

Date: 24 August 2004

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

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

**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2004**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30-Jun-04 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-Jun-03 RM'000	CURRENT YEAR TO DATE 30-Jun-04 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-03 RM'000
(a) Revenue	222,518	82,944	321,682	151,082
(b) Cost of sales	(102,460)	(41,754)	(161,003)	(73,612)
(c) Gross profit	120,058	41,190	160,679	77,470
(d) Other operating income	8,017	7,866	10,299	10,550
(e) Selling & distribution expenses	(11,775)	(2,057)	(14,991)	(5,156)
(f) Administrative expenses	(5,131)	(2,715)	(6,785)	(5,457)
(g) Staff cost	(10,600)	(10,492)	(21,111)	(21,403)
(h) Depreciation	(6,237)	(5,525)	(12,549)	(12,164)
(i) Other operating expenses	(7,713)	(9,029)	(12,208)	(13,667)
(j) Profit from operations	86,619	19,238	103,334	30,173
(k) Finance costs	(6,228)	(16,245)	(18,534)	(32,882)
(l) Profit/(loss) from operations	80,391	2,993	84,800	(2,709)

**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2004**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30-Jun-04 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-Jun-03 RM'000	CURRENT YEAR TO DATE 30-Jun-04 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-03 RM'000
(l) Profit/(loss) from operations	80,391	2,993	84,800	(2,709)
(m) Exceptional gain/(losses)	-	-	(5,226)	-
(n) Share of results of associated companies	-	(6,383)	5,769	(6,829)
(o) Profit/ (loss) before taxation	80,391	(3,390)	85,343	(9,538)
(p) Taxation	(20,871)	(3,126)	(24,494)	(4,266)
(q) Profit/(loss) after taxation	59,520	(6,516)	60,849	(13,804)
(r) Minority interest	3,292	(47)	3,316	(30)
(s) Net profit/(loss) for the period	62,812	(6,563)	64,165	(13,834)
Basic profit/(loss) per ordinary shares (sen)	22.78	(2.38)	23.27	(5.02)
Diluted earnings/ (loss) per ordinary shares (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 30 JUNE 2004**

	<b>AS AT END OF CURRENT QUARTER (unaudited) 30-Jun-04 RM'000</b>	<b>AUDITED FINANCIAL STATEMENT YEAR ENDED 31-Dec-03 RM'000</b>
Property, plant and equipment	407,883	410,192
Hotel properties and exhibition centre	801,547	827,732
Investment properties	215,472	215,472
Real property assets	116,432	136,973
Investment in associated companies	-	61,832
Other investments	10,700	4,674
Long term receivable	16,294	12,149
Deferred tax assets	16,689	26,798
Goodwill on consolidation	70	71
<b>Current assets</b>		
Inventories	96,564	96,645
Development properties	204,603	122,946
Construction work in progress	181	-
Trade and other receivables	294,260	243,651
Bank balances held in trust	130,459	104,588
Deposits, bank and cash balances	37,675	79,327
	<b>763,742</b>	<b>647,157</b>
<b>Current liabilities</b>		
Trade and other payables	232,240	279,180
Short term borrowings	351,031	347,710
Provision for taxation	92,271	82,747
	<b>675,542</b>	<b>709,637</b>
Net current assets/ (liabilities)	<u>88,200</u>	<u>(62,480)</u>
	<u><b>1,673,287</b></u>	<u><b>1,633,413</b></u>

**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2004 (CONT'D)**

	<b>AS AT END OF CURRENT QUARTER (unaudited) 30-Jun-04 RM'000</b>	<b>AUDITED FINANCIAL STATEMENT YEAR ENDED 31-Dec-03 RM'000</b>
<b><u>Finance By:</u></b>		
Share capital	275,699	275,699
Reserves	409,023	372,554
	<hr/>	<hr/>
Shareholders' equity	684,722	648,253
Minority interests	6,138	9,454
Long term borrowings	877,036	879,627
Other long term liabilities	74,133	69,940
Deferred taxation	31,258	26,139
	<hr/>	<hr/>
	<b>1,673,287</b>	<b>1,633,413</b>
	<hr/> <hr/>	<hr/> <hr/>
 Net tangible assets per share (RM)	 2.48	 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 30 JUNE 2004**

	Share capital	Distributable reserve	← Non-distributable reserves →			Total RM'000	
	Ordinary shares RM'000	Accumulated profit/(loss) RM'000	Share premium RM'000	Reserve on consolidation RM'000	Revaluation reserve RM'000		Exchange reserve 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	-	64,165	-	-	-	-	64,165
Revaluation / impairment	-	-	-	-	(27,615)	-	(27,615)
Translation loss	-	-	-	-	-	(81)	(81)
As at 30 June 2004	275,699	32,662	57,232	91,829	223,874	3,426	684,722

(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 FOR THE PERIOD  
ENDED 30 JUNE 2004**

	<b>6 months Ended 30-Jun-04 RM'000</b>	<b>6 months ended 30-Jun-03 RM'000</b>
Profit/ (loss) before taxation and minority interest	85,343	(9,538)
Adjustments for:		
- Non cash items	12,383	12,411
- Non operating items (which are investing/ financing)	16,279	2,346
Operating profit before changes in working capital	<u>114,005</u>	<u>5,219</u>
- Net change in current assets	(54,071)	19,362
- Net change in current liabilities	(43,615)	(15,655)
Cash generated from operations	<u>16,319</u>	<u>8,926</u>
- Deferred income	2,908	2,487
- Tax paid	(4,558)	(16,217)
- Interest paid	(18,535)	(5,119)
Net cash flows used in from operating activities	<u>(3,866)</u>	<u>(9,923)</u>
<b>Investing activities</b>		
- Increase in balances held in trust, sinking fund, HDA a/c	(23,432)	(17,775)
- Other investments	(12,216)	1,284
Net cash generated from/ (used in) investing activities	<u>(35,648)</u>	<u>(16,491)</u>
<b>Financing activities</b>		
- Borrowings	(5,641)	44,780
Net cash (used in)/ generated from financing activities	<u>(5,641)</u>	<u>44,780</u>
Exchange reserve fluctuation	<u>(20)</u>	<u>15</u>
Net (decrease)/ increase in cash and cash equivalents	(45,175)	18,381
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	48,030	(3,085)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	<u>2,855</u>	<u>15,296</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD  
ENDED 30 JUNE 2004 (CONT'D)**

	<b>6 months Ended 30-Jun-04 RM'000</b>	<b>6 months ended 30-Jun-03 RM'000</b>
<b>Cash and cash equivalents consist of:</b>		
Bank balances held in trust	130,459	94,715
Cash and bank balances	37,675	34,907
Bank overdrafts	(30,004)	(15,017)
	<u>138,130</u>	<u>114,605</u>
Less :		
Deposit pledge and sinking fund account	(2,443)	(2,189)
Deposits pledged and placed pursuant to Housing Development Account	(2,373)	(2,405)
Bank balances held in trust	(130,459)	(94,715)
	<u>2,855</u>	<u>15,296</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 30 JUNE 2004**  
**Part I : MASB 26 Requirements (Paragraph 16)**

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**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 report on CHHB for the financial year ended 31 December 2003 was not qualified.

**3 Seasonal or Cyclical Factors**

The Group operations were not affected by any seasonal or cyclical factors.

**4 Exceptional/ Extraordinary items**

Except for the disposal of Knowledge Farm Sdn Bhd ('KFSB'), a subsidiary company which, has been disclosed in previous quarter, there were no exceptional/extraordinary items during the period under review.

**5 Change in Estimate**

There were no major change in method of estimates 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 30 JUNE 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
<b>Revenue</b>									
Group total	227,141	13,172	26,025	10,302	14,664	18,514	13,837	(1,973)	321,682
Intersegment		-	(186)	-	(119)	(1,667)	(1)	1,973	-
External	<u>227,141</u>	<u>13,172</u>	<u>25,839</u>	<u>10,302</u>	<u>14,545</u>	<u>16,847</u>	<u>13,836</u>	<u>-</u>	<u>321,682</u>
<b>Results</b>									
Segment results - external	84,752	6,554	51,128	(872)	(2,557)	8,080	(46,005)		101,080
Interest income									2,254
Finance costs									(18,534)
Exceptional loss									5,769
Share of results of associated companies									<u>(5,226)</u>
Profit before taxation									85,343
Taxation									(24,494)
Minority interest									<u>3,316</u>
Profit for the period									<u><u>64,165</u></u>

## COUNTRY HEIGHTS HOLDINGS BERHAD

### EXPLANATORY NOTES FOR THE QUARTER ENDED 30 JUNE 2004

#### Part II : KLSE Revised Requirements

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#### 9 Valuation of hotel properties

During the period under review, the valuation of Palace of the Golden Horses hotel has been carried out and resulted an impairment of RM24 million and the deficit has been dealt with in the revaluation reserve account.

Included in the balance sheet are the following assets, which are carried at revalued amounts from revaluations made

<b>At valuation</b>	<b>RM'000</b>
- Investment properties	215,472
- Hotel properties and exhibition centre	801,547
- Property, plant and equipment	22,383
Total	<u>1,039,402</u>

#### 10 Subsequent event

There is no material event subsequent to 30 June 2004 that has not been reflected in the quarterly report for the period.

#### 11 Changes in the Composition of the Group

Except for the disposal of Knowledge Farm Sdn Bhd ('KFSB'), a subsidiary company which, has been disclosed in previous quarter, there were no changes in the composition of the Group during the financial period under review.

#### 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.

## **COUNTRY HEIGHTS HOLDINGS BERHAD**

### **EXPLANATORY NOTES FOR THE QUARTER ENDED 30 JUNE 2004**

#### **Part II : KLSE Revised Requirements**

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#### **13 Review of To Date Performance (against previous year)**

The increase in the Group's revenue by RM171 million to RM322 million in the current period to date as compared to the corresponding period in 2003 was 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 have contributed to the Group's pretax profit of RM85 million.

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

The Group recorded an increase of its revenue by approximately RM123 million compared with the immediate preceding quarter. The pretax Group profits in the current quarter increase significantly as compared with the immediate preceding quarter mainly due to profits contribution from property development projects works where higher percentage in completion of works was recognized.

#### **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.

#### **16 Variance on Forecast Profit/ Profit Guarantee**

Not applicable.

**COUNTRY HEIGHTS HOLDINGS BERHAD**  
**EXPLANATORY NOTES FOR THE QUARTER ENDED 30 JUNE 2004**  
**Part II : KLSE Revised Requirements**

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**17 Taxation**

Taxation comprises:

	Quarter 2		Cumulative Quarter	
	Current 30/06/2004 RM'000	Preceding 30/06/2003 RM'000	Current 30/06/2004 RM'000	Preceding 30/06/2003 RM'000
Malaysian taxation				
- current period	12,302	2,741	14,081	3,461
- deferred tax	8,569	460	10,038	880
Share of taxation of associated companies	-	(75)	375	(75)
	<u>20,871</u>	<u>3,126</u>	<u>24,494</u>	<u>4,266</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 in the first quarter report ended 31 March 2004.

**COUNTRY HEIGHTS HOLDINGS BERHAD**  
**EXPLANATORY NOTES FOR THE QUARTER ENDED 30 JUNE 2004**  
**Part II : KLSE Revised Requirements**

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**19 Purchase and Sale of Quoted Securities**

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

	<b>RM'000</b>
Total purchase consideration	3,306

(b) Investments in quoted securities as at 30 June 2004 are as follows:

	<b>RM'000</b>
Total investments at cost	10,424
Total investments at carrying value/ book value (after provision for diminution in value)	9,951
Total investment at market value at end of reporting period	4,899

No further provision for diminution in value was made in the current quarter accounts for the decline in value of investments in quoted securities as these are the investments held for long term and the decline in value is deemed temporary.

**COUNTRY HEIGHTS HOLDINGS BERHAD**  
**EXPLANATORY NOTES FOR THE QUARTER ENDED 30 JUNE 2004**  
**Part II : KLSE Revised Requirements**

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**20 Corporate Proposals**

**(a) Status of Corporate Proposals**

**(i) Proposed Public Offering Exercise To Be Undertaken by Mines City Hotel Berhad (formerly known as Mines City Hotel Sdn Bhd)**

The Company has proposed a divestment of up to 49% interest in Mines City Hotel Berhad ('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. The proceeds to be raised from this Proposed Public Offering will be mainly utilized by MCH to repay the RM200,000,000 nominal amount of 3% to 8% Redeemable Bonds 1996/2005 ('Bonds') and interests on the Bonds on behalf of CHHB, in order to secure the release of the charge on PGH Hotel.

On 21 June 2004, the Securities Commission approved the Revised Proposals and the Extension of Time, subject to certain conditions to be fulfilled. On 28 June 2004, after compliance of the conditions imposed, MCH issued a prospectus for the public issue/ placement of up to 200,000,000 new ordinary shares of RM1.00 each in Mines City Hotel Berhad at an issue/ placement price of RM1.00 per ordinary share payable in full on application.

Applications for the public issue/ placement will be accepted on 28 June 2004 and will be closed on 27 September 2004. In a situation where the minimum subscription of RM50 million or 25% of the total issue/ placement shares is achieved, the closing date of application will be extended to 27 June 2005 or upon full subscription of the public issue/ placement, whichever is earlier.

**COUNTRY HEIGHTS HOLDINGS BERHAD**  
**EXPLANATORY NOTES FOR THE QUARTER ENDED 30 JUNE 2004**  
**Part II : KLSE Revised Requirements**

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**20 Corporate Proposals (continue)**

**(a) Status of Corporate Proposals (continue)**

**(ii) 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 30 JUNE 2004

#### Part II : KLSE Revised Requirements

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#### 20 Corporate Proposals (continue)

##### (a) Status of Corporate Proposals (continue)

##### (iii) 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 30 JUNE 2004**  
**Part II : KLSE Revised Requirements**

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**20 Corporate Proposals (continue)**

**(a) Status of Corporate Proposals (continue)**

**(iii) 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 30 JUNE 2004**  
**Part II : KLSE Revised Requirements**

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**20 Corporate Proposals (continue)**

**(a) Status of Corporate Proposals (continue)**

**(iii) 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.

**(iv) 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 30 JUNE 2004**  
**Part II : KLSE Revised Requirements**

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**20 Corporate Proposals (continue)**

**(a) Status of Corporate Proposals (continue)**

**(iv) 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 30 JUNE 2004**  
**Part II : KLSE Revised Requirements**

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**20 Corporate Proposals (continue)**

**(a) Status of Corporate Proposals (continue)**

- (iv) 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 30 JUNE 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
<b>Secured</b>			
Bank overdrafts			
- local	23,087	-	23,087
Revolving credits			
- local	163,121	-	163,121
Term loan			
- local	12,500	76,965	89,465
- foreign (New Zealand Dollar)	-	488	488
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	298,708	685,139	983,847
<b>Unsecured</b>			
Bank overdrafts			
- local	6,861	-	6,861
- foreign (South African Rand)	56	-	56
Revolving credits			
- local	44,800	-	44,800
Hire purchase & lease creditors	606	1,419	2,025
Cumulative Redeemable Preference Shares	-	190,478	190,478
Total unsecured borrowings	52,323	191,897	244,220
Comprising:			
Local borrowings	350,975	876,548	1,227,523
Foreign borrowings	56	488	544
Total borrowings as at 30 June 2004	351,031	877,036	1,228,067

\* 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 30 JUNE 2004**

#### **Part II : KLSE Revised Requirements**

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#### **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, Protemp Exhibition Sdn Bhd 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 this case has been adjourned to 6 December 2004.
  
- (b) Master Strike Sdn Bhd ('Master Strike'), a wholly-owned subsidiary of CHHB, has in 1998 commenced action against Sterling Heights Sdn Bhd 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) Mines Exhibition Management Sdn Bhd ("MEM"), a subsidiary of CHHB, has in 29 April 2004 commenced action against Asian AR Trade Exhibition (M) Sdn Bhd and Anthony Ramasamy ("Defendants") for the recovery of outstanding rental amounting to RM1.0 million due to MEM for the rental of space in Mines Exhibition and Convention Centre. The Defendants have yet to file defense and no hearing date has been fix.

**COUNTRY HEIGHTS HOLDINGS BERHAD**

**EXPLANATORY NOTES FOR THE QUARTER ENDED 30 JUNE 2004**

**Part II : KLSE Revised Requirements**

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**24 Dividend**

Not applicable

**25 Earnings per share**

Basic earnings per share is calculated by dividing the profit after taxation and minority interest of RM64 million by the number of ordinary shares in issue of 275,699,400 during the period under review.

By Order of the Board

Ong Chong Sek  
Executive Director