

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 not affected by any 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 Aug 2004.

7. **DIVIDENDS PAID**

	Period ended 31 Aug 2004 RM'000
<u>Dividends paid on ICPS</u>	
3 sen per share annually 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
REVENUE						
External sales	-	32,587	18,773	6,142	-	57,502
Inter-segment sales	393	-	-	-	(393)	-
Total Revenue	393	32,587	18,773	6,142	(393)	57,502
RESULTS						
Segment operating profit / (loss)	(1,116)	2,518	489	4,628	-	6,519
Amortisation of goodwill						(149)
Interest income						558
Finance cost						(2,082)
Taxation						(1,209)
Profit after taxation but before MI						3,637

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 Aug 2004, the Group revenue increased to RM27.43 million from RM25.98 million in the corresponding quarter in the preceding year . However, the Group recorded a lower profit before taxation of RM1.64 million as compared to RM3.42 million achieved in the corresponding quarter in the preceding year.

The lower profits was mainly due to the increased manufacturing cost as a result of the increase in metal prices and a higher promotional expenses in the retail and trading sector.

14. MATERIAL CHANGES IN PROFIT BEFORE TAXATION

The Group achieved a profit before taxation of RM1.64 million during the current quarter . During the preceding quarter, the Group profit before taxation was RM3.21 million. The lower profits was mainly due to the increase in metal prices in the manufacturing sector, lower sales in retail and trading sector as a result of unrest at the Thai border during this quarter . Also , there was a higher tourist traffic with the grand Songkran festival and school holidays during the preceding quarter.

15. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Directors, anticipate the performance of the manufacturing sector for the current financial year to continue to be affected by the rising metal prices. Similarly, the performance of the retail and trading sector may be affected by the current situation in Southern Thailand.

16. PROFIT FORECAST / PROFIT GUARANTEED

Not applicable.

17. TAXATION

Taxation includes:-

	Current year 2 nd quarter 31 Aug 2004 RM'000	Current year to date 31 Aug 2004 RM'000
(i) Current year	(447)	(1,120)
(ii) Deferred Taxation	(36)	(89)
	<u>(483)</u>	<u>(1,209)</u>

The effective tax rate for the current quarter and year to date are 29.5% and 24.9% respectively. The effective tax rate for the current quarter is higher than the statutory tax rate as the losses of certain subsidiaries are not available for set off against taxable profits of other subsidiaries and certain expenses not allowable for tax purposes . However, the effective tax rate for the current year to date is lower than the statutory tax rate . This was mainly due to certain foreign subsidiaries of the CVL Group being exempted from tax .

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.
- (vi) 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/IMT and BAIDS respectively under the Financing Facilities.
- (vii) On 15 Sep 2004, the shareholders of AHB had during the EGM unanimously approved the resolutions in relation to the Proposed Naluri Shares Acquisition and Proposed Funding Structure encapsulating amongst others the proposed renounceable rights issue of up to 39,894,550 new ordinary shares of RM1.00 at an issue price of RM1.65 per rights share together with up to 59,841,825 detachable warrants in AHB.
- (viii) On 28 Jul 2004, the Board of Directors fixed the exercise price of the Rights Warrants at RM2.16 per ordinary share of RM1.00 each in AHB.

- (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 Oct 2004**

	Approved Utilisation RM'000	1 st revised Utilisation on 30 Oct 2003 RM'000	* 2 nd revised Utilisation on 29 Oct 2004 RM'000	Actual Utilisation RM'000	Balance yet to be utilised RM'000
Acquisition of 76% equity interest in Emas Kerajang Sdn Bhd	29,853	29,853	29,853	29,853	-
Repayment of bank borrowings	10,010	6,212	6,212	6,212	-
Working Capital	21,181	24,979	25,236	24,979	257
Expenses in relation to the proposals of the Circular to shareholders dated 2 Oct 2002	3,500	3,500	3,243	3,243	-
	64,544	64,544	64,544	64,287	257

**The revision on the utilisation was approved by the Board of Directors of AHB on 29 Oct 2004 and announced to Bursa Malaysia on the same date .*

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

(a) (i) **Short Term Borrowings – Secured**

	RM denomination RM'000	£ denomination RM'000	Total RM'000
Bank overdrafts	3,021	-	3,021
Bankers Acceptance	2,374	-	2,374
Term Loan payable within 12 months	-	54,497	54,497
	5,395	54,497	59,892

(ii) **Short Term Borrowings - Unsecured**

Bank overdrafts	1,344	-	1,344
Hire purchase payable	401	-	401
	1,745	-	1,745

(b) (i) **Long Term Borrowings – Secured**

Term Loan	-	3,426	3,426
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(ii) **Long Term Borrowings - Unsecured**

Hire Purchase payable	1,100	-	1,100
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Notes : (1) Bankers' Acceptance were included under Trade Payables in the Balance Sheet.

(2) Included in the Term Loan payable within 12 months is an amount for £7,500,000 which is in the process of being restructured to be repayable over 5 years from 1 Nov 2004. This loan will be reclassified under short term and long term borrowings (where applicable) in the next quarterly report .

22. **OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

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

23. 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. The plaintiff had since filed an appeal to the Court of Appeal and the court had on 30 Sep 2004 postponed the hearing to a date to be determined later.

On 11 Sep 2004, the plaintiff had filed an application for injunction seeking to restrain AHB from holding an extraordinary general meeting to consider, inter-alia, the Proposed Naluri shares acquisition. The Court of Appeal, on 14 Sep 2004 dismissed the application for injunction with cost.

- (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 and subsequently to 8 Sep 2004.

On 8 Sep 2004, the Senior Assistant Registrar dismissed the application made by AHB and APSB to strike off the suit. In relation thereto, the solicitors acting for AHB and APSB had filed and served a Notice of Appeal to the Judge in Chambers. No hearing date has been fixed.

In addition, the plaintiff had also made an application for summary judgement under Order 14 of the Rules of the High Court, 1980. On 5 Oct 2004, the Kuala Lumpur High Court dismissed the application for Summary Judgement with cost.

- (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 suit came up for hearing on 28 Jun 2004 but was postponed and heard on 9 Sep 2004 and 14 Sep 2004. On 17 Sep 2004, the High Court struck out the suit with cost.

- (e) On 7 Oct 2004, AHB and APSB was served with a petition together with a summons and an affidavit by Adenan bin Ismail, a shareholder of Naluri.

The plaintiff by the summons which is fixed for hearing on 22 October 2004 is seeking the following orders :-

- (i) an order that upon the plaintiff undertaking to pay such damages as the High Court of Malaya deems fit in the event the Court is of the view that the orders sought ought not to be granted :-
 - (a) that AHB and / or APSB be restrained and an injunction be granted restraining AHB and / or APSB :-
 - from appointing any director to the Board of Directors ("Board") of Naluri;
 - in the event AHB and / or APSB have appointed any directors to the Board of Naluri, AHB and / or APSB be restrained and an injunction be granted compelling AHB and/or APSB to ensure that the said directors do not hold themselves out and / or act as directors of Naluri ;
 - from registering the Naluri Shares acquired from Danaharta in the name of APSB or its nominees ;
 - from exercising the voting rights attached to the Naluri Shares which have been acquired from Danaharta;
 - from transferring , charging, selling , and / or dealing with the Naluri Shares acquired from Danaharta ; until the disposal of the action filed under the summons.
- (ii) costs; and
- (iii) any further relief the Court deems fit.

The plaintiff by the above petition is also seeking :-

- (i) the following orders :-
 - (a) that AHB and/or APSB be compelled to make a mandatory offer to purchase the shares of Naluri;
 - (b) that any resolutions passed by the shareholders and/or directors of Naluri approving the related party transactions set out in the petition be cancelled;
 - (c) that the Listing Requirements in relation to the related party transactions as set out in the petition be complied with by AHB, APSB, Danaharta, Danaharta Urus Sdn Bhd, Danaharta Managers Sdn Bhd, Mohamad Raslan Abdul Rahman, Ooi Woon Chee and Gan Ah Tee;
 - (d) that Sriwani Holdings Berhad (SHB) pays to Naluri the monies paid to SHB and/or the financial institutions who received monies pursuant to the related party transactions as set out in petition;
 - (e) that AHB, APSB, Danaharta, Danaharta Urus, Danaharta Managers, Mohamad Raslan Abdul Rahman, Ooi Woon Chee and Gan Ah Tee pay to Naluri damages resulting from the oppressive acts as set out in the petition;
 - (f) that AHB, APSB, Danaharta, Danaharta Urus, Danaharta Managers, Mohamad Raslan Abdul Rahman, Ooi Woon Chee and Gan Ah Tee jointly and severally pay the plaintiff's costs and all costs, if any, incurred by Naluri ; and
- (ii) declaration that the transactions as set out in the petition are related party transactions and that AHB, APSB, Danaharta, Danaharta Urus and Danaharta Managers are obliged to abstain from voting at the shareholders' meeting of Naluri.

24. **DIVIDEND**

- (i) A final tax exempt dividend of 1.5 sen per ordinary share amounting to RM 1,943,768.98 in respect of the preceding financial year ended 29 Feb, 2004 (2003 : final tax exempt 1.0 sen per ordinary share) was approved by the shareholders during the Annual General Meeting on 30 Aug 2004 . The dividends were paid on 15 Oct 2004.

- (ii) The Directors do not recommend any interim dividend (2004 : 1 sen per ordinary share) for the current financial period under review.

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 Aug 2004 RM'000	Cumulative Period Current year 31 Aug 2004 RM'000
Net profit for the period	992	3,239
Adjustment for the dividends on ICPS	(180)	(361)
Adjusted net profit for the period	812	2,878
Weighted average number of ordinary shares ('000)	129,585	129,585
Basic earnings per share (sen)	0.63	2.22

(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 Aug 2004.

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

	Individual Quarter Current year 31 Aug 2004 RM'000	Cumulative Period Current year 31 Aug 2004 RM'000
Net profit for the period	N/A	3,239
Adjustment for the dividends on ICPS (liability component)	N/A	40
Adjusted net profit for the period	N/A	3,279
Weighted average number of ordinary shares	N/A	129,585
Adjustment for the unconverted ICPS	N/A	26,697
Adjusted weighted average number of ordinary shares	N/A	156,282
Diluted earnings per share (sen)	N/A	2.10

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

PENANG
DATED THIS 29 OCT 2004