

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2008

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 issued by the Malaysian Accounting Standards Board 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 2007. 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 2007.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007.

A2. Seasonal or cyclical factors

The business operations of the Group are generally non-cyclical or seasonal.

A3. 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 2008 except for the net dilution gain of RM39.6 million (RM60.7 million less minority interests of RM21.1 million)

A4. Changes in estimates

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

A5. Debt and equity securities

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

A6. Dividends paid

The first and final dividend of 5 sen per share less 26% tax and a special dividend of 10 sen per share less 26% tax for the financial year ended 31 December 2007 amounting to RM36,568,498 was paid on 18 July 2008.

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A7. Segmental information

	3 months ended		9 months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Revenue from continuing operations:				
Manufacturing	104,465	94,378	275,074	253,110
Construction & road maintenance	73,481	96,175	202,461	269,122
Construction materials	33,152	23,052	84,198	61,548
Stockbroking and other financial services	3,667	5,543	11,439	14,439
Property development	3,281	8,804	8,689	18,632
Others*	34,068	42,503	103,786	103,144
Total revenue including inter-segment sales	252,114	270,455	685,647	719,995
Elimination of inter-segment sales	(10,531)	(17,523)	(40,915)	(46,793)
Total revenue from continuing operations	241,583	252,932	644,732	673,202
Revenue from discontinued operations	0	0	0	1,660,115
Total	241,583	252,932	644,732	2,333,317

Segment Results

Results from continuing operations:				
Manufacturing	23,043	22,508	62,489	59,056
Construction & road maintenance	34,666	9,508	50,246	(57,322)
Construction materials	2,738	2,606	7,645	(9,336)
Stockbroking and other financial services	61	816	309	(63,768)
Property development	(709)	(338)	(1,559)	(526)
Others*	22,668	19,016	33,219	12,747
Total results from continuing operations	82,467	54,116	152,349	(59,149)
Results from discontinued operations	(3)	3,161	11,066	854,583
Unallocated corporate expenses	3,180	(4,655)	2,539	(17,259)
Finance costs	(9,742)	(9,385)	(30,233)	(30,603)
Share of profit/(loss) of associates	(14,084)	4,444	(16,783)	26,255
Share of profit of jointly controlled entities	924	1,536	2,017	3,564
Profit before tax	62,742	49,217	120,955	777,391
Income tax expenses	(10,405)	(8,318)	(27,528)	(27,151)
Net profit for the period	52,337	40,899	93,427	750,240

* General trading, education, UBG Bhd and others.

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A8. 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 2007.

A9. Subsequent events

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

A10. Changes in the composition of the Group

There has been no change in the composition of the Group for the quarter ended 30 September 2008 except for the following:

- (a) On 2 July 2008, PPES Works (Sarawak) Sdn Bhd (“PPES”), a 51.0% owned subsidiary, completed the disposal of its 810,000 ordinary shares of RM1.00 each representing 81.0% equity interest in CMS Roads Sdn Bhd (“CMS Roads”) to UBG Berhad (“UBG”), a 51% owned subsidiary of the Company, at a total purchase consideration of RM99.63 million, which was 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.

Further to the disposal of CMS Roads, PPES also disposed of 5,000,000 ordinary shares of RM1.00 each representing the entire equity interest of CMS Pavement Sdn Bhd (“CMS Pavement”) to UBG for a total purchase consideration of RM12.0 million satisfied by issuance of 4,800,000 new ordinary shares at an issue price of RM2.50 per UBG Share on 2 July 2008.

As a result, CMS Roads and CMS Pavement ceased to be subsidiaries of PPES Works on 2 July 2008.

- (b) On 25 July 2008, UBG completed the acquisition of 68,604,274 ordinary shares of RM0.50 each representing approximately 49.0% equity interest in Putrajaya Perdana Berhad (“PPB”) from Swan Symphony Sdn Bhd (“SSSB”) for a total cash consideration of RM332,730,729 by the subscription of 133,092,300 new UBG Shares. SSSB had nominated Majestic Masterpiece Sdn Bhd (“MMSB”) to be allotted and issued with the 133,092,300 new UBG Shares. UBG entered into a shareholders’ agreement with MMSB for the restricted issue.

Concurrently, UBG completed the acquisition of 25,540,431 ordinary shares of RM0.50 each in Loh & Loh Coporation Berhad (“LLCB”) from Binary Bestari Sdn Bhd (“BBSB”), representing a 37.56% equity interest in LLCB for a total cash consideration of RM123,871,090 and for the subscription of 49,548,500 new UBG Shares by BBSB, or an entity nominated by BBSB. BBSB had nominated MMSB to be allotted and issued with the 49,548,500 new UBG Shares.

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A10. Changes in the composition of the Group (cont'd)

Following the completion of the restricted issue by UBG on 31 July 2008, the Company's indirect equity interests in UBG have reduced from 51.8% to 37.2% and UBG has ceased to be a subsidiary of the Company.

A11. Changes in contingent liabilities and contingent assets

There are no changes in the contingent liabilities or contingent assets since the last annual balance sheet date.

A12. Capital commitments

The amount of commitments not provided for in the interim financial statements as at 30 September 2008 is as follows:

	RM'000
Capital expenditure for property, plant and equipment:	
Approved and contracted for	4,440
Other capital commitment:	
Approved and contracted for	<u>6,000</u>
	<u>11,230</u>

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A14. Discontinued operations

(a) CMS Steel Berhad (“CMS Steel”)

CMS Steel ceased operation on 31 March 2006. The disposal of the steel mill and all ancillary facilities was completed in the fourth quarter of 2007. The sale of the land and buildings was completed on 17 April 2008. The results from CMS Steel are presented separately on the income statement as discontinued operations.

The revenue and results of CMS Steel were as follows:

	3 months ended		9 months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Revenue	0	0	0	0
Profit/(loss) before tax	3	2,857	11,088	1,879
Income tax expense	0	0	0	0
Profit/(loss) for the period	3	2,857	11,088	1,879
The following amount has been included in arriving at profit before tax of discontinued operation:				
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of property, plant and equipment	11,262	0	11,262	0

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A14. Discontinued Operations (cont'd)

(b) CMS Digital Sdn Bhd (“CMS Digital”)

On 11 June 2008, the Company disposed of 1,000,000 ordinary shares of RM1.00 each representing the entire equity interest in CMS Digital to Adat Sensasi Sdn Bhd for a cash consideration of RM1.00.

CMS Digital was initially set up to undertake software development businesses in the Multimedia Super Corridor (“MSC”) and had a MSC licence which has expired. CMS Digital changed its strategic business directions to pursue other related contracts in East Malaysia. The business of CMS Digital is no longer complementary to the core businesses of the Group of manufacturing, construction materials, construction and property development.

The revenue and results of CMS Digital were as follows:

	3 months ended		9 months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Revenue	0	0	0	0
Profit/(loss) before tax	0	304	(22)	(155)
Income tax expense	0	0	0	0
Profit/(loss) for the period	0	304	(22)	(155)

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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-profit of RM109.9 million for the nine months ended 30 September 2008, compared to a pre-tax loss of RM77.2 million for the previous corresponding period ended 30 September 2007. The improved profit for the current period under review was mainly contributed by the dilution gain of RM60.7 million arising from share issue by UBG that led to the Company's indirect interests in UBG being diluted from 51.8% to 37.2% and the lower net interest expenses recorded by the Company on lower borrowings and increased cash balances.

All businesses except for the Property Development Division recorded better performance compared to the previous corresponding period. The previous corresponding period saw a significant loss due mainly to the provision for a potential loss in a major project in the Construction Division, impairment of investment in an associated company and the impairment of goodwill on consolidation.

The softening property market had continued to negatively affect the Property Development Division resulting in higher losses reported.

The "Others" Business Segment Division recorded a significant profit due to the dilution gain of RM60.7million in UBG.

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

The newly acquired associated company in the steel fabrication and manufacturing of steel pipes industry has contributed positively to the Group's results.

B2. Material changes in profit before taxation for the quarter

The Group's continuing operations reported a pre-tax gain of RM62.7 million including a dilution gain of RM60.7 million in UBG for the current quarter under review. However, excluding the dilution gain in UBG, the Group achieved a pre-tax profit of RM2.0 million as compared to a pre-tax profit of RM22.0 million in the preceding quarter.

All businesses reported better performance for the quarter under review except for Properties and the "Others" Business Segment Division. The higher losses reported by the Stock Broking Division has also attributed to the lower profit for the current quarter compared to the preceding quarter.

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B3. Prospects for the year ending 31 December 2008

Whilst the operating environment faced by the Group will remain challenging, the Board expects that the prospects for the year remain satisfactory and, coupled with other measures Management are taking, the Group is positioning itself 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		9 months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Income tax based on results for the period for continuing operations				
- Malaysian income tax	10,262	8,758	27,285	28,509
In respect of prior years	52	(530)	(28)	(612)
Deferred tax	91	90	271	(746)
	<u>10,405</u>	<u>8,318</u>	<u>27,528</u>	<u>27,151</u>
Income tax based on results for the period for discontinuing operations				
- Malaysian income tax	0	0	0	94,635
- overseas	0	0	0	82
In respect of prior years	0	0	0	(9,469)
Deferred tax	0	0	0	(7,528)
Tax on INCPS dividends	0	0	0	(9,804)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>67,916</u>
Total income tax expense	<u><u>10,405</u></u>	<u><u>8,318</u></u>	<u><u>27,528</u></u>	<u><u>95,067</u></u>

The effective tax rate for the current quarter and financial period ended 30 September 2008 and 30 September 2007 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	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Other investment at fair value through profit or loss:				
Total purchases	0	0	0	0
Total disposals - sale proceeds	0	0	0	544
Total profit on disposals	0	0	0	359

b) Details of investments in quoted securities are as follows:

	9 months ended	
	30.9.2008	30.9.2007
	RM'000	RM'000
Other investment at fair value through profit or loss:		
At cost	0	0
At book value	0	0
At market value	0	0

B8. Corporate proposals

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.

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.

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B9. Corporate proposals (cont'd)

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.

On 7 May 2008, the Company announced that the manufacturing licence for the smelter project has been issued by the Malaysian Industrial Development Authority on 26 February 2008. However, the final report on the Pre-feasibility Study is still being finalised. The major outstanding component is the Power Purchase Agreement the negotiation of which has commenced. Work on the Detailed Environmental Impact Assessment is progressing on schedule.

On 7 November 2008, the Company announced that the Detailed Environment Impact Assessment studies are continuing on schedule, and the Pre-Feasibility Study report is close to finalisation. Discussions with Sarawak Energy Berhad on the Power Purchase Agreement are in the final stages of negotiation.

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

B9. Borrowings

	As at 30.9.2008 RM'000	As at 31.12.2007 RM'000
<i>Secured</i>		
Term loan	150,473	0
Bankers' acceptances	28,027	0
Revolving credits	74,710	77,950
<i>Unsecured</i>		
Bank overdrafts	0	25
Bankers' acceptances	0	7,534
Revolving credits	50,000	52,000
Term loan	7,875	161,531
CMS Income Securities	377,269	379,263
Total	688,354	678,303
Maturity		
Repayable within one year	252,843	351,307
One year to five years	435,511	326,996
	688,354	678,303

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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

There were no changes in material litigation since the last annual balance sheet date of 31 December 2007.

B12. Dividend payable

No interim ordinary dividend has been declared for the nine months ended 30 September 2008 (30 September 2007: Nil).

B13. Earnings per share

Basic earnings per share amounts are calculated by dividing profit 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	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit from continuing operations attributable to ordinary equity holders of the parent	29,850	546,554	47,601	(87,604)
Profit from discontinued operation attributable to ordinary equity holders of the parent	(3)	(520,243)	11,066	453,793
Profit attributable to ordinary equity holders of the parent	29,847	26,311	58,667	366,189
	3 months ended		9 months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	'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	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	sen	sen	sen	sen
Basic earnings per share for:				
Profit/(loss) from continuing operations	9.06	165.90	14.45	(26.59)
Profit/(loss) from discontinued operation	0.00	(157.91)	3.36	137.74
Profit for the period	9.06	7.99	17.81	111.15

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B14. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2007 was not subject to any qualification.

B15. 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 28 November 2008.

BY ORDER OF THE BOARD

Koo Swee Pheng

Secretary

Date: 28 November 2008