

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 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 year ended 31 December 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 except for the payment of RM50 million being Bond Principal payment and redemption of the fifty (50) Non-Convertible Redeemable Preference Shares by the Company on 26 December 2008.

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

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2008

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.

A7. Segmental information

	3 months ended		12 months ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Revenue from continuing operations:				
Manufacturing	98,645	86,014	373,719	339,124
Construction & road maintenance	75,112	68,961	277,573	338,083
Construction materials	39,282	31,435	123,480	92,983
Stockbroking and other financial services	2,177	8,814	13,616	23,253
Property development	6,840	4,563	15,529	23,195
Others*	37,257	43,848	141,043	146,992
Total revenue including inter-segment sales	259,313	243,635	944,960	963,630
Elimination of inter-segment sales	(10,849)	(24,942)	(51,764)	(71,735)
Total revenue from continuing operations	248,464	218,693	893,196	891,895
Revenue from discontinued operations	0	456	0	1,660,571
Total	248,464	219,149	893,196	2,552,466

Segment Results

Results from continuing operations:				
Manufacturing	28,101	14,306	90,590	73,362
Construction & road maintenance	9,778	14,311	60,024	(43,011)
Construction materials	4,341	4,781	11,986	(4,555)
Stockbroking and other financial services	178	547	487	(63,221)
Property development	764	(349)	(795)	(875)
Others*	(5,685)	8,781	27,534	21,528
Total results from continuing operations	37,477	42,377	189,826	(16,772)
Unallocated corporate expenses	634	(996)	3,173	(18,255)
Finance costs	(11,438)	(10,001)	(41,671)	(40,604)
Share of profit/(loss) of associates	2,543	8,128	(14,240)	34,383
Share of profit of jointly controlled entities	308	1,294	2,325	4,858
Profit before tax	29,524	40,802	139,413	(36,390)
Income tax expenses	15,625	(6,701)	(11,903)	(33,852)
Results from discontinued operations	87	1,243	11,153	855,826
Net profit for the period	45,236	35,344	138,663	785,584

* General trading, education, UBG Bhd and others

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2008

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 31 December 2008.

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 31 December 2008 is as follows:

	RM'000
Capital expenditure for property, plant and equipment:	
Approved and contracted for	2,895
Other capital commitment:	
Approved and contracted for	<u>6,000</u>
	<u>8,698</u>

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

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2008

A13. 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		12 months ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Revenue	0	0	0	0
Profit/(loss) before tax	(9)	574	11,079	2,453
Income tax expense	96	(88)	96	(88)
Profit/(loss) for the period	87	486	11,175	2,365
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 prepaid land leases payments and property, plant and equipment	11,262	0	11,262	0

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2008

A13. 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		12 months ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Revenue	0	0	0	0
Profit/(loss) before tax	0	183	(22)	(338)
Income tax expense	0	0	0	0
Profit/(loss) for the period	0	183	(22)	(338)

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2008

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 RM139.4 million for the twelve months ended 31 December 2008, compared to a pre-tax loss of RM36.4 million for the previous corresponding period ended 31 December 2007. The improved profit for the current year under review was due to better performance recorded by all businesses compared to the previous corresponding period. This was further improved 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.

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.

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 RM29.5 million for the current quarter under review compared to RM62.7 million in the preceding quarter which includes a dilution gain of RM60.7 million in UBG.

All businesses reported better performance for the quarter under review except for Properties and the "Others" Business Segment Division.

B3. Prospects for the year ending 31 December 2009

Whilst the operating environment faced by the Group will remain increasingly 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.

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2008

B5. Income tax expense

	3 months ended		12 months ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Income tax based on results for the period for continuing operations				
- Malaysian income tax	4,248	9,737	31,533	38,246
In respect of prior years	2,442	(2,111)	2,414	(2,723)
Deferred tax	(22,315)	(925)	(22,044)	(1,671)
	<u>(15,625)</u>	<u>6,701</u>	<u>11,903</u>	<u>33,852</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>(15,625)</u>	<u>6,701</u>	<u>11,903</u>	<u>101,768</u>

The effective tax rate for the current quarter and financial year ended 31 December 2008 and 31 December 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 year under review.

B7. Quoted securities

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

	3 months ended		12 months ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Other investment at fair value through profit or loss:				
Total purchases	0	0	28,207	0
Total disposals - sale proceeds	0	0	28,713	544
Total profit on disposals	0	0	506	359

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2008

B7. Quoted securities (cont'd)

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

	12 months ended	
	31.12.2008	31.12.2007
	RM'000	RM'000
Other investment at fair value through profit or loss:		
At cost	29,588	0
At book value	29,588	0
At market value	30,066	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.

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.

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

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2008

B8. Corporate proposals (cont'd)

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 31.12.2008 RM'000	As at 31.12.2007 RM'000
<i>Secured</i>		
Revolving credits	74,710	77,950
Margin trading financing	15,903	0
<i>Unsecured</i>		
Bank overdrafts	0	25
Bankers' acceptances	27,300	7,534
Revolving credits	50,000	52,000
Term loan	156,657	161,531
CMS Income Securities	325,198	379,263
Total	649,768	678,303
Maturity		
Repayable within one year	267,547	351,307
One year to five years	382,221	326,996
	649,768	678,303

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.

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

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2008

B12. Dividend payable

The Board of Directors has recommended a proposed first and final dividend of 5 sen per share less 25% tax (2007: first and final dividend of 5 sen per share less 26% tax and special dividend of 10 sen per share less 26% tax). The dividend entitlement and payment date for the first and final dividend will be announced at a later date.

	2008	2007
Amount per share (sen)		
- proposed first and final dividend less taxation at 25% (2007: 26%)	5	5
- proposed special dividend less taxation at 25% (2007: 26%)	<u>0</u>	<u>10</u>
Total dividend for the financial year	<u>5</u>	<u>15</u>

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		12 months ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Profit from continuing operations attributable to ordinary equity holders of the parent	36,916	20,734	84,517	(66,870)
Profit from discontinued operation attributable to ordinary equity holders of the parent	87	1,243	11,153	455,036
Profit attributable to ordinary equity holders of the parent	<u>37,003</u>	<u>21,977</u>	<u>95,670</u>	<u>388,166</u>
	3 months ended		12 months ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	'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	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	sen	sen	sen	sen
Basic earnings per share for:				
Profit/(loss) from continuing operations	11.20	6.29	25.65	(20.30)
Profit from discontinued operation	<u>0.03</u>	<u>0.38</u>	<u>3.39</u>	<u>138.12</u>
Profit for the period	<u>11.23</u>	<u>6.67</u>	<u>29.04</u>	<u>117.82</u>

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

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2008

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 25 February 2009.

BY ORDER OF THE BOARD

Koo Swee Pheng

Secretary

Date: 27 February 2009