

COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)

The Board of Directors of Country Heights Holdings Berhad is pleased to announce the following unaudited results of the Group for the 2nd Quarter ended 30 June 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six-Months Period Ended 30 June 2010

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30-Jun-10 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-Jun-09 RM'000 Restated	CURRENT YEAR TO DATE 30-Jun-10 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-09 RM'000 Restated
Revenue	4	52,127	37,400	118,187	70,239
Cost of sales		<u>(18,563)</u>	<u>(14,484)</u>	<u>(41,797)</u>	<u>(28,689)</u>
Gross profit		33,564	22,916	76,390	41,550
Other operating income		2,551	2,086	4,178	4,405
Selling and marketing expenses		(3,960)	(1,285)	(5,770)	(2,760)
Administrative expenses		(6,335)	(5,987)	(12,975)	(10,716)
Other operating expenses		(18,355)	(16,891)	(35,053)	(31,168)
Finance costs		(6,205)	(6,321)	(12,299)	(12,454)
Share of results of associates		<u>464</u>	<u>(343)</u>	<u>434</u>	<u>(257)</u>
Profit / (loss) before tax		1,724	(5,825)	14,905	(11,400)
Income tax expenses	19	<u>(1,349)</u>	<u>471</u>	<u>(5,626)</u>	<u>537</u>
Profit / (loss) for the period		<u>375</u>	<u>(5,354)</u>	<u>9,279</u>	<u>(10,863)</u>
Other comprehensive income/(loss), net of tax					
Foreign currency translation differences		(38)	39	(56)	32
Fair value of available-for-sale financial assets		(17)	-	(6)	-
Transfer from revaluation reserve to retained earnings upon depreciation transfer on revalued assets		(466)	(466)	(932)	(932)
Realisation of revaluation reserve to retained earnings upon depreciation transfer on revalued assets		466	466	932	932
Other comprehensive loss for the period		<u>(55)</u>	<u>39</u>	<u>(62)</u>	<u>32</u>
Total comprehensive income/(loss) for the period		<u>320</u>	<u>(5,315)</u>	<u>9,217</u>	<u>(10,831)</u>

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		CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
		QUARTER 30-Jun-10 RM'000	CORRESPONDING QUARTER 30-Jun-09 RM'000 Restated	TO DATE 30-Jun-10 RM'000	CORRESPONDING PERIOD 30-Jun-09 RM'000 Restated
Profit/(loss) attributable to :					
Equity holders of the Company		231	(3,574)	9,274	(8,318)
Minority interest		144	(1,780)	5	(2,545)
Profit/(loss) for the period		<u>375</u>	<u>(5,354)</u>	<u>9,279</u>	<u>(10,863)</u>
Total comprehensive income/(loss) attributable to :					
Equity holders of the Company		176	(3,535)	9,212	(8,286)
Minority interest		144	(1,780)	5	(2,545)
Total comprehensive income/(loss) for the period		<u>320</u>	<u>(5,315)</u>	<u>9,217</u>	<u>(10,831)</u>
Earnings per share attributable to ordinary equity holders of the Company (sen):					
- Basic	27 (a)	0.08	(1.30)	3.36	(3.02)
- Diluted	27 (b)	NA	NA	NA	NA

(The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements)

COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010**

	Note	30-Jun-10 (Unaudited) RM'000	31-Dec-09 (Audited) RM'000
ASSETS			
Non-current assets			
Hotel properties and exhibition centre & showroom	9	338,987	340,866
Other property, plant and equipment	9	93,520	118,309
Property, plant and equipment		<u>432,507</u>	<u>459,175</u>
Investment properties	9	116,416	89,794
Prepaid land lease payments		346,178	348,331
Land held for property development		174,481	174,366
Investment in associates		5,876	5,443
Other investments	21	943	932
Long-term trade receivables		18,554	16,095
Deferred tax assets		9,566	9,401
		<u>1,104,521</u>	<u>1,103,537</u>
Current assets			
Property development costs		78,628	77,163
Inventories		128,148	139,086
Trade and other receivables		127,914	126,410
Tax recoverable		498	1,526
Cash and bank balances		37,073	33,569
		<u>372,261</u>	<u>377,754</u>
Non-current asset classified as held for sale		777	9,789
		<u>373,038</u>	<u>387,543</u>
TOTAL ASSETS		<u>1,477,559</u>	<u>1,491,080</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		275,707	275,707
Share premium		57,251	57,251
Other reserves		159,861	160,854
Retained earnings		211,618	198,626
Shareholders' equity		<u>704,437</u>	<u>692,438</u>
Minority interest		29,046	29,041
Total equity		<u>733,483</u>	<u>721,479</u>
Non-current liabilities			
Borrowings	23	145,797	180,135
Long-term liabilities		4,800	4,783
Deferred Income		34,012	32,439
Deferred tax liabilities		86,163	86,922
		<u>270,772</u>	<u>304,279</u>
Current liabilities			
Borrowings	23	196,621	172,794
Trade and other payables		214,033	234,723
Tax liabilities		61,658	56,775
Deferred Income		992	1,030
		<u>473,304</u>	<u>465,322</u>
Total Liabilities		<u>744,076</u>	<u>769,601</u>
TOTAL EQUITY AND LIABILITIES		<u>1,477,559</u>	<u>1,491,080</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)		2.56	2.51

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements)

COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six-Months Period Ended 30 June 2010

	Attributable to Equity Holders of the Company					Minority Interests	Total Equity
	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010, as previously stated	275,707	57,251	160,854	198,626	692,438	29,041	721,479
Effect of adopting FRS 139	-	-	-	2,787	2,787	-	2,787
At 1 January 2010, as restated	275,707	57,251	160,854	201,413	695,225	29,041	724,266
Total comprehensive income/(loss)	-	-	(993)	10,205	9,212	5	9,217
At 30 June 2010	275,707	57,251	159,861	211,618	704,437	29,046	733,483
At 1 January 2009	275,707	57,251	159,102	193,349	685,409	31,840	717,249
Total comprehensive loss	-	-	(900)	(7,386)	(8,286)	(2,545)	(10,831)
At 30 June 2009	275,707	57,251	158,202	185,963	677,123	29,295	706,418

(The Unaudited Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements)

COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six-Months Period Ended 30 June 2010

	CURRENT YEAR TO DATE 30-Jun-10 RM'000	PRECEDING YEAR CORRESPONDIN 30-Jun-09 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	14,905	(11,400)
Adjustments for:		
Allowance for doubtful debts	2,874	3,516
Allowance for doubtful debts written back	-	(64)
Amortisation of deferred income	(496)	(477)
Amortisation of prepaid land lease payment	2,153	2,153
Bad debts written off	1,228	735
Depreciation of hotel properties and exhibition centre & showroom	2,080	2,078
Depreciation of other property, plant and equipment	3,512	3,402
Gain on disposal of subsidiary	-	(1,462)
Gain on disposal of investment properties	-	(821)
Interest expense	12,299	12,454
Interest income	(205)	(93)
Gain on disposal of other property, plant and equipment	(340)	(53)
Net foreign exchange loss / (gain)	1	(5)
Other property, plant & equipment written off	3	20
Reversal of deferred income	(98)	2
Reversal of impairment losses in value of other investments	-	(58)
Share of results of associates	(434)	257
Operating profit before working capital changes	37,482	10,184
Changes in working capital:		
Inventories	7,273	501
Property development costs	7,432	926
Receivables	(11,180)	(23,874)
Deferred income	2,129	2,828
Payables	(22,411)	12,470
Cash generated from operations	20,725	3,035
Tax paid	(438)	(451)
Interest paid	(3,282)	(4,904)
Net cash generated from / (used in) operating activities	17,005	(2,320)

COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six-Months Period Ended 30 June 2010

	CURRENT YEAR TO DATE 30-Jun-10 RM'000	PRECEDING YEAR CORRESPONDIN 30-Jun-09 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of other property, plant and equipment	(5,335)	(1,501)
Expenditure incurred on hotel properties and exhibition centre & showroom	(200)	(255)
Expenditure on investment properties	(1,551)	(70)
Acquisition of subsidiary, net of cash and cash equivalent acquired	513	-
Proceeds from disposal of other property, plant & equipment	641	367
Proceeds from disposal of investment properties	-	3,232
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed	7	-
Interest received	205	93
Net cash used in investing activities	(5,720)	1,866
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of Bank Guaranteed Commercial Paper / Medium Term Notes	-	40,000
Drawdown of golf membership loans	17	-
Hire purchase and lease creditors	(315)	(370)
Repayment of Bank Guaranteed Commercial Paper / Medium Term Notes	(4,761)	(30,000)
Repayment of revolving credits	(1,507)	(2,502)
Repayment of term loans	(77)	(77)
Repayment of golf membership loans	-	(13)
Net cash used in financing activities	(6,643)	7,038
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	4,642	6,584
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	31,216	9,736
CASH AND CASH EQUIVALENTS AT END OF YEAR	35,858	16,320
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	37,073	19,251
Bank Overdrafts	(1,215)	(2,931)
	35,858	16,320

(The Unaudited Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements)

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

2. Changes in Accounting Policies (Contd.)

Amendments to FRS 110	Events after the Reporting Period
Amendments to FRS 116	Property, Plant and Equipment
Amendments to FRS 117	Leases
Amendments to FRS 118	Revenue
Amendments to FRS 119	Employee Benefits
Amendments to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendments to FRS 123	Borrowing Costs
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 128	Investments in Associates
Amendments to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendments to FRS 131	Interests in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the above FRSs, Amendments to FRSs and interpretation did not result in any significant changes in the accounting policies and presentations of the financial statement of the Group except for the following applications as set out below:

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

2. Changes in Accounting Policies (Contd.)

(a) FRS 101 : Presentation of Financial Statements (revised)

FRS 101 introduces terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position in the event that the entity has applied new accounting policies retrospectively. There is no impact on the Group's and the Company's financial statements as this change in accounting policy affects only the presentation of the Group's and the Company's financial statements.

The effects on the comparatives to the Group on adoption of FRS 101 are as follows:

For the period ended 30 June 2009	Income statement as previously reported RM'000	Effects of Adoption FRS 101 RM'000	Statement of comprehensive income as restated RM'000
Loss for the period	(5,354)	-	(5,354)
Other Comprehensive loss	-	39	39
Total comprehensive loss			<u>(5,315)</u>
Total comprehensive loss attributable to:			
Equity holders of the Company			(3,535)
Minority interest			<u>(1,780)</u>
Total comprehensive loss for the period			<u>(5,315)</u>

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

FRS 139 sets out new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of financial instruments at the balance sheet date reflects the designation of the financial instruments

FRS 7 deals with new disclosure in relation to the financial instruments. This FRS entail increased disclosures both quantitative and qualitative of the Group's exposure to risks, enhanced disclosure on components of the Group's financial position and performance, and possible changes to the manner of which certain items are to be presented in the financial statements.

2. Changes in Accounting Policies (Contd.)

Financial assets

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) and financial assets that are specifically designated into this category upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Derivative that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with gains or losses recognized in the income statement.

ii. Held-to-maturity

Held-to-maturity investments category comprise debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold to maturity.

Financial assets categorized as held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss.

iii. Available-for-sale

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss. Other financial assets categorized as available-for-sale subsequently measured at their fair values with the gain or loss recognized in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognized in profit or loss.

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

2. Changes in Accounting Policies (Contd.)

iii. Available-for-sale (Contd.)

On derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognized in profit or loss. All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

iv. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, receivables and cash and cash equivalents. Such financial assets less impairment losses, if any are carried at amortized cost using the effective interest rate method.

In accordance with FRS 139, the recognition, derecognition and measurement are applied prospectively. The effects of remeasurement on 1 January 2010 of the financial assets and financial liabilities brought forward from previous financial year are adjusted to the opening retained earnings as disclosed in the statement of changes in equity.

The adoption of the above new policies has the following effects:

	Retained Earnings RM'000
At 1 January 2010, as previously stated	198,626
Adjustment arising from adoption of FRS 139:	
- Remeasurement of borrowings	2,787
At 1 January 2010, as restated	<u><u>201,413</u></u>

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

2. Changes in Accounting Policies (Contd.)

(c) FRS 8 : Operating Segments

FRS 8, which replaces FRS 114²⁰⁰⁴ Segment Reporting, requires the identification of operating segments based on the internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess its performance. Currently, the Group presents its segment information based on its business segments. Under FRS 8, the Group will present information in respect of its operating segments into property development division, property investment division and hospitality, leisure and health division.

(d) Amendments to FRS 116 "Property, Plant and Equipment" and FRS 140 "Investment property"

Prior to 1 January 2010, property being constructed or developed for future use as investment property is classified as property, plant and equipment until the construction or development is completed. Upon the adoption of the Amendments to FRS 116 and FRS 140, such property is accounted for as investment property rather than property, plant and equipment.

The effects arising from the adoption of the Amendments to FRS 116 and FRS 140 are as follows:-

- i. The adoption of the above amendments has the following effects:

	Increase/(decrease)
	RM'000
Property, plant and equipment	(24,907)
Investment properties	24,907

- ii. Since Amendments to FRS 116 and FRS 140 are applied prospectively, no restatement of comparative figures is required for statement of financial position as at 31 December 2009.

3. Audit Opinion on 2009 Financial Statements

The auditors' report on the financial statements of the Group for the financial year ended 31 December 2009 was not subject to any qualification.

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

4. Segment Reporting

	Property Development RM'000	Property Investment RM'000	Hospitality, Leisure & Health RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
30 June 2010						
Revenue						
External sales	54,244	10,180	53,764	-		118,188
Inter-segment sales	7,201	1,022	17,782	2,763	(28,768)	-
Total revenue	61,445	11,202	71,546	2,763	(28,768)	118,188
Results						
Segment results	21,022	1,294	4,544	(180)	90	26,770
Finance costs						(12,299)
Share of results of associates	434	-	-	-	-	434
Profit before tax						14,905
Income tax expenses						(5,626)
Profit after tax						9,279
Minority interests						(5)
Net profit for the period						9,274

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

4. Segment Reporting (Contd.)

	Property Development RM'000	Property Investment RM'000	Hospitality, Leisure & Health RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
30 June 2009						
Revenue						
External sales	14,412	7,558	48,269	-		70,239
Inter-segment sales	2,063	1,380	7,159	2,236	(12,838)	-
Total revenue	16,475	8,938	55,428	2,236	(12,838)	70,239
Results						
Segment results	5,379	978	(1,001)	(517)	(3,528)	1,311
Finance costs						(12,454)
Share of results of associates	(257)	-	-	-	-	(257)
Loss before tax						(11,400)
Income tax expenses						537
Loss after tax						(10,863)
Minority interests						2,545
Net loss for the period						(8,318)

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

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 2009.

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 except for the following:

- (a) On 11 January, 2010, a subsidiary of the Company, Golden Horse Palace Bhd entered into a Sale and Purchase of Shares Agreement with Mr. Yip Chun Mun and Mr. Loke Kim Wan ("the Vendors") to acquire the entire equity interest in Mines Marketing Sdn Bhd comprising 100,000 ordinary shares of RM1 each from the Vendors for a cash consideration of RM100,000 on a "willing buyer-willing seller" basis.

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

11. Changes in the Composition of the Group (Contd.)

- (b) On 1 March, 2010, Country Heights Resorts & Leisure Sdn Bhd, a wholly-owned subsidiary of the Company entered into a Sale and Purchase of Shares Agreement with Golden Horse Palace Bhd (“GHPB”), a subsidiary of the Company to dispose of RM2,600,000 ordinary shares of RM1 each, representing 100% of the issued and paid-up share capital of Country Heights Lifestyle Bhd (“CHLB”) to GHPB for a cash consideration of RM1.

Following the disposal, CHLB became a wholly-owned subsidiary of GHPB and in turn still an indirect subsidiary of the Company. There would be no gain or loss from the said disposal to the Group.

- (c) On 11 March, 2010, Mines International Exhibition Centre Sdn Bhd (the “Vendor”), an indirect wholly-owned subsidiary of the Company entered into a Share Purchase Agreement (“the Agreement”) with Tan Sri Lee Kim Tiong @ Lee Kim Yew (“the Purchaser”) to dispose of its entire 70% equity interest in Mines Exhibition Management Sdn Bhd (“MEMSB”) comprising 14,000 ordinary shares of RM1 each for a total consideration of RM12,865 (“the Disposal”).

However in the event of any variation and/or changes to the Net Tangible Assets of MEMSB pending finalization of the audited financial statements as at 31 December, 2009, the Vendor shall warrant with the Purchaser to adjust the purchase price accordingly. In the event it is a Net Tangible Liabilities after finalization of the audited financial statements as at 31 December, 2009, the purchase price amounting to RM12,865 paid by the Purchaser under the agreement shall be adjusted to RM1 only and the balance amount shall be refunded by the Vendor to the Purchaser accordingly.

- (d) With effect from 11 May 2010, Lines Pte Ltd, a wholly-owned subsidiary company incorporated in United Kingdom had been struck off from the Register of Companies pursuant to Section 1003 of the Company Act 2006.

12. Capital Commitments

There were no material changes in capital commitments since the last audited balance sheet as at 31 December 2009.

13. Contingent Liabilities / Assets

There are no material contingent liabilities since the last audited balance sheet as at 31 December 2009 except as disclosed in Note 25 (a) to (e). No material contingent assets except as disclosed in Note 25 (f) as at the date of this report.

14. Subsequent event

Country Heights Health Tourism Sdn Bhd ("CHHT"), a 70% owned subsidiary of CHHB, had on 20 July 2010 incorporated a subsidiary company known as GHHS Wellness Sdn Bhd (Company No. 908659-T) ("GWSB"). The authorized share capital of GWSB is RM100,000 divided into 100,000 ordinary shares of RM1 each. The issued and paid-up capital of GWSB is RM2 only comprising two Ordinary Shares of RM1.00 each.

On 2 August 2010, the Company received three Notices of Strike-Off all dated 15 July 2010 from Companies Commission of Malaysia that the following wholly-owned dormant subsidiaries have been struck-off from the Register of Companies Commission of Malaysia pursuant to Section 308 of the Companies Act, 1965:-

- (a) Fresh Innovatives Sdn Bhd
- (b) Country Heights Garden Resort (Sibu) Sdn Bhd
- (c) Signature Catering & Conference Services Sdn Bhd.

The Striking-Off Exercise is part of the Group's continuing rationalization exercise to improve efficiency within the Group and save future costs associated with maintaining the Subsidiaries.

There was no other material event subsequent to the end of the current financial period that have not been reflected in the financial statements of the Group for the 2nd quarter ended 30 June 2010.

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

The Group recorded higher revenue for the 2nd quarter ended 30 June 2010 of RM52.1 million as compared to RM37.4 million in the previous corresponding quarter ended 30 June 2009. As a result, the Group reported a profit before tax for the 2nd quarter ended 30 June 2010 of RM1.7 million compared to a loss before tax of RM5.8 million in the previous corresponding quarter ended 30 June 2009. The improved performance was mainly contributed by higher property sales and higher revenue in Hospitality, Leisure & Health division.

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

The Group's revenue for the 2nd quarter reduced by RM13.9 million to RM52.1 million as compared to the last quarter ended 31 March 2010 of RM66 million. Profit before tax of RM1.7 million was recorded for the 2nd quarter compared to profit before tax of RM13.1 million in last quarter ended 31 March 2010. The decrease in revenue and profit before tax is mainly due to lower property sales in 2nd quarter.

17. Commentary on Prospects

Malaysia recorded a strong GDP growth of 10.1% for the first quarter of 2010 which is in tandem with the regional economies. The growth was spurred by strong domestic demand and global economic recovery. All major sector of the economy recorded robust growth, led by the manufacturing sector. Furthermore, with the proposed measures under the 10th Malaysian Plan based on strategies articulated in the Government Transformation Program, there is a high expectation that the economy will remain robust for the Year 2010.

Against this back drop, the Group is optimistic that its core activities of Property Development, Property Investment and Hospitality, Leisure and Health will benefit from this positive growth. The Property Development division continues to focus on the sales of existing inventories, but has also planned a number of new project launchings in Year 2010.

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17. Commentary on Prospects (Contd.)

The next phase of Cyberjaya and Kolej Heights Utara projects which comprise 145 units of condominium (estimated GDV RM68.7 million) and 194 units of Garden Homes (estimated GDV of RM58.2 million) respectively are expected to be launched in the 4th Quarter of 2010.

Furthermore, in Cyberjaya there are also planned future launches of high rise condominiums and superlink houses. New developments are also currently at various stages of planning in Country Heights Kajang, Country Heights Damansara and The Mines Resort City.

The Group expects to see further growth in the Health Division. Golden Horses Health Sanctuary ("GHHS"), which is part of the division, expects to recruit more new members by launching a new membership for holistic wellness program, GHHS has grown into 3 components now, providing prevention healthcare services like medical checkup, specialist therapy, including traditional Chinese medicine therapy.

The Group continues to place strong emphasis on strengthening its business model adding long-term value and maximizing shareholder benefits and returns as well as building the confidence of investors and customers.

18. Variance on Profit Forecast / Profit Guarantee

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

19. Income Tax Expenses

	6 months ended	
	30-Jun-10	30-Jun-09
	RM'000	RM'000
Income tax:		
- current period	6,560	140
- deferred tax	(934)	(677)
	<u>5,626</u>	<u>(537)</u>

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19. Income Tax Expenses (Contd.)

The effective tax rate of the Group for the current financial year was higher than the applicable tax rate due to deferred tax assets not recognized in respect of unabsorbed losses. Deferred tax assets will be recognized to the extent that it is probable that future taxable profits will be available against which the unabsorbed losses can be utilized. Furthermore, certain expenses were also not deductible for tax purposes.

20. Sale of Unquoted Investments/ Properties

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

21. Purchase and Sale of Quoted Securities

(a) There were no sales or purchase of quoted securities during the quarter under review.

(b) The available-for-sale Investments in quoted securities as at 30 June 2010 are as follows:

	As at
	30-Jun-10
	RM'000
Total investments at cost	239
Total investments at carrying value/ book value	127
Total investment at market value at end of reporting period	127

22. Corporate Proposals

(a) Status of Corporate Proposals

There were no corporate proposals previously announced but not completed as at 20 August 2010.

(b) Status of Utilisation of Proceeds from Corporate Proposal

There was no utilisation of proceeds derived from the Company's corporate proposal.

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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	1,215	-	1,215
Revolving credits	-	2,078	2,078
Term loan	155	2,197	2,352
Bonds	150,000	-	150,000
Redeemable Secured Loan Stock (‘RSLs Series B’)	-	68,822	68,822
Bank Guaranteed Commercial Paper and Medium Term Notes	30,000	55,204	85,204
Total secured borrowings	181,370	128,301	309,671
Unsecured			
Bank overdrafts	-	-	-
Revolving credits	14,800	16,324	31,124
Hire purchase & lease creditors	451	1,172	1,623
Total unsecured borrowings	15,251	17,496	32,747
Comprising:			
Local borrowings	196,621	145,797	342,418
Foreign borrowings	-	-	-
Total borrowings	196,621	145,797	342,418

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 20 August 2010, the latest practicable date which is not earlier than 7 days from the date of issuance of this report.

25. Material Litigation

Save for the following, neither the Company nor its subsidiaries are engaged in any material litigation, either as plaintiff or defendant, and the Directors of the Company do not have any knowledge of any proceedings, pending or threatened against the Group or of any facts likely to give rise to any proceedings which might adversely and materially affect the position or business of the Group, as at 20 August 2010, a date not earlier than 7 days from the date of issuance of this report. The material litigations are:

(a) 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 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 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.

25. Material Litigation (Contd.)

The Defendants filed their Statement of Defence on 23 July 2007. The court has now fixed next case management on 27 September 2010.

- (b) On 26 August 2008, Singham Sulaiman Sdn Bhd (Trading as Jones Lang Wootton) as the Plaintiff has through its solicitors issued and sent to Country Heights Holdings Berhad as the 1st Defendant and Mega Palm Sdn Bhd as the 2nd Defendant (collectively called “the Defendants”) a demand notice dated 26 August 2008 demanding a sum of RM1,214,069.47 together with late payment charges of 1.25% per month on the outstanding sum beginning from 27 July 2008 till full settlement to be paid by the Defendants for an alleged payment of real estate agency fees. Subsequently on 26 May 2009, the Plaintiff has through its solicitors served on the Defendants a copy of the sealed “Writ of Summon” and Statement of claim both dated 16 April 2009. The Defendants denied the Plaintiff’s claim and filed Notice of Appearance in court. On 23 June 2009, the Defendants filed application to strike out the above suit. The matter is fixed for case management on 22 February 2010 pending exchange of affidavits between the parties. The Court subsequently fixed the hearing for the Defendant’s application on 8 April 2010 and the Plaintiff’s Notice to Attend Pre-trial case management was fixed for case management on 30 April 2010. The Defendant’s application came up for hearing on 8 April 2010 whereby the Court partly allowed the Defendant’s application and has struck out the Plaintiff’s suit against the 1st Defendant and the Plaintiff’s claim against the 2nd Defendant will proceed to trial. The Court has now fixed the matter for next case management on 7 September 2010 pending the Plaintiff’s Solicitor to file the application to amend their statement of claim.
- (c) By a summons dated 20 January 2010, the Government of Malaysia (“Plaintiff”) has filed a claim against Country Heights Holdings Berhad (“CHHB”) for Real Property Gains Tax for the Year of Assessment 1993, 1998 and 1999 amounting to the sum of RM22,617,311.49 together with interest at 8% thereon. The Plaintiff has on 5 February 2010 served the Summon on CHHB. CHHB has on 10 February 2010 filed the memorandum of appearance and the statement of defence was filed on 18 March 2010. CHHB has subsequently filed the application for Order 14A on 31 March 2010. On 30 July 2010 the Order 14A application was dismissed with costs. Notice of Appeal to the Court of Appeal was filed on 23 August 2010.

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25. Material Litigation (Contd.)

- (d) By a Summons dated 12 February 2010, Kamarul Jaman Bin Seeni Mohideen trading as PJ Baiduri Restaurant ("the Plaintiff") has filed a claim against Mines Shopping Fair Sdn Bhd ("the Defendant") for RM3,350,000.00 together with an interest at 8% per annum from 12 February 2010 till the date of full settlement, being loss and damages suffered by the Plaintiff for the Defendant's alleged breach of the Tenancy Agreement dated 6 August 2007 as alleged by the Plaintiff. The Plaintiff has on 16 March 2010 served the Summons on the Defendant. Solicitors for the Defendant have on 19 March 2010 filed the memorandum of appearance in court and the Statement of Defence has been filed on 1 April 2010. Subsequently, the Plaintiff filed the application to strike out the Defendant's defence and to enter Summary Judgment which was fixed for hearing on 2 July 2010. The Plaintiff's application came up for hearing on 2 July 2010 and the Court has further fixed the hearing on 23 August 2010 to enable the parties to file their respective written submission.
- (e) By a Summons dated 20 January 2010, the Government of Malaysia ("the Plaintiff") filed a suit against Timbang Makmur Sdn Bhd ("the Defendant") for the sum of RM1,812,217.00 together with interest at 8% thereon in relation to unpaid real property gains tax for the year 1998 for the acquisition of 500,000 shares in Mines Wonderland Sdn Bhd. Solicitors for the Defendant have filed the Memorandum of Appearance on 1 April 2010 and the Statement of Defence was filed on 14 April 2010 and the application to strike out the Summons was filed on 25 May 2010. The application to strike out the Plaintiff's Summons is fixed for case management on 20 September 2010.
- (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 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.

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26. Dividend Payable

No interim dividend has been declared for the current financial period under review (31 December 2009: Nil).

27. Earnings / Loss Per Share

(a) Basic

Basic earnings / loss per share is calculated by dividing profit for the year attributable to equity holders to the parent of RM9.3 million (30 June 2009: loss of RM8.3 million) over the number of 275,707,403 (30 June 2009: 275,707,403) ordinary shares issue during the current financial period under review.

(b) Diluted

Not applicable.

28. Authorization for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 August 2010.

By Order of the Board

Mark Victor Rozario

Group Managing Director