NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2010

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 2009. 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 2009.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009 except for the adoption of Financial Reporting Standards ("FRSs") effective for financial periods beginning 1 January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
Amendments to FRSs	Improvements to FRSs (2009)
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR i – 3	Presentation of Financial Statements of Islamic Financial Institutions

Other than the adoption of FRS 8, FRS 101 and FRS 139, the application of the above FRSs, Amendments to FRSs and interpretations did not result in any significant changes in the accounting policies and the presentation of the financial results of the Group.

A1. Basis of preparation (contd.)

(a) FRS 8: Operating Segments

The Group applied this standard from financial periods beginning on 1 January 2010. As this is a disclosure standard, there is no impact on the financial position or results of the Group. This new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

(b) FRS 101: Presentation of Financial Statements

Arising from adoption of revised FRS101 which separates owner and non-owner changes in equity, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Group has adopted the format of consolidated statement of comprehensive income by presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense in one single statement. The adoption of this standard does not have any impact on the financial position and results of the Group.

(c) FRS 139: Financial Instruments: Recognition and Measurement

The Group adopted FRS139 on 1 January 2010 which has resulted in changes to accounting policies related to classification, recognition and measurement of its financial assets and liabilities as discussed below:

(i) Initial recognition and measurement
A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instruments. A financial instrument is recognised initially at its fair value. In the case of a financial instrument not categorised as fair value through profit or loss, the financial instrument is initially recognised at its fair value plus transaction costs that are directly attributable to acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. In the event that the embedded derivative is recognised separately, the host contract is accounted for in accordance with the policy applicable to the nature of the host contract.

(ii) Financial assets
Financial assets at fair value through profit or loss:
Prior to the adoption of FRS139, financial assets such as investments were accounted for at cost adjusted for amortisation of premium and accretion of discount less impairment or at lower of cost and market values, determined on an aggregate basis. With the adoption of FRS 139, the Group's short term investments are now categorised and measured as fair value through profit or loss and measured at their fair values with the gains and losses recognised in profit or loss.

A1. Basis of preparation (contd.)

(c) FRS 139: Financial Instruments: Recognition and Measurement (contd.)

(ii) Financial assets (contd.)
Loans and receivables:
Prior to adoption of FRS 139, loans and receivables were stated at cost less allowance for doubtful debts. Under FRS139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Gains and losses arising from the amortisation process, impairment, or derecognition of this financial assets are recognised in income statement.

(iii) Financial liabilities
The Group's financial liabilities include borrowings and trade and other payables. All financial liabilities are subsequently measured at amortised cost using the effective interest method.

In accordance with the provision of the standard, the changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the opening balances of the financial assets and financial liabilities at 1 January 2010 are restated in accordance with the transitional provisions for first-time adoption of FRS139 as follows:

Group	Before adjustment RM'000	FRS 139 adjustment RM'000	After adjustment RM'000
Trade and other receivables	244,944	(3,520)	241,424
Short term investments	101,917	1,231	103,148
Investment in associates*	283,964	537	284,501
Trade and other payables	(261,637)	880	(260,757)
Minority interests	(182,478)	1,246	(181,232)
Revenue reserve	(476,747)	(374)	(477,121)

** Arising from the Group's share of an associate's adjustments on adoption of FRS 139.*

In addition, these changes in accounting policies have the effect of increasing the profit before tax for the current financial period by RM4.27 million.

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 2010.

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 25% tax for the financial year ended 31 December 2009 amounting to RM12,354,219 was paid on 23 July 2010.

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A7. Segmental information

	3 months ended		9 months ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Manufacturing	106,407	98,838	300,036	271,684
Construction	17,263	30,673	35,784	115,705
Construction materials	49,707	44,248	125,467	104,012
Trading	17,256	39,883	81,805	101,711
Property development	43,739	5,901	118,528	15,771
Others*	5,701	11,115	19,348	25,336
Total revenue including inter-segment sales	240,073	230,658	680,968	634,219
Elimination of inter-segment sales	(7,613)	(7,460)	(21,537)	(22,081)
	232,460	223,198	659,431	612,138
Segment Results				
Results from continuing operations:				
Manufacturing	20,961	23,634	57,800	59,658
Construction	3,996	3,551	9,512	12,685
Construction materials	8,803	8,428	20,919	15,924
Trading	824	2,346	4,752	5,675
Property development	2,241	(72)	2,471	(349)
Others*	(2,188)	(2,226)	(5,454)	(5,146)
Segment operating profit	34,637	35,661	90,000	88,447
Unallocated corporate expense	4,099	2,553	(2,486)	(3,526)
Finance costs	(7,511)	(9,359)	(22,867)	(29,204)
Share of profit of associates	1,109	4,047	5,660	6,089
Share of profit of jointly controlled entities	(1,696)	212	(1,696)	1,587
Profit before tax	30,638	33,114	68,611	63,393
Income tax expenses	1,086	(11,420)	(11,199)	(24,830)
Results from discontinued operations	0	2,407	0	1,915
Net profit for the period	31,724	24,101	57,412	40,478

* Financial services, IT services, 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 2009.

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 2010 except for the following:

(a) The completion of the Proposed Disposal of UBG Berhad to PetroSaudi International Ltd by Concordance Holdings Sdn Bhd and PPES Works (Sarawak) Sdn Bhd as mentioned in B8 (b). UBG Berhad ceased to be an associate of the Company on 30 September 2010.

(b) On 13 September 2010, the Company entered into two Share Sales Agreements with Mintaro Sdn Bhd ("Mintaro") for the proposed acquisition of 720,000 ordinary shares of RM1.00 each in CMS Premix Sdn Bhd ("CMS Premix") representing 40% equity interest in CMS Premix for a total cash consideration of RM10.5 million and proposed acquisition of 120,000 ordinary shares of RM1.00 each in CMS Premix (Miri) Sdn Bhd ("CMS Premix (Miri)") representing 20% equity interest in CMS Premix (Miri) for a total cash consideration of RM1.5 million.

    The proposed acquisition was completed on 30 September 2010 and upon completion of the share transfer, the Company's effective shareholding in CMS Premix and CMS Premix (Miri) increased from 30.6% to 70.6% and from 30.6% to 50.6%, respectively.

(c) On 2 September 2010, the Company's 95.2% owned subsidiary CMS Capital Sdn Bhd ("CMSC") entered into a Share Sale Agreement with Mr. Ian Than Khean Hin for the disposal of 1,020,000 ordinary shares of RM1.00 each representing the Company's entire equity interest in CMS Asset Management Sdn Bhd for a total cash consideration of RM1.00.

    The Proposed Disposal was completed on 2 September 2010 and CMS Asset Management Sdn Bhd ceased to 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 2010 was as follows:

	RM'000
Capital expenditure for property, plant and equipment:	
- Approved and contracted for	46,596
- Approved but not contracted for	22,696
Other capital commitment:	
- Approved and not contracted for	36,000
	105,292

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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 profit of RM68.6 million for the nine months ended 30 September 2010, compared to a pre-tax profit of RM63.4 million for the nine months ended 30 September 2009.

The Manufacturing Division reported lower profits compared to the previous corresponding period due to higher material costs in the current period under review. The Construction Materials Division recorded significantly higher profit compared to the previous corresponding period ended 30 September 2009, benefiting from the government's continued spending on rural roads. The Trading Division was able to sustain its profitability, largely attributed to its strong sales.

The Construction Division had limited new contracts and had no major construction projects on hand. As a result, the Division registered a lower profit in the current period under review.

The Property Development Division registered profit for the nine months ended 30 September 2010 mainly due to the recognition of profit from a major development contract including the sale of land. Higher interest income earned by the Company from higher cash reserves and higher deposit rates has helped to improve the performance of the Group.

The Group's associate in the steel fabrication and manufacturing of steel pipes industry, namely KKB Engineering Bhd's, excellent performance in period ended 30 September 2010 has contributed significantly to the Group's results. However, the Group's other associate in the investment banking industry suffered a significant loss due to impairment made in respect of the investment bank's loans and advances.

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 RM30.6 million was 84% higher than the pre-tax profit of RM16.6 million in the preceding quarter. This was due to better performance by the Manufacturing Division and the Group's associate in the steel industry. The Group's other associate in the investment banking industry suffered a lower loss in the current quarter. The results of other Divisions were comparable to the preceding quarter.

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 remain satisfactory.

B4. Profit forecast or profit guarantee

Not applicable as there was no profit forecast nor profit guarantee issued.

B5. Income tax expense

	3 months ended		9 months ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RM'000	RM'000	RM'000	RM'000
Income tax based on results for the period for continuing operations:				
- Malaysian income tax	8,114	11,970	20,400	25,064
In respect of prior years	(8,776)	(550)	(8,777)	(234)
Deferred tax	(424)	0	(424)	0
Total income tax expense	(1,086)	11,420	11,199	24,830

The effective tax rate for the current quarter and financial period ended 30 September 2010 was lower that the statutory tax rate principally due to the reversal of tax provision in respect of prior years. The effective tax rate for the financial period ended 30 September 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 certain 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		9 months ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RM'000	RM'000	RM'000	RM'000
Total purchases	0	0	4,200	346
Total disposals - sale proceeds	1,900	0	1,900	491
Total profit on disposals	74	0	74	105

b) Total investments in quoted securities as at 30 September 2010 are as follows:

	RM'000
At cost	31,712
At book value	31,606
At market value	31,606

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 30 July 2010, the Company announced that both parties have mutually agreed to extend the HOA from 1 August 2010 to be terminable by either party giving the other a one month notice of termination as the pre-feasibility study is still being finalised due to on-going negotiations on the power purchase agreement with Sarawak Energy Berhad.

(b) 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")

On 29 December 2009, CHSB and PPES received letters of offer from PetroSaudi to acquire all the UBG shares of RM0.25 each held by them for a fixed cash consideration of RM2.50 per share. The Boards of CMS and PPES had on 8 January 2010 approved the Proposed Disposal. The total cash consideration to be received by CHSB and PPES for the Proposed Disposal amounts to RM465,525,388.

At the Extraordinary General Meeting on 30 April 2010, the shareholders of the Company approved the Proposed Disposal.

On 30 September 2010, the Company announced that the direct business transaction to facilitate the Proposed Disposal has been effected on the said date between CHSB and PPES with the nominated transferee of PetroSaudi being Javace Sdn Bhd. As such, the completion date of the Proposed Disposal was 30 September 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 30.9.2010 RM'000	As at 31.12.2009 RM'000
Secured		
Revolving credits	33,200	64,686
Hire purchase and finance lease liabilities	577	964
Unsecured		
Bank overdrafts	2,962	0
Bankers' acceptances	25,858	26,100
Revolving credits	60,000	60,000
Term loans	107,423	130,342
CMS Income Securities	251,480	252,144
Loan from corporate shareholder	4,410	0
Total	485,910	534,236
Maturity		
Repayable within one year	225,616	256,156
One year to five years	248,552	256,720
Over five years	11,742	21,360
	485,910	534,236

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. Derivatives

There were no derivatives entered into by the Group as at the end of the quarter under review.

B12. Gains/losses arising from fair value changes of financial liabilities

There were no gains/losses arising from fair value changes of financial liabilities.

B13. Changes in material litigation

There were no changes in material litigation since the last annual balance sheet date of 31 December 2009.

B14. Dividend payable

No interim ordinary dividend has been declared for the financial period ended 30 September 2010 (30 September 2009: 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	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RM'000	RM'000	RM'000	RM'000
Profit from continuing operations attributable to ordinary owners of the parent	26,740	16,322	46,177	26,451
Profit from discontinuing operations attributable to ordinary owners of the parent	0	2,407	0	1,915
Profit attributable to ordinary owners of the parent	26,740	18,729	46,177	28,366
	3 months ended		9 months ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	'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	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	sen	sen	sen	sen
Basic earnings per share for:				
Profit from continuing operations	8.12	4.95	14.02	8.03
Profit from discontinued operations	0.00	0.73	0.00	0.58
Profit for the period	8.12	5.68	14.02	8.61

B14. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2009 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 26 November 2010.

BY ORDER OF THE BOARD

Koo Swee Pheng
Secretary
Date: 26 November 2010