

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. **BASIS OF PREPARATION**

The interim financial statements are prepared in accordance with MASB 26 “Interim Financial Reporting” and should be read in conjunction with the Group’s financial statements for the year ended 29 Feb 2004.

The accounting policies and methods of computation adopted by the Group in these financial statements are consistent with those adopted in the financial statements for the year ended 29 Feb 2004.

2. **QUALIFICATION OF AUDIT REPORT**

There were no qualification on audit report of the preceding annual financial statements.

3. **SEASONAL OR CYCLICAL FACTORS**

The Group’s operation was in line with the normal seasonal factor during the quarter.

4. **UNUSUAL ITEMS AFFECTING ASSETS , LIABILITIES , EQUITY , NET INCOME , OR CASH FLOW**

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

5. **MATERIAL CHANGES IN ESTIMATES**

There were no material changes in estimates of amounts reported in prior financial years, which have a material effect in the current interim period.

6. **ISSUANCES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES**

There were no issuances, cancellations, repurchases , resale and repayments of debt and equity securities for the current financial period ended 31 May 2004 .

7. **DIVIDENDS PAID**

	Quarter ended 31 May 2004 RM’000
<u>Dividends paid on ICPS</u>	
Final 2004 – 3 sen per share less 28% tax , paid on 10 Mar 2004	577

8. **SEGMENT ANALYSIS**

	Investment Holding RM’000	Retail & trading RM’000	Manufacturing RM’000	Investment in Hospitality RM’000	Elimination RM’000	Consolidated RM’000
<b>REVENUE</b>						
External sales	-	17,628	9,369	3,076	-	30,073
Inter-segment sales	196	-	442	-	(638)	-
<b>Total Revenue</b>	<b>196</b>	<b>17,628</b>	<b>9,811</b>	<b>3,076</b>	<b>(638)</b>	<b>30,073</b>
<b>RESULTS</b>						
Segment operating profit / (loss)	(577)	1,476	555	2,434	-	3,888
Amortisation of goodwill	-	-	-	-	(75)	(75)
Interest income	25	-	-	280	-	305
Finance cost	(22)	(33)	(102)	(754)	-	(911)
Taxation	-	(465)	(27)	(233)	-	(725)
<b>Profit/(Loss) after taxation but before MI</b>	<b>(574)</b>	<b>978</b>	<b>426</b>	<b>1,727</b>	<b>(75)</b>	<b>2,482</b>

**9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

The valuation of property, plant and equipment have been brought forward without any amendments from the previous annual financial statements.

**10. SUBSEQUENT MATERIAL EVENTS**

There were no material events subsequent to the end of the quarter under review that have not been reflected in the financial statements for the quarter.

**11. CHANGES IN COMPOSITION OF THE GROUP**

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

**12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date at 29 Feb 2004, except for an increase in corporate guarantee of RM8,000,000 to RM25,389,425 for a new banking facility to a subsidiary company.

**13. REVIEW OF PERFORMANCE**

During the current quarter ended 31 May 2004, the Group revenue increased to RM30.07 million from RM22.42 million in the corresponding quarter in the preceding year . Similarly, the Group recorded a higher profit before taxation of RM3.21 million as compared to RM2.24 million achieved in the corresponding quarter in the preceding year.

The better performance was partly due to the fact that the corresponding quarter in the preceding year consolidated the results of the two newly acquired subsidiary companies, CVL and EKSB from the date of acquisition ie 18 March 2003 whilst the current quarter results reflected the full three month results of these subsidiary companies. Apart from the above, the improvement in the profits was due to the strengthening of sterling pounds against Ringgit Malaysia during the period.

**14. MATERIAL CHANGES IN PROFIT BEFORE TAXATION**

The Group achieved a profit before taxation of RM3.21 million during the current quarter . During the preceding quarter, the Group profit before taxation was RM2.90 million. The improvement in the profits was mainly due to the increased profitability in the manufacturing division as a result of increased sales turnover from RM7.2 million to RM9.4 million during the quarter.

**15. PROSPECTS FOR THE CURRENT FINANCIAL YEAR**

The Directors, anticipate the performance of the manufacturing sector for the current financial year to be marginally improved over the preceding year despite the increase in steel prices in the manufacturing sector. The other sector are anticipated to perform to expectation.

**16. PROFIT FORECAST / PROFIT GUARANTEED**

Not applicable.

**17. TAXATION**

Taxation includes:-

	Current year 1st quarter 31 May 2004 RM'000	Current year to date 31 May 2004 RM'000
(i) Current year	(672)	(672)
(ii) Deferred Taxation	(53)	(53)
	<u>(725)</u>	<u>(725)</u>

The effective tax rate for the current quarter and year to date are lower than the statutory tax rate. This is mainly due to certain foreign subsidiaries of the CVL Group being exempted from tax and the utilisation of unabsorbed capital and reinvestment allowance of certain subsidiary companies.

**18. SALE OF UNQUOTED INVESTMENTS AND / OR PROPERTIES**

There were no sales of unquoted investments and properties for the current financial period to date.

**19. QUOTED SECURITIES**

There were no purchases and disposals of quoted securities for the current financial period.

## 20. STATUS OF CORPORATE PROPOSALS

- (a) i) On 23 May 2003, the Company proposed to Pengurusan Danaharta Nasional Berhad (“Danaharta”) to acquire by tender through its 70% owned subsidiary, Atlan Properties Sdn Bhd (“APSB”), 220,965,222 ordinary shares of RM1.00 each in Naluri Berhad (“Naluri”), representing 32% equity interest in Naluri currently held by Danaharta, for a cash consideration of RM437,511,139.56 representing RM1.98 per Naluri share. The offer was subsequently accepted by Danaharta subject to the terms and conditions contained in the Terms of Reference of Danaharta for the “Sale by Tender of a Block of Shares in Naluri Berhad”.
- ii) On 11 Aug 2003, APSB entered into a conditional sale and purchase agreement (“Naluri SPA”) with Danaharta for the proposed acquisition of the above Naluri shares. The Naluri SPA is conditional upon certain conditions being fulfilled on or before the expiry of the approval period (being the period commencing from the date of the Naluri SPA and expiring on a date which falls six (6) months after the date thereof or such later date as Danaharta may in its sole and absolute discretion determine). The approval period was subsequently extended for another ninety days from 10 Feb 2004.
- iii) On 12 Dec 2003, APSB signed a letter of intent with Naluri through the Special Administrators (“SA”) of Naluri. The letter of intent was entered into for the purpose of recording the intentions and understanding between the parties in relation to the Proposed Naluri Scheme. The scheme seeks to facilitate a proposed capital repayment to the shareholders of Naluri of RM0.80 for every one (1) existing Naluri share held, as well as address the Practice Note 10/2001 of the Listing Requirements of the Bursa Malaysia (“PN10/2001”) position of Naluri.
- iv) On 14 Jan 2004, the Company announced that the Board of Directors had approved a proposed issue of :-
- Facility 1 - Murabahah Underwritten Notes Issuance Facility / Islamic Medium Term Notes of up to RM90.0 million (“MUNIF/IMTN”); and
- Facility 2 - Al-Bai Bithaman Ajil Islamic Debt Securities of RM40.0 million (“BalDS”)
- Amanah Short Deposits Berhad (“ASD”) had been mandated as the Lead Arranger for the Proposed Financing Facility.
- v) On 15 Jan 2004, AHB and APSB (as the case may be) proposed to undertake the Proposed Funding Structure for the proposed Naluri share acquisition comprising the followings :-
- (1) The proposed renounceable rights issue by AHB of up to 39,923,050 rights shares at an issue price of RM1.65 per rights share together with up to 59,884,575 detachable rights warrants at no additional consideration, on the basis of one (1) rights share with one point five (1.5) rights warrants for every four (4) existing ordinary shares of RM1.00 each in AHB (“AHB Shares”) held;
- (2) The proposed funding arrangement of APSB (“Proposed APSB Funding Arrangement”) comprising two (2) tranches of proposed rights issue by APSB to its existing shareholders, namely AHB and Azli bin Othman (“ABO”), and which shall encapsulate the followings:-
- The proposed rights issue of 5,000,000 new ordinary shares of RM1.00 each in APSB at par, 38,701,113 new redeemable preference shares-A of RM1.00 each in APSB (“APSB RPS-A”) at par and 5,000,000 redeemable convertible preference shares of RM0.01 each in APSB (“APSB RCPS”) at par;
  - The proposed rights issue of 207,037,849 redeemable preference shares-B of RM1.00 each in APSB (“APSB RPS-B”) at par and 995,000,000 new APSB RCPS at par; and
  - The conditional irrevocable undertaking given by AHB to APSB for the purpose of the proposed subscription by AHB of all the remaining new APSB RPS-B and new APSB RCPS not subscribed by ABO pursuant to the Proposed Tranche 2 Rights Issue.
- The Securities Commission approved the proposal relating to the proposed Naluri Share acquisition and proposed Funding Structure on the 6 Apr 2004 and the Proposed Financing Facilities relating to “MUNIF/IMTN” and “BalDS” on the 8 Apr 2004.
- On 2 Jul 2004, AHB entered into two separate conditional Facility Agreements and various related agreements with Amanah Short Deposits Berhad for the purpose of the issuance of MUNIF/IMTN and BAIDS respectively under the Financing Facilities.
- (b) On 15 Aug 2003, AHB proposed to transfer the listing of and quotation for its entire issued and paid-up share capital from the Second Board to the Main Board of the Bursa Malaysia.

The proposed transfer was subsequently deferred to coincide with the expected completion of the proposed acquisition by APSB, of the 32% equity interest in Naluri. A new application in relation to the Proposed Transfer will be submitted to the SC for its approval at a later date.

(c) **Status of utilisation of proceeds from Rights Issue at 22 Jul 2004**

	<b>Approved Utilisation RM'000</b>	<b>Revised Utilisation* RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Balance yet to be utilised RM'000</b>
Acquisition of 76% equity interest in Emas Kerajang Sdn Bhd	29,853	29,853	29,853	-
Repayment of bank borrowings	10,010	6,212	6,212	-
Working Capital	21,181	24,979	24,979	-
Expenses in relation to the proposals of the Circular to shareholders dated 2 Oct 2002	3,500	3,500	3,243	257
	<b>64,544</b>	<b>64,544</b>	<b>64,287</b>	<b>257</b>

*\*The revision on the utilisation was approved by the Board of Directors of AHB on 30 Oct 2003 and announced to Bursa Malaysia on 31 Oct 2003.*

21. **GROUP BORROWINGS AND DEBT SECURITIES as at 31 May 2004 are as follow:-**

(a) (i) <b>Short Term Borrowings – Secured</b>	<b>RM'000</b>
Bank overdrafts	3,345
Bankers Acceptance	2,187
Term Loan payable within 12 months	56,454
	<b>61,986</b>
(ii) <b>Short Term Borrowings - Unsecured</b>	
Bank overdrafts	1,422
Hire purchase payable	403
	<b>1,825</b>
(b) (i) <b>Long Term Borrowings – Secured</b>	
Term Loan	<b>3,483</b>
(ii) <b>Long Term Borrowings - Unsecured</b>	
Hire Purchase payable	<b>1,192</b>

Notes : (i) Bankers' Acceptance were included under Trade Payables in the Balance Sheet

22. **OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

The Group does not have any financial instruments with off-balance sheet risk as at 22 Jul 2004, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

23. **CHANGES IN MATERIAL LITIGATION**

(a) An originating summons was served on 12 Apr 2004 on AHB and APSB by Shahidan bin Shafie, a shareholder of AHB seeking inter alia that the proposals relating to the Naluri shares acquisition, funding structure and bond issue as disclosed in note 20 be declared void on grounds that the proposals were in breach of section 67(1) of the Companies Act, 1965 and seeking an injunction to restrain AHB and APSB from proceeding with the proposals. AHB and APSB applied to the High Court of Malaya to strike out the Plaintiff's case. Pursuant thereto, the Plaintiff's case was dismissed with cost on 26 Apr 2004.

(b) A writ of summons was served on 26 May 2004 on AHB and APSB by Shahidan bin Shafie, a shareholder of Naluri seeking an order that AHB and APSB jointly and severally make a mandatory take-over offer to all the shareholders of Naluri except Danaharta, Danaharta Urus Sdn Bhd and Danaharta Managers Sdn Bhd at an offer price of RM1.98 per ordinary share and for damages to be assessed, interest and cost.

AHB and APSB had on 11 Jun 2004 applied to the High Court for the suit to be struck off and the hearing for the said application was held on 7 Jul 2004 during which the hearing was adjourned to 19 Jul 2004. The hearing was subsequently readjourned to 8 Sep 2004.

- (c) A writ of summons together with a statement of claim was served on 26 May 2004 on AHB and APSB by Hazman bin Ahmad, a shareholder of Naluri. The Plaintiff is seeking inter alia the following orders - an order to compel AHB and/or APSB to make a Mandatory General Offer to purchase the shares of the Plaintiff and to offer to purchase the shares of all the other shareholders of Naluri at a purchase price of RM1.98 per shares, a further order that the Naluri Mortgaged Shares should not be registered in the name of AHB and/or APSB and that they should not be entitled to appoint any members on the Board of Directors of Naluri until implementation of the mandatory take-over bid, an order that AHB, APSB and the other defendants named in the writ of summons, jointly and severally pay the Plaintiff and/or Naluri for damages and interest on damages, a declaration that amongst others that all transactions entered into by the Special Administrators are null and void and an order that AHB and APSB (together with the other defendants named in the writ of summons) jointly and severally pay the Plaintiff costs of and occasioned by the action and such further and other order as the High Court deems fit.

The Naluri Mortgaged Shares referred to the 309,648,000 shares in Naluri representing 44.84% of the paid-up share capital of Naluri held by Tan Sri Dato' Tajuddin Ramli and charged to Danaharta, Danaharta Urus Sdn Bhd and/or Danaharta Managers Sdn Bhd.

Following from this, AHB and APSB had on 25 Jun 2004 filed a statement of defence.

- (d) An originating summons was served on 10 Jun 2004 on AHB and APSB by Hazman bin Ahmad, a shareholder of Naluri, seeking from the High Court of Malaya for the determination of the followings:-
- (i) Whether the following proposals or agreements are related party transactions pursuant to Paragraphs 1.01, 10.01 and 10.08 of the Listing Requirements of Bursa Malaysia ("Listing Requirement") read together with Section 6A of the Companies Act, 1965
- the proposed capital restructuring scheme of Naluri;
  - the proposed subscription by Naluri of new ordinary shares in Sriwani Holdings Berhad ("SHB") and certain new irredeemable convertible preference shares known as ICPS-A;
  - the proposed acquisition by Naluri of certain ordinary shares and certain irredeemable convertible preference shares in SHB from certain financial institutions, certain trade creditors of SHB and Malaysia Airports (Sepang) Sdn Bhd and
  - the proposed acquisition by Naluri of various properties from SHB.
- (ii) Whether Danaharta is entitled to vote at the meeting of the shareholders of Naluri on any resolutions relating to the transactions set out in prayers (i) to (v) of the originating summons.
- (iii) Whether the percentage ratio of the related party transaction or transactions equal to or exceeding 5% or equal to or exceeding 25% pursuant to paragraphs 10.02 and 10.03 of the Listing Requirements if the questions in prayers (i) to (iv) of the originating summons are answered in the affirmative.
- (iv) Whether paragraphs 10.08 (2) and (3) of the Listing Requirements apply to the said related party transaction or transactions if the percentage ratio of the related party transaction or transactions equal or exceed 5% and
- (v) Whether paragraph 10.08 (4) of the Listing Requirements apply to the said related party transaction or transactions if the percentage ratio of the related party transaction or transactions equal or exceed 25%.

The hearing for the above suit was postponed on 28 Jun 2004 to 10 Aug 2004. It was further postponed to 9 Sep 2004.

#### 24. DIVIDEND

A final tax exempt dividend of 1.5 sen per ordinary share in respect of the financial year ended 29 Feb, 2004 (2003 : final tax exempt 1.0 sen per ordinary share) was proposed and to be approved in the forthcoming Annual General Meeting.

#### 25. EARNINGS PER SHARE

(i) Basic earnings per share

Earnings per share was calculated based on the Group's net profit attributable to ordinary shareholders and the weighted average number of ordinary shares.

The basic earnings per share was calculated as follows:-

	Individual Quarter Current year 31 May 2004 RM'000	Cumulative Period Current year 31 May 2004 RM'000
Net profit for the period	2,247	2,247
Adjustment for the dividends on ICPS	(180)	(180)
Net profit attributable to ordinary shareholders	2,067	2,067
Weighted average number of ordinary shares ('000)	129,585	129,585
Basic earnings per share (sen)	<b>1.59</b>	<b>1.59</b>

(ii) **Diluted earnings per share**

The diluted earnings per share was calculated using the Group's net profit attributable to ordinary shareholders and the enlarged weighted average number of ordinary shares after adjusting for the dilutive effect on the unconverted ICPS as at 31 May 2004.

The adjusted weighted average number of ordinary shares was calculated as followings:-

	Individual Quarter Current year 31 May 2004 '000	Cumulative Period Current year 31 May 2004 '000
Weighted average number of ordinary shares	129,585	129,585
Adjustment for the unconverted ICPS	26,697	26,697
Adjusted weighted average number of ordinary shares	156,282	156,282
Diluted earnings per share (sen)	<b>1.45</b>	<b>1.45</b>

BY ORDER OF THE BOARD  
TOH CHEE SEONG  
LIM SAW IM  
COMPANY SECRETARIES

PENANG  
DATED THIS 29 JUL 2004