issue by UBG to MMSB.

(vi) Disposal of RHB to EPF and Proposed Capital Repayment by UBG

The Disposal of RHB to EPF as stated in A15 (a) was completed on 22 May 2007.

On 31 October 2007, UBG completed a capital repayment of RM1,365,519,892 and share consolidation exercise which resulted in its issued and paid-up share capital reduced from RM682,759,946 comprising 682,759,946 of RM1.00 each to RM68,275,995 comprising 273,103,978 ordinary shares of 25 sen each.

(vii) 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 – 31 DECEMBER 2007

B8. Corporate proposals (cont'd)

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

(viii) Proposed Regularisation Scheme (PN17) by UBG

Following the completion of the disposal of UBG's entire investment in Rashid Hussain Berhad on 22 May 2007, UBG ceased to have significant business / operations. Accordingly, UBG is an Affected Listed Issuer pursuant to PN17 and Paragraph 8.14C of the Listing Requirements of the Bursa Securities. Bursa Securities has on 17 January 2008 approved UBG's application for an extension of time of one month to submit a regularisation plan by 21 February 2008.

Aseambankers Malaysia Berhad, main advisors for UBG had on 31 January 2008 announced that UBG had entered into agreements in relation to its regularisation plan to uplift UBG's PN 17 status listed on Bursa Securities and the Proposed Regularisation Plan involves the following:-

- (a) a conditional share sale agreement with PPES and SEDC, to acquire 1,000,000 ordinary shares of RM1.00 each in CMS Roads representing the entire issued and paid-up share capital of CMS Roads for a purchase consideration of RM123.0 million, to be satisfied by the issuance of 39,852,000 new UBG shares to PPES at an issue price of RM2.50 per UBG Share and a cash consideration of RM23.37 million to SEDC ("Proposed CMS Roads Acquisition");
- (b) a conditional share sale agreement with PPES to acquire 5,000,000 ordinary shares of RM1.00 each in CMS Tech representing the entire issued and paid-up capital of CMS Tech for a purchase consideration of RM12.0 million, to be satisfied by the issuance of 4,800,000 new UBG Shares to PPES at an issue price of RM2.50 per UBG share ("Proposed CMS Tech Acquisition");

(Agreements (a) and (b) above are inter-conditional upon each other).

- (c) a conditional share sale agreement with SSSB to acquire 68,604,274 existing ordinary shares of RM0.50 each in PPB representing 49.21% equity interest in PPB from SSSB for a purchase consideration of approximately RM332.7 million to be satisfied entirely in cash ("Proposed PPB Acquisition"); and
- (d) a conditional share sale agreement with BBSB to acquire 25,540,431 existing ordinary shares of RM1.00 each in LLCB representing 37.56% equity interest in LLCB from BBSB for a purchase consideration of approximately RM123.9 million to be satisfied entirely in cash ("Proposed LLCB Acquisition");
- (e) Proposed issuance of 182,640,800 new ordinary shares of RM0.25 each in UBG ("UBG Shares") to MMSB at the issue price of RM2.50 per new UBG Shares; and

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2007

B8. Corporate proposals (cont'd)

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

(viii) Proposed Regularisation Scheme (PN17) (cont'd)

- (f) Mandatory general offer by UBG for the remaining shares in PPB and LLCB not already held by UBG upon completion of the Proposed PPB Acquisition and Proposed LLCB Acquisition at the offer price of RM4.85 per PPB share and LLCB share (“MO”).

(Agreements (c), (d), (e) and (f) above are inter-conditional upon each other).

The Proposed Regularisation Plan is subject to (inter-alia) the approval of the SC, approval-in-principle of Bursa Securities for listing of new UBG’s shares to be issued, shareholders approval, and other relevant approvals where applicable.

On 15 February 2008, Bursa Securities has approved UBG’s application for an extension of time up to 21 March 2008 to submit its regularisation plan to the relevant authorities.

(ix) Status of Utilisation of Proceeds

The status of the utilization of proceeds from Disposal of RHB to EPF as at 31 December 2007:

Purpose	Proposed	Actual	Deviation	
	Utilisation	Utilisation	RM'000	%
	RM'000	RM'000		
Proceeds	2,252,954	2,252,954	0	0%
Repayment of bank borrowings	(145,000)	(145,000)	0	0%
Capital repayment	(1,365,520)	(1,365,520)	0	0%
Defray expenses re: Proposals	(12,500)	(12,868)	(368)	2.9%
Balance to be utilised to finance/part-finance acquisition of new core business being identified and/or working capital for UBG group	729,934	729,566	(368)	0.1%

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

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NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2007

B8. Corporate proposals (cont'd)

(b) Status of utilization of proceeds

The status of utilization of the proceeds from the CMS Income Securities as at 31 December 2007 was as follows:

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

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NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2007

B9. Borrowings

	As at 31.12.2007	As at 31.12.2006
<i>Secured</i>	RM'000	RM'000
Bank overdrafts	0	3
Bankers' acceptances	0	15,000
Revolving credits	77,950	75,950
Term loans	157,400	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	25	156
Bankers' acceptances	134	1,296
Revolving credits	52,000	71,200
Term loan	11,531	16,502
CMS Income Securities	379,263	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	678,303	4,574,719
Maturity		
Repayable within one year	351,306	1,915,571
One year to five years	326,997	2,018,231
Over five years	0	640,917
	678,303	4,574,719

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 31 December 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.

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NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2007

B12. Dividend payable

The Board of Directors has recommended a proposed first and final dividend of 5 sen per share less 26% tax (2006: 5 sen per share less 27% tax) and a special dividend of 10 sen per share less 26% tax (2006: Nil). The dividend entitlement and payment date for the first and final dividend and the special dividend will be announced at a later date.

	2007	2006
Amount per share (sen)		
- proposed first and final dividend less taxation at 26% (2006: 27%)	5	5
- proposed special dividend less taxation at 26%	<u>10</u>	<u>0</u>
Total dividend for the financial year	<u>15</u>	<u>5</u>

B13. Earnings per share

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

	3 months ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) from continuing operations attributable to ordinary equity holders of the parent	20,330	70,193	(67,429)	(2,129)
(Loss)/profit from discontinued operations attributable to ordinary equity holders of the parent	(1,579)	(56,533)	452,369	8,993
Profit attributable to ordinary equity holders of the parent	<u>18,751</u>	<u>13,660</u>	<u>384,940</u>	<u>6,864</u>
	3 months ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	<u>329,446</u>	<u>329,446</u>	<u>329,446</u>	<u>329,446</u>
	3 months ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	sen	sen	sen	sen
Basic earnings per share for:				
Profit/(loss) from continuing operations	6.17	21.31	(20.47)	(0.65)
(Loss)/profit from discontinued operations	(0.48)	(17.16)	137.31	2.73
Profit for the year	<u>5.69</u>	<u>4.15</u>	<u>116.84</u>	<u>2.08</u>

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NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 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 27 February 2008.

BY ORDER OF THE BOARD

Koo Swee Pheng

Secretary

Date: 27 February 2008