NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2009

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 2008. 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 2008.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2008.

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 2009 except for the impairment loss in investment in UBG Berhad amounting to RM33.00 million and the gain on disposal of Sarawak Energy Berhad shares amounting to RM16.29 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 RM70 million being Bond Principal payment and redemption of the fifty (70) Non-Convertible Redeemable Preference Shares by the Company on 29 December 2009.

A6. Dividends paid

The first and final dividend of 5 sen per share less 25% tax for the financial year ended 31 December 2008 amounting to RM12,354,219 was paid on 17 July 2009.

A7. Segmental information

	3 months ended		12 months ended	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Manufacturing	104,312	98,645	382,186	373,719
Construction	89,406	75,112	205,111	277,573
Construction materials	37,053	39,282	134,875	123,480
Financial services	2,914	2,177	10,661	13,616
Property development	5,124	6,840	20,895	15,529
Others*	32,828	37,257	152,128	127,526
Total revenue including inter-segment sales	271,637	259,313	905,856	931,443
Elimination of inter-segment sales	(8,527)	(11,012)	(30,608)	(51,927)
Revenue from continuing operations	263,110	248,301	875,248	879,516
Revenue from discontinued operations	0	0	0	13,517
	263,110	248,301	875,248	893,033
Segment Results				
Results from continuing operations:				
Manufacturing	28,159	28,101	88,006	90,590
Construction	22,307	9,779	34,992	60,024
Construction materials	5,575	4,341	21,309	11,986
Financial services	343	178	196	487
Property development	(11)	763	(359)	(795)
Others*	(2,100)	(5,682)	(1,424)	(1,398)
Segment operating profit	54,273	37,480	142,720	160,894
Unallocated corporate income	10,489	709	6,963	3,248
Finance costs	(8,295)	(11,438)	(37,499)	(41,671)
Share of profit/(loss) of associates	5,628	737	11,717	(11,992)
Share of profit of jointly controlled entities	(1,178)	308	409	2,325
Profit before tax	60,917	27,796	124,310	112,804
Income tax expenses	(10,611)	15,624	(35,441)	(8,458)
Results from discontinued operations	(27,329)	1,916	(25,414)	34,417
Net profit for the period	22,977	45,336	63,455	138,763

* General trading, education and others

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 2008.

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 2009 except for the following:

On 25 November 2009, CMS Property Development Sdn Bhd, a wholly-owned subsidiary of the Company, acquired a new subsidiary company, CMS Development Service Sdn Bhd ("CMS Development Services") for a cash consideration of RM2.00. CMS Development Services is presently dormant and has an authorised share capital of RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each, of which 2 ordinary shares have been issued and are fully paid. CMS Development Services is a wholly-owned subsidiary of CMS Property Development Sdn Bhd and its principal activity is to carry out all activities related to project and construction management and development advisory services.

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 2009 is as follows:

	RM'000
Capital expenditure for property, plant and equipment:	
- Approved and contracted for	394
- Approved but not contracted for	28,688
Other capital commitment:	
- Approved and contracted for	30,000
- Approved and not contracted for	220
	59,302

A13. Discontinued operations and non-current asset held for sale

On 8 January 2010 the Company announced that on 29 December 2009, the Board of Directors of its wholly-owned subsidiary, Concordance Holdings Sdn Bhd ("CHSB") and the Board of Directors of its 51%-owned subsidiary, PPES Works (Sarawak) Sdn Bhd ("PPES") had, respectively, received letters of offer from PetroSaudi International Limited ("PetroSaudi") to acquire all the UBG Berhad ("UBG") Shares held by CHSB and PPES as at 29 December 2009 for a fixed cash consideration of RM2.50 per Sale Share (refer to Note B10 (c) for details).

The Boards of CMS and PPES had on 8 January 2010, approved the Proposed Disposal and accordingly, CHSB and PPES had on the same date, accepted the offers from PetroSaudi to dispose of their respective entire equity interests in UBG to PetroSaudi in accordance to the terms and conditions of the respective Offer Letters.

The Proposed Disposal is due to be completed by the second quarter of 2010. In compliance with FRS 5 "Non-Current Assets Held for Sale", the investment in UBG has been classified as "held for sale" and the share of results are presented separately on the income statement as discontinued operation. Accordingly, the income statements for the financial year ended 31 December 2008 have been re-presented on a comparable basis.

The analysis of the results of UBG and the Group's share of results in UBG is as follows:

	2009 RM'000	2008 RM'000
Revenue	0	13,517
Expenses	0	(5,563)
Profit before tax	0	7,954
Income tax expense	0	(3,446)
Profit for the year	0	4,508
Share of results of UBG	7,586	(2,248)
Gain on deemed disposal	0	20,981
Impairment loss on investment	(33,000)	0
	(25,414)	23,241

The carrying amount of investments in UBG classified as held for sale as at 31 December 2009 is represented by:

	RM'000
Cost of investment	130,893
Share of post acquisition reserves	367,077
Impairment loss	(33,000)
	464,970

NOTES TO THE QUARTERLY REPORT – 31 DECEMBER 2009

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 profit of RM124.31 million for the twelve months ended 31 December 2009, compared to a pre-tax profit of RM112.80 million for the twelve months ended 31 December 2008.

Manufacturing Division reported lower profits compared to the previous year mainly due to higher material costs in current year under review but remained as the highest contributor for the Group. Construction Division reported lower profits as the results for twelve months ended 31 December 2009 no longer include the gain and results of the profit-making subsidiaries which were disposed of in July 2008. However, the recovery of costs for a major completed project had contributed significantly to the Construction Division's results.

Construction Materials Division reported significantly higher profit than the previous corresponding year benefiting from increased sales revenue mainly due to federal government's spending on rural roads under the stimulus packages coupled with lower material costs. The soft property market is continuing to affect the performance of the Property Division.

The improved stock market with higher trading turnover has helped an associated company in the stock broking/investment banking industry to improve its performance. The associated company in the steel fabrication and manufacturing of steel pipes industry reported much better results compared to the previous year due to the significant improved steel water pipes business.

B2. Material changes in profit before taxation for the quarter

The Group's pre-tax profit from continuing operations for the current quarter under review of RM60.92 million was 84% higher than the pre-tax profit of RM33.11 million in the preceding quarter.

This was mainly due to the recovery of costs of RM19.77 million for a major completed project by the Construction Division and the gain on disposal of Sarawak Energy Berhad shares amounting to RM16.29 million by the Company in the quarter under review.

B3. Prospects for the year ending 31 December 2010

Whilst the operating environment faced by the Group will remain challenging, the Board expects that the prospects for the year for our continuing operations to be an improvement on 2009 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		12 months ended	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	RM'000	RM'000	RM'000	RM'000
Income tax based on results for the period for continuing operations				
- Malaysian income tax	9,630	4,248	34,694	28,087
In respect of prior years	824	2,442	590	2,414
Deferred tax	157	(22,314)	157	(22,043)
Total income tax expense	10,611	(15,624)	35,441	8,458

(a) The effective tax rate for the current quarter ended 31 December 2009 was lower than the statutory tax rate mainly due to the non-taxable capital gain from the disposal of a long term investment.

(b) The effective tax rate for the financial year ended 31 December 2009 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.

(c) The effective tax rate for the financial year ended 31 December 2008 was lower than the statutory tax rate mainly due to income not subject to tax and recognition of deferred tax assets.

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	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	RM'000	RM'000	RM'000	RM'000
Total purchases	8,532	0	8,878	0
Total disposals - sale proceeds	187,494	0	187,985	0
Total profit on disposals	16,187	0	16,292	0

b) Total investments in quoted securities as at 31 December 2009 are as follows:

	RM'000
At cost	29,340
At book value	27,361
At market value	27,361

B8. Corporate proposals

(a) Heads of Agreement with Rio Tinto Aluminium (Malaysia) Sdn Bhd, a wholly-owned subsidiary of Rio Tinto Aluminium Limited

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 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.

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.

On 29 January 2010, the Company announced that the Company and RTA have mutually agreed to extend the HOA to 31 March 2010 as the pre-feasibility study is still being finalised due to on-going negotiations on the power purchase agreement with Sarawak Energy Berhad.

B9. Corporate proposals (contd.)

(b) Proposed disposal of the entire equity interest of CMS Trust Management Berhad ("CMSTM")

On 14 December 2009, the Company announced that its subsidiary company, CMS Capital Sdn Bhd ("CMSC") and AGI Asset Management ltd ("AGI") (collectively the "Vendors") had, on 14 December 2009 entered into a Share Sale Agreement with Kenanga Investment Bank Berhad ("KIBB"), a wholly-owned subsidiary of K&N Kenanga holdings berhad for the disposal of 6,765,300 ordinary shares of RM1.00 each in CMSTM, representing the entire equity interest in CMSTM to KIBB for a total cash consideration of RM23,000,000.

The proposed disposal of CMSTM is expected to be completed by the first half of 2010. Upon the completion, CMSTM will cease to be a subsidiary of the Company.

(c) Proposed Disposal by Concordance Holdings Sdn Bhd (a wholly-owned subsidiary) ("CHSB") and PPES Works (Sarawak) Sdn Bhd (a 51%-owned subsidiary) ("PPES") to PetroSaudi International Ltd of their respective entire equity interests in UBG Berhad ("UBG"), representing in aggregate approximately 37.21% of UBG's issued and paid-up share capital (Proposed Disposal")

As mentioned in Note A13, on 8 January 2010, the Company announced that on 29 December 2009, CHSB and PPES received letters of offer from PetroSaudi to acquire all the UBG shares and the Boards of CMS and PPES had on 8 January 2010, approved the Proposed Disposal. CHSB and PPES had on the same date, accepted the offers from PetroSaudi to dispose of their respective entire equity interests in UBG to PetroSaudi in accordance to the terms and conditions of the respective Offer Letters. It was further stated in PetroSaudi's letters of offers that the last date for acceptance of its offer is 8 January 2010.

The Proposed Disposal entails the disposal by:-

(i) CHSB of 141,558,155 UBG Shares, representing approximately 28.29% equity interests in UBG for cash consideration of RM353,895,388; and

(ii) PPES of 44,652,000 UBG Shares, representing approximately 8.92% equity interests in UBG for cash consideration of RM111,630,000,

The total cash consideration to be received by CHSB and PPES for the Proposed Disposal amounts to RM465,525,388. The Sale Shares represent 37.21% of the issued and paid-up share capital of UBG. Whilst CHSB is a wholly-owned subsidiary company of CMS, CMS holds only 51% equity interests in PPES. Accordingly, CMS holds an indirect effective stake of 32.84% in UBG.

B10. Corporate proposals (contd.)

(c) Proposed Disposal by Concordance Holdings Sdn Bhd (a wholly-owned subsidiary) ("CHSB") and PPES Works (Sarawak) Sdn Bhd (a 51%-owned subsidiary) ("PPES") to PetroSaudi International Ltd of their respective entire equity interests in UBG Berhad ("UBG"), representing in aggregate approximately 37.21% of UBG's issued and paid-up share capital (Proposed Disposal") (contd.)

The salient terms of the Offer Letters include, *inter-alia:*-:

(i) The Sale Shares at the Purchase Price shall be acquired directly by PetroSaudi or through its nominee;

(ii) The disposal of the Sale Shares shall be effected via a direct business transaction ("DBT") in accordance with the applicable rules of Bursa Malaysia Securities ("Bursa Securities") on the market day immediately after the date of the receipt of the last of the approvals of (a) the shareholders of CHSB and/or PPES and/or their respective shareholders' at an extraordinary general meeting to be convened and (b) the approval of the regulatory authorities (where applicable) in respect of the Proposed Disposal;

(iii) The Purchase Price shall be fully settled within three (3) market days of the DBT; and

(iv) The terms and conditions set out in the Offer Letters constitute the full and complete terms of the PetroSaudi's offer.

As such, the Proposed Disposal and the acceptance of the Offer Letters are conditional upon the terms set out above.

The Proposed Disposal is subject to the shareholders' approval and any other regulatory authorities or parties, if required.

On 8 February 2010, the Company announced its intention to extend the time frame for submission of the circular to Bursa Securities for the Proposed Disposal by another one month from 8 February 2010.

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 31.12.2009 RM'000	As at 31.12.2008 RM'000
Secured		
Revolving credits	64,686	74,710
Margin trading financing	0	15,903
Unsecured		
Bankers' acceptances	26,100	27,300
Revolving credits	60,000	50,000
Term loans	130,341	156,657
Hire purchase	964	0
CMS Income Securities	252,145	325,198
Total	534,236	649,768
Maturity		
Repayable within one year	256,156	267,547
One year to five years	278,080	382,221
	534,236	649,768

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 2008.

B12. Dividend payable

The Board of Directors has recommended a proposed first and final dividend of 5 sen per share less 25% tax (2008: first and final dividend of 5 sen per share less 25% tax). The dividend entitlement and payment date for the first and final dividend will be announced at a later date.

	2009	2008
Amount per share (sen)		
- proposed first and final dividend less taxation at 25% (2008: 25%)	5	5
Total dividend for the financial year	5	5

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	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	RM'000	RM'000	RM'000	RM'000
Profit from continuing operations attributable to ordinary equity holders of the parent	40,329	35,187	66,780	61,353
(Loss)/profit from discontinuing operations attributable to ordinary equity holders of the parent	(27,329)	1,916	(25,414)	34,417
Profit attributable to ordinary equity holders of the parent	13,000	37,103	41,366	95,770
	3 months ended		**12 months ended**	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	329,446	329,446	329,446	329,446
	3 months ended		**12 months ended**	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	sen	sen	sen	sen
Basic earnings per share for:				
Profit from continuing operations	12.25	10.68	20.27	18.62
Loss from discontinued operations	(8.30)	0.58	(7.71)	10.45
Profit for the period	3.95	11.26	12.56	29.07

B14. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2008 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 24 February 2010.

BY ORDER OF THE BOARD

Koo Swee Pheng
Secretary
Date: 24 February 2010