

**DISCLOSURE REQUIREMENT**

(As extracted from the Circular to shareholders of CIH dated 7 October 2003 ("Circular"), a copy which is available on the Bursa Malaysia website ([www.bursamalaysia.com](http://www.bursamalaysia.com)))

**Definitions**

All definitions shall have the same meaning as stated in the Definitions page of this Abridged Prospectus except for the following definitions which shall apply within this Appendix:

Ayamas Shares	: Ordinary shares of RM1.00 each in Ayamas
Ayamas Warrants	: Outstanding warrants 2002/2007 in Ayamas
KFCH Group	: KFCH and its subsidiaries
KFCH Shares	: Ordinary shares of RM1.00 each in KFCH
KLSE	: Kuala Lumpur Stock Exchange (30632-P)
Newco	: QSR Brands Sdn Bhd (599171-D) (formerly known as Good Platform Sdn Bhd), a newly incorporated investment holding company to be converted into a public company which will take over the listing status of Ayamas after the Proposed Ayamas Share and Warrant Swap and pursuant to the Proposed Ayamas Listing Transfer
Newco Shares	: Ordinary shares of RM1.00 each in Newco
Newco Warrants	: New warrants 2003/2007 in Newco to be issued pursuant to the Proposed Ayamas Share and Warrant Swap
Offer Shares	: Newco Shares to be offered pursuant to the Proposed Pan-Tiara Restricted Offer for Sale/Placement
Offer Warrants	: Newco Warrants to be offered free pursuant to the Proposed Pan-Tiara Restricted Offer for Sale/Placement
Pan-Tiara	: Pan-Tiara Corporation Sdn Bhd (341532-T), a wholly-owned subsidiary of KFCH
PISB	: Punca Ibarat Sdn Bhd (366124-T)
Proposals	: Proposed CIE Disposal, Proposed CIH Rights Issue, Proposed Acquisitions and Proposed Debt Settlement collectively
Proposed Acquisitions	: Proposed 51% Permanis Acquisition and Proposed Pep Bottlers Acquisition collectively
Proposed Ayamas Acquisition	: Proposed acquisition by KFCH and proposed disposal by Newco of the entire equity interest in Ayamas, comprising up to 245,800,000 Ayamas Shares (on the assumption that all outstanding Ayamas Warrants are exercised) and up to 49,749,497 Ayamas Warrants (on the assumption that none of the Ayamas Warrants are exercised), upon completion of the Proposed Ayamas Share and Warrant Swap and Proposed Ayamas Listing Transfer, for a cash consideration of RM260 million forming part of the Proposed Ayamas Scheme of Arrangement
Proposed Ayamas Listing Transfer	: Proposed transfer of the existing listing status of Ayamas to Newco upon completion of the Proposed Ayamas Share and Warrant Swap forming part of the Proposed Ayamas Scheme of Arrangement
Proposed Ayamas Scheme of Arrangement	: Proposed scheme of arrangement between Ayamas and its shareholders and warrant holders, and Newco and its shareholders under Section 176 of the Act which involves the Proposed Ayamas Share and Warrant Swap, Proposed Ayamas Listing Transfer, Proposed Ayamas Acquisition, Proposed CIE Disposal and Proposed PH Acquisition

**Definitions (Cont'd)**

Proposed Ayamas Share and Warrant Swap	:	Proposed Ayamas Share Swap and Proposed Ayamas Warrant Swap collectively, forming part of the Proposed Ayamas Scheme of Arrangement
Proposed Ayamas Share Swap	:	Proposed share swap between the shareholders of Ayamas and Newco wherein up to 245,800,000 Ayamas Shares, representing the entire equity interest therein (assuming all the Ayamas Warrants are exercised), will be exchanged with up to 245,800,000 new Newco Shares, credited as fully paid-up, on the basis of one (1) new Newco Share for every one (1) existing Ayamas Share held
Proposed Ayamas Warrant Swap	:	Proposed warrant swap between the warrant holders of Ayamas and Newco wherein up to 49,749,497 Ayamas Warrants, representing all the outstanding Ayamas Warrants (assuming none of the Ayamas Warrants are exercised) will be exchanged with up to 49,749,497 new Newco Warrants on the basis of one (1) new Newco Warrant for every one (1) existing Ayamas Warrant held
Proposed CIE Disposal	:	Proposed disposal by CIH and proposed acquisition by Newco of the entire equity interest in CIE, comprising 300,000 ordinary shares of RM1.00 each, for a cash consideration of RM1.00 and by Newco replacing CIH as the corporate guarantor in favour of Alliance Bank for the amount of RM198 million forming part of the Proposed Ayamas Scheme of Arrangement
Proposed CIH Rights Issue	:	Proposed renounceable rights issue of 57,377,835 new CIH Shares together with 57,377,835 free Warrants on the basis of one (1) Rights Share and one (1) free Warrant for every one (1) existing CIH Share held on the Entitlement Date, at an issue price of RM1.00 per Rights Share
Proposed Debt Settlement	:	Proposed settlement of debt owing by DISB to MAA amounting to RM15,000,000, by CIH via the issuance of 14,851,485 Settlement Shares at an issue price of RM1.01 per Settlement Share, the details of which are set out in Section 2.4 of Part A of the Circular
Proposed Pan-Tiara Restricted Offer for Sale/Placement	:	Proposed restricted offer for sale to the shareholders of KFCH (except CIE) and proposed placement to identified senior management personnel of the KFCH Group by Pan-Tiara of its entire 48.43% equity interest in Newco, comprising 94,953,500 Offer Shares and 34,984,500 Offer Warrants (upon completion of the Proposed Ayamas Share and Warrant Swap and Proposed Ayamas Listing Transfer)
Proposed Pep Bottlers Acquisition	:	Proposed acquisition of the entire equity interest in Pep Bottlers, comprising 300,000 ordinary shares of RM1.00 each, by CIH from KFCH, for a cash consideration of RM35.28 million
Proposed PH Acquisition	:	Proposed acquisition by Newco and proposed disposal by KFCH of the entire equity interest in PH by KFCH to Newco, comprising 40,000,000 ordinary shares of RM1.00 each, for a cash consideration of RM115 million forming part of the Proposed Ayamas Scheme of Arrangement
Proposed 51% Permanis Acquisition	:	Proposed acquisition of 51% equity interest in Permanis, comprising 20,400,000 ordinary shares of RM1.00 each, by CIH from Urban Fetch, for a cash consideration of RM2.3 million and the assumption of liabilities amounting to RM34.42 million
Proposed Reorganisation Scheme	:	A reorganisation scheme, which involves CIH, KFCH and Ayamas in various proposals to reorganise the group structure of the respective companies as set out in Section 1 of Part A of the Circular

## 1. CIE Disposal

### 1.1 Basis and Justifications for the CIE Disposal

(As extracted from Section 2.1 of Part A of the Circular)

“The cash consideration of RM1.00 and Newco replacing CIH as corporate guarantor in favour of Alliance Bank for the amount of RM198 million arising from a term loan facility granted by Alliance Bank was determined on a willing buyer-willing seller basis after taking into consideration, among other factors, the following:

- (i) proforma NL of CIE of RM608,000 as at 30 June 2002 based on the latest audited financial statements of CIE for the financial year ended 30 June 2002 after adjusting for the transfer and reclassification of balances, accruals of interest expenses, waiver of intercompany loans and impairment write down which will be effected prior to the completion of the Proposed CIE Disposal;
- (ii) audited consolidated profit after taxation and minority interests of KFCH of RM47.70 million for the financial year ended 31 December 2001 or EPS of RM0.25; and
- (iii) the earnings potential of KFCH, which is CIE’s main asset.

Other than the aforementioned, no other liabilities will be assumed by Newco.

#### **WAP**

Based on the proforma audited balance sheet of CIE as at 30 June 2002, other than the amount owing to Alliance Bank, there are liabilities totalling RM92.7 million, details of which are set out below. As such, CIE’s investment in KFCH has been written down to RM291 million. The value of RM291 million translates to a price of RM5.10 per KFCH Share.

Furthermore, the price of RM5.10 per KFCH Share was based on a premium of 14.09% and 40.9% to the WAP of KFCH Shares of RM4.47 and RM3.62 respectively, for the past twelve (12) months and five (5) days to 19 December 2002, being the latest practicable trading date prior to the date of the announcement of the Proposals (excluding the Proposed Debt Settlement).

The rationale for the above premium is as follows:

- (i) acquisition by Newco of a controlling stake in KFCH, a company whose revenue has passed the RM1 billion mark and which currently controls the franchise for KFC in Malaysia, Singapore and Brunei upon completion of the Proposed Reorganisation Scheme; and
- (ii) the potential improvement in the operations of KFCH arising from the Proposed Reorganisation Scheme pursuant to which the operations of KFCH will be streamlined to become a focused fully-integrated poultry processing and retailing company.

The last transacted market price of the KFCH Shares as at 1 October 2003, being the latest practicable trading date prior to the printing of this Circular, is RM4.22.

In addition, the general market sentiment on the KLSE has been on a down trend for the six (6) months preceding the announcement of the Proposals (excluding the Proposed Debt Settlement), and has been especially affected by other unique macroeconomic world wide factors such as the war between Iraq and the United States and the recent Bali bomb blast in October 2002. The management of KFCH believes that the KFCH Share's price has been affected by the negative market sentiment and that the KFCH Share's price was undervalued due to the negative perception arising from the acquisition of the entire equity interest in Mawar Seroja Sdn Bhd by CIH with the corresponding issues with the franchisor, KFCHI. It is expected that the share price of KFCH should improve and be reflective of its long-term value upon completion of the Proposed Reorganisation Scheme pursuant to which Newco, which will hold 28.99% equity interest in KFCH directly (based on CIE's equity interest in KFCH as at 30 September 2003), will be 13%-owned (estimated) by identified senior management personnel of the KFCH Group following the Proposed Pan-Tiara Restricted Offer for Sale/Placement.

Upon completion of the Proposed CIE Disposal, CIE will become a wholly-owned subsidiary of Newco. Arising thereto, Newco will assume all assets and liabilities of CIE upon consolidating CIE as a subsidiary. Based on the proforma balance sheet of CIE as at 30 June 2002 (after taking into consideration the transfer and reclassification of balances, accruals of interest expenses, waiver of intercompany loans and impairment write down which will be effected prior to the completion of the Proposed CIE Disposal), other than the amount owing to Alliance Bank, there is an amount owing to PISB of approximately RM83 million (including interest) which is unsecured, interest free\* and was due on 1 September 2003. In addition, there is also an amount owing to Mawar Seroja of RM9.7 million which is unsecured, interest free and has no fixed term of repayment.

**Note:**

- \* *Effective 1 November 2002, interest (which had previously been charged at the rate of 1% per month) will no longer be payable on the amount due to PISB as confirmed by PISB on 11 December 2002."*

**1.2 Historical Events in relation to the 57,080,000 KFCH Shares held by CIE**  
(As extracted from Section 2.1 of Part A of the Circular)

**"Step 1: Initial acquisition by PISB of 57,000,000 KFCH Shares**

57,000,000 KFCH Shares were acquired by PISB through a series of transactions entered over a period of time, namely between December 1995 to May 1997. The total cost of acquisition for the said KFCH Shares amounted to approximately RM450 million (including financing costs), which were financed through external borrowings.

On 26 October 1999, an Agreement was entered into between PISB and Mawar Seroja Sdn Bhd ("Mawar Seroja") ("Mawar Agreement") for the acquisition of the entire equity interest in Mawar Seroja through the allotment by Mawar Seroja of 99,998 ordinary shares of RM1.00 each in Mawar Seroja to PISB in consideration of PISB agreeing to assign all its rights, title and interest in the 57,000,000 KFCH Shares to Mawar Seroja, at a consideration of RM450 million which includes the assumption of the RM382.5 million debt obligation of PISB as follows:

- (i) RM330.0 million (before interest) owing to Fulcrum Capital Sdn Bhd ("Fulcrum") whereby, the 57,000,000 KFCH Shares were pledged to Fulcrum ("Fulcrum Debt"); and
- (ii) RM52.5 million owing to the non-financial institution creditors of PISB ("Other Creditors")

(collectively referred to as the "Mawar Seroja Debts").

Pursuant to the Mawar Agreement, Mawar Seroja became a wholly-owned subsidiary of PISB and KFCH became an associated company of Mawar Seroja.

The 57,000,000 KFCH Shares was approximately 30.5% equity interest in KFCH as at 26 October 1999 representing the single largest block of shares in KFCH.

The last trading price of KFCH Shares as at 26 October 1999 was RM4.68.

**Step 2: Acquisition by CIH of the entire equity interest in Mawar Seroja from PISB**

On 28 October 1999, the Board of Directors of CIH had considered and discussed at length a board paper prepared by a merchant bank adviser for the following proposals:

- (i) proposed acquisition by CIH of 100% equity interest in Mawar Seroja which in turn owns the 57,000,000 KFCH Shares, then representing approximately 30.5% equity interest therein from PISB for an aggregate consideration of RM450 million ("Aggregate Sum") ("Mawar Acquisition");
- (ii) proposed issue by CIH of RM200 million nominal value of 1% redeemable bank-guaranteed unsecured bonds 2000/2005 with 102,345,752 detachable warrants at 100% of the nominal value of the bonds on a 'bought deal' basis;
- (iii) proposed bonus issue of 114,755,670 new CIH Shares on the basis of two (2) new CIH Shares for every one (1) existing CIH Share held at a date to be determined later ("Bonus Issue"); and
- (iv) proposed restricted offer for sale of the rights to the provisional allotment of 102,345,752 warrants by the primary subscriber at a proposed offer price of RM0.63 per warrant on a non-renounceable basis to entitled shareholders of CIH on the basis of one (1) warrant for every two (2) CIH Shares held (after the Mawar Acquisition and Bonus Issue) at a date to be determined later

(collectively referred to as the "Initial Proposals").

The Board of Directors of CIH gave its unanimous approval to the Initial Proposals and on the same day, a conditional Sale and Purchase Agreement was entered into between CIH and PISB ("PISB SPA") for the Mawar Acquisition to be satisfied by CIH as follows:

- (i) RM67.5 million in cash to PISB, being the purchase price ("Purchase Price") for the Mawar Acquisition upon execution of the PISB SPA;
- (ii) RM60 million in cash to Fulcrum within seven (7) days of the execution of the PISB SPA;
- (iii) RM52.5 million in cash to Mawar Seroja or Other Creditors as Mawar Seroja may direct within seven (7) days from the execution of the PISB SPA; and
- (iv) balance of RM270 million in cash or by issuance of CIH's securities or otherwise on or before a period of twelve (12) calendar months from the date where all conditions precedent have been fulfilled and the PISB SPA becomes unconditional.

The Aggregate Sum was arrived at on a willing buyer-willing seller basis after taking into consideration of the following:

- (i) audited consolidated NTA of KFCH for the financial year ended 31 December 1999 of RM1.164 per share;
- (ii) closing market price of KFCH Shares of RM4.74 per share on 28 October 1999, being the latest practicable date prior to the signing of the PISB SPA;
- (iii) the premium accorded to the listing status of KFCH; and

- (iv) the future earnings potential of KFCH.

Based on the Aggregate Sum, the said KFCH Shares were valued at RM7.895 per share representing a premium of RM3.155 per share or approximately 66.5% over the closing market price of KFCH Shares of RM4.74 per share as at 28 October 1999, being the latest practicable date prior to the signing of the PISB SPA.

The following parties had settled the Mawar Seroja Debts as set out below:

Settlement by	Note	Fulcrum RM 000	Other Creditors RM 000
CIH	1	60,000	47,500
PISB	2	72,000	5,000
CIE	3	198,000	-
		<u>330,000</u>	<u>52,500</u>

**Notes:**

- 1 *By 19 November 1999, the Company paid RM160 million. A further sum of RM15 million was paid on 17 December 1999, making it to a total cash payment of RM175 million for the Purchase Price of RM67.5 million and partial settlement to Fulcrum and Other Creditors of RM107.5 million.*
- 2 *Settlement on behalf of Mawar Seroja for the amount owing to Fulcrum for the release of the pledged KFCH Shares on 29 October 1999, subject to an interest rate of 1% per month which was originally due on 1 September 2001 ("PISB Debt"). On 2 September 2001, PISB agreed to extend the repayment of the PISB Debt by a further period of twelve (12) months from 1 September 2001. On 10 December 2001, at the request of CIH, PISB agreed a further extension of time for the repayment of the PISB Debt by a further twelve (12) months period to 1 September 2003 to enable the Company to undertake the necessary corporate exercise.*
- 3 *Settlement via a term loan facility of RM198 million from Alliance Bank which was drawdown by CIE on 25 October 2000 ("TL by Alliance Bank"), subject to, amongst others, the terms and conditions of the repayment of the TL by Alliance Bank is within twelve (12) months from the first drawdown date and thereafter, an extension of up to a further period of three (3) months at the option of CIE, subject to the satisfaction of Alliance Bank and provision of corporate guarantee by CIH. Pursuant to the TL by Alliance Bank, the 57,000,000 KFCH Shares were acquired by CIE by way of direct market transactions on the KLSE in accordance with the rules and regulations of Malaysian Central Depository Sdn Bhd. The said KFCH Shares were registered under the names of the nominees of Alliance Bank with CIE as the beneficial owner and CIH began equity accounting for the results of KFCH for the quarter ended 31 December 2000.*

*As the TL by Alliance Bank was originally due on 27 October 2001, Alliance Bank had on 25 September 2001 agreed to accommodate the request of CIE to extend the TL by Alliance Bank for a further period of three (3) months expiring on 27 January 2002. On 24 January 2002, Alliance Bank further agreed to accommodate CIE's request to extend the tenure of the TL by Alliance Bank for a further period of two (2) years expiring on 27 January 2004 subject to, inter-alia, the condition that a corporate exercise incorporating a scheme for the retirement of the TL by Alliance Bank must be submitted to the SC by 31 December 2002. Subsequently, Alliance Bank has vide its letter dated 6 March 2003 agreed without any objection for CIH to proceed with the submission of the Proposals ("Submission") to the SC. On 26 March 2003, CIMB on behalf of CIH submitted the Submission to the SC.*

The shareholders of CIH unanimously approved the Initial Proposals including the proposal for the increase in the authorised share capital of the Company at the extraordinary general meeting of CIH held on 22 July 2000.

On 27 September 2000, a Supplemental Agreement was entered into between CIH and PISB ("PISB Supplemental Agreement") wherein PISB had agreed to waive the outstanding conditions precedent and therefore, the Mawar Acquisition was deemed completed. As a result, Mawar Seroja became a wholly-owned subsidiary of CIH.

The last trading price of KFCH Shares as at 27 September 2000 was RM5.10.

### **Step 3: Acquisition of 57,080,000 KFCH Shares by CIE**

On 19 October 2000, CIE acquired the 57,000,000 KFCH Shares from Mawar Seroja, both of whom are wholly-owned subsidiaries of the Company, for a total purchase consideration of RM450 million. The purchase consideration was financed via TL by Alliance Bank (as detailed in Step 2, Note 3 above) and the balance of approximately RM252 million owing to Mawar Seroja.

On 24 October 2000, CIE had further increased its investment in KFCH to 57,080,000 KFCH Shares by acquiring an additional 80,000 KFCH Shares at the cost of RM412,000 (being RM5.15 per KFCH Share) through internally generated funds.

The last trading price of KFCH Shares as at 19 October 2000 and 24 October 2000 were RM5.30 and RM5.05 respectively.

Notwithstanding the completion of the Mawar Acquisition by cash, the Mawar Acquisition still required the approval of the SC in view that it falls within the definition of a very significant change in the business direction of CIH under the SC Guidelines then. On 30 October 2000, the Company submitted the application to the SC to seek, inter-alia, the ratification of the Mawar Acquisition from the SC and approval for the remaining proposals under the Initial Proposals ("SC Application").

On 22 June 2001, the SC requested the following from the Company:

- (i) independent valuation report on the acquisition of the 57,000,000 KFCH Shares for the aggregate amount of RM450 million or at in issue price of RM7.895 per share. The said report dated 21 March 2002 was prepared by a merchant bank adviser and was duly furnished to the SC; and
- (ii) direct confirmation from Yum! Restaurants International Inc., ("Yum!"), the franchisor of KFC that it has no objection to the acquisition of the 57,000,000 KFCH Shares by CIE ("Confirmation").

On 11 July 2001, the SC notified the Company that a fine of RM500,000 was imposed on CIH for breaching subsection 32(4) of the Securities Commission Act, 1993 whereby the Board of Directors of CIH had agreed and approved a resolution to enter into the PISB Supplemental Agreement to complete the Mawar Acquisition without the prior approval of the SC. The fine was duly paid by the Company to the SC on 30 July 2001.

On 31 May 2002, at the request of Yum!, the Company had provided, as a substantial shareholder of KFCH, the necessary undertaking and guarantee to Yum! for KFCH's acquisition of the Kentucky Fried Chicken and Pizza Huts operations in Singapore via the acquisitions of Kentucky Fried Chicken Management Pte Ltd and Pizza Hut Singapore Pte Ltd respectively on 31 May 2002. The Company then informed the SC that Yum! had indirectly recognised the Company as a substantial shareholder of KFCH by virtue of accepting the undertaking and guarantee. However, the SC replied that indirect recognition by Yum! was unacceptable and wanted a direct confirmation. As the Confirmation could not be obtained, the SC returned the SC Application to the Company on 18 July 2002.

**Step 4: Proposed Reorganisation Scheme**

On 20 December 2002, CIMB on behalf of CIH announced that the Company proposes to participate in a reorganisation scheme which includes, amongst others, the Proposed CIE Disposal. Details and rationale for the Proposed CIE Disposal are set out in Sections 2.1 and 4.1 of Part A of this Circular. As mentioned in the Notes to the Proforma Consolidated Balance Sheet of CIH as set out in Appendix X of this Circular, CIE will undertake to adjust for the transfer and reclassification of balances, accruals of interest expenses, waiver of intercompany loans and impairment write down prior to the completion of the Proposed CIE Disposal. This adjustment is necessary because Newco is only willing to acquire CIE where its total liabilities amount to only approximately RM291 million (comprising RM198 million due to Alliance Bank, RM83 million due to PISB and RM9.7 million due to Mawar Seroja as disclosed in Section 2.1 above).

The last trading price of KFCH Shares as at 20 December 2002 was RM4.40.

Upon completion of the Proposed Reorganisation Scheme, the total loss incurred from the Proposal CIE Disposal to the CIH Group is estimated to approximately RM194 million as follows:

Description	Note	RM 000	RM 000
Cost of investment in CIE			300
Reversal of loss recognised/to be recognised from CIE's operations (for the period from 13 September 1999 to 31 December 2003)			(67,505)
Impairment loss to be recognised	1		(160,083)
Waiver of intercompany loans by:			
(a) CIH	2	53,947	
(b) Mawar Seroja	3	159,270	213,217
Reversal of profits recognised/to be recognised from share of KFCH profits for:			
• approximately nine (9) months financial period ended 30 June 2001		*11,763	
• financial year ended 30 June 2002		*16,654	
• financial year ended 30 June 2003		*12,483	
• estimate profit for the six (6) months financial period ending 31 December 2003		**7,411	48,311
			34,240
Impairment loss recognised	1		160,083
<b>Total Loss</b>			<b>194,323</b>

**Notes:**

- 1 Pursuant to the Proposed CIE Disposal, CIH is expected to incur an impairment loss of approximately RM160 million for the financial year ended 30 June 2003 as follows:

<b>Acquisition cost</b>	<b>RM 000</b>	<b>RM 000</b>
(a) 57,000,000 KFCH Shares	450,000	
Brokerage charges	668	450,668
(b) 80,000 KFCH Shares	412	
Brokerage charges	3	415
<b>Total</b>		<b>451,083</b>
 Written down value of KFCH Shares		 (291,000)
<b>Impairment loss recognised</b>		<b>160,083</b>

- 2 Amount owing to its holding company, CIH.

- 3 Amount owing to its related company, Mawar Seroja.

\* The Company had equity accounted the share of profits of KFCH based on the audited consolidated results of KFCH for the financial periods/years ended 31 December 2000 to 31 December 2002 and the unaudited consolidated results of KFCH for the financial period ended 30 June 2003 for a total amount of RM40.9 million. On completion of the Proposed CIE Disposal which is expected to be by December 2003, the equity accounted share of profits of KFCH will have to be reversed which will result in a loss to the CIH Group.

\*\* CIE's share of profits of KFCH based on the profit estimate for the financial year ending 31 December 2003 provided by the management of KFCH, the accounting policies and calculations of which have been reviewed by Messrs. Ernst & Young, the Reporting Accountants of KFCH. The principal bases and assumptions upon which the estimate has been prepared are set out as follows:

- (i) There will be no material changes in the structure and principal activities of the KFCH Group except pursuant to the Proposed Reorganisation Scheme;
- (ii) There will be no material changes in the management, development, marketing and accounting policies currently adopted by the KFCH Group;
- (iii) There will be improvements noted in the prevailing market conditions relating to demand and prices of the KFCH Group's products;
- (iv) It is assumed that the statutory income tax rate is 28%. In addition, there will be no material changes in the present legislation or regulations, rates and bases of duties, levies and other taxes affecting the KFCH Group's activities;
- (v) There will not be any significant increase in the prices and supply of raw materials, wages and other related costs whether resulting from industrial disputes, adverse changes in the economic conditions or other abnormal factors which will adversely affect the operations of the KFCH Group;
- (vi) Existing financing facilities of the KFCH Group will remain available at current interest rates. Exchange rates of foreign currencies will not substantially and adversely change from their present levels;
- (vii) Inflation will remain at its current level;
- (viii) It is assumed that the opening of new restaurants/outlets for "KFC", "Pizza Hut", "Rasa Ayam" and "Ayamas" will be achieved as planned;

- (ix) *Capital expenditure programmes will take place as planned;*
- (x) *It is assumed that there is no further exercise of the balance as at 30 September 2003 of 6,131,000 unexercised options granted under the Executive Employee Share Option Scheme and the 37,350,630 detachable warrants under the Al-Bai' Bithaman Ajil Islamic Debt Securities into new KFCH Shares;*
- (xi) *Completion of the Proposed Ayamas Share and Warrant Swap and Proposed Ayamas Listing Transfer;*
- (xii) *Completion of the Proposed Ayamas Acquisition (subject to the completion of the Proposed Ayamas Share and Warrant Swap and Proposed Ayamas Listing Transfer), Proposed Pep Bottlers Acquisition, Proposed PH Acquisition by 31 December 2003 and Proposed Pan-Tiara Restricted Offer for Sale/Placement by 29 February 2004; and*
- (xiii) *Goodwill on consolidation arising from the Proposed Ayamas Acquisition amounting to RM16.471 million (after incorporating the estimated revaluation surplus of land and buildings of RM26.9 million) is amortised over twenty (20) years on a straight line basis.*

*On completion of the Proposed CIE Disposal which is expected to be by December 2003, the equity accounted share of profits of KFCH will have to be reversed which will result in a loss to the CIH Group."*

### **1.3 Rationale for the CIE Disposal**

(As extracted from Section 4.1 of Part A of the Circular)

"The Proposed CIE Disposal is an integral part of the Proposed Reorganisation Scheme in which CIH plans to reduce its liabilities and borrowings totalling approximately RM291 million as detailed in Section 2.1 of Part A of this Circular. The Proposed CIE Disposal will result in interest savings of approximately RM28 million per annum."

## **2. Acquisitions**

### **2.1 Basis and Justifications for the Acquisitions**

(As extracted from Section 2.3.1 of Part A of the Circular)

"The total purchase consideration of the Proposed 51% Permanis Acquisition (including the assumption of liabilities as mentioned above) and the Proposed Pep Bottlers Acquisition of RM36.72 million and RM35.28 million respectively, or RM1.80 per Permanis share and RM117.60 per Pep Bottlers share respectively, were arrived at on a willing buyer-willing seller basis after taking into consideration, amongst other factors, the following:

- (i) audited consolidated NTA of Permanis of RM7.21 million as at 30 June 2002 or approximately RM0.18 per share;
- (ii) audited NTA of Pep Bottlers of RM3.00 as at 31 December 2001 or approximately RM1.00 per share and the subsequent increase in the share capital of Pep Bottlers from RM3.00 comprising three (3) ordinary shares of RM1.00 each to RM300,000 comprising 300,000 ordinary shares of RM1.00 each on 5 April 2002 arising from the capitalisation of the amount due to KFCH;
- (iii) audited consolidated profit after taxation of Permanis of RM6.34 million for the financial year ended 30 June 2002 or EPS of 15.9 sen; and
- (iv) the earnings potential of Permanis.

**Earnings capitalisation and WAP**

The total purchase consideration of RM72.0 million for the Proposed Acquisitions was based on a PE Multiple of 11.35 times of the net EPS for the financial year ended 30 June 2002 of Permanis of approximately 15.9 sen. For comparison purposes, the PE Multiples of the two (2) main beverage companies listed on the KLSE based on their respective market prices to 19 December 2002 (being the latest practicable trading date prior to the date of announcement of the Proposals (excluding the Proposed Debt Settlement)) and their respective financial year end are as follows:

Company	Financial year ended	EPS sen	Five (5) -day WAP RM	PE Multiple	Three (3) -month WAP RM	PE Multiple
Yeo Hiap Seng (Malaysia) Bhd	31.12.01	16.5	1.48	8.97	1.23	7.45
Fraser & Neave Holdings Bhd	30.09.02	24.6	3.33	13.54	3.48	14.15
Simple average				11.26		10.80

(Sources: Bloomberg and the KLSE website)

Based on the above, the PE Multiple of 11.35 times is above the simple average PE Multiple based on five (5)-day WAP and three (3)-month WAP of the aforementioned comparable listed companies of 11.26 times and 10.80 times respectively.

The rationale for the above premium is as follows:

- (i) acquisition of a controlling stake in Permanis, the licensed bottler of well-known soft drinks such as "Pepsi", "Diet Pepsi", "Pepsi Light", "Pepsi Blue", "Pepsi Twist", "Mirinda", "Evervess", "Mountain Dew", "Seven-Up" and "Gatorade";
- (ii) the strong brand names of "Pepsi", "Mirinda", "Seven-Up" and "Gatorade" are expected to continue to provide Permanis with a competitive edge in the local beverage market; and
- (iii) the Proposed Acquisitions are expected to provide CIH with a new core business which is already well established and which is in a sector where the barriers to entry are high and which has been generally resilient to the downturn of the economy."

## 2.2 Rationale for the Acquisitions

(As extracted from Section 4.3 of Part A of the Circular)

"The Proposed Acquisitions, which are an integral part of the Proposed Reorganisation Scheme will enable the CIH Group to strengthen its financial position, and to provide a new core business to CIH after the Proposed CIE Disposal. The Proposed Acquisitions would enable the Group to gain a 100% stake in Permanis, which is the licensed bottler with sole rights to bottle, market and distribute well-known brands such as "Pepsi", "Mirinda", "Seven-Up" and "Gatorade", amongst others, within Peninsular Malaysia and Sabah."

**FURTHER INFORMATION****1. Share Capital**

- (i) No Rights Shares and Warrants will be allotted on the basis of this Abridged Prospectus later than twelve (12) months after the date of issue of this Abridged Prospectus.
- (ii) There are no founder, management or deferred shares. There is only one (1) class of shares in the Company, namely ordinary shares of RM1.00 each, all rank pari passu with one another.
- (iii) The Rights Shares and the new CIH Shares to be issued upon the exercise of the Warrants shall, upon allotment and issue, rank pari passu in all respects with the then existing issued and fully paid-up CIH Shares save and except that they shall not be entitled to any dividends or rights, allotments and/or other distributions unless the date of allotment of those CIH Shares is on or before the entitlement date.
- (iv) As at the date of this Abridged Prospectus, save for the provisional allotment of the Rights Shares and Warrants to be granted, no person has been or is entitled to be given an option to subscribe for any CIH Shares, shares or debentures of the Company (or its subsidiaries and no capital of the Company and its subsidiaries is under any option or agreed conditionally or unconditionally to be put under any option).
- (v) Save for the 57,377,835 Rights Shares and 57,377,835 new CIH Shares to be issued upon the exercise of the Warrants and as disclosed in Section 2 of this Abridged Prospectus, no CIH Shares or debentures of the Company have been or are proposed or intended to be issued as partly or fully paid-up for cash or otherwise than in cash within the two (2) years preceding the date hereof.

**2. Articles of Association**

The provisions in the Articles of Association of the Company dealing with the remuneration of Directors as approved by Bursa Malaysia are as follows:

***Article 85***

The Directors shall be paid by way of fees for their services such fixed sum (if any) as shall from time to time be determined by the Company in general meeting and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine or failing agreement equally. Provided always that:

- (a) Fees payable to Directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;
- (b) Salaries payable to Directors who do hold an executive office in the Company may not include a commission on or percentage of turnover; and
- (c) Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting.

***Article 86***

- (1) The Directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending Board Meetings of the Company.

- (2) If any Director whether he holds an executive or non executive position in the Company, being willing shall be called upon to perform extra services or to make any special arrangements in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing if he holds an executive position in the Company, either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) and if he holds a non-executive position in the Company, either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of profits or turnover) as may be determined by the Company in general meeting and such remuneration from time to time provided for the Directors.

#### **Article 89**

The remuneration of a Managing Director may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover.

### **3. Material Contracts**

Save as disclosed below, neither CIH nor any of its subsidiaries has entered into any material contracts (not being contracts entered into in the ordinary course of business) during the two (2) years preceding the date of this Abridged Prospectus:

- (i) On 1 June 2002, the Company and CIE (which was a wholly-owned subsidiary of CIH prior to the completion of the CIE Disposal) had each entered into two (2) separate shareholders' agreements with (i) KFCHI and (ii) KFCHI, Pizza Hut International, LLC ("PHI") and Taco Bell Corp ("Taco Bell") as inducement for the KFCHI, PHI and Taco Bell to enter into various franchise outlets agreements, development agreements and other franchise agreements (collectively, "Franchise Agreements") with Kentucky Fried Chicken Management Pte Ltd and Pizza Hut Singapore Pte Ltd (collectively be called "Franchisees") respectively (whereby with effect from 1 January 2004, Yum! Restaurants Asia Pte Ltd (the Franchisor) has been assigned, inter-alia, the Franchise Agreements by KFCHI, PHI; and Taco Bell, in respect of the KFC franchise in Malaysia, Singapore and Brunei, Pizza Hut franchise in Malaysia and Singapore, and Taco Bell franchise in Singapore). The Franchisees are the wholly-owned subsidiaries of KFCH.

Under the said shareholder's agreements, the Company and CIE had agreed to guarantee the Franchisor the due and punctual performance of all the obligations of the Franchisees (save for Franchisees' financial obligations) under the Franchise Agreements notwithstanding, inter-alia, any sale, transfer or assignment of the Franchise Agreements or of any interest or share in the Franchisees, and further to indemnify the Franchisors, affiliated companies and agent and employees in relation to any claims, liabilities and losses arising from, inter-alia the Franchisees' breach, or the occurrence of any termination event under the Franchise Agreements. The Company and CIE had further agreed and undertaken not to sell, transfer, or by way of gift any interest or share in CIE and KFCH respectively to any third party without the Franchisor's prior written approval, which may be withheld by the Franchisor's sole discretion.

In consideration of the Franchisor entering into the Franchise Agreements with the Franchisees, the Company had on the same date executed a Letter of Undertaking in favour of the Franchisor whereby the Company, inter-alia, had:

- (a) agreed and undertaken to, inter-alia, inform the Substantial Shareholders (as defined therein) that any sale, transfer or gift of any interest or share in the Company to any party or any reconstruction, amalgamation or other material change in the structure (capital or otherwise) or in the financial condition of the Company (including the addition of any Substantial Shareholder), shall be deemed to be a breach of the Franchise Agreements thereby entitling the Franchisor to terminate the Franchise Agreements; and

- (b) agreed and acknowledged that the Franchisor shall have the rights to terminate the Franchise Agreements in the event of any direct or indirect acquisition by any person or entity acting in concert with others of more than 15% of the voting shares of the Company fails to execute such documents as required by the Franchisor or comply with the terms of the Franchise Agreements and/or in the opinions of the Franchisor, such acquisition is likely to be detrimental to the franchise business;
- (ii) On 25 July 2002, C.I. Engineering Sdn Bhd, a wholly-owned subsidiary of the Company had entered into the shareholders agreement with Venture Features Sdn Bhd to regulate their working relationship and the general conduct and affairs of C.I. Auto Services Sdn Bhd in which C.I. Engineering Sdn Bhd held 51% of the issued and paid-up share capital;
- (iii) On 20 December 2002, the Company and QSR had entered into a Share Sale Agreement in relation to the CIE Disposal. The Company and QSR had on 27 November 2003 mutually agreed in writing to inter-alia, vary the Share Sale Agreement, from QSR replacing CIH as the corporate guarantor in favour of Alliance Bank for the amount of RM198 million to the assumption by QSR of an amount due by CIE to CIH of RM198 million. This was in view of the intended repayment by CIH on behalf of CIE of the term loan facility granted by Alliance Bank. The term loan facility was settled by CIH on behalf of CIE on 2 December 2003. Simultaneous with the completion of the CIE Disposal, QSR had on 1 April 2004 settled the aforementioned amount due to CIH.  
  
The Company and QSR had, vide a letter dated 19 December 2003, agreed to extend the Cut-Off Date (as defined in the Share Sale Agreement) for the fulfillment of the conditions precedent as set out in the Share Sale Agreement for a further period of six (6) months commencing from 20 December 2003. The Share Sale Agreement was completed on 1 April 2004;
- (iv) On 20 December 2002, the Company and KFCH had entered into a Share Sale Agreement in relation to the Pep Bottlers Acquisition. The Company and KFCH had, vide a letter dated 19 December 2003, agreed to extend the Cut-Off Date (as defined in the Share Sale Agreement) for the fulfillment of the conditions precedent as set out in the Share Sale Agreement for a further period of six (6) months commencing from 20 December 2003. The Share Sale Agreement was completed on 1 April 2004;
- (v) On 20 December 2002, the Company and Urban Fetch had entered into a Share Sale Agreement in relation to the 51% Permanis Acquisition. The Company and Abdul Aziz, Ong & Co. (on behalf of Urban Fetch) had, vide a letter dated 19 January 2004, agreed to extend the Cut-Off Date (as defined in the Share Sale Agreement) for the fulfillment of the conditions precedent as set out in the Share Sale Agreement for a further period of six (6) months commencing from 20 December 2003. The Share Sale Agreement was completed on 1 April 2004;
- (vi) The Company and C.I. Management Sdn Bhd, a wholly-owned subsidiary of the Company, had on 29 January 2003 entered into a Share Sale Agreement ("Hwee Ann SSA") with Visual Portfolio Sdn Bhd for the disposal of 2,399,971 ordinary shares of RM1.00 each representing approximately 59.90% of the entire issued and paid-up share capital of Hwee Ann Credit & Leasing Sdn Bhd for a total purchase consideration of RM3,000,000 to be satisfied wholly in cash. The Hwee Ann SSA was completed on 20 March 2003;
- (vii) On 14 March 2003, the Company, DISB and MAA had entered into a Debt Settlement Agreement for the Debt Settlement. The Company, DISB and MAA had, vide a letter dated 12 March 2004, agreed to extend the implementation of the Debt Settlement for a further period of six (6) months commencing from 14 March 2004;
- (viii) On 16 July 2003, Permanis and Parksen Enterprise Sdn Bhd had entered into a conditional Sale and Purchase Agreement for the disposal of a property known as No. 52, Salak Perusahaan 3, Kawasan Perusahaan Prai, Pulau Pinang for a total consideration of RM980,000 to be satisfied wholly in cash;

- (ix) On 18 March 2004, the Company executed the Deed Poll constituting the 57,377,835 Warrants, which carries the rights to subscribe for 57,377,835 Rights Shares, upon the terms and subject to conditions contained therein;
- (x) On 26 March 2004, Permanis and CLF Trading Sdn Bhd had entered into a conditional Sale and Purchase Agreement for the disposal of an industrial land held under H.S.(M)31859 P.T.35167 Mukim Kuala Kuantan, Kuantan, Pahang Darul Makmur, for a total cash consideration of RM775,368; and
- (xi) On 30 March 2004, the Company, CIMB being the Managing Underwriter and Underwriter and MIDF Sisma Securities being the Underwriter had entered into an Underwriting Agreement for the underwriting of 47,051,835 Rights Shares and 47,051,835 Warrants at a managing underwriting commission of 0.25% on the total value of the underwritten Rights Shares and an underwriting commission of 2.25% on the value of the underwritten Rights Shares.

#### 4. Material Litigation

Save as disclosed below, neither CIH nor its subsidiaries is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Directors of CIH do not have any knowledge of any proceedings, pending or threatened against CIH and its subsidiaries or of any facts likely to give rise to any proceedings which might adversely and materially affect the position or business of CIH and its subsidiaries:

- (i) Pursuant to a Civil Suit No. D2-22-1037-90 dated 28 June 1990, a former employee of the Company, Ng Sing Hwa ("Plaintiff") had obtained a High Court judgement on 11 September 1998 against the Company in respect of the Plaintiff's entitlement to the options granted to him under an Employee Share Option Scheme ("ESOS") and the Company was ordered by the High Court to transfer and issue 250,000 new shares of the Company under the ESOS at an issue price of RM1.38 per share.

The Company has appealed against the judgement. The Plaintiff has cross appealed to the Court of Appeal vide appeal No. W-02-601 of 1998 for damages in excess of RM2.5 million to be paid in cash in lieu of the 250,000 new shares. In addition, he is also claiming reimbursement of legal fees of RM60,000. On 12 March 2004, the Company served a sealed notice of motion to proceed with the hearing of the appeal without the grounds of decision of the learned trial judge in the High Court. The Court of Appeal has refused to grant leave on the basis that such grounds of decision were necessary for the appeal to be determined. The lawyers handling this case ("Lawyers") will proceed to seek for the grounds of decision from the trial judge in the High Court. The Lawyers handling the matter are of the view that there is a good chance that the Court of Appeal would allow the appeal by the Company.

No provision has been made in the accounts for the damages and legal fees. The Directors of the Company are of the opinion that the Company has a valid defence against the case.

- (ii) On 29 September 2000, Perwira Affin Bank Berhad ("Plaintiff") commenced legal action against C.I. Quarries Sdn Bhd ("Defendant"), a wholly-owned subsidiary of CIH, in the High Court of Malaya in Kuala Lumpur vide Suit No. D1-22-1836-2000 for the recovery of a sum of RM1.242 million with interest thereon and costs. The claim was premised on an alleged entitlement to monies said to be owing by the Defendant to its contractor, Esprit Corporation Sdn Bhd ("Contractor") pursuant to a construction contract dated 3 March 1994 for a project awarded by the Defendant to the Contractor. The said payments were alleged to have been assigned by the Contractor to the Plaintiff pursuant to a written assignment dated 15 June 1994.

The Defendant has made an application to strike out the Plaintiff's claim due to non-compliance by the Plaintiff with a discovery order issued by the High Court on 8 February 2001 in favour of the Defendant for the inspection of documents crucial to the suit ("Discovery Order"). The Plaintiff has also filed a Summary Judgement application and in response to that, the Defendant filed a notice contending that the said Summary Judgement application is in breach of the stay contained in the Discovery Order.

The application to strike out the Plaintiff's claim has been struck off by the Senior Assistant Registrar ("SAR") at the hearing dated 29 January 2003 and the SAR proceeded to give directions for the Plaintiff to file written submissions with regards to the Plaintiff's Summary Judgement application. Also, on 4 April 2003, the SAR allowed the Plaintiff's application for Summary Judgement.

The Defendant has lodged an appeal on the SAR's decision given on 29 January 2003 and has also filed an application to adduce new evidence at the said appeal. The learned judge dismissed both the appeal and the application by the Defendant on 25 March 2004 with costs. The lawyers handling the matter ("Lawyers") are of the view that the learned judge has erred in his decision and therefore, upon the instructions by the Defendant, the Lawyers are in the midst of preparing a Notice of Appeal to be lodged with the Court of Appeal.

- (iii) C.I. Quarries (Nilai) Sdn Bhd ("CIQ(N)"), a wholly-owned subsidiary of CIH and Prosper Chain Quarry Industry Sdn Bhd ("PCQ") had entered into an agreement dated 15 September 1993 ("Agreement") whereby CIQ(N) as the quarry owner, had agreed to engage the services of PCQ to set up quarry operations, equipments and facilities upon the terms and conditions stipulated in the Agreement. The Agreement was extended for a further period of five (5) years commencing from 1 January 1998 to 31 December 2002 vide CIQ(N)'s letter to PCQ dated 15 September 1997.

The Writ of Summons against CIQ(N) was filed by PCQ on 27 June 2003 alleging that CIQ(N) has wrongfully terminated the Agreement and that PCQ has suffered substantial loss and damage amounting to RM3.062 million resulting from the alleged breach of the Agreement by CIQ(N). CIQ(N) has filed and served a Statement of Defence on PCQ on 21 August 2003. The hearing of the case management is now fixed on 16 June 2004.

As the case is still at the preliminary stage, the Directors of CIH cannot confirm as to the likely outcome or exposure of the suit to the CIH Group at this stage.

- (iv) On 24 September 2001, Kian Wing Industries Sdn Bhd ("KWISB") had issued a letter of demand against C.I. Quarries Sdn Bhd ("CIQ"), a wholly-owned subsidiary of CIH for the sum of RM1,758,200, allegedly for the loss and damages suffered by KWISB as result of a wrongful termination of contracts by CIQ. Subsequently, a meeting was held between both parties. However, both parties had failed to reach for an amicable settlement. To date, KWISB has yet to take further actions to pursue their demand. If KWISB should further pursue this matter in Court, the Directors of CIH have the intention of pursuing counterclaim for the sum of RM4,163,458 for losses allegedly suffered by CIQ as a result of KWISB's underperformance.

The lawyers handling the matter ("Lawyers") are of the view that the allegations by KWISB were not founded on sound grounds. The Lawyers were also of the opinion that it was well within the knowledge of KWISB that they had failed to complete the works as contracted and as a result of which CIQ had to incur additional expenses to complete the said works. Furthermore, it has been more than two (2) years since KWISB had issued the letter of demand.

- (v) On 12 January 2004, DISB issued a letter of demand against CL Hardware Sdn Bhd ("CLH") for the alleged infringement of trade mark and copyright and the passing off of its goodwill in respect of a wide range of sanitary fittings, bathroom accessories and other related products ("Products"). The Products were originally designed, manufactured and supplied by DISB under and by reference to the brand name of DOE ("Trade Mark").

The lawyers handling the matter are of the view that DISB has acquired a substantial reputation and goodwill in Malaysia by virtue of its manufacture, extensive sale, promotion and registration of the Trade Mark. As such, DISB would be entitled to an injunction, damages and costs against CLH, the amount which has yet to be quantified. DISB is currently looking into legal actions to be taken to protect its interests.

- (vi) TNT Logistics (Malaysia) Sdn Bhd (“Claimant”) commenced an action against Permanis and Permanis Sandilands Sdn Bhd (“Permanis Sandilands”) (*formerly known as Antah Sandilands Sdn Bhd*), a wholly-owned subsidiary of Permanis (collectively the “Respondents”) on 3 April 2002 for the sum of RM569,449.69 together with interest at the rate of 12.65% per annum on the sum of RM555,127.50 from 21 August 2000 until settlement, general damages to be assessed and costs. The Respondents have counterclaimed for damages occasioned by the Claimant’s breaches, to be assessed. However, the lawyers acting for the Respondents (“Lawyers”) estimated that, based on evidence, losses amounting to RM10 million may be counterclaimed by the Respondents from the Claimant.

The Claimant and Respondents entered into a contract dated 23 June 1998 (“Contract”) wherein the Claimant had agreed to provide services in consideration of the terms contained therein. The Claimant has alleged that the Respondents had breached the terms of the Contract and wrongfully terminated the same thereby causing loss and damage. The Respondents have denied the allegations and contended that the Claimant had committed repudiatory breaches amounting to breaches of fundamental conditions thereby entitling the Respondents to lawfully terminate the Contract.

The Lawyers also estimated that the maximum exposure to liabilities of the Respondents is approximately RM6.0 million (inclusive of legal costs and expenses). However, pursuant to a letter from Antah Holdings Berhad (“Antah”) dated 13 August 2001, Antah had unconditionally and irrevocably confirmed, undertaken and agreed that in the event Permanis shall be liable for a sum in excess of RM1.86 million arising out of or in connection with the Claimant’s proceedings (wherein pursuant to the share sale agreements dated 10 August 2001 between Antah and Pep Bottlers, Urban Fetch and Rasa Gourmet Sdn Bhd (collectively the “Purchasers”) respectively and item 9(a)(ii) of the disclosure letter dated 10 August 2001 by Antah in respect of Permanis, Antah confirmed that Permanis shall make provision in the accounts of Permanis for a maximum sum of RM1.86 million in respect of potential liability arising from the suit instituted by the Claimant), Antah shall at all times indemnify and keep both the Purchasers and Permanis fully indemnified for all claims, liabilities, losses, damages and/or expenses (including solicitors’ costs on a fully indemnity basis) in excess of RM1.86 million. Nevertheless, RM2.0 million has been provided for in the audited financial statements of Permanis as at 30 June 2003.

Additionally, the Lawyers are of the opinion that in the event that the Respondents successfully defend the claim, the costs incurred by the Respondents will not have a material impact on the financial statements of the Respondents.

Hearing dates for the above claim has been fixed for 21 to 23 April 2004 and 25 to 27 May 2004. The Lawyers are of the opinion that there is an arguable possibility that the Respondents may succeed in the counterclaim. The Respondents’ counterclaim has now been quantified to approximately RM18 million.

- (vii) On 15 May 2001, Permanis Sandilands filed a suit against Leow Keng Feng (“First Defendant”), Che Mud bin Che Ahmad (t/a Jaja Enterprise) (“Second Defendant”), Zulkiflee bin Ismail (“Third Defendant”) and Che Mansor Adabi bin Che Hassan (“Fourth Defendant”) (collectively “Defendants”) vide Kuala Lumpur High Court Civil Suit No. D7-22-831-2001 for sums due and owing to it for goods sold and delivered by Permanis Sandilands to the Defendants amounting to RM517,009.22. Permanis Sandilands has obtained a judgement in default against the Second Defendant and is in the process of extracting the application to serve Originating Summons against the First Defendant, Third Defendant and Fourth Defendant by way of substituted service. As the Directors of CIH believe that the likelihood of recovery is remote, the above amount has been provided for in the consolidated financial statements of Permanis.

- (viii) Permanis Sandilands filed a suit against Tai Bee Lan (t/a Syarikat Sin Chai Heng) ("Defendant") vide Penang High Court Civil Suit No: 22-41-99 for sums due and owing to it for goods sold and delivered by Permanis Sandilands to the Defendant. On 16 October 1999, the Penang High Court granted a judgement for RM301,841.39 with interest and cost against the Defendant. Bankruptcy proceedings were commenced thereafter against the Defendant vide Penang High Court Bankruptcy No: MT2-22-41-1999 and the Defendant was adjudged bankrupt on 23 January 2003.

As the Directors of CIH believe that the likelihood of recovery is remote, the above amount has been provided for in the consolidated financial statements of Permanis.

- (ix) Permanis Sandilands issued a writ of summons against Mega Two Marketing ("Defendant") for sums due and owing for goods sold and delivered by Permanis Sandilands to the Defendant in the amount of RM412,111.18. Judgement in default against the Defendant was obtained on 28 November 2003. The lawyers acting for Permanis Sandilands have filed a bankruptcy notice against the Defendant and is now pending extraction from the relevant court. As the Directors of CIH believe that the likelihood of recovery is remote, the above amount has been provided for in the consolidated financial statements of Permanis.
- (x) Various other pending litigation claims in the nature of debt collection for goods sold and delivered by Permanis Sandilands to various debtors in the aggregate amount of approximately RM7.2 million. As the Directors of CIH believe that the likelihood of recovery is remote, the above amount has been provided for in the consolidated financial statements of Permanis.
- (xi) A claim has been brought by Perbadanan Stadium Merdeka ("Plaintiff") against Permanis vide Kuala Lumpur High Court Commercial Suit No. D5-22-69-2002 for the sum of RM300,000 for an alleged breach of contract to provide sponsorship for a concert organised by the Plaintiff. The Plaintiff further alleged that Permanis had breached the said contract by reason of its failure to provide advertisements and cash to the Plaintiff. Permanis denied the existence of the alleged contract and had offered to contribute a sum of RM50,000 in cash and RM20,000 in kind.

However, the Plaintiff had subsequently breached the conditions attached to Permanis's offer, inter-alia, by removing Permanis's banners from the stadium at which the concert was being held and consequently, Permanis had counterclaimed for loss and damage suffered as a result of the Plaintiff's actions. The matter has been fixed for trial on 9 and 10 February 2005.

## 5. General

- (i) The nature of CIH and its wholly-owned subsidiaries namely, Permanis and Pep Bottlers businesses are described in Section 6 of this Abridged Prospectus. Save as disclosed in Section 5 of Appendix II of this Abridged Prospectus, there are no other corporations which are deemed to be related to the Company by virtue of Section 6 of the Act as at the date hereof.
- (ii) The total estimated expenses of or in connection with the Rights Issue including professional fees, fees payable to the relevant authorities, underwriting commission, registration and other incidental expenses of approximately RM3.3 million will be borne by the Company.
- (iii) None of the Directors of the Company has any existing or proposed service contracts with the Company or any of its subsidiaries, excluding contracts expiring or determinable by the employing company without payments or compensation (other than statutory compensation) within one (1) year.
- (iv) Save as disclosed in this Abridged Prospectus, the Directors of the Company are not aware of any material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the Company or its subsidiaries.
- (v) Save as disclosed in this Abridged Prospectus, the financial conditions and operations of the Company and its subsidiaries are not affected by any of the following:

- (a) known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the CIH Group's liquidity increasing or decreasing in any material way;
  - (b) material commitments for capital expenditure;
  - (c) unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations; and
  - (d) known trends or uncertainties that have had or that the CIH Group reasonably expects will have a material favourable or unfavourable impact on revenues or operating income.
- (vi) No property has been purchased or acquired in the two (2) years preceding the date of this Abridged Prospectus or proposed to be purchased or acquired by the Company and its subsidiaries as at the date hereof which is to be paid for, wholly or partly, out of the proceeds of the Rights Issue or the purchase or acquisition of which has not been completed at the date of issue of this Abridged Prospectus other than property, the contract for the purchase or acquisition whereof was entered into in the ordinary course of business of the Company and its subsidiaries, the contract not being made in contemplation of the Rights Issue as a consequence of the contract.

## 6. Consents

The written consents of the Joint Advisers, Managing Underwriter, Underwriters, Company Secretaries, Principal Bankers, Share Registrar and Solicitors to the inclusion in this Abridged Prospectus of their names in the form and context in which they appear have been given before the issue of this Abridged Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion in this Abridged Prospectus of its name, Auditors' Report on the audited consolidated financial statements of CIH for the financial year ended 30 June 2003 and letter relating to the Proforma Consolidated Balance Sheets of CIH as at 30 June 2003, the Accountants' Report on Permanis and the Accountants' Report on Pep Bottlers in the form and context in which they appear have been given before the issue of this Abridged Prospectus and have not subsequently been withdrawn.

## 7. Documents for Inspection

Copies of the following documents are available for inspection at the Registered Office of the Company at Level 17, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur, during normal business hours from Monday to Friday (except public holidays) for a period of twelve (12) months from the date of this Abridged Prospectus:

- (i) Memorandum and Articles of Association of CIH;
- (ii) audited consolidated financial statements of CIH for the two (2) financial years ended 30 June 2003 and the unaudited consolidated results of CIH for the six (6) months financial period ended 31 December 2003;
- (iii) audited financial statements of the subsidiaries of CIH for the two (2) financial years preceding the date of this Abridged Prospectus and the latest audited consolidated financial statements of Permanis for the six (6) months financial period ended 31 December 2003;
- (iv) letters of consent referred to in Section 6 above;
- (v) material contracts referred to in Section 3 above;
- (vi) writ and relevant cause papers referred to in Section 4 above;
- (vii) Accountants' Reports on Permanis and Pep Bottlers referred to in Appendices VIII and IX respectively of this Abridged Prospectus;

- (viii) Proforma Consolidated Balance Sheets of CIH as at 30 June 2003 together with the notes and the Reporting Accountants' letter thereon referred to in Appendix X of this Abridged Prospectus;
- (ix) Directors' Report referred to in Appendix XI of this Abridged Prospectus; and
- (x) letter of undertakings to subscribe or procure the subscription for the entitlements to the Rights Issue referred to in Section 9 of this Abridged Prospectus.

## **8. Responsibility Statements**

CIMB, being the Joint Adviser, Managing Underwriter and Underwriter for the Rights Issue, Newfields, being the Joint Adviser for the Rights Issue, acknowledge that, based on all available information and to the best of their knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue.

This Abridged Prospectus, together with the NPA and RSF, have been seen and approved by the Board of Directors of CIH and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in the Abridged Prospectus, together with the NPA and RSF false or misleading.

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