

Date: 25 May 2004

Attn: Cik Latifah Bt Haji Mohd Yusof
Senior Vice President, Listing

**COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)
QUARTERLY REPORT ANNOUNCEMENT**

Quarterly report on consolidated results for the first quarter ended 31 March 2004.
The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/03/2004 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/03/2003 RM'000	CURRENT YEAR TO DATE 31/03/2004 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/03/2003 RM'000
1 (a) Revenue	99,164	68,138	99,164	68,138
(b) Cost of sales	(58,543)	(31,858)	(58,543)	(31,858)
(c) Gross profit	40,621	36,280	40,621	36,280
(d) Other operating income	2,282	2,684	2,282	2,684
(e) Selling & distribution expenses	(3,216)	(3,099)	(3,216)	(3,099)
(f) Administrative expenses	(1,654)	(2,742)	(1,654)	(2,742)
(g) Staff cost	(10,511)	(10,911)	(10,511)	(10,911)
(h) Depreciation	(6,312)	(6,639)	(6,312)	(6,639)
(i) Other operating expenses	(4,495)	(4,638)	(4,495)	(4,638)
(j) Profit from operations	16,715	10,935	16,715	10,935
(k) Finance costs	(12,306)	(16,637)	(12,306)	(16,637)
	4,409	(5,702)	4,409	(5,702)
(l) Exceptional gain/(losses)	(5,226)	-	(5,226)	-
(m) Share of results of associated companies	5,769	(446)	5,769	(446)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/03/2004 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/03/2003 RM'000	CURRENT YEAR TO DATE 31/03/2004 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/03/2003 RM'000
(n) Profit/ (loss) before taxation	4,952	(6,148)	4,952	(6,148)
(o) Taxation	(3,623)	(1,140)	(3,623)	(1,140)
(p) Profit/(loss) after taxation	1,329	(7,288)	1,329	(7,288)
(q) Minority interest	24	17	24	17
(r) Net profit/(loss) for the period	1,353	(7,271)	1,353	(7,271)
Basic profit/(loss) per ordinary share (sen)	0.49	(2.64)	0.49	(2.64)
Diluted earnings/ (loss) per ordinary share (sen)	NA	NA	NA	NA

(The Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2003)

CONDENSED CONSOLIDATED BALANCE SHEET

	AS AT END OF CURRENT QUARTER (unaudited) 31/03/2004 RM'000	AUDITED FINANCIAL STATEMENT YEAR ENDED 31/12/2003 RM'000
Investment properties	215,472	215,472
Property, plant and equipment	410,909	410,192
Real property assets	137,122	136,973
Hotel properties and exhibition centre	827,732	827,732
Long term receivable	14,726	12,149
Deferred tax assets	25,329	26,798
Investment in associated companies	-	61,832
Other investments	7,315	4,674
Goodwill on consolidation	70	71
Current assets		
Inventories	96,733	96,645
Development properties	123,887	122,946
Construction work in progress	157	-
Trade and other receivables	285,892	243,651
Bank balances held in trust	118,861	104,588
Deposits, bank and cash balances	53,094	79,327
	678,624	647,157
Current liabilities		
Trade and other payables	256,298	279,180
Short term borrowings	353,982	347,710
Provision for taxation	82,782	82,747
	693,062	709,637
Net current liabilities	(14,438)	(62,480)
	1,624,237	1,633,413

CONDENSED CONSOLIDATED BALANCE SHEET

	AS AT END OF CURRENT QUARTER (unaudited) 31/03/2004 RM'000	AUDITED FINANCIAL STATEMENT YEAR ENDED 31/12/2003 RM'000
Share capital	275,699	275,699
Reserves	373,861	372,554
Shareholders' equity	<u>649,560</u>	<u>648,253</u>
Minority interests	9,430	9,454
Long term borrowings	878,293	879,627
Other long term liabilities	60,443	69,940
Deferred taxation	26,511	26,139
	<u>1,624,237</u>	<u>1,633,413</u>
Net tangible assets per share (RM)	2.36	2.35

(The Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2003)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2004

	Share	Distributable	Non-distributable reserves			Total	
	capital	reserve	Share	Reserve on	Revaluation		Exchange
	Ordinary	Accumulated	premium	consolidation	reserve	reserve	
	shares	loss	RM'000	RM'000	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2003	275,699	(43,943)	57,232	91,829	319,042	(6,477)	693,382
Net profit for the year	-	12,440	-	-	-	-	12,440
Revaluation / impairment	-	-	-	-	(67,553)	-	(67,553)
Translation gain	-	-	-	-	-	9,984	9,984
As at 31 December 2003	275,699	(31,503)	57,232	91,829	251,489	3,507	648,253
Net profit for the period	-	1,353	-	-	-	-	1,353
Translation loss	-	-	-	-	-	(46)	(46)
As at 31 March 2004	275,699	(30,150)	57,232	91,829	251,489	3,461	649,560

(The Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2003)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	3 months ended 31/03/2004 RM'000	3 months ended 31/03/2003 RM'000
Profit/ (loss) before taxation and minority interest	4,952	(6,148)
Adjustments for:		
- Non cash items	6,315	6,763
- Non operating items (which are investing/ financing)	12,138	446
Operating profit before changes in working capital	<u>23,405</u>	<u>1,061</u>
- Net change in current assets	(45,632)	(7,341)
- Net change in current liabilities	(43,625)	(25,633)
Cash used in operations	<u>(65,852)</u>	<u>(31,913)</u>
- Deferred income	-	1,213
- Interest paid	(1,435)	(5,187)
- Tax paid	(1,744)	(3,253)
Net cash flows used in from operating activities	<u>(69,031)</u>	<u>(39,140)</u>
Investing activities		
- Increase in balances held in trust, sinking fund, HDA a/c	(14,732)	(2,731)
- Other investments	52,179	(901)
Net cash generated from/ (used in) investing activities	<u>37,447</u>	<u>(3,632)</u>
Financing activities		
- Borrowings	(895)	47,215
Net cash (used in)/ generated from financing activities	<u>(895)</u>	<u>47,215</u>
Exchange reserve fluctuation	<u>(46)</u>	<u>(147)</u>
Net (decrease)/ increase in cash and cash equivalents	(32,525)	4,296
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	48,030	(3,085)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	<u>15,505</u>	<u>1,211</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
(CONTINUED)

	3 months ended 31/03/2004 RM'000	3 months ended 31/03/2003 RM'000
Cash and cash equivalents consist of:		
Bank balances held in trust	118,861	80,091
Cash and bank balances	53,094	30,938
Bank overdrafts	(29,875)	(25,553)
Less : Deposits pledged and placed pursuant to Housing Development Account	(7,714)	(4,174)
Bank balances held in trust	<u>(118,861)</u>	<u>(80,091)</u>
	<u>15,505</u>	<u>1,211</u>

(The Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2003)

COUNTRY HEIGHTS HOLDINGS BERHAD
EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004
Part I : MASB 26 Requirements (Paragraph 16)

1 Accounting Policies

The quarterly report has been prepared in accordance with MASB 26 'Interim Financial Reporting' and paragraph 9.22 of the Listing Requirements of Kuala Lumpur Stock Exchange. The same accounting policies and methods of computation are followed in the quarterly report as compared with the most recent annual audited financial statements of Country Heights Holdings Berhad ('CHHB') for the year ended 31 December 2003.

2 Audit Opinion on 2003 Financial Statements

The auditors did not qualify the audit opinion on CHHB's 2003 financial statements.

3 Seasonality or Cyclicity of Operations

There is no seasonality or cyclicity of operations.

4 Exceptional/ Extraordinary items

There were no exceptional/extraordinary items during the period under review except for the disposal of Knowledge Farm Sdn Bhd ('KFSB'), a subsidiary company, for a total consideration of RM62 million. As announced on 5 March 2004, the disposal of KFSB, a subsidiary of CHHB resulted in a gain on disposal of approximately RM163,000 at the Group level. The gain is based on the latest available unaudited management accounts as at 31 January 2004 of Nusa Pasifik Sdn Bhd ('NPSB'), an associated company of KFSB which recorded a net loss of approximately RM66 million for the year ended 31 January 2004. However, the unaudited management accounts of NPSB as at 29 February 2004 recorded a net profit of RM18 million. After accounting for the share of after tax results of the associated company of RM5.394 million, CHHB recorded a loss on disposal of RM5.226 million at Group level.

5 Change in Estimate

There were no major changes in method of estimating during the period under review.

6 Issuance or Repayment of Debt and Equity Securities

There were no issuance or repayment of debt or equity securities during the period under review.

7 Dividends paid

There were no dividends paid during the period under review.

COUNTRY HEIGHTS HOLDINGS BERHAD

EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004

Part II : KLSE Revised Requirements

8 Segmental Information for the Current Period to Date

	Property development RM'000	Construction RM'000	Hotel operations RM'000	Exhibition operations RM'000	Leisure operations RM'000	Rental operations RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue									
Group total	44,980	10,664	12,939	8,110	6,840	9,244	7,369	(982)	99,164
Intersegment	-	-	(99)	-	(21)	(862)		982	-
External	44,980	10,664	12,840	8,110	6,819	8,382	7,369	-	99,164
Results									
Segment results - external	10,589	863	1,158	148	(1,426)	4,793	590	-	16,715
Finance costs									(12,306)
Exceptional loss									(5,226)
Share of results of associated companies									5,769
Profit before taxation									4,952
Taxation									(3,623)
Minority interest									24
Profit for the period									1,353

COUNTRY HEIGHTS HOLDINGS BERHAD
EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004
Part II : KLSE Revised Requirements

9 Valuation of property, plant and equipment

There were no amendments in the valuation amount of the revalued assets brought forward to the current quarter and financial year to date. Included in the balance sheet are the following assets which are carried at revalued amounts from revaluations made

At valuation	RM'000
- Investment properties	215,472
- Hotel properties and exhibition centre	827,732
- Property, plant and equipment	22,383
Total	<u>1,065,587</u>

10 Subsequent event

There is no material event subsequent to 31 March 2004 that has not been reflected in the quarterly report for the period.

COUNTRY HEIGHTS HOLDINGS BERHAD

EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004

Part II : KLSE Revised Requirements

11 Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial period under review except for the disposal of Knowledge Farm Sdn Bhd ('KFSB'), a subsidiary company, for a total consideration of RM62 million. As announced on 5 March 2004, the disposal of KFSB, a subsidiary of CHHB resulted in a gain on disposal of approximately RM163,000 at the Group level. The gain is based on the latest available unaudited management accounts as at 31 January 2004 of Nusa Pasifik Sdn Bhd ('NPSB'), an associated company of KFSB which recorded a net loss of approximately RM66 million for the year ended 31 January 2004. However, the unaudited management accounts of NPSB as at 29 February 2004 recorded a net profit of RM18 million. After accounting for the share of after tax results of the associated company of RM5.394 million, CHHB recorded a loss on disposal of RM5.226 million at Group level.

12 Contingent Liabilities / Assets

There are no material contingent liabilities except as disclosed in note 23(a) and no contingent assets except as disclosed in note 23(b) to (c) as at the date of this quarterly report.

13 Review of To Date Performance (against previous year)

The increase in the Group's revenue by RM31 million to RM99 million in the current year to date as compared to the corresponding period in 2003 is mainly due to higher revenue recorded from Country Heights Damansara Project as a result of higher percentage of completion of work. The increase in the progressive profit recognition from property development and the decrease in finance cost and administrative expenses have contributed to the Group's pretax profit of RM4.95 million.

COUNTRY HEIGHTS HOLDINGS BERHAD

EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004

Part II : KLSE Revised Requirements

14 Material Changes in the Quarterly Results as Compared with the Immediate Preceding Quarter

The Group recorded an increase of its revenue by approximately RM13 million compared with the immediate preceding quarter. However, the lower pretax Group profits in the current quarter as compared with the immediate preceding quarter was mainly due to the exceptional gain recorded in the immediate preceding quarter of approximately RM49 million from the disposal of entire equity interest in Setia Haruman Sdn Bhd, Pecanwood Holdings (Pty) Limited ("PHPL") and Country Heights Brickfields College Sdn Bhd ("CHBC") amounting to RM36.8 million, RM21.8 million and RM4 million respectively. The gain for the disposal of PHPL and CHBC was due to the reversal of post acquisition losses suffered by the Group.

15 Current Year Prospects

The Group is currently undertaking various corporate restructuring exercises to raise funds to repay part of the Group's borrowings and for expansion. The Group has undertaken an internal reorganization to further streamline its two core businesses, i.e. property development and tourism property, to achieve greater efficiency and management focus. Upon completion of this streamlining exercise, the Group will be poised to compete for a larger share of the property development market, with the emergence of a newly listed and focused property development company.

Given the economy growing at a faster pace in general and improved property market in particular together with the expertise and experience in property development, the Group is confident and will continue to focus on the high-end property market segment.

16 Variance on Forecast Profit/ Profit Guarantee

Not applicable.

COUNTRY HEIGHTS HOLDINGS BERHAD
EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004
Part II : KLSE Revised Requirements

17 Taxation

Taxation comprises:

	Quarter 1		Cumulative Quarter	
	Current 31/03/2004 RM'000	Preceding 31/03/2003 RM'000	Current 31/03/2004 RM'000	Preceding 31/03/2003 RM'000
Malaysian taxation				
- current period	1,779	720	1,779	720
- deferred tax	1,469	420	1,469	420
Share of taxation of associated companies	375	-	375	-
	<u>3,623</u>	<u>1,140</u>	<u>3,623</u>	<u>1,140</u>

The effective rate of taxation for the Group is higher than the statutory tax rate as losses of certain subsidiary companies cannot be set off against taxable profits made by other subsidiary companies and certain expenses which are not deductible for tax purposes.

18 Sale of Unquoted Investments/ Properties

There were no sales of unquoted investments/ properties during the period under review except for the disposal of KFSB as mentioned under Part I, Note 4.

COUNTRY HEIGHTS HOLDINGS BERHAD
EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004
Part II : KLSE Revised Requirements

19 Purchase and Sale of Quoted Securities

(a) Particulars of the purchase of quoted securities for the current quarter were as follows:

	RM'000
Total purchase consideration	2,639

(b) Investments in quoted securities as at 31 March 2004 are as follows:

	RM'000
Total investments at cost	7,118
Total investments at carrying value/ book value (after provision for diminution in value)	6,645
Total investment at market value at end of reporting period	2,764

No further provision for diminution is made to take into account the decline in value of investments in quoted securities as these investments are held for long term and the decline in value is deemed temporary.

COUNTRY HEIGHTS HOLDINGS BERHAD
EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004
Part II : KLSE Revised Requirements

20 Corporate Proposals

(a) Status of Corporate Proposals

(i) Proposed Rights Issue, Special Issue and Bonus Issue of new ordinary shares in CHHB

The Company has proposed a Rights Issue, Special Issue and Bonus Issue of new ordinary shares in CHHB. The Proposed Rights Issue of up to 401,176,000 new ordinary shares of RM1 each is on a basis of one Rights Issue share for every one existing ordinary share held, at an indicative issue price of RM1 each. The Special Issue of 100,000,000 new ordinary shares of RM1 each at an indicative price of RM1 each will be made to Bumiputra investors approved by the Ministry of International Trade and Industry ('MITI). The Proposed Bonus Issue shares will be issued as fully paid shares of RM1 each on the basis of one Bonus Issue share for every two Rights Issue shares.

Based on the existing issued and fully paid-up share capital of 275,699,400 ordinary shares of RM1 each, the number of Rights Issue shares that will be issued will amount to 275,699,400 ordinary shares, and the Bonus Issue shares to be issued for these Rights Issue shares will amount to 137,849,700. Together with the revised proposed Special Issue of 100,000,000 ordinary shares, the total number of new shares to be issued pursuant to these proposals will amount to 513,549,100 and the number of ordinary shares in the issued and paid up share capital will be 789,248,500.

As announced on 11 March 2004, CHHB would no longer proceed with the proposed renounceable Right Issue, Special Issue and Bonus Issue exercise in view of its proposed internal reorganization and proposed listing of its property division on the Main Board of the Bursa Malaysia Securities Berhad.

COUNTRY HEIGHTS HOLDINGS BERHAD
EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004
Part II : KLSE Revised Requirements

20 Corporate Proposals (continue)

(a) Status of Corporate Proposals (continue)

(ii) Proposed Public Offering Exercise To Be Undertaken by Mines City Hotel Sdn Bhd

The Company has proposed a divestment of up to 49% interest in Mines City Hotel Sdn Bhd ('MCH'), a wholly owned subsidiary of CHHB. The proposed divestment will be by way of a proposed public issue/ placement of up to 200,000,000 new MCH Shares at an indicative issue/ placement price of RM1.00 per MCH Share payable in full on application. MCH is the owner and operator of the Palace of the Golden Horses Hotel ('PGH Hotel'). PGH Hotel is a five-star luxury hotel and conference centre situated within the Mines Resort City. The proceeds to be raised from this Proposed Public Offering will be mainly utilized by MCH to repay the RM250,000,000 nominal amount of 3% Redeemable Bonds 1996/2001 ('Bonds') and interests on the Bonds of which RM200,000,000 is outstanding, on behalf of CHHB, in order to secure the release of the charge on PGH Hotel. The proceeds from the issuance of the Bonds were earlier utilized primarily for the construction of PGH Hotel.

The Proposed Public Offering has been approved by the relevant authorities and shareholders of the Company and the Bondholders. The prospectus is pending finalisation and approval of the SC. SC has on 31 October 2003 approved an extension of time to 26 February 2005 for CHHB to implement the Proposed Public Offering.

On 11 February 2004, CHHB resubmitted to Securities Commission an update on the proposed public offering and applied for a further extension of time to 26 August 2004 to issue the prospectus.

COUNTRY HEIGHTS HOLDINGS BERHAD
EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004
Part II : KLSE Revised Requirements

20 Corporate Proposals (continue)

(a) Status of Corporate Proposals (continue)

(iii) Proposed asset based settlement to extinguish liabilities arising from the 5 sen Cumulative Redeemable Preference Shares of RM0.10 each in the Company (“CRPS I”)

On 11 March 2004, the Company entered into an agreement setting out the principal terms and conditions of the following transactions:

- (i) sale of the entire issued and paid up share capital of Pioneer Oscar Berhad, the beneficial owner of the Golf Course, by Timbang Makmur Sdn Bhd (“TMSB”), a wholly-owned subsidiary of the Company, to Mines Golf Resort Berhad, a company in which Directors of the Company, Tan Sri Lee Kim Tiong@ Lee Kim Yew, Gen(Retired) Tan Sri (Dr) Mohamed Hashim bin Mohd Ali and Dato’ Azhar bin Hashim, have substantial interests, for a consideration of RM11,400,000;
- (ii) rescission of the sale of a parcel of land held under HS(D) 59899 PT16727 Mukim and District of Petaling State of Selangor by Prinsip Kombinasi (M) Sdn Bhd, a company in which a Director of the Company, Tan Sri Lee Kim Tiong@ Lee Kim Yew, has controlling interest, to the Company;
- (iii) sale of the entire issued and paid up share capital of Mines Wonderland Sdn Bhd by TMSB to Mines Resort City Sdn Bhd, a company in which a Director of the Company, Tan Sri Lee Kim Tiong@ Lee Kim Yew, has controlling interest, for a consideration of RM67,346,000; and
- (iv) sale of the entire issued and paid up share capital of Paramount Returns Sdn Bhd, the registered proprietor of a parcel of land held under HS (M) 9866 PT 3062 and HS (M) 9867 PT 3063 Mukim of Petaling District of Kuala Lumpur, State of Wilayah Persekutuan by Steady Prospect Sdn Bhd, a wholly owned subsidiary of the Company to MRCSB for a consideration of RM2,247,000.

The agreement is conditional upon approvals by the Company’s shareholders, holders of the CRPS I, Foreign Investment Committee, Ministry of International Trade and Industry and the Securities Commission.

COUNTRY HEIGHTS HOLDINGS BERHAD
EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004
Part II : KLSE Revised Requirements

20 Corporate Proposals (continue)

(a) Status of Corporate Proposals (continue)

(iv) Proposed internal reorganization; and Proposed listing of the property division of the Group on the Bursa Malaysia Securities Berhad (“Proposed Listing”)

The Company had on 11 March 2004 entered into two (2) conditional share purchase agreements to undertake an internal reorganization to further streamline the Group’s two (2) core businesses namely, property development and property investment (which includes tourism and leisure related services) with an intention to seek a listing of the property development division of the Group on the Main Board of the Bursa Malaysia Securities Berhad, as follows:

- (i) A conditional share purchase agreement between the Company and Country Heights Property Development Berhad (formerly known as Country Heights Property Maintenance Sdn Bhd) (“CHPD”), a wholly owned subsidiary of the Company, for the disposal by the Company to CHPD of the Company’s entire direct interest in the following wholly owned subsidiaries:
- a) Country Heights Sdn Bhd;
 - b) Country Heights Parade Sdn Bhd;
 - c) College Heights Utara Sdn Bhd;
 - d) Country Heights WTC Sdn Bhd;
 - e) Lokasi Istimewa Sdn Bhd;
 - f) Nasmaya Juara Sdn Bhd;
 - g) Tindak Murni Sdn Bhd;
 - h) Walum Enterprise Sdn Bhd;
 - i) Country Heights Industries Sdn Bhd (‘CHISB’) (including wholly owned subsidiary Master Strike Sdn Bhd (‘MSSB’);
 - j) Country Heights Marketing Sdn Bhd (including wholly owned subsidiary PRS Homes Sdn Bhd, formerly known as Alpha Chapter Sdn Bhd); and
 - k) Country Heights Properties Sdn Bhd (‘CHPSB’) (including wholly owned subsidiary Country Heights Pangsa Rakyat Sdn Bhd, Best Golden Inc, Mega Palm Sdn Bhd and Country Heights Enterprise Sdn Bhd (‘CHESB’) (including wholly owned subsidiary, Country Heights Trading Sdn Bhd (‘CHTSB’).

COUNTRY HEIGHTS HOLDINGS BERHAD
EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004
Part II : KLSE Revised Requirements

20 Corporate Proposals (continue)

(a) Status of Corporate Proposals (continue)

(iv) Proposed internal reorganization; and Proposed listing of the property division of the Group on the Bursa Malaysia Securities Berhad (“Proposed Listing”) (CONTINUED)

- (ii) A conditional share purchase agreement between the Company, CHISB and CHESB for the Company's acquisition of the following:
- (a) entire equity interest of MSSB from CHISB; and
 - (b) entire equity interest of CHTSB from CHESB.
- MSSB and CHTSB are collectively referred to as “CHPD Non-Target Subsidiaries”.

The Company had on 6 April 2004 entered into a share purchase agreement with CHPSB for the acquisition of the entire equity interest of Mega Palm Sdn Bhd ("MPSB"), a wholly owned subsidiary of CHPSB, for a purchase consideration of RM1 million to be satisfied in cash.

MPSB had on 6 April 2004 entered into a sale of business agreement with CHPSB for the disposal of its entire business undertakings to CHPSB to be satisfied via the issuance of 3,851,854 ordinary shares of RM1 each in CHPSB and a cash payment of RM40,000 to the Company. In connection with the 2 agreements entered into on 6 April 2004, the Company had also entered into a supplemental share sale agreement with CHPD to vary certain terms and conditions of the share sale agreement dated 11 March 2004 entered between the Company and CHPD.

To unlock the value of the property division held by CHPD, the Board of Directors of the Company intends to seek a listing of CHPD and CHPD Target Subsidiaries ("CHPD Group") on the Main Board of the Bursa Malaysia Securities Berhad. Further updates of the Proposed Listing will be announced as soon as they are approved by the relevant authorities.

COUNTRY HEIGHTS HOLDINGS BERHAD
EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004
Part II : KLSE Revised Requirements

20 Corporate Proposals (continue)

(a) Status of Corporate Proposals (continue)

(iv) Proposed internal reorganization; and Proposed listing of the property division of the Group on the Bursa Malaysia Securities Berhad (“Proposed Listing”) (CONTINUED)

The proposed internal reorganization; and Proposed listing of the property division of the group on the Bursa Malaysia Securities Berhad is conditional upon approvals from the Securities Commission, Foreign Investment Committee, Bursa Malaysia Securities Berhad, shareholders of the Company and any other relevant authority.

(v) Proposed investment in East Vision Leisure Group Sdn Bhd (“EVL”), a wholly-owned subsidiary of the Company (“Proposed Investment”)

On 16 December 2003, the Company and EVL, entered into a conditional Master Agreement with Khazanah Nasional Berhad (“KNB”) to regulate their relationships and undertakings in respect of the Proposed Investment.

EVL will be the investment vehicle to facilitate the Proposed Investment involving the following:

- a. EVL will acquire the entire issued and paid up share capital of Mines Shopping Fair Sdn Bhd (“MSF”), Mines Waterfront Business Park Sdn Bhd (“MWBP”) and Mines International Exhibition Centre Sdn Bhd (“MIEC”) based on the adjusted net tangible assets on a balance sheet date (made up to the most practicable date), after taking into consideration values of Mines Shopping Fair, Mines Waterfront Business Park, Malaysia International Exhibition & Convention Centre.
- b. A proposed investment value of RM420 million whereby KNB shall make a cash injection to EVL amounting to RM125 million and, existing Lenders of MSF, MWBP and MIEC, which includes Arab Malaysian Merchant Bank Berhad and RHB Bank Berhad which are holders of the Cumulative Redeemable Preference Shares issued by Timbang Makmur Sdn Bhd, a wholly owned subsidiary of the Company, shall via a settlement agreement invest a sum of RM295 million in EVL.

COUNTRY HEIGHTS HOLDINGS BERHAD
EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004
Part II : KLSE Revised Requirements

20 Corporate Proposals (continue)

(a) Status of Corporate Proposals (continue)

(v) Proposed investment in East Vision Leisure Group Sdn Bhd (“EVL”), a wholly-owned subsidiary of the Company (“Proposed Investment”) (CONTINUED)

- c. EVL will issue to KNB one golden share whereby KNB's affirmative vote in general meetings is required on matters as prescribed in the Master Agreement.

As consideration for the investment by KNB and the Lenders, EVL will issue the following loan stocks:

- (i) RM420,000,000 nominal value 7 years 6% Redeemable Convertible Secured Loan Stocks 2004/ 2011 with a nominal value of RM1.00 each ("RCSLS Series A") to KNB and the Lenders; and
- (ii) RM68,821,674 (equivalent to the remaining outstanding interest and principal amount owing to Lenders, which figure may be varied subject to further determination) nominal value Redeemable Secured Loan Stocks with a nominal value of RM1.00 each ("RSLs Series B") to the Lenders.

The RSLs Series B (subject to the full redemption of RCSLS Series A including any interest accrued thereon), is redeemable and payable only in the event of a disposal of the assets, Mines Shopping Fair, Mines Waterfront Business Park and Malaysia International Exhibition & Convention Centre ("Identified Assets"), held by MSF, MWBP and MIEC respectively, above the value of RM420,000,000. In the event the disposal of the Identified Assets is above RM488,821,674, simple interest on the RSLs will be accreted and payable at 5% per annum upon redemption of the RSLs.

COUNTRY HEIGHTS HOLDINGS BERHAD

EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004

Part II : KLSE Revised Requirements

20 Corporate Proposals (continue)

(a) Status of Corporate Proposals (continue)

(v) Proposed investment in East Vision Leisure Group Sdn Bhd (“EVL”), a wholly-owned subsidiary of the Company (“Proposed Investment”) (CONTINUED)

First and second legal charges over the Identified Assets will be created in favour of the holders of RCCLS Series A and RCLS Series B respectively.

The Proposed Investment is conditional upon approvals from the Securities Commission, Foreign Investment Committee, shareholders of the Company, if required, and satisfaction of conditions precedent in the Definitive Agreements.

(b) Status of Utilisation of Proceeds

Not applicable.

COUNTRY HEIGHTS HOLDINGS BERHAD

EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004

Part II : KLSE Revised Requirements

21 Borrowings

The Group bank borrowings, equity and debt securities as at end of the current reporting period are:

	Short term	Long term	Total
	RM'000	RM'000	RM'000
Secured			
Bank overdrafts			
- local	22,190	-	22,190
Revolving credits			
- local	166,246	-	166,246
Term loan			
- local	12,500	78,192	90,692
- foreign (South African Rand)	-	-	-
- foreign (New Zealand Dollar)	-	540	540
Bonds	100,000	100,000	200,000
Cumulative Redeemable Preference Shares * ('CRPS')	-	333,436	333,436
Redeemable Convertible Secured Loan Stock ('RCSLS')	-	148,500	148,500
Deferred cash consideration	-	25,750	25,750
Total secured borrowings	300,936	686,418	987,354
Unsecured			
Bank overdrafts			
- local	7,666	-	7,666
- foreign (South African Rand)	19	-	19
Revolving credits			
- local	44,800	-	44,800
Hire purchase & lease creditors	561	1,397	1,958
Cumulative Redeemable Preference Shares	-	190,478	190,478
Total unsecured borrowings	53,046	191,875	244,921
Comprising:			
Total borrowings as at 31 March 2004	353,982	878,293	1,232,275
Local borrowings	353,963	877,753	1,231,716
Foreign borrowings	19	540	559

* CHHB has granted separate put options to two financial institutions, which are secured over the Mines Shopping Fair and Mines Waterfront Business Park.

All borrowings are denominated in Ringgit Malaysia unless indicated otherwise.

COUNTRY HEIGHTS HOLDINGS BERHAD

EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004

Part II : KLSE Revised Requirements

22 Off Balance Sheet Financial Instruments

There are no financial instruments with off balance sheet risk as at the date of this quarterly report.

23 Pending Material Litigation

The pending material litigations are:

- (a) On 25 June 2001, a third party filed a claim against Output Combination Sdn Bhd, a wholly owned subsidiary of CHHB, as the second defendant for wrongful termination of its appointment as exhibition managers pursuant to an Appointment Agreement dated 7 January 1999. The alleged claims are for loss of management fee and commission amounting to RM300,000 and RM865,376 respectively plus other damages. New hearing of the case management has been adjourned to 14 July 2004.

- (b) Master Strike Sdn Bhd ('Master Strike'), a wholly-owned subsidiary of CHHB, has in 1998 commenced action against a third party for the refund of a deposit sum of RM7,140,985 ('the Deposit) paid by Master Strike as purchaser pursuant to a Sale and Purchase Agreement which was forfeited on the ground of non-completion of the SPA by Master Strike. The Court dismissed Master Strike's claim with costs in October 2001. Master Strike has filed in a Notice of Appeal to the Court of Appeal and the Court of Appeal has yet to fix a hearing for the appeal.

- (c) Country Heights Sdn Bhd ('CHSB'), a wholly-owned subsidiary of CHHB, has filed a claim for RM4,672,494 against the Government for the compulsory acquisition of land. CHHB was awarded a sum of RM4,462,958. There is a current appeal by CHSB concerning an addition of 83 lots of land, which have been affected as a result of the compulsory land acquisition. This appeal involved a total claim of RM1,523,373. On 13 April 2004 and all parties entered into Consent Judgment for the sum of RM1,066,361 as full and final settlement. The compensation sum will be paid within three (3) months from the date of extraction of the sealed Order from the Court.

24 Dividend

Not applicable

COUNTRY HEIGHTS HOLDINGS BERHAD

EXPLANATORY NOTES FOR THE QUARTER ENDED 31 MARCH 2004

Part II : KLSE Revised Requirements

25 Earnings per share

Basic earnings per share is calculated by dividing the profit after taxation and minority interest of RM1.4 million by the number of ordinary shares in issue of 275,699,400 during the period under review.

By Order of the Board

Tan Sri Lee Kim Yew
Managing Director