



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

|   | Note | INDIVIDUAL QUARTER   |                                      | CUMULATIVE QUARTERS  |                                     |
|---|------|----------------------|--------------------------------------|----------------------|-------------------------------------|
|   |      | CURRENT YEAR QUARTER | PRECEDING YEAR CORRESPONDING QUARTER | CURRENT YEAR TO DATE | PRECEDING YEAR CORRESPONDING PERIOD |
|   |      | 30-Jun-16<br>RM'000  | 30-Jun-15<br>RM'000                  | 30-Jun-16<br>RM'000  | 30-Jun-15<br>RM'000                 |
| Revenue   | 4    | 24,324               | 33,249                               | 46,507               | 68,501                              |
| Cost of sales   |      | (7,538)              | (13,793)                             | (15,532)             | (28,933)                            |
| Gross profit  |      | 16,786               | 19,456                               | 30,975               | 39,568                              |
| Interest income   |      | 36                   | 103                                  | 104                  | 242                                 |
| Other operating income  |      | 2,460                | 1,064                                | 3,898                | 1,997                               |
| Selling and marketing expenses  |      | (2,221)              | (4,830)                              | (3,785)              | (6,687)                             |
| Administrative expenses   |      | (6,152)              | (6,076)                              | (12,449)             | (12,929)                            |
| Other operating expenses  |      | (13,412)             | (15,821)                             | (25,908)             | (31,430)                            |
| Finance costs   |      | (2,980)              | (2,827)                              | (5,858)              | (5,348)                             |
| Share of results of associate   |      | -                    | (26)                                 | -                    | (123)                               |
| Loss before tax   |      | (5,483)              | (8,957)                              | (13,023)             | (14,710)                            |
| Income tax credit / (expense)   | 19   | (11)                 | 230                                  | 246                  | (628)                               |
| Loss for the period   |      | (5,494)              | (8,727)                              | (12,777)             | (15,338)                            |
| <b>Other comprehensive income/(loss), net of tax</b>                  |      |                      |                                      |                      |                                     |
| <i>Items that may be reclassified subsequently to profit or loss:</i> |      |                      |                                      |                      |                                     |
| Exchange differences on translating foreign operations                |      | (105)                | 10                                   | (105)                | 3                                   |
| Total comprehensive loss for the period                               |      | (5,599)              | (8,717)                              | (12,882)             | (15,335)                            |



**COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

| Note  | INDIVIDUAL QUARTER             |   | CUMULATIVE QUARTERS            |  |
|---|--------------------------------|---|--------------------------------|--|
|   | CURRENT YEAR                   | PRECEDING YEAR                                  | CURRENT YEAR                   | PRECEDING YEAR                                 |
|   | QUARTER<br>30-Jun-16<br>RM'000 | CORRESPONDING<br>QUARTER<br>30-Jun-15<br>RM'000 | TO DATE<br>30-Jun-16<br>RM'000 | CORRESPONDING<br>PERIOD<br>30-Jun-15<br>RM'000 |
| <b>Profit/(loss) attributable to :</b>  |                                |   |                                |  |
| Equity holders of the Company   | (5,066)                        | (7,826)   | (11,584)                       | (13,173)                                       |
| Non-controlling interests   | <u>(428)</u>                   | <u>(901)</u>                                    | <u>(1,193)</u>                 | <u>(2,165)</u>                                 |
| <b>Loss for the period</b>  | <u><b>(5,494)</b></u>          | <u><b>(8,727)</b></u>                           | <u><b>(12,777)</b></u>         | <u><b>(15,338)</b></u>                         |
| <br><b>Total comprehensive income/(loss) attributable to :</b>                              |                                |   |                                |  |
| Equity holders of the Company   | (5,171)                        | (7,816)   | (11,689)                       | (13,170)                                       |
| Non-controlling interests   | <u>(428)</u>                   | <u>(901)</u>                                    | <u>(1,193)</u>                 | <u>(2,165)</u>                                 |
| <b>Total comprehensive Loss for the period</b>  | <u><b>(5,599)</b></u>          | <u><b>(8,717)</b></u>                           | <u><b>(12,882)</b></u>         | <u><b>(15,335)</b></u>                         |
| <br><b>Earnings per share attributable to ordinary equity holders of the Company (sen):</b> |                                |   |                                |  |
| - Basic   | 30 (a)                         | (1.85)  | (2.84)                         | (4.23)   |
| - Diluted   | 30 (b)                         | NA  | NA                             | NA   |

(The Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

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**COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2016**

|  | Note | 30-Jun-16<br>(Unaudited)<br>RM'000 | 31-Dec-15<br>(Audited)<br>RM'000 |
|--|------|------------------------------------|----------------------------------|
| <b>ASSETS</b>  |      |                                    |                                  |
| <b>Non-current assets</b>  |      |                                    |                                  |
| Property, plant and equipment  |      | 327,741                            | 330,634                          |
| Investment properties  | 9    | 151,595                            | 151,595                          |
| Prepaid land lease payments  |      | 306,063                            | 308,119                          |
| Land held for property development   |      | 179,229                            | 178,556                          |
| Investment in associate  |      | -                                  | -                                |
| Available-for-sale financial assets  |      | 2,815                              | 2,816                            |
| Trade receivables-non-current portion  |      | 15,135                             | 8,030                            |
| Deferred tax assets  |      | 3,775                              | 4,633                            |
|  |      | <u>986,353</u>                     | <u>984,383</u>                   |
| <b>Current assets</b>  |      |                                    |                                  |
| Property development costs   |      | 153,506                            | 143,280                          |
| Inventories  |      | 89,951                             | 85,760                           |
| Trade and other receivables  |      | 61,877                             | 105,836                          |
| Tax recoverable  |      | 3,882                              | 3,888                            |
| Cash and bank balances   |      | 11,602                             | 20,806                           |
|  |      | <u>320,818</u>                     | <u>359,570</u>                   |
| <b>TOTAL ASSETS</b>  |      | <b>1,307,171</b>                   | <b>1,343,953</b>                 |
| <b>EQUITY AND LIABILITIES</b>  |      |                                    |                                  |
| <b>Capital and Reserves</b>  |      |                                    |                                  |
| Share capital  |      | 275,707                            | 275,707                          |
| Treasury shares  |      | (2,914)                            | (2,914)                          |
| Share premium  |      | 57,251                             | 57,251                           |
| Other reserves   |      | 155,101                            | 156,039                          |
| Retained earnings  |      | 328,789                            | 339,540                          |
| Equity attributable to equity holders of the Company                             |      | <u>813,934</u>                     | <u>825,623</u>                   |
| Non-controlling interests  |      | 24,974                             | 25,857                           |
| <b>Total equity</b>  |      | <b>838,908</b>                     | <b>851,480</b>                   |
| <b>Non-current liabilities</b>   |      |                                    |                                  |
| Borrowings   | 25   | 98,279                             | 101,735                          |
| Other payables   |      | 2,974                              | 2,973                            |
| Deferred Income - non-current portion  |      | 34,496                             | 33,905                           |
| Deferred tax liabilities   |      | 78,364                             | 79,685                           |
|  |      | <u>214,113</u>                     | <u>218,298</u>                   |
| <b>Current liabilities</b>   |      |                                    |                                  |
| Borrowings   | 25   | 85,857                             | 92,948                           |
| Trade and other payables   |      | 129,981                            | 132,924                          |
| Tax payables   |      | 36,891                             | 46,850                           |
| Deferred Income  |      | 1,421                              | 1,453                            |
|  |      | <u>254,150</u>                     | <u>274,175</u>                   |
| <b>Total Liabilities</b>   |      | <b>468,263</b>                     | <b>492,473</b>                   |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |      | <b>1,307,171</b>                   | <b>1,343,953</b>                 |
| Net assets per share attributable to ordinary equity holders of the Company (RM) |      |                                    |                                  |
|  |      | 2.98                               | 3.02                             |

(The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

**COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

|   | Attributable to Equity Holders of the Company |                 |               |                |                   | Non-Controlling Interests | Total Equity |          |
|---|---|-----------------|---------------|----------------|-------------------|---------------------------|--------------|----------|
|   | Non-distributable                             |                 | Distributable |                |                   |                           |              |          |
|   | Share Capital                                 | Treasury Shares | Share Premium | Other Reserves | Retained Earnings | Total                     |              |          |
|   | RM'000  | RM'000          | RM'000        | RM'000         | RM'000            | RM'000                    | RM'000       |          |
| <b>At 1 January 2016</b>                  | 275,707                                       | (2,914)         | 57,251        | 156,039        | 339,540           | 825,623                   | 25,857       | 851,480  |
| Loss for the period                       | -   | -               | -             | -              | (11,584)          | (11,584)                  | (1,193)      | (12,777) |
| Other comprehensive loss                  | -   | -               | -             | (105)          | -                 | (105)                     | -            | (105)    |
| Total comprehensive loss                  | -   | -               | -             | (105)          | (11,584)          | (11,689)                  | (1,193)      | (12,882) |
| Realisation of revaluation reserves       | -   | -               | -             | (833)          | 833               | -                         | -            | -        |
| Effect from acquisition of subsidiary     | -   | -               | -             | -              | -                 | -                         | 310          | 310      |
| <b>At 30 June 2016</b>                    | 275,707                                       | (2,914)         | 57,251        | 155,101        | 328,789           | 813,934                   | 24,974       | 838,908  |
| <b>At 1 January 2015</b>                  | 275,707                                       | (146)           | 57,251        | 146,455        | 347,707           | 826,974                   | 26,476       | 853,450  |
| Loss for the period                       | -   | -               | -             | -              | (13,173)          | (13,173)                  | (2,165)      | (15,338) |
| Other comprehensive loss                  | -   | -               | -             | 3              | -                 | 3                         | -            | 3        |
| Total comprehensive loss                  | -   | -               | -             | 3              | (13,173)          | (13,170)                  | (2,165)      | (15,335) |
| Share bought-back held as treasury shares | -   | (2,768)         | -             | -              | -                 | (2,768)                   | -            | (2,768)  |
| Transfer to retained earnings             | -   | -               | -             | (231)          | 231               | -                         | -            | -        |
| <b>At 30 June 2015</b>                    | 275,707                                       | (2,914)         | 57,251        | 146,227        | 334,765           | 811,036                   | 24,311       | 835,347  |

(The Unaudited Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)



**COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

|   | CURRENT YEAR TO<br>DATE<br>30-Jun-16<br>RM'000 | PRECEDING YEAR<br>CORRESPONDING<br>PERIOD<br>30-Jun-15<br>RM'000 |
|---|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |  |  |
| Loss before tax   | (13,023)                                       | (14,710)   |
| Adjustments for:  |  |  |
| Allowance for doubtful debts                                    | 624  | 1,665  |
| Allowance for doubtful debts written back                       | (890)  | -  |
| Amortisation of deferred income                                 | (738)  | (673)  |
| Amortisation of prepaid land lease payment                      | 2,056  | 2,068  |
| Bad debts written off   | -  | 4  |
| Depreciation of property, plant and equipment                   | 4,460  | 5,192  |
| Net gain on disposal of subsidiary                              | (53)   | -  |
| Impairment gain in value of other investments                   | 1  | -  |
| Interest expense  | 5,858  | 5,348  |
| Interest income   | (104)  | (242)  |
| Gain on disposal of other property, plant and equipment         | 14   | (3)  |
| Net unrealised gain on foreign exchange                         | (100)  | (69)   |
| Other property, plant & equipment written off                   | 36   | (2)  |
| Share of results of associate                                   | -  | 123  |
| <b>Operating (loss) / profit before working capital changes</b> | <b>(1,859)</b>                                 | <b>(1,299)</b>   |
| Changes in working capital:                                     |  |  |
| Inventories   | (4,192)  | 2,530  |
| Property development costs                                      | (10,899)                                       | (8,581)  |
| Receivables   | 37,138   | 16,557   |
| Deferred income   | 1,297  | 2,170  |
| Payables  | (11,638)                                       | (7,596)  |
| <b>Cash generated from / (used in) operations</b>               | <b>9,847</b>                                   | <b>3,781</b>   |
| Tax refund  | -  | 410  |
| Tax paid  | (1,538)  | (5,613)  |
| Interest paid   | (5,752)  | (5,243)  |
| <b>Net cash generated from / (used in) operating activities</b> | <b>2,557</b>                                   | <b>(6,665)</b>   |



**COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

|   | CURRENT YEAR TO<br>DATE<br>30-Jun-16<br>RM'000 | PRECEDING YEAR<br>CORRESPONDING<br>PERIOD<br>30-Jun-15<br>RM'000 |
|---|--|--|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |  |  |
| Purchase of other property, plant and equipment             | (1,817)  | (1,127)  |
| Proceeds from disposal of other property, plant & equipment | 199  | 7  |
| Sale of subsidiaries, net of cash disposed                  | 10   | -  |
| Interest received   | 104  | 242  |
| <b>Net cash used in investing activities</b>                | <b>(1,504)</b>                                 | <b>(878)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |  |  |
| Drawdown of Bank Overdrafts                                 | 915  | 4,594  |
| Drawdown of term loan                                       | 6,187  | 4,180  |
| Hire purchase and lease creditors                           | 351  | (131)  |
| Repayment of revolving credits                              | (1,000)  | (1,200)  |
| Repayment of term loans                                     | (16,710)                                       | (34,571)   |
| Purchase of treasury shares                                 | -  | (2,767)  |
| <b>Net cash used in financing activities</b>                | <b>(10,257)</b>                                | <b>(29,895)</b>  |
| <b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>            | <b>(9,204)</b>                                 | <b>(37,438)</b>  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>       | <b>20,806</b>                                  | <b>47,547</b>  |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>           | <b>11,602</b>                                  | <b>10,109</b>  |

(The Unaudited Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 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**

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**1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134: “Interim Financial Reporting” and paragraph 9.22 of the Main Market 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 2015. 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 2015.

**2. Significant Accounting Policies**

The significant accounting policies adopted by the Group in these interim financial statements are consistent with those of the audited financial statements of the Group for the financial year ended 31 December 2015, except for adoption of the following new/revised FRSs, Amendments to FRSs and IC Interpretations which are effective for financial periods beginning on or after:

**1 January 2016**

|   |   |
|---|---|
| Amendments to FRS 10,<br>FRS 12 and FRS 128 | Investment Entities: Applying the Consolidation Exception               |
| Amendments to FRS 11                        | Accounting for Acquisitions of Interests in Joint Operations            |
| Amendments to FRS 101                       | Disclosure Initiative   |
| Amendments to FRS 116<br>and FRS 138        | Clarification of Acceptable Methods of Depreciation and<br>Amortisation |
| Amendments to FRSs                          | Annual Improvement to FRSs 2012 – 2014 cycle                            |



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

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**2. Significant Accounting Policies (Cont'd.)**

On 19 November, 2012, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS") Framework, a fully-IFRS compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception for Transitioning Entities ("TEs").

TEs, being entities within the scope of MFRS 141 *Agriculture* and/or IC Interpretation 15 *Agreements for the Construction of Real Estate*, including its parents, significant investors and venturers were given a transitional period of two years, which allow these entities an option to continue with the FRS Framework. Following the announcement by the MASB on 7 August, 2013, the transitional period for TEs has been extended for an additional year.

Further on 2 September 2014, MASB announced that TEs shall be required to apply the MFRS Framework for annual periods beginning or after 1<sup>st</sup> January 2017. MASB has also issued on the same day MFRS 15 *Revenue from Contract with Customers and Agriculture: Bear Plants (Amendments to MFRS 116 and MFRS 114)*. MFRS 115 is effective for effective for annual periods beginning or after 1 January 2017 while the Bearer Plants amendments is effective for annual periods beginning on or after 1 January 2016. With the issuance of MFRS 15 and the Bearer Plants amendment, all TEs would be required to adopt the MFRSs Framework latest by 1 January 2017.

On 8 September 2015, the MASB confirmed that the effective date of MFRS 15 will be deferred to annual periods beginning on or after 1 January 2018. However, early application of MFRS 15 is still permitted.

Accordingly, the Group and the Company, being TEs, have availed themselves of this transitional arrangement and will continue to apply FRSs in the preparation of its financial statements. Accordingly, the Group and the Company including certain subsidiary companies will be required to prepare its first set of MFRS financial statements latest by 1 January 2018.

**3. Audit Opinion on 2015 Financial Statements**

The auditors' report on the financial statements of the Group for the financial year ended 31 December 2015 was not subject to any qualification.





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

**4. Segment Reporting**

| Quarter Ended<br>30 Jun 2016         | Property<br>Development<br>RM'000 | Property<br>Investment<br>RM'000 | Hospitality<br>& Health<br>RM'000 | Others<br>RM'000 | Consolidated<br>RM'000 |
|--------------------------------------|-----------------------------------|----------------------------------|-----------------------------------|------------------|------------------------|
| <b>Revenue</b>                       |                                   |                                  |                                   |                  |                        |
| External sales                       | 5,500                             | 4,026                            | 14,305                            | 493              | 24,324                 |
| <b>Results</b>                       |                                   |                                  |                                   |                  |                        |
| Segment results                      | (98)                              | 976                              | (368)                             | (3,013)          | (2,503)                |
| Finance costs                        |                                   |                                  |                                   |                  | (2,980)                |
| Share of results of associate        |                                   |                                  |                                   |                  | -                      |
| Loss before tax                      |                                   |                                  |                                   |                  | (5,483)                |
| Income tax expense                   |                                   |                                  |                                   |                  | (11)                   |
| Loss after tax                       |                                   |                                  |                                   |                  | (5,494)                |
| Non-controlling interests            |                                   |                                  |                                   |                  | 428                    |
| Loss for the period                  |                                   |                                  |                                   |                  | (5,066)                |
| <b>Quarter Ended<br/>30 Jun 2015</b> |                                   |                                  |                                   |                  |                        |
| <b>Revenue</b>                       |                                   |                                  |                                   |                  |                        |
| External sales                       | 15,483                            | 4,849                            | 12,533                            | 384              | 33,249                 |
| <b>Results</b>                       |                                   |                                  |                                   |                  |                        |
| Segment results                      | 1,787                             | 1,682                            | (5,784)                           | (3,789)          | (6,104)                |
| Finance costs                        |                                   |                                  |                                   |                  | (2,827)                |
| Share of results of associate        |                                   |                                  |                                   |                  | (26)                   |
| Loss before tax                      |                                   |                                  |                                   |                  | (8,957)                |
| Income tax credit                    |                                   |                                  |                                   |                  | 230                    |
| Loss after tax                       |                                   |                                  |                                   |                  | (8,727)                |
| Non-controlling interests            |                                   |                                  |                                   |                  | 901                    |
| Loss for the period                  |                                   |                                  |                                   |                  | (7,826)                |



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

| Six Months Ended<br>30 Jun 2016               | Property<br>Development<br>RM'000 | Property<br>Investment<br>RM'000 | Hospitality,<br>Health &<br>Tourism<br>RM'000 | Others<br>RM'000 | Consolidated<br>RM'000 |
|---|-----------------------------------|----------------------------------|---|------------------|------------------------|
| <b>Revenue</b>                                |                                   |                                  |   |                  |                        |
| External sales                                | 12,861                            | 8,147                            | 24,586  | 913              | 46,507                 |
| <b>Results</b>                                |                                   |                                  |   |                  |                        |
| Segment results                               | 531                               | 1,890                            | (3,522)                                       | (6,064)          | (7,165)                |
| Finance costs                                 |                                   |                                  |   |                  | (5,858)                |
| Share of results of associate                 |                                   |                                  |   |                  | -                      |
| Loss before tax                               |                                   |                                  |   |                  | (13,023)               |
| Income tax credit                             |                                   |                                  |   |                  | 246                    |
| Loss after tax                                |                                   |                                  |   |                  | (12,777)               |
| Non-controlling interests                     |                                   |                                  |   |                  | 1,193                  |
| Loss for the period                           |                                   |                                  |   |                  | (11,584)               |
| <b>Six Months Ended<br/>30 Jun 2015</b>       |                                   |                                  |   |                  |                        |
| <b>Revenue</b>                                |                                   |                                  |   |                  |                        |
| External sales                                | 32,977                            | 10,046                           | 24,455  | 1,023            | 68,501                 |
| <b>Results</b>                                |                                   |                                  |   |                  |                        |
| Segment results                               | 7,790                             | 1,745                            | (12,418)                                      | (6,356)          | (9,239)                |
| Finance costs                                 |                                   |                                  |   |                  | (5,348)                |
| Share of results of associate & joint venture |                                   |                                  |   |                  | (123)                  |
| Loss before tax                               |                                   |                                  |   |                  | (14,710)               |
| Income tax expense                            |                                   |                                  |   |                  | (628)                  |
| Loss after tax                                |                                   |                                  |   |                  | (15,338)               |
| Non-controlling interests                     |                                   |                                  |   |                  | 2,165                  |
| Loss for the period                           |                                   |                                  |   |                  | (13,173)               |



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

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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. Changes in Estimates**

There were no changes in estimates that have a material effect in the financial year-to-date results.

**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 2015.

**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 financial year-to-date.

**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 Statement of Financial Position as at 31 December 2015.

**13. Contingent Liabilities / Assets**

There are no material contingent liabilities since the last audited Statement of Financial Position as at 31 December 2015 except as disclosed in Note 28 (a). There are no material contingent assets as at the date of this report.

**14. Subsequent event**

There was no material event subsequent to the end of the current financial period that has not been reflected in these financial statements.



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

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**15. Operating Segment Review**

**(a) 2nd Quarter 2016 vs 2nd Quarter 2015**

The Group recorded total revenue of RM24.3 million for the second quarter ended 30 June 2016 compared to RM33.2 million in the previous year corresponding quarter ended 30 June 2015. The difference was mainly due to lower sale of inventory and lower progressive revenue recognition of on going developments from the Property Development Division and lower contribution from the exhibition hall rental in Property Investment Division as compared to 2015.

The Group recorded loss before tax of RM5.5 million for the current quarter compared to loss of RM8.9 million in previous year corresponding quarter.

Property Development Division

Revenue for the second quarter of 2016 for the division was RM5.5 million as compared to RM15.5 million in the same quarter of 2015. The higher revenue in 2015 was mainly contributed by the sale of completed Cyber Heights Villa units at Cyberjaya and progressive revenue recognition of on-going development on Mansion Park and Sawtelle projects. The division recorded segment loss of RM98 thousand for the current quarter under review in comparison with segment profits of RM1.8 million for the second quarter of 2015.

Property Investment Division

The revenue for the Property Investment Division was RM4.0 million in the current quarter compared to RM4.8 million for the first quarter of 2015. Segment profits was RM1.0 million for the second quarter of 2016 as compared to segment profit of RM1.7 million for the same quarter of 2015 mainly due to lower contribution from exhibition hall rental income in the second quarter of 2016.

Hospitality & Health Division

Hospitality & Health Division contributed RM14.3 million of revenue as compared to RM12.5 million in the second quarter of 2015. This was mainly due to higher contribution from the health screening membership revenue in the second quarter. The hotel industry was generally facing stiff competition, rate war amongst hotels and the softer tourism markets. However, lower segment loss of RM0.4 million was recorded compared to segment loss of RM5.8 million in the same quarter of 2015 mainly due to lower operating costs incurred in the current period.



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

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**15. Review of To Date Performance (Cont'd)**

Others

This mainly comprised of Country Heights Holdings Berhad and the Education subsidiary, Country Heights Education Sdn Bhd. Total revenue of RM0.5 million was contributed by this subsidiary in the second quarter of 2016 as compared to RM0.4 million for the second quarter of 2015. The segment loss for the second quarter 2016 was RM3.0 million versus RM3.8 million segment loss for the same quarter of 2015.

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

The Group's revenue for the second quarter of 2016 was higher at RM24.3 million as compared to the preceding first quarter ended 30 March 2016 of RM22.2 million, mainly due to higher revenue recorded for the Hospitality & Health Division in the second quarter of 2016.

**(b) YTD June 2016 vs YTD June 2015**

Total Group revenue for the period ended 30 June 2016 decreased to RM46.5 million from RM68.5 million for the same period in 2015. The difference was mainly due to lower sales of completed inventories and lower progressive recognition of on going developments from Property Development Division and lower contribution from the Property Investment Division as compared to 2015.

The Group recorded loss before tax of RM13.0 million for the current year to date as compared to loss before tax of RM14.7 million in the same period of preceding year.

Property Development Division

Total revenue contributed by the Property Development Division for the period ended 30 June 2016 was RM12.9 million as compared to RM33.0 million for the same period in the preceding year. The higher revenue in 2015 was mainly contributed by the sale of completed Cyber Heights Villa at Cyberjaya and progressive revenue recognition of on-going development on Mansion Park and Sawtelle projects units recognized in the period. The division recorded lower segment profits of RM0.5 million in the period ended 30 June 2016 as compared to RM7.8 million for the same period in the preceding year.



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

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**15. Operating Segment Review (Cont'd)**

**(b) YTD June 2016 vs YTD June 2015 (Cont'd)**

Property Investment Division

Total revenue for the Property Investment Division was RM8.1 million as compared to RM10.0 million in the preceding year. Segment profits for first half of the current year period was RM1.9 million as compared to RM1.7 million for the preceding year mainly due to reduction in operating expenses.

Hospitality, Health & Tourism Division

Hospitality, Health & Tourism Division contributed RM24.6 million of revenue in the first half of the current year period as compared to RM24.5 million in the same period of the preceding year. The hotel industry was generally facing stiff competition, rate war amongst hotels and the softer tourism market. Segment loss of RM3.5 million was recorded for the current year period as compared to segment loss of RM12.4 million in the preceding year mainly due to the lower operating expenses especially saving in operating expenses of Mine Wellness Hotel that has been leased out to external party.

Others

This mainly comprised of Country Heights Holdings Berhad and the Education division. Total RM0.9 million of revenue was recorded in the first half of the current year period as compared to RM1.0 million in the same period of the preceding year. Segment loss was RM6.1 million for the current year period as compared to segment loss of RM6.4 million in the same period of preceding year.

**17. Commentary on Prospects**

The international economic and financial landscape is likely to remain challenging and will be key factor that will influence the prospects of Malaysian economy in 2016. Bank Negara reported that the Malaysian economy registered a growth of 4.0% in the second quarter of 2016 (1Q 2016: 4.2%). Despite the stronger expansion in domestic demand, growth was weighed down by the continued decline in net exports and a significant drawdown in stocks. On the supply side, growth continued to be driven by the major economic sectors.



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

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The global economic uncertainties, slower domestic economic growth, increasing cost of living in the country couple with the high lending and difficulty in obtaining end financing are causes for concern as these could dampen sentiments and affect demand in certain sectors.

The Property Development Division has a series of exciting projects in the pipeline for launching in 2016 & 2017, especially within the Mines Wellness City, which is poised to transform into Malaysia's premier Wellness City under the government's Economic Transformation Program (ETP). Amongst projects scheduled for launching in 2016 & 2017 are:-

- College Heights Garden Resort – 28 units of 2-storey shop-office
- College Valley Industrial Park – 60 units of single-storey terrace industrial lot
- Country Heights Damansara – Subdividing Bungalow Land
- Country Heights Kajang – Kajang Commercial Centre
- Mines Waterfront Suites – Block 6 & 7
- College Heights Utara – 200 units of PPAIM scheme on 200 acres land
- Belleza Garden Homes Phase 3 at Jitra, Kedah

On the hospitality division, despite a drastic drop in the numbers of tourist to Malaysia, focus is given to refurbish the Palace of the Golden Horses, introduction of a new management team, joint-ventures and measures have been put into place to counter room occupancy rates with more international and local corporate events and promotions to help stimulate the business.

The health division, GHHS Healthcare, which have a combined western and eastern practices continues to be the key opinion leader in the preventive healthcare industry. GHHS Healthcare will focus on raising its platform to be perceived as a centre for medical tourism with increased international health tourists especially from middle-east market and a new focus on the Indonesian market.

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

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



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

**19. Income Tax Expense**

|                            | Six Months ended |           |
|----------------------------|------------------|-----------|
|                            | 30-Jun-16        | 30-Jun-15 |
|                            | RM'000           | RM'000    |
| Income tax:                |                  |           |
| - current year             | (216)            | (905)     |
| - Over / (under) provision | -                | (199)     |
| Deferred tax               | 462              | 476       |
|                            | 246              | (628)     |

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

There was no sale of unquoted investments/ properties during the financial year-to-date.

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

There were no sales or purchase of quoted securities during the financial year-to-date.

**22. Profit before Tax**

Profit before tax has been arrived at after charging / (crediting):

|  | Six Months ended |           |
|--|------------------|-----------|
|  | 30-Jun-16        | 30-Jun-15 |
|  | RM'000           | RM'000    |
| Depreciation and amortisation              | 6,516            | 7,260     |
| Allowance for and write off of receivables | 624              | 1,669     |
| Net unrealised foreign exchange gain       | (100)            | (69)      |

There were no gain or loss on derivatives, exceptional items and allowance for and write off of inventories.

**23. Corporate Proposals**

**(a) Status of Corporate Proposals**

There were no corporate proposals previously announced but not completed.

**(b) Status of Utilisation of Proceeds from Corporate Proposal**

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





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

**24. Details of Treasury Shares**

As at the end of the reporting period, the status of share buy-back is as follows:

| Description of shares purchased          | Quarter ended   | As at           |
|--|-----------------|-----------------|
|  | 30-Jun-16       | 30-Jun-16       |
|  | RM'000          | RM'000          |
|  | Ordinary Shares | Ordinary Shares |
| Number of shares purchased               | -               | 2,150,000       |
| Number of shares cancelled               | -               | -               |
| Number of shares held as treasury shares | 2,150,000       | 2,150,000       |
| Number of treasury share resold          | -               | -               |

**25. Borrowings**

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

|                                   | Short-term    | Long-term     | Total          |
|-----------------------------------|---------------|---------------|----------------|
|                                   | RM'000        | RM'000        | RM'000         |
| <b>Secured</b>                    |               |               |                |
| Bank overdrafts                   | 31,827        | -             | 31,827         |
| Term loan                         | 11,420        | 97,703        | 109,123        |
| <b>Total secured borrowings</b>   | <b>43,247</b> | <b>97,703</b> | <b>140,950</b> |
| <b>Unsecured</b>                  |               |               |                |
| Term loan                         | 40,311        | -             | 40,311         |
| Revolving credits                 | 2,000         | -             | 2,000          |
| Hire purchase & lease creditors   | 299           | 576           | 875            |
| <b>Total unsecured borrowings</b> | <b>42,610</b> | <b>576</b>    | <b>43,186</b>  |
| Comprising:                       |               |               |                |
| Local borrowings                  | 85,857        | 98,279        | 184,136        |
| Foreign borrowings                | -             | -             | -              |
| <b>Total borrowings</b>           | <b>85,857</b> | <b>98,279</b> | <b>184,136</b> |

All borrowings are denominated in Ringgit Malaysia unless indicated otherwise.



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

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**26. Disclosure requirements pursuant to implementation of FRS 139**

**(a) Disclosure of Derivatives**

There are no outstanding derivatives as at 30 June 2016 and there have been no changes in derivatives since the last financial year.

**(b) Disclosure of gain/losses arising from fair value changes of financial liabilities**

The Group did not have any gain/losses arising from fair value changes of its financial liabilities.

**27. Retained earnings**

The breakdown of the retained earnings of the Group is prepared in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with guidance on special matter No. 1, Determination of Realised and Unrealised Profit or Losses in the context of disclosure pursuant to Bursa Malaysia Securities Berhad listing requirement as issued by the Malaysian Institute of Accountants.

|  | As at<br>30- Jun - 16<br>RM'000 | As at<br>31-Dec -15<br>RM'000 |
|--|---------------------------------|-------------------------------|
| <b>Total retained earnings / (accumulated losses) of the Company and its subsidiaries:</b> |                                 |                               |
| - Realised   | 559,126                         | 538,457                       |
| - Unrealised   | <u>(80,910)</u>                 | <u>(80,386)</u>               |
|  | 478,216                         | 458,071                       |
| <b>Total share of retained earnings from associate:</b>                                    |                                 |                               |
| - Realised   | <u>-</u>                        | <u>-</u>                      |
|  | 478,216                         | 458,071                       |
| Less: Consolidated adjustments   | (149,427)                       | (118,531)                     |
| <b>Total group retained earnings as per consolidated accounts</b>                          | <u>328,789</u>                  | <u>339,540</u>                |



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

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**28. 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 22 August 2016, a date not earlier than 7 days from the date of issuance of this report. The material litigations are:

- (a) By a summons dated 20 January 2010, the Government of Malaysia ("Plaintiff") 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 filed a Summary Judgment application in court and the same was fixed for hearing on 12 December 2012. On 21 December 2012, the Court allowed the Plaintiff's application for Summary Judgment with cost. On 24 December 2012, CHHB filed a Notice of Appeal against the High Court's decision which was allowed by the Court of Appeal with costs in the cause. Being dissatisfied with the decision of the Court of Appeal above, the Plaintiff filed an application for leave to appeal to the Federal Court. On 19 June 2014, the Federal Court dismissed the Plaintiff's appeal with costs and the matter has been reverted back to High Court for full trial. The matter which was fixed for trial on and 19 January 2015 to 21 January 2015 has been rescheduled to 29 December 2014 to 31 December 2014 respectively. However, the main suit at the High Court has been disposed of on 18 December 2014 by parties recording a consent judgement wherein both parties have agreed to be bound by the decision of the Special Commission of Income Tax ("Special Commissioners").

Previously, an appeal was also lodged against the raising of the said taxes for the Years of Assessment 1993, 1998 and 1999, including penalties, by way of Form Q before the Special Commissioners. The appeal proceeded for hearing on 16 and 17 October 2012. On 21 August 2013, the Special Commissioners:



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

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**28. Material Litigation (Cont'd)**

- (1) Dismissed CHHB's appeal on the assessments for the Years of Assessment 1993 and 1998, including penalties, for the sum of RM19,239,055; and
- (2) Allowed CHHB's appeal on the assessments for the Year of Assessment 1999, including penalties, for the sum of RM3,378,256.

Both parties on 9 October 2013 have filed their Appeal to the High Court in relation to the decision rendered by the Special Commissioners. The Appeal was heard on 24 March 2015 and the Court has fixed to deliver its decision on 11 June 2015. The High Court has however reserved its decision to 10 July 2015 and subsequently to 7 August 2015. The Court allowed the appeal by the Defendant with costs and dismissed the cross appeal by the Plaintiffs. The Plaintiffs have on 7 September 2015 filed their Notice of Appeal at the Court of Appeal against the decision of the High Court. The High Court did not process the Notice of Appeal filed by the Plaintiff on 7 September, 2015. The Plaintiff therefore applied to the High Court to obtain the permission of the High Court to refile its Notice of Appeal. Parties are awaiting the date for the said appeal.

- (b) By a summons dated 17 August 2015 ("Suit 1"), the Government of Malaysia ("Plaintiff") has filed a claim against Country Heights Sdn Bhd ("CHSB") for Income Tax for the Year of Assessment 1997 and 1998 amounting to the sum of RM23,475,686.75 with interest at the rate of 5% thereon. Also, by a summons dated 17 August 2015 ("Suit 2"), the Government of Malaysia ("Plaintiff") has filed a claim against Country Heights Sdn Bhd ("CHSB") for Income Tax for the Year of Assessment 2008 amounting to the sum of RM4,616,051.06 together with interest at 5% thereon. Suit 1 has been fixed for case management on 23 February 2016 whereas Suit 2 is fixed for case management on 16 March 2016.

Following the case management for Suit 1, the Plaintiff sought to make an application to consolidate Suit 1 and Suit 2 but has withdrawn the said application as the Court was of the view to proceed with the suit separately. The High Court has fixed for case management on 29 March 2016 for the Plaintiff to file its application for summary judgement, if any. The High Court has now fixed 25 May 2016 for case management. The Plaintiff on 1 June 2016 has withdrawn Suit 1 with liberty to file afresh and followed on to withdraw Suit 2 on 15 June 2016 with liberty to file afresh.



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

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**29. Dividend Payable**

No dividend has been proposed for the current financial period under review and the previous corresponding financial year.

**30. Earnings / (Loss) Per Share**

**(a) Basic**

Basic loss per share is calculated by dividing loss for the period attributable to equity holders of RM7.8 million (30 Jun 2015: loss of RM13.2 million) over the number of 273,557,403 (30 Jun 2015: 273,557,403) ordinary shares issued during the current financial period under review.

**(b) Diluted**

Not applicable.

**31. 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 Aug 2016.

By Order of the Board

**Lee Thai Young Matahari**

Executive Director