



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 2017

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
		CURRENT YEAR QUARTER 30-Jun-17 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-Jun-16 RM'000	CURRENT YEAR TO DATE 30-Jun-17 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-16 RM'000
Revenue	4	33,847	24,324	52,561	46,507
Cost of sales		<u>(6,929)</u>	<u>(7,538)</u>	<u>(13,279)</u>	<u>(15,532)</u>
Gross profit		26,918	16,786	39,282	30,975
Interest income		37	36	74	104
Other operating income		4,708	2,460	5,927	3,898
Selling and marketing expenses		(1,440)	(2,221)	(2,785)	(3,785)
Administrative expenses		(4,703)	(6,152)	(9,907)	(12,449)
Other operating expenses		(12,959)	(13,412)	(25,661)	(25,908)
Finance costs		<u>(2,823)</u>	<u>(2,980)</u>	<u>(5,487)</u>	<u>(5,858)</u>
Profit/(Loss) before tax		9,738	(5,483)	1,443	(13,023)
Income tax (expense)/credit	19	<u>(1,847)</u>	<u>(11)</u>	<u>(1,354)</u>	<u>246</u>
Profit/(Loss) for the period		<u>7,891</u>	<u>(5,494)</u>	<u>89</u>	<u>(12,777)</u>
Other comprehensive income/(loss), net of tax					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		<u>-</u>	<u>(105)</u>	<u>-</u>	<u>(105)</u>
Total comprehensive income/(loss) for the period		<u>7,891</u>	<u>(5,599)</u>	<u>89</u>	<u>(12,882)</u>

(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 2016 and the accompanying explanatory notes attached to the interim financial statements)



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 2017

Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS		
	CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR	
	QUARTER 30-Jun-17 RM'000	CORRESPONDING QUARTER 30-Jun-16 RM'000	TO DATE 30-Jun-17 RM'000	CORRESPONDING PERIOD 30-Jun-16 RM'000	
Profit/(Loss) attributable to :					
Equity holders of the Company	7,993	(5,066)	139	(11,584)	
Non-controlling interests	<u>(102)</u>	<u>(428)</u>	<u>(50)</u>	<u>(1,193)</u>	
Profit/(Loss) for the period	<u><u>7,891</u></u>	<u><u>(5,494)</u></u>	<u><u>89</u></u>	<u><u>(12,777)</u></u>	
Total comprehensive income/(loss) attributable to :					
Equity holders of the Company	7,993	(5,171)	139	(11,689)	
Non-controlling interests	<u>(102)</u>	<u>(428)</u>	<u>(50)</u>	<u>(1,193)</u>	
Total comprehensive income/(loss) for the period	<u><u>7,891</u></u>	<u><u>(5,599)</u></u>	<u><u>89</u></u>	<u><u>(12,882)</u></u>	
Earnings/(loss) per share attributable to ordinary equity holders of the Company (sen):					
- Basic	30 (a)	2.92	(1.85)	0.05	(4.23)
- Diluted	30 (b)	NA	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 2016 and the accompanying explanatory notes attached to the interim financial statements)



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Note	30-Jun-17 (Unaudited) RM'000	31-Dec-16 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	322,329	323,820
Investment properties	9	151,816	151,595
Prepaid land lease payments		302,189	303,988
Land held for property development		194,383	194,189
Investment in associate		-	-
Available-for-sale financial assets		2,734	2,734
Goodwill		16	-
Trade receivables-non-current portion		9,065	6,473
Deferred tax assets		5,761	4,947
		<u>988,293</u>	<u>987,746</u>
Current assets			
Property development costs		147,011	139,072
Inventories		81,137	88,776
Trade and other receivables		55,677	42,569
Tax recoverable		3,857	3,904
Cash and bank balances		10,033	12,856
		<u>297,715</u>	<u>287,177</u>
Assets classified as held for sale		-	400
		<u>297,715</u>	<u>287,577</u>
		<u>1,286,008</u>	<u>1,275,323</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		352,006	275,707
Treasury shares		(2,914)	(2,914)
Share premium		-	57,251
Other reserves		132,971	152,851
Retained earnings		295,057	294,086
Equity attributable to equity holders of the Company		<u>777,120</u>	<u>776,981</u>
Non-controlling interests		<u>20,221</u>	<u>20,114</u>
Total equity		<u>797,341</u>	<u>797,095</u>
Non-current liabilities			
Borrowings	25	167,554	169,162
Other payables		3,398	3,399
Deferred Income - non-current portion		40,161	35,626
Deferred tax liabilities		78,699	78,699
		<u>289,812</u>	<u>286,886</u>
Current liabilities			
Borrowings	25	39,528	44,667
Trade and other payables		130,509	115,785
Tax payables		27,688	29,270
Deferred Income		1,130	1,345
		<u>198,855</u>	<u>191,067</u>
Liabilities classified as held for sale		-	275
Total Liabilities		<u>488,667</u>	<u>478,228</u>
TOTAL EQUITY AND LIABILITIES		<u>1,286,008</u>	<u>1,275,323</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)		2.84	2.84

(The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 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 2017**

	Attributable to Equity Holders of the Company					Total	Non-Controlling Interests	Total Equity
	Non-distributable		Distributable					
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Earnings RM'000	RM'000	RM'000	RM'000
At 1 January 2017	275,707	(2,914)	57,251	152,851	294,086	776,981	20,114	797,095
Adjustment for effects of Companies Act 2016 (Note a)	76,299	-	(57,251)	(19,048)	-	-	-	-
Loss for the period	-	-	-	-	139	139	(50)	89
Total comprehensive loss	-	-	-	-	139	139	(50)	89
Effect from disposal of subsidiary	-	-	-	-	-	-	157	157
Transfer to retained earnings	-	-	-	(832)	832	-	-	-
At 30 JUNE 2017	352,006	(2,914)	-	132,971	295,057	777,120	20,221	797,341
At 1 January 2016	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
At 30 JUNE 2016	275,707	(2,914)	57,251	155,101	328,789	813,934	24,974	838,908

Note a

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium and capital redemption reserve accounts of RM57,251,000 and RM19,048,000 respectively, has been transferred to the share capital account. Pursuant to subsection 618(3) and 618(4) of the New Act, the Group may exercise its right to use the credit amounts being transferred from share premium and capital redemption reserve accounts within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

(The Unaudited Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 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 2017**

	CURRENT YEAR TO DATE 30-Jun-17 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-16 RM'000
CASH FLOWS FROM /(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) before tax	1,443	(13,023)
Adjustments for:		
Allowance for doubtful debts	311	624
Allowance for doubtful debts written back	(42)	(890)
Amortisation of deferred income	(565)	(738)
Amortisation of debts issuance costs	80	-
Amortisation of prepaid land lease payment	2,039	2,056
Bad debts written off	2	-
Depreciation of property, plant and equipment	4,296	4,460
Net gain on disposal of subsidiary	-	(53)
Impairment gain in value of other investments	-	1
Interest expense	5,487	5,858
Interest income	(74)	(104)
Loss on disposal of other property, plant and equipment	-	14
Net unrealised gain on foreign exchange	(15)	(100)
Property, plant & equipment written off	559	36
Net loss on disposal of subsidiary	1,137	-
Operating profit/(loss) before working capital changes	14,658	(1,859)
Changes in working capital:		
Inventories	5,169	(4,192)
Property development costs	(8,373)	(10,899)
Receivables	(15,970)	37,138
Deferred income	4,882	1,297
Payables	13,628	(11,638)
Cash generated from operations	13,994	9,847
Tax refund	53	-
Tax paid	(3,756)	(1,538)
Interest paid	(5,381)	(5,752)
Net cash generated from operating activities	4,910	2,557



COUNTRY HEIGHTS HOLDINGS BERHAD (119416-K)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017**

	CURRENT YEAR TO DATE 30-Jun-17 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-16 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of other property, plant and equipment	(909)	(1,817)
Expenditure on investment properties	(222)	-
Proceeds from disposal of other property, plant & equipment	-	199
Proceeds from disposal of subsidiaries	150	10
Interest received	74	104
Net cash generated used in investing activities	(907)	(1,504)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bank overdrafts	-	915
Repayment of bank overdrafts	(770)	-
Drawdown of term loan	11,198	6,187
Hire purchase and lease creditors	(163)	351
Repayment of revolving credits	(800)	(1,000)
Repayment of term loans	(16,291)	(16,710)
Net cash used in financing activities	(6,826)	(10,257)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(2,823)	(9,204)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,856	20,806
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10,033	11,602

(The Unaudited Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 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

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 2016. 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 2016.

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 2016, 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 2017

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to FRS 12	Disclosure of Interests in Other Entities
Amendments to FRSs	Annual Improvement to FRSs 2014 – 2016 cycle

On 19 November, 2011, 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



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

2. Significant Accounting Policies (Cont'd)

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 1st January 2017. MASB has also issued on the same day MFRS 15 *Revenue from Contract with Customers and Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)*. MFRS 15 is 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.

On 8 September, 2015, MASB announced that the effective date of MFRS 15 *Revenue from Contracts with Customers* will be deferred to annual periods beginning on or after 1 January, 2018. As a result, the effective date for TEs to apply the MFRS will also be deferred to annual periods beginning on or after 1 January 2018.

As the Group and the Company are TEs within the scope of IC Interpretation 15 *Agreements for the Construction of Real Estate*, the Group and the Company will continue to apply FRSs in their next set of financial statements. The Group and the Company including certain subsidiary companies will prepare its first set of MFRS financial statements from the annual periods beginning on 1 January 2018.

3. Audit Opinion on 2016 Financial Statements

The auditors' report on the financial statements of the Group for the financial year ended 31 December 2016 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 30 June 2017	Property Development RM'000	Property Investment RM'000	Hospitality & Health RM'000	Others RM'000	Consolidated RM'000
Revenue					
External sales	17,086	3,698	13,063	-	33,847
Results					
Segment results	12,792	866	(532)	(565)	12,561
Finance costs					(2,823)
Share of results of associate					-
Profit before tax					9,738
Income tax expense					(1,847)
Profit after tax					7,891
Non-controlling interests					102
Profit for the period					7,993

Quarter Ended 30 June 2016	Property Development RM'000	Property Investment RM'000	Hospitality & Health RM'000	Others RM'000	Consolidated RM'000
Revenue					
External sales	5,500	4,026	14,305	493	24,324
Results					
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)



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

Six Months Ended
30 June 2017

	Property Development RM'000	Property Investment RM'000	Hospitality & Health RM'000	Others RM'000	Consolidated RM'000
Revenue					
External sales	21,421	8,060	22,900	180	52,561
Results					
Segment results	11,839	1,626	(5,649)	(886)	6,930
Finance costs					(5,487)
Share of results of associate					-
Profit before tax					1,443
Income tax expense					(1,354)
Profit after tax					89
Non-controlling interests					50
Profit for the period					139

Six Months Ended
30 June 2016

	Property Development RM'000	Property Investment RM'000	Hospitality & Health RM'000	Others RM'000	Consolidated RM'000
Revenue					
External sales	12,861	8,147	24,586	913	46,507
Results					
Segment results	531	1,890	(3,522)	(6,064)	(7,165)
Finance costs					(5,858)
Share of results of associate & joint venture					-
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)



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. 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 2016.

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 2016.

13. Contingent Liabilities / Assets

There are no material contingent liabilities since the last audited Statement of Financial Position as at 31 December 2016 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

15. Operating Segment Review

(a) 2nd Quarter 2017 vs 2nd Quarter 2016

The Group recorded total revenue of RM33.8 million for the second quarter ended 30 June 2017 compared to RM24.3 million in the previous year corresponding quarter ended 30 June 2016. The difference was mainly due to higher contribution from Property Development Division.

The Group recorded profit before tax of RM9.7 million for the current quarter compared to loss of RM5.5 million in previous year corresponding quarter.

Property Development Division

Revenue for the second quarter of 2017 for the division was RM17.1 million as compared to RM5.5 million in the same quarter of 2016. The higher revenue was mainly contributed by the sale of inventories of completed properties in Mines Resort City. The division recorded segment profit of RM12.8 million as compared to segment loss of RM0.1 million for the second quarter of 2016 mainly due to higher revenue contribution.

Property Investment Division

The revenue for the Property Investment Division was RM3.7 million in the current quarter compared to RM4.0 million for the second quarter of 2016. Segment profit was RM0.9 million for the second quarter of 2017 as compared to segment profit of RM1.0 million for the same quarter of 2016 mainly due to lower contribution from office rental income.

Hospitality & Health Division

Hospitality & Health Division contributed RM13.1 million of revenue in the current quarter as compared to RM14.3 million in the second quarter of 2016. The hotel industry was generally facing stiff competition, rate war amongst hotels and the softer tourism markets. Segment loss of RM0.6 million was recorded in the current quarter as compared to segment loss of RM0.4 million in the same quarter of 2016.



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

15. 2nd Quarter 2017 vs 2nd Quarter 2016 (Cont'd)

Others

This mainly comprised of Country Heights Holdings Berhad and the Education subsidiary. No revenue was contributed by the Education subsidiary in the second quarter of 2017 as compared to RM0.5 million for the second quarter of 2016, as it was disposed in the current quarter on 14 April 2017. The segment loss for the second quarter 2017 was RM0.6 million versus RM3.0 million segment loss for the same quarter of 2016. The reduction in the segment loss was mainly due to the reorganization of the Group's head office operating expenses from Others segment to Property Development segment.

(b) YTD June 2017 vs YTD June 2016

Total Group revenue for the period ended 30 June 2017 increased to RM52.6 million from RM46.5 million for the same period in 2016, mainly due to higher sale of inventories of completed properties.

The Group recorded profit before tax of RM1.4 million for the current year to date as compared to loss before tax of RM13.0 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 2017 was RM21.4 million as compared to RM12.9 million for the same period in the preceding year. The higher revenue in 2017 was mainly contributed by the sale of inventories of completed properties in Mines Resort City.

As such, the division recorded higher segment profits of RM11.8 million in the period ended 30 June 2017 as compared to RM0.5 million for the same period in the preceding year.

Property Investment Division

Total revenue for the Property Investment Division was RM8.1 million, which is about the same amount in the preceding year. Segment profits for first half of the current year period was RM1.6 million as compared to RM1.9 million for the preceding year mainly due to higher operating expenses.



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

(b) YTD June 2017 vs YTD June 2016 (Cont'd)

Hospitality, Health & Tourism Division

Hospitality, Health & Tourism Division contributed RM22.9 million of revenue in the first half of the current year period as compared to RM24.6 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 RM5.7 million was recorded for the current year period as compared to segment loss of RM3.5 million in the preceding year mainly due to the lower revenue contribution from the Hotel Division and Health Division.

Others

This mainly comprised of Country Heights Holdings Berhad and Country Heights Education Sdn Bhd. Total RM0.2 million of revenue was recorded in the first half of the current year period as compared to RM0.9 million in the same period of the preceding year. Revenue was lower due to lower contribution from Country Heights Education which was disposed during the period on 14 April 2017. The reduction in the segment loss was mainly due to reorganization of the Group's head office operating expenses from Others segment to Property Development segment.

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

The Group's revenue for the second quarter of 2017 was higher at RM33.8 million as compared with the preceding first quarter ended 31 March 2017 of RM18.7 million, and the Group's profit before tax for the second quarter of 2017 was higher at RM9.7 million as compared with loss before tax in the preceding first quarter ended 31 March 2017 of RM8.3 million, mainly due to higher revenue recorded for the Property Development Division in the second quarter of 2017.

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 2017. According to Bank Negara Malaysia, the Malaysian economy is projected to grow by 4.3% - 4.8% (2016 : 4.2%) in 2017. Positive prospects for the Malaysian economy in 2017 are premised upon expectations of an improving global economy and the continued growth in domestic demand.



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

17. Commentary on Prospects (Cont'd)

The global economic uncertainties, slower domestic economic growth, increasing cost of living in the country coupled with the high borrowing cost 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 few projects in the pipeline for launching in 2017 & 2018. Amongst projects scheduled for launching in 2017 & 2018 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
- Kolej Heights Utara – 200 units of PPAIM scheme on 200 acres land
- Kolej Heights Utara – Belleza 3 – 90 units of super-linked house
- Cyber Bougainvilla – 72 units of super-linked house

On the hospitality division, despite a drastic drop in the number of tourists to Malaysia, there are plans to refurbish the Palace of the Golden Horses and measures have been put in place to increase room occupancy and rates such as international marketing and branding exercises, service improvement programmes, online marketing and strategic collaborations 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 the Indonesian market and a new focus on the China 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)/Credit

	Six Months ended	
	30-Jun-17	30-Jun-16
	RM'000	RM'000
Income tax		
- Current year	(2,705)	-
- Under/(over) provision in prior year	152	(216)
- Group relief	386	-
Deferred tax		
- Current year	813	462
	(1,354)	246

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/(Loss) before Tax

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

	Six Months ended	
	30-Jun-17	30-Jun-16
	RM'000	RM'000
Property, plant & equipment written off	559	36
Depreciation and amortisation	6,335	6,516
Allowance for and write off of receivables	311	624
Net unrealised foreign exchange gain	(15)	(100)
Bad debt written off	2	-

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



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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.

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	As at	As at
	30-Jun-17	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 shares resold	-	-



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25. Borrowings

The Group's bank borrowings 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	30,169	-	30,169
Term loan	9,118	80,593	89,711
Total secured borrowings	39,287	80,593	119,880
Unsecured			
Term loan	-	86,626	86,626
Hire purchase & lease creditors	241	335	576
Total unsecured borrowings	241	86,961	87,202
Comprising:			
Local borrowings	39,528	167,554	207,082
Foreign borrowings	-	-	-
Total borrowings	39,528	167,554	207,082

All borrowings are denominated in Ringgit Malaysia unless indicated otherwise.

26. Disclosure requirements pursuant to implementation of FRS 139

(a) Disclosure of Derivatives

There are no outstanding derivatives as at 30 June 2017 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



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27. Retained earnings (Cont'd)

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 30- Jun- 17 RM'000	As at 31-Dec-16 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	490,837	482,445
- Unrealised	<u>(79,823)</u>	<u>(80,073)</u>
	411,014	402,372
Total share of retained earnings from associate:		
- Realised	<u>-</u>	<u>-</u>
	411,014	402,372
Less: Consolidated adjustments	<u>(115,957)</u>	<u>(108,286)</u>
Total group retained earnings as per consolidated accounts	<u><u>295,057</u></u>	<u><u>294,086</u></u>



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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 24 August 2017, a date not earlier than 7 days from the date of issuance of this report. The material litigations are:

- a) By Summons No. S-21-19-2010 dated 20 January 2010 filed at the Kuala Lumpur High Court (main suit), the Government of Malaysia ("the Plaintiff") filed a claim against CHHB for Real Property Gains Tax for the Years 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 towards the main suit and on 12 December 2012, the Plaintiff's application for Summary Judgment was allowed with cost. CHHB appealed against the decision and on 5 December 2013, CHHB's appeal was allowed. The Plaintiff then proceeded to the Federal Court and on 19 June 2014, the Federal Court dismissed the Plaintiff's appeal with costs of RM10,000.00 and the matter was reverted back to the High Court for full trial.

Meanwhile, a reference was made to the Special Commissioners of income tax against the raising of the said taxes for the Years of Assessment 1993, 1998 and 1999, including penalties. On 21 August 2013, the Special Commissioners:

- i. dismissed CHHB's appeal on the assessments for the Years of Assessment 1993 and 1998, including penalties, for the sum of RM19,239,055.00; and
- ii. allowed CHHB's appeal on the assessment for the Year of Assessment 1999, including penalties, for the sum of RM3,378,256.00.

Both parties on 9 October 2013 had filed their appeal to the High Court vide Kuala Lumpur High Court (Appellate & Special Powers Division) Civil Appeal No. R2-14-15-11/2014 in relation to the decision rendered by the Special Commissioners by way of case stated and the matter was fixed for hearing of the appeal on 24 March 2015.



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28. Material Litigation (Cont'd)

As for the main suit at the High Court, it had been disposed on 18 December 2014 by parties recording a consent judgment, wherein both parties had agreed to be bound by the decision of the appeal filed by way of the case stated in Civil Appeal No. R2-14-15-11/2014. The appeal was heard on 24 March 2015 and the Court fixed to deliver its decision on 11 June 2015. The High Court had 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 Plaintiff. The Plaintiff had on 7 September 2015 filed its 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 re-file its Notice of Appeal. Both parties are awaiting the date of the said appeal.

(b) By Summons dated 17 August 2015 (“Suit 1”), the Government of Malaysia (“Plaintiff”) filed a claim against Country Heights Sdn Bhd (“CHSB”) for Income Tax for the Years of Assessment 1997 and 1998 amounting to the sum of RM23,475,686.75 together with interest at a rate of 5% thereon. Also, by Summons dated 17 August 2015 (“Suit 2”), the Government of Malaysia (“Plaintiff”) 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 a rate of 5% thereon. Suit 1 was fixed for case management on 23 February 2016 whereas Suit 2 was 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 had withdrawn the said application as the High Court was of the view that the suits should proceed separately. The High Court fixed 29 March 2016 for case management for the Plaintiff to file its application for summary judgment, if any. The High Court then fixed 25 May 2016 for case management following the Plaintiff’s filing of its application for summary judgement.

The Plaintiff had, on 1 June 2016, withdrawn Suit 1 with liberty to file afresh and followed on to withdraw Suit 2 on 15 June 2016 with liberty to file afresh.



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28. Material Litigation (Cont'd)

On 30 August 2016, the Plaintiff filed a new claim in the High Court under Suit 1 amounting to the sum of RM22,488,593.83. This new suit was fixed for case management on 29 September 2016 and CHSB was to file its defence by 27 September 2016. Subsequent to this, the next case management was fixed on 11 November 2016 and the High Court had directed that CHSB file its affidavit in reply for summary judgment and the hearing of this application was fixed on 8 December 2016. Both parties were also to file all documents for trial by the next case management date fixed on 8 December 2016. The High Court had allowed the Plaintiff's application for summary judgement on 28 December 2016.

On 7 October 2016, the Plaintiff filed a new claim in the High Court under Suit 2 amounting to the sum of RM4,610,120.59. The High Court fixed 6 March 2017 as the date for trial, but had reserved its decision to 15 March 2017 pending settlement. CHSB settled the sum of RM4,610,120.59 on 13 March 2017. The Suit 2 had then been withdrawn on 15 March 2017.

Under Suit 1, CHSB was served with a winding up petition ("Petition") for the amount of RM22,706,737.88 on 17 April 2017 from the Plaintiff and the hearing for this Petition was fixed on 16 August 2017. CHSB settled the sum of RM22,706,737.88 and on 16 August 2017, the Plaintiff withdrawn the Petition which was accordingly struck out by the High Court.



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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 earnings/(loss) per share is calculated by dividing profit for the period attributable to equity holders of RM0.1 million (30 June 2016: loss of RM11.6 million) over the number of 273,557,403 (31 Dec 2016: 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 24 August 2017.

By Order of the Board

Lee Sow Lin

Executive Director