

Part A – Explanatory Notes Pursuant to MASB 26

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Accounting Standards Board Standard (“MASB”) 26: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2003. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2003.

2. Auditors’ Report on Preceding Annual Financial Statements

The following was disclosed in the auditors’ report of the audited financial statements of Naluri Berhad – Special Administrators Appointed (“Naluri” or “Company”) for the year ended 31 December 2003:

“As disclosed in Note 37(iv) to the audited financial statements, the audited financial statements for the year ended 31 December 2003 of a subsidiary of the Company are not available as at the date of this report. As a result, the Group has used the unaudited management financial statements of the subsidiary as at 31 December 2003 in the preparation of the consolidated financial statements. The aggregate summary of the unaudited financial position as at 31 December 2003 and the results and cash flows for the year then ended of the above mentioned subsidiary, included in the Group’s consolidated financial statements, is disclosed in Note 37(iv) to the financial statements. We have not been able to obtain sufficient appropriate audit evidence on this financial information.

(Note: The audited financial statements of a subsidiary referred to above as being unavailable is in respect of Naluri International Limited.)

Except for the effects of any adjustments that would have been required had sufficient appropriate audit evidence on the financial information on the above mentioned subsidiary been available for the purposes of consolidation, in our opinion, the Group’s financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:

- (a) the financial position of the Group as at 31 December 2003 and of the results and the cash flows of the Group for the year then ended; and
- (b) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements.

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In our opinion, the financial statements of the Company have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:

- (a) the financial position of the Company as at 31 December 2003 and of the results and the cash flows of the Company for year then ended; and
- (b) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements.

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

Except for the financial statements of a subsidiary referred to in Note 37(iv) to the financial statements, for which no audited financial statements for the year ended 31 December 2003 are available, 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 purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

There is no auditor's report in respect of the financial statements of a subsidiary referred to in Note 37(iv) to the financial statements. The auditors' reports on the financial statements of the other subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment made under subsection (3) of Section 174 of the Act.

Without qualifying our opinion, we wish to draw attention to the following significant matters:

- (a) Note 31(b) to the financial statements in respect of various claims made by third parties against the Group. The outcome of these claims are uncertain at this juncture.
- (b) Note 33 to the financial statements concerning a notice from the Kuala Lumpur Stock Exchange ("KLSE") (now known as Bursa Malaysia Securities Berhad) informing the Company on its inadequate level of operations in accordance with Practice Note 10/2001 of the Listing Requirements of the KLSE."

3. Comments About Seasonal or Cyclical Factors

The Group's results for the current quarter ended 31 December 2004 are not materially affected by seasonal or cyclical impacts.

4. Unusual Items Due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial quarter ended 31 December 2004.

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5. Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter.

6. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 31 December 2004 except for the following:

(a) Capital repayment

On 8 December 2004, the Company paid a sum of RM552,413,056.00 being the capital repayment to the shareholders of Naluri on the basis of RM0.80 from the par value of RM1.00 for every one (1) ordinary share (“Naluri Share”) held on the entitlement date of 30 November 2004, by reducing the issued and paid-up share capital of Naluri from RM690,516,320 comprising 690,516,320 Naluri Shares fully paid-up to RM138,103,264.00, comprising 690,516,320 Naluri Shares with RM0.20 of the par value of RM1.00 paid-up.

Further, Naluri utilized RM552,413,056 from the share premium account of Naluri to pay up on the unpaid portion of M0.80 of the par value of RM1.00 for each Naluri Share after the capital repayment, thereby increasing the issued and paid-up capital of Naluri from RM138,103,264 comprising 690,516,320 Naluri Shares with RM0.20 of the par value of RM1.00 for each Naluri Share paid-up to RM690,516,320 comprising 690,516,320 Naluri Shares fully paid-up.

7. Dividends Paid

There was no dividend paid during the quarter ended 31 December 2004.

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8. Segmental Information

	Current quarter ended 31-Dec-04 <u>RM'000</u>	Cumulative quarters ended 31-Dec-04 <u>RM'000</u>
Segment Revenue		
Investments	7,649	35,868
Hotel and property	8,304	21,829
Duty free	13,442	13,442
Automotive	14,462	14,462
Others	4	4
	<u>43,861</u>	<u>85,605</u>
Eliminations	(2,567)	(7,410)
Group revenue	<u>41,294</u>	<u>78,195</u>
Segment Results		
Investments	(2,533)	22,526
Hotel and property	(133)	(4,744)
Duty free	1,513	1,513
Automotive	1,643	1,643
Others	2,510	1,862
	<u>3,000</u>	<u>22,800</u>
Eliminations	832	938
Profit from operations	<u>3,832</u>	<u>23,738</u>

9. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2003.

10. Significant and Subsequent Events

- (i) Capital repayment and status of corporate proposals to ensure an adequate level of operations
 - (a) On 30 November 2004, the Company paid a total purchase consideration of RM140,337,644 for UI Group Acquisition (via Bellinzona Corporation Sdn Bhd – see Note 11) pursuant to the Share Sale Agreements between:

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1. Naluri and the Majority Vendors of the UI Group of Companies dated 12 December 2003,
2. Naluri and the Minority Vendors of the UI Group of Companies dated 18 December 2003,
3. Naluri and the Trust Vendors of the UI Group of Companies dated 18 December 2003, and
4. Estimated Stamp Duty for the Transfers of Shares pursuant to (1), (2) and (3) above.

Accordingly, the abovementioned Corporate Exercise is deemed completed.

- (b) On 1 December 2004, the Company paid a sum of RM257,204,824, being the aggregate of the redemption/purchase consideration and relevant interest accrued for SHB Securities Acquisition and SHB Property Acquisition pursuant to:

1. the Share Sale Agreement between Naluri and certain Sriwani Holdings Berhad Financial Institution Lenders dated 12 December 2003 (“FI Lenders SSA”) in relation to Naluri acquiring 36,409,703 units of ICPS-B1, 36,409,703 units of ICPS-B2 and 31,208,315 units of SHB Shares,
2. the Sale and Purchase Agreements between Naluri and Kelana Megah Sdn Bhd, Cerah Menang (M) Sdn Bhd, Blossom time Sdn Bhd and Cergasjaya Properties Sdn Bhd dated 12 December 2003,
3. the Share Sale Agreement between Naluri and certain Trade Creditors of Sriwani Holdings Berhad dated 12 December 2003 (“Trade Creditors SSA”) in relation to Naluri acquiring 821,038 units of SHB ICPS-C,
4. the Share Sale Agreement between Naluri and Malaysia Airports (Sepang) Sdn Bhd dated 12 December 2003 (“MA Sepang SSA”) in relation to Naluri acquiring 7,808,742 units of SHB ICPS-C, and
5. the Supplemental Agreement between Naluri and Cergasjaya Properties Sdn Bhd dated 5 July 2004 (“Proposed CPSB Land Acquisition”).

Accordingly, except for the Proposed CPSB Land Acquisition, the abovementioned Corporate Exercises are deemed completed.

- (c) On 1 December 2004, in connection to item (b) above, the Company entered into a tenancy agreement and a deed of Assignment with Kelana Megah Sdn Bhd (KMSB) to lease the Duty Free Complex back to KMSB.
- (d) On 8 December 2004, the Company paid a sum of RM552,413,056.00 being the capital repayment to the shareholders of Naluri as on the basis of RM0.80 from the

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par value of RM1.00 for every one (1) ordinary share (“Naluri Share”) held on the entitlement date on 30 November 2004, by reducing the issued and paid-up share capital of Naluri from RM690,516,320 comprising 690,516,320 Naluri Shares fully paid-up to RM138,103,264.00, comprising 690,516,320 Naluri Shares with RM0.20 of the par value of RM1.00 paid-up.

Further, Naluri utilized RM552,413,056 from the share premium account of Naluri to pay up on the unpaid portion of RM0.80 of the par value of RM1.00 for each Naluri Share after the capital repayment, thereby increasing the issued and paid-up capital of Naluri from RM138,103,264 comprising 690,516,320 Naluri Shares with RM0.20 of the par value of RM1.00 for each Naluri Share paid-up to RM690,516,320.00 comprising 690,516,320 Naluri Shares fully paid-up (“Share Premium Account Utilisation”).

Further, Naluri on 31 December 2004 utilized the balance in the share premium account after the Share Premium Account Utilisation to set-off against the Company’s accumulated losses as at 31 December 2004 which amounted to RM616,004,035.15.

- (ii) Pursuant to Section 28(2) of the Pengurusan Danaharta Nasional Berhad, the Special Administrators of the Company were released from their appointment with effect from 18 December 2004. Accordingly, the Special Administration of the Company and the moratorium in respect of the Company were terminated on the same date.
 - (iii) On 14 December 2004, a Take-over Offer was made by the Company to acquire the following:
 - (a) the remaining ordinary shares of RM1.00 each in Sriwani Holdings Berhad (“SHB”) (“SHB Shares”) not already owned by Naluri comprising up to 27,878,947 SHB Shares (“Offer shares”) at a cash offer price of RM1.00 per SHB Share;
 - (b) Up to 8,383,811 new SHB Shares to be issued pursuant to the Rights Issue of SHB (“SHB Rights Shares”) at a cash offer price of RM1.00 per new SHB Rights Share;
 - (c) Up to 90,910,592 new Irredeemable Convertible Preference Shares (“SHB ICPS”)-A of RM0.10 each in SHB (“SHB Rights ICPS-A”) to be issued pursuant to the Rights Issue of SHB at a cash offer price of RM0.10 per new SHB Rights ICPS-A; and
 - (d) The remaining SHB ICPS-C not already owned by Naluri comprising up to 13,792,794 SHB ICPS-C (“Offer SHB ICPS-C”) at a cash offer price of RM0.28 per SHB ICPS-C
- ((a) to (d) above collectively referred to as “Take-over Offer”)

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On 6 January 2005, Commerce International Merchant Bankers (“CIMB”) on behalf of the Company announced that the acceptances of the Take-over Offer at 5.00 pm of 6th January 2005 (the Closing Date) received were as follows:

- (i) 44,734 of SHB Shares, and
- (ii) 390,600 new SHB Rights ICPS-A.

Upon verification and confirmation, payments were made to the above-mentioned valid acceptances of SHB Rights and SHB Rights ICPS-A for RM44,734 and RM39,060 respectively.

- (iv) On 10 January, Naluri announced that the Company has successfully subscribed for its entitlement of 14,242,824 SHB rights Shares representing 62.95% of the total SHB Rights Shares and 272,731,763 SHB Rights ICPS-A representing 75.00% of the total SHB rights ICPS-A for a total cash consideration of RM41,516,000.30. Further, Naluri received confirmation from SHB that the rights issue of SHB has been fully subscribed by the shareholders of SHB.

In view of the full subscription of the rights issue of SHB, Naluri will not be required to undertake any further subscription of SHB Rights Shares and SHB Rights ICPS-A.

- (v) On 24 January 2005, Naluri acquired 100% of the equity interest of Timeless Image Sdn Bhd (Company No. 677276-T) (“TISB”) comprising an issued and paid-up share capital of RM2.00 made out of 2 ordinary shares of RM1.00 each for a cash purchase consideration of RM2.00.

The acquisition of TISB shall facilitate the investing activities of the Group as TISB is principally involved in investment holdings.

Other than as disclosed, there are no other material events during and subsequent to the current quarter ended 31 December 2004.

11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter except the following:

- (i) On 26 November 2004, the Company acquired 100% equity interest of Bellinzone Corporation Sdn Bhd (“BCSB”). The acquisition of BCSB was to facilitate the UI Group Acquisition, whereby BCSB acquired the equity interests in the respective UI Group of Companies. (Please refer Note 10(i)(a)).

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- (ii) The Company completed its SHB Investment and UI Group Acquisition on 30 November 2004 and 1 December 2004 as mentioned in Note 10 (i) above. Accordingly, the results of the newly acquired subsidiaries for the month of December 2004, have been included in the Group's results, which are as follows:

	31-Dec-04 <u>RM'000</u>
Revenue	
1 month ended 31 December 2004	<u>31,791</u>
Profit before tax	
1 month ended 31 December 2004	<u>9,024</u>
Cash flows for the 1 month ended 31 December 2004	
Cash flows from operating activities	1,433
Cash flows from investing activities	(105,515)
Cash flows from financing activities	<u>(6,736)</u>

The aggregate net assets of the subsidiaries was RM4,520,000 as at 31 December 2004.

12. Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities since the last annual balance sheet as at 31 December 2003 except as disclosed below:

	31-Dec-04 <u>RM'000</u>
Guarantees:	
Guarantees to third parties in respect of banking / credit facilities granted to:	
- a former subsidiary, ACL Advanced Cargo Logistic GmbH*	15,887
- a former subsidiary of SHB	10,000
Bankers' guarantees given to authorities for trade facilities granted to certain subsidiary companies of SHB	1,077
Bankers' guarantees given to authorities for utilities	1,445
Bankers' guarantees for foreign workers and custom duties exemption	1,356
	<u>29,765</u>

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* The guaranteed amount is DEM6 million. The exchange rate for every unit of DEM foreign currency as at 31 December 2004 is RM2.6478 (31 December 2003: DEM1 : RM2.4345).

13. Commitments

The amount of commitments not provided for in the interim financial statements as at 31 December 2004 are as follows:

	<u>RM'000</u>
Rental of short term leasehold land	6,900
Rental of long term leasehold land	984
	<u>7,884</u>

14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31-Dec-04	31-Dec-03	31-Dec-04	31-Dec-03
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Rental charged to Kauthar Sdn Bhd *	(37)	(37)	(149)	(149)
Hotel management and license fee paid to an associated company - Signforce Sdn Bhd	121	137	511	414
Purchase of components parts**	156	0	156	0
Sales of automotive parts**	(32)	0	(32)	0

* A company in which a director of the Company, Tan Sri Dato' Tajudin Ramli, has interest.

** Companies which have common directors with UI Group and/or companies owned by close family members of directors

-END OF SECTION A -

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia

15. Performance Review

The Group's revenue for the current quarter ended 31 December 2004 increased significantly to RM41.29 million as compared to RM12.49 million in the preceding corresponding quarter ended 31 December 2003. However, the pretax profit of the Group decreased (73.79%) to RM3.83 million for the same period as compared to RM14.62 million for the preceding corresponding quarter ended 31 December 2003.

The increase in revenue is mainly due to the revenue of newly acquired subsidiaries for the month of December 2004, (please refer Note 10(i) above) of which SHB and UIG contributed RM17.33 million and RM14.46 million respectively to the Group's revenue.

However, the drop in the pretax profit for the current quarter is mainly because there was no exceptional gain recorded during the current quarter as compared to the quarter ended 31 December 2003 whereby the Group recorded exceptional gain of RM14.9 million. The exceptional gain recorded during fourth quarter 2003 was in relation to write back of provision for diminution in value of an associate (RM11.80 million) and reversal of impairment loss of property, plant and equipment (RM3.14 million). The newly acquired subsidiaries contributed RM9.02 million to the Group's pretax profit for the current quarter.

16. Comment on Material Change in Profit Before Taxation

The Group's profit before taxation for the current quarter ended 31 December 2004 of RM3.83 million represented a 51.40% decrease from the pre-tax profit of RM7.88 million of the previous quarter ended 30 September 2004. Lower profit recorded during the quarter ended 31 December 2004 was mainly due to legal and professional fees of approximately RM9.00 million incurred in relation to the corporate exercises mentioned in Note 10 above. However, the negative impact of the substantial professional fees is off set by the pretax profit contributed by the newly acquired subsidiaries as mentioned in Note 15 above.

17. Commentary on Prospects

Barring unforeseen circumstances, the contribution from the newly acquired subsidiaries should contribute positively to the Group.

18. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the profit forecast and profit guarantee is not applicable.

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19. Taxation

	Current quarter ended 31-Dec-04 <u>RM'000</u>	Cumulative quarters ended 31-Dec-04 <u>RM'000</u>
Tax expense for the period:		
Malaysian income tax	1,804	7,845
Deferred taxation	714	1,938
Tax expense for prior years - Malaysian income tax	0	219
	<u>2,518</u>	<u>10,002</u>

The Group's effective tax rate for both the quarter and cumulative quarter ended 31 December 2004 is higher than the statutory tax rate mainly due to certain expenses of the Company, which are not deductible for tax purposes and the losses of certain subsidiaries, which cannot be set off against taxable profits made by the Group.

20. Sale of Unquoted Investments and Properties

There were no sales of unquoted investments and properties during the current quarter ended 31 December 2004.

21. Quoted Securities

Investment in quoted securities:

	As at 31-Dec-04 <u>RM'000</u>
At cost	15,602
At book value	1,691
At market value	<u>1,691</u>

22. Corporate Proposals

Please refer to Note 10(i).

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23. Borrowings and Debt Securities

As at 31 December 2004, the Group's borrowings are as follows:

	As at 31-Dec-04 <u>RM'000</u>
Short Term Borrowings:	
Secured	
- Overdraft	5,538
- Others	27,863
Unsecured	<u>0</u>
	<u>33,401</u>
Long Term Borrowings:	
Secured	10,802
Unsecured	<u>1,500</u>
	<u>12,302</u>
	<u>45,703</u>

24. Off Balance Sheet Financial Instruments

During and at the end of the current quarter, the Group and the Company do not have any financial instruments, which may have off-balance sheet risk.

The related accounting policies for the off balance sheet financial instruments are as disclosed in the financial statements for the year ended 31 December 2003.

25. Changes in Material Litigation

- (i) Third party proceedings by Perbadanan Kemajuan Negeri, Negeri Sembilan ("PKNNS") against MHS Land Sdn Bhd ("MHSL")

As disclosed in the previous quarter's announcement to Bursa Malaysia, the trial was originally fixed for hearing on 1 February 2005. However, before on 1 February 2005 the parties were informed that the Plaintiffs in the First Suit had filed an application with cost on 27 January 2005 to amend their Statement of Claim to add in a claim for special damages. As a result, the Court has vacated the trial dates pending disposal of the application for amendment. The matter now is fixed for hearing on 4 May 2005 and 11 May 2005.

To date, PKNNS has failed to serve on MHSL their Statement of Claim against the Third Party even though the time period stipulated for doing so had lapsed.

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MHSL's legal adviser has advised that an application be made to strike out the Third Party Proceedings on the ground of want of prosecution.

(ii) Suit filed by MHSL against PKNNS

As disclosed in the previous quarter's announcement to Bursa Malaysia, the application filed by PKNNS to strike out the writ was heard on 4 October 2004 and was adjourned for decision on 25 November 2004. After having read the affidavits filed by both parties, and after having heard the submissions of respective counsel, the Court had, on 25 November 2004 dismissed PKNNS' application to strike out the writ. PKNNS had on 30 November 2004 filed an appeal to Judge in Chambers against the above decision and the appeal has been fixed for hearing on 18 April 2005.

MHSL's solicitors have issued a notice to PKNNS' solicitors to file their Statement of Defence but they have failed to do so. As a result, MHSL's solicitors have, on 12 January 2005, filed the draft Judgment in Default of Defence into the Court for approval.

(iii) Arbitration between Naluri and Seloga Jaya Sdn Bhd ("Seloga Jaya")

Further to the information disclosed in the last quarter's announcement to Bursa Malaysia, on 5 February 2005, the Arbitrator has set a preliminary meeting involving respective Counsel to settle preliminary issues. Thereafter the Arbitrator has set 22 August 2005 till 3 September 2005 for the hearing of the above arbitration.

(iv) Potential third party proceedings by Bored Piling (M) Sdn Bhd ("BP") against Naluri

Further to the information disclosed in the previous quarter's announcement to Bursa Malaysia, to date, Naluri has not been served with the Third Party Notice and is not a party to the above matter. There has not been any development since then.

(v) Notice of breach to Naluri by the Ministry of Finance and Treasury of the Republic of Maldives – Air Maldives Limited

Further to the information disclosed in the previous quarter's announcement to Bursa Malaysia, there were no new development to this case.

(vi) Claim filed by former employees of the Company pursuant to an Employees' Share Option Scheme ("ESOS")

Further to the information disclosed in the previous quarter's announcement to Bursa Malaysia, the matter is now fixed for next case management on 21 March 2005.

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Requirements of Bursa Malaysia

(vii) Writ of Summons and Statement of Claim by a Shareholder of Naluri

Further to the information disclosed in the previous quarter's announcement to Bursa Malaysia the matter is now fixed for case management before the Judge on 8 March 2005.

(viii) Originating Summons by a Shareholder of Naluri

Further to the information disclosed in the previous quarter's announcement to Bursa Malaysia, there were no new development to this case.

(ix) Petition by a Shareholder of Naluri

As disclosed in the previous quarter's announcement to Bursa Malaysia, the matter was fixed for clarification by the Court on 28 January 2005. However, it was subsequently adjourned by the Court to 28 February 2005 for mention in respect of the Plaintiff's Injunction application and the Respondents' Striking Out application.

Material litigation for Sriwani Holdings Berhad ("SHB")

The following material litigation of SHB is to be read together with SHB's 4th quarter 2004 announcement to Bursa Malaysia. Apart from those mentioned below, there are no changes in the status of the other SHB's litigation matters:

- a) Bumiputra-Commerce Bank Berhad ("BCB") claiming RM10,838,023 from Cergasjaya Sdn. Bhd. ("CJSB") and SHB as Guarantor

BCB through their solicitors has given its undertaking not to execute the Judgment against CJSB. Should the Proposals mentioned in Note 20 (of SHB's 4th quarter announcement 2004 to Bursa Malaysia) is unsuccessful, BCB intends to execute the said Judgment where a prior notice of 2 weeks will be given to CJSB's solicitors to enable them to file a fresh application to set aside the said Judgment.

Subsequent to the completion of Debt Restructuring Scheme on 1 December 2004, the Judgement against the CJSB shall be considered void.

- b) AmBank Berhad ("AMBB") (formerly known as Arab Malaysian Bank Berhad claiming RM4,256,560 against Sriwani Trading Sdn. Bhd. ("STSB") and SHB as Guarantor

STSB and SHB's solicitors have written to AMBB's solicitors to withdraw the above legal action in view of the DRA entered into by both parties, however AMBB's solicitors have informed SHB that they wish to keep the matter in abeyance pending further instructions from AMBB.

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Subsequent to the completion of Debt Restructuring Scheme on 1 December 2004, SHB's solicitors have written to AMBB's solicitors to confirm the proceeding to withdraw the above legal case.

c) Zainal Azman Bin Md. Zain ("ZAMZ") against SHB and six (6) others

On 8 August 1995, ZAMZ, the administrator of the estate of Wan Zainab binti M.A.Bakar, commenced legal proceedings against SHB and six (6) of its Directors at that point in time in the Penang High Court for the alleged:-

- (i) Fraudulent and non-payment transfer of 36,666 units of shares in Syarikat Sriwani (M) Sdn Bhd ("SSSB") to SHB for the amount of RM36,666 which belonged to his mother, Wan Zainab binti M.A.Bakar;
- (ii) Fraudulent and underpayment of transfer of 5,000 units of shares in SSSB to SHB which is valued at RM3.50 each totaling RM17,500 which also belonged to his mother, Wan Zainab binti M.A.Bakar; and
- (iii) Breach of trust by failing to give a full and frank disclosure of the said transfer of shares.

ZAMZ is claiming for the sum of RM13,901,268 being the value of the shares, general, aggravated and exemplary damages of RM30,000 together with interest and costs.

The solicitors noted that exposure to liability is RM36,666 if the Court finds that no consideration was given. The solicitors are also of the opinion that ZAMZ is unlikely to succeed in equitable tracing. Therefore the claim of RM13,901,268 is farfetched but not impossible. The general, aggravated and exemplary damages if at all allowed will be minimal.

On 4 December 2003, the Court has granted Order In Terms in respect of ZAMZ's application to amend the Writ of Summons. However, the learned Deputy Registrar has ordered ZAMZ to bear the costs of the said application. The Court has fixed for Case Management on 25 May 2004. The Court has fixed 25 to 27 August 2004 for trial and fixed for continued hearing on 18 to 19 November 2004. The matter has been fixed for continued hearing on the 23, 24 and 25 February 2005.

d) Cergasjaya Sdn. Bhd. ("CJSB") claiming RM1,708,596 from Malayan Banking Berhad ("MBB")

Subsequent to the serving of Writ of Summons on MBB on 7 November 2002 and MBB filing its statement of defence on 27 December 2003, the case has come up for Pre Trial Case Management on 15 January 2004 and the learned High Court Judge has fixed the hearing on 20 April 2004.

On 20 April 2004, the learned High Court Judge has fixed the case for Pre Trial Case Management on 18 May 2004. On 18 May 2004, the Court granted the order for the amendment to the Statement of Defence. The matter has been fixed for hearing on 6

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September 2004 and subsequently fixed for Pre-Trial Conference on 14 January 2005. The matter is further fixed for hearing on 8 and 9 August 2005.

- e) Sriwani Holdings Berhad claiming RM3,043,537 from Eden Enterprises (M) Berhad (“EEB”)

SHB had through its solicitors sent a letter of demand dated 5 September 2003 to EEB’s solicitors claiming for the sum of RM3,043,537 (as at 30 September 2002), being the outstanding amounts due from EEB to SHB through various transactions and/or inter-companies loans while EEB and its subsidiaries were subsidiaries of SHB. The Statement of Claim against EEB was filed in the Shah Alam High Court on 30 December 2003. The Statement of Claim was extracted on 11 February 2004 and the same was served on EEB on 12 February 2004.

EEB has filed its Statement of Defence on 7 April 2004 and served on SHB on 14 April 2004. SHB’s solicitors have filed the reply to the defence on 28 May 2004. On 28 September 2004, the Defendant’s solicitors have filed into Court an application to amend their statement of defence and to include a counter-claim and to date, the sealed application for amendment has not been served on SHB and no date has been fixed for hearing of the same yet. However, SHB is proceeding to file in Court a Notice to Attend Pre-Trial Case Management.

The matter was fixed for hearing of the Defendant’s Application for Amendments on 25 January 2005 but the hearing date coincided with a Public Holiday and the Shah Alam High Court will inform the parties of the new hearing date in due course.

- f) Nasturi Jaya Sdn Bhd (“NJSB”) claiming RM831,707 from Kelana Megah Sdn Bhd (“KMSB”)

NJSB instituted claims on KMSB for goods sold and delivered for the sum of RM831,707. The main contractor is Mancon Berhad whilst NJSB is the nominated sub-contractor. The contract documents have specific provision to state there is no privity of contract between NJSB with KMSB although KMSB has made some payments on behalf of the main contractor to NJSB directly.

KMSB has filed a defence and no further procedural steps are pending at this stage save and except for the request for the contract documents by NJSB pursuant to Order 24 rule 10 of the Rules of High Court 1980.

NJSB has filed an application pursuant to Order 14A of the Rules of the High Court 1980 whereby they have sought to seek a ruling of this Court that their claim is outside the contract between the main contractor and NJSB. KMSB’s solicitors have filed an affidavit in reply to the Order 14A application.

The solicitor has expressed their opinion that NJSB would have a difficult time to prove any privity of contract and consequently any liability on the part of KMSB.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia

The matter was currently fixed for Hearing of the Order 14A application on 6 December 2004 and further adjourned to 28 February 2005.

- g) Eden Enterprises (M) Berhad (“EEB”) against Sriwani Duty Free Centre (Langkawi) Sdn Bhd (“SDFC”) and two others

On 10 April 2004, SDFC has filed a defence and affidavit to strike out the Statement of Claim filed by EEB against SDFC and two (2) others for Tort of Conspiracy in respect of a lease agreement entered into between EEB and SDFC on 20 August 2002 (“Lease Agreement”). The case has been fixed for hearing on 16 May 2004. The matter has been fixed for clarification and decision on 1 August 2004.

The solicitor representing SDFC is of the opinion that SDFC has a good case to strike out the Statement of Claim filed by EEB. The solicitor is also of the opinion that based on EEB’s own pleadings that the details of the claims would be unjustifiable and constitute an abuse of process in the light of the valuation that SDFC has since obtained.

On 28 July 2004, SHB announced that EEB has on 25 July 2004 filed an application in the Alor Setar High Court to discontinue the aforementioned suit and such application is pending a hearing date. In the interim, EEB’s solicitors are asking for an adjournment on 1 August 2004 pending disposal of their application. The matter is now fixed for mention on 8 November 2004 at the Alor Setar High Court for EEB’s solicitors to file their submission in reply.

EEB’s application to strike out the case is now fixed for Decision on 7 February 2005. The solicitors have indicated to the Court that they now wish to withdraw their application to discontinue the action. EEB has also filed an application to amend the Writ and Statement of Claim. SHB has filed an affidavit to oppose the application to amend. The Court has directed that EEB’s application to amend will only be dealt with after 7 February 2005. The case is subsequently adjourned to 7 March 2005.

26. Dividend Payable

No dividend has been recommended or declared during the quarter ended 31 December 2004.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia

27. Earnings Per Share

(a) Basic

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period:

	Current quarter ended 31-Dec-04	Cumulative quarter ended 31-Dec-04
Net (loss) / profit for the period (RM'000)	(1,825)	10,597
Weighted average number of ordinary shares in issue ('000)	690,516	690,516
Basic (loss) / earnings per share (sen)	<u>(0.26)</u>	<u>1.53</u>

(b) Diluted

The effects on the basic earnings per share arising from the assumed conversion of warrants is anti-dilutive for both the current and the cumulative quarter ended 31 December 2004. Accordingly, the diluted earnings per share has not been presented.

28. Authorisation for Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 28 February 2005.