

COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)
PART A – Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The interim financial statements have been prepared under the historical cost convention unless otherwise indicated.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2006.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for year ended 31 December 2006 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 October 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of FRS 124 does not have any significant financial impact on the Group.

The principal effect of the change in accounting policy resulting from the adoption of FRS 117 by the Group is as disclosed below:

(a) FRS 117: Leases

In the previous financial year, leasehold land held for own use was classified as property, plant and equipment and was stated at cost and revalued amount less accumulated depreciation and impairment losses, if any. The adoption of FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)
PART A – Explanatory Notes Pursuant to FRS 134

2. Changes in Accounting Policies (Contd.)

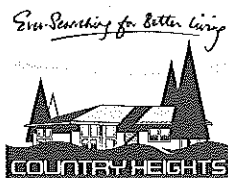
buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payments represent prepaid lease payments and are amortized on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2007, the unamortized amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payment as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payment has been accounted for retrospectively and the comparative figures are restated to conform to the current period's presentation. The effect to the Group arising from this change in accounting policy is as follows:

	As at 1 Jan 2007
	RM '000
Decrease in hotel properties and exhibition centre & showroom	(333,790)
Decrease in other property, plant & equipment	(58,393)
Increase in prepaid land lease payments	392,183

The effect to the Group's comparative figures on adoption of the above FRS is as follows:

	As previously reported	Effects on adoption of FRS	As restated
	RM '000	RM '000	RM '000
As at 1 Jan 2007			
Hotel properties and exhibition centre & Showroom	685,457	(333,790)	351,667
Other Property, plant and equipment	160,440	(58,393)	102,047
Prepaid land lease payments	-	392,183	392,183



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)
PART A – Explanatory Notes Pursuant to FRS 134

3. Audit Opinion on 2006 Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2006 was not qualified.

4. Segmental Information for the Current Period to Date

	12 months ended	
	31-Dec-07 RM'000	31-Dec-06 RM'000
<u>Segment revenue</u>		
Property developments	104,221	61,829
Hotel operations	58,695	49,476
Exhibition operations	3,284	6,902
Leisure operations	25,649	32,094
Rental operations	46,808	46,195
Medical Tourism	33,550	28,150
Others	22,544	10,383
	294,751	235,029
Elimination of inter segment transactions	(38,639)	(21,864)
Total	256,112	213,165
 <u>Segment results</u>		
Property developments	34,802	14,701
Hotel operations	(2,350)	(13,005)
Exhibition operations	(1,779)	(10,107)
Leisure operations	(1,904)	1,010
Rental operations	111,940	26,846
Medical Tourism	4,187	2,751
Others	51,701	39,951
	196,597	62,147
Elimination of inter segment transactions	(59,963)	(44,974)
Total	136,634	17,173

5. Unusual Items Due to Their Nature, Size or Incidence

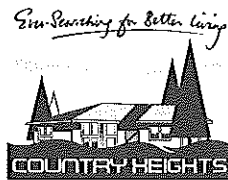
There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the period under review.

6. Change in Estimate

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

7. Seasonal or Cyclical Factors

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



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)
PART A – Explanatory Notes Pursuant to FRS 134

8. Dividends paid

There were no dividends paid during the period under review.

9. Carrying Amount of Revalued Assets

The valuation of property, plant and equipment and investment properties have been brought forward without amendment from the financial statements for the year ended 31 December 2006.

10. Issuance or Repayment of Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, shares cancellations and resale of treasury shares for the current financial period under review except for the following:

- a) Full redemption of Redeemable Convertible Secured Loan Stocks Series A ("RCSLS Series A") of RM420 million four (4) years ahead of schedule on 19 December 2007. The RCSLS Series A originally had a maturity date of 19 December 2011. It was paid in the form of cash.

11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter and the period under review.

12. Capital Commitments

There were no changes in capital commitments since the last annual balance sheet as at 31 December 2006 except for the following:

	RM'000
Approved and contracted for	50,400

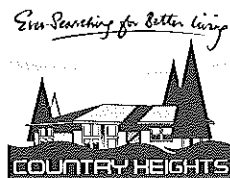
Included in the capital commitment is an amount in relation to PRS Homes Sdn Bhd, a wholly owned subsidiary of CHHB had acquired a piece of land as disclosed in the Company's announcement to Bursa Malaysia on 12 June 2007. To date the capital commitment has been reduce to RM44.8 million from RM50.4 million.

13. Contingent Liabilities / Assets

There are no other material contingent liabilities except as disclosed in Note 25 (a) to (d). No contingent assets except as disclosed in Note 25 (e) to (g) as at the date of this report.

14. Subsequent event

There was no other major subsequent event as at the date of this report.



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)
PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

15. Review of To Date Performance (against previous year)

The Group recorded higher revenue for the year ended 31 December 2007 of RM256.1 million as compared to RM213.2 million in the previous corresponding year ended 31 December 2006. Higher revenue recognised for the current year was mainly due to higher revenue reported from Property development, Hotel operations and Medical tourism segment.

The Group reported a profit before tax for the year ended 31 December 2007 of RM85 million against loss before tax of RM34 million in the year ended 31 December 2006. The improvement in performance was mainly due to better performance from Property development, Rental operations and the profits from the disposal of Mines Shopping Fair as disclosed in Note 22(a).

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

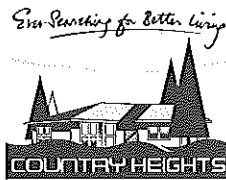
The Group's revenue for the 4th quarter ended 31 December 2007 decreased by approximately RM4.2 million to RM65.8 million as compared to the last quarter ended 30 September 2007 of RM70.0 million. The decrease was mainly due to lower revenue reported from Leisure operations and Exhibition operations..

The Group recorded a profit before tax of RM83.0 million for the 4th quarter ended 31 December 2007 against profit of RM2.3 million for the last quarter ended 30 September 2007. This was mainly due to the gain on disposal of Mines Shopping Fair as disclosed in Note 22(a).

17. Commentary on Prospects

The Group will remain focused on its core activities which are property development and investment. The Group has recently acquired 23 lots of freehold land located at Mukim of Rasa and Mukim Batang Kali, the acquisition is expected to increase the Group's earnings once the land is developed.

In addition, on 19 December 2007 the Group has successfully redeemed its RCSLS Series A, four years ahead of Schedule. The RCSLS Series A originally has a maturity date at 19 December 2011. This will reduce its gearing from 1.5 times to 0.6 times thereby strengthening its balance sheet and reducing its dependence on debts or borrowings.



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)
PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

17. Commentary on Prospects (Contd.)

The Group would continue to aggressively improve efficiency and increase shareholders' value by continuously seeking future potential opportunities.

18. Variance on Profit Forecast / Profit Guarantee

Not applicable.

19. Taxation

Taxation comprises:

	3 months ended		12 months ended	
	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
	RM'000	RM'000	RM'000	RM'000
Income tax				
- current period	4,329	2,090	4,869	2,238
- (over) / under provision	312	344	(498)	344
- deferred tax	(26,956)	323	(26,260)	483
-Tax saving from group relief	-	(1,000)	-	(1,000)
	(22,315)	1,757	(21,889)	2,065

20. Sale of Unquoted Investments/ Properties

There was no sale of unquoted investments/ properties during the period under review.

21. Purchase and Sale of Quoted Securities

(a) Details of purchase and disposal of marketable securities are as follows:

	12 months	12 months
	ended	ended
	31-Dec-07	31-Dec-06
	RM ' 000	RM ' 000
i) Purchase considerations for new marketable securities	9,586	7,293
ii) Sales proceed for existing marketable securities	15,660	7,238



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)
PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa
Malaysia Securities Berhad

21. Purchase and Sale of Quoted Securities (Contd.)

(b) Investments in quoted securities as at 31 December 2007 are as follows:

	As at 31-Dec-07 RM'000
Total investments at cost	2,586
Total investments at carrying value/ book value (after provision for diminution in value)	2,462
Total investment at market value at end of reporting period	2,666

22. Corporate Proposals

(a) Status of Corporate Proposals

On 16 August 2007, the Group announced that Mines Shopping Fair Sdn Bhd, a wholly-owned subsidiary of East Vision Leisure Group Sdn Bhd, which in turn is a wholly-owned subsidiary of Country Heights Holdings Berhad ("CHHB") has entered into a sale and purchase agreement ("SPA") with Mutual Streams Sdn Bhd to dispose of all that piece of leasehold land held under H.S.(D) 59894 P.T No. 16722 in the Mukim and District of Petaling, Selangor Darul Ehsan comprising an area of approximately 4.125 hectares ("Land") on which has been erected the several buildings, amenities and structures thereon, collectively known as "Mines Shopping Fair" ("Buildings") (which Land and Buildings shall be hereinafter collectively referred to as the "Property") for a cash consideration of RM432,000,000. In addition, Mines Shopping Fair Sdn Bhd has agreed to grant Mutual Streams Sdn Bhd a call option and Mutual Streams Sdn Bhd has agreed to grant Mines Shopping Fair Sdn Bhd a put option in respect of a lease over Venice Walk (as defined in the SPA) upon the terms set out in the SPA. The exercise price payable under the put and call option in respect of the lease over Venice Walk is RM3,000,000.

The Proposed Disposal is conditional upon the fulfillment of, inter alia, the following conditions within a period of three (3) months from the date of the SPA ("Approval Period"), namely:-

- (i) the approval of the Securities Commission, Malaysia (*approval was obtained on 23 November 2007*);
- (ii) the approval of the Foreign Investment Committee, Malaysia (*approval was obtained on 28 September 2007*);



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)
PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa
Malaysia Securities Berhad

(a) Status of Corporate Proposals (Contd.)

- (iii) the approval of the relevant state authority (*approval from the State Authority of Selangor was obtained on 26 October 2007*);
- (iv) the CHHB's shareholders' approval (*approval was obtained on 5 November 2007*); and
- (v) any other relevant authorities and/or persons, if required

The above conditions had been fulfilled.

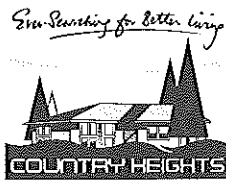
The completion of the Proposed Disposal is pending the state authority's consent for the change of Mines Shopping Fair's land title from Mines Shopping Fair Sdn Bhd to Mutual Streams Sdn Bhd. Both parties are currently in the process of obtaining the state authority's consent.

(b) Status of Utilisation of Proceeds from Corporate Proposal

The proceeds derived from the Company's corporate proposal have been utilised in the following manner:-

Purpose	Proposed Utilisation	Actual Utilisation
	RM'000	RM'000
1) Redemption of the RCLS Series A	420,000	420,000
2) Expenses related to the disposal	9,600	5,608
3) Working capital	600	600
4) Settlement of Interest on RCLS Series A	1,800	1,800
Total	432,000	428,008

Note: The balance of the proceeds amounted to RM3.992 million are yet to be utilised.



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)
PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

23. Borrowings

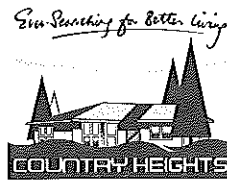
The Group bank borrowings, equity and debt securities as at end of the current financial period are:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Bank overdrafts	606	-	606
Revolving credits	3,600	6,090	9,690
Term loan	130	3,147	3,277
Bonds	-	150,000	150,000
Redeemable Secured Loan Stock (‘RSLs Series B’)	-	68,822	68,822
Commercial paper and Medium Term Notes	-	129,414	129,414
Total secured borrowings	4,336	357,473	361,809
Unsecured			
Bank overdrafts			
- local	3,051	-	3,051
- foreign	-	-	-
Revolving credits	4,800	32,400	37,200
Hire purchase & lease creditors	477	1,356	1,833
Total unsecured borrowings	8,328	33,756	42,084
Comprising:			
Local borrowings	12,664	391,229	403,893
Foreign borrowings	-	-	-
Total borrowings	12,664	391,229	403,893

All borrowings are denominated in Ringgit Malaysia unless indicated otherwise.

24. Off Balance Sheet Financial Instruments

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



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)
PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa
Malaysia Securities Berhad

25. Pending Material Litigation

The pending material litigations are:

- (a) On 5 May 2005, Azizan Bin Ismail and Razali Bin Zaihidin ("Plaintiff") filed a claim against Mines Engineering & Technical Services Sdn Bhd, a wholly owned subsidiary of CHHB ("Defendant") for alleged unfair termination of their employment. Azizan Bin Ismail and Razali Bin Zaihidin are both claiming RM342,924 and RM593,844 respectively. This matter was fixed for hearing on 12 October 2007 and now the continued hearing has been fixed on 18 and 19 March 2008.
- (b) On 11 November 2003, Encik Azizan Muhammad Yusof ("**the Plaintiff**") filed a Writ of Summons in the High Court at Shah Alam (Suit No. MT 1-22-948-2003) against 3 Defendants, namely: (a) Primeclass Landscaping Sdn Bhd, (b) Custom Plaster Ceiling Sdn Bhd and (c) Country Heights Parade Sdn Bhd. By a Sale and Purchase Agreement dated 14 May 1997, the Plaintiff had agreed to purchase a property known as Lot 173, The Mines Resort City (the "**Property**") from the 1st Defendant for the purchase price of RM1,453,200.00. The 3rd Defendant was the developer of the Property. Pursuant to the terms of the Sale and Purchase Agreement ("**SPA**"), the 1st Defendant had represented to the Plaintiff that the 1st Defendant was the beneficial owner of the Property and had full power to sell the Property. The Plaintiff made two payments and was granted an extension of time by the 2nd Defendant to pay the balance amounting to RM807,880.00 (the "**Final Sum**"). In 1998, the 1st and 3rd Defendant represented through a solicitor that there had been a mistake in the SPA in that the owner of the Property was not the 1st Defendant and that:-
- (i) it was necessary to execute a new sale and purchase agreement to reflect the true ownership of the Property;
 - (ii) the said solicitor would obtain instructions from the 1st and 3rd Defendants as to whether a discount on the purchase price and a waiver of interest would be granted as a result of the mistake in the ownership of the Property; and
 - (iii) the final payment would be deferred until the issue of ownership was resolved.



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)
PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa
Malaysia Securities Berhad

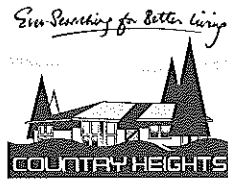
25. Pending Material Litigation (Contd.)

The Plaintiff claims that as the solicitor was acting on behalf of the 1st and 3rd Defendants, they had the authority to make the above representations. In reliance upon these representations the Plaintiff did not make any payments towards the Final Sum. The Plaintiff is claiming, inter alia:-

- a. a declaration that the 1st and 2nd Defendant are agents of the 3rd Defendant;
- b. a declaration that the 3rd Defendant be held liable for the acts of the 1st and/or 2nd Defendant;
- c. a declaration that the representation made by the solicitor was made on behalf of the Defendants and as such, binding on them;
- d. a declaration that the Plaintiff need not pay the sum of RM807,880.00 being the Final Sum due for the Property until the mistake in the SPA in relation to the ownership of the Property is rectified;
- e. specific performance of the SPA between the Plaintiff and the 1st Defendant;
- f. as an alternative to (e), damages in lieu of specific performance in the sum of RM645,320.00.

The 3rd Defendant filed its Memorandum of Appearance on 12 January 2004 and served the same on the solicitors for the Plaintiff, Messrs Bodipalar Ponnudurai Nathan. The Plaintiff subsequently engaged a new firm of solicitors, Messrs Zaid Ibrahim & Co who served their Notice of Change of Solicitors to the solicitors for the Defendant on 16 December 2005. The 1st Defendant has disposed of the Property to a new purchaser vide a Sale and Purchase Agreement dated 2 February 2007. Profits derived from the disposal, after the deduction of the costs involved, will be shared equally between the Plaintiff and the 1st Defendant upon completion of the sale and purchase. The Sale and Purchase has been completed and the Plaintiff's portion of the profits has been deposited with the Solicitors of the 1st Defendant. The Plaintiff has to date not collected the same and as such has not withdrawn the suit.

- (c) Bungalow land (Lot 428 Country Heights Damansara) was purchased by Loh Kum Seng and 2 others ("**the Plaintiffs**") from Country Heights Properties Sdn Bhd ("**the 1st Defendant**") and Mega Palm Sdn Bhd ("**the 2nd Defendant**") (collectively referred to as "**the Defendants**") vide a Sale and Purchase Agreement dated 15 December 2001 ("**the SPA**"). The Plaintiff was to build a bungalow on the said land. Prior to the building of the bungalow, the Plaintiff was required to obtain approval of the building plan from the relevant



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)
PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

25. Pending Material Litigation (Contd.)

authorities. The Plaintiff was subsequently informed by the authorities that the issuance of the approval of the building plan required the submission of the individual title to the said land. At that time, the master titles to land at Country Heights Damansara had yet to be subdivided and individual titles had yet to be issued by the relevant authority. Pursuant to the SPA, the Defendants' obligation was to deliver vacant possession within 24 months from date of the SPA. The Defendants delivered the same within the time stipulated. The Plaintiff filed the following claims against the following parties on 20 June 2007.

(i) The 1st Defendant

- RM361,522.78 being late interest of 10% on the purchase price calculated from the due date of delivery of vacant possession (15 December 2003) to the date of receipt of approval to the building plan (23 June 2006) and RM6,458.00 being the refund of service charges paid by the Plaintiff to the 1st Defendant;

(ii) The 2nd Defendant

- RM1,189.00 being the refund of service charges paid by the Plaintiff to the 2nd Defendant.

The Defendants filed their Statement of Defence on 23 July 2007 and are currently awaiting the Plaintiff's reply to their Statement of Defence. Case management has been fixed on 14 May 2008.

- (d) By a summons dated 29 August 2007 and the Government of Malaysia filed a suit against CHHB for unpaid real property gains tax for the sum of RM22,617,311.49 for the years of assessment 1993, 1998 and 1999. Our Solicitors have entered appearance on 6 November 2007 and filed an application to strike out the Writ of Summons and Statement of Claim on 31 December 2007.

- (e) On 7 April 2003, Nasmaya Juara Sdn Bhd ("NJSB"), a wholly owned subsidiary of CHHB filed a claim against CH Builder Sdn Bhd (1st Defendant) and Soon Cheng Ooi (2nd Defendant) for the sum of RM1,497,314 together with interest of 8% thereon and to restrain the Defendants either directly or through their agents from disposing of materials purchased



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)
PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

25. Pending Material Litigation (Contd.)

by NJSB and to compel the Defendants to deliver the materials to NJSB. The 1st Defendant was wound up on 25.11.2003 at the High Court of Penang vide Petition No. 2-28-22-2003 by NYC Engineering Sdn Bhd. In these circumstances, and upon solicitor's advice the NJSB filed proof of debt against the first Defendant.

Solicitors for the NJSB has prepared draft amendments to the writ and the amended Statement of Claim and the Senior Assistance Registrar ("SAR") has yet to fix hearing for application to amend the statement of claim.

- (f) Mines Exhibition Management Sdn Bhd ("MEM"), a subsidiary of CHHB, has on 28 January 2005 commenced action against Chua Lee Seng and Cha Hoo Peng ("Defendants") for the breach of Joint Venture Agreement dated 3 September 2001 and the recovery of outstanding debt amounting to RM770,000 due to MEM. The Judge has fixed for case management on 24 February 2006. The judge was of the view that it was not appropriate to grant injunctions and directed the parties to proceed for full trial. The Court fixed 29 October 2007 for case management.

On the last case management date 29 October 2007, the court directed (under order from the Chief Justice of Malaysia), that the above matter be heard in the Intellectual Property Court. On 30 November 2007, the matter was fixed for Mention before the new Judge (IP Court) and the Judge has yet to fix trial date for the matter.

- (g) On 11 November 2005, Country Heights Holdings Berhad ("CHHB") filed a claim against Rating Agency Malaysia Berhad ("RAM") in the High Court of Kuala Lumpur for amongst others, negligent, untrue and defamatory reports in its rating reviews in respect of the Redeemable Bonds issued by CHHB. RAM applied to strike out CHHB action in the High Court and on 16 January 2007, the Senior Assistant allowed RAM's application to strike out CHHB statement of claim. On the 14 November 2007, the Judge dismissed CHHB's appeal with costs. Notice of Appeal to the Court of Appeal was filed on 11 December 2007. Record of Appeal was filed on 5 February 2008. The Court of Appeal has granted a three week time frame (from the date the Notes of Evidence are supplied by the High Court) to file the Record of Appeal. To date the Notes of Evidence have yet to be supplied.



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)
PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa
Malaysia Securities Berhad

26. Dividend Payable

No interim ordinary dividend has been declared for the financial year ended 31 December 2007 (31 December 2006: Nil).

27. Profit Per Share

(a) Basic

Basic profit per share is calculated by dividing profit for the period attributable to equity holders to the parent of RM107.9 million (31 December 2006: loss of RM32.7 million) over the number of 275,707,403 (31 December 2006: 275,707,403) ordinary shares issue during the period.

(b) Diluted

Not applicable.

28. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 February 2008.

By Order of the Board

Choo Chee Beng

Chief Financial Officer