

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

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**1. Basis of Preparation**

The interim financial statements is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard (“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 of the Group for the financial year ended 31 December 2007. 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 financial year ended 31 December 2007.

**2. Changes in Accounting Policies**

The significant accounting policies adopted by the Group in this interim financial statements are consistent with those of the audited financial statements of the Group for the financial year ended 31 December 2007 except for the adoption of the following revised FRSs that are effective for the financial period beginning 1 July 2007:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 8	Scope of FRS 2

The adoption of these revised FRSs did not have any significant financial impact on the Group.

**3. Audit Opinion on 2007 Financial Statements**

The auditors’ report on the financial statements for the financial year ended 31 December 2007 was not subject to any qualification.

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**4. Segment Reporting**

	<b>Property Development RM'000</b>	<b>Property Investment RM'000</b>	<b>Hospitality, Leisure &amp; Health RM'000</b>	<b>Others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>30 JUNE 2008</b>						
<b>Revenue</b>						
External sales	101,731	4,245	46,042	24		152,042
Inter-segment sales	6,194	1,625	7,382	2,206	(17,407)	-
Total revenue	<u>107,925</u>	<u>5,870</u>	<u>53,424</u>	<u>2,230</u>	<u>(17,407)</u>	<u>152,042</u>
<b>Results</b>						
Segment results	33,305	75	2,107	(270)	5,142	40,359
Profit from operations						<u>40,359</u>
Finance costs						(13,978)
Share of results of associates	39	-	-	(121)	-	<u>(82)</u>
Profit before tax						26,299
Income tax expense						<u>(9,791)</u>
Profit after tax						16,508
Minority interests						<u>2,164</u>
Net profit for the year						<u>18,672</u>

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**4. Segment Reporting (Contd.)**

	<b>Property Development RM'000</b>	<b>Property Investment RM'000</b>	<b>Hospitality, Leisure &amp; Health RM'000</b>	<b>Others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>30 JUNE 2007</b>						
<b>Revenue</b>						
External sales	44,742	23,320	52,242	19		120,323
Inter-segment sales	2,238	2,409	5,306	1,057	(11,010)	-
Total revenue	46,980	25,729	57,548	1,076	(11,010)	120,323
<b>Results</b>						
Segment results	18,096	24,638	(1,338)	7,706	(23,178)	25,924
Profit from operations						25,924
Finance costs						(25,671)
Share of results of associates	(84)	-	-	(49)	-	(133)
Profit before tax						120
Income tax expense						(25)
Profit after tax						95
Minority interests						105
Net profit for the year						200

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

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

**6. Change in Estimate**

There were no changes in method of estimates that have a material effect in the current financial period under review.

**7. Seasonal or Cyclical Factors**

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

**8. Dividends paid**

There were no dividends paid during the current financial 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 audited financial statements for the financial year ended 31 December 2007.

**10. Issuance or Repayment of Debt and Equity Securities**

There were no issuance, repurchases, cancellations, resale and repayment of debt and equity securities during the current financial period under review.

**11. Changes in the Composition of the Group**

There were no material changes in the composition of the Group during the current financial period under review.

**12. Capital Commitments**

There were no material changes in capital commitments since the last audited balance sheet as at 31 December 2007 except for the followings:

- On 7 May 2008, PRS Homes Sdn Bhd, a wholly-owned subsidiary of Country Heights Holdings Berhad (“CHHB”), had fully settled the balance purchase consideration of RM50.4 million for the acquisition of approximately 2,073 acres of freehold land located at Mukim of Rasa and Mukim of Batang Kali for a development to be known as Mines Golf City.

**13. Contingent Liabilities / Assets**

There are no material contingent liabilities since the last audited balance sheet as at 31 December 2007 except as disclosed in Note 26 (a) to (c). No material contingent assets except as disclosed in Note 26 (d) to (f) as at the date of this report.

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**14. Subsequent event**

There was no material event subsequent to the end of the current financial period that have not been reflected in the financial statements for the 2<sup>nd</sup> quarter ended 30 June 2008.

**15. Comparatives**

Certain expenses for the previous financial period ended 30 June 2007 have been reclassified to conform with current financial period's presentation.

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**16. Review of To Date Performance (against previous year)**

The Group recorded slightly lower revenue for the 2<sup>nd</sup> quarter ended 30 June 2008 of RM60.7 million as compared to RM67.7 million in the previous corresponding quarter ended 30 June 2007. The Group's revenue in the previous corresponding quarter includes rental income from Mines Shopping Fair. The Mines Shopping Fair has since been disposed in December 2007.

The Group reported a profit before tax for the 2<sup>nd</sup> quarter ended 30 June 2008 of RM2.7 million against profit before tax of RM3.1 million in the previous corresponding quarter ended 30 June 2007. This marginal decrease is mainly contributed from lower sales.

Nevertheless, the Group recorded significantly higher current year to date revenue of RM152 million and profit before tax of RM26.3 million when compared to the previous year to date revenue of RM120.3 million and profit before tax of RM0.1 million. This is mainly due to better sales performance in the property development segment.

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

The Group's revenue for the 2<sup>nd</sup> quarter ended 30 June 2008 reduced by approximately RM30.6 million to RM60.7 million as compared to the last quarter ended 31 March 2008 of RM91.3 million. This was mainly due to higher properties sales in Country Heights Damansara project in the previous quarter.

The Group recorded a profit before tax of RM2.7 million for the 2<sup>nd</sup> quarter ended 30 June 2008 against profit before tax of RM23.6 million for the last quarter ended 31 March 2008. This was mainly due to the better performance of Country Heights Damansara project which have contributed favourably to the Group's profitability in the previous quarter.

**18. Commentary on Prospects**

The Group will remain focused on its core activities which are Property Development, Property Investment and Hospitality, Leisure and Health.

The Group has recently acquired 23 parcels of approximately 2,073 acres of freehold land located at Mukim of Rasa and Mukim of Batang Kali. The acquisition is expected to increase the Group's earnings with the development of a new project, namely Mines Golf City.

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**18. Commentary on Prospects (Contd.)**

The Group has also diversified into the field of preventive healthcare services. TCM Wellness Center, an exclusive one-stop Traditional Chinese & Complementary Wellness Center which commenced operation at the end of year 2007 is currently enjoying good market response.

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

**19. Variance on Profit Forecast / Profit Guarantee**

There were no profit forecast / profit guarantee issued by the Group.

**20. Income Tax Expenses**

	<b>6 months ended</b>	
	<b>30-Jun-08</b>	<b>30-Jun-07</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax:		
- current period	8,572	436
- (over) / under provision	-	(749)
- deferred tax	1,219	338
	<u>9,791</u>	<u>25</u>

**21. Sale of Unquoted Investments/ Properties**

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

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**22. Purchase and Sale of Quoted Securities**

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

	<b>6 months ended</b>	
	<b>30-Jun-08</b>	<b>30-Jun-07</b>
	<b>RM ' 000</b>	<b>RM ' 000</b>
i) Purchase considerations for new marketable securities	1,204	6,284
ii) Sales proceed for existing marketable securities	3,399	12,877

(b) Investments in quoted securities as at 30 June 2008 are as follows:

	<b>As at</b>
	<b>30-Jun-08</b>
	<b>RM'000</b>
Total investments at cost	239
Total investments at carrying value/ book value (after provision for diminution in value)	96
Total investment at market value at end of reporting period	96

**23. Corporate Proposals**

**(a) Status of Corporate Proposals**

The status of corporate proposals announced by the Group but not completed as at 21 August 2008 are as follows:-

- (i) 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



**23. Corporate Proposals (Contd.)**

**(a) Status of Corporate Proposals (Contd.)**

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 Land and Building (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 Land and Building is RM3,000,000.

The transfer (from Mines Shopping Fair Sdn Bhd to Mutual Streams Sdn Bhd) in respect of the disposal of the Mines Shopping Fair has been registered at the relevant land office.

- (ii) On 5 May 2008, the Group announced that its wholly-owned subsidiary, PRS Homes Sdn Bhd (“PRS”) had accepted an interest free advance amounting to RM44.8 million granted by Bee Garden Holdings Sdn Bhd (“Bee Garden”), a company connected to Tan Sri Lee Kim Yew, a major shareholder of CHHB. The advance was utilized to settle the balance purchase consideration of the acquisition by PRS of approximately 2,073 acres freehold land located at Mukim of Rasa and Mukim of Batang Kali (“the Land”) intended for a development to be known as Mines Golf City.

Bee Garden and PRS has signed a Letter of Intent to set out the commitment of both parties to conduct good faith negotiations towards the repayment of the amount advanced or to enter into a joint venture arrangement for the development of Phase 1 of the Land which includes a golf course and bungalow lots project covering an estimated land area of 600 acres.

Both parties will enter into a joint venture agreement to finalise the terms and conditions of the proposed arrangement.

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**23. Corporate Proposals (Contd.)****(b) Status of Utilisation of Proceeds from Corporate Proposal**

The status of utilisation of proceeds derived from the above Corporate Proposal (i) on disposal of Mines Shopping Fair as at 21 August 2008 is as follows:-

No.	Purpose	Proposed Utilisation	Actual Utilisation
		RM'000	RM'000
1)	Redemption of the RCSLS Series A	420,000	420,000
2)	Expenses related to the disposal	9,600	9,600
3)	Working capital	600	600
4)	Settlement of Interest on RCSLS Series A	1,800	1,800
	Total	432,000	432,000

Notes: - The proceeds from the above Corporate Proposal (i) on disposal of Mines Shopping Fair were fully utilised.

- RCSLS Series A : 420,000,000 Redeemable Convertible Secured Loan Stock 2004/2011.

**COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)****PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad****24. 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
<b>Secured</b>			
Bank overdrafts	2,746	-	2,746
Revolving credits	3,600	4,035	7,635
Term loan	55	3,083	3,138
Bonds	-	150,000	150,000
Redeemable Secured Loan Stock (‘RSLs Series B’)	-	68,822	68,822
Bank Guaranteed Commercial Paper and Medium Term Notes	-	74,812	74,812
<b>Total secured borrowings</b>	<b>6,401</b>	<b>300,752</b>	<b>307,153</b>
<b>Unsecured</b>			
Bank overdrafts	632	-	632
Revolving credits	19,600	15,200	34,800
Hire purchase & lease creditors	498	1,863	2,361
<b>Total unsecured borrowings</b>	<b>20,730</b>	<b>17,063</b>	<b>37,793</b>
Comprising:			
Local borrowings	27,131	317,815	344,946
Foreign borrowings	-	-	-
<b>Total borrowings</b>	<b>27,131</b>	<b>317,815</b>	<b>344,946</b>

All borrowings are denominated in Ringgit Malaysia unless indicated otherwise.

**25. Off Balance Sheet Financial Instruments**

There are no financial instruments with off balance sheet risk as at the date of current financial period under review.

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**26. Material Litigation**

The 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. The Defendant’s solicitor attended court on 15 August 2008 for continued hearing and the court has directed that the Plaintiff to file in their written submission by 15 October 2008 and the Defendant to file in their Submission in Reply by 15 December 2008.
- (b) 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 1<sup>st</sup> Defendant**”) and Mega Palm Sdn Bhd (“**the 2<sup>nd</sup> 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 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 the 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 1<sup>st</sup> 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;

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**26. Material Litigation (Contd.)**

- (ii) The 2<sup>nd</sup> Defendant
  - RM1,189.00 being the refund of service charges paid by the Plaintiff to the 2<sup>nd</sup> 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 23 October 2008.

- (c) By a summons dated 29 August 2007, the Government of Malaysia ("LHDN") 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. Solicitors for CHHB 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. Sealed summons in Chambers extracted and is fixed for hearing on 19 August 2008 pending LHDN to file their Affidavit In Reply. On 19 August 2008, the suit against CHHB was withdrawn by LHDN with no order as to costs.
- (d) On 7 April 2003, Nasmaya Juara Sdn Bhd ("NJSB"), a wholly owned subsidiary of CHHB filed a claim against CH Builder Sdn Bhd (1<sup>st</sup> Defendant) and Soon Cheng Ooi (2<sup>nd</sup> 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 by NJSB and to compel the Defendants to deliver the materials to NJSB. The 1<sup>st</sup> 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.

- (e) 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.

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**26. Material Litigation (Contd.)**

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 thereafter fixed the matter for trial on 12<sup>th</sup>, 13<sup>th</sup>, 14<sup>th</sup> and 15<sup>th</sup> of May 2008. On 12 May 2008, the trial commenced with MEM's 1<sup>st</sup> Witness. After conclusion of the 1<sup>st</sup> Witness's testimony, the Defendants' lawyer sought an adjournment of the trial on the basis that they needed time to peruse the additional bundle of documents filed by the MEM's Solicitors on 9 May 2008. The judge allowed the adjournment and has fixed the matter for continued trial on 25 and 26 May 2009.

- (f) 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. The Record of Appeal was filed on 7 April 2008. The Court of Appeal has yet to fix hearing date for the appeal.

**27. Dividend Payable**

No interim dividend has been declared for the current financial period under review (30 June 2007: Nil).

**28. 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 RM18.7 million (30 June 2007: profit of RM200,000) over the number of 275,707,403 (30 June 2007: 275,707,403) ordinary shares issue during the current financial period under review.

**(b) Diluted**

Not applicable.

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**29. 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 28 August 2008.

By Order of the Board

**Mark Victor Rozario**

Group Managing Director