

2006

A N N U A L R E P O R T



Country Heights Holdings Berhad

119416-K

Country Heights Damansara



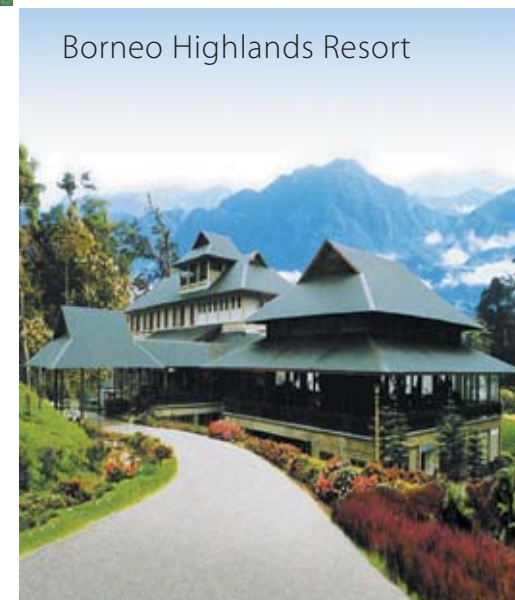
MINES Resort City



Palace of the Golden Horses



Borneo Highlands Resort



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Corporate Information

BOARD OF DIRECTORS

**Y. BHG. GENERAL TAN SRI
(DR) MOHAMED HASHIM BIN MOHD ALI (R)**
Chairman, Independent Non-Executive Director

Y. BHG. TAN SRI LEE KIM TIONG @ LEE KIM YEW
Managing Director

Y. BHG. DATO' AZHAR BIN HASHIM
Independent Non-Executive Director

**Y. BHG. ACADEMICIAN TAN SRI DATUK
DR. ONG SOON HOCK**
Independent Non-Executive Director

Y. BHG. DATO' ONG CHONG SEK
*Non-Independent Executive Director/
Chief Executive Officer*

MS. LEE SOW LIN
Non-Independent Executive Director

MR. CHOO CHEE BENG
*Non-Independent Executive Director/
Chief Financial Officer*

MS. NG NYI HONG
Non-Independent Non-Executive Director

EN. ABU YAZID BIN MUHARAM
Non-Independent Non-Executive Director

MR. CHOO CHIN THYE
Non-Independent Non-Executive Director

COMPANY SECRETARY

Tan Shim Chieng (MAICSA 7013540)

REGISTERED OFFICE

8th Floor, Block A, MINES Waterfront Business Park
3, Jalan Tasik, MINES Resort City, 43300 Seri Kembangan
Selangor Darul Ehsan
Tel: 03-8943 8811 Fax: 03-8941 1470

AUDITORS

Ernst & Young Chartered Accountants
Level 23A, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara, 50490 Kuala Lumpur

PRINCIPAL BANKERS

AmBank Berhad
AmMerchant Bank Berhad
CIMB Bank Berhad
Malayan Banking Berhad
RHB Bank Berhad

SHARE REGISTRARS

Shareworks Sdn Bhd
23, Jalan Sri Hartamas 7
Sri Hartamas, 50480 Kuala Lumpur
Tel: 03-6201 1120
Fax: 03-6201 3121

SOLICITORS

Chee, Fabli & Adrian Han
CT Choo & Co
Jeff Leong, Poon & Wong
Lee Perara & Tan
Shearn Delamore & Co
Soo Thien Ming & Nashrah
W.M. Cheong & Associates

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
(Main Board)

Profile of Board of Directors

Country Heights Pecanwood Golf & Country Club, South Africa

**Y. Bhg. General Tan Sri
(Dr) Mohamed Hashim Bin Mohd Ali (R)**

Chairman, Independent Non-Executive Director
Malaysian, 72 years of age

General Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (R) joined the Board of Country Heights Holdings Berhad (CHHB) on 20 August 1993 as Chairman. He also serves as the Chairman of the Nomination Committee and a member of the Remuneration and Audit Committees of the Board.

He holds a Diploma in Advanced Management from Harvard Business School and was conferred an Honorary Doctorate by the University of Salford, United Kingdom in January 1999.

Prior to joining CHHB, he served in the Malaysian Armed Forces as the Chief of the Defence Forces. During his 40 years of dedicated service in the Malaysian Armed Forces, he had initiated the re-organisation and modernisation of the Army.

He currently sits on the Board of Ajinomoto (Malaysia) Berhad, Delloyd Ventures Berhad, Hong Leong Financial Group Berhad, Konsortium Logistik Berhad, Borneo Highlands Hornbill Golf & Jungle Club Berhad, Mines Resort Berhad and Excellence Golf Resort Berhad.

He attended all the 3 Board Meetings held during the financial year.



**Y. Bhg. Tan Sri Lee Kim Tiong
@ Lee Kim Yew**

Managing Director
Malaysian, 51 years of age

Tan Sri Lee was appointed to the Board of CHHB on 1 October 1986. He is the founder and the Managing Director of the Company. He serves as a member of the Remuneration Committee of the Board.

Tan Sri Lee is an entrepreneur and has more than 30 years of experience in the business operations of the CHHB Group encompassing residential, industrial park, hotel and leisure, commercial and recreational projects. He oversees the operation of the group and is responsible for formulating and monitoring the overall corporate strategic plans and business development of the Company.

Tan Sri Lee is credited with transforming the world's largest open cast tin mine into a resort city with breathtaking landmarks such as the Palace of the Golden Horses, Palace Beach & Spa, Mines Shopping Fair, Mines Waterfront Business Park and Malaysia International Exhibition and Convention Centre has earned The Mines Resort City, the National Creativity & Innovation Award 2004 by the Malaysian Design Technology Centre.

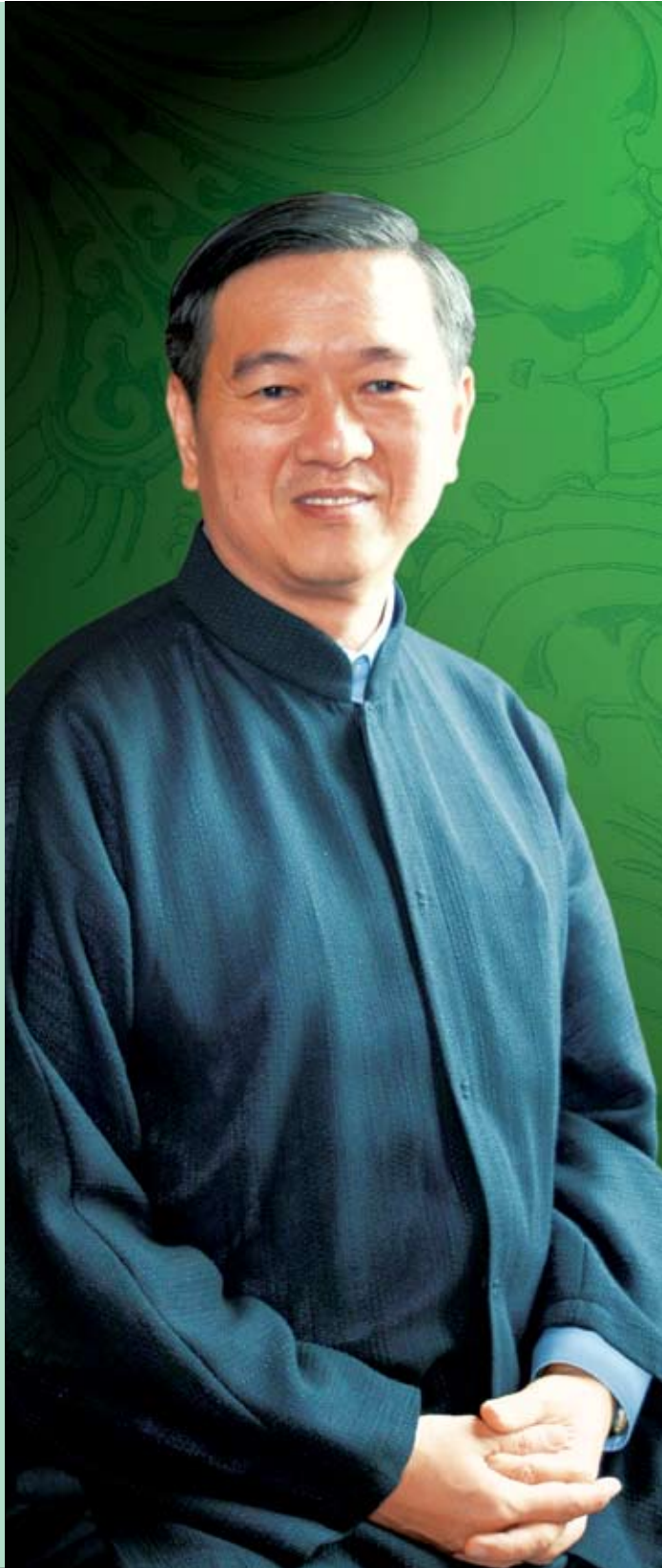
Tan Sri Lee also pioneered the concept of country living at Country Heights which earned the Group the Best Residential Property Development Award by FIABCI in 1992. The prestigious Palace of the Golden Horses received "The Best New City Hotel" award in Asia by Travel Trade Gazette Magazine and recognised as one of the world's hottest new hotels by Conde Nast Traveller Magazine.

For his contribution, he has been awarded the "Property Man of the Year", "Director of the Year" and recognized for making the "Most Outstanding Contribution in the Tourism Sector".

He also sits on the Board of Malaysian South-South Corporation Berhad, Mines City Hotel Berhad, Mines Resort Berhad, Excellence Golf Resort Berhad and Plentiful Gold-Class Berhad.

He is a major shareholder of CHHB by virtue of his direct interest and substantial shareholdings in Golden Touch Venture Sdn Bhd.

He attended all the 3 Board Meetings held during the financial year.





Y. Bhg. Dato' Azhar Bin Hashim

Independent Non-Executive Director

Malaysian, 56 years of age

Dato' Azhar was appointed to the Board of CHHB on 20 August 1993. He is also the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees of the Board.

Dato' Azhar is an engineer by profession. He graduated with a Bachelor of Science (Hons) in Electronic & Electrical Engineering from Brighton Polytechnic, United Kingdom.

From 1973 to 1981, he was attached to Tenaga Nasional Berhad as a Construction Engineer. He later joined AMDB Berhad and held various senior management positions including the Executive Director of AMDB Berhad from 1993 to 1995. During his 15 years tenure with AMDB Berhad, he had obtained extensive experience in planning and managing the development of commercial buildings, condominiums, hotels, resorts, industrial and housing estates.

Dato' Azhar is currently a Director of AMDB Berhad and Century Logistic Holdings Berhad.

He attended 2 out of the 3 Board Meetings held during the financial year.



**Y. Bhg. Academician
Tan Sri Datuk Dr. Ong Soon Hock**

Independent Non-Executive Director

Malaysian, 72 years of age

Academician Tan Sri Datuk Dr. Ong was appointed to the Board of CHHB on 20 August 1993. He is also the Chairman of the Remuneration Committee and a member of the Nomination and Audit Committees of the Board.

Academician Tan Sri Datuk Dr. Ong is a graduate of University of Malaya with Masters in Chemistry and PhD in Organic Chemistry at University of London King's College.

He was the former Director General and Advisor of the Palm Oil Research Institute of Malaysia.

In recognition of his immense contribution to palm oil industry, he was bestowed several awards such as the First Award for Contribution to Economic Advancement by the Federation of Asian Chemical Societies in 1991, First Asian Achievement Award for Research and Development Asean Institute in 1992 and Malaysian Scientific Association Golden Jubilee Award.

He serves as, among others, a member of University of Malaya Board, the Founder President of the Malaysia Oil Scientists' and Technologists' Association, Senior Fellow of the Academy of Sciences, Malaysia, Fellow of the Royal Society of Chemistry London, an Adjunct Professor at Sunway University College and a Director of the Malaysian Toray Science Foundation and Plentiful Gold-Class Berhad.

He attended 2 out of the 3 Board Meetings held during the financial year.



Y. Bhg. Dato' Ong Chong Sek

Non-Independent Executive Director/

Chief Executive Officer

Malaysian, 50 years of age

Dato' Ong was appointed to the Board of CHHB on 18 March 1997. He holds a Diploma in Building Technology from Kolej Tunku Abdul Rahman and is an Associate Member of the Chartered Institute of Builders, United Kingdom.

Dato' Ong has 26 years of extensive experience in the construction and property development industry. He started his sales career with Jones Lang Wotton as a real estate agent in 1981. He joined CHHB in 1987 and held various key senior positions such as Marketing Director, Executive Director and Chief Operating Officer. He heads the marketing team of property development division of the Group. Currently, he is the Chief Executive Officer of CHHB Group.

Dato' Ong also sits on the Board of Country Heights Property Development Berhad, Country Heights Lifestyle Berhad and Excellence Golf Resort Berhad.

He attended all the 3 Board Meetings held during the financial year.



Ms. Lee Sow Lin

Non-Independent Executive Director

Malaysian, 47 years of age

Ms. Lee was appointed to the Board of CHHB on 1 March 2004. She holds a degree in Bachelor of Economics from Monash University, Melbourne, Australia.

Ms. Lee has extensive practical experience in corporate banking. Prior to joining CHHB, she was attached to Hong Leong Group for about 15 years holding various senior positions which include Head of the Property Loans Division in Hong Leong Finance and later with Hong Leong Bank as Senior Manager, Corporate Banking Division. Subsequently, she assumed the role as the Head in the Commercial Banking Division of Hong Leong Bank and is responsible for the business aspect, loan funding and profit accountability of that division.

She left Hong Leong Bank in 1999 and joined Golden Touch Venture Sdn Bhd, the private arm of Tan Sri Lee Kim Yew where her main responsibility include assisting Tan Sri Lee to manage his personal group of companies' gearing and funding requirements so as to ensure a healthy balance sheet and also to help oversee his companies' corporate finance matters.

Ms. Lee is also a Director of Country Heights Property Development Berhad.

She has attended all the 3 Board Meetings held during the financial year.



Mr. Choo Chee Beng

*Non-Independent Executive Director/
Chief Financial Officer*
Malaysian, 37 years of age

Mr. Choo was appointed to the Board of CHHB on 23 April 2003. He obtained a Bachelor of Science (Hon) in Economics and Accounting from the University of Bristol, United Kingdom. He is a member of several professional bodies namely, Malaysian Institute of Accountants, Fellow of the Association of the Chartered Certified Accountants and Certified Financial Planner of the Financial Planning Association of Malaysia.

Mr. Choo has considerable experience in accounting, auditing, taxation and corporate finance. He started his professional career with Coopers & Lybrand in 1994. He later joined Aseambankers Malaysia Berhad in 1996 and left to join Farlim Group (Malaysia) Bhd in 2000. During his tenure with Farlim Group (Malaysia) Bhd, he gained operational and financial experience in property development sector. He joined CHHB in 2002 as the Group Financial Controller and currently, he is the Chief Financial Officer of CHHB Group. He manages the overall finance activities of the Group which include preparation of accounts and budgets, credit control and treasury function of CHHB Group.

Mr. Choo also sits on the Board of Country Heights Property Development Berhad.

He attended all the 3 Board Meetings held during the financial year.



Ms. Ng Nyi Hong

Non-Independent Non-Executive Director
Malaysian, 55 years of age

Ms. Ng was appointed as Director of CHHB on 7 September 1999. She is also a member of the Audit Committee of the Board. Following her retirement on April 2007, she was re-designated as Non-Independent Non-Executive Director of CHHB.

Ms. Ng, a chartered accountant since 1976, is a member of the Malaysian Institute of Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales.

She began her professional career in London where she gained experience in accounts, audit, finance, corporate and tax services while working for chartered accountancy firms over a 10-year period.

On her return to Malaysia, she joined PricewaterhouseCoopers before her appointment as Financial Controller of a well-established international hotel chain. Her 11 years with the company provided extensive exposure and experience in the hospitality industry, covering all aspects of operations and finance and including the opening of new hotels and implementation of internal controls.

Ms. Ng also sits on the Board of Country Heights Lifestyle Berhad, Mines City Hotel Berhad and Borneo Highlands Hornbill Golf & Jungle Club Berhad.

She attended all the 3 Board Meetings held during the financial year.



En. Abu Yazid Bin Muharam

Non-Independent Non-Executive Director
Malaysian, 54 years of age

En. Abu Yazid was appointed to the Board of CHHB on 18 May 1998 as a Non-Independent Executive Director. He was re-designated as Non-Independent Non-Executive Director on 25 April 2006.

En. Abu Yazid holds a Diploma in Business Administration from Goon Institute of Commerce and a Diploma in Business Training from Manchester, United Kingdom. He is also a senior member of the Malaysian Institute of Human Resources Management.

He has illustrious career in hotel industry. Prior to joining CHHB in 1997, he was the Director of Human Resources at Hyatt Kinabalu and Hyatt Regency Saujana. His last position with the Group was as the Director of Human Resources for Palace of the Golden Horses.

He is also a Director of Mines City Hotel Berhad.

He attended all the 3 Board Meetings held during the financial year.



Mr. Choo Chin Thye

Non-Independent Non-Executive Director
Malaysian, 44 years of age

Mr. Choo was appointed to the Board of CHHB on 1 March 2004 as an Independent Non-Executive Director. He was re-designated as Non-Independent Non-Executive Director on 8 November 2006.

Mr. Choo holds a Bachelor of Economics and a Bachelor of Laws degree from Monash University, Melbourne, Australia and a Master of Laws degree from University Malaya.

Mr. Choo sets up his own legal practice with 19 years of experience in number forecast operations, automotive parts distribution and timber industry.

He attended all the 3 Board Meetings held during the financial year. He has no directorship in other public companies.

Notes:

- 1. Save as disclosed above, none of the Directors have:-
 - a. any family relationship with any directors and/or major shareholders of the Company; and
 - b. any conflict of interest with the Company
- 2. None of the Directors have any conviction for offences within the past 10 years

Chairman’s Statement

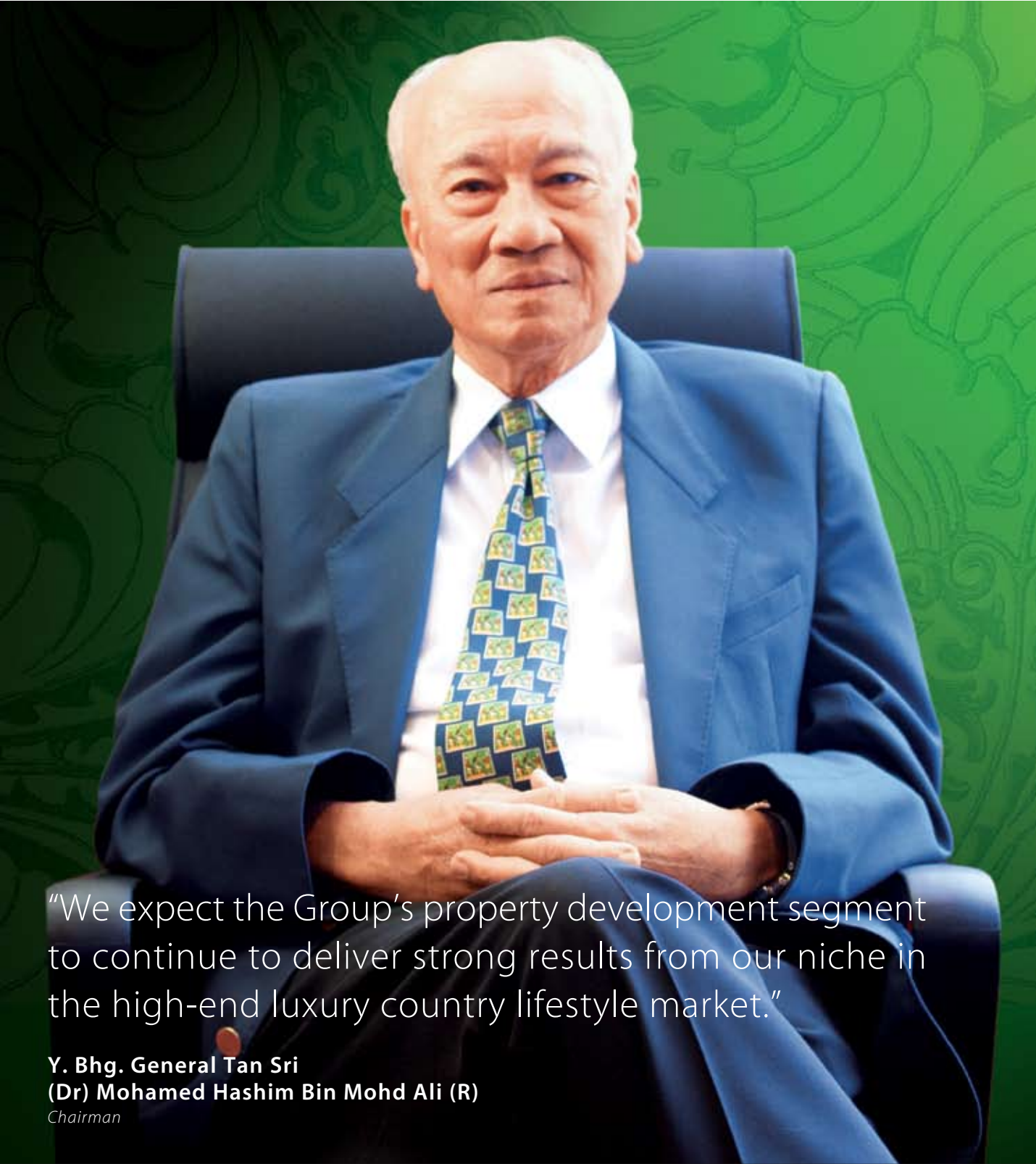
On behalf of Country Heights Holdings Berhad (“CHHB”) Board of Directors, I hereby present the Annual Report and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2006.

OVERVIEW & PROSPECT

In 2006, the Malaysian economy expanded by 5.9% driven by

private sectors’ activities, spearheaded by services, manufacturing and favourable export performance.

For the year in review, the property industry, in particular the residential segment remained soft due to inflationary pressure on construction materials, high crude oil prices, rising inflationary pressure and monetary tightening measures.



“We expect the Group’s property development segment to continue to deliver strong results from our niche in the high-end luxury country lifestyle market.”

Y. Bhg. General Tan Sri
(Dr) Mohamed Hashim Bin Mohd Ali (R)
Chairman



Malaysia’s economy is estimated to expand by 5.6% with better than expected outlook driven by strengthening exports and resilient domestic demand. Our nation’s economic fundamentals continue to provide the impetus to stimulate demand in the property and tourism segments.

The recent move by the Government to abolish the Real Property Gain Tax and the easing of foreign investment regulations in property ownership will undoubtedly benefit the Group. Riding on this and coupled with our strong branding and good track record in property development projects, we expect the Group’s property development segment to continue to deliver strong results from our niche in the high-end luxury country lifestyle market.

The Government had also declared 2007 as Visit Malaysia Year and fittingly enough, we are proud that Malaysia recently has been named the world’s best tourist destination by international magazine, Global Travelers. In this regard, our hotel segment is well poised to respond to the expected increase in tourist arrivals and expects to record a higher occupancy rate.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2006, the Group registered a pre-tax loss of RM34 million, partly due to the effects arising from the adoption of a new and revised Financial Reporting Standards (FRS116: Property, Plant and Equipment), resulted in an increase in depreciation charges of the Group for the current financial year.

Compared with the previous result and by excluding the impact of gains of RM40.1 million from Asset Based Settlement Exercise, the current year net loss was effectively lower. The narrowing loss is a result of the Group’s continuous effort to cut down its finance costs. In this regard, the Group managed to reduce its finance costs by RM6.5 million as compared to year 2005.

On another note, the property development segment remains as the major contributor to the Group’s revenue in 2006. Revenue from this business segment contributed 24% to the Group’s revenue.

As a growth-oriented organisation, we are continuously seeking improvements in various aspects of our business and part of this effort includes realigning the organisation

structure with our strategic direction and adopting key performance indicators that are consistent with our vision. We would not be able to drive the organisation forward without the commitment from our employees. As such, we value our employees as important assets, which play an integral part in the success of our organisation. Emphasis is being placed on recruitment of the right candidates based on suitable experiences and qualifications. The reductions in employee expenses are evidence of improvement in the recruitment and selection criteria in our search for suitable candidates.

DIVIDEND

After considering the Company’s financial and cash flow positions, the Board of Directors does not recommend any payment of dividend for the year ended 31 December 2006.

CORPORATE DEVELOPMENT

Issuance of Bank Guaranteed Commercial Papers and Medium Term Notes of up to RM150 Million in nominal value by Mega Pam Sdn Bhd.

In the previous financial year, a wholly owned subsidiary, Mega Palm Sdn Bhd (“MPSB”) appointed Aseambankers Malaysia Berhad as Principal Adviser/lead Arranger to issue Bank Guaranteed Commercial Papers (“CP”) and Medium Term Notes (“MTN”) of up to RM150 million in nominal value comprising Bank Guaranteed Commercial Papers of RM80 million in nominal value and Bank Guaranteed Medium Term Notes of RM70 million in nominal value. On 25 May 2006, RM53 million of CP and RM70 million of MTN was issued for the refinancing of existing loan and also for Country Heights Damansara Project’s working capital. As at 30 April 2007, a total of RM62 million CP and RM70 million of MTN had been issued.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our appreciation to our shareholders, customers, business associates, bankers and government bodies for their invaluable support. I also wish to convey my heartfelt gratitude to my fellow colleagues on the Board, the management and employees for their selfless dedication and commitment over the past years.

Message from the Managing Director

In early 2006, soaring oil prices and global economic jitters, new water and electricity tariffs as well as higher interest rates domestically has hampered consumer confidence. These unfavourable sentiments have impacted the Group directly and indirectly early in the year.

Nevertheless, prospects became much more favourable towards the year end as a result of favourable global

development with stabilised global oil price and announcements of no further increases in interest rate or petrol prices by the Government.

The Government has also in 2006 announced a growth-oriented Ninth Malaysia Plan (9MP) together with an expansionary 2007 Budget as well as the launching of Iskandar Development Region at Southern Johor in 2007



“We are confident that our core business in property and tourism divisions are able to get the maximum benefits out of the domestic and global opportunities”

Y. Bhg. Tan Sri Lee Kim Tiong
@ Lee Kim Yew
Managing Director

which are expected to impact the whole country economy positively both in the immediate to long term.

The Group intends to ride on both the 9MP and 2007 Budget which promised much prospects and opportunities given that these initiatives that focus on enhancing the country’s infrastructure development which will impact the property development and property investment sectors of the country.

The record-breaking performance of Bursa Malaysia which saw the Composite index reached 1,359.44 in May 2007 from 914.01 in 1st quarter of 2006 has clearly indicated the nation’s positive and healthy economic development. In addition, Malaysian Institute of Economic Research revised upwards its forecasts that 2007’s GDP growth to 5.6% from its earlier forecast of 4.8%.

Further, the recent Government’s announcement with regards to the exemption of Real Property Gain Tax and the easing of foreign investment regulations in property ownership is expected to expand the Malaysian property market more rapidly in 2007.

The Group recognises that our employees are our assets and an integral to the success of our organization. We are continuously seeking to improve the skill and mind sets of all our employees by initiating various training programmes across all levels throughout the year with the view of improving the productivity and efficiency of the employees. The reduction in our employee expenses are evidence of our continuous emphasis in recruiting the right people based on suitable experiences and qualifications.

On another note, the Group managed to reduce its finance cost by RM6.5 million compared to year 2005 as a results of the Group continuous effort to cut down its finance costs.

The coming financial year should generate positive growth potential. We are confident that our core business in property and tourism divisions are able to get the maximum benefits out of the domestic and global opportunities with the following leading projects.

Our property development division remains upbeat starting with our Country Heights Damansara. This project site is a 196 acres freehold land on lot 826, Mukim Batu. This low density, environmentally unspoilt community embraces the hilly country living concept with natural beauty. Nestled among

hilly jungle trek and waterfall, it is an enviable address comprising a product mix of bungalow lots, commercial and residential facilities, which has now become to be known as “A Little Forest In Kuala Lumpur.” The development is crafted to take advantage of the natural terrain and environment. The development comprises bungalow lots, commercial, cluster bungalow, and condominium. 342 bungalow lots were launched in September 2001 and 270 lots have been sold with total sales value of RM462 million.

Kolej Heights Utara, another premium development by Country Heights in Kubang Pasu, Kedah has continued to lock in RM26 million of sales in 2006. Its development consists of a mixture of 696 bungalows lots, 466 super-link sports living homes, 96 units of 2½ storey shop offices and shop houses, 3-storey commercial complex, individual commercial lots as well as sport living clubhouse.

Borneo Highlands Resort, best known as “Heaven On Earth” is situated within a 2,300 hectare plateau in the Penrissen Highlands of Sarawak. The resort is a joint effort by Country Heights and Land Custody and Development Authority of the Sarawak State. The development ranging in elevation from 600 to 1000 metres above sea level with daily temperatures fluctuating between 18 degrees to 28 degrees celcius.

Country Heights Sports Living Melaka, located just five minutes away from the Ayer Keroh toll, is a 60-acre development envisioned to be a residential enclave that focuses on a healthy and active lifestyle. A mixed community of Link Homes, Link Bungalows, Shop Houses and Commercial Lots and is scheduled to be launched in 2007.

Our hotels and shopping complex will actively participate in the Visit Malaysia Year 2007 activities and will benefit from the higher inflow of tourists and expected to positively contribute to the Group results in 2007.

On behalf of the group, I would like to express my sincere appreciation to the management and staff for their loyalty and continued support for the Group. To our shareholders, we wish to assure you that every effort is being made to achieve better returns.

Property Development



Country Villas





Country Heights Damansara



COUNTRY HEIGHTS DAMANSARA

A Little Forest In Kuala Lumpur

Five years since its launch, this 200-acre hilly residential enclave with a low density of 2 units per acre, has already sold 270 lots. Currently, Country Heights Damansara showcases 9 completed dream homes, 36 of which are under construction. The confidence of landowners with their investment in Country Heights Damansara is finally rewarded when their dreams turn into reality.

The Hillrise Series, with homes ranging from RM6 million - RM8 million, has been in the forefront of revenue generation.

Country Heights Damansara -
Undoubtedly the neighborhood of the mega affluent.

Proposed DAMAN Corporate Lots

As a community that caters to the needs of the affluent, Country Heights has marketed 5 parcels of corporate plots for sale. Situated on a 3.2 acres land in front of the Waterfall and neighbouring the main access, it is an enviable location with superb frontage enjoyed by businesses, such as international class auto showrooms, private banking offices and boutique medical centres.

Proposed SARA Condominium

Redefining luxury condominium living, SARA is a 7 acre top-notch property development built to exacting standards - employing the Residency Approach. Each unit is meticulously planned with the purchaser in mind.

Long hours and judicious planning have been put into every detail with the kind of understanding and thoughtful consideration for the homeowners as if the units were the developer's very own.

At the end of the day, each unit of SARA would pass rigorous test and requisite standards of the Residency Approach to carry such an assurance of conformity and superior quality control.

Future Development

1. Future development

A 6.39 acres of land has been set aside for future development.

2. Cluster home

A 13.4 acres low-density development located strategically on top of the Waterfall will be reserved for cluster home development.



Cyber Heights Villas



CYBER HEIGHTS VILLAS

Sports Living In The Intelligent City Of Cyberjaya

Occupying an area of 28 hectares of prime freehold land, Cyber Heights Villas is located in Cyberjaya, a city with lush, tropical eco-friendly environment, cutting-edge information & communication technology infrastructure. The project is well connected with excellent transportation system and the new Federal Government Administrative Capital, Putrajaya, is just a stone's throw away.

The overall development consists of 1,278 units of apartments with a density of as low as 20 units per acre. The first phase was launched in 2000 and to date, 510 units have been completed with a Certificate of Fitness.

Cyber Residency, the latest phase of the development, is scheduled to be launched in 2nd quarter of 2007, thanks to the overwhelming response of Cyber Heights Villas and the ever increasing population in Cyberjaya. Sitting on a total area of 4.74 acres of freehold land, it consists of 98 units of 3 to 4 storey apartments housed in 7 blocks. Every unit has been designed as a corner unit with views taken as prime consideration.

This development comes in 3 designs with built-up areas ranging from 1,471 sq.ft to 1,859 sq.ft. The smallest unit has 3 + 1 rooms while the biggest unit offers 3 + 3 rooms. The introduction of stone cladding facade will not only upgrade the external aesthetic appearance but also project a resort lifestyle. Security features include alarm systems and gated access to ensure a peace of mind to homeowners. An 11-foot high ceiling clearance and gas piping are among other salient features.

The show unit block together with infrastructure works have been completed. 3 show units apartments with interior design concepts ranging from tropical resort to modern contemporary are expected to be ready for viewing.

The clubhouse boasts facilities such as swimming and wading pools, gymnasium, tennis courts, male and female saunas. The convenience mart is open for business while the restaurant which serves authentic Iranian cuisine has also been opened to the public.

KOLEJ HEIGHTS UTARA (Kubang Pasu, Kedah)

A Paradise For Country Style Living

Kolej Heights Utara is another premium development by Country Heights undertaken by its wholly owned subsidiary, College Heights Utara Sdn Bhd.

It spreads over 489 acres estate land in the northern state of Kedah Darul Aman and district of Kubang Pasu. This development emphasizes on the concept of combining the essential spirit of kampung architecture and urban sophistication surrounded by luxurious space and pristine greenery, has been well received by the local folks as well as investors from around the country. The development consists of a mixture of 696 bungalow lots, 466 super-link sports living homes, 2½ storey shop-offices and shop-houses, 3-storey commercial complex, individual commercial lots as well as a sports living clubhouse.

In 2006, riding on its previous momentum, Kolej Heights Utara continued to perform well by raking in a total of RM26 million in sales for the Company. The 48 units of 2½ storey shop-houses are scheduled to be launched by 3rd Quarter of 2007 while the super-link sports living homes are scheduled to be launched by 2008.

Construction of infrastructure works in Precinct 3 bungalows lots had started in early 2005 and has been completed and handed over to purchasers in January 2007. Construction of infrastructure works in commercial lots is expected to be completed and handed over to purchasers by 2007.

In the meantime, five units of new boutique bungalows with different design themes have also been constructed in Precinct 1 and are expected to be completed by 2007. The construction of RM8 million Country Heights Sports Living Clubhouse with full facilities, which started in early 2005, has been completed and became operational in October 2006.

The individual land titles for bungalow lots have also been issued by Land Office recently.



BORNEO HIGHLANDS RESORT

Borneo Highlands Resort is located in the pristine oldest and second largest tropical rainforest in the world. The incredible mountain views and the crisp mountain air filled with the fragrances of Mother Nature, offers such a blissful experience of close-to-nature living to the land buyers. This year, Borneo Heights Sdn Bhd (BHSB), the sole developer of the resort, continues to fulfill the high-end nature-lovers' dream of owning a resort home by offering them two different choices of land for purchase, namely phase II Golf Forest (formerly known as Golf Sanctuary) with majestic golf course view and phase III Hornbill Forest (formerly known as Hornbill Sanctuary) that is set in the midst of green forests abound with varieties of flora and fauna.

Following year 2005 success in setting high percentage of revenue increment record, we have marked another remarkable milestone by achieving 42% increase in revenue, RM18.2 million for the year as compared to RM12.8 million in the preceding financial year. This year, 8 lots at phase II Golf Forest and 12 lots at phase III Hornbill Forest were sold, selling at RM72 - RM110 psf and RM63 - 75 psf respectively. These are mainly attributed by the special promotion during the opening of a new show room on 29 October 2006.

Next year, BHSB will continue selling other lots at Borneo Forest and Hornbill Forest. Towards end of the year, BHSB will focus on the launching of phase IV Swan Lake Forest and V Mount Penrisen Forest for the public.

In term of infrastructure development, BHSB has commenced on the upgrading of access road at KM 6 till KM 7.5 from the foothill of the resort with approximately 16% work completed. As for the construction of internal access roads, Borneo Forest works had been completed while access road and the water laying works at Golf Forest and Hornbill Forest are in progress. Other minor developments are the internal road upgrading works to flower garden and clubhouse, upgrading of water main to clubhouse and upgrading of water storage capacity. Another delightful news is that the two bungalow lot owners at Borneo Forest have completed the construction

works of their rest houses that are perched on the beautiful slopes overlooking streams and the forest. Meanwhile, 3 units of bungalows are being constructed at Borneo Forest and another at Hornbill Forest.



The major development for year 2007 will be the continuance of upgrading of main access road at KM 6 till KM 7.5 from the foothill, commencement of electrical main laying from foothill to the various developments at Borneo Highlands Resort to provide reliable power supply, and installation of telecommunication tower. These are the basics infrastructure to enhance the high-end market confidence of the company's sincerity in enhancing the land value and to create a more comfortable resort home without compromising the resort's concept of providing a back to nature, back to basics living environment.

COUNTRY HEIGHTS PECANWOOD GOLF & COUNTRY CLUB

What once was a forgotten property on the southern banks of the Hartbeespoort Dam, nestled in the Magaliesberg Mountains, has been transformed into a sought-after address - Country Heights Pecanwood Golf & Country Club. The blank canvas has become a world class golf facility that harbours all the elements of living that South Africans require from the place they call home.

Country Heights Pecanwood embodies the ongoing, and progressive, nature of successful golf estates. Almost 10 years have past since the course was opened and management is continuously fine tuning their product and looking at ways in which they can serve the members and homeowners better.

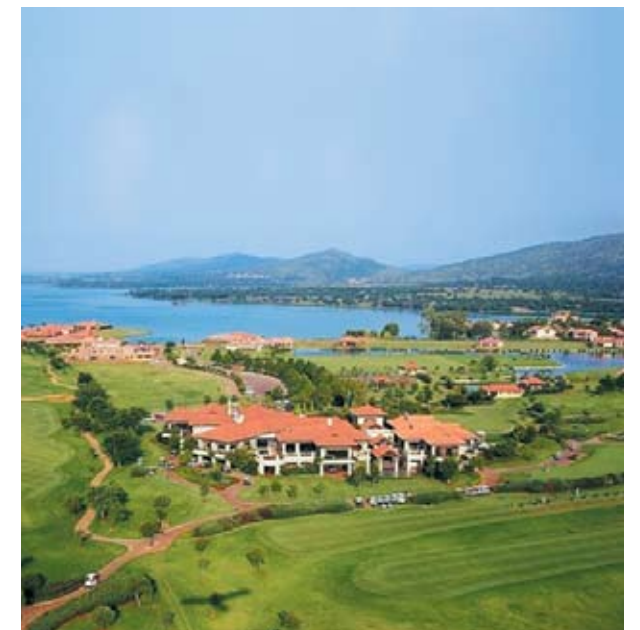
It is well documented that Country Heights Pecanwood boasts South Africa's first jack Nicklaus signature course. The superior splendour of a typical Nicklaus course has earned Pecanwood many accolades. The latest being number 8 in the Compleat Golfer top 10 rankings, the 7th best conditioned golf course as rated by Golf Digest in 2006 as well as a 5-star "golf experience" award which we received for the second year running in February 2007.

With the golf course and clubhouse recognized as one of the largest and most sophisticated facilities of its kinds, it has earned the estate instant access to South Africa's elite corps of golf estates. It also established Country Heights Pecanwood as an industry benchmark against which all other golf estates and developments are measured.

A programme to beautify and mature the natural environment has reaped magnificent rewards. Thousand of indigenous trees and shrubs have been planted on the estate. Wetland areas caused a notable increase in the birdlife on the estate and more than 100 species of birds have been spotted, including majestic fish eagle.

Another aspect that played a crucial role in cementing Country Heights Pecanwood's reputation as a word-class estate was the Nelson Mandela Invitational in 2000. This tournament raises funds for the Nelson Mandela Children's Fund and the format sees a small but elite group of players.

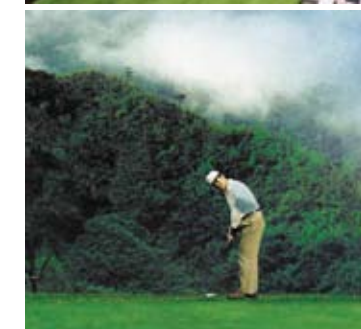
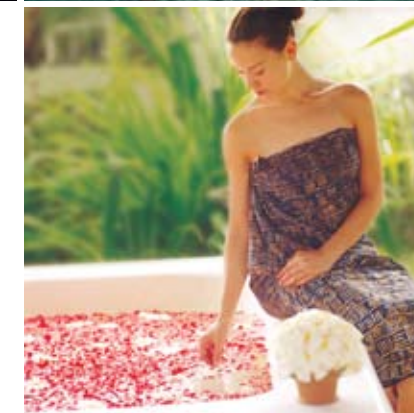
Living comes easy at Country Heights Pecanwood and the list of activities is endless. Although Country Heights Pecanwood was initially designed for the golf lover, many have shared our passion for water sports and other activities like parasailing. The Golf Clubhouse invites you to unwind in the health spa, steam room, gymnasium and large swimming pool or play a game of tennis. Even just a walk while bird watching in the delightful surroundings is guaranteed to work up an appetite for the excellence cuisine on offer by our resident chefs.



Tourism Property



MINES Resort City





Palace of the Golden Horses



PALACE OF THE GOLDEN HORSES

Asia's Most Extraordinary Hotel

Palace of the Golden Horses is a 5-star luxury award winning hotel with a dedicated conference centre that is located within the 1,000-acre MINES Resort City, just 20 minutes from the Kuala Lumpur city centre; 15 minutes away from Putrajaya and 35 minutes from the Kuala Lumpur International Airport.

Host to many Heads of state and foreign dignitaries, the hotel offers 400 rooms and 80 tastefully furnished luxurious suites. Palace of the Golden Horses also provides an outstanding variety of dining experience and entertainment. These include a 24-hour Carousel Café Restaurant, Cavallini's Italian Restaurant, Kim Ma Chinese Restaurant, Kin No Uma Japanese Restaurant, Grand Salon Lobby Lounge, Polo Club Lounge and the Sagar Indian Restaurant as well as 24-hour in-room dining.



A renowned meeting and conference venue, the hotel's Sultan Salahuddin Abdul Aziz Shah Conference Centre offers unrivalled conference space with a total of 20 meeting rooms including two ballrooms as well as the 308-seat state-of-art Auditorium that is excellent for corporate presentations and theatrical acts. The latest addition is Le Marquee - a unique tent by the lakeside that can accommodate up to 1,800 pax.

In 2006, Palace of the Golden Horses played host to several prestigious events such as Gourmand Media Awards, FEI World Horse Jumping Tournament, Global Meet 2006, Miss Malaysia Universe and Mrs Malaysia World Pageants and the Global Indian Film Awards 2006. The hotel was also honored with a state visit from the King of Saudi Arabia in January.



PALACE BEACH AND SPA

The Only Beach In The City

Palace Beach and Spa is well positioned as a resort hotel perfect for both business and leisure. Its unique feature as the only "beach in the city" is a main selling point that makes Palace Beach and Spa the preferred choice over other hotels being just 20 minutes from Kuala Lumpur. With this attraction, the hotel is popular for garden weddings, beach barbecues, family days, team building events and other leisure or corporate activities.

On December 2005, the hotel was re-branded from MINES Beach Resort and Spa to Palace Beach and Spa in conjunction with creating a unified branding with Palace of the Golden Horses. Main objective of the re-branding campaign was for the two hotels to compliment one another by offering more range options for accommodation and function venues that can cater to a wider market segment. In alignment with the re-branding, operational efficiency is also increased as the two hotels operate under one General Manager and Sales & Marketing team. Two major joint events hosted by Palace Beach & Spa in 2006 were the Miss Malaysia Chinese Cosmos Pageant 2006 in August and the Global Indian Film Awards 2006 in December.

Situated right next to the Malaysia International Exhibition and Convention Centre (MIECC), Palace Beach and Spa was the choice accommodation hotel for several major international and local exhibitions and conferences such as the Malaysia Furniture City Spring Market, Asia Water 2006, Malaysia International Halal Showcase, Amazing Body Adventure and World of Chinese Books Fair.

Palace Beach and Spa also teamed up with MINES Wonderland and MIECC on some of their projects in entertainment tourism by bringing in singing sensations from Taiwan and Hong Kong such as Justin Lo, Ah Yue, Hins and Ivana etc. in 2006.

The hotel recorded a good arrival from several leisure markets such as Singapore, Hong Kong, Taiwan, China and Middle East. During 2006 Formula 1 at the Sepang Circuit, the hotel was the choice location for the Midlands and Super Aguri teams.



MALAYSIA INTERNATIONAL EXHIBITION & CONVENTION CENTRE

Year 2006 began with a host of events mainly Trade & Consumer Fairs, Banquet Dinners, Conventions and Charity Events. Malaysia Furniture City (MFC) Spring Market Buying Season, a furniture trade fair running from 1-11 March 2006, attracted International Buyers from 28 countries. At the same time, MINES International Design Intelligence (MIDI), held in-conjunction with MFC, comprised the Designers Gallery featuring innovative designs by both local and international designers such as Karim Rashid (New York), Jaime Hayon (Barcelona), Kustaa Saksi (Paris), Dave Alhadeff (New York), Frank Tjepkema (Amsterdam), Walking Chair (Vienna) and If Interactive (Kuala Lumpur). The Expo featured artworks from a selection of local and international designers (Anna Komonen - Helsinki / Paris, Niko Stumpo - Amsterdam, Nino Bauti - UK and Devil Robots - Tokyo). More than 1,000 delegates attended the MIDI Convention.

Multilevel Marketing Companies such as Elken and Amway held their Annual Dinners with at least 5,000 pax attendance. MIHAS, a renowned showcase of Halal food attracted exhibitors from 24 countries and 10,000 of visitors in May.

The 8th World of Chinese Books 2006 (WCB 2006), held from Nov 17-26, 2006, have been billed as the "Largest Chinese International Books Fair" in Malaysia and the status gained an official recognition by the Malaysia Book of Records on 21 Sep 2006. More than 340,000 visitors, a staggering jump of 280% from last year's 125,000 visitors attended. WCB 2006 also staged a record of 620 booths occupying over 20,000 sqm (200,000 sq ft) of exhibition area, with exhibitors from China, Taiwan, Hong Kong, Singapore & Malaysia.

MINES SHOPPING FAIR

The Only Shopping Mall You Can Cruise Into

The year 2006 has been another remarkable year for the MINES Shopping Fair. Since the successful launch of the hand phone paradise, upgrading of the MINES Square, Venice Walk and the MINES Cruise in 2005, more upgrading works were further implemented in 2006.

The IT City, a designated area for computer hardwares, softwares and peripherals had undergone an upgrade on the look and feel; to provide a brighter ambiance and better layout of spaces for the convenience of shoppers and retailers alike. The infamous food court was refurbished giving visitors a brand new dining experience to complement an extensive variety of F&B outlets located on the first floor.

Throughout the year, MINES Shopping Fair have organized a list of "first of its kind" events such as "Jolin Tsai - Meet the Fans" which drew in thousands of fans, "Unite With World Cup" which united more than 250 ardent fans every day during the World Cup month and "World Karaoke Championship Auditions" to name a few.

The team at MINES Shopping Fair has always strive to give back to the community by organizing and sponsoring charitable and community-related events in collaboration with NGOs and the local councils. For the year 2006, among the events organized were "Fight Against Diabetes Programme", "Blood Donation Drive" and "World Sight 2006 Launch" which was launched by YB Dato' Lee Kah Choon, Parliamentary Secretary of the Ministry of Health.

Even with the tenants' occupancy rate averaging 85%, MINES Shopping Fair is not resting on her laurels. Many new and exciting events and promotions are in the pipeline to be implemented for the year ahead based on new initiatives and fresh ideas. The management is targeting to provide more family oriented activities and events that help embrace the various cultural facets of our multi racial nation, to make MINES Shopping Fair a shopping mall preferred for all.

MINES WATERFRONT BUSINESS PARK

MINES WATERFRONT BUSINESS PARK is the only corporate address with a lake and a golf course view. The business park is located on the fringe of the lake of the unique MINES Resort City. Within its vicinity are world-class hotels, golf course, shopping mall, exhibition and convention centre and a night theme park; all linked by the lake and its mode of transportation, the water taxis.

Sustaining through the years, MINES Waterfront Business Park has increased its popularity transparent with the increase in occupancy for the year 2006 to 92%. The number of established names that has joined us as new tenants are Astro Shaw, Phoenix Media, Sanderson Design (Architect firm from Australia), Innexus Consultants (IT company from Singapore), Vision Air, John Deere, Infovalley, Hitachi Cable, Mynic Memos, Sazean Consult and Interfal Design; joining the list of existing reputable tenants such as EMI, Faratech, Sumitomo, Thomson Media, Educational-Trend, Gamat Emas and Custommedia.

MINES Waterfront Business Park have improved and upgraded many of the services and facilities such as the construction of the new food court - M-Bistro, which offers a variety of food for breakfast and lunch and provides a cozy set up for informal meetings. World of Bungalow showrooms located at Block D is another new addition to the business park that comprise of retail areas showcasing furniture designers and interior designers. The image of MINES Waterfront Business Park has been further enhanced with a new coat of paint for the building and new decorative fixtures and bright lightings.

With the increasing market demand for office spaces with a view, we are expanding the Phase 2 comprising of 4 blocks with a lettable area of approximately 329,828 sq ft.

BORNEO HIGHLANDS HORNBILL GOLF & JUNGLE CLUB

Borneo Highlands Hornbill Golf & Jungle Club Bhd (HGJC) is the golf club operator for Hornbill Golf & Jungle Club located at Borneo Highlands Resort. Here the golf course is the one and only course in Sarawak with un-spoilt ecological-friendly environment, cold weather and fresh air that has gained great popularity amongst the niche market golfers.

In year 2006, HGJC continues to offer 3 types of memberships - individual, family and corporate to the lifestyle consumer market. Facilities upgrade efforts are ongoing to improve the landscapes around the club house and golf course, part of the management's commitment to ensure a "back to nature" experience to the visitors.

Sales strategies implemented for 2006 have proven effective and can be seen in the sales figures for golf, spa and retreat packages that contributed 53% of the revenue, contracted room sales contributed 36% and the remaining 11% contributed by promotions and events organized. Holiday packages particularly "All Inclusive Unlimited Golf" and "Jungle Spa Rejuvenation", are our main focus for this year and will continue to offer to meet consumer demands.

Through the attractive packages offered, HGJC managed to secure its market segmentation of 60% locals and 40% international customers.

Various tourism authorities have been working hand-in-hand with the management to generate awareness of the destination. Sales revenue is expected to be mainly from the 3 main packages (Golf Retreat, Spa Retreat & Nature Retreat) in 2007. The team at HGJC strive to retain the existing customer-base by offering exceptional service, thus leveraging on positive word of mouth advertising and strengthened branding.



Palace Vacation Club



PALACE VACATION CLUB

Family Getaway, World Vacation

Palace Vacation Club (PVC) has seen an increment of 31% in sales in 2006 compared to 2005 through various plans implemented throughout the year such as product enhancement, introduction of new packages and inspired another innovative idea: to centralize marketing for all lifestyle products under the umbrella of the Palace Group of Companies. Henceforth, the re-branding campaign took place and Country Heights Vacation Club, one of the group's key portfolio of lifestyle products was re-branded to Palace Vacation Club.

PVC has established itself in the market as a prestigious timesharing membership program that offers immense benefits and privileges in a form of exciting vacations at more than 2,000 beautiful resort destinations in 85 countries worldwide. This is made possible through its affiliation with Interval International. On top of that, our internal affiliation with resorts totaling to 88 resorts worldwide covering Malaysia, Thailand, The Republic of Philippines, Indonesia, India, Australia, China and Europe.

By far, owning a Palace Vacation Club membership gives the proud owner privilege in not only having access to an extensive list of quality resort listings but also access to other lifestyle service offerings surrounding Mines Resort City such as facilities at its two established hotel outlets, recreational facilities and special discounts on F&B outlets among others.

The uniqueness of PVC membership allows Transfer options, allocation of up to two rooms, Split week system, Guest assignment and Guaranteed payback scheme. These features have been infused into the membership plan making it a great choice and a viable investment for Malaysians looking for great family vacation destinations.

The membership also provide members with the option to exchange the holiday entitlement for other products ranging from Health services to entertainment; set up to offer a variety of options for its members to exchange their holiday entitlement. Among the exchanges that were offered

throughout this year include Health Screening at Country Heights Health Screening centres, tickets for shows such as Disney on Ice - Princess Classic, Disney on Ice - Beauty & The Beast, Finding Nemo, Sesame Street Musical, Royal London Circus tickets and Hollywood on Ice tickets.

With a strong customer service support team, PVC has maintained its motto of always improving and innovating. This has translated to an increase in members booking from 8,338 in 2005 to 8,516 as of December 2006 while the KPIs on members complaints that were resolved within 24 hours to 7 days has improved from 94% to 99.6%.

The synergistic arrangements with various financial institutions to provide easy payment options with either low or 0% interest to its potential members have opened up windows of opportunities for Malaysians to adapt its method of lifestyle vacation with great ease and without any financial strain. This synergistic approach along with the guaranteed payback scheme makes Palace Vacation Club a lifestyle membership program that allows its members to have luxury within reach for the entire family.

The combination of friendly, dedicated team and dream destinations is Palace Vacation Club's recipe for its success and the secret of its appeal to the Malaysian market. This is further enhanced by its innovative approach and its capability in providing a variation of lifestyle service offerings making it the only timeshare membership program that can offer the combination of access to vacation destinations all around the world, medical tourism, entertainment and leisure all under one roof.

Palace Vacation Club ends 2006 with great enthusiasm for the year ahead. The team of management and members look forward to another fulfilling year ahead with infusions of more family entertainment and more exciting vacation destinations.

Country Heights Health Tourism

Country Heights Health Tourism Sdn Bhd (CHHT) continues to celebrate its 6th year in achieving higher developments, and experienced notable membership growth of 20% in 2006 as compared to the previous year.

Backed by a dedicated team of staff and supports from members, CHHT has marked a series of improvement and implementation plans in terms of new services offerings, facilities upgrades and other value-added activities in 2006; in line with CHHT's Vision and Quality Policy set by the founder as well as ISO 9001:2000 achievements certified by UK Lloyd's Register Quality Assurance.



The second full-fledged health screening center built in the highly acclaimed location at the Plaza Mont' Kiara was successfully launched by the Minister of Health Malaysia, YB Datuk Seri Dr. Chua Soi Lek, on 1st December. With this present expansion, more members and customers both local and from overseas, will benefit from CHHT preventive health programmes.

In line with the expansion plan, the first center in Palace of the Golden Horses (PGH) has been further equipped with DEXA Scan which is a gold standard in measuring bone mineral density (BMD) for diagnosis of osteoporosis and bone loss.

Emphasizing on the level of comfort, speed and safety delivery of services, CHHT has tailor-made and implemented a few quality management system in the aspect of Customer Relationship Management, Check-up timing management and Follow-up medical and health management.

Encouraged by the overwhelming response in monthly health talk activity, beloved members were invited for more knowledgeable talk by Resident Nutritionist or Traditional Chinese Medicine (TCM) Practitioner when they perform their annual health screening. Annual screening had also becomes more delightful when members are able to choose

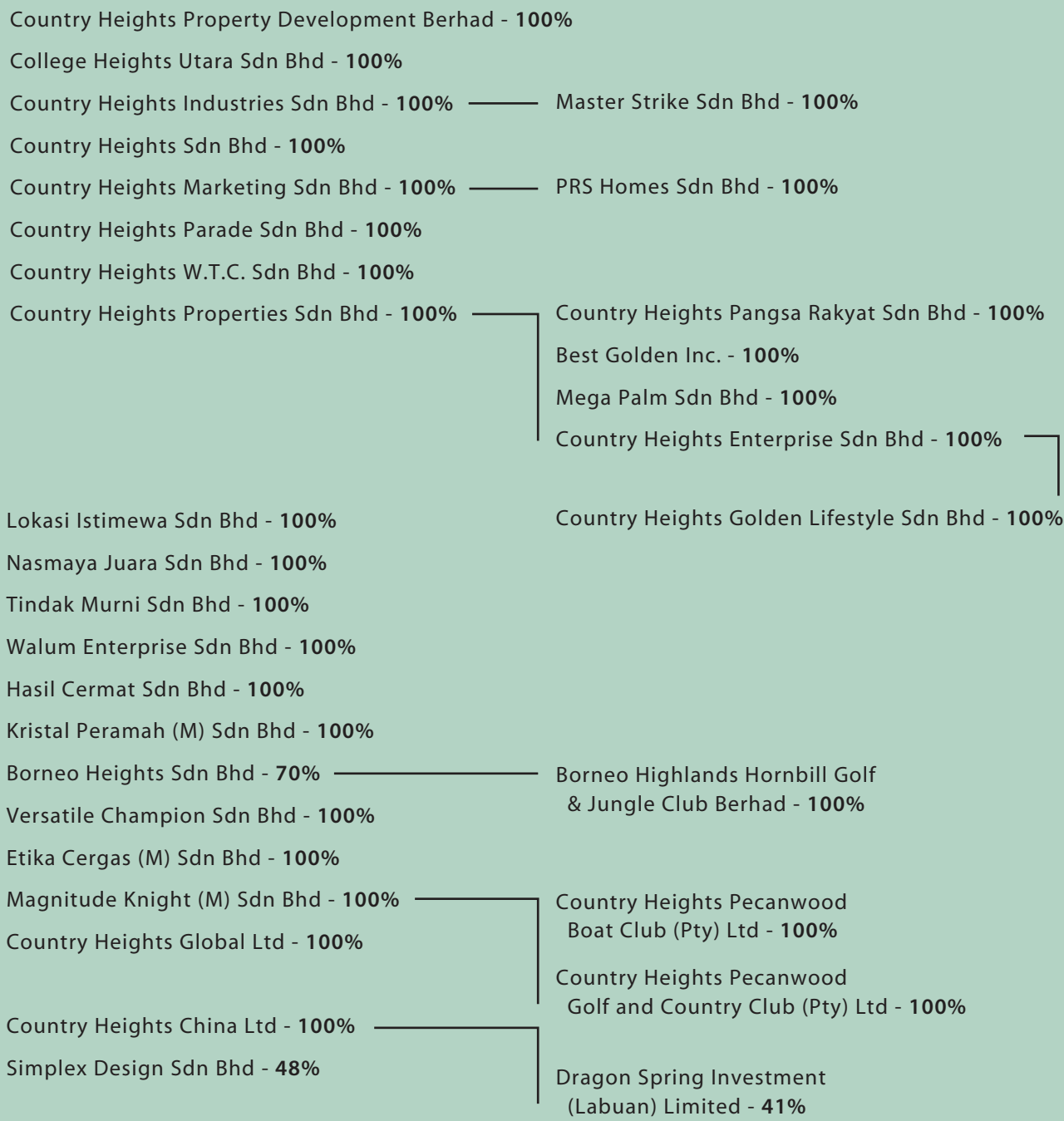
from CHHT Signature Health Menu that provide low calories and low cholesterol dishes that are healthy yet delicious.

The weekly news update for members and a series of CHHT Health Compilation Books comprises of 10 volumes on major diseases by our Research & Statistical Department were displayed in both centers to help members in managing their health for better prevention steps as knowledge and higher awareness are essential in preventing diseases.

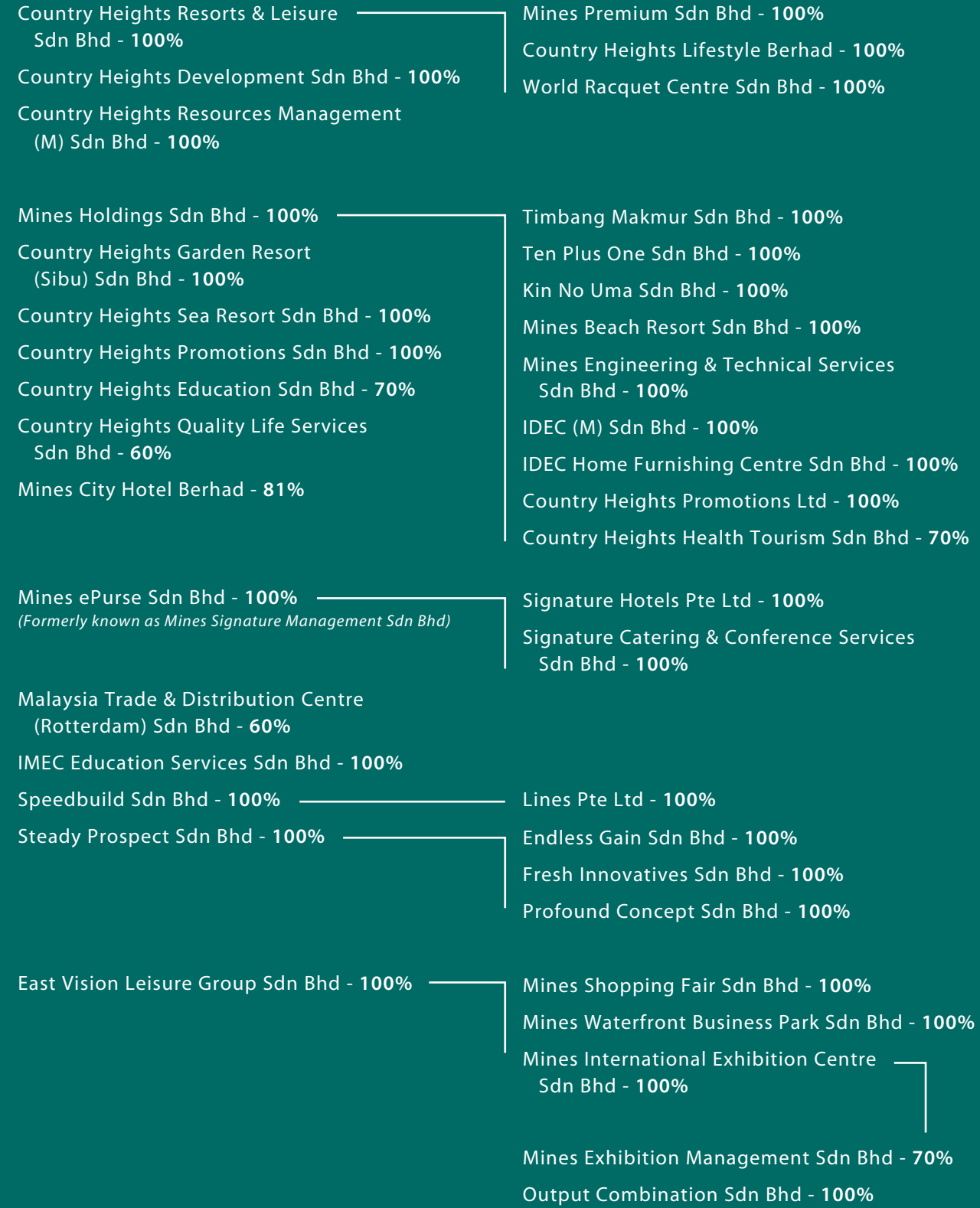
Year 2006 has marked the beginning of CHHT in promoting 'Health Qigong' as a form of preventive healthcare and natural healing therapy. The team was trained by qualified Qigong master from the China Health Qigong Association in Beijing, and gracefully won an international 'Qigong' award representing Malaysia in the 1st International Health Qigong Competition held in Beijing, China on October 12-14, 2006.

Moving forward, CHHT will be promoting its preventive health programme to a wider market by expanding its service to the international platform focusing on ASEAN health tourism market.

Property Development



Tourism Property



Financial Highlights

	31-Dec 2002	31-Dec 2003	31-Dec 2004	31-Dec 2005 (restated)	31-Dec 2006
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	347,471	342,681	485,829	223,320	213,165
Profit/(loss) Before tax	(128,081)	24,312	19,670	6,829	(33,965)
Net Profit / (Loss) Attributable to Shareholders	(143,168)	12,440	10,873	6,661	(32,689)
Basic Earnings / (Loss) Per Share (sen)	(51.93)	4.51	3.94	2.42	(11.86)
Net Assets Per Share (RM)	2.51	2.35	2.47	2.48	2.06

ASSETS EMPLOYED

Hotel properties and exhibition centre	898,840	827,732	693,298	693,298	685,457
Other property, plant and equipment	439,088	421,163	413,537	176,883	160,440
Investment properties	215,122	215,472	295,319	387,199	402,350
Real property assets	134,409	-	-	-	-
Land held for property development	-	239,903	280,274	216,066	209,978
Associate companies	94,223	61,832	169	729	610
Other investment	4,674	4,674	6,926	6,487	7,299
Long term receivables	19,683	12,149	22,459	10,643	10,120
Deferred tax assets	32,141	26,798	34,796	31,241	25,600
Goodwill	75	71	68	-	-
Property development cost	186,884	91,390	66,613	83,407	86,738
Inventories	61,055	170,157	182,030	165,279	163,717
Construction work-in-progress	652	-	-	-	-
Trade and other receivables	241,094	243,651	284,281	91,756	92,522
Deposits, bank and cash balances	135,987	183,915	124,230	57,008	40,924
	2,498,907	2,404,000	1,919,996	1,885,755	2,463,927

FINANCE D BY:

Share Capital	275,699	275,699	275,699	275,699	275,707
Reserves	417,683	372,554	405,931	408,168	292,373
Shareholders' Fund	693,382	648,253	681,630	683,867	568,080



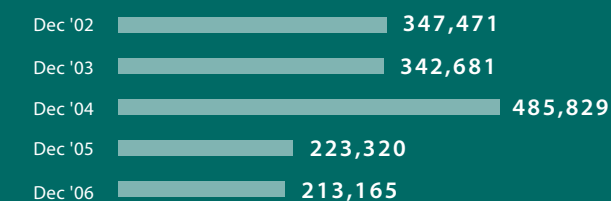
SHAREHOLDERS' FUNDS
(RM'000)



PROFIT / (LOSS) BEFORE TAX
(RM'000)



NET ASSETS PER SHARE
(RM)



REVENUE
(RM'000)



BASIC EARNINGS / (LOSS) PER SHARE
(SEN)

Corporate Governance Statement

The Board of Directors of CHHB recognises that good corporate governance is critical to the success of the Group. The Board strives to ensure that a high standard of corporate governance as promulgated by the Malaysian Code of Corporate Governance ("Code") is being practised throughout the Group.

The Board is pleased to report to the shareholders the corporate governance practices of the Group that were in placed throughout the financial year under review.

BOARD OF DIRECTORS

The Board

The Board Members of CHHB are from varied academic background and are equipped with a wide mix of knowledge, experience and skills for the proper management towards the achievement of the Group's corporate objectives. A brief profile of each Director is presented on pages 4 to 9 of the Annual Report.

The Board recognises its main responsibilities for the overall performance of the Group and focuses on setting the Group's strategic direction, establishing goals, monitoring performance and addressing critical business issues as well as upholding good corporate governance with an objective to build and enhance shareholders' value.

Board Balance

There are presently 10 board members in CHHB, comprising 4 Executive Directors, 3 Non-Independent Non-Executive Directors and 3 Independent Non-Executive Directors. The Executive Directors have direct responsibilities for managing the Group's businesses and resources. The presence of 3 experienced Independent Non-Executive Directors provides independence and objectivity to advise the Board on its decisions.

The role of the Chairman and the Managing Director are distinct and separate. The Chairman is responsible for the orderly conduct and working of the Board and ensures all Directors receive sufficient and relevant information on financial and non-financial matters to enable them to participate actively in the Board's decision making process whilst the Managing Director is responsible for implementing the policies and decisions of the Board, and overseeing the operations as well as coordinating the development and implementation of business and corporate strategies. This division of responsibility between the Chairman and Managing Director ensures that the balance of power and authority is preserved.

The size of the Board is optimum given the scope, size and complexity of the Group's operations. The composition of the Board is appropriate and there is no individual or small group of individual that dominates the Board's decision making process.

Meetings and Attendance

During the financial year ended 31 December 2006, the Board of Directors held three (3) meetings and details of Directors' attendances are set out below:

Name of Director	No. of Meetings Attended
General Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (R)	3/3
Tan Sri Lee Kim Tiong @ Lee Kim Yew	3/3
Dato' Azhar Bin Hashim	2/3
Academician Tan Sri Datuk Dr Ong Soon Hock	2/3
Dato' Ong Chong Sek	3/3
Lee Sow Lin	3/3
Choo Chee Beng	3/3
Ng Nyi Hong	3/3
Abu Yazid Bin Muharam	3/3
Choo Chin Thye	3/3

Directors' Training

All the Directors have completed their Mandatory Accreditation Programmes. Besides, the Directors keep abreast with development in the areas of economics, regulatory changes and technical developments through their attendances at various conferences, seminars and briefings. During the financial year under review, members of the Board have attended various training programmes as detailed below:

Name of Director	Type of Programmes Attended
General Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (R)	Leadership Development and Performance Management
Tan Sri Lee Kim Tiong @ Lee Kim Yew	Boao Forum for Asia Annual Conference 2006
	World Peace Forum
	Revitalizing the Industry & Enhancing Membership Value
	Investment Festival in Seoul, Korea
	Wealth Management Conference in Singapore
Dato' Azhar Bin Hashim	Indonesia Infrastructure 2006
Academician Tan Sri Datuk Dr Ong Soon Hock	Intellectual Property and Innovation Conference 2006: - Raising Awareness of Intellectual Property Culture among the Youth - Recognising the Importance of Intellectual Property in our Culture
	Oils and Fats International Congress 2006 - Changing Scenarios for Oils and Fats
	Malaysian Science and Technology Congress 2006 - Towards Excellence in Science and Technology Research and Innovation
Dato' Ong Chong Sek	Meeting the Pre & Post Listing Requirements of Bursa Malaysia Securities Berhad
	Managing Corporate Mergers and Acquisitions
Lee Sow Lin	National Achievers Congress 2006 - Master of Success
	Priceless Gems of Experience - Retail Industry & Highrise Complex Management
Choo Chee Beng	Tax & Financial Developments - Towards Quality Growth
	National Accountants Conference
Ng Nyi Hong	Revitalizing the Industry & Enhancing Membership Value
	Tax & Financial Developments - Towards Quality Growth
	National Accountants Conference
Abu Yazid Bin Muharam	The Malaysian Code on Take-overs and Mergers - Issues & Challenges
Choo Chin Thye	Appellate Procedure - Civil Appeals
	The Law on Section 20 Representations
	Real Estate Investment Trusts (REITs)
	Forensic Accounting in the Field of Litigation
	Private Caveats - Entry, removal and Extension

Re-election of Directors

All Directors (including the Managing Director) will retire at regular intervals by rotation at least once every three (3) years and they shall be eligible for re-election at this intervals.

Supply of Information

The Board members are given easy access to quality information required by the Board in the discharge of its duties. Board Meetings which are scheduled to be held are also presented with relevant reports to facilitate its decision making process. The Directors have unlimited access to all staff including the Company Secretary for information pertaining to the Company's affairs. Besides, all Directors, whether collectively as a Board or in their individual capacity, may procure independent professional advice in the furtherance of their duties as and when required.

Board Committees

The Board, in discharging its fiduciary duties, is assisted by 3 Board Committees namely Audit Committee, Nomination Committee and Remuneration Committee. Each of these Committees is entrusted with specific tasks and has the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on most matters remains with the entire Board.

1. Audit Committee

The report of the Audit Committee is set out on pages 42 to 43 of this Annual Report.

2. Nomination Committee

The Nomination Committee established by the Board comprises the following members:-

- General Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (R) (Chairman of Nomination Committee, Independent Non-Executive Director);
- Dato’ Azhar Bin Hashim (Independent Non-Executive Director); and
- Academician Tan Sri Datuk Dr Ong Soon Hock (Independent Non-Executive Director)

The Committee with its appropriate terms of reference is primarily responsible for bringing to the Board recommendations as to the appointment of any new Executive or Non-Executive Director and senior management, and the retirement and reappointment of existing Executive and Non-Executive Directors. The Committee also reviews the Board structure, size and composition including the effectiveness of the Board, its Committees and contribution of each individual Director.

The Committee met once during the year. All members have attended the meeting.

3. Remuneration Committee

The Directors who served as members of the Remuneration Committee are as follows:

- Academician Tan Sri Datuk Dr Ong Soon Hock (Chairman of Remuneration Committee, Independent Non-Executive Director);
- Tan Sri Lee Kim Tiong @ Lee Kim Yew (Managing Director);
- General Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (R) (Independent Non-Executive Director); and
- Dato’ Azhar Bin Hashim (Independent Non-Executive Director)

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration framework for all Executive Directors with the underlying objective of attracting and retaining Directors needed to run the Group successfully. The Remuneration Committee also reviews the remuneration of Non-Executive Directors who are remunerated based on their experience and level of responsibilities undertaken.

The Committee met once during the year. All members except Dato' Azhar Bin Hashim, attended the Meeting.

DIRECTORS' REMUNERATION

The Director's remuneration is linked to experience, scope of responsibilities, seniority in service and performance. Details of Directors' Remuneration for the financial year ended 31 December 2006, distinguishing between Executive and Non-Executive Directors, categorised according to the following appropriate components:

Name of Director	Salary and other emoluments	Bonuses	Fees	Benefit-in-kind	Supplemen- tary Directors' Fees	Total
	RM	RM	RM	RM	RM	RM
Non-Executive						
General Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (R)	-	-	10,000	-	13,000	23,000
Dato' Azhar Bin Hashim	-	-	10,000	-	9,000	19,000
Academician Tan Sri Datuk Dr. Ong Soon Hock	-	-	10,000	-	9,000	19,000
Choo Chin Thye	-	-	10,000	-	-	10,000
Abu Yazid Bin Muharam <i>(Re-designated as Non-Executive Director effective April 2006)</i>	88,000	-	10,000	1,000	-	99,000
Ng Nyi Hong <i>(Re-designated as Non-Executive Director effective April 2007)</i>	204,000	-	-	5,300	-	209,300
Executive						
Tan Sri Lee Kim Tiong @ Lee Kim Yew	321,000	-	-	51,675	-	372,675
Dato' Ong Chong Sek	106,000	269,000	-	18,833	-	393,833
Lee Sow Lin	274,000	-	-	17,400	-	291,400
Choo Chee Beng	167,080	-	-	6,600	-	173,680
Total	1,160,080	269,000	50,000	100,808	31,000	1,610,888

The number of Directors whose remuneration fell into each successive band are set out below:

	Executive	Non-Executive	Total
RM1 to RM50,000	-	4	4
RM50,001 to RM100,000	-	1	1
RM100,001 to RM150,000	-	-	-
RM150,001 to RM200,000	1	-	1
RM200,001 to RM250,000	-	1	1
RM250,001 to RM300,000	1	-	1
RM300,001 to RM350,000	-	-	-
RM350,001 to RM400,000	2	-	2
Total	4	6	10

SHAREHOLDERS

Relationship with Shareholders and Investors

The Company recognises the importance of regular and timely dissemination of information to shareholders and investors via annual reports, financial statements, circulars, quarterly financial reports and various announcements made to Bursa Malaysia during the year.

An important forum for communication and dialogue with the shareholders is through the general meetings, whereby shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions.

The Company's website www.countryheights.com.my provides easy access to the corporate information on the Group. Any queries or concerns regarding the Group may also be referred to Mr Choo Chee Beng, the Chief Financial Officer and Ms Tan Shim Chieng, the Company Secretary.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and meaningful assessment of the Company's and the Group's financial position and prospects in all their reports to the shareholders, investors and regulatory authorities.

The Statement of Directors' responsibility over the preparation of financial statements is set out on page 49 of this Annual Report.

Internal Control

The Statement on Internal Control as set out on page 44 of this Annual Report provides an overview of the state of internal controls within the Group.

Relationship with Auditors

The Board via the establishment of an Audit Committee maintains a formal and transparent relationship with the Group's auditors. The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report as set out on pages 42 to 43 of the Annual Report.

Directors' Responsibility Statement

The Directors are responsible for ensuring that the financial statements of the Group and the Company are drawn up in accordance with applicable Financial Reporting Standards and the provisions of the Companies Act, 1965, Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2006.

COMPLIANCE STATEMENT

The Board has taken steps to ensure that the Group has implemented the Best Practices as set out in the Code and considers that all other Best Practices have been substantially implemented in accordance with the Code except for the appointment of a Senior Independent Non-Executive Director to whom concerns may be conveyed. Given the current composition of the Board which reflects a strong independent element and the separation of the roles of the Chairman and Managing Director, the Board does not consider it necessary at this juncture to nominate a Senior Independent Non-Executive Director.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with Paragraph 9.25 of the Listing Requirements of Bursa Malaysia:

Material Contracts

Material contracts of the Company and its subsidiaries involving Directors and substantial shareholders either subsisting at the end of the financial year or entered into since the end of the previous financial year are disclosed in Note 36 to the Financial Statements.

Contracts Relating To Loan

There were no contracts relating to a loan by the Company in respect of the above said item.

Disclosure of Related Party Transactions

Significant related parties transactions of the Group during the financial year are disclosed in Note 36 to the Financial Statements.

The Company intends to seek shareholders' mandate for its recurrent related party transactions at the forthcoming Annual General Meeting as Special Business. The details of the mandate to be sought will be furnished in a separate Circular to the shareholders.

Options, Warrants or Convertible Securities

During the financial year, 8,003 Warrants 1996/2006 have been converted into 8,003 new ordinary shares of RM1.00 each. The remaining unexercised warrants were expired on 5 May 2006. The Company did not issue any other option, warrant or convertible security.

American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

Imposition of Sanctions / Penalties

There is a penalty of RM1,732,000 imposed by the Inland Revenue Board in respect of outstanding taxes relating to the financial year ended 31 December 2006.

Non-Audit Fees

The amount of non-audit fees paid and payable to external auditors by the Company and its subsidiaries for the financial year ended 31 December 2006 amounted to RM18,000.

Variation between Audited and Unaudited Results for the Financial Year Ended 31 December 2006

There were no material variances between the results for the financial year 2006 and the unaudited results previously announced.

Profit Guarantees

No profit guarantee was given by the Company in respect of the financial year.

Share Buy-Back

The Company has not undertaken any share buy-back exercise for the financial year ended 31 December 2006.

Revaluation of Landed Properties

The revaluation policy of the Group in relation to its landed properties is set up on Note 2 of the Financial Statements.

Utilisation of Proceeds

There were no corporate proposals to raise funds for the financial year ended 31 December 2006.

Audit Committee’s Report

MEMBERS

DATO’ AZHAR BIN HASHIM <i>Chairman / Independent Non-Executive Director</i>	ACADEMICIAN TAN SRI DATUK DR ONG SOON HOCK <i>Member / Independent Non-Executive Director</i>
GENERAL TAN SRI (DR) MOHAMED HASHIM BIN MOHD ALI (R) <i>Member / Independent Non-Executive Director</i>	NG NYI HONG <i>Member / Non-Independent Non-Executive Director</i>

TERMS OF REFERENCE

Composition

The Audit Committee shall be appointed by the Board from amongst the Directors of the Company and shall consists of not less than 3 members of whom the majority shall be Independent Directors. At least one member of the Audit Committee

- i) must be a member of the Malaysian Institute of Accountants;
- ii) if the person is not a member of the Malaysian Institute of Accountants, he must have at least three years working experience and :-
 - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - fulfils such other requirements as prescribed by Bursa Malaysia.

No alternate Director shall be appointed as a member of the Audit Committee. The members of the Audit Committee shall elect a Chairman from among their members who shall be an Independent Director.

Quorum

The quorum shall not be less than 2, the majority of whom shall be Independent Non-Executive Directors.

Attendance & Frequency of Meetings

The Audit Committee shall meet as the Chairman deems necessary but not less than 4 times a year. The Chairman shall be empowered to invite any person(s) to meetings of the Audit Committee, when deemed appropriate.

Authority

The Committee is authorised by the Board to investigate within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with the Committee on any request made.

The Committee is authorised by the Board to seek independent professional advice in the discharge of its duties if the Committee considers it necessary.

Functions of the Audit Committee

The duties of the Committee shall be:

- a) To make appropriate recommendations to the Board on matters pertaining to the nomination, appointment and dismissal of external auditors and the fee thereof;
- b) To review and discuss with the external auditors and internal auditors before the commencement of audit, the nature and scope of the audit;
- c) To review the quarterly and year-end financial statements of the Group and Company prior to submission to the Board of Directors, focusing particularly on:
 - (i) public announcement of results and dividend payments;
 - (ii) any significant changes in accounting policies and practices;
 - (iii) significant adjustments and unusual events resulting from the audit;
 - (iv) the going concern assumption; and
 - (v) compliance with stock exchange, accounting standards and legal requirements.
- d) To discuss problems and reservations arising from the interim and final audits, and any other matters the external auditors may wish to discuss (in the absence of management where necessary);

- e) To review any external auditors’ letter to management (if any) and management’s response;
- f) To review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- g) To review the internal audit planning memorandum and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
- h) To review any appraisal or assessment of the performance of members of the internal audit function;
- i) To approve any appointment or dismissal of internal auditors;
- j) Inform itself of resignation of internal auditors and provide the internal auditors an opportunity to submit reasons for resigning;
- k) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group that may raise questions over management’s integrity; and
- l) To consider the findings of internal audit investigations and management’s response.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee held five (5) meetings during the financial year. The meetings were attended by the internal auditors, external auditors and the Chief Financial Officer.

The attendance record of each member of the Audit Committee is shown in the table below:-

Audit Committee Members	No. of meeting attended
Dato’ Azhar Bin Hashim	4/5
General Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (R)	5/5
Academician Tan Sri Datuk Dr Ong Soon Hock	5/5
Ng Nyi Hong	5/5

To ensure the promotion of corporate governance, accountability, independence and integrity, the following activities were undertaken by the Audit Committee during the financial year:-

- 1. Reviewed the audit plan of the external auditors, in terms of the nature of the audit procedures, significant accounting and auditing issues, impact of new or proposed changes in the accounting standards and regulatory requirements;
- 2. Reviewed the audited financial statements for the financial year ended 31 December 2006 together with external auditors’ management letter and management’s response;
- 3. Reviewed the external auditors’ reports in relation to audit and accounting issues arising from the audit and updates of new developments on Financial Reporting Standards issued by MASB;
- 4. Reviewed the audit fees and the performance of the external auditors before recommending to the Board on the re-appointment;
- 5. Reviewed the internal audit reports, recommendations and management’s response. Discussed actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports;
- 6. Reviewed the quarterly financial results announcements for each financial quarter prior to the submission to the Board for their consideration and approval; and
- 7. Reviewed the related party transactions entered into by the Company and the Group.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Company has outsourced its internal audit function to an external consultant whereby its principal responsibility is to assist the Audit Committee in appraising the adequacy and integrity of the Group’s internal control and management information system. Regular reviews were conducted by the outsourced internal audit function and reports of their reviews were presented to the Audit Committee.

During the financial year, the outsourced internal audit function has carried out the following activities:

- (a) Executed the internal audit plan and presented the weaknesses noted in the course of their audit together with management’s response at Audit Committee meetings.
- (b) Conducted follow up reviews to ensure that action plans are properly and appropriately implemented by management.
- (c) Ascertained the extent of compliance with established policies, procedures and statutory requirements.

Statement of Internal Control

Introduction

Pursuant to paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia, the Board of Directors of CHHB is pleased to provide the following statement on the state of internal control of the Group for the financial year ended 31 December 2006, which has been prepared in accordance with the Statement on Internal Control – Guidance for Directors of Public Listed Companies.

Responsibility

The Board acknowledges and is committed to its responsibility for maintaining a sound system of internal controls covering controls relating to operations and risk management to safeguard shareholders’ investments and the Group’s assets.

The system of internal controls is designed to meet the Group’s business objectives and to manage the risks to which it is exposed. The Board acknowledges that risks cannot be completely eliminated. The system by its nature can only provide reasonable, and not absolute assurance against material misstatement, loss and fraud.

Risk Management Framework

The Board recognizes the need for continuous improvement to its system of internal control and has taken steps to formalize and enhance the Group’s procedures and risk management framework. The Group’s risk management framework allows the management to identify and assess risks, which covers operational, financial, and compliance controls of risk management.

The identification, evaluation and management of signification risk faced by the Group, is an ongoing process undertaken at each level of operations. The risk management function involves the Senior Management as well as the Executive Directors through direct participation in periodic management meetings. These meetings are held to assess and monitor the Group’s risk as well as deliberate and address matters associated with strategic, financial and operational facts of the Group.

Internal Control Function

The Group’s internal audit function is outsourced to a professional internal audit service provider firm, to provide the Board with the assurance on the adequacy and integrity of the Group’s systems of internal control. The outsourced internal audit function focuses on the review of areas which are related to and aligned with the key business risks of the Group. The areas of review were set out in a three-year internal audit plan which has been approved by the Audit Committee. Since the appointment of the outsourced internal audit function, periodic internal audit visits have been carried out to monitor compliance with the Group’s procedures and to review the adequacy and effectiveness of the Group’s systems of internal control.

The internal auditors carried out audit to ensure that the controls are in place and any risk identified or where controls are not in place, are reported in their reports together with the recommendations for improvement are presented to the Audit Committee for their consideration. Internal control weaknesses identified during the financial period under review have been or are being addressed by key management. Areas of improvement in internal controls have been identified and the implementations of action plans on the proposed recommendations have been implemented.

Key Elements of Control Structure

The Group’s systems of internal control encompasses the following key elements:-

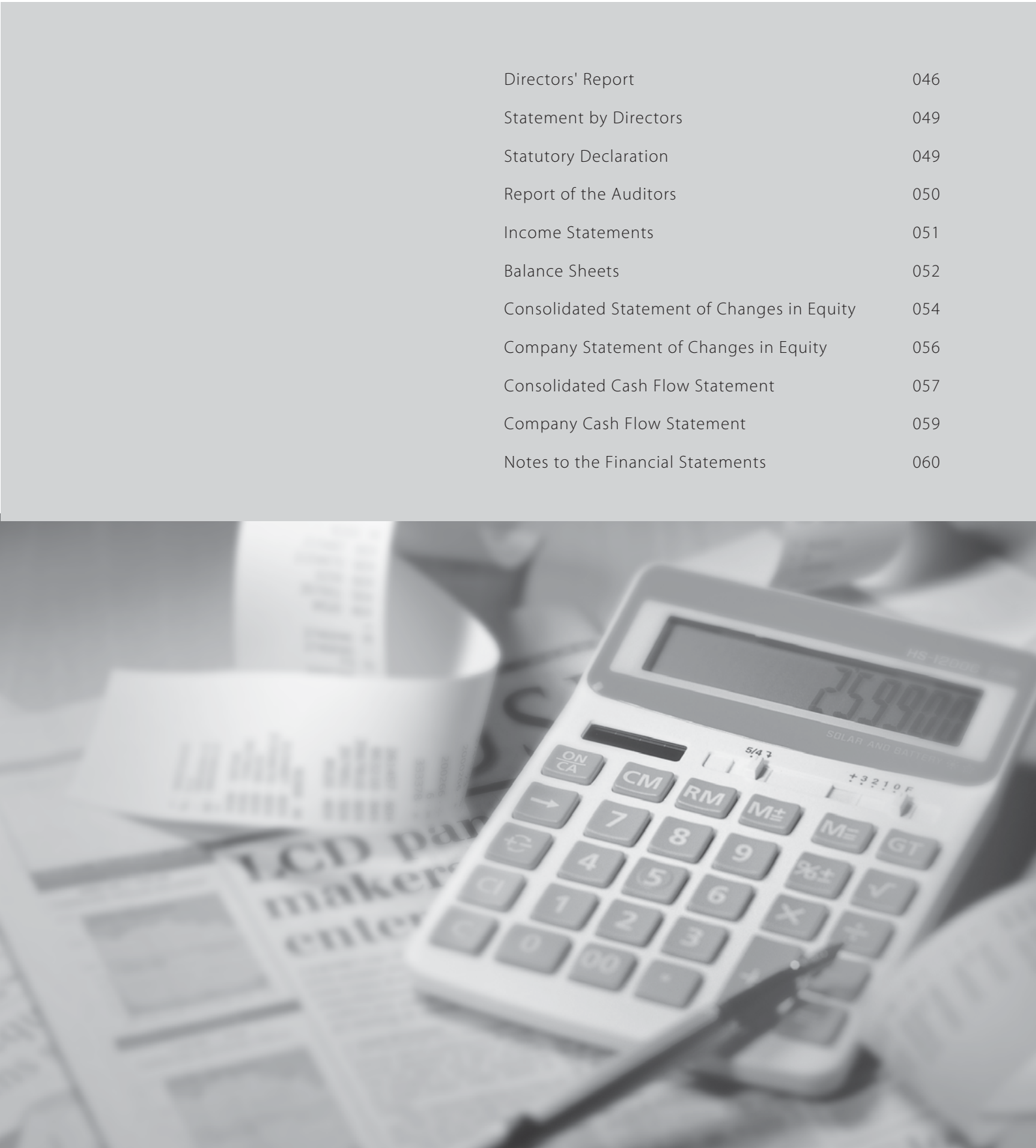
- A functional organisation structure that defines the level of authority and responsibilities to ensure accountability for risk management and control activities;
- Regular internal audit visits were held to review the effectiveness of the control procedures and to ensure accurate and timely financial management reporting;
- Regular and comprehensive flow of information to the Board and management on all aspects of the Group’s operations to facilitate the monitoring of performance against strategic plans;
- Regular review and assessment of the Group’s strategic direction after taking into consideration changes in the market condition and key business risk;
- Key functions such as finance, tax, treasury, corporate affairs, strategic planning and legal matters are controlled and managed centrally;
- The Group’s system of internal control does not apply to associate companies, which the Group does not have full management control.

The Board is of the view that the system of internal controls being instituted throughout the Group is sound and effective to safeguard the interest of the Group and to facilitate the evolution of its business.

There was no material loss which occurred during the year that resulted from weaknesses in the internal control systems, which require a separate disclosure in the financial report.

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DIRECTORS’ REPORT

The directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services.

The principal activities of the subsidiaries and associates are shown in Notes 16 and 17 to the financial statements respectively.

There have been no significant changes in the nature of principal activities during the financial year.

RESULTS

	Group RM’000	Company RM’000
(Loss)/profit for the year	(36,030)	2,197
Attributable to:		
Equity holders of the Company	(32,689)	2,197
Minority interests	(3,341)	-
	(36,030)	2,197

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Gen. Tan Sri (Dr) Mohamed Hashim bin Mohd. Ali (R)
Tan Sri Lee Kim Tiong @ Lee Kim Yew
Dato' Azhar bin Hashim
Academician Tan Sri Datuk Dr. Ong Soon Hock
Dato' Ong Chong Sek
Lee Sow Lin (f)
Choo Chee Beng
Ng Nyi Hong (f)
Abu Yazid bin Muharam
Choo Chin Thye

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 8 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 36 to the financial statements.

DIRECTORS’ INTERESTS

According to the Register of Directors’ Shareholdings, the interests of directors in office at the end of the financial year in shares and bonds in the Company and its related corporations during the financial year were as follows:

The Company	Number of Ordinary Shares of RM1.00 Each			
	1.1.2006	Acquired	Disposed	31.12.2006
Direct Interest:				
Tan Sri Lee Kim Tiong @ Lee Kim Yew	74,895,730	9,086,700	-	83,982,430
Gen. Tan Sri (Dr) Mohamed Hashim bin Mohd. Ali (R)	1,480,842	-	-	1,480,842
Dato’ Azhar bin Hashim	190,443	-	(189,643)	800
Academician Tan Sri Datuk Dr. Ong Soon Hock	16,000	-	-	16,000
Dato’ Ong Chong Sek	1,390,200	-	-	1,390,200
Indirect Interest:				
Tan Sri Lee Kim Tiong @ Lee Kim Yew	43,709,400	-	(3,902,400)	39,807,000

The Company	RM150 million 3% to 8% Redeemable Secured Bonds 1996/2009			
	1.1.2006	Acquired	Disposed	31.12.2006
Indirect Interest:				
Tan Sri Lee Kim Tiong @ Lee Kim Yew	150,000,000	-	-	150,000,000

The Company	Warrants issued pursuant to a Deed Poll dated 26 April 1996 and Supplemental Deed Polls dated 24 March 1997, 25 January 1999 and 30 March 1999 exercisable at any time from 12 July 1996 to 6 May 2006			
	1.1.2006	Acquired	Lapsed	31.12.2006
Direct Interest:				
Gen. Tan Sri (Dr) Mohamed Hashim bin Mohd. Ali (R)	372,600	-	(372,600)	-
Tan Sri Lee Kim Tiong @ Lee Kim Yew	400,000	-	(400,000)	-
Dato’ Azhar bin Hashim	94,820	-	(94,820)	-
Indirect Interest:				
Tan Sri Lee Kim Tiong @ Lee Kim Yew	7,541,453	-	(7,541,453)	-

By virtue of their interests in shares in the Company, the above directors are deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares, bonds and warrants in the Company or its related corporations during the financial year.

DETACHABLE WARRANTS 1996/2006 ("WARRANTS 1996/2006")

In conjunction with the issue of the RM150 million 3% to 8% Redeemable Secured Bonds 1996/2009, the Company had issued 97,907,600 Warrants 1996/2006, the main features of which are as disclosed in Note 25 to the financial statements. On 3 April 2006, the Board of Directors of the Company announced the expiry of the Warrants 1996/2006 on 5 May 2006. Prior to the expiry, 8,003 warrants had been exercised at RM3.31 each, resulting in an increase in share capital and share premium of RM8,000 and RM19,000 respectively. The remaining 97,899,597 unexercised warrants lapsed upon the expiry of the Warrants 1996/2006. Warrants 1996/2006 were removed from the Official List of Bursa Malaysia Securities Berhad with effect from 8 May 2006.

OTHER STATUTORY INFORMATION

- (a)

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

(i)

to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii)

to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b)

At the date of this report, the directors are not aware of any circumstances which would render:

(i)

the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; and

(ii)

the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c)

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d)

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e)

At the date of this report, there does not exist:

(i)

any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii)

any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f)

In the opinion of the directors:

(i)

no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii)

no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 April 2007.

Gen. Tan Sri (Dr) Mohamed Hashim bin Mohd. Ali (R)

Tan Sri Lee Kim Tiong @ Lee Kim Yew

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Gen. Tan Sri (Dr) Mohamed Hashim bin Mohd. Ali (R) and Tan Sri Lee Kim Tiong @ Lee Kim Yew, being two of the directors of Country Heights Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 51 to 129 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 April 2007.

Gen. Tan Sri (Dr) Mohamed Hashim bin Mohd. Ali (R)

Tan Sri Lee Kim Tiong @ Lee Kim Yew

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Choo Chee Beng, being the Director primarily responsible for the financial management of Country Heights Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 51 to 129 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
Choo Chee Beng at Petaling Jaya in the Selangor on 27 April 2007.

Choo Chee Beng

Before me,

S. Selvarajah (B144)
Commissioner of Oaths
Petaling Jaya, Selangor

REPORT OF THE AUDITORS TO THE MEMBERS OF COUNTRY HEIGHTS HOLDINGS BERHAD (Incorporated In Malaysia)

We have audited the financial statements set out on pages 51 to 129. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a)

the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:

(i)

the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and

(ii)

the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b)

the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors’ reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 16 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors’ reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Companies Act, 1965.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
27 April 2007

Lee Seng Huat
2518/12/07(J)
Partner

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

Note	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000 Restated	RM'000	RM'000 Restated
Revenue	3213,165	223,320	8,306	6,546
Cost of sales	4(83,197)	(85,077)	-	-
Gross profit	129,968	138,243	8,306	6,546
Other income	15,846	60,843	937	4,187
Selling and marketing expenses	(2,115)	(5,535)	(515)	(1,042)
Administrative expenses	(18,767)	(19,524)	(1,498)	(2,172)
Other expenses	(107,759)	(109,989)	(2,288)	(74,514)
Operating profit/(loss)	17,173	64,038	4,942	(66,995)
Finance costs	5(51,019)	(57,522)	(1,761)	(10,820)
Share of results of associates	(119)	313	-	-
(Loss)/profit before tax	6(33,965)	6,829	3,181	(77,815)
Income tax expense	9(2,065)	(3,688)	(984)	425
(Loss)/profit for the year	(36,030)	3,141	2,197	(77,390)
Attributable to:				
Equity holders of the Company	(32,689)	6,661	2,197	(77,390)
Minority interests	(3,341)	(3,520)	-	-
	(36,030)	3,141	2,197	(77,390)
Earnings per share (sen):				
Basic				
– Including gain on Asset Based Settlement Exercise	10(a)(i)(11.86)	2.42		
– Excluding gain on Asset Based Settlement Exercise	10(a)(ii)(11.86)	(12.14)		
Diluted	10(b)N/A	-		
Net dividends per ordinary share in respect of the year (sen)	11-	-	-	-

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2006

	Note	Group		Company	
		2006	2005	2006	2005
		RM'000	RM'000 Restated	RM'000	RM'000 Restated
ASSETS					
Non-current assets					
Hotel properties and exhibition centre & showroom	12	685,457	693,298	-	-
Other property, plant and equipment	13	160,440	176,883	60	50
Property, plant and equipment		845,897	870,181	60	50
Investment properties	14	402,350	387,199	-	-
Land held for property development	15(a)	209,978	216,066	-	-
Investment in subsidiaries	16	-	-	231,300	230,190
Investment in associates	17	610	729	247	247
Other investments	18	7,299	6,487	7,093	6,316
Long-term receivables	21	10,120	10,643	-	-
Deferred tax assets	29	25,600	31,241	-	-
Goodwill on consolidation	19	-	-	-	-
		1,501,854	1,522,546	238,700	236,803
Current assets					
Property development costs	15(b)	86,738	83,407	-	-
Inventories	20	163,717	165,279	-	-
Trade and other receivables	21	90,956	89,893	536,390	520,112
Tax recoverable		1,566	1,863	687	1,057
Cash and bank balances	22	40,924	57,008	75	102
		383,901	397,450	537,152	521,271
TOTAL ASSETS		1,885,755	1,919,996	775,852	758,074

BALANCE SHEETS

AS AT 31 DECEMBER 2006 (CONT'D)

	Note	Group		Company	
		2006	2005	2006	2005
		RM'000	RM'000 Restated	RM'000	RM'000 Restated
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	31	275,707	275,699	275,707	275,699
Share premium		57,251	57,232	57,251	57,232
Other reserves	32	159,343	289,064	19,048	19,048
Retained earnings	33	75,779	61,872	19,848	17,651
		568,080	683,867	371,854	369,630
Minority interest		44,458	47,799	-	-
Total equity		612,538	731,666	371,854	369,630
Non-current liabilities					
Borrowings	23	806,197	705,097	150,000	150,000
Long term liabilities	28	29,848	30,875	-	-
Deferred tax liabilities	29	132,059	44,973	-	-
Non-current liabilities		968,104	780,945	150,000	150,000
Current liabilities					
Trade and other payables	30	211,886	240,834	253,998	238,444
Borrowings	23	30,884	104,180	-	-
Tax payable		62,343	62,371	-	-
		305,113	407,385	253,998	238,444
Total liabilities		1,273,217	1,188,330	403,998	388,444
TOTAL EQUITY AND LIABILITIES		1,885,755	1,919,996	775,852	758,074

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

Note	Attributable to Equity Holders of the Company						
	Share Capital	Non-Distributable		Distributable		Minority Interests	Total Equity
		Share Premium	Other Reserves	Retained Earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2005	275,699	57,232	277,500	71,199	681,630	50,613	732,243
Transfer to capital redemption reserve	-	-	19,048	(19,048)	-	-	-
Transfer from foreign exchange reserve	-	-	(3,060)	3,060	-	-	-
Foreign exchange differences, representing net expense recognised in equity	32(b)	-	-	(4,424)	(4,424)	-	(4,424)
Net transfers and losses recognised directly in equity		-	-	11,564	(15,988)	-	(4,424)
Net profit for the year		-	-	6,661	6,661	(3,520)	3,141
Total recognised income and expense for the year		-	-	11,564	2,237	(3,520)	(1,283)
Public issue/placement of shares exercise in a subsidiary	6(b)	-	-	-	-	706	706
At 31 December 2005	275,699	57,232	289,064	61,872	683,867	47,799	731,666

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006 (CONT'D)

Note	Attributable to Equity Holders of the Company						
	Share Capital	Non-Distributable		Distributable		Minority Interests	Total Equity
		Share Premium	Other Reserves	Retained Earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2006	275,699	57,232	289,064	61,872	683,867	47,799	731,666
Effects of adopting FRS 140	2.3(c)	-	-	(75,855)	70,784	(5,071)	(5,071)
	275,699	57,232	213,209	132,656	678,796	47,799	726,595
Depreciation transfer on revalued hotel properties and exhibition centre & showroom	32(a)(i)	-	-	(1,838)	1,838	-	-
Transfer to deferred tax liabilities	29	-	-	(45,762)	(26,026)	-	(71,788)
Foreign exchange differences, representing net expense recognised in equity	32(b)	-	-	(6,266)	-	-	(6,266)
Net transfers and losses recognised directly in equity		-	-	(53,866)	(24,188)	-	(78,054)
Net loss for the year		-	-	-	(32,689)	(3,341)	(36,030)
Total recognised income and expense for the year		-	-	(53,866)	(56,877)	(3,341)	(114,084)
Ordinary shares issued during the year pursuant to Warrants 1996/2006	31	8	19	-	27	-	27
At 31 December 2006	275,707	57,251	159,343	75,779	568,080	44,458	612,538

The accompanying notes form an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

Note	Non-Distributable		Distributable		Total
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Earnings RM'000	
At 1 January 2005	275,699	57,232	8,792	105,297	447,020
Transfer to capital redemption reserve	-	-	19,048	(19,048)	-
Transfer from capital reserve	-	-	(8,792)	8,792	-
Loss for the year, representing total recognised income and expense for the year	-	-	-	(77,390)	(77,390)
At 31 December 2005	275,699	57,232	19,048	17,651	369,630
At 1 January 2006	275,699	57,232	19,048	17,651	369,630
Ordinary shares issued during the year pursuant to Warrants 1996/2006	318	19	-	-	27
Profit for the year, representing total recognised income and expense for the year	-	-	-	2,197	2,197
At 31 December 2006	275,707	57,251	19,048	19,848	371,854

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

Note	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(33,965)	6,829
Adjustments for:		
Depreciation of other property, plant and equipment	20,282	24,900
Depreciation of hotel properties and exhibition centre & showroom	8,062	-
Amortisation of goodwill	-	2
Other property, plant and equipment written off	4,583	1
Interest expense	51,019	57,522
Allowance for doubtful debts - others	6,545	10,161
Allowance for doubtful debts written back	(1,385)	(1,897)
Bad debts written off	3,349	5,402
Inventories written off	500	109
Write-down of slow-moving and damaged inventories	-	14
Impairment losses of goodwill	-	66
Gain on disposal of investment in subsidiaries	-	(40,135)
Gain on disposal of equity interest to minority shareholders of a subsidiary	-	(71)
Gain on disposal of other property, plant and equipment	(1,715)	(2,362)
Gain on disposal of investment properties	(769)	-
Dividend income	(753)	(1,096)
Interest income	(1,582)	(4,471)
Share of results of associates	119	(313)
Unrealised exchange loss	46	(115)
Waiver of debts arising from Asset Based Settlement Exercise	-	(676)
Reversal of deferred income	(5,157)	(1,673)
Loss on disposal of other investments	5,200	-
Impairment losses in value of other investments	231	2,086
Reversal of impairment losses in value of other investments	(6,390)	-
Amortisation of deferred income	(687)	(632)
Operating profit before working capital changes	47,533	53,651
Inventories	978	14,473
Development properties	422	2,325
Receivables	(7,014)	56,521
Deferred income	5,514	3,725
Payables	(25,757)	(5,659)
Cash generated from operations	21,676	125,036
Interest paid	(39,056)	(41,860)
Tax paid	(644)	(4,197)
Net cash (used in)/generated from operating activities carried forward	(18,024)	78,979

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006 (CONT'D)

	Note	2006 RM'000	2005 RM'000
Net cash (used in)/generated from operating activities brought forward		(18,024)	78,979
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from issuance of shares in a subsidiary		-	1,013
Purchase of other property, plant and equipment		(12,596)	(13,920)
Expenditure on hotel properties and exhibition centre & showroom	12	(221)	-
Expenditure on investment properties	14	(1,838)	-
Proceeds from disposal of other property, plant and equipment		3,049	8,110
Additional investment in other investments		(7,092)	(1,567)
Proceeds from disposal of other investments		7,239	-
Investment in associate		-	(247)
Proceeds from disposal of subsidiaries	16(a)	-	11,310
Proceeds from disposal of investment properties		2,685	-
Interest received		1,323	3,911
Proceeds from issuance of ordinary shares		27	-
Net dividend received		193	68
Net cash (used in)/generated from investing activities		(7,231)	8,678
CASH FLOWS FROM FINANCING ACTIVITIES			
Bond interest expense paid		(8,975)	(8,975)
Hire purchase and lease creditors		(322)	(680)
Drawdown of golf membership loans		227	-
Repayment of golf membership loans		-	(1,226)
Drawdown of term loan		3,309	-
Repayment of term loan		(31,120)	(5,220)
Repayment of working capital loan		(5,260)	(8,939)
Repayment of foreign term loan		-	(525)
Drawdown of CP/MTN		129,098	-
Repayment of RCSLS 2002/2007		-	(82,879)
Repayment of deferred liabilities		-	(14,371)
Repayment of revolving credit		(59,378)	(7,050)
Net cash generated from/(used in) financing activities		27,579	(129,865)
Effects of exchange rate changes		(7,638)	(4,516)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(5,314)	(46,724)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		40,468	87,192
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	35,154	40,468

The accompanying notes form an integral part of the financial statements.

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation		3,181	(77,815)
Adjustments for:			
Dividend income		(6,193)	(3,688)
Interest income		(13)	(3,511)
Interest expense		1,761	10,820
Depreciation of other property, plant and equipment		17	20
Impairment losses in value of other investments		231	1,937
Reversal of impairment losses in value of other investments		(6,154)	-
Loss on disposal of other investments		5,200	-
Allowance for doubtful debts:			
Subsidiaries		-	18,601
Other receivables		-	1,790
Waiver of debts due from subsidiaries		-	50,015
Waiver of debts arising from Asset Based Settlement Exercise		-	(676)
Operating loss before working capital changes		(1,970)	(2,507)
Changes in working capital:			
Receivables		4,021	25,535
Payables		(2,454)	(53,150)
Related companies balances		1,770	31,821
Cash generated from operations		1,367	1,699
Taxes paid		-	-
Interest paid		(392)	(955)
Net cash generated from operating activities		975	744
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of other property, plant and equipment		(27)	(21)
Additional investment in a subsidiary	16(b)(i)	(1,100)	-
Investment in associates		-	(247)
Additional investment in other investments		(7,293)	(1,328)
Proceeds from disposal of other investments		7,239	-
Interest received		13	24
Net dividend received		139	68
Net cash used in investing activities		(1,029)	(1,504)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from issuance of ordinary shares, representing cash flows from financing activity		27	-
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(27)	(760)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		102	862
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	75	102

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities. The registered office of the Company is located at 8th Floor, Block A, The Mines Waterfront Business Park, No. 3, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiaries and associates are shown in Notes 16 and 17 to the financial statements respectively. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 April 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis unless otherwise indicated.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amount is included in profit or loss.

(c) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(d) Property, Plant and Equipment, and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for hotel properties and exhibition centre & showroom are stated at cost less accumulated depreciation and any accumulated impairment losses.

Hotel properties and exhibition centre & showroom consist of long leasehold land, hotel and exhibition centre & showroom buildings situated thereon. The long leasehold land has unexpired lease periods of more than 50 years.

Hotel properties and exhibition centre & showroom are stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal or investment method that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Certain freehold land and building of the Group were revalued based on independent valuations on an open market value basis in 1994. As allowed by the transitional provisions of International Accounting Standard 16 (Revised), Property, Plant and Equipment, as approved by the Malaysian Accounting Standards Board, these assets have continued to be stated on the basis of their 1994 valuations.

Freehold land and freehold golf courses included in golf clubs & courses and boat clubs have unlimited useful life and therefore are not depreciated. Capital work-in-progress are also not depreciated as these assets are not available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Freehold buildings	2%
Leasehold land	Over the leasehold period
Leasehold buildings	2% - 10%
Leasehold golf courses included in golf clubs & courses and boat clubs	Over the leasehold period
Freehold clubhouse included in golf clubs & courses and boat clubs	2%
Leasehold clubhouse included in golf clubs & courses and boat clubs	Over the leasehold period
Irrigation system and equipment included in golf courses and boat clubs	10%
Office furniture and fittings	10% - 20%
Plant, machinery and equipment	10% - 33.3%
Motor vehicles	10% - 20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or oss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(e) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(f) Land Held for Property Development and Property Development Costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

(g) Impairment of Non-Financial Assets

The carrying amounts of assets, other than investment property, property development costs, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposit at call which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Other non-current investments

Non-current investments other than investments in subsidiaries, associates and investment properties are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the profit or loss.

(iii) **Marketable securities**

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

(iv) **Trade receivables**

Trade receivables are carried at anticipated realisable values. Bad debts are written off when proper action and reasonable steps had been taken by the directors to identify and ascertain its non-recoverability. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(v) **Trade payables**

Trade payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(vi) **Interest bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vii) **Warrants**

Warrants issued pursuant to the issuance of the RM150 million 3% to 8% Redeemable Secured Bonds 1996/2009 in financial year ended 28 February 1997 are not recognised on the date of issue. The issue of ordinary shares upon exercise of the warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

(viii) **Equity Instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(ix) **Derivative financial instruments**

Derivative financial instruments are not recognised in the financial statements.

(j) **Leases**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) **Finance leases**

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(d).

(ii) **Operating leases**

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

(k) **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) **Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(m) **Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(n) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(o) Foreign Currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(p) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of properties

Revenue from sales of properties is accounted for by the stage of completion method as described in Note 2.2(f)(ii).

(ii) Revenue from hotel operations

Revenue from rental of hotel rooms, sale of food and beverage and other related income are recognised on an accrual basis.

(iii) Management fees

Management fees are recognised when services are rendered.

(iv) Golf and health membership

Revenue is recognised upon signing of the membership agreement.

(v) Subscription fees

Subscription fees are recognised as revenue when due and payable pursuant to membership agreements.

(vi) **Timeshare fees**

Revenue is recognised based on the nature of the services provided in relation to the timeshare fees. If the fee permits only membership, and all other services or products are paid for separately, or if there is a separate annual subscription, the fee is recognised as revenue when no significant uncertainty as to its collectability exists. If the fee entitles the member to services or publications to be provided during the membership period, or to purchase goods or services at prices lower than those charged to non members, it is recognised on a basis that reflects the timing, nature and value of the benefits provided.

Annual maintenance fees are recognised on an accrual basis based on fees chargeable to members upon execution and renewal of the membership agreements, unless recoverability is in doubt, in which case, it is recognised on receipt basis.

(vii) **Rental revenue**

Rental revenue is recognised over the period of tenancy and such revenue includes service charges on general maintenance services rendered to the tenants.

(viii) **Revenue from services**

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(ix) **Interest income**

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(x) **Revenue from promotions**

Revenue from promotions is recognised on an accruals basis.

(xi) **Dividend income**

Dividend income is recognised when the right to receive payment is established.

(q) **Deferred Income**

The portion of the membership fees of the timeshare scheme described in Note 2.2p(vi) to the financial statements which is deferred and disclosed as deferred income is recognised over the membership period.

2.3 **Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs**

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

FRS 2, 5 and 131 are not relevant to Group's operation.

The Group has not early adopted the deferred FRS 139: Financial Instruments:- Recognition and Measurement and the following FRSs and amendment that are mandatory for financial periods beginning on or after:

(i) **1 October 2006**

- FRS 117 Leases
- FRS 124 Related Party Disclosures

(ii) The other standards, amendments to standards and interpretations issued but not yet effective is not applicable to the Group's operation.

The adoption of revised FRS 102, 108, 110, 116, 121, 127, 128, 132 and 133 does not result in significant changes in accounting policies of the Group. The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are discussed below:

(a) **FRS 3: Business Combinations and FRS 136: Impairment of Assets**

The new FRS 3 has resulted in consequential amendment FRS 136. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

(i) **Goodwill**

Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit in which the goodwill is attached to. The adoption of FRS 3 and the revised FRS 136 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 January 2006. The transitional provisions of FRS 3 also required the Group to eliminate the carrying amount of the accumulated amortisation at 1 January 2006 amounting to RM27,000 against the carrying amount of goodwill and ceased to be amortised thereafter. As the goodwill had been fully impaired prior to 1 January 2006, the net carrying amount of goodwill as at 1 January 2006 was RMNil.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. This change has no impact on the Company's financial statements.

(ii) Accounting for acquisitions

Prior to 1 January 2006, the Group did not recognise separately the acquiree’s contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably. In addition, the Group was previously allowed to recognise restructuring provisions in connection with an acquisition regardless of whether the acquiree had recognised such provisions. Upon the adoption of FRS 3, the Group is now permitted to recognise such provisions only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with FRS 137.

The change did not materially affect the financial statements of the Group and the Company.

(b) FRS 101: Presentation of Financial Statements

(i) Minority interests

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

(ii) Share of profit of associates

Prior to 1 January 2006, the Group’s share of taxation of associates accounted for using the equity method was included as part of the Group’s income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates accounted for using the equity method are now included in the shares of profit or loss of associate reported in the consolidated income statement before arriving at the Group’s profit or loss before tax.

These changes in presentation have been applied retrospectively and as disclosed in Note 2.3(e), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(d)(i) and Note 2.3(d)(ii) respectively. These changes in presentation has no impact on the Company's financial statements.

(c) FRS 140: Investment Property

Prior to adoption of FRS 140, investment property consists of a shopping complex, situated on a long leasehold land with an unexpired lease period of more than 50 years. The investment property was previously stated at valuation. Revaluations were made regularly and any revaluation increase is taken to equity as a revaluation surplus. The investment property was last revalued in 2003.

The adoption of FRS 140 has resulted in identification of properties that meets the definition of investment properties but were previously classified within property, plant and equipment. These investment properties previously classified within property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

Upon the adoption of FRS 140, investment properties are now stated at fair value and gains and losses arising from changes in fair values are recognised in profit or loss in the year in which they arise.

As the revalued carrying amount of the assets will be recovered through use, the deferred tax liability will be measured by the income tax rate on the fair value adjustment.

The Group has applied FRS 140 in accordance with the transitional provisions. The change in accounting policy has had no impact on amounts reported for 2005 or prior periods except for the reclassification from property, plant and equipment to investment properties. The reclassification has been accounted for retrospectively and as disclosed in Note 2.3(e), certain comparatives have been restated.

When the Group first apply FRS 140, any amount held in revaluation surplus for investment properties is transferred from revaluation reserve to opening balance of retained earnings.

The change in accounting policy have been accounted for by adjusting the following opening balances of the Group as at 1 January 2006:

	RM'000
Opening fair value adjustment of investment properties	15,270
Transfer from revaluation reserve to opening balance of retained earnings [(Note 32)(ii)]	(75,855)
Increase in opening balance of retained earnings	70,784
Increase in deferred tax liabilities (Note 29)	20,342

The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(d)(i) and Note 2.3(d)(ii) respectively. This change has no impact on the Company's financial statements.

(d) **Summary of effects of adopting new and revised FRSs on the current year's financial statements**

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 December 2006 is higher or lower than it would have been had the previous policies been applied in the current year:

(i) **Effects on balance sheets as at 31 December 2006**

Description of change	Increase/(Decrease)		
	FRS 101	FRS140	Total
	Note	Note	
	2.3(b)(i)	2.3(c)	
Group	RM'000	RM'000	RM'000
Investment properties	-	15,270	15,270
Deferred tax liabilities	-	20,342	20,342
Other reserves	-	(75,855)	(75,855)
Retained earnings	-	70,784	70,784
Total equity	44,458	-	44,458

(ii) **Effects on income statements for the year ended 31 December 2006**

Description of change	Decrease	
	FRS 101	Note
	2.3(b)(ii)	
		RM'000
Group		
Share of profit of associates		(25)
Profit before taxation		(25)
Income tax expense		(25)

(e) **Restatement of Comparatives**

The following comparative amounts have been reclassified/restated as a result of adopting the new and revised FRSs:

Description of change	Previously stated RM'000	Increase/(Decrease)		Restated RM'000
		FRS 101	FRS140	
		Note	Note	
		2.3(b)(ii)	2.3(c)	
		RM'000	RM'000	
At 31 December 2005				
Group				
Other property, plant and equipment	268,763	-	(91,880)	176,883
Investment properties	295,319	-	91,880	387,199
Total equity	683,867	47,799	-	731,666

Description of change	Previously stated RM'000	Decrease	Restated RM'000
		FRS101 Note 2.3(b)(ii) RM'000	
For the year ended 31 December 2005			
Group			
Share of results of associates	435	(122)	313
Profit before taxation	6,951	(122)	6,829
Income tax expense	3,810	(122)	3,688

2.4 Changes in Estimates

(a) **Revenue Recognition on Timeshare Fee**

During the financial year ended 31 December 2006, the Group revised the revenue recognition on the timeshare fees from 70% to 75% based on the review of the proportion of membership costs incurred to date bear to the estimated total membership costs over the period of the membership. The balance of 25% of revenue which reflected the services to be performed over the remaining period of the membership is recognised as deferred income and amortised over the period of the membership. The change in estimates were accounted for prospectively as a change in accounting estimates and as a result, the revenue of the Group for the current financial year has been increased by RM5,157,000.

(b) **FRS 116: Property, Plant and Equipment**

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group revised the residual values of revalued hotel properties and exhibition centre & showroom and certain property, plant and equipment with effect from 1 January 2006. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group for the current financial year have been increased by RM8,840,000.

As a result, additional deferred tax liability arising from the commencement of depreciation of revalued hotel properties and exhibition centre & showroom and certain property, plant and equipment was provided.

2.5 Significant Accounting Estimates and Judgements

(a) **Critical Judgements Made in Applying Accounting Policies**

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(i) **Classification between investment properties and property, plant and equipment**

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(ii) Operating lease commitments – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Revenue Recognition on Timeshare Fee

The Group recognises the revenue on timeshare fees by using the stage of completion method. The stage of completion method is determined by the proportion that membership costs incurred to date bear to the estimated total membership costs over the period of the membership.

Significant judgement is required in determining the stage of completion, the extent of the membership costs incurred, the estimated total membership costs, as well as the recoverability of the membership fees. In making the judgement, the Group evaluates based on past experience and the analysis of membership cost incurred on yearly basis. Details of timeshare fee are disclosed in Notes 2.4(a), 2.2(p)(vi), and 6.

(ii) Fair Value of Investment Properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts or valuation carried out by independent firms of valuers annually.

In the absence of current prices in an active market, the Group considers discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rentals for similar properties in the same location and condition, and using discount rates that reflect current market assessment of the uncertainty in the amount and timing of the cash flows.

(iii) Property development

The Group recognises property development revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion of that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. Details of property development costs are disclosed in Note 15.

(iv) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of deferred tax assets are disclosed in Note 29.

(v) Income tax

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 9.

3. REVENUE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Property development	50,386	79,142	-	-
Hotel operations	45,338	48,526	-	-
Exhibition operations	5,883	9,302	-	-
Leisure, health programs and timeshare operations	66,413	39,961	-	-
Rental operations	43,606	41,558	-	-
Gross dividend income				
- quoted shares	193	88	193	88
- unquoted shares	560	1,008	6,000	3,600
Management fees from subsidiaries	-	-	2,113	2,858
Others	786	3,735	-	-
	<u>213,165</u>	<u>223,320</u>	<u>8,306</u>	<u>6,546</u>

4. COST OF SALES

Property development	13,155	15,108	-	-
Cost of inventories sold	8,313	15,996	-	-
Cost of service rendered	61,729	53,973	-	-
	<u>83,197</u>	<u>85,077</u>	<u>-</u>	<u>-</u>

5. FINANCE COSTS

Interest expense on:				
RM150 million 3% to 8%				
Redeemable Secured Bonds	25	12,000	12,000	12,000
Reimburse from a subsidiary		-	(12,000)	(12,000)
		<u>12,000</u>	<u>-</u>	<u>-</u>
Term loans, revolving credits, bank overdrafts and hire purchase				
CRPS dividends		8,862	13,401	-
RCSLS 2002/2007		-	4,514	4,514
RCSLS Series A interest	26	-	2,927	2,927
Bank Guaranteed Medium Term Notes and Commercial Paper	27	25,200	-	-
Intercompany		4,144	-	-
		-	1,369	2,424
Others		<u>2,145</u>	<u>955</u>	<u>955</u>
		<u>52,351</u>	<u>58,997</u>	<u>10,820</u>
Less: Interest expense capitalised in qualifying assets				
Property development cost	15(b)	(1,332)	(1,475)	-
		<u>51,019</u>	<u>57,522</u>	<u>10,820</u>

6. (LOSS)/PROFIT BEFORE TAX

The following amounts have been included in arriving at (loss)/profit before tax:

		Group		Company	
	Note	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-executive directors' remuneration	8	96	97	81	71
Auditors' remuneration:					
Statutory audits					
- Ernst & Young		382	385	50	50
- Others		156	74	-	-
Other services		10	39	-	-
Under provision in prior year		-	24	-	-
Allowance for doubtful debts:					
Subsidiaries		-	-	-	18,601
Others		6,545	10,161	-	1,790
Allowance for doubtful debts written back		(1,385)	(1,897)	-	-
Write-down of slow-moving and damaged inventories		-	14	-	-
Amortisation of deferred income		(687)	(632)	-	-
Amortisation of goodwill		-	2	-	-
Bad debts written off		3,349	5,402	-	-
Depreciation of other property, plant and equipment		20,282	17,324	17	20
Depreciation of investment properties previously classified as property plant and equipment		-	7,576	-	-
Depreciation of hotel properties and exhibition centre & showroom		8,062	-	-	-
(Gain)/loss on disposal of investment in subsidiaries	(a)	-	(40,135)	-	-
Gain on disposal of other property, plant and equipment		(1,715)	(2,362)	-	-
Gain on disposal of equity interest to minority shareholders of a subsidiary	(b)	-	(71)	-	-
Gain on disposal of investment properties		(769)	-	-	-
Interest income:					
Short term deposits		(1,582)	(3,013)	(13)	(24)
Reversal of deferred liabilities		-	(560)	-	(560)
Intercompany		-	-	-	(2,927)
Others		-	(898)	-	-
Loss/(gain) on foreign exchange		46	(53)	-	-
Loss on disposal of other investments		5,200	-	5,200	-
Impairment losses in value of other investments		231	2,086	231	1,937

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Impairment of goodwill		-	64	-	-
Inventories written down		-	6,071	-	-
Inventories written off		500	109	-	-
Lease rental expense		288	316	-	-
Other property, plant and equipment written off		4,583	1	-	-
Rental expense		1,803	1,103	-	-
Rental income		(228)	(892)	-	-
Rental of equipment		598	1,006	-	-
Reversal of deferred income	2.4(a)	(5,157)	-	-	-
Reversal of impairment losses in value of other investments		(6,390)	-	(6,154)	-
Tax penalty		2,492	574	-	362
Waiver of debts arising from Asset Based Settlement Exercise	(c)	-	(676)	-	(676)
Waiver of debts due from subsidiaries	(d)	-	-	-	50,015

(a) In the previous financial year, the Group has settled the RM190,478,000 CRPS I liabilities and its related interest expenses through the disposal of the entire issued and paid up share capital of three subsidiaries namely, Excellence Golf Resort Berhad (previously known as Pioneer Oscar Berhad), Mines Wonderland Sdn Bhd and Golden Horses Development Sdn Bhd (previously known as Paramount Returns Sdn Bhd), resulting in a gain of approximately RM40,135,000 to the Group as disclosed in Note 16(a) to the financial statements.

(b) In the previous financial year, a wholly owned subsidiary, Mines City Hotel Berhad ("MCH") issued 1,031,000 new shares for cash pursuant to the Public Issue/Placement of shares exercise. The consequent dilution of the Company's equity interest of MCH resulted in a gain of RM71,000 to the Group.

(c) This constitutes the waiver of the remaining balance of debt pursuant to the Asset Based Settlement Exercise granted by Executive Circle Sdn Bhd, being a wholly owned subsidiary of a company in which Tan Sri Lee Kim Tiong @ Lee Kim Yew has controlling interest in the previous financial year.

(d) In the previous financial year, the Company waived RM50,015,400 of amount owing by Timbang Makmur Sdn Bhd relating to dividend accrued on 333,436,000 5 sen net Cumulative Redeemable Preference Shares.

7. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Wages and salaries	35,524	35,736	1,494	1,513
Social security costs	315	434	8	9
Short term accumulating compensated absences	-	(254)	-	(23)
Pension costs - defined contribution plans	3,580	3,780	178	192
Other staff related expenses	2,843	4,760	557	431
	42,262	44,456	2,237	2,122

Included in employee benefits expense of the Group and of the Company are remuneration (excluding benefits-in-kind) of executive directors of the Company amounting to RM2,136,000 (2005: RM2,219,000) and RM682,000 (2005: RM688,000) respectively as further disclosed in Note 8 to financial statements.

8. DIRECTORS' REMUNERATION

		Group		Company	
	Note	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Directors of the Company					
Executive:					
(a) Salaries and other emoluments					
Tan Sri Lee Kim Tiong @					
		321	321	321	321
		106	166	10	10
Abu Yazid bin Muharam (redesignated as Non Executive Director effective April 2006)					
		88	154	-	10
		204	204	12	12
		167	143	10	10
		274	264	10	10
		1,160	1,252	363	373
(b) Bonus					
- current year's provisions					
Tan Sri Lee Kim Tiong @					
		-	-	-	-
		269	153	269	153
Abu Yazid bin Muharam (redesignated as Non Executive Director effective April 2006)					
		-	-	-	1
		-	-	-	-
		-	45	-	45
		-	20	-	20
		269	218	269	219
(c) Pension costs - defined contribution plans					
Tan Sri Lee Kim Tiong @					
		45	45	45	45
		13	60	1	38
Abu Yazid bin Muharam (redesignated as Non Executive Director effective April 2006)					
		7	22	-	-
		28	28	2	2
		20	23	1	7
		38	40	1	4
		151	218	50	96

		Group		Company	
	Note	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(d)	Benefits-in-kind				
	Tan Sri Lee Kim Tiong @				
	Lee Kim Yew	52	25	52	25
	Dato' Ong Chong Sek	19	14	-	-
	Abu Yazid bin Muharam				
	(redesignated as Non Executive Director effective April 2006)	1	3	-	-
	Ng Nyi Hong (f)	5	5	-	-
	Choo Chee Beng	7	4	-	-
	Lee Sow Lin (f)	17	29	-	-
		101	80	52	25
Total		1,681	1,768	734	713
Non-executive:					
(a)	Fees				
	Gen. Tan Sri (Dr)				
	Mohamed Hashim bin				
	Mohd. Ali (R)	10	10	10	10
	Dato' Azhar bin Hashim	10	10	10	10
	Academician Tan Sri Datuk				
	Dr. Ong Soon Hock	10	10	10	10
	Choo Chin Thye	10	10	10	10
	Abu Yazid bin Muharam	10	-	10	-
		50	40	50	40
(b)	Other emoluments				
	Gen. Tan Sri (Dr)				
	Mohamed Hashim bin				
	Mohd. Ali (R)	13	13	13	13
	Dato' Azhar bin Hashim	9	9	9	9
	Academician Tan Sri Datuk				
	Dr. Ong Soon Hock	9	9	9	9
		31	31	31	31
Total		81	71	81	71
Grand total		1,762	1,839	815	784

Note	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Directors of subsidiaries				
Executive:				
Salaries and other emoluments	347	376	-	-
Bonus	31	56	-	-
Pension costs - defined contribution plans	62	58	-	-
Other emoluments	116	41	-	-
Benefits-in-kind	10	13	-	-
	566	544	-	-
Non-executive:				
Fees	15	26	-	-
	581	570	-	-
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kinds	2,136	2,219	682	688
Total non-executive directors' remuneration	6 96	97	81	71
Total directors' remuneration excluding benefits-in-kind	2,232	2,316	763	759

9. INCOME TAX EXPENSE

Note	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income tax:				
Malaysian income tax	2,057	2,634	262	-
Foreign tax	181	324	-	-
Under/(Over)provided in prior years	344	(1,432)	722	(425)
Tax saving from group relief	(1,000)	-	-	-
	1,582	1,526	984	(425)
Deferred tax:				
29 Relating to origination and reversal of temporary differences	1,704	(2,360)	-	-
Relating to changes in Malaysian statutory tax rates	(533)	-	-	-
Relating to reduction in foreign income tax rate	-	25	-	-
Reversal of temporary differences in respect of depreciation on revaluation surplus	(1,023)	-	-	-
Under provided in prior years	335	4,497	-	-
	483	2,162	-	-
	2,065	3,688	984	(425)

Domestic current income tax is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 have reflected these changes.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. In the previous financial year, the income tax rate applicable to the subsidiaries in South Africa was reduced from 30% to 29%.

Taxation for small and medium scale subsidiaries with paid-up capital of RM2,500,000 and below are calculated at the rate of 20% on chargeable income of up to RM500,000 (2005: RM500,000). For chargeable income in excess of RM500,000, the statutory tax rate of 28% (2005: 28%) is applicable.

The group tax charge for the year has been reduced by RM1,000,000 (2005: RMNil) because of the losses surrendered by certain loss making subsidiaries to certain profit making subsidiaries. No payment for this surrender was made among the subsidiaries involved.

A reconciliation of income tax expense applicable to (loss)/profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

Group	2006 RM'000	2005 RM'000
(Loss)/Profit before tax	(33,965)	6,829
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	(9,510)	1,912
Effect of different tax rate for small and medium scale subsidiaries of 20% for the first chargeable income of RM500,000	-	(40)
Effect of different tax rates in other countries	(5)	11
Effect of reduction in foreign income tax rate	-	25
Effect of reduction in Malaysian income tax rate	(494)	-
Deferred tax recognised at different Malaysian tax rates	(39)	-
Effects of share of results of associates	33	(88)
Effect of income not subject to tax	(13,033)	(17,423)
Effect of expenses not deductible for tax purposes	17,848	8,141
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(2,026)	(1,512)
Deferred tax asset recognised on unutilised business losses brought forward	4	(180)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	10,631	9,777
Under/(Over) provision of tax expense in prior years	344	(1,432)
Underprovision of deferred tax in prior years	335	4,497
Reversal of temporary differences in respect of depreciation transfer on revalued hotel properties and exhibition centre & showroom	(1,023)	-
Tax saving from group relief in subsidiaries	(1,000)	-
Tax expense for the year	2,065	3,688

Company	2006 RM'000	2005 RM'000
Profit/(Loss) before tax	3,181	(77,815)
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	891	(21,788)
Effect of income not subject to tax	(1,120)	(1)
Effect of expenses not deductible for tax purposes	486	21,789
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	5	-
Under/(Over) provision of income tax expense in prior years	722	(425)
Tax expense for the year	984	(425)

10. EARNINGS PER SHARE

(a) Basic

		Group	
	Note	2006 RM'000	2005 RM'000
Profit attributable to ordinary equity holders of the Company		(32,689)	6,661
Less: Gain arising from Asset Based Settlement Exercise	16(a)	-	(40,135)
Profit attributable to ordinary equity holders of the Company after excluding gain from Asset Based Settlement Exercise		(32,689)	(33,474)
Weighted average number of ordinary shares in issue for basic earnings per share ('000)		275,707	275,699

(i) Basic earnings per share (including gain arising from the Asset Based Settlement Exercise as disclosed in Note 16(a) to the financial statements) is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2006	2005
Basic earnings per share (including gain arising from Asset Based Settlement Exercise) (sen)	(11.86)	2.42

(ii) Basic earnings per share (excluding gain arising from the Asset Based Settlement Exercise as disclosed in Note 16(a) to the financial statements) is calculated by dividing profit for the year attributable to ordinary equity holders of the Company less gain arising from the Asset Based Settlement Exercise by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2006	2005
Basic earnings per share (excluding gain arising from Asset Based Settlement Exercise) (sen)	(11.86)	(12.14)

(b) Diluted

There is no dilution in earnings per share during the financial year as the outstanding Detachable Warrants 1996/2006 have lapsed on 6 May 2006.

Diluted earnings per share for the previous financial year is not presented as the effect of the assumed conversion of the outstanding Detachable Warrants 1996/2006 was antidilutive.

11. DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

12. HOTEL PROPERTIES AND EXHIBITION CENTRE & SHOWROOM

Group
At 31 December 2006

Valuation

At 1 January	503,398	393,807	897,205
Additions	221	-	221
At 31 December	503,619	393,807	897,426

Accumulated depreciation and impairment losses

At 1 January	-	-	-
Accumulated depreciation	-	-	-
Accumulated impairment losses	24,162	179,745	203,907
	24,162	179,745	203,907
Depreciation charge for the year	5,573	2,489	8,062
At 31 December	29,735	182,234	211,969

Net carrying amount

At 31 December 2005

Valuation

At 1 January / 31 December	503,398	393,807	897,205
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Accumulated impairment losses

At 1 January/31 December	24,162	179,745	203,907
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Net carrying amount

	479,236	214,062	693,298
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Hotel properties comprise Palace of the Golden Horses and Palace Beach & Spa held by Mines City Hotel Berhad ("MCH") and Mines Beach Resort Sdn Bhd ("MBR") respectively.

Palace of the Golden Horses was revalued on 20 May 2004 by James Wong Kwong Onn, a Registered Valuer of the independent professional valuer company, VPC Alliance (KL) Sdn Bhd, using the investment method.

Palace Beach & Spa is stated at directors' valuation based on professional valuation made by Mohamad Basri Rahmat, a registered valuer of HASB Consultants Sdn Bhd, on an open market value basis conducted in February 2002.

The carrying value of the exhibition centre & showroom, known as Malaysia International Exhibition Convention Centre & Showroom held by Mines International Exhibition Centre Sdn Bhd is based on professional valuation made by Lee Yun-Tsir, a registered valuer of Colliers, Jordan Lee & Jaafar (JH) Sdn Bhd, using the open market basis conducted on 1 July 2003.

At 31 December 2006, had the revalued hotel properties and exhibition centre & showroom of the Group been carried under the cost model, the carrying amount would have been RM253,608,000 (2005: RM256,368,000) and RM210,750,000 (2005: RM214,061,000) respectively.

The hotel properties and exhibition centre & showroom are pledged as securities for borrowings as disclosed in Notes 23, 25 and 26 to the financial statements.

13. OTHER PROPERTY, PLANT AND EQUIPMENT

	Freehold			Office	Plant,	Golf Clubs			Capital	
	Land and	Leasehold	Leasehold	Furniture	Machinery	& Courses	Motor	Work-in-		
	Buildings	Land	Buildings	and	and	and Boat	Vehicles	Progress		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000
Group										
At 31 December 2006										
Cost/Transitional Cost*										
At 1 January 2006	2,022	38,841	9,535	35,273	122,781	76,478	7,697	25,790	318,417	
Additions	-	-	4,347	1,431	1,913	260	670	4,469	13,090	
Disposals/write-off	-	(30)	(837)	(290)	(5,496)	(597)	(751)	(11)	(8,012)	
Exchange differences	-	-	-	(249)	-	(3,653)	(35)	-	(3,937)	
At 31 December 2006	2,022	38,811	13,045	36,165	119,198	72,488	7,581	30,248	319,558	

Representing:

At cost	-	38,811	13,045	36,165	119,198	72,488	7,581	30,248	317,536	
At transitional cost*	2,022	-	-	-	-	-	-	-	2,022	

Accumulated Depreciation
and Impairment Losses

At 1 January 2006

Accumulated depreciation	355	-	1,868	28,580	87,294	9,144	5,162	-	132,403	
Accumulated impairment losses	-	814	-	-	-	-	-	8,317	9,131	
	355	814	1,868	28,580	87,294	9,144	5,162	8,317	141,534	

Depreciation charge for the year	32	507	694	3,045	13,728	1,682	594	-	20,282	
Disposals/write-off	-	-	(368)	(120)	(897)	-	(710)	-	(2,095)	
Exchange differences	-	-	-	(208)	-	(384)	(11)	-	(603)	
At 31 December 2006	387	1,321	2,194	31,297	100,125	10,442	5,035	8,317	159,118	

Net Carrying Amount

At cost	-	37,490	10,851	4,868	19,073	62,046	2,546	21,931	158,805	
At transitional cost*	1,635	-	-	-	-	-	-	-	1,635	
	1,635	37,490	10,851	4,868	19,073	62,046	2,546	21,931	160,440	

* Revalued based on independent valuations on the open market value basis in 1994 as allowed by the transitional provisions of International Accounting Standard 16 (Revised), Property, Plant and Equipment; these assets have continued to be stated at surrogate cost, based on the 1994 valuations.

	Freehold			Office	Plant,	Golf Clubs			Capital	
	Land and	Leasehold	Leasehold	Furniture	Machinery	& Courses	Motor	Work-in-		Total
	Buildings	Land	Buildings	and	and	and Boat	Vehicles	Progress		RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000

Group

At 31 December 2005

Cost/Transitional Cost*

At 1 January 2005	6,477	39,066	29,696	54,952	175,996	138,799	8,253	25,443	478,682	
Additions	-	-	1,123	2,333	3,590	1,946	1,063	1,532	11,587	
Disposals/write-off	(4,455)	(98)	(857)	(208)	(74)	(880)	(406)	(1,185)	(8,163)	
Disposal of subsidiaries (Note16(a))	-	(127)	(20,427)	(21,634)	(56,731)	(60,532)	(1,213)	-	(160,664)	
Exchange differences	-	-	-	(170)	-	(2,855)	-	-	(3,025)	
At 31 December 2005	2,022	38,841	9,535	35,273	122,781	76,478	7,697	25,790	318,417	

Representing:

At cost	-	38,841	9,535	35,273	122,781	76,478	7,697	25,790	316,395	
At transitional cost*	2,022	-	-	-	-	-	-	-	2,022	

Accumulated Depreciation
and Impairment Losses

At 1 January 2005

Accumulated depreciation	876	-	3,299	34,650	99,516	9,166	5,859	-	153,366	
Accumulated impairment losses	-	814	-	-	-	-	-	8,317	9,131	
	876	814	3,299	34,650	99,516	9,166	5,859	8,317	162,497	

Depreciation charge for the year	33	-	701	3,226	10,510	2,301	553	-	17,324	
Disposals/write-off	(554)	-	(553)	(64)	(72)	(1,460)	(405)	-	(3,108)	
Disposal of subsidiaries (Note16(a))	-	-	(1,579)	(9,098)	(22,660)	(501)	(845)	-	(34,683)	
Exchange differences	-	-	-	(134)	-	(362)	-	-	(496)	
At 31 December 2005	355	814	1,868	28,580	87,294	9,144	5,162	8,317	141,534	

Net Carrying Amount

At cost	-	38,027	7,667	6,693	35,487	67,334	2,535	17,473	175,216	
At transitional cost*	1,667	-	-	-	-	-	-	-	1,667	
	1,667	38,027	7,667	6,693	35,487	67,334	2,535	17,473	176,883	

* Revalued based on independent valuations on the open market value basis in 1994 as allowed by the transitional provisions of International Accounting Standard 16 (Revised), Property, Plant and Equipment; these assets have continued to be stated at surrogate cost, based on the 1994 valuations.

Fair value for investment properties were arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

In the absence of current prices in an active market, fair value for certain investment properties were stated based on value-in-use and was determined at the cash-generating unit (CGU) which consists of investment property of the Company. In determining value-in-use for the CGU, the cash flows were discounted at a rate of 7% on a pre-tax basis.

The following investment properties are held under lease terms:

	Group	
	2006 RM'000	2005 RM'000
Leasehold land	200,782	187,197
Buildings	183,802	181,989
	<u>384,584</u>	<u>369,186</u>

The investment properties with carrying amount of RM402,169,000 (2005: RM387,018,000) are pledged as securities for borrowings as disclosed in Notes 25 and 26 to the financial statements.

15. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development

Group	Note	Freehold Land RM'000	Leasehold Land RM'000	Total RM'000
At 31 December 2006				
Cost/Carrying amount				
At 1 January 2006		149,017	67,049	216,066
Additions		5,150	1,333	6,483
Transfer from/(to) property development cost		(13,464)	893	(12,571)
At 31 December 2006		<u>140,703</u>	<u>69,275</u>	<u>209,978</u>
At 31 December 2005				
Cost/Carrying amount				
At 1 January 2005		156,923	123,351	280,274
Additions		8,408	495	8,903
Transfer to property development cost		(9,429)	(11,915)	(21,344)
Disposal during the year		(6,885)	-	(6,885)
Rescission of Prinsip Agreement		-	(23,396)	(23,396)
Write-off		-	(25)	(25)
Disposal of subsidiaries	16(a)	-	(21,461)	(21,461)
At 31 December 2005		<u>149,017</u>	<u>67,049</u>	<u>216,066</u>

Included in land held for property development are certain parcels of land, with an aggregate carrying value of RM64,846,000 (2005: RM65,556,000), for which the Group is in the process of obtaining registration of land titles from the relevant authorities.

The land title to a piece of land with a carrying value of RM25,895,000 (2005: RM25,985,000) held by Profound Concept Sdn Bhd ("PCSB") has yet to be registered in PCSB's name.

The land held for property development with a carrying amount of RM87,983,000 (2005: RM4,911,000) are pledged as securities for borrowings as disclosed in Notes 23 and 27 to the financial statements.

In the previous financial year, the land held for property development with a carrying amount of RM91,184,000 are pledged as securities for Redeemable Convertible Secured Loan Stock 2002/2007 which had been fully settled.

(b) Property Development Costs

Note	Group	
	2006 RM'000	2005 RM'000
Property development costs at 1 January:		
Freehold land	106,075	101,711
Leasehold land	163	163
Development costs	206,782	178,309
Disposal of subsidiaries	16(a) -	(264)
	<u>313,020</u>	<u>279,919</u>
Costs incurred during the year:		
Freehold land	-	-
Leasehold land	-	-
Development costs	12,510	11,757
	<u>12,510</u>	<u>11,757</u>
Cost recognised in income statement:		
At 1 January	(229,613)	(213,570)
Recognised during the year	(11,150)	(16,101)
Disposal of subsidiaries	16(a) -	58
	<u>(240,763)</u>	<u>(229,613)</u>
Transfers:		
From land held for property development	12,571	21,344
To inventories	(10,600)	-
	<u>1,971</u>	<u>21,344</u>
Property development costs at 31 December	<u>86,738</u>	<u>83,407</u>

Included in property development costs incurred during the financial year is interest capitalised of RM1,332,000 (2005: RM1,475,000).

The property development costs with a carrying amount of RM37,521,000 (2005: RMNIL) are pledged as securities for borrowings as disclosed in Note 27 to the financial statements.

In the previous financial year, the property development costs with a carrying amount of RM25,517,000 are pledged as securities for Redeemable Convertible Secured Loan Stock 2002/2007 which had been fully settled.

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2006 RM'000	2005 RM'000
Unquoted shares:		
- at cost	235,400	234,290
Less: Accumulated impairment losses	(4,100)	(4,100)
	231,300	230,190

The entire issued and paid up share capital of Mines Shopping Fair Sdn Bhd, Mines Waterfront Business Park Sdn Bhd and Mines International Exhibition Centre Sdn Bhd were charged as security in favour of Khazanah Nasional Berhad and Lenders in relation to the issuance of RCSLS Series A and RSLs Series B as disclosed in Note 26 to the financial statements.

Details of subsidiaries are as follows:

Names of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest (%)	
			2006	2005
Country Heights Sdn Bhd	Malaysia	Property development and property investment	100	100
College Heights Utara Sdn Bhd	Malaysia		100	100
Borneo Heights Sdn Bhd	Malaysia		70	70
Country Heights Parade Sdn Bhd	Malaysia	Property development and investment holding	100	100
Tindak Murni Sdn Bhd	Malaysia		100	100
Country Heights Industries Sdn Bhd	Malaysia		100	100
Country Heights W.T.C. Sdn Bhd	Malaysia	Project management and investment holding	100	100
Country Heights Properties Sdn Bhd	Malaysia		100	100
Etika Cergas (M) Sdn Bhd	Malaysia		100	100
Speedbuild Sdn Bhd	Malaysia	Investment holding	100	100
Steady Prospect Sdn Bhd	Malaysia		100	100
East Vision Leisure Group Sdn Bhd	Malaysia		100	100
Mines Holdings Sdn Bhd	Malaysia	Dormant	100	100
+ Country Heights China Ltd	Labuan		100	100
+ Country Heights Global Ltd	Labuan		100	100
Walum Enterprise Sdn Bhd	Malaysia	Ownership of land held for property development	100	100
Hasil Cermat Sdn Bhd	Malaysia		100	100
Country Heights Development Sdn Bhd	Malaysia		100	100
Country Heights Marketing Sdn Bhd	Malaysia	Marketing services	100	100
Versatile Champion Sdn Bhd	Malaysia	Property trading	100	100
Nasmaya Juara Sdn Bhd	Malaysia	Building and infrastructure contractor	100	100
+ Mines City Hotel Berhad	Malaysia	Ownership and operation of a hotel	81	81

Names of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest (%)	
			2006	2005
Mines ePurse Sdn Bhd (previously known as Mines Signature Management Sdn Bhd)	Malaysia	Resort and hotel management	100	100
Country Heights Resorts & Leisure Sdn Bhd	Malaysia	Resort management and investment holding	100	100
Lokasi Istimewa Sdn Bhd	Malaysia	Investment holding and property development	100	100
Magnitude Knight (M) Sdn Bhd	Malaysia	Dormant	100	100
IMEC Education Services Sdn Bhd	Malaysia		100	100
Country Heights Resources Management (M) Sdn Bhd	Malaysia		100	100
Country Heights Property Development Berhad	Malaysia	Provision of project developer services	100	100
Country Heights Garden Resort (Sibu) Sdn Bhd	Malaysia		100	100
Country Heights Sea Resort Sdn Bhd	Malaysia		100	100
Kristal Peramah (M) Sdn Bhd	Malaysia	Provision of educational related services	70	70
Country Heights Education Sdn Bhd	Malaysia		70	70
Malaysia Trade & Distribution Centre (Rotterdam) Sdn Bhd	Malaysia		60	60
Country Heights Quality Life Services Sdn Bhd	Malaysia	Provision of visa application processing	60	60
Country Heights Promotions Sdn Bhd	Malaysia	Dormant	100	-
Subsidiary of Borneo Heights Sdn Bhd				
Borneo Highlands Hornbill Golf & Jungle Club Berhad	Malaysia	Ownership & operation of a golf course and club hotel	100	100
Subsidiary of Country Heights Industries Sdn Bhd				
Master Strike Sdn Bhd	Malaysia	Dormant	100	100
Subsidiaries of Country Heights Properties Sdn Bhd				
+ Best Golden Inc	British Virgin Islands	Investment holding	100	100
Country Heights Enterprise Sdn Bhd	Malaysia	Investment holding and property development	100	100
Mega Palm Sdn Bhd	Malaysia	Property development	100	100
Country Heights Pangsa Rakyat Sdn Bhd	Malaysia	Dormant	100	100

Names of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest (%)	
			2006	2005
Subsidiary of Country Heights Enterprise Sdn Bhd				
Country Heights Golden Lifestyle Sdn Bhd	Malaysia	Dormant	100	100
Subsidiary Company of Speedbuild Sdn Bhd				
+ Lines Pte Ltd	United Kingdom	Dormant	100	100
Subsidiaries of Steady Prospect Sdn Bhd				
Fresh Innovatives Sdn Bhd	Malaysia	Property investment	100	100
Profound Concept Sdn Bhd	Malaysia		100	100
Endless Gain Sdn Bhd	Malaysia	Rental operation	100	100
Subsidiaries of Mines Holdings Sdn Bhd				
Timbang Makmur Sdn Bhd	Malaysia	Investment holding	100	100
Country Heights Health Tourism Sdn Bhd	Malaysia	Provision of health screening services and health programs	70	70
Mines Beach Resort Sdn Bhd	Malaysia	Owner & operator of a hotel	100	100
Mines Engineering & Technical Services Sdn Bhd	Malaysia	Provision of maintenance services	100	100
Kin No Uma Sdn Bhd	Malaysia	Dormant	100	100
+ Country Heights Promotions Limited	British Virgin Islands		100	100
Country Heights Promotions Sdn Bhd	Malaysia		-	100
Ten Plus One Sdn Bhd	Malaysia		100	100
IDEC (M) Sdn Bhd	Malaysia		100	100
IDEC Home Furnishing Centre Sdn Bhd	Malaysia		100	100
Subsidiaries of East Vision Leisure Group Sdn Bhd				
Mines Shopping Fair Sdn Bhd	Malaysia	Letting of shopping mall lots	100	100
Mines Waterfront Business Park Sdn Bhd	Malaysia	Letting of office blocks	100	100
Mines International Exhibition Centre Sdn Bhd	Malaysia	Investment holding, manager of exhibition centre and conventions and provision of catering services	100	100

Names of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest (%)	
			2006	2005
Subsidiaries of Mines International Exhibition Centre Sdn Bhd				
Mines Exhibition Management Sdn Bhd	Malaysia	Provision of management services	70	70
Output Combination Sdn Bhd	Malaysia		Dormant	100	100
Subsidiary of Country Heights Marketing Sdn Bhd				
PRS Homes Sdn Bhd	Malaysia	Dormant	100	100
Subsidiaries of Mines ePurse Sdn Bhd (previously known as Mines Signature Management Sdn Bhd)				
Signature Catering & Conference Services Sdn Bhd	Malaysia	Dormant	100	100
+ Signature Hotels Pte Ltd	Singapore		100	100
Subsidiaries of Country Heights Resorts & Leisure Sdn Bhd				
Country Heights Lifestyle Berhad	Malaysia	Provision of leisure related services	100	100
World Racquet Centre Sdn Bhd	Malaysia	Dormant	100	100
Mines Premium Sdn Bhd	Malaysia	Solutions provider and promotion activities	100	100
Subsidiaries of Magnitude Knight (M) Sdn Bhd				
+ Country Heights Pecanwood Golf & Country Club (Pty) Ltd	South Africa	Golf estate owning company	100	100
+ Country Heights Pecanwood Boat Club (Pty) Ltd	South Africa	Operation of boat club	100	100
+ Audited by firms of auditors other than Ernst & Young				

(a) Disposal of subsidiaries

On 11 March 2004, the Company and certain subsidiaries entered into agreements in relation to the Asset Based Settlement to extinguish liabilities arising from the 5 sen Cumulative Redeemable Preference Shares of RM0.10 each at an issue price of RM1.00 each issued by the Company ("Asset Based Settlement Exercise"). The Asset Based Settlement Exercise includes amongst others the disposal of three subsidiaries namely Excellence Golf Resort Berhad (previously known as Pioneer Oscar Sdn Bhd) ("EGRB"), Mines Wonderland Sdn Bhd ("Wonderland") and Golden Horses Development Sdn Bhd (previously known as Paramount Returns Sdn Bhd) ("GHDSB") at a total consideration of RM85,634,000. The operational segment for EGRB and Wonderland are in the leisure related activities and Paramount is the registered owner of a land with no active development. The disposal was completed on 23 June 2005.

The revenue, results and cash flow of the three subsidiaries were as follows:

	Note	Financial period ended 23.6.2005 RM'000
Revenue		6,722
Cost of sales		(2,433)
Gross profit		4,289
Other operating income		52
Selling and marketing expenses		(339)
Administrative expenses		(1,722)
Other expenses		(3,283)
Operating loss		(1,003)
Finance cost, net		(403)
Loss for the year		(1,406)
Cash flows from operating activities		406
Cash flows from investing activities		(181)
Cash flows from financing activities		(9)
Total cash flows		216

The net assets of the three subsidiaries were as follows:

	Note	23.6.2005 RM'000
Other property, plant and equipment	13	125,981
Land held for development	15(a)	21,461
Inventories		98
Property development cost	15(b)	206
Trade receivables		2,264
Other receivables		3,548
Cash and bank balances		816
Trade payables		(286)
Other payables		(34,581)
Bank overdraft		(12,126)
Hire purchase payables		(66)
Deferred tax liabilities	29	(4,545)
Amount due to related companies		(57,271)
Net assets disposed		45,499
Attributable unamortised goodwill	19	-
		45,499
Total disposal proceeds		(85,634)
Gain on disposal to the Group		(40,135)

Note**23.6.2005
RM'000**

Disposal proceeds settled by:
Extinguishment of CRPS I

85,634

Cash inflow arising on disposal:
Cash consideration, representing cash inflow of the Company
Cash and cash equivalents of subsidiaries disposed
Net cash inflow of the Group

-

11,310

11,310

There was no tax charge or credit arising from the gain on disposal.

(b) Additional investments in subsidiaries

- (i) During the financial year, the Company acquired additional ordinary shares in Country Heights Marketing Sdn Bhd for cash consideration of RM1,100,000.
- (ii) The Company acquired additional ordinary shares in the following subsidiaries pursuant to the capitalisation of amounts due from these subsidiaries:

	Number of Ordinary shares acquired		Amount	
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
Country Heights Development Sdn Bhd	-	1,600	-	1,600
Country Heights Parade Sdn Bhd	-	2,350	-	2,350
Country Heights Properties Sdn Bhd	-	2,100	-	2,100
Country Heights Resorts & Leisure Sdn Bhd	-	2,100	-	2,100
Country Heights Sdn Bhd	-	400	-	400
Country Heights W.T.C. Sdn Bhd	-	885	-	885
College Heights Utara Sdn Bhd	-	2,599	-	2,599
Nasmaya Juara Sdn Bhd	-	1,850	-	1,850
Tindak Murni Sdn Bhd	-	1,350	-	1,350
Country Heights Promotions Sdn Bhd	10	-	10	-
	10	15,234	10	15,234

17. INVESTMENT IN ASSOCIATES

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
In Malaysia:				
Unquoted shares at cost	277	277	247	247
Share of post-acquisition reserves	333	452	-	-
	610	729	247	247
Less: Accumulated impairment losses	-	-	-	-
	610	729	247	247

The Group's interests in associate is analysed as follows:

	Group	
	2006	2005
	RM'000	RM'000
Share of net assets	393	512
Goodwill on acquisition	217	217
	610	729

The share of results of associates is based on unaudited management accounts.

Details of the associates are as follows:

Names of Associates	Country of Incorporation	Principal Activities	Proportion of Ownership Interest/Proportion of Voting Power	
			2006	2005
			%	%
+ Mexs Design & Contracts Sdn Bhd	Malaysia	Interior decoration contractors	30	30
+ Simplex Design Sdn Bhd	Malaysia	Interior designing, renovation, construction and other related services	47.5	47.5
+ Audited by firms of auditors other than Ernst & Young				

The summarised financial information of the associates are as follows:

	Group	
	2006	2005
	RM'000	RM'000
Asset and liabilities		
Current assets	1,834	2,829
Non-current assets	374	430
Total assets	2,208	3,259
Current liabilities	1,052	1,624
Results		
Revenue	5,911	9,598
(Loss)/profit for the year	(470)	853

18. OTHER INVESTMENTS

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
At cost				
Quoted shares in Malaysia	6,845	11,991	6,606	11,752
Unquoted shares in Malaysia	2,000	2,201	-	-
Memberships	798	798	718	718
	9,643	14,990	7,324	12,470
Less: Accumulated impairment losses				
Quoted shares in Malaysia	(344)	(6,503)	(231)	(6,154)
Unquoted shares in Malaysia	(2,000)	(2,000)	-	-
	(2,344)	(8,503)	(231)	(6,154)
	7,299	6,487	7,093	6,316
Market value of quoted shares in Malaysia	6,499	5,689	6,375	5,598

19. GOODWILL ON CONSOLIDATION

	Note	Group	
		2006	2005
		RM'000	RM'000
Cost			
At 1 January		35,124	35,124
Effect of adopting FRS 3	2.3(a)(i)	(27)	-
At 31 December		35,097	35,124
Accumulated Amortisation			
At 1 January		27	27
Effect of adopting FRS 3	2.3(a)(i)	(27)	-
At 31 December		-	27
Accumulated Impairment Losses			
At 1 January/31 December		35,097	35,097
Net Carrying Amount			
At 1 January/31 December		-	-

20. INVENTORIES

	Group	
	2006 RM'000	2005 RM'000
At cost		
Properties held for sale	127,993	140,628
Consumable materials	1,622	1,470
	129,615	142,098
At net realisable value		
Properties held for sale	34,007	23,086
Building materials	95	95
	34,102	23,181
	163,717	165,279

Included in inventories are certain parcels of land, with aggregate carrying values of RM36,568,000 (2005: RM30,996,000), for which the Group is in the process of obtaining registration of land titles from the relevant authorities.

The inventories with a carrying amount of RM56,790,000 (2005: RM67,020,000) are pledged as securities for borrowings as disclosed in Notes 23 and 25 to the financial statements.

21. TRADE AND OTHER RECEIVABLES

Note	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current				
Trade receivables				
Third parties	94,965	89,240	-	-
Retention sums on contracts	-	252	-	-
Associates	19	-	-	-
Due from companies in which directors have interest	1,227	1,004	-	-
	96,211	90,496	-	-
Less: Allowance for doubtful debts				
Third parties	(25,434)	(21,449)	-	-
Trade receivables, net	70,777	69,047	-	-
Other receivables				
Due from subsidiaries	(b) -	-	574,993	554,695
Deposits	4,183	2,789	12	11
Prepayments	1,445	591	-	1
Sundry receivables	(c) 19,946	22,098	6,762	10,755
Due from companies in which directors have interest	(d) 2,804	3,549	363	390
	28,378	29,027	582,130	565,852
Less: Allowance for doubtful debts				
Due from subsidiaries	-	-	(43,707)	(43,707)
Sundry receivables	(8,199)	(8,181)	(2,033)	(2,033)
Other receivables, net	20,179	20,846	536,390	520,112
	90,956	89,893	536,390	520,112
Non-current				
Trade receivables				
Third parties	(e) 10,120	10,643	-	-

(a) Credit risk

The Group's normal trade credit term ranges from 14 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to single trade receivable or to groups of trade receivables.

The Group and the Company has a significant concentration of credit risk that may arise from exposures to sundry receivables as at year end comprising 48% (2005: 74%) and 82% (2005: 91%) respectively.

- (b) The amounts due from subsidiaries are non-trade in nature, unsecured, non-interest bearing, and are repayable on demand except for amounts of RM150,000,000 (2005: RM150,000,000) due from a subsidiary, Mines City Hotel Berhad, which bear interest at rate of 8% (2005: 8%), relating to RM150 million 3% to 8% Redeemable Secured Bonds 1996/2009 ("Bonds").
- (c) Included in sundry receivables of the Group and of the Company is a balance of deferred consideration of RM3,900,000 (2005: RM7,900,000) and RM3,900,000 (2005: RM7,900,000) respectively, arising from the disposal of Knowledge Farm Sdn Bhd, in the previous financial year.
- (d) The amounts due from companies in which directors have interest is unsecured, non-interest bearing and is repayable on demand.
- (e) Long term trade receivables represent amounts that are expected to be collected after twelve months from balance sheet date, arising from installment plans of 12 months to 60 months granted in respect of timeshare program membership and health program membership issued by subsidiaries, Country Heights Lifestyle Berhad and Country Heights Health Tourism Sdn Bhd respectively.

22. CASH AND CASH EQUIVALENTS

Note	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits with licensed banks and other financial institutions	(a) 30,352	36,340	-	-
Cash on hand and at banks	(b) 10,572	20,668	75	102
Cash and bank balances	40,924	57,008	75	102

- (a) Included in the deposits with licensed banks of the Group are:
- (i) RM2,948,000 (2005: RM3,113,000) pledged for a bank guarantee facilities;
- (ii) A sum of RM11,185,480 (2005: RM15,174,580) is restricted for use in refurbishment pursuant to the Investment in EVL exercise as disclosed in Note 26 to the financial statements;
- (iii) An amount held under a trust account pursuant to a trust deed in relation to a timeshare membership scheme of a subsidiary, Country Heights Lifestyle Berhad of RMNil (2005: RM379,000); and
- (iv) An amount held on behalf of members in relation to Silver Hair Programme of a subsidiary, Country Heights Quality Life Services Sdn Bhd of RM121,000 (2005: RM117,000).
- (b) Included in cash at banks of the Group are:
- (i) Sinking funds of RM236,000 (2005: RM181,000) maintained by certain subsidiaries for the purpose of repair and maintenance of properties.
- (ii) Amounts of RM27,000 (2005: RM71,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and are therefore restricted from use in other operations.
- (iii) An amount held under a trust account pursuant to a trust deed in relation to a timeshare membership scheme of a subsidiary, Country Heights Lifestyle Berhad of RM151,000 (2005: RM199,000).

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

Note	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and bank balances	40,924	57,008	75	102
Bank overdrafts	23(a) (5,770)	(16,540)	-	-
Total cash and cash equivalents	35,154	40,468	75	102

The weighted average effective interest rates at the balance sheet date for deposits were as follows:

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Licensed banks and other financial institutions	3.0	2.7	-	-

The average maturities of deposits as at the end of the financial year were as follows:

	Group		Company	
	2006 Days	2005 Days	2006 Days	2005 Days
Licensed banks	365	365	-	-

23. BORROWINGS

Note	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Short Term Borrowings				
Secured:				
Bank overdrafts	(a) 1,620	13,079	-	-
Term loans	(b) 290	5,656	-	-
Working capital loan	(c) 2,740	8,000	-	-
Revolving credits	(d) 2,900	56,111	-	-
	7,550	82,846	-	-
Unsecured:				
Bank overdrafts	(a) 4,150	3,461	-	-
Revolving credits	(d) 18,800	17,600	-	-
Hire purchase and finance lease payables	24 384	273	-	-
	23,334	21,334	-	-
	30,884	104,180	-	-

Long Term Borrowings

Note	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Secured:				
Term loans	(b) 3,288	25,733	-	-
Revolving credits	(d) 9,690	13,056	-	-
Hire purchase and finance lease payables	24 -	587	-	-
RM150 million 3% to 8% Redeemable Secured Bonds 1996/2009 ("Bonds")	25 150,000	150,000	150,000	150,000
Redeemable Convertible Secured Loan Stock 2004/2011 ("RCSLS Series A")	26 420,000	420,000	-	-
Redeemable Secured Loan Stock 2004/2011 ("RSLs Series B")	26 68,822	68,822	-	-
Bank Guaranteed Commercial Paper	27 60,770	-	-	-
Bank Guaranteed Medium Term Notes	27 70,000	-	-	-
	782,570	678,198	150,000	150,000
Unsecured:				
Revolving credits	(d) 22,400	26,400	-	-
Hire purchase and finance lease payables	24 1,227	499	-	-
	23,627	26,899	-	-
	806,197	705,097	150,000	150,000

Total Borrowings

Bank overdrafts	(a) 5,770	16,540	-	-
Term loans	(b) 3,578	31,389	-	-
Working capital loan	(c) 2,740	8,000	-	-
Revolving credits	(d) 53,790	113,167	-	-
Hire purchase and finance lease payables	24 1,611	1,359	-	-
Bonds	25 150,000	150,000	150,000	150,000
RCSLS Series A	26 420,000	420,000	-	-
RSLs Series B	26 68,822	68,822	-	-
Bank Guaranteed Commercial Paper	27 60,770	-	-	-
Bank Guaranteed Medium Term Notes	27 70,000	-	-	-
	837,081	809,277	150,000	150,000

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Maturity of borrowings (excluding hire purchase and finance lease):					
Within one year		30,500	103,907	-	-
More than 1 year and less than 2 years		158,852	11,456	-	-
More than 2 years and less than 5 years		54,229	195,734	150,000	150,000
5 years or more		591,889	496,821	-	-
		<u>835,470</u>	<u>807,918</u>	<u>150,000</u>	<u>150,000</u>

The weighted average effective interest rates at the balance sheet date for borrowings, excluding hire purchase and finance lease payables, were as follows:

	Note	Group		Company	
		2006 %	2005 %	2006 %	2005 %
Bank overdrafts	(a)	8.5	7.9	-	-
Term loans - floating rate	(b)	6.8	6.7	-	-
Working capital loan - fixed rate	(c)	7.8	7.8	-	-
Revolving credits	(d)	7.0	6.0	-	-
Bonds	25	8.0	8.0	8.0	8.0
RCLS Series A	26	6.0	6.0	-	-
RSL Series B	26	5.0	5.0	-	-
Bank Guaranteed Commercial Paper	27	5.37	-	-	-
Bank Guaranteed Medium Term Notes	27	5.37	-	-	-

(a) Bank overdrafts:

	Note	Group	
		2006 RM'000	2005 RM'000
Short term			
Secured:			
RM5,000,000 facility	(i)	1,356	3,863
RM10,000,000 facility	(ii)	-	9,216
South Africa Rand 12,000,000 facility	(iii)	264	-
		<u>1,620</u>	<u>13,079</u>
Unsecured:			
RM15,000,000 facility	(iv)	4,150	3,461
Total bank overdrafts		<u>5,770</u>	<u>16,540</u>

Bank overdrafts granted to subsidiaries are secured as follows:

- (i) Overdraft facility of RM5,000,000 granted to Country Heights W.T.C. Sdn Bhd
- A Lien-holder's caveat over other property, plant and equipment with a carrying value of RM10,971,000 (2005: RM10,971,000) held by Country Heights W.T.C. Sdn Bhd;
 - Deposit of title held under H.S.(D)22918, P.T. No. 14913, Mukim of Kajang, Selangor Darul Ehsan; and
 - A corporate guarantee of RM5,000,000 by the Company.

The overdraft facility bears interest at 1.75% (2005: 1.75%) above the bank's base lending rate.

- (ii) Overdraft facility of RM10,000,000 granted to Country Heights Sdn Bhd
- Corporate guarantee of RM10,000,000 by the Company ;
 - First Deed of Assignment over the sales proceeds (net of land redemption) of certain unsold lots of Country Heights Damansara held by Mega Palm Sdn Bhd, a wholly owned subsidiary;
 - First legal charge over the Project Account of Country Heights Damansara; and
 - Third party Second legal charge over the land and building erected on H.S.(D) 59892 P.T. No. 16720, Mukim of Petaling, Selangor Darul Ehsan, known as the Palace Beach & Spa, with a carrying value of RM65,570,000 (2005: RM66,341,000) held by a subsidiary, Mines Beach Resort Sdn Bhd.

The overdraft facility bears interest at 2.5% (2005: 1.5%) per annum above bank's base lending rate.

The overdraft facility was fully settled during the year and the above charges had been discharged.

- (iii) South Africa Rand 12,000,000 facility granted to Country Heights Pecanwood Golf & Country Club (Pty) Ltd ("PGCC")
- First continuous covering mortgage bond over the land and building erected on Erf 876, 877 Extension 12 and Erf 1083 Extension 10 (previously portions 127 and 128 of portion 123 of the farm Harbeespoort, No. 482 Registration Division J.Q., Province of North West, South Arica, known as the Country Heights Pecanwood Golf and Country Club), with a carrying value of RM16,076,000 (2005: RM19,123,000) held by PGCC.

The overdraft facility bears interest at 10.5% per annum.

- (iv) Unsecured overdraft facility is as follows:

Facility of RM15,000,000 granted to Country Heights Sdn Bhd;

- Negative pledge over the assets of the subsidiary company, Country Heights Sdn Bhd, except for certain bungalow lots adjacent to the existing development undertaken by the Group in Kajang; and
- Corporate guarantee and indemnity of up to RM15,000,000 provided by the Company.

The overdraft facility bears interest at 2.5% (2005: 2.5%) per annum above bank's base lending rate.

(b) Term loans:

		Group	
	Note	2006 RM'000	2005 RM'000
<u>Short term</u>			
Secured:			
RM40,000,000 facility	(i)	-	5,500
RM647,000 facility	(ii)	141	156
RM3,340,000 facility	(iii)	149	-
		<u>290</u>	<u>5,656</u>
<u>Long term</u>			
Secured:			
RM40,000,000 facility	(i)	-	25,490
RM647,000 facility	(ii)	128	243
RM3,340,000 facility	(iii)	3,160	-
		<u>3,288</u>	<u>25,733</u>
Total term loan		<u>3,578</u>	<u>31,389</u>

Term loan are secured as follows:

- (i) Term loan facility of RM40,000,000 granted to a subsidiary, Mines Beach Resort Sdn Bhd
- A first legal charge over a hotel property held under H.S.(D) 59892 PT No. 16720, Mukim of Petaling, known as Palace Beach & Spa with a carrying value of RM65,570,000 (2005: RM66,341,000) and Other Property, Plant and Equipment with net book values of RM1,082,000 (2005: RM3,413,000);
 - A debenture incorporating a first fixed and floating charge over all assets of Mines Beach Resort Sdn Bhd, both present and future vide Debenture Document dated 13 May 1996; and
 - An unconditional corporate guarantee by the Company for a principal sum of RM37,800,000 together with interest and other charges accruing thereon.

The term loan facility bears interest at 1.5% (2005: 1.5%) above the bank's base lending rate.

The term loan facility was fully settled during the year and the above charges had been discharged.

- (ii) Term loan facility of RM647,000 granted to a subsidiary, Country Heights Lifestyle Berhad
- 1st registered mortgage over parcel nos. 223, 224, 219 and 220, Equatorial Hills Resort, Cameron Highlands with an aggregate net book value of RM478,000 (2005: RM560,000); and
 - A corporate guarantee by the Company.

The term loan facility bears interest at 1.5% (2005: 1.5%) above the bank's base lending rate.

- (iii) Term loan facility of RM3,340,000 granted to a subsidiary, Country Heights Health Tourism Sdn Bhd
- A first legal charge over certain units situated at Level 3 of Block C of the building known as Plaza Mont' Kiara, with an aggregate net book value of RM4,093,000; and
 - A corporate guarantee of RM3,340,000 by the Company.

The term loan facility bears interest at 5.5% per annum for the first five years and thereafter at 0.5% per annum above the bank's base lending rate.

(c) Working capital loan:

	Group	
	2006 RM'000	2005 RM'000
<u>Short term</u>		
Secured:		
RM20,000,000 facility	<u>2,740</u>	<u>8,000</u>

The working capital loan facility was granted to a subsidiary, Tindak Murni Sdn Bhd by Malaysian Assurance Alliance Berhad ("MAA") for the purpose of payment on behalf for its related company, Mega Palm Sdn Bhd, on the outstanding Country Heights Innovation in Property Investment (CHIPi) scheme premium to MAA.

The working capital loan facility is secured as follows:

- A deed of debenture over certain unsold units of completed luxury apartments of Cyber Heights Villa with an aggregate net book value of RM20,222,000 (2005: RM24,379,000);
- Safekeeping of the land titles of the aforementioned lands together with the charge documents executed and the lender is at the liberty to charge the lands in the event of default; and
- Assignment of sales proceeds from the sales of the said property to be applied towards redemption of the units.

The working capital facility bears interest at 9% per annum and the effective interest rate is 7.75% if in compliance to all terms of agreements.

(d) Revolving credits:

		Group	
	Note	2006 RM'000	2005 RM'000
<u>Short term</u>			
Secured:			
RM32,000,000 (restructured) facility	(i)	2,900	2,400
RM50,000,000 facility	(ii)	-	50,000
RM10,000,000 facility	(iii)	-	3,711
		<u>2,900</u>	<u>56,111</u>
Unsecured:			
RM15,000,000 facility	(iv)	14,800	14,800
RM30,000,000 (restructured) facility	(v)	4,000	2,800
		<u>18,800</u>	<u>17,600</u>
		<u>21,700</u>	<u>73,711</u>
<u>Long term</u>			
Secured:			
RM32,000,000 (restructured) facility	(i)	9,690	13,056
Unsecured:			
RM30,000,000 (restructured) facility	(v)	22,400	26,400
		<u>32,090</u>	<u>39,456</u>
Total revolving credits		<u>53,790</u>	<u>113,167</u>

Revolving credit (restructured) facilities are secured as follows:

- (i) Revolving credit (restructured) facility of RM32,000,000 granted to Country Heights Industries Sdn Bhd ("CHISB")
- A corporate guarantee of RM32,000,000 by the Company;
 - A third party first legal charge over certain pieces of land and building held by a subsidiary, CHISB with carrying values as follows:

	Group	
	2006	2005
	RM'000	RM'000
Land held for property development	4,911	4,911
Inventories	5,286	5,591
	<u>10,197</u>	<u>10,502</u>

- A first legal charge over certain industrial lots at the College Valley Industrial Park, Pajam, held by a subsidiary, CHISB, with a carrying value of RM652,000 (2005: RM652,000);
- A debenture over certain bungalow lots belonging to a subsidiary, Walum Enterprise Sdn Bhd with a carrying value of RM1,636,000 (2005: RM1,624,000);
- A third party first fixed legal charge over certain bungalow lots held by a subsidiary company, Walum Enterprise Sdn Bhd, with a carrying value of RM1,210,000 (2005: RM1,388,000); and
- A second fixed legal charge over certain bungalow lots held by a subsidiary company, Walum Enterprise Sdn Bhd, with a carrying value of RM7,030,000 (2005: RM6,979,000).

The revolving credit facility bears interest at 2.5% (2005: 2.5%) per annum above Cost of Fund.

- (ii) Revolving credit facility of RM50,000,000 granted to a subsidiary, Country Heights Sdn Bhd
- Corporate guarantee of RM30,000,000 by the Company;
 - First Deed of Assignment over the sales proceeds (net of land redemption) of certain unsold lots of Country Heights Damansara held by Mega Palm Sdn Bhd, a wholly owned subsidiary;
 - First legal charge over the Project Account of Country Heights Damansara; and
 - Third party second legal charge over the land and building erected on H.S.(D) 59892 PT No 16720, Mukim Petaling, Selangor Darul Ehsan, known as the Palace Beach & Spa, with a carrying value of RM65,570,000 (2005: RM66,341,000) held by a subsidiary, Mines Beach Resort Sdn Bhd.

The revolving credit facility bears interest at 2.5% (2005: 2.5%) per annum above Cost of Fund.

The revolving credit facility was fully settled during the year and the above charges had been discharged.

- (iii) Revolving credit facility of RM10,000,000 granted to a subsidiary, Country Heights Sea Resort Sdn Bhd
- Corporate guarantee of RM10,000,000 by the Company;
 - 2nd Deed of Assignment over the sales proceeds (net of land redemption) of certain unsold lots of Country Heights Damansara held by a subsidiary, Mega Palm Sdn Bhd;
 - 2nd legal charge over the Project Account of Country Heights Damansara; and
 - 3rd party 3rd legal charge over the land and building erected on H.S.(D) 59892 P.T. No. 16720, Mukim of Petaling, Selangor Darul Ehsan, known as the Palace Beach & Spa, with a carrying value of RM65,570,000 (2005: RM66,341,000).

The revolving credit facility bears interest at 2.5% (2005: 2.5%) per annum above Cost of Fund.

The revolving credit facility was fully settled during the year and the above charges had been discharged.

- (iv) The unsecured revolving credit facility of RM15,000,000 granted to Country Heights Sdn Bhd has the following guarantees and pledges:

- Negative pledge over the assets of the subsidiary company, Country Heights Sdn Bhd, except for certain bungalow lots adjacent to the existing development undertaken by the Group in Kajang; and
- Corporate guarantee of RM15,000,000 provided by the Company.

The term loan facility bears interest at 2.5% (2005: 2.5%) per annum above Cost of Fund.

The short term revolving credit is repayable on demand.

- (v) The unsecured revolving credit (restructured) facility of RM30,000,000 granted to Country Heights Sdn Bhd has the following guarantees and pledges:

- Corporate guarantee and indemnity of RM30,000,000 provided by the Company.

The revolving credit facility bears interest at 2.5% (2005: 2.5%) per annum above Cost of Fund.

24. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	Group	
Note	2006	2005
	RM'000	RM'000
Minimum lease payments:		
Not later than 1 year	470	347
Later than 1 year but not later than 2 years	502	329
Later than 2 years but not later than 5 years	830	867
Later than 5 years	<u>3</u>	<u>13</u>
	1,805	1,556
Less: Future finance charges	<u>(194)</u>	<u>(197)</u>
Present value of finance lease liabilities	<u>1,611</u>	<u>1,359</u>

Present value of finance lease liabilities:

Not later than 1 year	384	273
Later than 1 year but not later than 2 years	433	274
Later than 2 years but not later than 5 years	791	799
Later than 5 years	<u>3</u>	<u>13</u>
	<u>1,611</u>	<u>1,359</u>

Analysed as:

Due within 12 months	23	384	273
Due after 12 months	23	<u>1,227</u>	<u>1,086</u>
		<u>1,611</u>	<u>1,359</u>

The hire purchase and lease liabilities bore interest at the balance sheet date at rates between 2.6% to 10% (2005: 2.5% to 8.2%) per annum.

25. RM150 MILLION 3% TO 8% REDEEMABLE SECURED BONDS 1996/2009 ("BONDS") REDESIGNATED FROM RM200 MILLION 3% TO 8% REDEEMABLE SECURED BONDS 1996/2005 ("BONDS")

At a Bondholders' meeting held on 29 December 2004, the Bondholders had unanimously approved the extension of the redemption of the remaining RM150 million of the Bonds to 31 December 2009 ("Proposed Extension").

On 14 March 2005, Securities Commission ("SC") conditionally approved the Proposed Extension and the proposed variation of other terms pursuant to the Proposed Extension. On 17 August 2005, the Company confirmed to SC that all conditions set out in SC's letter dated 14 March 2005 had been met.

The revised terms and features of the Bonds are as follows:

- (i) The interest rate will continue to be 8% per annum, calculated on the outstanding balance and is payable semi-annually. For the period from 9 November 2004 to 6 November 2008, only 6% of the 8% interest per annum shall be made semi-annually in two equal instalments on 6 May and 6 November each year. The 2% interest per annum shortfall since 1 January 2002 onwards shall continue to be capitalised and paid in the final year in 2 equal instalments i.e. on 6 May 2009 and 6 November 2009 provided always that if the Bonds are fully redeemed before 6 November 2009 any unpaid interest shall be paid in full by the Company on the date of such redemption.
- (ii) The maturity date for the redemption of the Bonds extended to 31 December 2009.
- (iii) The Bonds will continue to be secured by the existing securities which are:
 - A fixed charge over a leasehold land and hotel building known as the Palace of the Golden Horses, classified under hotel properties and exhibition centre and showroom with a net book value of RM408,315,000 (2005: RM412,895,000);
 - Certain other property, plant and equipment with a net book value of RM10,039,000 (2005: RM19,179,000), held by a subsidiary, Mines City Hotel Berhad;
 - Certain freehold land and buildings included in other property, plant and equipment with a net book value of RM1,635,000 (2005: RM1,667,000) held by a subsidiary, Country Heights Development Sdn Bhd;
 - Certain investment properties with a net book value of RM17,586,000 (2005: RM17,831,000) held by a subsidiary, Country Heights Development Sdn Bhd;
 - Certain bungalow lots included in inventories with a carrying value of RM1,037,000 (2005: RM1,029,000) held by a subsidiary, Walum Enterprise Sdn Bhd; and
 - Certain villas included in inventories with a carrying value of RM19,716,000 (2005: RM19,977,000) held by a subsidiary, Country Heights W.T.C. Sdn Bhd.

On 29 December 2004, a bondholder made a written request ("Bondholder's Request") to the Trustee of the Bonds requesting for the requirement for the rating of the Bonds to be removed ("Proposed Non-Rating"). All bondholders have passed a circular resolution ("Circular Resolution") approving the Bondholder's Request for the Proposed Non-Rating on 14 March 2005.

The Bondholders in the Circular Resolution have agreed for the Bonds to be reclassified as non-transferable and non-tradable on RENTAS as a result of the Proposed Non-Rating.

On 22 September 2005, SC approved the Proposed Non-Rating subject to terms and conditions stipulated in their letter. On 8 December 2005, the Company confirmed to SC that all conditions set out in SC's letter dated 22 September 2005 have been met. The Proposed Non-Rating will not have any impact on the share capital, shareholdings or the net tangible assets of CHHB.

As at 31 December 2006, Tan Sri Lee Kim Tiong @ Lee Kim Yew is the only beneficial holder of the Bonds.

The Company had issued Warrant 1996/2006 in prior years in conjunction with the issuance of the RM200 million 3% to 8% Redeemable Secured Bonds 1996/2005.

The main features of the Warrants 1996/2006 are as follows:

- (i) the warrants entitle the registered warrant holders a right at any time on or before 6 May 2006 (extended from an original expiring date of 6 November 2000 which such extension was duly approved by shareholders and warrant holders in 1999) to subscribe for new ordinary shares;
- (ii) the basis of subscription is one warrant for one new ordinary share of RM1.00 each;
- (iii) the subscription price and number of warrants unexercised may be adjusted where appropriate under circumstances provided in the Deed Poll;
- (iv) the subscription price and number of new ordinary shares of RM1.00 each at the grant of the warrants was RM5.30 per ordinary share. Arising from a bonus issue made on 3 December 1997, the subscription price was adjusted to RM3.31 per ordinary share;
- (v) the number of warrants initially issued was 75,000,000. Arising from a bonus issue made on 3 December 1997, an additional 36,715,500 warrants were issued;
- (vi) the holders of the warrants do not have any voting rights in any general meeting of the Company unless these warrants are exercised into new ordinary shares; and
- (vii) the warrant holders do not have any right to participate by virtue of the warrants in any share issue of any other company.

On 3 April 2006, the Board of Directors of the Company announced the expiry of the Warrants 1996/2006 on 5 May 2006. Prior to the expiry, 8,003 warrants had been exercised at RM3.31 each, resulting in an increase in share capital and share premium of RM8,000 and RM19,000 respectively. The remaining 97,899,597 unexercised warrants lapsed upon the expiry of the Warrants 1996/2006. Warrants 1996/2006 were removed from the Official List of Bursa Malaysia Securities Berhad with effect from 8 May 2006.

26. 420,000,000 REDEEMABLE CONVERTIBLE SECURED LOAN STOCK 2004/2011 ("RCSLS SERIES A") AND 68,821,674 REDEEMABLE SECURED LOAN STOCK 2004/ 2011 ("RSLs SERIES B")

The Company and a subsidiary, East Vision Leisure Group Sdn Bhd ("EVL") entered into a Master Agreement and a Supplemental Master Agreement on 16 December 2003 and 21 May 2004 respectively, with Khazanah Nasional Berhad ("KNB") to regulate their relationships and undertakings in respect of the investment in EVL.

Pursuant to the Master Agreement and Supplemental Master Agreement, EVL will be the investment vehicle to facilitate the Investment in EVL, which include the acquisition of certain subsidiaries within the Group.

On 20 December 2004, EVL completed the acquisitions of the entire issued and paid up share capital of Mines Shopping Fair Sdn Bhd ("MSF"), Mines Waterfront Business Park Sdn Bhd ("MWBP") and Mines International Exhibition Centre Sdn Bhd ("MIEC") ("Target Companies") based on the adjusted net tangible assets as at 31 October 2003, after taking into consideration fair values of Mines Waterfront Business Park, Mines Shopping Fair and Malaysia International Exhibition & Convention Centre ("Identified Assets").

On 20 December 2004, EVL issued the following to KNB and AmMerchant Bank Berhad ("AmMerchant"), AmFinance Berhad, AmBank Berhad, RHB Bank Berhad ("RHB") and Bumiputra-Commerce Bank Berhad ("BCBB") ("Lenders") as consideration for a cash injection by KNB in EVL amounting to RM125,000,000 and an investment by the Lenders of RM295,000,000 in EVL (collectively referred to as the "Investment") pursuant to the Settlement Agreement dated 14 May 2004 and the Supplemental Settlement Agreement dated 17 May 2004 (collectively referred to as the "Settlement Agreement"):

- (i) RM420,000,000 nominal value 7-year 6% Redeemable Convertible Secured Loan Stocks with a nominal value of RM1 each ("RCSLS Series A") to KNB;
- (ii) RM68,821,674 nominal value Redeemable Secured Loan Stocks with a nominal value of RM1 each ("RSLs Series B") to the Lenders pursuant to the Settlement Agreement; and
- (iii) One golden share to KNB ("Golden Share") pursuant to the Master Agreement dated 16 December 2003 and the Supplemental Master Agreement dated 21 May 2004.

RCSLS Series A

The terms and features of the RCSLS Series A are as follows:

(i) Tenure and Rate of Interest

RCSLS Series A has a tenure of 7 years and bears simple interest at a rate of 6% per annum payable annually and in arrears.

(ii) Security

The RCSLS Series A are secured as follows:

- (a) first legal charges over investment property, The Mines Shopping Fair, as disclosed in Note 14 to the financial statements, leasehold land and building, The Mines Waterfront Business Park, as disclosed in Note 13 to the financial statements, and exhibition centre & showroom, Malaysia International Exhibition & Convention Centre, as disclosed in Note 12 to the financial statements ("Identified Assets");
- (b) first legal charges over all the issued and paid up shares capital of the Mines Shopping Fair Sdn Bhd, Mines Waterfront Business Park Sdn Bhd and Mines International Exhibition Centre Sdn Bhd ("Target Companies") as disclosed in Note 16 to the financial statements and shall include all dividends, distributions, allotments, interest, rights, offers, entitlements, accretions and benefits whatsoever which may at any time accrue, arise or be offered (whether by way of bonus, conversion rights, redemption, preference, option or otherwise) in respect of the foregoing ("Security Shares");
- (c) all cash flow from the Identified Assets will be placed in and disbursed from designated accounts to be maintained by EVL and the Target Companies and subsidiaries of the Target Companies ("Designated Account") as disclosed in Note 22(a)(ii) to the financial statements. 50% of the surplus annual net cash flow from the Identified Assets shall be set aside in a sinking fund to be established by EVL, which will be applied/utilised towards the redemption of the RCSLS Series A.

Balances in the Designated Account and Sinking Fund are secured over first party first legal charges to and in favour of the trustee for the benefits of the RCSLS Series A holders; and

- (d) a written irrevocable undertaking from the Company to the RCSLS Series A to secure the payment of interest on the RCSLS Series A ("CHHB's Irrevocable Letter of Undertaking").

(iii) Redemption Sum

The redemption sum for all of the Identified Assets or, as the case may be, the Security Shares shall comprise RM420,000,000 together with all unpaid accrued interest thereon and all other sums payable in respect of the RCSLS Series A, reduced by any prepayments or partial payments made (the "RCSLS Series A Redemption Sum").

(iv) Redemption

The RCSLS Series A shall be redeemed in whole on its maturity date.

At the option of EVL, EVL may at any time prior to the maturity date of the RCSLS Series A, redeem the RCSLS Series A in whole or in part provided that any such partial redemption shall not be for less than RM10,000,000 nominal value of the RCSLS Series A.

In the event that EVL fails to redeem the RCSLS Series A upon or prior to maturity and the RCSLS Series A holders are unable to procure a purchaser for all of the Identified Assets/Security Shares, for at least the RCSLS Series A Redemption Sum, the RCSLS Series A holders may unanimously agree to extend the tenure of the RCSLS Series A for such additional period as may be unanimously agreed to by the RCSLS Series A holders. In which event KNB shall require the Company to transfer all its shares in EVL to KNB and the other RCSLS Series A holders.

(v) Apportionment of Sale Proceeds

- (a) Subject to (vi)(b), the net gains (after deduction of costs and expenses and real property gain tax (if any)) on the disposal of the Identified Assets or, as the case may be, the Security Shares, in excess of the RCSLS Series A 2004/2011 Redemption Sum and below RM655,000,000 will, subject to the payment of all interest and other sums payable in respect of RCSLS Series A 2004/2011 and after accounting for the redemption of RSL Series B 2004/2011 and the accretion of interest at the rate of 5%, belong to EVL.
- (b) Any gain on disposal of the Identified Assets above RM655,000,000 will be shared equally between the Company, KNB and the other RCSLS Series A holders.

(vi) Conversion of RCSLS Series A Into Shares

- (a) Upon the occurrence of an event of default (as defined in the trust deed), the RCSLS Series A holders shall have the right at any time before the maturity date to convert all or any part of the RCSLS Series A which are outstanding and not redeemed on the redemption dates into fully paid shares of EVL at the conversion price.
- (b) The conversion price for each new share shall be satisfied by tendering the RCSLS Series A at nominal amount for the whole of the conversion price.
- (c) The RCSLS Series A shall only be converted into new shares of EVL at the option of the RCSLS Series A holders.

RSL Series B

The terms and features of the RSL Series B are as follows:

(i) Tenure and Rate of Interest

The RSL Series B shall have a tenure of 7 years. Subject to the provisions of the trust deed and relevant agreements, the RSL Series B shall be entitled to be paid a back end interest at the rate of 5% per annum (simple interest). However, this interest is payable only in the event the RCSLS Series A is fully redeemed and all interest (including any default interest) thereon fully paid and:-

- (a) there is an excess from the proceeds of sales of the Identified Assets or, as the case may be, the Security Shares, after the full redemption of RCSLS Series A and after paying in full the redemption sum of the RSL Series B; or

- (b) RCSLS Series A is fully redeemed without any or all of the Identified Assets/Security Shares being disposed off and the disposal price of the Identified Assets/Security Shares remaining unsold after the full redemption of RCSLS Series A, exceeds the RSLs Series B redemption sum; or
- (c) there are any of the Identified Assets/Security Shares remaining unsold after the redemption in full of RCSLS Series A and the payment in full of the RSLs Series B redemption sum.

(ii) Security

The RSLs Series B shall be secured by way of:

- (a) second legal charges on the Identified Assets; and
- (b) second legal charges on the Security Shares.

(iii) Redemption

The redemption of RSLs Series B is subject to the full redemption of RCSLS Series A.

(iv) Conversion of RSLs Series B

In the event EVL fails to redeem the RCSLS Series A in full on or before its maturity and the RCSLS Series A holders, being unable to procure the sale of the Identified Assets/Security Shares for at least the RCSLS Series A redemption sum:

- (a) KNB procures the transfer by the Company to the RCSLS Series A holders of all the shares in EVL; and or
- (b) KNB and or any of the other RCSLS Series A holders converts its RCSLS Series A into ordinary shares in EVL; and or
- (c) the RCSLS Series A holders unanimously agree to extend the tenure of the RCSLS Series A.

EVL shall thereafter within 14 business days, by notice in writing to the RSLs Series B holders, convert all the RSLs Series B of each RSLs Series B holders into one ordinary share of RM1 in EVL.

In the event that all the Identified Assets/Security Shares are sold at a value of less than the RCSLS Series A redemption sum, all of each RSLs Series B shall be converted into one ordinary share of RM1 in EVL and shall be deemed fully settled.

In the event the disposal price of all the Identified Assets/Security Shares exceeds the RCSLS Series A redemption sum, the amount in excess will be utilised to pay off the equivalent amount of the RSLs Series B proportionately and the remaining balance of each RSLs Series B shall be converted into one (1) ordinary share of RM1 in EVL and shall be deemed fully settled.

(v) Conversion of RSLs Series B

Each RSLs Series B holder shall, upon being requested to, sell its share in EVL arising from the conversion of the RSLs Series B to KNB, or, if the RCSLS Series A has been fully redeemed or converted into ordinary shares of EVL to CHHB, for a nominal consideration of RM1.

(vi) Assets Remaining After Full Redemption of RCSLS Series A

In the event of the full redemption of RCSLS Series A without any or all of the Identified Assets being sold, the RSLs Series B shall not be cancelled or converted into ordinary shares of RM1 in EVL but shall be redeemed on or before the maturity date thereof from out of the proceeds of sale of the remaining Identified Assets.

On 20 December 2004, East Vision Leisure Group Sdn Bhd ("EVL") issued One golden share in the form of redeemable preference share ("Golden Share") to Khazanah Nasional Berhad ("KNB") pursuant to the Master Agreement dated 16 December 2003 and Supplemental Master Agreement dated 21 May 2004, both of which were entered into by the EVL, KNB and the Company.

Golden Share

Pursuant to the rights conferred on the Golden Share, the affirmative vote of KNB in general meetings is required for certain matters in relation to EVL including:

- (a) The Golden Share shall not be transferable without prior written consent of EVL;
- (b) The Golden Share shall be redeemable by the EVL at par upon the RCSLS Series A being fully redeemed;
- (c) The Golden Share shall not be entitled to any dividend of the EVL;
- (d) cessation to conduct or carry on its business substantially as now conducted and/or acquire any subsidiaries, associated companies and/or any other business, company, partnership or sole proprietorship;
- (e) making any distribution of profits amongst the shareholders by way of dividend, capitalisation of reserves or otherwise; and
- (f) issuing or transferring any shares, preference or otherwise or any loan stocks or any other securities.

27. BANK GUARANTEED COMMERCIAL PAPER & BANK GUARANTEED MEDIUM TERM NOTES

The Bank Guaranteed Commercial Papers ("CP") and Bank Guaranteed Medium Term Notes ("MTN") are constituted by a Trust Deed dated 2 May 2006 made by a subsidiary of the Company, Mega Palm Sdn Bhd ("the Issuer"), and the Trustee for the notes holders of the CP and MTN. The CP is of a tenure of not more than twelve (12) months up to a sublimit of RM80.0 million in nominal value and the MTN is of a tenure of more than one (1) year but not exceeding seven (7) years up to a sublimit of RM70.0 million in nominal value.

The CP and MTN are secured by the following:

- (a) Unconditional and irrevocable Bank Guarantee issued by Malayan Banking Berhad ("Guarantor") to guarantee repayment of the borrowings;
- (b) First fixed charge over the master title known as Geran 37112, Lot 826, Mukim Batu being the Country Heights Damansara project land under the National Land Code which shall exclude the units sold in the said land;
- (c) Corporate Guarantee from the Company;
- (d) First legal charge and assignment over all Designated Accounts for the Project (i.e. Proceeds Account, Project Account and Redemption Account) and the proceeds therein;

- (e) Assignment of insurance proceeds and/or endorsement of the security agent as loss payee over all insurance proceeds attributable to the Issuer in relation to the Project;
- (f) Assignment of all the Issuer's rights title and benefit in and to the credit balance and all monies in the HDA accounts; and
- (g) Any other security to be advised by the Guarantor and/or its legal counsel and agreed by the Issuer.

The terms of BG CP/MTN Programme contain various covenants, including the following:

- (i) the Issuer must maintain a Debt of Equity Ratio of not more than 2.5 times at all times; and
- (ii) the Issuer must maintain a Debt Service Cover Ratio of not less than 1.2 times at all times.

During the financial year, the Issuer has issued CP of RM62.0 million in nominal value and MTN of RM70.0 million in nominal value for refinancing exisiting loan facilities of other subsidiaries of the Company and for additional working capital purposes.

The proceeds from the issuance of the MTN and CP are received in the following manner:

	Group 2006 RM'000
Bank Guaranteed Medium Term Notes	
Nominal value	70,000
Bank Guaranteed Commercial Paper	
Nominal value	62,000
Less: Discount**	(2,902)
	59,098

** Discount will be recognised as interest expense in the consolidated income statement over the tenure of financing.

At the end of the current financial year, a discount amount of RM1,672,000 had been recognised to the consolidated income statement, leaving a CP balance of RM60,770,000 in the consolidated balance sheet.

28. LONG TERM LIABILITIES

		Group 2006 RM'000	2005 RM'000
Unsecured:			
Golf membership loans	(a)	5,099	5,796
Deferred income	(b)	24,749	25,079
		29,848	30,875

- (a) These loans are granted by members, and are unsecured, interest free and repayable the earlier of 25 years from registration as member or upon resignation from the golf and country club.
- (b) This represents the portion of membership fees of the timeshare scheme to be recognised over the instalment period of membership fees or the duration of the scheme, as appropriate.

29. DEFERRED TAX

		Group 2006 RM'000	2005 RM'000
At 1 January		13,732	16,115
Effect of adopting FRS 140	2.3(c)	20,342	-
Recognised in the income statement	9	483	2,162
Transfer from revaluation reserve	2.4(b)	71,788	-
Disposal of subsidiaries	16(a)	-	(4,545)
Exchange differences		114	-
At 31 December		106,459	13,732
Presented after appropriate offsetting as follows:			
Deferred tax assets		(25,600)	(31,241)
Deferred tax liabilities		132,059	44,973
		106,459	13,732

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities of the Group:

		Accelerated Capital Allowances RM'000	Investment Properties RM'000	Revaluation Surplus RM'000	Land held for development RM'000	Interest Receivable RM'000	Total RM'000
At 1 January 2006		10,818	10,305	19,563	4,287	-	44,973
Effect of adopting FRS 140	2.3(c)	-	20,342	-	-	-	20,342
Recognised in income statement		(8,182)	5,013	(1,089)	(132)	-	(4,390)
Transfer from revaluation reserve	2.4(b)	-	-	71,788	-	-	71,788
At 31 December 2006		2,636	35,660	90,262	4,155	-	132,713
At 1 January 2005		17,411	10,305	19,606	-	3,589	50,911
Recognised in income statement		(2,048)	-	(43)	4,287	(3,589)	(1,393)
Disposal of subsidiaries (Note 16(a))		(4,545)	-	-	-	-	(4,545)
At 31 December 2005		10,818	10,305	19,563	4,287	-	44,973

Deferred Tax Assets of the Group:

	Unabsorbed Capital Allowances RM'000	Unabsorbed business losses RM'000	Payables RM'000	Property Development cost RM'000	Others RM'000	Total RM'000
At 1 January 2006	(15,410)	(690)	-	(14,982)	(159)	(31,241)
Recognised in income statement	4,892	(448)	-	461	(32)	4,873
Exchange difference	-	116	-	(40)	38	114
At 31 December 2006	(10,518)	(1,022)	-	(14,561)	(153)	(26,254)
At 1 January 2005	(18,344)	-	(503)	(15,934)	(15)	(34,796)
Recognised in income statement	2,934	(690)	503	952	(144)	3,555
At 31 December 2005	(15,410)	(690)	-	(14,982)	(159)	(31,241)

Deferred tax assets have not been recognised in respect of the following items as it is not probable that taxable profit will be available in the respective subsidiaries:

	Group 2006 RM'000	2005 RM'000
Unused tax losses	159,793	140,221
Unabsorbed capital allowances	89,359	74,404
Unabsorbed investment tax allowances	33,879	33,879
Other deductible temporary differences	1,209	1,009
	284,240	249,513

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the respective subsidiaries, subject to no substantial changes in shareholdings of the respective subsidiaries.

30. TRADE AND OTHER PAYABLES

	Note	Group 2006 RM'000	2005 RM'000	Company 2006 RM'000	2005 RM'000
Trade payables					
Third parties	(a)	42,374	45,454	-	-
Due to companies in which a director has interest		1,444	3,469	-	-
Retentions		4,296	1,820	-	-
Trade accruals		22,655	40,856	-	-
		70,769	91,599	-	-

	Note	Group 2006 RM'000	2005 RM'000	Company 2006 RM'000	2005 RM'000
Other payables					
Due to subsidiaries	(b)	-	-	197,622	179,614
Accruals		31,939	30,245	11,237	5,008
Sundry payables	(c)	50,489	61,016	17,143	27,418
Interest on RM150 million 3% to 8% Redeemable Secured Bonds 1996/2009 ("Bonds")	25	16,364	13,340	16,364	13,340
Deposits received		12,745	15,175	-	-
Provision for tax penalty		11,914	9,546	-	-
Provision for liquidated ascertained damages		1,012	1,073	-	-
Due to directors		168	940	-	721
Due to companies in which a director has interest	(d)	16,486	17,900	11,632	12,343
		141,117	149,235	253,998	238,444
		211,886	240,834	253,998	238,444

- (a) The normal credit terms granted to the Group range from 30 to 45 days.
- (b) The amounts due to subsidiaries which are non-trade in nature, unsecured, non-interest bearing and are repayable on demand.
- (c) Included in sundry payables of the Group and of the Company are:
- CRPS I dividend payable to Puan Sri Tan Bee Hong, a close family member of a director of the Company, Tan Sri Lee Kim Tiong @ Lee Kim Yew for RM553,000 (2005: RM10,000,000) and RM553,000 (2005: RM10,000,000) respectively.
 - An amount due to a company owned by Lee Kim Choon and Lee Hoo, close family members of a director of the Company, Tan Sri Lee Kim Tiong @ Lee Kim Yew for RM15,443,000 (2005: RM15,443,000) and RM15,443,000 (2005: RM15,443,000) respectively.

These amounts are unsecured, non-interest bearing and are repayable on demand.

- (d) Included in amounts owing by the Group is the cash payment portion amounting to RM11.214 million which was essentially a tax retention sum payable by the Company directly to the Inland Revenue Board pursuant to the acquisition of various property and leisure related interests and assets from Country Heights Venture Group, the companies in which a director of the Company, Tan Sri Lee Kim Tiong @ Lee Kim Yew has controlling interest.

31. SHARE CAPITAL

	Number of Ordinary Shares of RM1.00 Each		Amount	
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
Authorised:				
At 1 January / 31 December	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid:				
At 1 January	275,699	275,699	275,699	275,699
Ordinary shares issued during the year pursuant to Warrant 1996/2006	8	-	8	-
At 31 December	275,707	275,699	275,707	275,699

During the year, 8,003 warrants had been exercised at RM3.31 each, resulting in an increase in share capital and share premium of RM8,000 and RM19,000 respectively as disclosed in Note 25 to the financial statements.

32. OTHER RESERVES

Note	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-distributable:				
Revaluation reserve	(a)			
Hotel properties	(a)(i)	144,888	192,488	-
Investment properties	(a)(ii)	-	75,855	-
Foreign exchange reserves	(b)	(4,593)	1,673	-
Capital redemption reserves	(c)	19,048	19,048	19,048
		159,343	289,064	19,048

The movements, nature and purpose of each category of reserve were as follows:

(a) Revaluation reserve		Group		Company	
Note		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(i) Revaluation reserve - hotel properties					
At 1 January		192,488	192,488	-	-
Transfer to deferred tax liabilities	2.4(b)	(45,762)	-	-	-
Depreciation transfer on revalued hotel properties and exhibition centre & showroom		(1,838)	-	-	-
At 31 December		144,888	192,488	-	-
(ii) Revaluation reserve - investment properties					
At 1 January		75,855	75,855	-	-
Effect of adopting FRS 140	2.3(c)	(75,855)	-	-	-
At 31 December		-	75,855	-	-

The revaluation reserve includes the cumulative net change, net of deferred tax effects, arising from the revaluation of hotel properties and investment properties above their cost.

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(b) Foreign exchange reserve				
At 1 January	1,673	9,157	-	-
Arising in the year	(6,266)	(4,424)	-	-
Transfer to retained earnings	-	(3,060)	-	-
At 31 December	(4,593)	1,673	-	-

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries which qualify as foreign entities at balance sheet date.

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(c) Capital redemption reserves				
At 1 January	19,048	-	19,048	-
Transfer from retained earnings	-	19,048	-	19,048
At 31 December	19,048	19,048	19,048	19,048

The capital redemption reserve arose from the redemption of the 190,478,000 Cumulative Redeemable Preference Shares of RM0.10 each issued by the Company ("CRPS I").

Pursuant to the Asset Based Settlement Exercise, the CRPS 1 was redeemed on 23 June 2005 instead of its original due date on 25 October 2005. A total of RM19,047,800 constituting the nominal value of the CRPS I redeemed was transferred from its retained profits to the capital redemption reserve. This amount would otherwise have been available for distribution as dividend.

The capital redemption reserve may be applied in paying up unissued shares of the Company as fully paid bonus shares.

33. RETAINED EARNINGS

As at 31 December 2006, the Company has tax exempt profits available for distribution of approximately RM132,867,000 (2005: RM128,867,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained earnings as at 31 December 2006.

34. COMMITMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Capital Commitments				
Approved and contracted for	34,923	34,707	-	-
Approved but not contracted for	17,757	49,247	14,839	44,839
	52,680	83,954	14,839	44,839

Included in capital commitments approved but not contracted for is an amount of RM7,589,000 in relation to the proposed purchase of office units from Country Heights Resources Management (M) Sdn Bhd, a company in which a director of the Company, Tan Sri Lee Kim Tiong @ Lee Kim Yew, has controlling interests.

35. CONTINGENT LIABILITIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Secured:				
Corporate guarantees and letters of undertaking given to financial institutions in respect of borrowing facilities granted to subsidiaries, the amount of which is utilised	-	-	149,524	93,635
	-	-	149,524	93,635
Unsecured:				
Corporate guarantees and letters of undertaking given to financial institutions in respect of borrowing facilities utilised by subsidiary companies	291	291	45,350	47,461
The Group has been imposed a penalty for late payment of assessment by the local authorities. The Group has appealed for an exemption of the said penalty and has reached an amicable settlement with the local authorities. Currently the exemption is pending approval from the state government. The directors are confident that the appeal will be successful.	458	4,330	-	-
Legal fees not exceeding RM250,000 if unsuccessful in the appeal against defendant for the refund of a deposit sum of RM7,140,985 & lawsuit against the company by the creditors.	-	409	-	-
Guarantees to financial institutions in respect of borrowing facilities granted to customers	8,912	4,761	-	-
Bank guarantees given to suppliers for the purpose of hotel utilities	721	721	-	-
	10,382	10,512	45,350	47,461
	10,382	10,512	194,874	141,096

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

- (a) Transactions with companies in which a director of the Company, Tan Sri Lee Kim Tiong @ Lee Kim Yew, has controlling interests:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Insurance expenses payable to:				
- Country Heights Property Management Sdn Bhd	1,702	1,287	-	10
Security charges payable to:				
- Country Heights Security Services Sdn Bhd	1,004	981	-	-
Purchase of souvenirs from:				
- Bee Collections Sdn Bhd	22	213	-	38
Rental expenses payable to:				
- Salient Range Sdn Bhd	159	222	-	-
- Amat Matang Sdn Bhd	-	197	-	-
Infrastructure work payable to:				
- Emerging Transform Sdn Bhd	-	2,774	-	-
Rental income receivable from:				
- Mines Wonderland Sdn Bhd	(326)	(203)	-	-

- (b) Transactions with a director of the Company, Tan Sri Lee Kim Tiong @ Lee Kim Yew

	Group	
	2006 RM'000	2005 RM'000
Bond interest payable	12,000	12,000
Consideration of disposal of land to director	684	-

- (c) Transactions with companies in which directors of certain subsidiaries or parties connected to those directors have controlling interest:

	Group	
	2006 RM'000	2005 RM'000
Landscaping charges payable to Country Heights Environment Management Sdn Bhd ¹	1,192	1,288
Rental income receivable from: - Wonder Bowl Sdn Bhd ²	(573)	(562)
Food & beverages and room charges payable to a subsidiary Mines City Hotel Bhd	165	672
Revolving credit interest payable to a subsidiary Country Heights Sdn Bhd	1,369	2,424
Dividend receivable from a subsidiary Magnitude Knight (M) Sdn Bhd	(1,440)	(2,592)
Walum Enterprise Sdn Bhd	(4,000)	-
Management fees receivable from subsidiaries	(2,113)	(2,858)
Interest income receivable from subsidiaries Mines City Hotel Bhd	(12,000)	(12,000)
Mega Palm Sdn Bhd	-	(2,927)

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are mutually agreed with the above parties.

¹ Related to a director of Borneo Highlands Hornbill Golf & Jungle Club Bhd, a subsidiary of the Company.

² Related to Mr Lee Teck Seng, a nephew of a director of the Company, Tan Sri Lee Kim Tiong @ Lee Kim Yew.

37. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interest rate risk, foreign exchange risk, liquidity risk and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest Rates Risk

The Group's primary interest risk relates to interest-bearing borrowings which are principally denominated in Malaysian Ringgit. The Group has no substantial long-term interest bearing assets as at 31 December 2006. The investments in financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(c) Foreign Exchange Risk

The Group operates internationally and is exposed to various currencies, mainly United States Dollar, South African Rand, Sterling Pound, Singapore Dollar and New Zealand Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from probable purchases and sales give rise to foreign exchange exposures.

There is minimal foreign exchange exposure as the transactional currencies are the functional currencies of the operating entities.

(d) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(e) Credit Risk

Credit risks or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

(f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the followings:

		Group		Company	
	Note	Carrying Amount RM'000	Fair Values RM'000	Carrying Amount RM'000	Fair Values RM'000
Financial Assets					
At 31 December 2006:					
Non-current unquoted shares	18	2,000	*	-	-
Non-current memberships	18	798	*	-	-
Long term receivables	21	10,120	9,526	-	-
At 31 December 2005:					
Non-current unquoted shares	18	2,201	*	-	-
Non-current memberships	18	798	*	-	-
Long term receivables	21	10,643	9,669	-	-
Financial Liabilities					
At 31 December 2006:					
Term loan	23	3,578	3,217	-	-
Revolving credit	23	53,790	53,452	-	-
Bank Guaranteed Commercial Paper	23	60,770	@	-	-
Bank Guaranteed Medium Term Notes	23	70,000	@	-	-
Bonds	25	150,000	150,000	-	-
RCSLS Series A	26	420,000	394,511	-	-
RSLs Series B	26	68,822	61,861	-	-
Golf membership loans	28	5,099	#	-	-
At 31 December 2005:					
Term loan	23	31,389	31,016	-	-
Revolving credit	23	113,167	113,167	-	-
Bonds	25	150,000	150,000	-	-
RCSLS Series A	26	420,000	402,779	-	-
RSLs Series B	26	68,822	63,178	-	-
Golf membership loans	28	5,796	#	-	-

* It is not practicable to estimate the fair values of the Group's non-current unquoted shares and memberships because of the lack of quoted market prices and the inability to estimate their fair value without incurring excessive costs.

It is not practicable to estimate the fair value of golf membership loans which derived from a foreign subsidiary due to volatility of the foreign exchange currency rates, uncertainties in its repayment terms which could be repayable in 25 years or upon resignation of its members and without incurring excessive costs.

@ The fair values of the Medium Term Note and Commercial Paper in issue are equivalent to their carrying amount as their effective interest rates are considered to be market rates in view of their recent issue.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

- (i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.
- (ii) Marketable Securities

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.
- (iii) Interest-Bearing Receivables/Borrowings

The fair value of interest-bearing receivables/borrowings is estimated by discounting the expected future cash flows using current interest rates for liabilities with similar types of lending and borrowing arrangements and risk profiles.

38. SEGMENT INFORMATION

(a) Business Segments

The Group is organised on a worldwide basis into six major business segments:

- (i) Property development
- (ii) Medical tourism
- (iii) Hotels operations
- (iv) Exhibition operations
- (v) Leisure operations
- (vi) Rental operations
- (vii) Others

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

	Property Development RM'000	Medical Tourism RM'000	Hotel Operations RM'000	Exhibition Operations RM'000	Leisure Operations RM'000	Rental Operations RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
31 December 2006									
Revenue									
External sales	50,386	14,993	45,338	5,883	51,420	43,606	1,539		213,165
Inter-segment sales	1,186	2,638	4,138	1,019	1,450	2,589	8,844	(21,864)	-
Total revenue	51,572	17,631	49,476	6,902	52,870	46,195	10,383	(21,864)	213,165
Results									
Segment results	13,666	121	(13,005)	(10,107)	4,675	26,846	39,951	(44,974)	17,173
Profit from operations									17,173
Finance costs									(51,019)
Share of results of associates	-	-	-	40	-	-	(159)	-	(119)
Loss before taxation									(33,965)
Taxation									(2,065)
Loss after taxation									(36,030)
Minority interests									3,341
Net loss for the year									(32,689)
31 December 2006									
Assets									
Segment assets	516,401	18,240	503,033	217,638	66,852	456,371	79,444		1,857,979
Tax recoverable	861	-	5	-	10	-	690		1,566
Deferred tax assets	15,246	-	-	9,772	277	305	-		25,600
Investment in associates	-	-	-	268	-	-	342		610
Consolidated total assets									1,885,755
Liabilities									
Segment liabilities	288,774	17,213	18,105	1,848	38,085	12,312	702,481	(3)	1,078,815
Deferred tax liabilities	6,568	-	55,999	31,687	60	37,745	-		132,059
Provision for taxation	59,612	-	-	-	448	80	2,203		62,343
Consolidated total liabilities									1,273,217
Other Information									
Capital expenditure, including property, plant and equipment and investment properties	3,945	4,805	1,035	360	425	4,549	30		15,149
Depreciation, including other property, plant and equipment hotel properties and exhibition centre & showroom	1,328	1,387	13,488	8,620	1,843	1,409	269		28,344
Impairment losses	-	-	-	-	-	-	231		231
Allowance for doubtful debts	19	3,676	-	430	1,557	863	-		6,545
Allowance for doubtful debts written back	-	(884)	(60)	-	(128)	(313)	-		(1,385)
Non-cash expense other than depreciation, impairment losses and provision for doubtful debts	(798)	1,222	4,601	(9)	442	-	5,190		10,648

	Property Development RM'000	Medical Tourism RM'000	Hotel Operations RM'000	Exhibition Operations RM'000	Leisure Operations RM'000	Rental Operations RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
31 December 2005									
Revenue									
External sales	79,142	19,254	48,526	9,302	20,707	41,558	4,831	-	223,320
Inter-segment sales	2,544	17	3,962	8	248	2,889	4,913	(14,581)	-
Total revenue	81,686	19,271	52,488	9,310	20,955	44,447	9,744	(14,581)	223,320
Results									
Segment results	18,588	368	2,852	(2,918)	(7,059)	19,685	32,532	(10)	64,038
Profit from operations									64,038
Finance costs									(57,522)
Share of results of associates	-	-	-	57	-	-	256	-	313
Profit before taxation									6,829
Taxation									(3,688)
Profit after taxation									3,141
Minority interests									3,520
Net profit for the year									6,661
31 December 2005									
Assets									
Segment assets	527,610	21,402	516,490	239,426	56,913	446,845	110,581		1,919,267
Investment in associates	-	-	-	227	-	-	502		729
Consolidated total assets									1,919,996
Liabilities									
Segment liabilities	264,554	15,673	56,749	11,077	34,381	31,500	712,025		1,125,959
Provision for taxation	60,160	-	-	-	-	34	2,177		62,371
Consolidated total liabilities									1,188,330
Other Information									
Capital expenditure	3,345	966	1,076	1,771	1,537	5,043	645		14,383
Depreciation	1,532	1,191	6,272	4,458	2,636	8,308	503		24,900
Impairment losses	-	-	-	-	-	148	2,002		2,150
Allowance for doubtful debts	-	4,695	225	1,568	1,548	327	1,798		10,161
Non-cash expense other than depreciation, impairment losses and provision for doubtful debts	125	1,074	-	-	4,313	16	-		5,528

(b) Geographical Segments

Although the Group's six major business segments are managed on a worldwide basis, they operate in three principal geographical areas of the world. In Malaysia, its home country, the Group's areas of operation are principally property development, investment, construction, hotel operations, exhibition, operations, leisure operations and rental operations. The Group also operates in South Africa, principally in golf estate ownership and operation of a boat club in the United Kingdom.

	Total Revenue From External Customers RM'000	Segment Assets RM'000	Capital Expenditure RM'000
2006			
Malaysia	206,753	1,853,303	14,842
South Africa	6,412	32,398	307
United Kingdom	-	54	-
	213,165	1,885,755	15,149
2005			
Malaysia	207,347	1,870,505	12,565
South Africa	15,973	48,945	1,818
United Kingdom	-	546	-
	223,320	1,919,996	14,383

ANALYSIS OF SHAREHOLDINGS

as at 30 April 2007

Authorised Share Capital	:	RM5,050,000,000 divided into 5,000,000,000 ordinary shares of RM1.00 each and 500,000,000 Cumulative Redeemable Preference Shares of RM0.10 each
Paid-up Share Capital	:	275,707,403 ordinary shares of RM1.00 each
Class of Share	:	ordinary share of RM1.00 each
Voting Rights	:	1 vote per ordinary share

Distribution of Shareholders

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100	51	0.5994	901	0.0003
100 - 1,000	2,693	31.6488	2,580,612	0.9360
1,001 - 10,000	5,170	60.7592	18,740,967	6.7974
10,001 - 100,000	539	6.3345	14,163,000	5.1370
100,001 to less than 5% of issued shares	52	0.6111	108,766,785	39.4501
5% and above of issued shares	4	0.0470	131,455,138	47.6792
Total	8,509	100.0000	275,707,403	100.0000

Substantial Shareholders

No.	Name of Shareholders	No. of Shares			
		Direct	%	Indirect	%
1	Golden Touch Venture Sdn Bhd (formerly known as Country Heights Venture Sdn Bhd)	39,425,000 ⁽¹⁾	14.30	-	-
2	Chunghwa Picture Tubes (Malaysia) Sdn Bhd	48,000,000	17.41	-	-
3	Tan Sri Lee Kim Tiong @ Lee Kim Yew	83,982,430	30.46	39,807,000 ⁽²⁾	14.44

Statement of Directors’ Shareholdings

No.	Name of Shareholders	No. of Shares			
		Direct	%	Indirect	%
1	General Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (R)	1,480,842	0.54	-	-
2	Tan Sri Lee Kim Tiong @ Lee Kim Yew	83,982,430	30.46	39,807,000 ⁽²⁾	14.44
3	Dato’ Ong Chong Sek	1,394,200	0.51	-	-
4	Dato’ Azhar Bin Hashim	800	-	-	-
5	Academician Tan Sri Datuk Dr. Ong Soon Hock	16,000	0.01	-	-

Note :

(1) Partly held through various nominees companies

(2) Interested by virtue of his substantial interest in Golden Touch Venture Sdn Bhd and Bee Garden Holdings Sdn Bhd

LIST OF THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS

as at 30 April 2007

Name of Shareholders		No. of Shares	%
1.	Southern Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Lee Kim Tiong @ Lee Kim Yew</i>	43,874,338	15.9134
2.	Chunghwa Picture Tubes (Malaysia) Sdn Bhd	40,000,000	14.5081
3.	HDM Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Lee Kim Tiong @ Lee Kim Yew</i>	23,905,800	8.6707
4.	AMMB Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Golden Touch Venture Sdn Bhd</i> (formerly known as Country Heights Venture Sdn Bhd)	23,675,000	8.5870
5.	Joint Win Investments Limited	12,989,900	4.7115
6.	Chen Yang-Ling	10,879,800	3.9461
7.	Mayban Nominees (Tempatan) Sdn Bhd <i>Aseambankers Malaysia Berhad for Golden Touch Venture Sdn Bhd</i> (formerly known as Country Heights Venture Sdn Bhd)	8,750,000	3.1737
8.	Chunghwa Picture Tubes (Malaysia) Sdn Bhd	8,000,000	2.9016
9.	Amsec Nominees (Asing) Sdn Bhd <i>AmBank (M) Berhad for Hung Rong Min</i>	7,856,000	2.8494
10.	Kensington Group Management Limited	7,654,943	2.7765
11.	Lee Kim Tiong @ Lee Kim Yew	7,500,000	2.7203
12.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Golden Touch Venture Sdn Bhd</i> (formerly known as Country Heights Venture Sdn Bhd)	7,000,000	2.5389
13.	Mayban Nominees (Tempatan) Sdn Bhd <i>Aseambankers Malaysia Berhad for Lee Kim Tiong @ Lee Kim Yew</i>	5,980,862	2.1693
14.	Amsec Nominees (Tempatan) Sdn Bhd <i>AmBank (M) Berhad for Loke Kim Wan</i>	2,822,800	1.0238
15.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Lee Kim Tiong @ Lee Kim Yew</i>	2,721,430	0.9871
16.	Amsec Nominees (Tempatan) Sdn Bhd <i>AmBank (M) Berhad for Lim Koon Thye</i>	2,415,400	0.8761
17.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Lee Teck Chee</i>	2,333,680	0.8464
18.	Berjaya Sompo Insurance Berhad	2,288,600	0.8301

LIST OF THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS

as at 30 April 2007 (CONT'D)

Name of Shareholders		No. of Shares	%
19.	Lembaga Tabung Haji	2,065,900	0.7493
20.	Periyakin Sdn Bhd	1,750,800	0.6350
21.	CIMB Group Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Hung Rong Min</i>	1,492,000	0.5412
22.	ECM Libra Avenue Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Ong Chong Sek</i>	1,394,200	0.5057
23.	Citigroup Nominees (Asing) Sdn Bhd <i>Bear Stearns Securities Corp for FPP Emerging Markets Fund II Limited</i>	1,358,120	0.4926
24.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Lim Koon Thye</i>	1,320,000	0.4788
25.	HDM Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Loke Kim Wan</i>	1,292,000	0.4686
26.	Mohamed Hashim Bin Mohd Ali (Gen Rtd Tan Sri)	811,200	0.2942
27.	Lee Kok Fui	740,000	0.2684
28.	Berjaya Sompo Insurance Berhad	702,300	0.2547
29.	Mohamed Hashim Bin Mohd Ali (Gen Rtd Tan Sri)	669,642	0.2429
30.	Lee Teck Seng	571,008	0.2071
Total		234,815,723	85.1685
Total Issued Capital		275,707,403	

ANALYSIS OF BONDHOLDINGS

as at 30 April 2007

Type	:	Redeemable Secured Bonds
Nominal Value Outstanding	:	RM150,000,000
Maturity	:	31 December 2009
Coupon	:	8%
No. of Bondholders	:	2

Distribution of Bondholders

Size of Bondholdings	No. of Bondholders	%	No. of Bonds Held	% of Outstanding Bonds
Less than 100	-	-	-	-
100 - 1,000	-	-	-	-
1,001 - 10,000	-	-	-	-
10,001 to 100,000	-	-	-	-
100,001 to less than 5% of issued Bonds	-	-	-	-
5% and above of issued Bonds	2	100.00	150,000,000	100.00
Total	2	100.00	150,000,000	100.00

List of Bondholders

No.	Name of Bondholders	No. of Bonds	%
1	Southern Bank Bhd (For Southern Nominees (Tempatan) Sdn Bhd for the A/C of Tan Sri Lee Kim Tiong @ Lee Kim Yew)	144,000,000	96.00
2	United Overseas Bank (Malaysia) Bhd (For Golden Touch Asset Management Sdn Bhd for the A/C of Tan Sri Lee Kim Tiong @ Lee Kim Yew)	6,000,000	4.00
Total		150,000,000	100.00

Statement of Directors' Bondholdings

No.	Name of Directors	No. of Bonds			
		Direct	%	Indirect	%
1	Tan Sri Lee Kim Tiong @ Lee Kim Yew	-	-	150,000,000#	100.00

Note :

Held through Southern Bank Bhd and United Overseas Bank (Malaysia) Bhd

LIST OF LANDED PROPERTIES HELD BY THE GROUP

as at 31 December 2006

Title	Location/Address	No. of lots/ units	Tenure	Existing Use	Approximate			
					Land Area (Acres)	Age of Building (Years)	Net Book Value (RM'000)	Revaluation*/ Acquisition Date
	Pioneer Project Country Heights 43000 Kajang Selangor Darul Ehsan	50	Freehold	Residential - bungalow land	22.33	-	5,470	13/7/87
Lot 135 HSD 20198 P.T. No. 13107 Mukim of Kajang District of Ulu Langat Selangor	5 Persiaran Cinta Alam Country Heights 43000 Kajang Selangor Darul Ehsan	1	Freehold	Bungalow	0.53	18	699	15/6/93*
Lot 246 HSD 19983 P.T. No. 12892 Mukim of Kajang District of Ulu Langat Selangor	19 Jalan Cinta Alam Country Heights 43000 Kajang Selangor Darul Ehsan	1	Freehold	Bungalow	0.47	18	662	15/6/93*
Lot 305 HSD 20098 P.T. No. 13007 Mukim of Kajang District of Ulu Langat Selangor	38A Jalan Senyum Matahari Country Heights 43000 Kajang Selangor Darul Ehsan	1	Freehold	Bungalow	0.45	18	990	15/6/93*
Lot 570 HSD 24699 P.T. No. 20156 Mukim of Kajang District of Ulu Langat Selangor	57 Jalan Cinta Alam Country Heights 43000 Kajang Selangor Darul Ehsan	1	Freehold	Bungalow	0.46	18	883	15/6/93*
Lot 594 HSD 24692 P.T. No. 20149 Mukim of Kajang District of Ulu Langat Selangor	65 Jalan Cinta Alam Country Heights 43000 Kajang Selangor Darul Ehsan	1	Freehold	Bungalow	0.41	12	509	15/6/93*
HSD 20047 P.T. No. 12956 Mukim of Kajang District of Ulu Langat Selangor	Country Heights 43000 Kajang Selangor Darul Ehsan	1	Freehold	Kindergarten)))))		18	521	15/6/93*
HSD 20055 P.T. No. 12964 Mukim of Kajang District of Ulu Langat Selangor	Country Heights 43000 Kajang Selangor Darul Ehsan	1	Freehold	Proposed) Kindergarten))))	1.55		839	15/6/93*
HSD 20283 P.T. No. 13194 Mukim of Kajang District of Ulu Langat Selangor	Country Heights 43000 Kajang Selangor Darul Ehsan	1	Freehold	Proposed) Kindergarten))))			407	15/6/93*

Title	Location/Address	No. of lots/ units	Tenure	Existing Use	Approximate			
					Land Area (Acres)	Age of Building (Years)	Net Book Value (RM'000)	Revaluation*/ Acquisition Date
HSD 24917 P.T. No. 20431 Mukim of Kajang District of Ulu Langat Selangor	Country Heights 43000 Kajang Selangor Darul Ehsan	1	Freehold	Proposed) Kindergarten))))			249	15/6/93*
HSD 41905 P.T. No. 34881 Mukim of Kajang District of Ulu Langat Selangor	Country Heights 43000 Kajang Selangor Darul Ehsan	1	Freehold	Convenience Centre, Banking Hall & Clubhouse	6.40	18	13,907	15/6/93*
HSD 52968 P.T.No. 40835 Mukim of Kajang District of Ulu Langat Selangor	Limited Additions Country Heights 43000 Kajang Selangor Darul Ehsan	3	Freehold	Residential - bungalow land	1.06	-	547	21/4/89
Pajakan Negeri 7212 No. Lot 24732 HSD 22919 P.T.No. 14194 Mukim of Kajang District of Ulu Langat Selangor	W.T.C. Country Villas Country Heights villas 43000 Kajang Selangor Darul Ehsan	28 103 villas	Leasehold (expiring 12.11.2088)	Villas) - P1: completed)) - P2: completed) (unsold units) retained for) rental purposes))		12 10	1,424 22,380	24/8/88 24/8/88
Pajakan Negeri 7211 No. Lot 24731 HSD 22918 P.T.No. 14193 Mukim of Kajang District of Ulu Langat Selangor	W.T.C. Country Villas Country Heights 43000 Kajang Selangor Darul Ehsan	1	Leasehold (expiring 12.11.2088)	Clubhouse & Tennis Courts	12.28	12	10,971	24/8/88
HSD 59893 P.T. No. 16721 Mukim of Petaling District of Petaling Selangor	Malaysia International Exhibition & Convention Centre (MIECC)	1	Leasehold (expiring 20.3.2091)	Exhibition Centre	6.74	9	211,572	1/7/03*
HSD 59897 P.T. No. 16725 Mukim of Petaling District of Petaling Selangor	The Mines Resort City	1	Leasehold (expiring 20.3.2091)	Proposed Condo	1.69	-	1,104	15/6/93*
HSD 59898 P.T. No. 16726 Mukim of Petaling District of Petaling Selangor	The Mines Resort City	41	Leasehold (expiring 20.3.2091)	Residential - bungalow land	10.23	-	11,349	15/6/93*

as at 31 December 2006 (CONT'D)

Title	Location/Address	No. of lots/ units	Tenure	Existing Use	Land Area (Acres)	Approximate Age of Building (Years)	Net Book Value (RM'000)	Revaluation*/ Acquisition Date
Lot 1038 HSD 105294 P.T. No. 13173 Mukim of Setul District of Seremban	College Heights Garden Resort	1	Freehold	Bungalow	0.19	10	)	1/6/94
)	
)	
	College Heights Garden Resort	365	Freehold	Residential - bungalow land	81.17		)	1/6/94
)	
	College Heights Garden Resort	7	Freehold	2-storey shop-office	0.41		)	1/6/94
)	
	College Heights Garden Resort	27	Freehold	3-storey shop-office	1.17		)	1/6/94
)	
HSD 155214 P.T. No. 25979 Mukim of Setul District of Seremban	College Heights Garden Resort	343	Freehold	Low cost flat/shop	22.08		13,082	1/6/94
	College Heights Garden Resort	9	Freehold	Institutional and mixed development land	94.73		12,324	1/6/94
	College Heights Garden Resort	2	Freehold	residential future	4.13		)	1/6/94
)	
)	
	College Heights Garden Resort	154	Freehold	Commercial Development	12.87		)	1/6/94
)	
)	
	College Heights Garden Resort	4	Freehold	Recreational & Commercial land	5.58		)	1/6/94
)	
Lot 8217 PM 336 Mukim of Setul District of Seremban Negeri Sembilan	College Heights Garden Resort	1	Leasehold (Expiring 08/12/2093)	Agriculture Land	2.00		)	6/8/01
)	
)	
)	
)	
)	
)	
Lot 9225 PM 333 Mukim of Setul District of Seremban Negeri Sembilan	College Heights Garden Resort	1	Leasehold (Expiring 23/08/2095)	Agriculture Land	2.00		)	1,189 6/8/01
)	
)	
)	
)	
)	
)	
Lot 9226 PM 332 Mukim of Setul District of Seremban	College Heights Garden Resort	1	Leasehold (Expiring 23/08/2095)	Agriculture Land	1.40		)	6/8/01
)	
)	
)	
CT 8095 - 8098 Lot 4129 - 4132 Mukim of Setul District of Seremban Negeri Sembilan	College Heights Garden Resort	89	Freehold	Residential - bungalow land	13.29		5,563	1/3/95

LIST OF LANDED PROPERTIES HELD BY THE GROUP

as at 31 December 2006 (CONT'D)

Title	Location/Address	No. of lots/ units	Tenure	Existing Use	Approximate			
					Land Area (Acres)	Age of Building (Years)	Net Book Value (RM'000)	Revaluation*/ Acquisition Date
HSD 59887 P.T. No. 16715 Mukim of Petaling District of Petaling Selangor	Mines Waterfront Business Park	1	Leasehold (expiring 20.3.2091)	Commercial Building	15.32	10	100,680	28/8/03
HSD 59894 P.T. No. 16722 Mukim of Petaling District of Petaling Selangor	Mines Shopping Fair	1	Leasehold (expiring 20.3.2091)	Shopping Centre	10.19	10	336,550	1/7/03
HSD 59886 P.T. No. 16714 Mukim of Petaling District of Petaling Selangor	Golf View Apartments	1	Leasehold (expiring 20.3.2091)	Recreational	11.86		25,985	25/9/98
HSD 59888 P.T. No. 16716 Mukim of Petaling District of Petaling Selangor	Fisherman's Wharf	1	Leasehold (expiring 20.3.2091)	Recreational	1.81	) ) ) ) )	25/9/98 14,433	
HSD 59890 P.T. No. 16718 Mukim of Petaling District of Petaling Selangor	Mines Resort City Lake	1	Leasehold (expiring 20.3.2091)	Recreational	153.40	) ) )	25/9/98	
HSD 2500 P.T. No 2129 Mukim of Ulu Telom District of Cameron Highlands Pahang Darul Makmur	Equatorial Hill Resort Cameron Highland	4	Freehold	Apartments	0.04	10	478	12/11/01
HSM 9-93 PT NO. 249 Mukim of Padang Matairat District of Langkawi Langkawi, Kedah Darul Aman	Perdana Beach Resort Mukim Padang Matairat Langkawi	4	Freehold	Apartments	0.09	8	477	21/5/02
HSD 47623 Lot No.3177 Tanjung Tokong District Timur Laut	Leisure Bay, Penang	6	Freehold	Apartments	0.11	16	840	7/7/05

Title	Location/Address	No. of lots/ units	Tenure	Existing Use	Approximate			
					Land Area (Acres)	Age of Building (Years)	Net Book Value (RM'000)	Revaluation*/ Acquisition Date
HSD 10483 Lot 1115 Mukim of Sirusa District of Port Dickson Negeri Sembilan	Ocean Wave Water Theme Park	50	Leasehold (expiring 18.12.2089)	Theme Park & service apartments	3.83		8,348	27/2/90
HSD 79509 PT No. 2712 Mukim of Setul District of Seremban Negeri Sembilan	Lot 162 Staffield Country Resort	1	Freehold	Residential - bungalow land	0.20		181	23/8/95
Gunung Penrissen Padawan, Kuching 15 Block 11 Pangkalan Ampat Land	Borneo Heights	62	Leasehold 198 years	Residential - bungalow land	16.29		) ) ) 41,477)	20/9/94
				Future Development	1,210.56		)	20/9/94
				Golf Course & Golf Hotel	162.60	7	32,757	27/6/00
Lot 4 (Lot 4756) Geran No. 44342 Lot 7 Geran No. 7062 Lot 6534 Geran No. 25870 Lot 1818 HM 423 Lot 1962 HM 432 Lot 503 HM 240 Lot 1710 HM 1833 Lot 11 HM 205 Jenan, Kedah	Jenan Estate, Kubang Pasu, Kedah	351	Freehold	Bungalow lots	72.17		)	8/11/95
		113		Shopoffice	10.95		) 43,628)	8/11/95
				Proposed Mixed Mixed Development (under development)	214.54)))	
				Club House	6.48	2	7,320	
		120	Freehold	Villas	Approx. 34.51		) ) )	11/2/99
				Proposed Mixed Development	Approx. 26.23		) ) 52,134)	
HSD 59892 P.T. No. 16720 Mukim of Petaling District of Petaling Selangor	Mines Beach Resort & Spa	1	Leasehold (expiring 20.3.2091)	Hotel	9.25	10	60,672	4/2/02*

LIST OF LANDED PROPERTIES HELD BY THE GROUP

as at 31 December 2006 (CONT'D)

Title	Location/Address	No. of lots/ units	Tenure	Existing Use	Land Area (Acres)	Approximate			Revaluation*/ Acquisition Date
						Age of Building (Years)	Net Book Value (RM'000)		
Geran No. 37112 Lot 826 Mukim of Batu Distrcit of Kuala Lumpur 52000 Kuala Lumpur	CH Damansara	76	Freehold	Bungalow lots	23.56)			
			Freehold	Cluster Bungalow	13.40)			
			Freehold	Condo Development	7.05	)	172,454	14/11/00	
			Freehold	Commercial lots	3.20)			
			Freehold	Future Development	6.42)			
			Freehold	Clubhouse	2.96)			
Lot 1721 Mukim of Durian Tunggal District of Alor Gajah Melaka	Melaka Land		Leasehold		62.10		10,028	14/4/04	
Erf 258	Extension 5 482 JQ North West Province South Africa	1	Freehold	Etika house	0.13		117	31/12/97	
Erf 910	Extension 11 482 JQ North West Province South Africa	1	Freehold	Corporate lodge	0.13		1,060	31/12/99	
Erf 470	Extension 13 482 JQ North West Province South Africa	1	Freehold	Boat Clubhouse	8.37	8	)	1/6/03	
Portion 124	Extension 13 482 JQ North West Province South Africa	1	Freehold	Boat Club Marina	9.87	)	186	1/6/03	
Erf 1083	Extension 10 482 JQ North West Province South Africa	1	Freehold	Clubhouse	3.93	8	)	1/6/03	
Erf 876	Extension 12 482 JQ North West Province South Africa	1	Freehold	Golf course	18.03	)		1/6/03	
Erf 877	Extension 12 482 JQ North West Province South Africa	1	Freehold	Golf course	176.65	)		1/6/03	
						)	15,935		

Title	Location/Address	No. of lots/ units	Tenure	Existing Use	Land Area (Acres)	Approximate			Revaluation*/ Acquisition Date
						Age of Building (Years)	Net Book Value (RM'000)		
Erf 1084	Extension 10 482 JQ North West Province South Africa	1	Freehold	Recreation facilities	5.86	)			1/6/03
Erf 1205	Extension 14 482 JQ North West Province South Africa	1	Freehold	P O S	0.29	)			1/6/03
Erf 1269	Extension 16 482 JQ North West Province South Africa	1	Freehold	Parking	0.52	)			1/6/03
Portion 73	Extension 17 482 JQ North West Province South Africa	1	Freehold	None	10.74	)			1/6/03
Remaining extent of portion 77	Extension 17 482 JQ North West Province South Africa	1	Freehold	None	17.66	)			1/6/03
Erf 953	Extension 11 482 JQ North West Province South Africa	1	Freehold	None	0.16		134	1/6/03	
Erf 1112	Extension 10 482 JQ North West Province South Africa	1	Freehold	None	0.15		256	1/6/03	
Erf 1114	Extension 10 482 JQ North West Province South Africa	1	Freehold	None	0.15		277	1/6/03	
Erf 1233	Extension 8 482 JQ North West Province South Africa	1	Freehold	None	0.12		567	1/6/03	
Erf 1239	Extension 8 482 JQ North West Province South Africa	3	Freehold	None	0.13		336	1/6/03	
Erf 1261	Extension16 482 JQ North West Province South Africa	1	Freehold	None	0.30		630	1/6/03	

LIST OF LANDED PROPERTIES HELD BY THE GROUP

as at 31 December 2006 (CONT'D)

Title	Location/Address	No. of lots/ units	Tenure	Existing Use	Land Area (Acres)	Approximate Age of Building (Years)	Net Book Value (RM'000)	Revaluation*/ Acquisition Date
Erf 1271	Extension16 482 JQ North West Province South Africa	1	Freehold	None	0.16		651	1/6/03
Erf 1273	Extension16 482 JQ North West Province South Africa	1	Freehold	None	0.14		651	1/6/03
Erf 1275	Extension16 482 JQ North West Province South Africa	1	Freehold	None	0.14		609	1/6/03
Erf 1277	Extension16 482 JQ North West Province South Africa	1	Freehold	None	0.13		563	1/6/03
Erf 1258	Extension16 482 JQ North West Province South Africa	1	Freehold	None	0.31		672	1/6/03
Erf 1259	Extension16 482 JQ North West Province South Africa	1	Freehold	None	0.27		651	1/6/03
Erf 1260	Extension16 482 JQ North West Province South Africa	1	Freehold	None	0.29		630	1/6/03
Erf 1300	Extension 9 482 JQ North West Province South Africa	1	Freehold	None	0.13		689	1/6/03
Erf 1302	Extension 9 482 JQ North West Province South Africa	1	Freehold	None	0.13		668	1/6/03
Erf 1304	Extension 9 482 JQ North West Province South Africa	1	Freehold	None	0.13		651	1/6/03
					2,728.59		1,724,688	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Third Annual General Meeting of Country Heights Holdings Berhad will be held at Parameswara Ballroom, Level 2, Palace Beach & Spa, Jalan Dulang, Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan on Thursday, 21 June 2007 at 11.30 a.m. to transact the following businesses :-

A G E N D A

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2006 and the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors’ fees in respect of the financial year ended 31 December 2006.

3. To re-elect the following directors who retire pursuant to Article 102 of the Company's Articles of Association, and being eligible, have offered themselves for re-election:-

(i) Ms Lee Sow Lin

(ii) Mr Choo Chin Thye

4. To re-elect Tan Sri Lee Kim Tiong @ Lee Kim Yew who retires pursuant to Article 85(2) of the Company's Articles of Association, and being eligible, has offered himself for re-election.

5. To consider and if thought fit, to pass the following resolution to re-appoint General Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (R) as a Director of the Company who is retiring pursuant to Section 129 of the Companies Act, 1965:-

“THAT pursuant to Section 129 of the Companies Act, 1965, General Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (R) who has attained the age of 70 years be and is hereby re-appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting.”

6. To consider and if thought fit, to pass the following resolution to re-appoint Academician Tan Sri Datuk Dr Ong Soon Hock as a Director of the Company who is retiring pursuant to Section 129 of the Companies Act, 1965:-

“THAT pursuant to Section 129 of the Companies Act, 1965, Academician Tan Sri Datuk Dr Ong Soon Hock who has attained the age of 70 years be and is hereby re-appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting.”

7. To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.
- (Ordinary Resolution 1)

(Ordinary Resolution 2)

(Ordinary Resolution 3)

(Ordinary Resolution 4)

(Ordinary Resolution 5)

(Ordinary Resolution 6)

(Ordinary Resolution 7)

As Special Business

To consider and if thought fit, with or without any modification, to pass the following Resolutions:-

8. Authority to allot shares pursuant to Section 132D of the Companies Act, 1965

“THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to allot and issue shares from the unissued share capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

9. Proposed Renewal of General Mandate for Recurrent Related Party Transactions And Proposed New Mandate For Additional Recurrent Related Party Transactions of a Revenue or Trading Nature

“THAT subject always to the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into and to give effect to the Recurrent Related Party Transactions of a Revenue or Trading Nature with the Related Parties as specified in Section 3.2 of the Circular to Shareholders dated 30 May 2007 (“Circular”).

AND THAT a mandate be and is hereby granted for the Company and/or its subsidiaries to enter into additional Recurrent Related Party Transactions of a Revenue or Trading Nature with the Related Parties as specified in Section 3.2 of the Circular **PROVIDED ALWAYS** that :-

- i. the transactions are necessary for the day to day operations of the Group;
- ii. the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and the transactions are undertaken at arm’s length basis and are not detrimental to the minority shareholders of the Company; and
- iii. disclosure is made in the Annual Report of the break down of the aggregate value of transactions conducted pursuant to the Shareholders’ Mandate during the financial year;

AND THAT such approval shall continue to be in force until:

- a) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time it will lapse, unless by a resolution passed at the said AGM whereby the authority is renewed; or
- b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (“the Act”) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is earlier,

AND FURTHER THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary in the best interest of the Company to give effect to the transactions contemplated and/or authorised by this resolution.”

(Ordinary Resolution 8)

(Ordinary Resolution 9)

10. Proposed Renewal of Authority for the purchase by Country Heights Holdings Berhad of its own ordinary shares

“THAT subject always to the Companies Act, 1965 (“the Act”), the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and the approvals of the relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares of RM1.00 each in the Company (“Proposed Share Buy-Back”) as may be determined by the Directors of the Company from time to time through the Bursa Malaysia upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that :

- (i) the aggregate number of shares purchased and/or held pursuant to this resolution shall not exceed ten per centum (10%) of the total issued and paid-up ordinary share capital of the Company for the time being quoted on Bursa Malaysia.
- (ii) an amount not exceeding the total audited retained profits of the Company of RM19,848,000 and/or audited share premium reserves of the Company of RM57,251,000 as at 31 December 2006, be allocated by the Company for the Proposed Share Buy-Back.
- (iii) at the discretion of the Directors of the Company, the shares of the Company to be purchased are proposed to be cancelled and/or retained as treasury shares and may be distributed as dividends or resold on the Bursa Malaysia or subsequently cancelled.

AND THAT the Directors of the Company be and are hereby empowered to do all acts and things to give effect to the Proposed Share Buy-Back **AND THAT** such authority shall commence immediately upon passing of this ordinary resolution until:

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time the authority shall lapse unless by ordinary resolution passed at a general meeting, the authority is renewed either conditionally or subject to conditions;
- (b) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (c) revoked or varied by ordinary resolution of the shareholders of the Company at a general meeting;

whichever is earlier but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by the Bursa Malaysia or any other relevant authorities.

AND FURTHER THAT authority be and is hereby unconditionally and generally given to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all agreements, arrangements and guarantees with any party or parties) to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the shares bought-back) in accordance with the Act, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia, and all other relevant governmental and/or regulatory authorities.”

(Ordinary Resolution 10)

11. Proposed Re-Classification of Authorised Share Capital

“THAT the authorised share capital which is currently RM5,050,000,000.00 divided into 5,000,000,000 ordinary shares of RM1.00 each and 500,000,000 cumulative redeemable preference shares of RM0.10 each be re-classified to RM5,050,000,000.00 divided into 5,050,000,000 ordinary shares of RM1.00 each.

AND THAT Clause 5 of the Company’s Memorandum of Association be amended to read as follows:-

The capital of the Company is RM5,050,000,000.00 divided into 5,050,000,000 ordinary shares of RM1.00 each. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.”

12. Proposed Amendments to Articles of Association of the Company

“THAT the Proposed Amendments to the Articles of Association of the Company as set out in Appendix I of the Circular to Shareholders dated 30 May 2007 (“Circular”) be and are hereby approved and adopted.

THAT the Directors and Secretary of the Company be and are hereby authorised to carry out all the necessary formalities in effecting the amendments as set out in Appendix I of the Circular.

AND THAT the Directors of the Company be and are hereby authorised to assent to any condition, modification, variation and/or amendments as may be required by Bursa Malaysia Securities Berhad”

13. To transact any other business of which due notice shall have been given.

By Order of The Board

TAN SHIM CHIENG (MAICSA 7013540)
Secretary

Seri Kembangan, Selangor Darul Ehsan
30 May 2007

(Special Resolution 1)

(Special Resolution 2)

Explanatory notes to Special Business:

1. The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company, from the date of the above AGM the authority to allot and issue shares in the capital of the Company up to an aggregate amount not exceeding 10% of the issued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This is to avoid any delay and cost involved in the convening of further general meetings to obtain shareholders approval for such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next AGM.
2. The proposed Ordinary Resolution 9, if passed, will allow the Company and/or of its subsidiaries to enter into the Recurrent Related Party Transactions of a Revenue or Trading Nature in the ordinary course of its business as set out in the Circular to Shareholders dated 30 May 2007 with the Related Parties mentioned therein which are necessary for the Group’s day to day operations. The Shareholders’ Mandate is subject to renewal on an annual basis.
3. The proposed Ordinary Resolution 10, if passed, will empower the Directors of the Company to purchase the Company’s shares of up to ten (10) per centum of the issued and paid-up share capital of the Company for the time being quoted on Bursa Malaysia by utilizing the funds allocated which shall not exceed the total retained profits and share premium of the Company. This authority unless revoked or varied at a general meeting, will expire at the next AGM of the Company.
4. The proposed Special Resolution 1, if passed, will empower the Company to amend its Memorandum of Association for the purpose of re-classifying its existing authorised share capital of RM5,050,000,000.00 currently divided into 5,000,000,000 ordinary shares of RM1.00 each and 500,000,000 cumulative redeemable preference shares of RM0.10 each to RM5,050,000,000.00 divided into 5,050,000,000 ordinary shares of RM1.00 each.
5. The proposed Special Resolution 2, if passed, will render the Articles of Association of the Company to be consistent with the new provisions under Chapter 7 of the Listing Requirements of Bursa Malaysia and any prevailing laws, rules, regulations, orders, guidelines or requirements of the relevant authorities.

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a), (b) and (c) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. If no name is inserted in the space for the name of the proxy, the Chairman of the meeting will act as the proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.
5. The duly completed and signed Form of Proxy must be deposited at the Registered Office of the Company at 8th Floor, Block A, The Mines Waterfront Business Park, No. 3, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof. The lodging of the Form of Proxy will not preclude the member from attending and voting in person at the meeting should the member subsequently wish to do so.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of Directors standing for re-election/re-appointment are as follows:

The Directors who are standing for re-election/re-appointment at the Twenty-Third Annual General Meeting are as follows:

General Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (R)
Tan Sri Lee Kim Tiong @ Lee Kim Yew
Academician Tan Sri Datuk Dr Ong Soon Hock
Ms Lee Sow Lin
Mr Choo Chin Thye

The details of General Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (R), Tan Sri Lee Kim Tiong @ Lee Kim Yew, Academician Tan Sri Datuk Dr Ong Soon Hock, Ms Lee Sow Lin and Mr Choo Chin Thye are disclosed on pages 4 to 9 of the Annual Report, and their shareholdings information are listed on page 130 of the Annual Report.

PROXY FORM

I / We _____ NRIC/Passport No. _____
of _____
being a member / members of Country Heights Holdings Berhad hereby appoint _____
NRIC/Passport No. _____ of _____

or failing him, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty-Third Annual General Meeting of the Company to be held at Parameswara Ballroom, Level 2, Palace Beach & Spa, Jalan Dulang, Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan on Thursday, 21 June 2007 at 11.30 a.m. and any adjournment thereof.

AGENDA

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2006 and the Reports of the Directors and Auditors thereon.		
Ordinary Resolutions		For	Against
2.	To approve the payment of Directors’ fees in respect of the financial year ended 31 December 2006. (Resolution 1)		
	To re-elect the following directors who retire pursuant to Article 102 of the Company’s Articles of Association, and being eligible, have offered themselves for re-election:-		
3.	(i) Ms Lee Sow Lin (Resolution 2)		
4.	(ii) Mr Choo Chin Thye (Resolution 3)		
5.	To re-elect Tan Sri Lee Kim Tiong @ Lee Kim Yew who retires pursuant to Article 85(2) of the Company’s Articles of Association, and being eligible, has offered himself for re-election. (Resolution 4)		
6.	To re-appoint General Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (R) as a Director of the Company who is retiring pursuant to Section 129 of the Companies Act, 1965. (Resolution 5)		
7.	To re-appoint Academician Tan Sri Datuk Dr Ong Soon Hock as a Director of the Company who is retiring pursuant to Section 129 of the Companies Act, 1965. (Resolution 6)		
8.	To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Resolution 7)		
9.	As Special Business – Authority to allot shares pursuant to Section 132D of the Companies Act, 1965. (Resolution 8)		
10.	As Special Business – Proposed Renewal of General Mandate for Recurrent Related Party Transactions and Proposed New Mandate For Additional Recurrent Related Party Transactions of a Revenue or Trading Nature. (Resolution 9)		
11.	As Special Business – Proposed Renewal of Authority for the purchase by Country Heights Holdings Berhad of its own ordinary shares (Resolution 10)		
Special Resolutions			
12.	As Special Business - Proposed Re-Classification of Authorised Share Capital (Resolution 1)		
13.	As Special Business - Proposed Amendments to Articles of Association of the Company (Resolution 2)		

(Please indicate with an “X” in the spaces provided, how you wish your vote to be cast. If you do not do so, the proxy will vote as he thinks fit, or at his discretion or abstain from voting)

Signed this _____ day of _____, 2007.

No. of ordinary shares held	
-----------------------------	--

Signature/Common Seal of Shareholder _____

Notes :

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
Country Heights Holdings Berhad (119416-K)
8th Floor, Block A,
MINES Waterfront Business Park,
No 3, Jalan Tasik, MINES Resort City,
43300 Seri Kembangan,
Selangor Darul Ehsan, Malaysia

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NOTE



Country Heights Holdings Berhad
119416-K

Corporate Directory

COUNTRY HEIGHTS HOLDINGS BERHAD

8th Floor, Block A, MINES Waterfront Business Park,
3, Jalan Tasik, MINES Resort City, 43300 Seri Kembangan,
Selangor Darul Ehsan
Tel: 603-894 38811 Fax: 603-894 11470
Email: cbchoo@countryheights.com.my
Homepage: www.countryheights.com.my
Contact Person: Mr Choo Chee Beng, Chief Financial Officer

Property Development

COUNTRY HEIGHTS PROPERTY DEVELOPMENT BERHAD

COUNTRY HEIGHTS MARKETING SDN BHD

PECANWOOD RESORT & RESIDENTIAL ESTATE

Ground Floor, Block A, MINES Waterfront Business Park,
3, Jalan Tasik, MINES Resort City, 43300 Seri Kembangan,
Selangor Darul Ehsan
Tel: 603-894 85555 Fax: 603-894 51477
Email: inquiry@countryheights.com.my
Homepage: <http://properties.countryheights.com>
Contact Person: Dato' Ong Chong Sek, Chief Executive Officer

Tourism Property

PALACE OF THE GOLDEN HORSES

Jalan Kuda Emas, MINES Resort City, 43300 Seri Kembangan,
Selangor Darul Ehsan
Tel: 603-894 64888 Fax: 603-894 32666
Email: enquiry@pgh.mines.com.my
Homepage: www.palaceofthegoldenhorses.com.my
Contact Person: Ms Sally Wong, General Manager

PALACE BEACH & SPA

Jalan Dulang, MINES Resort City, 43300 Seri Kembangan,
Selangor Darul Ehsan
Tel: 603-894 36688 Fax: 603-894 35555
Email: sales@pbs.mines.com.my
Homepage: www.palacebeachandspa.com.my
Toll-Free Reservations:
Malaysia: 1 800 88 6018 Singapore: 800 601 1106
Contact Person: Ms Sally Wong, General Manager

BORNEO HIGHLANDS RESORT

Borneo Highlands Resort, Ground & 1st Floor,
Lot 11607-11608, Block 16, RH Plaza,
Lorong Lapangan Terbang 1, 93250 Kuching, Sarawak
Tel: 6082-573 980 Fax: 6082-576 690
Email: enquiry@hornbillgolf.com
Homepage: www.borneohighlands.com.my
Contact Person: Mr Loh Leh Ching, Chief Executive Officer

PALACE VACATION CLUB

c/o MINES Marketing Sdn Bhd
10th Floor, Block C, MINES Waterfront Business Park,
3, Jalan Tasik, MINES Resort City, 43300 Seri Kembangan,
Selangor Darul Ehsan
Tel: 603-894 11888 Fax: 603-894 53320
Email: enquiries@palacevacationclub.com
Homepage: www.palacevacationclub.com
Contact Person: Mr Ricky Yip, General Manager

COUNTRY HEIGHTS HEALTH SCREENING

c/o Country Heights Health Tourism Sdn Bhd
Lower Ground Floor, East Wing, Palace of the Golden Horses,
Jalan Kuda Emas, MINES Resort City, 43300 Seri Kembangan,
Selangor Darul Ehsan
Tel: 603-894 15833 Fax: 603-894 16163
Email: enquiry@chhs.com.my
Homepage: www.chhs.com.my
Contact Person: Ms Candy Yap, Executive Director

MINES SHOPPING FAIR

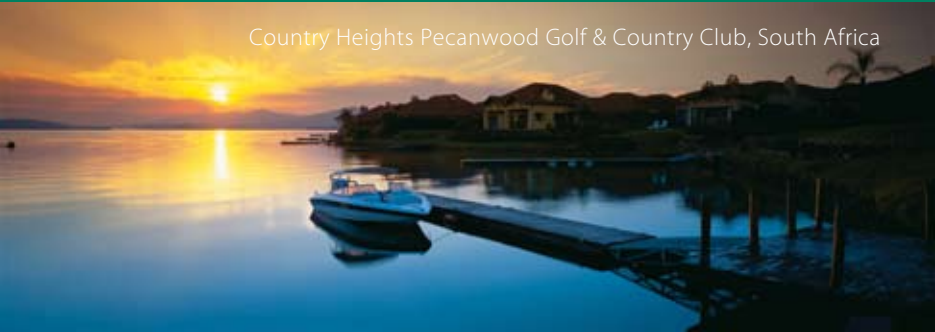
Management Office, MINES Shopping Fair, Jalan Dulang,
MINES Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan
Tel: 603-894 22163 Fax: 603-894 22181
Email: enquiries@msf.mines.com.my
Homepage: <http://msf.mines.com.my>
Contact Person: Ms Bonnie Chong, Head of Marketing

MINES WATERFRONT BUSINESS PARK

Level 1, Block B, MINES Waterfront Business Park,
3, Jalan Tasik, MINES Resort City, 43300 Seri Kembangan,
Selangor Darul Ehsan
Tel: 603-894 38811 Fax: 603-894 31837
Email: enquiry@mwbp.mines.com.my
Homepage: <http://mwbp.mines.com.my>
Contact Person: Ms Mabel Tan, Marketing Manager

MALAYSIA INTERNATIONAL EXHIBITION & CONVENTION CENTRE (MIECC)

Ground Floor, Jalan Dulang, MINES Resort City,
43300 Seri Kembangan, Selangor Darul Ehsan
Tel: 603-894 52055 Fax: 603-894 52155
Email: info@miecc.countryheights.com.my
Homepage: <http://miecc.mines.com.my>
Contact Person: Ms Jessie Leong, General Manager



Country Heights Holdings Berhad

(119416-K)

8th Floor, Block A, MINES Waterfront Business Park,
3, Jalan Tasik, MINES Resort City, 43300 Seri Kembangan,
Selangor Darul Ehsan, Malaysia