

UNAUDITED CONSOLIDATED RESULTS OF CIH FOR THE SIX (6) MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2003

C.I. HOLDINGS BERHAD

(37918-A)

- Quarterly Report on consolidated results for the second financial quarter ended 31st December 2003

Quarterly report on consolidated results for the second quarter ended 31st December 2003. These figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 31.12.2003 RM'000	Quarter Ended 31.12.2002 RM'000	Year To Date Ended 31.12.2003 RM'000	Year To Date Ended 31.12.2002 RM'000
Revenue	6,072	5,460	12,327	13,023
Cost of Sales	<u>(4,898)</u>	<u>(3,888)</u>	<u>(9,751)</u>	<u>(9,524)</u>
Gross Profit	1,174	1,572	2,576	3,499
Operating Expenses	(2,497)	(2,302)	(4,404)	(4,249)
Impairment Loss on				
- Property	-	(1,190)	-	(1,190)
- Investment in Associate	-	(160,083)	-	(160,083)
Other Operating Income	<u>264</u>	<u>220</u>	<u>334</u>	<u>320</u>
Profit/(Loss) from Operations	(1,059)	(161,783)	(1,494)	(161,703)
Finance Costs	(6,755)	(5,688)	(11,771)	(13,318)
Investing Results	<u>7,473</u>	<u>8,614</u>	<u>11,902</u>	<u>13,770</u>
Loss Before Taxation	(341)	(158,857)	(1,363)	(161,251)
Taxation	<u>(2,787)</u>	<u>(3,772)</u>	<u>(4,332)</u>	<u>(5,567)</u>
Loss After Taxation	(3,128)	(162,629)	(5,695)	(166,818)
Minority Interests	<u>-</u>	<u>75</u>	<u>6</u>	<u>225</u>
Net Loss for the Period	<u><u>(3,128)</u></u>	<u><u>(162,554)</u></u>	<u><u>(5,689)</u></u>	<u><u>(166,593)</u></u>
	Sen	Sen	Sen	Sen
Basic loss per share	(5.5)	(283.3)	(9.9)	(290.3)

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 30th June 2003)

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CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited as at 31.12.2003 RM'000	Audited as at 30.06.2003 RM'000
Property, Plant and Equipment	33,822	34,516
Intangible Assets	20,464	20,464
Investment in Associate	325,200	322,767
Other Investment	21	21
Current Assets		
Inventories	6,533	7,594
Debtors	37,302	39,139
Fixed Deposits with licensed bank	1,777	1,918
Cash and Cash Equivalents	1,123	1,475
	46,735	50,126
Current Liabilities		
Trade and Other Creditors	112,350	108,387
Bank Overdrafts	1,243	1,283
Short Term Borrowings	236,486	235,320
Taxation	605	771
	350,684	345,761
Net Current Liabilities	(303,949)	(295,635)
	75,558	82,133
Share Capital	57,378	57,378
Reserves	13,601	19,290
Shareholders' Fund	70,979	76,668
Minority Interests	1,027	1,033
Long Term Liabilities		
Borrowings	1,727	2,386
Other Deferred Liabilities	1,825	2,046
	75,558	82,133
Net tangible assets per share (RM)	0.88	0.98

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 30th June 2003)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Current Year To Date Ended 31.12.2003 RM'000	Corresponding Year To Date Ended 31.12.2002 RM'000
Loss before Taxation	(1,363)	(161,251)
Adjustments for non-cash flow:-		
Non-Cash Items	10,082	13,244
Non-Operating Items	-	(96)
Impairment Loss on		
- Property	-	1,190
- Investment in Associate	-	160,083
Share of Results of Associated Company	(11,902)	(13,770)
Operating Profit Before Working Capital Changes	(3,183)	(600)
Changes in Working Capital		
Net Change in Current Assets	3,078	887
Net Change in Current Liabilities	3,513	4,183
Tax (Paid)/Refund	(243)	412
Cash Generated from Operating Activities	3,165	4,882
Interest Paid	(9,490)	(12,804)
Interest Received	22	104
Net Cash Flows from Operating Activities	(6,303)	(7,818)
Investing Activities		
Other Investments (Purchase of Fixed Assets)	(32)	(270)
Proceeds from Sale of Fixed Assets	70	123
Proceeds from Marketable Securities	239	-
Dividend Received from Associated Company	5,137	4,567
Net Cash Flows from Investing Activities	5,414	4,420
Financing Activities		
Proceeds from issue of shares to minority interest	-	98
Drawdown of Bank Borrowings	209,007	10,757
Repayment of Bank Borrowings	(208,571)	(9,350)
Net Cash Flows from Financing Activities	436	1,505
Net Change in Cash and Cash Equivalents	(453)	(1,893)
Cash and Cash Equivalents at beginning of year	2,110	2,336
Cash and Cash Equivalents at end of year	1,657	443
Cash and cash equivalents carried forward consists of:-		
Fixed deposits with licensed banks	1,777	1,831
Cash and bank balances	1,123	1,928
Bank Overdrafts	(1,243)	(3,316)
	1,657	443

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 30th June 2003)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital RM'000	Share Premium RM'000	Reserve on Consolidation RM'000	Special Reserve RM'000	Retained Profits RM'000	Total RM'000
Balance as at 1st July 2003	57,378	1,007	55,458	10,622	(47,797)	76,668
Loss after taxation	-	-	-	-	(5,689)	(5,689)
Balance as at 31st December 2003	<u>57,378</u>	<u>1,007</u>	<u>55,458</u>	<u>10,622</u>	<u>(53,486)</u>	<u>70,979</u>
Balance as at 1st July 2002	57,378	1,007	56,781	11,520	128,236	254,922
Loss after taxation	-	-	-	-	(166,593)	(166,593)
Balance as at 31st December 2002	<u>57,378</u>	<u>1,007</u>	<u>56,781</u>	<u>11,520</u>	<u>(38,357)</u>	<u>88,329</u>

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30th June 2003)

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NOTES TO THE INTERIM FINANCIAL REPORT**A1 Basis of Preparation**

The interim financial report has been prepared in compliance with MASB 26, Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Malaysia Securities Exchange Berhad.

The interim financial report should be read in conjunction with the audited financial statement of the Group for the year ended 30th June 2003.

The accounting policies and methods of computation used in the preparation of the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30th June 2003.

A2 Auditors' Report

The auditors' report on the financial statements of the Group for the year ended 30th June 2003 was not subject to any qualification.

A3 Seasonal or Cyclical Factors

The Group's business operations are not significantly affected by seasonal or cyclical factors.

A4 Nature and Amount of Unusual Items

There were no unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the current quarter.

A5 Nature and Amount of Changes in Estimates

There were no significant changes in estimates of amounts reported in our previous reporting that have a material effect for the current financial year to date.

A6 Debt and Equity Securities

The Group was not involved in any issuance and repayment of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year to date.

A7 Dividend Paid

No dividend had been paid during the reporting quarter.

A8 Segmental Reporting

Segment information is presented in respect of the Group's business segment.

Inter-segment pricing is determined based on a negotiated basis.

	6 months ended			
	Segment revenue		Segment results	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Building and construction related products	11,780	13,508	(280)	193
Engineering	547	930	(89)	(326)
Financial services	-	28	-	(329)
Investment holding	-	-	(12,460)	(13,286)
Associated company	-	-	11,902	13,770
	12,327	14,466	(927)	22
Inter-segment elimination	-	(1,443)	-	-
	12,327	13,023	(927)	22
Unallocated corporate expenses	-	-	(436)	-
Impairment Loss on				
- Property	-	-	-	(1,190)
- Investment in Associate	-	-	-	(160,083)
	12,327	13,023	(1,363)	(161,251)

No geographical segmental information is presented as the Group operates principally within Malaysia.

A9 Property, plant and equipment

The valuations of land and buildings have been brought forward, without amendment from the annual audited financial statements for the year ended 30th June 2003.

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NOTES TO THE INTERIM FINANCIAL REPORT**A10 Subsequent material events**

There were no materials events subsequent to 30th June 2003 and up to the date of the issuance of this quarterly report that have not been reflected in the financial statements for the current quarter.

A11 Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter.

A12 Changes in contingent liabilities

The contingent liabilities of the Company are as follows:-

	As at 31.12.2003 RM'000
Guarantee in favour for financial institutions for banking facilities granted to subsidiary companies	
- Unsecured	<u>238,480</u>

A13 Capital commitments

	As at 31.12.2003 RM'000
Contracted but not provided for	<u>-</u>
Authorised but not contracted for	<u>1,592</u>

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ADDITIONAL INFORMATION REQUIRED BY THE MSEB'S LISTING REQUIREMENTS**B1 Review of performance**

The Group's revenue for the current quarter recorded a slight increase of 11% compared to the preceding year corresponding period mainly attributable to higher sales volume in the tapware division. The investing results of the Group, being the share of results of associated company decreased by 13% compared to the preceding year corresponding year to date.

The Group reported a loss before tax of RM0.341 million compared to RM158.857 million in the preceding year corresponding period. The higher loss in the preceding year corresponding period was mainly due to the recognition of impairment loss of RM161.273 million.

B2 Variation of results against preceding quarter

Compared with the preceding quarter's results, the current quarter's loss before tax decrease by 67% from RM1.021 million to RM0.341 million. The decreased in loss before tax was mainly contributed by an increase in the share of results of associated company by 67%.

B3 Current year prospects

The Group shall endeavour to reduce operating costs to ensure its existing products remain attractive in the current market environment.

The Group's future prospects depend on the successful outcome of the corporate proposal under Note B8.

B4 Profit forecast

Not applicable as no profit forecast was published.

B5 Tax expense

	Current Quarter		Current Year To date	
	31.12.03	31.12.02	31.12.03	31.12.02
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Income Tax	46	(59)	46	(178)
- Deferred Tax	-	-	-	-
	<u>46</u>	<u>(59)</u>	<u>46</u>	<u>(178)</u>
Tax expense on share of profit of Associate Company	(2,833)	(3,713)	(4,378)	(5,389)
	<u>(2,787)</u>	<u>(3,772)</u>	<u>(4,332)</u>	<u>(5,567)</u>

The Group's effective tax rate is higher than the statutory tax rate as the tax charge relates to tax on profits of certain subsidiaries which cannot be set-off against losses of other subsidiaries for tax purposes as group relief is not available.

B6 Unquoted investments and properties

There is no sale of unquoted investments or properties for the current quarter.

B7 Quoted investments

(a) There were no purchases or disposals of quoted securities for the quarter under review.

(b) Investment in quoted securities as at 31st December 2003 :

(i) Investment in Associate

	RM'000
Quoted shares in Malaysia, as cost	451,083
Share of post-acquisition results less dividend received	<u>34,200</u>
	485,283
Less: Impairment loss	<u>(160,083)</u>
Net book value	<u>325,200</u>
Market value as at 31st December 2003	<u>252,294</u>

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ADDITIONAL INFORMATION REQUIRED BY THE MSEC'S LISTING REQUIREMENTS

On 20th December 2002, the Company had entered into a conditional Share Sale Agreement ("SSA") with QSR Brands Bhd ("QSR") (formerly known as QSR Brands Sdn Bhd which was formerly known as Good Platform Sdn Bhd) for the disposal of 300,000 ordinary shares of RM1.00 each in C.I. Enterprise Sdn Bhd ("CIE"), representing 100% equity interest therein, for a cash consideration of RM1 and the assumption by QSR of an amount due by CIE to the Company amounting to RM198 million.

CIE's main asset is its investment in 57,080,000 ordinary shares of RM1.00 each representing 28.79% equity interest in KFC Holdings (Malaysia) Berhad ("KFCH").

(ii) Marketable Securities

	Current Quarter RM'000	Year To Date RM'000
Purchase consideration	-	-
Sale proceeds	239	239
Profit on disposal	239	239
Investment in quoted securities		
At cost	-	-
At book value	-	-
At market value	529	529

The above quoted securities were received as repayment of debts owing to a former subsidiary which have been written off earlier. Any subsequent disposal of the quoted securities is taken up as other operating income in the Income statement.

B8 Status of corporate proposals

The Company, having obtained approvals from its shareholders on 22nd October 2003 in respect of the Proposed Reorganization Scheme ("PRS") is currently in the process of implementing the various proposals under the PRS which include, the Proposed CIE Disposal, Proposed Rights Issue, Proposed 51% Permanis Acquisition, Proposed Pep Bottlers Acquisition and Proposed Debt Settlement.

The proposed 51% Permanis Acquisition and Proposed Pep Bottlers Acquisition are collectively referred to as the "Proposed Acquisitions".

The Proposed Debt Settlement is conditional on the Proposed CIE Disposal, Proposed Rights Issue and Proposed Acquisitions, but not vice versa.

The implementation is to be carried out simultaneously with KFC Holdings (Malaysia) Bhd and Ayamas Food Corporation Bhd's proposed reorganization scheme.

On 27th November 2003, the Company and QSR Brands Bhd ("QSR") mutually agreed in writing to, inter-alia, vary the conditional Share Sale Agreement entered into between the Company and QSR dated 20th December 2002 for the Proposed CIE Disposal, from QSR replacing the Company as corporate guarantor in favour of Alliance Bank Malaysia Berhad ("Alliance") for the amount of RM198 million to the assumption by QSR of an amount due by C.I. Enterprise Sdn Bhd ("CIE") to the Company amounting to RM198 million. This is in view of the repayment of the term loan facility granted by Alliance by the Company on behalf of CIE.

On 12th January 2004, the Company obtained approval from the Securities Commission ("SC") vide its letter that amongst others, the waiver from complying with the condition that the Company, Ayamas and KFCH are required to remove the restrictive covenant clause in the International Franchise Agreement dated 17th February 2003 in relation to any direct or indirect acquisition by any person or entity acting in concert of more than fifteen percent (15%) of the voting shares of KFCH/Pizza Hut Holdings (Malaysia) Sdn Bhd and/or the Company prior to the implementation of the PRS. The SC have imposed certain conditions on the approval. Full details of the conditions can be obtained from the Company's announcement dated 14th January 2004.

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ADDITIONAL INFORMATION REQUIRED BY THE MSEB'S LISTING REQUIREMENTS

On 10th February 2004, the Company announced that PepsiCo, Inc., The Concentrate Manufacturing Company of Ireland and Stokely-Van Camp, Inc have, vide a letter dated 29th January 2004 extended their consent for the Proposed 51% Permais Acquisition and Proposed Pep Bottlers Acquisition (collectively referred to as the "Proposed Acquisitions"), subject to the condition that the consent shall be revoked automatically if the necessary approvals from relevant authorities in Malaysia for the Proposed Acquisitions are not obtained by 31st July 2004; or the Proposed Acquisitions are not completed on or before 31st July 2004; or the Proposed CIE Disposal, Proposed Rights Issue and Proposed Debt Settlement are not completed by 31st July 2004.

On 12th February 2004, the Company obtained approval from the Securities Commission for an extension of time to 11th August 2004 to implement the PRS.

On 16th February 2004, the Company announced that Yum! Restaurants International, the international division of Yum! Brands Inc which is the parent company of Kentucky Fried Chicken International Holdings, Inc; Pizza Hut International, limited liability company and Taco Bell Corp has, vide its letter 12th February 2004, granted a further extension of time to 16th May 2004 for the reorganization scheme to complete.

Save for the approval of Malaysia Securities Exchange Berhad ("MSEB") for the admission of the Warrants to the Official List of MSEB and the listing of and quotation for the new Company Shares and Warrants to be issued pursuant to the Rights Issue, new Shares to be issued pursuant to the Debt Settlement and new Shares to be issued upon the exercise of the Warrants on MSEB, all approvals of the relevant authorities for the PRS have been obtained.

The Proposed CIE Disposal and Proposed Acquisitions are anticipated to be completed by April 2004, whilst the Proposed CIH Rights Issue and Proposed Debt Settlement are expected to be completed by the second quarter of 2004.

Further details on the PRS can be obtained from the Circular to Shareholders of the Company dated 7th October 2003.

Other than the above, there were no new corporate proposals during the current quarter under review.

B9 Bank borrowings

Details of the Group's bank borrowings as at 31st December 2003 are as follows:

	Secured RM'000	Unsecured * RM'000	Total RM'000
Current	230,030	7,699	237,729
Non-Current	1,727	-	1,727
	<u>231,757</u>	<u>7,699</u>	<u>239,456</u>

* Included in the unsecured short term borrowings are foreign currency of USD342,941.

B10 Off balance sheet financial instruments

The Group does not have any financial instruments with off Balance Sheet risk for the current quarter.

B11 Changes in material litigation

There were no changes in the material litigations of the Group since the last annual balance sheet date up to the date of this report.

B12 Dividend

The Board of Directors does not recommend the payment of dividend in respect of the financial quarter ended 31st December 2003.

B13 Loss per share

The calculation of basic loss per share for the current quarter and the financial year to date are based on the Group loss after tax of RM3.128 million for the current quarter and RM5.689 million for the year to date divided by 57,377,835 ordinary shares in issue during the financial year to date.