



ANNUAL REPORT 2007



Caely Holdings Bhd.
(Company No. 408376-U)



Caely



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BOARD OF DIRECTORS

Executive Chairperson : Datin Fong Nyok Yoon, A.M.P.

Deputy Chairman : Dato' Wan Mohamad Zin Bin Mat Amin

Managing Director : Dato' Chuah Chin Lai, D.P.M.P., A.M.P.

Executive Directors : Khor Mooi Soong
Lim Pow Choo

Independent Directors : Siow Hock Lee
Ooi Say Teik
Hem Kan @ Chan Hong Kee

AUDIT COMMITTEE

Chairman : Siow Hock Lee

Members : Datin Fong Nyok Yoon, A.M.P.
Ooi Say Teik
Hem Kan @ Chan Hong Kee

REGISTERED OFFICE

10th Floor, Wisma Havela Thakardas
No. 1, Jalan Tiong Nam
Off Jalan Raja Laut
50350 Kuala Lumpur
Tel: 03-9195 1688
Fax: 03-9195 1799

NOMINATION COMMITTEE

Chairman : Hem Kan @ Chan Hong Kee

Members : Dato' Wan Mohamad Zin Bin Mat Amin
Ooi Say Teik

AUDITORS

Messrs PricewaterhouseCoopers
Chartered Accountants
1st Floor, Standard Chartered Bank
Chambers 21-27, Jalan Dato'
Maharaja Lela P.O. Box 136
30710 Ipoh Perak Darul Ridzuan
Tel : 05-254 9545
Fax : 05-253 2366

REMUNERATION COMMITTEE

Chairman : Ooi Say Teik

Members : Datin Fong Nyok Yoon, A.M.P.
Siow Hock Lee

SHARE REGISTRAR

Mega Corporate Services Sdn Bhd
Level 11-2, Faber Imperial Court
Jalan Sultan Ismail
P.O.Box 12337
50774 Kuala Lumpur
Tel : 03-2692 4271
Fax : 03-2732 5388

COMPANY SECRETARIES

Chong Swee Yoon (MAISCA 7010242)
Catherine Mah Suik Ching (LS 01302)

STOCK EXCHANGE LISTING

Second Board of the Bursa Malaysia
Securities Berhad
Stock Name : CAELY
Code : 7154

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
Malayan Banking Berhad
Hong Leong Bank Berhad
Ambank (M) Berhad



NOTICE IS HEREBY GIVEN
THAT the Twelfth Annual General Meeting ("AGM") of CAELY HOLDINGS BHD. ("CHB") will be convened and held at No. 47, Zone J4, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on 25 June 2008 at 10.00 a.m. to transact the following item of businesses :-

AGENDA

1. To receive and adopt the statutory financial statements for the year ended 31 December 2007 together with the Directors' and Auditors' Reports thereon. (Resolution 1)
2. To approve the payment of Directors' fee of RM214,000/- in respect of the year ended 31 December 2007. (Resolution 2)
3. To re-elect Datin Fong Nyok Yoon who retires in accordance to Article 124 of the Company's Articles of Association. (Resolution 3)
4. To re-elect Ms Lim Pow Choo who retires in accordance to Article 124 of the Company's Articles of Association. (Resolution 4)
5. To re-elect Mr Hem Kan @ Chan Hong Kee who retires in accordance to Article 124 of the Company's Articles of Association. (Resolution 5)
6. To re-appoint Messrs PricewaterhouseCoopers as auditors for the ensuing year and to authorise the Directors to fix their remuneration. (Resolution 6)

SPECIAL BUSINESS

To consider and if thought fit, pass the following Ordinary and Special Resolutions :-

7. **(a) Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature**

"THAT pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, authority be and is hereby given to the subsidiaries of CHB to enter into sale and purchase of materials of a revenue or trading nature with related parties as tabled in Section 3.2.2 (Pages 6-9) of the Circular to Shareholder dated 3 June 2008 which shall be considered and approved as separate mandates :-

- (i) Transaction between Caelygirl (M) Sdn Bhd with the following related parties :- **(Resolution 7)**
- Perusahaan Tacly
 - Kimberlux Sdn Bhd
 - Kimberlux Construction Sdn Bhd
 - Prestige Gain Sdn Bhd
- (ii) Transaction between Classita (M) Sdn Bhd with the following related parties :- **(Resolution 8)**
- Perusahaan Tacly
 - Yori-Samensa Ltd
 - Kimberlux Construction Sdn Bhd
 - Yori-Samensa Sdn Bhd
- (iii) Transaction between Marywah Industries (M) Sdn Bhd with the following related parties :- **(Resolution 9)**
- Perusahaan Tacly

And THAT the aforesaid recurrent transactions of a revenue or trading nature is subject to the following :-

- (a) The transactions are in the ordinary course of business at an arm's length basis and on normal commercial terms that are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders.
- (b) Disclosure of the aggregate value of the recurrent transactions conducted during the financial year will be disclosed in the Annual Report for the said financial year AND that such approval shall continue to be in force until :-
- (i) the conclusion of the next AGM of the Company following the forthcoming AGM at which time it will lapse, unless by a resolution passed at the AGM, the mandate is renewed;
 - (ii) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (iii) revoked or varied by resolution passed by the Shareholders in general meeting;
- whichever is earlier.
- (c) The Directors and / or any of them be and are hereby authorised to complete and do all such acts and things (including such documents as may be required) to give effect to the Proposal authorised by these Resolutions 7-9."

7. (b) **Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965 ("the Act")** (Resolution 10)

"THAT pursuant to Section 132D of the Act, and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and is hereby also empowered to obtain approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next AGM."

(c) **Proposed amendments to the Articles of Association**

(Special Resolution)

"THAT the proposed amendments to the Articles of Association of the Company in the manner as set out in Appendix A in the Annual Report 2007 ("Proposed Amendments") be and are hereby approved AND THAT the Directors be and are hereby authorized to sign, do and execute all relevant documents, acts and things as may be required for or in connection with and to give effect to the Proposed Amendments with full power to assent to any conditions, variations and/or amendments as may be required by the relevant authorities."

8. To transact any other ordinary business of which due notice shall have been given.

BY ORDER OF THE BOARD

CHONG SWEE YOON (MAICSA 7010242)

CATHERINE MAH SUIK CHING (LS 01302)

Joint Secretaries

Kuala Lumpur

3 June 2008

NOTES :

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. A member may appoint up to two (2) proxies to attend at the same meeting. Where a member appoints two (2) proxies, the proxies shall not be valid unless the member specifies the proportions of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office situated at 10th Floor Wisma Havela Thakardas No. 1 Jalan Tiong Nam Off Jalan Raja Laut 50350 Kuala Lumpur at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

EXPLANATORY NOTES ON THE SPECIAL BUSINESS

- (i) The proposed Ordinary Resolutions 7 to 9 if passed, will empower the Directors from the date of the Twelfth AGM, to deal with the related party transactions involving recurrent transactions of revenue or trading nature which are necessary for its day-to-day operations. These Recurrent Related Party Transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public. This authority, unless revoked or varied at a general meeting, will expire at the next AGM.
- (ii) The proposed Ordinary Resolution 10, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at general meeting, will expire at the next AGM.
- (iii) The proposed Special Resolution for the Proposed Amendments to the Articles of Association is to comply with the Listing Requirements of Bursa Malaysia Securities Berhad.

NAME OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION

The Directors standing for re-election at the forthcoming Annual General Meeting are as follows:-

- i. Datin Fong Nyok Yoon
- ii. Ms Lim Pow Choo
- iii. Mr Hem Kan @ Chan Hong Kee

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Five board meetings were held during the financial year ended 31 December, 2007. Details of attendance of Directors at the aforesaid board meetings are as follows:-

Name	Attendance (No. of Meetings)
Datin Fong Nyok Yoon	5
Dato' Wan Mohamad Zin Bin Mat Amin	4
Dato' Chuah Chin Lai	5
Khor Mooi Soong	5
Lim Pow Choo	5
Siow Hock Lee	4
Ooi Say Teik	4
Hem Kan @ Chan Hong Kee	5

DATE, TIME AND PLACE OF THE ANNUAL GENERAL MEETING

Date : Wednesday, June 25, 2008
Time : 10.00 a.m.
Venue : No. 47, Zone J4, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur

FURTHER DETAILS OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION

The details of the three Directors seeking re-election are set out in the Profile of Directors of the Annual Report 2007 in pages 20 to 22 whilst their shareholdings in the Company are presented in the Directors' shareholdings in page 85 of the same Annual Report.



2. (1) (b) **Approved Market Place**

- to delete the definition in its entirety without any replacement

Means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption) (No.2) Order 1998.

(d) **Central Depository**

- to delete the word "Central"
- to replace "Malaysian Central Depository Sdn Bhd" with "Bursa Malaysia Depository Sdn Bhd".

Existing version

Central Depository - *Malaysian Central Depository Sdn. Bhd. (Co. No. 165570-W) and its successors-in-title.*

Revised version

Depository - **Bursa Malaysia Depository Sdn. Bhd. (Co. No. 165570-W) and its successors-in-title.**

(g) **Depositor**

- to add "established by the Depository" immediately after "account".

Existing version

A holder of securities account.

Revised version

A holder of securities account **established by the Depository.**

(i) **Foreign Register**

- to delete the definition in its entirety without any replacement.

(k) **KLSE**

- to replace the word "KLSE" to "Exchange".
- to replace the words "Kuala Lumpur Stock Exchange" to "Bursa Malaysia Securities Berhad".

Existing version

KLSE - *Kuala Lumpur Stock Exchange*

Revised version

Exchange - **Bursa Malaysia Securities Berhad**

- 2 (1) (l) **Market Day**
- To delete the whole sentence in its entirety and replace with “**Means a day on which the stock market of the Exchange is open for trading in securities**”.

Existing version

Any day between Mondays and Fridays which is not a market holiday or Public holiday.

Revised version

Means a day on which the stock market of the Exchange is open for trading in securities.

- (m) **Member**
- to delete the words “Central” and “member”.

Existing version

Unless otherwise expressed to the contrary, includes a depositor who shall be treated as if he were a member pursuant to Section 35 of the Central Depositories Act but excludes the *Central* Depository in its capacity as a bare trustee *member*.

Revised version

Unless otherwise expressed to the contrary, includes a depositor who shall be treated as if he were a member pursuant to Section 35 of the Central Depositories Act but excludes the **Depository** in its capacity as a bare **trustee**.

- (q) **Record of Depositors**
- to delete the word “Central”.

Existing version

A record provided by *Central* Depository to the Company under Chapter 24.0 of the Rules.

Revised version

A record provided by **Depository** to the Company under Chapter 24.0 of the Rules.

- (u) **Rules**
- To delete the word “Central”.

Existing version

The Rules of the *Central* Depository and any appendices thereto, as amended from time to time.

Revised version

The Rules of the **Depository** and any appendices thereto, as amended from time to time.

- (w) **Securities Account**
- To delete the word “**Central**”.

Existing version

An account established by the *Central* Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor.

Revised version

An account established by the **Depository** for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor.

(zc) Listing Requirements

- to replace "KLSE" to "Exchange".

Existing version

The listing requirements of the *KLSE* as may be amended from time to time.

Revised version

The listing requirements of the **Exchange** as may be amended from time to time.

Article 13

- to delete "Central" before "Depository" wherever applicable in the Article.

Existing version

All new issues of securities for which listing is sought shall be made by way of crediting the securities accounts of the allottees or entitled persons with such securities save and except where the Company is specifically exempted from complying with Section 38 of the Central Depositories Act, in which event it shall be so similarly be exempted from compliance with this Article. For this purpose, the Company shall notify the *Central Depository* of the names of the allottees or entitled persons and all such particulars as may be required by the *Central Depository* to enable the *Central Depository* to make the appropriate entries in the securities accounts of such allottees or entitled persons. Notwithstanding these Articles, the Company shall comply with the provisions of the Central Depositories Act and the Rules in all matters relating to the prescribed securities.

Revised version

All new issues of securities for which listing is sought shall be made by way of crediting the securities accounts of the allottees or entitled persons with such securities save and except where the Company is specifically exempted from complying with Section 38 of the Central Depositories Act, in which event it shall be so similarly be exempted from compliance with this Article. For this purpose, the Company shall notify the **Depository** of the names of the allottees or entitled persons and all such particulars as may be required by the **Depository** to enable the **Depository** to make the appropriate entries in the securities accounts of such allottees or entitled persons. Notwithstanding these Articles, the Company shall comply with the provisions of the Central Depositories Act and the Rules in all matters relating to the prescribed securities.

Article 16 (3)

- to delete the following existing provision under Article 16 (3) in its entirety without any replacement :-

the total nominal value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time;

Article 19

- to replace "KLSE" with "the Exchange".

Existing version

Notwithstanding Article 18 (but subject to the Act), the Company may apply to *KLSE* for a waiver from convening an extraordinary general meeting to obtain shareholders' approval for further issue or issues of shares (other than bonus or rights issues) where:

- (1) the aggregate issues of shares (other than bonus and rights issues and other issues of shares which have been specifically approved by the shareholders in an extraordinary general meeting) in any one financial year in which such further issue or issues are made do not exceed 10% (or such higher percentage as *KLSE* may from time to time allow either in respect of a particular financial year, generally or otherwise) of the Company's issued share capital; and

Revision version

Notwithstanding Article 18 (but subject to the Act), the Company may apply to **the Exchange** for a waiver from convening an extraordinary general meeting to obtain shareholders' approval for further issue or issues of shares (other than bonus or rights issues) where:

- (1) the aggregate issues of shares (other than bonus and rights issues and other issues of shares which have been specifically approved by the shareholders in an extraordinary general meeting) in any one financial year in which such further issue or issues are made do not exceed 10% (or such higher percentage as **the Exchange** may from time to time allow either in respect of a particular financial year, generally or otherwise) of the Company's issued share capital; and

Article 27 (3)

- to delete the following existing provision under Article 27 (3) in its entirety without any replacement :-

the right to a return of capital in preference to holders of ordinary shares when the Company is wound-up

Article 29

- to replace "KLSE" with "Exchange".
- to delete "Central" before " Depository" wherever applicable in the Article.

Existing version

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the Company upon allotment of shares shall despatch notices of allotment to all allottees within the period prescribed by the *KLSE* and deliver to the *Central Depository* the appropriate certificates in such denominations as may be specified by the *Central Depository* registered in the name of the *Central Depository* or its nominee company.

Revised version

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the Company upon allotment of shares shall despatch notices of allotment to all allottees within the period prescribed by the **Exchange** and deliver to the **Depository** the appropriate certificates in such denominations as may be specified by the **Depository** registered in the name of the **Depository** or its nominee company

Article 42

- to delete "Central" before " Depository" wherever applicable in the Article.

Existing version

Subject to the Act, these Articles, the Central Depositories Act and the Rules, the transfer of any securities or class of listed securities of the Company shall be made by way of book entry by the *Central Depository* in accordance with the Rules and, notwithstanding Section 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of securities.

Revised version

Subject to the Act, these Articles, the Central Depositories Act and the Rules, the transfer of any securities or class of listed securities of the Company shall be made by way of book entry by the **Depository** in accordance with the Rules and, notwithstanding Section 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of securities.

Article 43

- to delete "Central" before "Depository" wherever applicable in the Article.

Existing version

The Central Depository may, in its absolute discretion, refuse to register any transfer that does not comply with the Central Depositories Act and the Rules.

Revised version

The **Depository** may, in its absolute discretion, refuse to register any transfer that does not comply with the Central Depositories Act and the Rules.

Article 44

- to replace "KLSE" with "the Exchange"

Existing version

Subject to the Central Depositories Act and the Rules, any members may transfer all or any of its securities by instrument in writing in the form prescribed and approved by *KLSE* and the Registrar (as the case may be). Subject to these Articles, there shall be no restriction on the transfer of fully paid-up shares except where required by law. The instruments shall be executed by or on behalf of the transferor and the transferee and the transferor shall remain the holder of the shares transferred is entered in the Register and/or the Record of Depositors as the case may be. All transfers of deposited securities shall be effected in accordance with the Act, the Central Depositories Act and the Rules.

Revised version

Subject to the Central Depositories Act and the Rules, any members may transfer all or any of its securities by instrument in writing in the form prescribed and approved by **the Exchange** and the Registrar (as the case may be). Subject to these Articles, there shall be no restriction on the transfer of fully paid-up shares except where required by law. The instruments shall be executed by or on behalf of the transferor and the transferee and the transferor shall remain the holder of the shares transferred is entered in the Register and/or the Record of Depositors as the case may be. All transfers of deposited securities shall be effected in accordance with the Act, the Central Depositories Act and the Rules.

Article 45

- In Article 45 (2), to replace "KLSE" with "the Exchange".
- to delete "12" and replace with "10".
- to delete "clear" in the last para of Article 45.
- to delete "Central" before "Depository" wherever applicable in the Article.

Existing version

- 45 (2) give notice of such intended closure to *KLSE* at least 12 Market Days before the intended date of such closure including in such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration;

At least three (3) *clear* market days prior notice shall be given to the *Central Depository* to enable the *Central Depository* to prepare the appropriate Record of Depositors.

Revised version

- 45 (2) give notice of such intended closure to **the Exchange** at least **10** Market Days before the intended date of such closure including in such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration;

At least three (3) market days prior notice shall be given to the **Depository** to enable the **Depository** to prepare the appropriate Record of Depositors.

Article 48

- to delete "Central" before "Depository" in the Article.

Existing version

Neither the Company nor any of its Directors shall be liable for any transfer of shares effected by the *Central* Depository.

Revised version

Neither the Company nor any of its Directors shall be liable for any transfer of shares effected by the **Depository**.

Article 51

- to replace "an Approved Market Place" with "another Stock Exchange".
- to delete "Approved Market Place" ("the Foreign Register") and replace with "another Stock Exchange"
- to delete ('Malaysian Register') subject to the following conditions and replace with "and vice versa provided that there shall be no change in the ownership of such securities"
- to delete para (1)(b)(i)-(ii) in its entirety without any replacement

Existing version

- (1) Where :-

- (a) the securities of the Company are listed on an *Approved Market Place*; and
- (b) the Company is exempted from compliance with Section 14 of the *Central Depositories Act* or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act 1998, as the case may be, under the Rules in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the *Approved Market Place* ('*Foreign Register*'), to the register of holders maintained by the registrar of the Company in *Malaysia* ('*Malaysian Register*') *subject to the following conditions:*

- (2) *For the avoidance of doubt, no Company which fulfils the requirements of paragraphs (a) and (b) of Article 51(1) shall allow any transmission of securities from the Malaysian Register into the Foreign Register.*

Revised version

- (1) Where :-

- (a) the securities of the Company are listed on an **another stock exchange**; and
- (b) the Company is exempted from compliance with Section 14 of the **Securities Industry (Central Depositories) Act 1991** or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act 1998, as the case may be, under the Rules in respect of such securities,

Revised version (continued)

- (1) (b) the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the **other stock exchange** to the register of holders maintained by the registrar of the Company **in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.**

Article 52

- to delete "Central" before " Depository" in the Article.

Existing version

A personal representative of a deceased holder of a share shall not be recognised except by *Central* Depository in accordance with the Rules or as the *Central* Depository may determine.

Revised version

A personal representative of a deceased holder of a share shall not be recognised except by **Depository** in accordance with the Rules or as the **Depository** may determine.

Article 53

- to delete "Central" before " Depository" in the Article.

Existing version

The entitlement of a person becoming entitled to a share in consequence of the death, bankruptcy or mental disorder of a Member to elect either to have his name entered as the holder of such share in the Record of Depositors or to have the name of some person nominated by him entered in the Record of Depositors as a holder of such shares shall be subject to and in accordance with the Rules or as the *Central* Depository may determine.

Revised version

The entitlement of a person becoming entitled to a share in consequence of the death, bankruptcy or mental disorder of a Member to elect either to have his name entered as the holder of such share in the Record of Depositors or to have the name of some person nominated by him entered in the Record of Depositors as a holder of such shares shall be subject to and in accordance with the Rules or as the **Depository** may determine.

Article 54

- to delete "Central" before " Depository" in the Article.

Existing version

A person becoming entitled to a share by reason of the death, bankruptcy or mental disorder of the holder or by operation of law shall, subject to and in accordance with the Rules or as the *Central* Depository may determine, be entitled to the rights to which he would be entitled as the holder of the share.

Revised version

A person becoming entitled to a share by reason of the death, bankruptcy or mental disorder of the holder or by operation of law shall, subject to and in accordance with the Rules or as the **Depository** may determine, be entitled to the rights to which he would be entitled as the holder of the share.

Article 61

- to replace "KLSE" with "Exchange" in the Article.

Existing version

Subject to the provision of the Act, and the requirements of the *KLSE* and/or any other relevant authorities, the Company may from time to time by resolution of a general meeting, acquire by purchase in good faith and in the best interests of the Company, the Company's own shares through the *KLSE* on which the shares are quoted provided always that the Company is solvent at the date of purchase of the Company's shares.

Revised version

Subject to the provision of the Act, and the requirements of the **Exchange** and/or any other relevant authorities, the Company may from time to time by resolution of a general meeting, acquire by purchase in good faith and in the best interests of the Company, the Company's own shares through the **Exchange** on which the shares are quoted provided always that the Company is solvent at the date of purchase of the Company's shares.

Article 74

- to delete "Central" before "Depository" in the Article.
- to replace "a date" with "the latest date which is reasonably practicable which shall in any event be".
- to delete "clear" in line 6.

Existing version

In accordance with the Rules, the Company shall request the *Central* Depository in writing to issue a Record of Depositors to whom notices of general meetings shall be given by the Company. The Company shall request the *Central* Depository in writing in accordance with the Rules, to issue a Record of Depositors, as at a *date* not less than three (3) *clear* Market Days before the general meeting ("General Meeting Record of Depositors"). Subject to the Regulations and notwithstanding any provisions in the Act, the General Meeting Record of Depositors shall be the final record of all Depositors who shall be deemed to be the registered holders of the shares of the Company eligible to be present and vote at such meetings.

Revised version

In accordance with the Rules, the Company shall request the **Depository** in writing to issue a Record of Depositors to whom notices of general meetings shall be given by the Company. The Company shall request the **Depository** in writing in accordance with the Rules, to issue a Record of Depositors, as at **the latest date which is reasonably practicable which shall in any event be** not less than three (3) Market Days before the general meeting ("General Meeting Record of Depositors"). Subject to the Regulations and notwithstanding any provisions in the Act, the General Meeting Record of Depositors shall be the final record of all Depositors who shall be deemed to be the registered holders of the shares of the Company eligible to be present and vote at such meetings.

Article 75

- to replace "in the daily press" with "at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper".

Existing version

The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all Members at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' or 21 days' notice in the case where special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement *in the daily press* and in writing to each Stock Exchange upon which the Company is listed.

Revised version

The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all Members at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' or 21 days' notice in the case where special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement **at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper** and in writing to each Stock Exchange upon which the Company is listed.

Article 76

- to replace "KLSE" with "the Exchange".
- to delete "1 daily newspaper in the national or English language" and replace with "at least nationally circulated Bahasa Malaysia or English daily newspaper".
- to delete "Central" before "Depository" wherever applicable in the Article.

Existing version

Subject to these Articles and to any restrictions imposed on any shares, every notice calling a general meeting shall be given by advertisement in *1 daily newspaper* in the *national or English* language and in writing to *KLSE*, all the Members, to all persons entitled to a share (who have produced such evidence as may from time to time be required by the *Central Depository* in accordance with the Rules or as the *Central Depository* may determine) in consequence of the death, bankruptcy or mental disorder of a Member or by operation of law and to the Directors and auditors of the Company. A notice by advertisement under this Article shall be deemed given on the day on which the advertisement appears in the daily newspaper through which such advertisement is made.

Revised version

Subject to these Articles and to any restrictions imposed on any shares, every notice calling a general meeting shall be given by advertisement in **at least nationally circulated Bahasa Malaysia or English daily newspaper** and in writing to **the Exchange**, all the Members, to all persons entitled to a share (who have produced such evidence as may from time to time be required by the **Depository** in accordance with the Rules or as the **Depository** may determine) in consequence of the death, bankruptcy or mental disorder of a Member or by operation of law and to the Directors and auditors of the Company. A notice by advertisement under this Article shall be deemed given on the day on which the advertisement appears in the daily newspaper through which such advertisement is made.

Article 105

- to delete "All the Directors shall be natural persons and" before the first Directors.

Existing version

All the Directors shall be natural persons and the first Directors of the Company shall be Messrs Tan Saw Khen and Tan Yeng Fatt.

Revised version

The first Directors of the Company shall be Messrs Tan Saw Khen and Tan Yeng Fatt.

Article 133

- to delete the following existing provisions of Article 133 (1), (3) and (7).
- to renumber the existing Article 133 (2), (4), (5) & (6) as Article 133 (1), (2), (3) & (4).
- to insert the following new provision as new Article 133 (5) :-
If he becomes of unsound mind or bankrupt during his term of office

Existing version

The office of a Director shall be vacated if he:

- (1) *becomes bankrupt or enters into any arrangement or composition with his creditors generally;*
- (2) ceases to be a Director by virtue of any provision of the Act or becomes prohibited by law from being a Director;
- (3) *becomes of unsound mind or lunatic in Malaysia or elsewhere or an order is made by any court or other competent authority claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a committee or other person (by whatever name called) to exercise powers with respect to his property and/or affairs;*
- (4) is removed from office by ordinary resolution of the Company;
- (5) is convicted of any offence (whether in Malaysia or elsewhere) involving fraud or dishonesty or of an offence (whether in Malaysia or elsewhere) punishable on conviction with imprisonment for 3 months or more;
- (6) resigns his office by notice in writing to the Company;
- (7) *is absent from more than 50% of the total board of directors' meetings held during a financial year, unless an exemption or waiver is obtained from the KLSE.*

Revised version

The office of a Director shall be vacated if he:

- (1) ceases to be a Director by virtue of any provision of the Act or becomes prohibited by law from being a Director;
- (2) is removed from office by ordinary resolution of the Company;
- (3) is convicted of any offence (whether in Malaysia or elsewhere) involving fraud or dishonesty or of an offence (whether in Malaysia or elsewhere) punishable on conviction with imprisonment for 3 months or more;
- (4) resigns his office by notice in writing to the Company;
- (5) **If he becomes of unsound mind or bankrupt during his term of office.**

Article 174

- to replace "KLSE" with "the Exchange".

Existing version

The Directors shall from time to time in accordance with the Act and the Listing Requirements of *KLSE* (if applicable) cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are referred to in the Act and/or such Listing Requirements (if applicable).

Revised version

The Directors shall from time to time in accordance with the Act and the Listing Requirements of **the Exchange** (if applicable) cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are referred to in the Act and/or such Listing Requirements (if applicable).

Article 175

- to replace "KLSE" with "the Exchange".

Existing version

A copy of the reports by the Directors and auditors of the Company, the profit and loss accounts, balance sheets and group accounts (if any) (including all documents required by law to be annexed or attached to all or any of them) shall be sent (not later than 6 Months after the close of the financial year and at least 21 days before the general meeting at which they are to be laid) to all Members, holders of debentures and all other persons entitled to receive notices of general meetings under the Act or these Articles. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' reports shall not exceed 4 months. The required number of copies of each of these documents shall at the same time be sent to *KLSE*.

Revised version

A copy of the reports by the Directors and auditors of the Company, the profit and loss accounts, balance sheets and group accounts (if any) (including all documents required by law to be annexed or attached to all or any of them) shall be sent (not later than 6 Months after the close of the financial year and at least 21 days before the general meeting at which they are to be laid) to all Members, holders of debentures and all other persons entitled to receive notices of general meetings under the Act or these Articles. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' reports shall not exceed 4 months. The required number of copies of each of these documents shall at the same time be sent to **the Exchange**.

Article 194

- to replace "KLSE" with "Exchange" wherever applicable in the Article.

Existing version

The Company shall not (while it is listed on an Official List of *KLSE*) delete, amend or add to any of these Articles which have previously been approved by *KLSE*, unless prior written approval of *KLSE* has been sought and obtained from *KLSE* for such deletion, amendment or addition.

Revised version

The Company shall not (while it is listed on an Official List of **the Exchange**) delete, amend or add to any of these Articles which have previously been approved by **the Exchange**, unless prior written approval of **the Exchange** has been sought and obtained from the Exchange for such deletion, amendment or addition.

Article 195 (1)-(7)

- to replace "KLSE" with "the Exchange" wherever applicable in the Article.
- to add a new provision to be inserted as 195 (8) "For the purpose of this article, unless the context otherwise requires, "Listing Requirements" means the Listing Requirements of Bursa Malaysia Securities Berhad including any amendment to the Listing Requirements that may be made from time to time."

Existing version

Effect of the Listing Requirements

- (1) Notwithstanding anything contained in these Articles, if the Listing Requirements of *KLSE* prohibit an act being done, the act shall not be done;
- (2) Nothing contained in these Articles prevents an act being done that the Listing Requirements of *KLSE* require to be done;
- (3) If the Listing Requirements of *KLSE* require an act to be done or not to be done, authority is given for an act required to be done or not to be done (as the case may be);

Existing version

Effect of the Listing Requirements (continued)

- (4) If the Listing Requirements of *KLSE* require these Articles to contain a provision and they do not contain such a provision, these Articles are deemed to contain that provision;
- (5) If the Listing Requirements of *KLSE* require these Articles not to contain a provision and they contain such a provision, these Articles are deemed not to contained that provision;
- (6) If any provision of these Articles is or becomes inconsistent with the Listing Requirements of *KLSE*, these Articles are deemed not to contain that provision to the extent of the inconsistency;
- (7) Notwithstanding anything contained in these Articles, nothing herein shall prevent the Company from applying to *KLSE* for any waiver of any of the Listing Requirements of *KLSE* and in the event the compliance or observance of any of the Listing Requirements of *KLSE* is waived by *KLSE*, the Company shall be exempted from such compliance.

Revised version

Effect of the Listing Requirements

- (1) Notwithstanding anything contained in these Articles, if the Listing Requirements of **the Exchange** prohibit an act being done, the act shall not be done;
- (2) Nothing contained in these Articles prevents an act being done that the Listing Requirements of **the Exchange** require to be done;
- (3) If the Listing Requirements of **the Exchange** require an act to be done or not to be done, authority is given for an act required to be done or not to be done (as the case may be);
- (4) If the Listing Requirements of **the Exchange** require these Articles to contain a provision and they do not contain such a provision, these Articles are deemed to contain that provision;
- (5) If the Listing Requirements of **the Exchange** require these Articles not to contain a provision and they contain such a provision, these Articles are deemed not to contained that provision;
- (6) If any provision of these Articles is or becomes inconsistent with the Listing Requirements of **the Exchange**, these Articles are deemed not to contain that provision to the extent of the inconsistency;
- (7) Notwithstanding anything contained in these Articles, nothing herein shall prevent the Company from applying to **the Exchange** for any waiver of any of the Listing Requirements of **the Exchange** and in the event the compliance or observance of any of the Listing Requirements of **the Exchange** is waived by **the Exchange**, the Company shall be exempted from such compliance.
- (8) **For the purpose of this article, unless the context otherwise requires, "Listing Requirements" means the Listing Requirements of Bursa Malaysia Securities Berhad including any amendment to the Listing Requirements that may be made from time to time.**

Article 196

- to delete this articles in its entirety without any replacement.

Article 197

- to renumber the existing Article 197 to Article 196.



Caely Holdings Bhd.

(Company No. 408376-U)

100%



Caelygirl (M) Sdn Bhd
(Incorporated in Malaysia)

100%

CLASSITA
CLASSIC SITA
(Incorporated in Malaysia)

100%



MARITIME INDUSTRIES
(Incorporated in Malaysia)

100%

CAELY
Intima
(Incorporated in Malaysia)

(Incorporated in Malaysia)

DATIN FONG NYOK YOON, A.M.P.

(46 years of age - Malaysian)

Executive Chairperson / Non-Independent Director

Datin Fong Nyok Yoon, A.M.P. is the Executive Chairperson of Caely Holdings Bhd (CHB) and was appointed to the Board on 2 October 2002. She is also a member of the Audit Committee and the Remuneration Committee. She has extensive knowledge in the ladies undergarments industry having been in the business for the past 20 years. She has no conflict of interest with CHB and has no conviction for offences within the past 10 years.

Datin Fong Nyok Yoon, A.M.P. and Lim Pow Choo are sisters. Datin Fong Nyok Yoon, A.M.P. is the spouse of Dato' Chuah Chin Lai, D.P.M.P., A.M.P. and Lim Pow Choo is the spouse of Khor Mooi Soong. She attended all the five (5) Board Meetings of CHB held during the financial year ended 31 December 2007.

DATO' WAN MOHAMAD ZIN BIN MAT AMIN

(61 years of age - Malaysian)

Deputy Chairman / Non-Independent Non-Executive Director

Dato' Wan Mohamad Zin Bin Mat Amin is the Deputy Chairperson of CHB and was appointed to the Board on 2 October 2002. He is a member of the Nomination Committee. He graduated from the Royal Military College in 1968 and completed his staff course in the Malaysian Armed Forces Staff College in 1981. He obtained his Master in Business Administration from Greenwich University, Australia in 2002. He is a major shareholder and Managing Director of a company that supplies electronic defence products and engine spare parts, an industry in which he has more than 20 years of working experience. He is also a Director of Sunchirin Industries (Malaysia) Berhad and P.A. Resources Berhad. Dato' Wan has no family relationship with other Directors and major shareholders of CHB. He has no conflict of interest with CHB and has no conviction for offences within the past 10 years. Dato' Wan attended four (4) out of the five (5) Board Meetings of CHB held during the financial year ended 31 December 2007.

DATO' CHUAH CHIN LAI, D.P.M.P., A.M.P.

(48 years of age - Malaysian)

Managing Director

Dato' Chuah Chin Lai, D.P.M.P., A.M.P. is the Managing Director of CHB and was appointed to the Board on 2 October 2002. He has been in the Group for the past 20 years and currently heads the direct selling division and is actively involved in the Group's export business. He has no conflict of interest with CHB and has no conviction of offences within the past 10 years. He is the spouse of Datin Fong Nyok Yoon. His relationship with other Directors and major shareholders are stated in the profile of Datin Fong Nyok Yoon. He attended all the five (5) Board Meetings of CHB held during the financial year ended 31 December 2007.

KHOR MOOI SOONG

(54 years of age - Malaysian)

Executive Director

Khor Mooi Soong is an Executive Director of CHB and was appointed to the Board on 2 October 2002. He has extensive business experience in various sectors including manufacturing and property development. Besides sourcing for materials / components, he also assists in the marketing of CHB's products. He has no conflict of interest with CHB and has no conviction of offences within the past 10 years. He is the spouse of Lim Pow Choo. His relationship with other Directors and major shareholders are stated in the profile of Datin Fong Nyok Yoon. Mr. Khor attended all the five (5) Board Meetings of CHB held during the financial year ended 31 December 2007.

LIM POW CHOO

(48 years of age - Malaysian)

Executive Director

Lim Pow Choo is an Executive Director of CHB and was appointed to the Board on 2 October 2002. She has vast experience in the garment business, particularly in ladies undergarments. She is currently the head of the Group's manufacturing division, overseeing the production processes for the OEM market.

She has no conflict of interest with CHB and has no conviction of offences within the past 10 years. She is the spouse of Khor Mooi Soong. Her relationship with other Directors and major shareholders are stated in the profile of Datin Fong Nyok Yoon. She attended all the five (5) Board Meeting of CHB held during the financial year ended 31 December 2007.

SIOW HOCK LEE

(52 years of age - Malaysian)

Independent Non-Executive Director

Siow Hock Lee is an Independent Non Executive Director of CHB and was appointed to the Board on 5 June 2003. He is the Chairman of the Audit Committee and a member of the Remuneration Committee. He is a member of the Association of Chartered Certified Accountants and Malaysian Institute of Accountants and has extensive working experience of more than 20 years in providing audit and accounting related services. He is a Partner of a firm of accounting practice and an Independent Non-Executive Director of Amtel Holdings Berhad and Online One Corporation Berhad, both public companies listed on the Second Board and MESDAQ of Bursa Malaysia Securities Berhad. He has no family relationship with other Directors and major shareholders of CHB. He has no conflict of interest with CHB and has no conviction for offences within the past 10 years. Mr. Siow attended four (4) out of the five (5) Board Meetings of CHB held during the financial year ended 31 December 2007.

OOI SAY TEIK

(48 years of age - Malaysian)

Independent Non-Executive Director

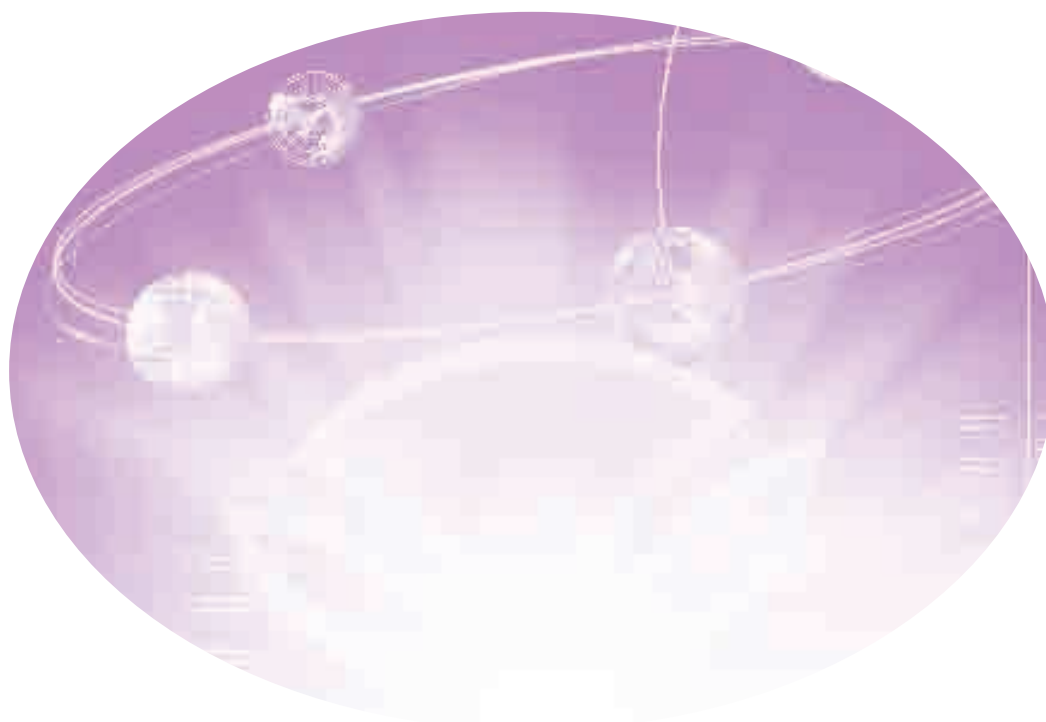
Ooi Say Teik is an Independent Non-Executive Director and was appointed to the Board on 5 June 2003. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. He graduated from the University of Malaya in 1985 with a Bachelor of Arts (Hons), majoring in Economics. In 1990, he obtained his Bachelor of Laws (Hons) from the University of London and was called to the Malaysian Bar and admitted as an Advocate & Solicitor of the High court of Malaya in 1991. Since then, he has been involved in a wide spectrum of the law, particularly in the areas of corporate, banking and litigation. Mr. Ooi is also an Independent Non-Executive Director of Online One Corporation Berhad, a public company listed on the MESDAQ of Bursa Malaysia Securities Berhad. He has no family relationship with the other Directors and major shareholders of CHB, no conflict of interest with CHB and has no conviction for offences within the past 10 years. He attended four (4) out of the five (5) Board Meetings of CHB held during the financial year ended 31 December 2007.

HEM KAN @ CHAN HONG KEE

(67 years of age - Malaysian)

Independent Non-Executive Director

Hem Kan @ Chan Hong Kee is an Independent Non-Executive Director of CHB and was appointed to the Board on 5 June 2003. He is the Chairman of the Nomination Committee and a member of the Audit Committee. He obtained his Senior Cambridge Certificate in 1963. He has extensive business experience in various business sectors, including housing development and oil palm plantation. He is the Honorary Chairman of both the Perak Chinese Chamber of Commerce and Industry and the Lower Perak Chinese Chamber of Commerce. He is also the Board Chairman of San Min Secondary School, Teluk Intan and is an Honorary Chairman and Adviser to the Hilir Perak Dialysis Centre and a committee member of the Bethany Home for the Handicap. He also serves on the Board of various limited companies. He has no family relationship with other Directors and major shareholders of CHB, no conflict of interest with CHB and has no conviction for offences within the past 10 years. He attended all the five (5) Board Meetings of CHB held during the financial year ended 31 December 2007.



Dear Shareholders,

On behalf of the Board of Directors of Caely Holdings Bhd, I am pleased to present the Annual Report and the Audited Financial Statements of the Group and Company for the financial year ended 31 December 2007.

FINANCIAL PERFORMANCE

For the financial year under review, the Group recorded revenue of RM104.9 million compared to RM88.5 million achieved in the preceding financial year. This represents an 18.5% improvement in revenue and was derived mainly from the OEM division. Although it managed to cut previous year's loss of RM2.5 million, the improvement was still insufficient to lift the Group out of the red territory – eventually registering an after tax loss of RM159,991 in the current financial year.

PERFORMANCE REVIEW

Despite the many challenges brought about by the continuing rise in oil prices and the weakening of the United States of America's economy that led to a significantly weakened US dollar, the Group managed to post a commendable increase in turnover from RM88.5 million in the previous year to RM104.9 million.

For the financial year under review, the OEM division registered a turnover of RM96.7 million which accounted for about 92.2% of the Group's turnover. That was an increase of 19.5% as compared to the preceding year's turnover of RM80.9 million. Profit after tax contributed by this division rose to RM4.7 million for the current financial year.

The Direct Selling segment has yet again failed to deliver the results anticipated. Revenue for the financial year remained below the RM8 million-mark. The low turnover coupled with rising operating costs has caused this division to record an operating loss of RM4.4 million for the financial year under review.

DIVIDENDS

The Board does not propose any dividends for the financial year under review.

PROSPECTS

The current global economic events have tempered market enthusiasm both locally and internationally. The global economic financial woes triggered by the high energy and commodities prices globally, worsened by the sub-prime mortgage crisis have posed recessionary drawbacks in the United States of America. And this will definitely have an impact on our economy. Despite the Malaysian government having forecast a 6% growth for 2008, the Group is not expected to emerge totally unscathed from these external factors.

These threats and challenges will force the Group to continue to be prudent in its operating approach. Emphasis will be focused on its existing core businesses, improving margins, controlling costs and managing its resources. Barring any unforeseen circumstances, the Board is cautiously optimistic that the financial performance for the ensuing financial year will be encouraging.

CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious of its social and community obligations and is committed in carrying out its role as a responsible and caring corporate entity. The Group believes that through our actions and our people, we can contribute positive impact to our society. To this end, the Group has set up CaelyCare to discharge its corporate social responsibility.

Our human resource development programs focus on training in building leadership, self-confidence, personal and work competence. Trainings are conducted either in-house or outsourced. These trainings include formal classroom to on-the-job, action-based trainings. Through such trainings, we believe our employees are well equipped and motivated to perform their duties to realize their full potential.

The Group is also concerned on the Health and Safety of its employees and strive to maintain a work place that is safe and minimize risk to the health and welfare of all those involved with the Group. A health and safety committee is being set up and one of its main tasks is to respond quickly and efficiently in the event of an emergency. Through the collaboration with the local fire and rescue department, fire drills are being conducted at least twice yearly. Other drills such as the use of fire fighting equipment, first aid, CPR, orderly evacuation procedures and other preventive measures are also being carried out.

The Group is also doing its part for the local community and society – for instance, by giving the needy and less fortunate ones the chance to work together with their peers. With the assistance and collaboration of the local institution, Bethany Home of the Handicapped, the Group was able to employ some of their students after appropriate trainings. In fact, many hearing-impaired students have been in our employ for several years. The Group also donates generously to Bethany Home and several old folk homes regularly in either cash or/and consumer products.

APPRECIATION

On behalf the Board, I wish to convey my sincere appreciation for the support and confidence given to us by our shareholders, customers, financiers, business associates and the government authorities.

I also extend my personal thanks to my fellow Directors, management and employees of the Group for their continued diligence, dedication and commitment. I believe the Group, with the concerted efforts of a team of highly dedicated and committed Board members, management and staff, will scale new heights in the time to come.

Datin Fong Nyok Yoon, A.M.P.
Executive Chairperson



The Board of Directors ("the Board") has reviewed the manner in which the Malaysian Code on Corporate Governance ("the Code") is applied in the Group. The Board is pleased to report compliance of the Group with the Best Practices set out in Part 2 of the Code except where otherwise stated.

THE BOARD OF DIRECTORS

The Board is responsible for the Group's objectives, policies and stewardship of the Group's resources. To this end, the Board has assumed the following specific responsibilities:

- Formulates, implements and reviews strategic plans;
- Oversees the conduct of the businesses to ensure that they are being properly managed;
- Identifies principal risks and ensures that appropriate systems are implemented to manage those risks;
- Formulates policies for succession planning, including recruiting, training, rewarding and, where appropriate, replacing senior management;
- Develops and implements an investor's relations program or shareholder communications policies; and
- Reviews the adequacy and the integrity of the internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board favours a more structured approach to formalise the existing process by which risks are identified, assessed, controlled and reviewed. As such, an enterprise-wide risk management program is being implemented to strengthen the current internal control system. The Board and the Audit Committee will continue to keep under review the Group's whole system of internal control including operational, compliance and risk management as well as financial controls.

Board Composition and Balance

The Board comprises four Executive Directors and four Non-Executive Directors, three of whom are Independent Directors. The role of the Executive Chairperson is clearly separated from the role of the Managing Director to ensure a balance of power and authority. The Executive Directors decide and implement operational decisions whilst the Non-Executive Directors contribute to the formulation of policies and decision-making through their knowledge and experience in other businesses and sectors. Their roles are clearly demarcated.

The Non-Executive Directors are independent of management and free from any business relationship which could materially interfere with the exercise of their independent judgment. Together, they play an important role in ensuring that the strategies proposed by the management are fully deliberated and examined, taking into accounts the long-term interests of the shareholders, employees, customers, and the many communities in which the Group conducts its business. The profile of the Directors is set out on (pages 8 to 10) of the Annual Report.

In discharging its duties, the Board met six times during the financial year ended 31 December 2007.

Pursuant to Best Practices, the Board has identified Siow Hock Lee, the Chairman of the Audit Committee, as the Independent Non-Executive Director to whom concerns may be conveyed, who would bring the same to the attention of the Board.

Board Committees

The Board delegates certain responsibilities to Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee. All committees have written terms of reference and operating procedures. The Chairmen of the various Committees will report to the Board the outcome of their meetings.

Supply of Information

All Board members are supplied with information on a timely basis. Board papers are circulated prior to Board Meetings and the board papers provide among others, financial and corporate information, significant operational, financial and corporate issues, performance reports and management proposals for Board approvals.

Procedures are in place for Directors to seek both independent professional advice and services of the Company Secretary in the discharge of their duties and responsibilities.

Appointment to the Board

Pursuant to the principles of the Code, the Board has established a Nomination Committee consisting of three Non-Executive Directors, two of whom are Independent. The Nomination Committee is responsible for, among others, the nomination for appointment of new Board members.

Directors' Training

The Group acknowledges that continuous education is important for the Board member to keep abreast on the state of economy, technology advances, regulatory updates and management strategies. All the Directors have attended the Mandatory Accreditation Programme conducted by Bursa Malaysia Training Sdn Bhd. An education / training programme is in place to ensure that the Directors are given the opportunity to further enhance their skills and knowledge continuously.

Retirement and Re-election of Directors

In accordance with the Company's Articles of Association, one-third of the Directors shall retire from office at each Annual General Meeting and could offer themselves for re-election. Those Directors appointed during the financial year are eligible for election at the next Annual General Meeting following their appointments.

Nomination Committee ("NC")

The members of the NC are:

Hem Kan @ Chan Hong Kee, *Chairman of NC*

Dato' Wan Mohamad Zin Bin Mat Amin

Ooi Say Teik

The NC was established to assist the Board in nominating new nominees as Board members as well as assessing the Directors on an on-going basis as to their skills and experience and other qualities.

Remuneration Committee ("RC")

The members of the RC are:

Ooi Say Teik, *Chairman of RC*

Datin Fong Nyok Yoon

Siow Hock Lee

The RC was established to assist the Board in their responsibilities in assessing the remuneration packages of the Directors of the Company and its subsidiaries. The RC is to recommend to the Board, the level of remuneration for the Directors. The Board will decide after considering the recommendations of the RC.

Directors' Remuneration

The Executive Directors' remuneration is linked to performance, service seniority, experience and scope of responsibilities and comprises salary, fees, allowances and bonuses. Other customary benefits are also made available as appropriate. Other factors like market rates and industry practices are considered during the review of salaries, as and when the Board deems fit.

For instance, the basic salary paid takes into account the performance of the individual, the scope of responsibility, information from independent sources on the rates of salary for similar jobs and other relevant indicators. Bonuses paid to the Executive Directors are based on various performance measures of the Group, together with an assessment of each individual's performance during the period. Other customary benefits-in-kind, such as cars are made available as appropriate. Contributions are also made to the Employees Provident Fund where applicable.

Directors' fees payable to Non-Executive Directors are determined after considering comparable market rates.

Details of the nature and amount of each major element of the remuneration of each Director of the Company are as follows:-

	Fees RM	Salaries and other emoluments RM	Benefits in kind RM	Total RM
Executive Directors	162,000	864,870	26,918	1,055,478
Non-Executive Directors	104,000	7,500	-	111,500
	266,000	872,370	26,918	1,166,978

	Executive Directors	Number of Directors Non-Executive Directors	Total
RM1 to RM 50,000	-	4	4
RM 50,001 to RM100,000	-	-	-
RM100,001 to RM150,000	1	-	1
RM150,001 to RM200,000	-	-	-
RM200,001 to RM250,000	1	-	1
RM250,001 to RM300,000	-	-	-
RM300,001 to RM350,000	1	-	1
RM350,001 to RM400,000	-	-	-
RM400,001 to RM450,000	1	-	1
	4	4	8

The Best Practices recommend the disclosure of the details of each individual director's remuneration. The Board is of the view that the transparency and accountability in this respect are appropriately served by the band disclosure made above.

SHAREHOLDERS

The Board acknowledges the importance of regular communication with shareholders and investors via annual reports, circulars to shareholders, and quarterly financial reports and various announcements made during the financial year, through which shareholders and investors can have an overview of the Group's performance and operations.

The Annual General Meeting ("AGM") of the Company represents the principal forum for dialogue and interaction between the shareholders and the Company. The Board at the AGM will present to the shareholders the performance of the Group and the shareholders are encouraged to communicate with the Board and to vote on all resolutions.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced and meaningful assessment of the Group's position and prospects to shareholders via its quarterly and annual financial announcements. In the preparation of financial statements, the Audit Committee and the Board review the financial statements for consistency and appropriateness of the application of accounting standards and policies and for reasonableness and prudence in making estimates, statements and explanations.

Internal Controls

The Directors recognise their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system is designed to meet the Group's particular needs and to manage the risks. Although every effort is made to provide the best possible system of internal control and risk management, the system can only provide reasonable but not absolute assurance against material misstatement or loss.

The Statement on Internal Control is set out in (pages 23 to 24) of the Annual Report which provides an overview of the state of internal controls within the Group.

Relationship with Auditors

An appropriate relationship is maintained with the Group's auditors through the Audit Committee. The Audit Committee has been explicitly accorded the power to communicate directly with both external auditors and internal auditors.

A full Audit Committee report enumerating its role in relation to the auditors is set out in (pages 20 to 22) of the Annual Report.



DIRECTORS' RESPONSIBILITIES IN FINANCIAL REPORTING

The Listing Requirements of Bursa Malaysia require the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of financial year and of their results and cash flows for the financial year. The Directors consider that in presenting the financial statements, the Group has used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors have a general responsibility for ensuring that the Group and the Company keep accounting records and financial statements, which disclose with reasonable accuracy the financial position of the Group and of the Company. The Directors have taken steps to ensure that such financial statements comply with the Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

OTHER COMPLIANCE INFORMATION

Share Buybacks

During the financial year, there were no share buybacks by the Company.

Options, Warrants or Convertible Securities

During the financial year, the Company did not issue any options, warrants or convertible securities.

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

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

Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

Non-Audit Fees

The non-audit fees paid to external auditors, Messrs. PricewaterhouseCoopers Malaysia by the Company and its subsidiaries amounted to RMRM32,400.

Variation in Results

There were no profit estimate, forecast or projections or unaudited results released which differ by 10% or more from audited results for the financial year ended 31 December 2007.

Profit Guarantee

During the financial year, there was no profit guarantee given by the Company.

Revaluation Policy on Landed Properties

The Company has a policy of regular revaluation on the Group's landed properties. Details of the policy are stated in Note 3(b) to the financial statements.

Contracts involving Directors' and Major Shareholders' Interests

Other than the recurrent related party transactions disclosed below, there was no material contracts entered into by the Company or its subsidiaries involving the interests of Directors and major shareholders during the financial year under review.

Recurrent Related Party Transactions

The aggregate value of recurrent related party transactions entered by the Company and its subsidiaries during the financial year ended 31 December 2007 are as follows:

Company in the Group Involved	Related Party	Interested Related Party	Nature of Transaction	Transaction Value for the Financial Year Ended 31 December 2007 RM
Caelygirl (M) Sdn Bhd ("CMSB")	Perusahaan Tacly ("Tacly")	Dato' Chuah Chin Lai ^(a)	Purchase of garments for its direct selling business	81,748
CMSB	Kimberlux Sdn Bhd ("KSB")	Datin Fong Nyok Yoon ^(b) Dato' Chuah Chin Lai Khor Mooi Soong Lim Pow Choo	Office rental receivable	6,000
CMSB	Kimberlux Construction Sdn Bhd ("KCSB")	Datin Fong Nyok Yoon ^(c) Dato' Chuah Chin Lai Khor Mooi Soong Lim Pow Choo	Office rental receivable	6,000
CMSB	Prestige Gain Sdn Bhd ("PGSB")	Datin Fong Nyok Yoon ^(d) Dato' Chuah Chin Lai Khor Mooi Soong Lim Pow Choo	Office rental receivable	6,000

Company in the Caely Group Involved	Related Party	Interested Related Party	Nature of Transaction	Transaction Value for the Financial Year Ended 31 December 2007 RM
Classita (M) Sdn. Bhd. ("CCSB")	Tacly	Dato' Chuah Chin Lai ^(a)	Sub-contractor who provides sewing services for products such as briefs and panties	167,350
CCSB	Nyok Lan Garments Sdn Bhd ("NLGSB")	Datin Fong Nyok Yoon ^(e) Lim Pow Choo	Sub-contractor who provides sewing services for products such as briefs and panties	18,979
CCSB	Yori Samensa Ltd ("Yori")	Datin Fong Nyok Yoon ^(f) Lim Pow Choo	Procurement of foreign buyers	62,719
Marywah Industries (M) Sdn. Bhd. ("MISB")	Tacly	Dato' Chuah Chin Lai ^(a)	Sub-contractor who provides sewing services for products such as briefs and panties	4,436

Notes:-

- (a) Tacly is owned by Chuah Chin Kheng, the brother of Dato' Chuah Chin Lai, the Managing Director and substantial shareholder of CHB.
- (b) Datin Fong Nyok Yoon, Dato' Chuah Chin Lai, Khor Mooi Soong and Lim Pow Choo, who are Directors and substantial shareholders in CHB are also Directors and substantial shareholders in KSB.
- (c) Datin Fong Nyok Yoon, Dato' Chuah Chin Lai, Khor Mooi Soong and Lim Pow Choo, who are Directors and substantial shareholders in CHB are also Directors of KCSB. They are deemed to have an indirect interest of 100.00% in KCSB by virtue of their substantial shareholdings in KSB.
- (d) Datin Fong Nyok Yoon, Dato' Chuah Chin Lai, Khor Mooi Soong and Lim Pow Choo, who are Directors and substantial shareholders in CHB are also Directors of PGSB and are deemed to have an indirect interest of 100% in PGSB by virtue of their substantial shareholdings in KSB.
- (e) Nyok Lan Garments Sdn Bhd is substantially owned by Fong Nyok Lan, a sibling of Datin Fong Nyok Yoon and Lim Pow Choo, the Executive Chairperson and Executive Director respectively and substantial shareholders of CHB. Datin Fong Nyok Yoon and Lim Pow Choo are deemed interested by virtue of their direct and indirect shareholdings of 13,900,000 (17.375%) and 13,900,000 ordinary shares respectively in CHB.
- (f) Yori Samensa is substantially owned by Choong Wee Yee, the sister-in-law of Datin Fong Nyok Yoon and Lim Pow Choo, the Executive Chairperson and Executive Director respectively and substantial shareholders of CHB. Datin Fong Nyok Yoon and Lim Pow Choo are deemed interested by virtue of their direct and indirect shareholdings of 13,900,000 (17.375%) and 13,900,000 ordinary shares respectively in CHB.



Constitution

The Audit Committee ("AC") was established pursuant to a resolution of the Board of Directors ("the Board") passed on 5 June 2003.

Members

The present members of the AC are:-

Name	Designation
Siow Hock Lee, Chairman of the AC	Independent Non-Executive Director
Ooi Say Teik	Independent Non-Executive Director
Hem Kan @ Chan Hong Kee	Independent Non-Executive Director
Datin Fong Nyok Yoon	Executive Chairperson



TERMS OF REFERENCE

Composition

The Board shall elect the AC members from among themselves comprising not less than three (3) members, the majority of whom must be independent directors. The members of the AC shall elect a chairman from among themselves who shall be an independent director.

At least one (1) member:-

- i) must be a member of the Malaysian Institute of Accountants; or
- ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
 - has passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

No alternate director shall be appointed as a member of the AC.

Objectives

The primary objectives of the AC are to:

- assist the Board in discharging its statutory and fiduciary responsibilities relating to the Group's management of principal risks, internal control, financial reporting and compliance of statutory and legal requirements;
- ensure transparency, integrity and accountability in the Group's activities; and
- provide a line of communication between the Board, senior management, internal auditors and external auditors.

Frequency of meetings

Meetings will be held not less than four times a year. The external auditors may request a meeting if they consider one necessary.

Attendance at meetings

During the year ended 31 December 2007 the Audit Committee held six (6) meetings, attended by all the AC members, except for Dato Wan Mohamad Zin Bin Mat Amin, Siow Hock Lee and Ooi Say Teik who attended five (5) of the meetings. The Group financial controller was invited to attend all meetings. The external auditors attended two (2) of the meetings during this period. The Audit Committee had the opportunity to meet up with the external auditors without the presence of management. The Committee may invite any person to be in attendance to assist it in its deliberations.

Quorum

A majority of the members, who are independent directors, present, being not less than two (2), shall form a quorum.

Authority

The AC has free access to all information and documents and is empowered by the Board to investigate any activity for the purpose of discharging its duties and responsibilities.

The AC has direct communication channels to deal with the internal and external auditors and is authorised to obtain outside legal or other independent professional advice as necessary.

Duties and responsibilities

- a) To review and maintain an effective accounting system and controls in the business process.
- b) To review the company's accounting policies and reporting requirements to ensure compliance with the relevant laws, standards, directives and guidelines.
- c) To assess the adequacy of management reporting.
- d) To review the scope of the external audit and internal audit (if applicable) to ensure no unjustified restrictions are imposed by the management.
- e) To review the assistance given by the company's officers to the auditors.
- f) To recommend the appointment and remuneration of external auditors.
- g) To liaise directly between the external auditors, the management and the Board as a whole, particularly with regard to the audit plan and audit report.
- h) To review the findings of internal and external auditors (as the case may be) on internal controls and other audit comments.
- i) To review the internal audit program, processes, the results of the internal audit or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal auditors.
- j) To review the financial statements and annual report prior to submission to the Board.
- k) To review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- l) To consider and examine such other matters as the AC considers appropriate.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The summary of the activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year included the following:-

- Review the external auditors' scope of work and audit plans for the year;
- Review with the external auditors the results of the audit, the audit report and the management letter, including management's response;
- Review and recommend to the Board the re-appointment of external auditors and their audit fees;
- Review the quarterly and annual financial statements, reports and announcements for the Board's consideration and approval;
- Review the related party transactions entered into by the Group;
- Review the internal audit plan prepared by the internal auditor; and
- Review and discuss reports of the internal auditors and assess the effectiveness of the system of internal controls in the areas audited.

INTERNAL AUDIT FUNCTION

The Board believes that an internal audit will provide the AC with independent and objective reports on the risk assessment, risk evaluation and recommendation of control activities to manage such risks. The internal auditors will be in the position to report on the state of internal control and extent of compliance with policies and procedures.

To this end, the internal audit function was outsourced to a firm of consultants, BDO Governance Advisory Sdn Bhd ("BDO GA"), since 2004. During the financial year under review, BDO GA carried out the following activities:-

- Reviewed the Group's operation systems and developed an internal audit plan and executed the internal audit in accordance with the approved audit plan;
- Conducted a risk assessment and evaluation of the adequacy and effectiveness of the internal control systems of certain key divisions of the Group;
- Reviewed the extent of compliance with the Group's policies and procedures; and
- Reported to the AC of the findings and recommendations for corrective actions on reported weaknesses.

Further details on the internal audit are set out in the Statement on Internal Control of this Annual Report.



Introduction

This Statement is made in accordance with Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") Listing Requirements with regard to the Group's compliance to the Principles and Best Practices provisions relating to the internal controls as stipulated in the Malaysian Code of Corporate Governance.

In pursuance thereof, the Board of Directors ("Board") of Caely Holdings Bhd is pleased to set out below its Statement of Internal Control providing a status review of the Group's state on internal control.

Responsibility for Risk and Internal Controls

The Board of Directors and the senior management recognize their responsibilities and endeavors to maintain a sound system of internal controls that covers financial, operational, compliance and risk management practices in the organisation. The Board acknowledges its overall responsibility to review and maintain an adequate system of internal controls organisation-wide with consistent integrity designed to manage rather than eliminate risk to improve the governance process of the organisation. However, it is recognized that evaluation and implementation of the system can only provide reasonable assurance of the Group achieving its objectives. The system will not provide absolute assurance against any material loss occurrence. The Group has in place an ongoing process for identifying, evaluating and managing the significant risks that may affect the achievement of its business objectives. The system of internal controls was in place during the financial year and the system is subject to regular reviews by the Board.

Risk Management Framework

The Board had reviewed the Group's need for an internal audit department, and is for the time being of the opinion that the Group's needs can be met adequately by outsourcing the internal audit function to BDO GA. BDO GA has assisted the Board to establish a risk management policy and framework incorporating the following activities:-

- Identify the various risk factors (financial and non-financial) that can potentially have a significant impact on the Group's success and continuity.
- Establish a risk coverage policy and rank each of these risks according to its relative weight.
- Assess each of these risks (using the risk factors and relative weight) on the Group's core business lines, i.e. manufacture and sale of undergarment products.
- Establish an overall risk profile in order of priority.
- Establish an overall audit plan that covers all risk areas.
- Conduct reviews of control activities on high-risk areas.
- Evaluate the control activities and give an opinion on the systems of internal controls.
- Monitor changes in business conditions and operating style.
- Evaluate changes against risks identified earlier and internal control systems.



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Internal Audit Function

BDO GA provides the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal controls. BDO GA independently reviews the system of internal controls and report to the Audit Committee on a quarterly basis, following the establishment of the risk management framework. BDO GA reviews the internal controls in the key activities of the Group's business based on internal audit strategy and a detailed annual audit plan approved by the Audit Committee. A risk-based approach is adopted and the audit strategy and plan is based on the risk profiles of the major business segments of the Group.

During the financial year under review and in line with the risk areas identified in the organisation-wide audit risk assessment exercise, BDO GA has completed three (3) internal control reviews on Store and Warehouse for direct sales division, Store and Warehouse of Finished Goods and Raw Material for the OEM division. A number of internal control weaknesses have been identified and all of which have been or are being addressed by the management.

Other Key Elements of Internal Control

Apart from risk management and internal audits, the other key elements of the Group's internal control systems are as follows:-

- The Board of Directors has put in place an organisation structure, which formally defines lines of responsibility and delegation of authority.
- Internal control procedures are set out in a series of standard operating policies and procedures. These procedures are the subject of regular reviews and improvements to reflect changing risks or to resolve operational deficiencies.
- Monthly management reports are prepared at subsidiary levels and subject to review and discussion by the Executive Directors and senior management.
- Quarterly performance reports with comprehensive information on financial performance and key business indicators are deliberated at the Audit Committee and thereafter tabled to the Board.
- The Audit Committee and the Board are committed to identify any significant risks faced by the Group and assess the adequacy of financial and operational controls to address these risks.
- The Audit Committee holds meetings to deliberate on the findings and recommendations for improvement by both the internal and external auditors on the state of the internal control system and reports to the Board.
- Informal Board and management meetings at operational level are held during the financial year in order to assess performance and controls.

Conclusion

The Board is of the view that the current system of internal control in place throughout the Group is sufficient to safeguard the shareholders' investment and the Group's assets. The Board continues to take appropriate measures and ongoing commitment to strengthen the internal control environment and processes.

The statement was adopted at the Board of Directors' Meeting held on 28 April 2008.



The directors are pleased to submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the Group are the manufacturing and sales of undergarments and direct sales. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Net loss for the financial year	(159,991)	(3,665,065)

DIVIDENDS

No dividend was paid or declared by the Company since 31 December 2006.

The directors do not recommend the payment of a dividend for the financial year ended 31 December 2007.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS

The directors who have held office since the date of the last report are:

Datin Fong Nyok Yoon A.M.P.
Dato' Wan Mohamad Zin bin Mat Amin
Dato' Chuah Chin Lai D.P.M.P., A.M.P.
Khor Mooi Soong
Lim Pow Choo
Siow Hock Lee
Ooi Say Teik
Hem Kan @ Chan Hong Kee

Executive Chairperson
Deputy Chairman
Managing Director

In accordance with the Company's Articles of Association, Datin Fong Nyok Yoon A.M.P., Lim Pow Choo and Hem Kan @ Chan Hong Kee retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

**DIRECTORS' BENEFITS**

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those disclosed in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest (other than those disclosed in Note 27 to the financial statements).

DIRECTORS' INTERESTS IN SHARES

According to the register of directors' shareholdings, particulars of interests of the directors who held office at the end of the financial year in shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM0.50 each			
	As at 1.1.2007	Bought	Sold	As at 31.12.2007
Direct interest				
Caely Holdings Bhd. (The Company)				
Dato' Chuah Chin Lai D.P.M.P., A.M.P.	6,950,000	-	-	6,950,000
Dato' Wan Mohamad Zin bin Mat Amin	1,028,000	-	-	1,028,000
Datin Fong Nyok Yoon A.M.P.	6,950,000	-	-	6,950,000
Khor Mooi Soong	6,950,000	-	-	6,950,000
Lim Pow Choo	6,950,000	-	-	6,950,000
Indirect interest				
Caely Holdings Bhd. (The Company)				
Dato' Chuah Chin Lai D.P.M.P., A.M.P.	20,850,000	-	-	20,850,000
Datin Fong Nyok Yoon A.M.P.	20,850,000	-	-	20,850,000
Khor Mooi Soong	20,850,000	-	-	20,850,000
Lim Pow Choo	20,850,000	-	-	20,850,000
Siow Hock Lee	135,000	-	-	135,000

By virtue of their substantial interests in shares in Caely Holdings Bhd., Dato' Chuah Chin Lai D.P.M.P., A.M.P., Datin Fong Nyok Yoon A.M.P., Khor Mooi Soong and Lim Pow Choo are deemed to have interests in the shares in all the subsidiaries of the Company.

Other than as disclosed above, none of the other directors held any interest in shares in the Company or its related corporations during the financial year.



STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or the Company to meet their obligations when they fall due.

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

- (a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.



OTHER STATUTORY INFORMATION (CONTINUED)

In the opinion of the directors:

- (a) other than the impairment loss on investment in a subsidiary which affected the results of the Company as disclosed in Note 7 to the financial statements, the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution dated 28 April 2008.

KHOR MOOI SOONG
EXECUTIVE DIRECTOR

DATO' CHUAH CHIN LAI D.P.M.P., A.M.P.,
MANAGING DIRECTOR

Teluk Intan, Perak Darul Ridzuan



INCOME STATEMENTS

CAELY HOLDINGS BHD. (408376-U)
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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Note	GROUP		COMPANY	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue	6	104,870,579	88,534,412	1,500,012	1,875,015
Cost of sales		(88,500,407)	(76,535,844)	-	-
Gross profit		16,370,172	11,998,568	1,500,012	1,875,015
Other operating income		1,889,976	1,125,707	264,665	272,380
Selling and distribution costs		(5,788,919)	(5,677,475)	-	-
Administrative expenses		(10,726,605)	(9,837,638)	(583,518)	(477,027)
Other operating expenses		(3,183)	(237,629)	(4,416,947)	(7,241,013)
(Profit)/loss from operations	7	1,741,441	(2,628,467)	(3,235,788)	(5,570,645)
Finance cost	8	(1,187,279)	(800,811)	(70,426)	(76,409)
Share of loss in a jointly controlled entity		(63,983)	-	-	-
(Profit)/loss before taxation		490,179	(3,429,278)	(3,306,214)	(5,647,054)
Taxation	9	(650,170)	932,378	(358,851)	(344,947)
Net loss for the financial year		(159,991)	(2,496,900)	(3,665,065)	(5,992,001)
Attributable to:					
Equity holders of the Company		(159,991)	(2,496,900)		
Minority interest		-	-		
		(159,991)	(2,496,900)		
Earnings per share (sen)					
- basic	10	(0.2)	(3.1)		



BALANCE SHEETS

CAELY HOLDINGS BHD. (408376-U)
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AS AT 31 DECEMBER 2007

		GROUP		COMPANY	
	Note	2007 RM	2006 RM	2007 RM	2006 RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	29,909,980	30,834,618	1,708,973	1,775,418
Prepaid lease payments	13	345,270	350,000	345,270	350,000
Subsidiaries	14	-	-	49,899,709	54,313,473
Investment in a jointly controlled entity	15	510,347	-	-	
		30,765,597	31,184,618	51,953,952	56,438,891
CURRENT ASSETS					
Inventories	16	33,374,195	37,380,339	-	-
Debtors, deposits and prepayments	17	18,295,930	17,477,639	3,146,701	4,191,437
Tax recoverable		2,484,103	3,080,439	335,206	290,054
Marketable securities	18	2,055,082	490,374	2,055,082	490,374
Deposits, bank and cash balances	19	5,906,273	1,521,580	25,280	544,596
		62,115,583	59,950,371	5,562,269	5,516,461
CURRENT LIABILITIES					
Creditors and accruals	20	9,895,289	10,790,183	16,590,227	17,267,535
Hire-purchase creditors	21	112,888	190,788	-	-
Short term bank borrowings					
- bank overdrafts	22	2,360,244	2,955,345	-	-
- others	22	4,729,950	1,009,200	-	-
Term loan	23	104,337	96,758	104,337	96,758
		17,202,708	15,042,274	16,694,564	17,364,293
NET CURRENT ASSETS/(LIABILITIES)		44,912,875	44,908,097	(11,132,295)	(11,847,832)
NON-CURRENT LIABILITIES					
Hire-purchase creditors	21	134,531	163,501	-	-
Term loan	23	751,732	856,069	751,732	856,069
Deferred tax liabilities	24	2,003,211	2,124,156	71,136	71,136
		2,889,474	3,143,726	822,868	927,205
		72,788,998	72,948,989	39,998,789	43,663,854
CAPITAL AND RESERVES					
ATTRIBUTABLE TO EQUITY					
HOLDERS OF THE COMPANY					
Share capital	25	40,000,000	40,000,000	40,000,000	40,000,000
Reserves	26	32,788,998	32,948,989	(1,211)	3,663,854
Total equity		72,788,998	72,948,989	39,998,789	43,663,854



STATEMENTS OF CHANGES IN EQUITY

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CAELY HOLDINGS BHD. (408376-U)
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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

GROUP	Attributable to equity holders of the Company					
	Share capital RM	Share premium RM	Revaluation reserve RM	Reserve on consolidation RM	Retained profits RM	Total equity RM
At 1 January 2006	40,000,000	9,419,360	3,598,517	80,344	22,693,808	75,792,029
First and final dividend in respect of financial year ended 31 December 2005 of 2.5 sen per share, less tax at 28%	-	-	-	-	(1,440,000)	(1,440,000)
Revaluation reserve realised upon disposal of properties	-	-	(1,705)	-	1,705	-
Deferred tax written back upon disposal of properties	-	-	476	-	-	476
Net surplus arising from current year's revaluation, net of tax	-	-	1,093,384	-	-	1,093,384
Net gain not recognised in income statement	-	-	1,092,155	-	1,705	1,093,860
Net loss for the financial year	-	-	-	-	(2,496,900)	(2,496,900)
At 31 December 2006	40,000,000	9,419,360	4,690,672	80,344	18,758,613	72,948,989
At 1 January 2007	40,000,000	9,419,360	4,690,672	80,344	18,758,613	72,948,989
Net loss for the financial year	-	-	-	-	(159,991)	(159,991)
At 31 December 2007	40,000,000	9,419,360	4,690,672	80,344	18,598,622	72,788,998



FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

COMPANY	Share capital RM	Share premium RM	Non-distributable Revaluation reserve RM	Distributable Retained profits/ (accumulated losses) RM	Total RM
At 1 January 2006	40,000,000	9,419,360	-	1,550,642	50,970,002
First and final dividend in respect of financial year ended 31 December 2005 of 2.5 sen per share, less tax at 28%	-	-	-	(1,440,000)	(1,440,000)
Surplus arising from current year's revaluation, net of tax	-	-	125,853	-	125,853
Net gain not recognised in income statement	-	-	125,853	-	125,853
Net loss for the financial year	-	-	-	(5,992,001)	(5,992,001)
At 31 December 2006	40,000,000	9,419,360	125,853	(5,881,359)	43,663,854
At 1 January 2007	40,000,000	9,419,360	125,853	(5,881,359)	43,663,854
Net loss for the financial year	-	-	-	(3,665,065)	(3,665,065)
At 31 December 2007	40,000,000	9,419,360	125,853	(9,546,424)	39,998,789



CASH FLOW STATEMENTS

CAELY HOLDINGS BHD. (408376-U)
(Incorporated in Malaysia)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the financial year	(159,991)	(2,496,900)	(3,665,065)	(5,992,001)
Adjustments for:				
Property, plant and equipment				
- depreciation	2,342,732	2,216,849	66,445	65,247
- gains on disposal	(29,714)	(94,327)	-	-
- write off	6,597	5,597	-	-
Operating lease expenses on leased land	4,730	4,190	4,730	4,190
Interest expense	456,015	239,994	70,426	76,409
Taxation	650,170	(932,378)	358,851	344,947
Revaluation deficit	-	237,630	-	-
Interest income	(78,268)	(141,769)	(21,479)	(15,089)
Gross dividend income from a subsidiary	-	-	(1,500,012)	(1,875,015)
Allowance/(write back) for impairment loss of marketable securities	3,183	(64,743)	3,183	(64,743)
Gross dividend income from a corporation quoted in Malaysia	-	(5,717)	-	(5,717)
Gains on disposal of marketable securities	(75,186)	(18,831)	(75,186)	(18,831)
Share of loss in a jointly controlled entity	63,983	-	-	-
Impairment loss on investment in a subsidiary	-	-	4,413,764	7,241,013
	3,184,251	(1,050,405)	(344,343)	(239,590)
Net movements in working capital:				
Inventories	4,006,144	253,680	-	-
Debtors	(587,659)	2,036,929	(44,295)	(2,582)
Creditors	(894,894)	918,719	(20,599)	6,000
Cash flows generated from/(used in) operations	5,707,842	2,158,923	(409,237)	(236,172)
Dividend received from a subsidiary	-	-	1,095,009	1,350,011
Interest paid	(456,015)	(239,994)	(70,426)	(76,409)
Tax paid	(233,654)	(888,552)	(11,000)	(13,000)
Tax refund	58,875	235,337	12,000	100,221
Net operating cash flow	5,077,048	1,265,714	616,346	1,124,651



FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for property, plant and equipment	(1,333,917)	(1,646,558)	-	-
Proceeds from disposal of property, plant and equipment	32,640	403,500	-	-
Interest income received	78,268	141,769	21,479	15,089
Acquisition of interest in a jointly controlled entity	(574,330)	-	-	-
Advances to a jointly controlled entity	(230,632)	-	-	-
Marketable securities				
- payments for investments	(1,948,317)	(24,050)	(1,948,317)	(24,050)
- proceeds from disposals	455,612	120,101	455,612	120,101
- dividend received	-	4,116	-	4,116
Net investing cash flow	(3,520,676)	(1,001,122)	(1,471,226)	115,256
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from/(repayments of) short term bank borrowings	3,720,750	(1,409,350)	-	-
Repayments of hire-purchase creditors	(200,570)	(231,417)	-	-
Repayments of term loans	(96,758)	(90,775)	(96,758)	(90,775)
Dividend paid	-	(1,440,000)	-	(1,440,000)
Advances from subsidiaries	-	-	432,322	428,082
Net financing cash flow	3,423,422	(3,171,542)	335,564	(1,102,693)
Net movement in cash and cash equivalents	4,979,794	(2,906,950)	(519,316)	137,214
Cash and cash equivalents at beginning of the financial year	(1,907,107)	999,843	544,596	407,382
Cash and cash equivalents at end of the financial year (Note 19)	3,072,687	(1,907,107)	25,280	544,596



1 GENERAL INFORMATION

The principal activity of the Company is that of investment holding. The principal activities of the Group are the manufacturing and sales of undergarments and direct sales.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Second Board of Bursa Malaysia Securities Berhad.

The addresses of the registered office and principal place of business of the Group and the Company are as follows:

Registered office	Principal place of business
10th Floor Wisma Havela Thakardas	Lot 2661, 3rd Mile
No 1 Jalan Tiong Nam	Jalan Maharaja Lela
Off Jalan Raja Laut	36000 Teluk Intan
50350 Kuala Lumpur	Perak Darul Ridzuan

2 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies. The financial statements of the Group and the Company comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRS"), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the directors to make estimate and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported financial year. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Actual results could differ from those estimates.

(a) Standards, amendments to published standards and interpretations that are effective

On 1 January 2007, the Group and the Company adopted the following applicable FRS mandatory for the financial year beginning 1 January 2007:

- FRS 117 Leases
- FRS 124 Related Party Disclosures

All changes in accounting policies have been made in accordance with the transition provisions, if available in the above standards. FRS 117 adopted by the Group and the Company requires retrospective application.

The adoption of the above standards have no material impact on the financial statements of the Group and the Company. Certain comparative figures have been restated or reclassified to comply with additional disclosure requirements.

**BASIS OF PREPARATION (CONTINUED)**

- (b) *Standards, amendments to published standards and interpretations to existing standard that are not yet effective and have not been early adopted.*

The Group and the Company have considered all published standards not yet effective.

The new accounting standards that are relevant and mandatory for the Group's and the Company's financial year beginning on or after 1 January 2008 or later periods, but which the Group and the Company have not early adopted, are as follows:

- FRS 107 Cash Flow Statements
- FRS 112 Income Taxes
- FRS 118 Revenue
- FRS 134 Interim Financial Reporting
- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in Foreign Operation
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets
- FRS 139 Financial Instruments: Recognition and measurement (effective date yet to be determined by MASB).

With the exception of FRS 139, the amendments to published standards are not expected to have a material impact on the financial statements.

The Group and the Company has relied on the transitional provisions of FRS 139 not to disclose the possible impact that the application of FRS 139 will have on the Group's and the Company's financial statements in the period of initial application.

The new accounting standards which will be effective but not applicable to the Group and the Company for the financial periods beginning on or after 1 January 2008 are as follows:

- FRS 111 Construction Contracts
- FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments
- IC Interpretation 5 Rights to Interests arising from Decommission, Restoration and Environmental Rehabilitation Funds
- IC Interpretation 6 Liabilities arising from Participating in a Specific Market – Waste
- Electrical and Electronic Equipment
- IC Interpretation 7 Applying the Restatement Approach under FRS 129²⁰⁰⁴ Financial Reporting in Hyperinflationary Economies
- IC Interpretation 8 Scope of FRS 2

3 SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated in Note 2 above, the following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) *Economic entities in the Group and Consolidation*

(i) Subsidiaries

Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All the subsidiaries were acquired in 2003 prior to the adoption of FRS 3 Business Combinations via an internal group reorganisation exercise which met the conditions of a merger in accordance with FRS 122²⁰⁰⁴ "Business Combinations". The Group has taken advantage of the exemption provided by FRS 3 to apply this FRS prospectively and the results of the Company and the subsidiaries are consolidated using the merger method of accounting.

Under the merger method of accounting, the results of the subsidiaries are consolidated and presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the difference between the carrying value of the investment in subsidiaries over the nominal value of the shares acquired is taken to merger deficit. The merger deficit is set off against the retained profits.

Intragroup transactions, balances and unrealised gains on transactions within the Group are eliminated on consolidation in full. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered. The consolidated financial statements reflect external transactions only.

Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those adopted by the Group.

The gain or loss on disposal of a subsidiary of the Group is the difference between net disposal proceeds and the Group's share of its net assets as at date of disposal.

(ii) Jointly controlled entity

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in a jointly controlled entity is accounted for in the consolidated financial statements by the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of the jointly controlled entity in the income statement and its share of post-acquisition movements within reserves in reserves. The cumulative post-acquisition movements are adjusted against the cost of investment, net of accumulated impairment loss.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Where necessary, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) Property, plant and equipment**

All property, plant and equipment were initially stated at cost.

Land and buildings were subsequently shown at valuation, based on valuations by external independent valuers, less subsequent amortisation/depreciation/ impairment losses. Additions between revaluation periods are carried at cost. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement as incurred.

The Group adopted the policy of regular revaluation of land and buildings. The land and buildings are appraised by external independent professional valuers once in every five years.

The Group reclassified all its leasehold land to prepaid lease payments in accordance with FRS 117 during the financial year.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation or impairment losses is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

No depreciation is provided on the freehold land. Capital work in progress is not depreciated. Depreciation on assets under construction commences when the assets are ready for their intended use.

All other property, plant and equipment are depreciated on the straight line basis to write off the cost of the assets or their revalued amounts to their residual values over their estimated useful lives at the following annual rates:

Buildings	2%
Furniture, fittings, equipment and vehicles	5% - 50%

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are charged to the income statement.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised as income or expense in the income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained profits.

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Prepaid Lease Payments**

Prepaid lease payments consist of prepayments for long leasehold land and is carried at revalued amount less accumulated amortisation and accumulated impairment loss. The prepaid lease payments is amortised in equal instalments over the lease period of 72 years.

Previously, prepaid lease payments were included within property, plant and equipment and stated at fair value, based on periodic valuation by external independent valuers, less subsequent depreciation and impairment losses. Any surpluses arising on revaluation was credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset.

In accordance with the transitional provisions allowed under FRS 117, the unamortised revalued amount as at 1 January 2006 was retained as the surrogate carrying amount.

(d) Investments

Investments in subsidiaries and a jointly controlled entity are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount as set out in accounting policy Note (e) on impairment of assets.

Marketable securities (within current assets) are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived on the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increase/decrease in the carrying amount of marketable securities are credited/charged to the income statement.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(e) Impairment of assets

Property, plant and equipment and other non current assets are reviewed for impairment losses at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level of which there are separately identifiable cash flows.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued amount in which case it is taken to revaluation surplus.

(f) Inventories

Inventories comprising raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value.

Cost of raw materials (determined on the weighted average cost method) comprises cost of purchase and cost of bringing the inventories to their present condition and location. Cost of work in progress and finished goods (determined on the weighted average cost method) includes cost of direct materials, direct labour and an appropriate proportion of production overheads.

Net realisable value is the estimate selling price in the ordinary course of business, less the costs of completion and selling expenses.

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(g) Trade debtors**

Trade debtors are carried at invoiced amount less an allowance for doubtful debts. Bad debts are written off in the financial year in which they are identified. An allowance is made for doubtful debtors based on a review of all outstanding amounts at the financial year end where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with bankers, demand deposits, bank overdrafts and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Employee benefits**(i) Short term employee benefits**

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of Group.

(ii) Post-employment benefits

The Group contributes to the Employees Provident Fund (EPF), the national defined contribution plan. The contributions are charged to the income statement in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(j) Hire-purchase arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statement over the hire-purchase periods to give a constant periodic rate of interest on the remaining liabilities.

Property, plant and equipment acquired under hire-purchase arrangements are depreciated over the useful lives of the assets.

(k) Income taxes

Current tax expense is determined according to the tax laws of Malaysia and includes all taxes based upon the taxable profits. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case the taxation is recognised in equity.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is determined using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(l) Revenue recognition**

Sales of goods are recognised upon delivery of goods to customers, net of returns and discounts, and after eliminating sales within the Group.

Rental and interest income are recognised on accrual basis.

Dividend income from subsidiaries are recognised when the shareholder's right to receive payment is established.

(m) Foreign currencies**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group's and the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange approximating those ruling at the date of transactions. Foreign currency monetary assets and liabilities denominated in foreign currencies are translated into Ringgit Malaysia at exchange rates ruling at the balance sheet date.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

The principal closing rates used in the translation of the Group's foreign currency monetary assets and liabilities are as follows:

	2007 RM	2006 RM
Assets:		
1 US Dollar	3.28	3.50
1 Euro	4.83	4.61
1 Singapore Dollar	2.27	2.28
Liabilities:		
1 US Dollar	3.35	3.57
1 Euro	4.93	4.70
100 Hong Kong Dollars	43.53	46.58
100 Chinese Renminbi	45.56	45.59

(n) Dividends

Dividends on ordinary shares are recognised as liabilities when approved for payments and are accounted for in shareholders' equity as an appropriation of retained profits.

(o) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.



3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) *Financial instruments (continued)*

(i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

(ii) Financial instruments not recognised on the balance sheet

The Group enters into foreign currency forward contracts with a licensed bank. This financial instrument is not recognised in the financial statements on inception.

The purpose of entering into these foreign currency forward contracts is to protect the Group from movements in the exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

All other exchange gains and losses relating to hedge instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items. Gains and losses in contracts which are no longer designated as hedges are included in the income statement.

(iii) Fair value estimation for disclosure purposes

The fair value of foreign currency forward contracts is determined using the market forward rates at the balance sheet date. The fair value of marketable securities is based on quoted market prices at the balance sheet date.

The fair values of financial liabilities with fixed interest rates are estimated by discounting the future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. The carrying amounts of financial liabilities with floating interest rates are assumed to approximate their fair values.

The face values for the financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

(p) *Segment reporting*

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those components.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's overall risk management is to minimise the effects of such volatility on its financial performance. The nature of these risks and the Group's approaches in managing these risks are listed below:

(i) Credit risk

The Group operates locally in Malaysia for its direct selling, retail activities and also exports its ladies undergarments products mostly to the Europe, Canada and the United States of America. For the local market, where a substantial portion of its revenue is transacted on credit terms, the Group applies due credit approval and monitoring processes and assesses the credit worthiness of its customers on a periodic basis. For overseas customers, most of the trade debtors are secured via Letter of Credit or Document Against Payment at Sight and only a few customers are on credit.

(ii) Interest rate risk

The Group's exposure to changes in interest rates relate mainly to debt obligations and deposits placed with financial institutions in Malaysia. Borrowings are contracted on both fixed and variable terms. It is the Group's policy to maintain a mixture of fixed and variable rate debt instruments to minimise interest rate risk.

(iii) Liquidity risk

The Group maintains sufficient cash and ensures availability of funding through an adequate but flexible amount of credit facilities obtained from financial institutions in Malaysia. Borrowings are maintained with varying maturities to ensure sufficient cash inflow from operations is available to meet all repayment requirements.

(iv) Foreign currency exchange risk

The Group's sales are mostly denominated in US Dollar and to a lesser extent the Euro and Singapore Dollar whilst purchases are denominated in US Dollar, Euro, Hong Kong Dollar, Chinese Renminbi and Ringgit Malaysia.

The Group enters into foreign currency forward contracts to hedge significant exposure on the foreign currency receivables and payables.

5 SEGMENT REPORTING

The Group operates in Malaysia and is organised into three main business segments:

- Direct selling and retail - involving in multi-level marketing of undergarments, garments, leather goods, sportswear and household products and retailing of undergarments and garments.
- Manufacturing and sales of undergarments under Original Equipment Manufacturer arrangement ("OEM") mainly to Europe, Canada and United States of America
- Manufacturing and sales of own brand of undergarments under the "Caelygirl" trademark, mainly to cater for direct selling business and the China market.

Others represent investment holding activities undertaken by the Company and provision of sewing services to fellow subsidiaries.



5 SEGMENT REPORTING (CONTINUED)

Intersegment revenue comprise sales of undergarments under "Caelygirl" trademark to the direct selling business segment, provision of sewing services to OEM segment and dividend payment from a subsidiary to the Company.

(a) Primary reporting format - business segment

2007 Revenue	Direct selling/retail RM	Manufacturing sales (OEM) RM	Manufacturing sales (own brand) RM	Others RM	Group RM
Total revenue	7,945,390	96,676,332	1,279,956	2,380,535	108,282,213
Intersegment revenue	-	-	(1,031,099)	(2,380,535)	(3,411,634)
External revenue	7,945,390	96,676,332	248,857	-	104,870,579
Results					
Segment result (external)	(4,269,873)	6,445,349	(89,761)	(518,392)	1,567,323
Unallocated income					113,318
Unallocated expense					(3,183)
Finance cost					(1,187,279)
Profit before taxation					490,179
Taxation					(650,170)
Net loss for the financial year					(159,991)
2007 Other information					
Segment assets	15,011,181	57,325,563	13,865,087	2,140,164	88,341,995
Unallocated assets					4,539,185
Total assets					92,881,180
Segment liabilities	3,361,476	12,806,073	807,377	1,114,045	18,088,971
Unallocated liabilities					2,003,211
Total liabilities					20,092,182
Capital expenditure	444,008	983,609	-	-	1,427,617
Depreciation and amortisation of leasehold land	478,219	1,546,053	252,015	71,175	2,347,462



5 SEGMENT REPORTING (CONTINUED)

(a) Primary reporting format - business segment (continued)

2006 Sales	Direct selling/retail RM	Manufacturing sales (OEM) RM	Manufacturing sales (own brand) RM	Others RM	Group RM
Total sales	7,399,963	80,921,277	784,288	2,649,396	91,754,924
Intersegment sales	-	-	(571,116)	(2,649,396)	(3,220,512)
External sales	7,399,963	80,921,277	213,172	-	88,534,412
Results					
Segment result (external)	(3,040,546)	1,270,364	(661,297)	(562,842)	(2,994,321)
Unallocated income					365,854
Financial cost					(800,811)
Loss before taxation					(3,429,278)
Taxation					932,378
Net loss for the financial year					(2,496,900)
2006 Other information					
Segment assets	13,690,709	56,750,027	14,439,858	2,683,582	87,564,176
Unallocated assets					3,570,813
Total assets					91,134,989
Segment liabilities	3,150,843	11,365,683	312,598	1,232,720	16,061,844
Unallocated liabilities					2,124,156
Total liabilities					18,186,000
Capital expenditure	677,593	1,140,965	-	-	1,818,558
Depreciation and amortisation of leasehold land	342,266	1,522,241	287,095	69,437	2,221,039

Unallocated income includes interest income, rental income of premises, gross dividend income from marketable securities and gains from disposal of marketable securities. Unallocated expense represents allowance for impairment loss of marketable securities.

Unallocated assets consist primarily of investment in marketable securities and tax recoverable. Unallocated liabilities include tax payable and deferred tax liabilities.



5 SEGMENT REPORTING (CONTINUED)

(b) Secondary reporting format - geographical segments

Although all the business segments are located in Malaysia, the OEM segment exports the undergarments to China, Europe, Canada and United States of America.

	Sales		Total assets		Capital expenditure	
	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM
Canada	19,667,738	15,211,654	-	-	-	-
Denmark	6,132,088	6,375,836	-	-	-	-
Germany	11,528,694	5,892,057	-	-	-	-
France	617,233	2,592,807	-	-	-	-
Italy	767,614	-	-	-	-	-
United Kingdom	3,380,708	5,299,301	-	-	-	-
United States of America	52,044,756	44,851,716	-	-	-	-
Mexico	927,574	-	-	-	-	-
Malaysia	8,194,246	7,613,135	92,881,180	91,134,989	1,427,617	1,818,558
Other countries	1,609,928	697,906	-	-	-	-
	104,870,579	88,534,412	92,881,180	91,134,989	1,427,617	1,818,558

6 REVENUE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Direct sales and retail	7,945,390	7,399,963	-	-
Sales of finished goods	96,925,189	81,134,449	-	-
Gross dividend income from an unquoted subsidiary	-	-	1,500,012	1,875,015
	104,870,579	88,534,412	1,500,012	1,875,015

7 PROFIT/ (LOSS) FROM OPERATIONS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit/(Loss) from operations is stated after charging/(crediting):				
Auditors' remuneration paid/payable to PricewaterhouseCoopers Malaysia*				
- statutory audit	111,790	92,800	37,050	21,000
- non statutory audit services	32,400	29,125	4,900	5,000
Allowance for doubtful debts	195,887	146,448	-	-
Inventories				
- allowance for slow moving inventories	97,701	713,847	-	-
- write down	342,372	29,881	-	-
- reversal of previous year's write down	(27,181)			
Operating lease expenses on leased land	4,730	4,190	4,730	4,190



7 PROFIT/(LOSS) FROM OPERATIONS (CONTINUED)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit/(loss) from operations is stated after charging/(crediting) (continued):				
Property, plant and equipment				
- depreciation	2,342,732	2,216,849	66,445	65,247
- gain on disposal	(29,714)	(94,327)	-	-
- write off	6,597	5,597	-	-
Rental expenses				
- premises	558,705	104,806	-	-
- machinery	1,860	2,155	-	-
Staff costs	16,716,032	15,815,223	228,500	229,500
Impairment loss on investment in a subsidiary	-	-	4,413,764	7,241,013
Interest income	(78,268)	(141,769)	(21,479)	(15,089)
Net realised foreign exchange gains	(1,784,782)	(680,954)	-	-
Net unrealised foreign exchange loss	132,267	148,520	-	-
Rental income of premises	(35,050)	(38,963)	-	-
Gains on disposal of marketable securities	(75,186)	(18,831)	(75,186)	(18,831)
Allowance/(Write back) for impairment loss of marketable securities	3,183	(64,743)	3,183	(64,743)
Gross dividend income from an unquoted subsidiary	-	-	(1,500,012)	(1,875,015)
Gross dividend income from a corporation quoted in Malaysia	-	(5,717)	-	(5,717)
Included in staff costs are:				
- directors' fees	266,000	266,000	214,000	214,000
- directors' emoluments other than fees	753,810	877,100	14,500	15,500
- defined contribution plan expenses	803,947	809,400	-	-
Monetary value of benefits given to certain directors	26,918	30,900	-	-

* PricewaterhouseCoopers Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

Defined contribution plan expenses of the Group includes contributions in respect of directors amounting to RM118,560 (2006: RM136,800).

8 FINANCE COST

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Bank commissions on trade finance facilities	70,897	77,905	-	-
Bank charges and commitment fees	660,367	482,912	-	-
Interest expense	456,015	239,994	70,426	76,409
	1,187,279	800,811	70,426	76,409



9 TAXATION

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Malaysian taxation:				
- income tax (credit)/charge	869,386	(11,114)	328,289	424,890
- real property gains tax	-	3,798	-	-
Deferred tax (credit)/charge				
- origination and reversal of temporary differences (Note 24)	(120,945)	(66,086)	-	24,587
	748,441	(73,402)	328,289	449,477
In respect of previous financial years:				
- (over)/under accrual of income tax	(98,271)	(858,976)	30,562	(104,530)
Tax (credit)/charge	650,170	(932,378)	358,851	344,947

The explanation of the relationship between tax expense and profit/(loss) before taxation is as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit/(loss) before taxation	490,179	(3,429,278)	(3,306,214)	(5,647,054)
Tax calculated at the Malaysian income tax rate 27% (2006: 28%)	132,348	(960,198)	(892,678)	(1,581,175)
Tax effects of				
- expenses not deductible for tax purposes	126,168	361,919	1,239,134	2,050,132
- expenses eligible for double deduction/ tax incentives	(552,405)	(210,335)	-	-
- income not subject to tax	-	(16,997)	-	-
- current financial year's deductible temporary differences not recognised as deferred tax asset	1,172,943	870,243	-	-
- utilisation of previously unrecognised capital allowance	(15,468)	(16,795)	(15,468)	(16,795)
- tax rate of 20% on initial RM500,000 (2006: RM500,000) of chargeable income	(40,000)	(35,598)	-	-
- real property gains tax	-	3,798	-	-
- change in tax rate on temporary differences	(75,145)	(69,439)	(2,699)	(2,685)
- (over)/under accrual of income tax in respect of previous financial years	(98,271)	(858,976)	30,562	(104,530)
Tax charge/(credit)	650,170	(932,378)	358,851	344,947



9 TAXATION (CONTINUED)

Subject to the agreement by the Inland Revenue Board, the Group and the Company have the following unutilised capital allowances and unused tax losses which can be carried forward and utilised to set off against future taxable profits:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Unutilised capital allowances	1,983,000	708,000	121,000	112,000
Unused tax losses	8,533,000	4,538,000	-	-

10 EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the net loss for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2007	2006
Net loss for the financial year (RM)	(159,991)	(2,496,900)
Weighted average number of ordinary shares in issue	80,000,000	80,000,000
Basic earnings per share (sen)	(0.2)	(3.1)

The Company has no potential dilutive ordinary shares as at 31 December 2007 and 31 December 2006.

11 DIVIDENDS

No dividend was paid or declared by the Company since 31 December 2006.

The directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2007.

12 PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM	Long leasehold land RM	Buildings RM	Furniture, fittings, equipment and vehicles RM	Capital work in progress RM	Total RM
2007						
Opening net book value						
as restated	4,135,000	-	17,306,500	9,262,755	130,363	30,834,618
Additions	-	-	-	1,062,412	365,205	1,427,617
Transfers	-	-	491,468	4,100	(495,568)	-
Disposals	-	-	-	(2,926)	-	(2,926)
Write off	-	-	-	(6,597)	-	(6,597)
Depreciation charge	-	-	(362,033)	(1,980,699)	-	(2,342,732)
Closing net book value	4,135,000	-	17,435,935	8,339,045	-	29,909,980



12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP 2007	Freehold land RM	Long leasehold land RM	Buildings RM	Furniture, fittings, equipment and vehicles RM	Capital work in progress RM	Total RM
Cost	-	-	491,468	21,469,639	-	21,961,107
Valuation	4,135,000	-	17,306,500	-	-	21,441,500
Accumulated depreciation	-	-	(362,033)	(13,130,594)	-	(13,492,627)
Net book value	4,135,000	-	17,435,935	8,339,045	-	29,909,980

2006

Opening net book value as previously reported	4,300,672	303,731	15,631,646	9,498,268	942,215	30,676,532
Transfer to prepaid lease payments	-	(303,731)	-	-	-	(303,731)
Opening net book value as restated	4,300,672	-	15,631,646	9,498,268	942,215	30,372,801
Additions	-	-	183,496	1,420,486	214,576	1,818,558
Transfers	-	-	772,986	253,442	(1,026,428)	-
Revaluation surplus/(deficit)						
- charged to income statement	(5,000)	-	(232,630)	-	-	(237,630)
- credited to equity	8,328	-	1,436,182	-	-	1,444,510
Disposals	(169,000)	-	(136,842)	(35,333)	-	(341,175)
Write off	-	-	-	(5,597)	-	(5,597)
Depreciation charge	-	-	(348,338)	(1,868,511)	-	(2,216,849)
Closing net book value	4,135,000	-	17,306,500	9,262,755	130,363	30,834,618
Cost	-	-	-	20,484,924	130,363	20,615,287
Valuation as restated	4,135,000	-	17,306,500	-	-	21,441,500
Accumulated depreciation	-	-	-	(11,222,169)	-	(11,222,169)
Net book value	4,135,000	-	17,306,500	9,262,755	130,363	30,834,618

COMPANY 2007

Opening net book value as restated	-	-	1,300,000	475,418	-	1,775,418
Depreciation charge	-	-	(26,000)	(40,445)	-	(66,445)
Closing net book value	-	-	1,274,000	434,973	-	1,708,973
Cost	-	-	-	575,847	-	575,847
Valuation	-	-	1,300,000	-	-	1,300,000
Accumulated depreciation	-	-	(26,000)	(140,874)	-	(166,874)
Net book value	-	-	1,274,000	434,973	-	1,708,973



12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY 2006	Freehold land RM	Long leasehold land RM	Buildings RM	Furniture, fittings, equipment and vehicles RM	Capital work in progress RM	Total RM
Opening net book value as previously reported	-	303,731	1,202,858	515,864	-	2,022,453
Transfer to prepaid lease payments	-	(303,731)	-	-	-	(303,731)
Opening net book value as restated	-	-	1,202,858	515,864	-	1,718,722
Revaluation surplus	-	-	121,943	-	-	121,943
Depreciation charge	-	-	(24,801)	(40,446)	-	(65,247)
Closing net book value	-	-	1,300,000	475,418	-	1,775,418
Cost	-	-	-	575,847	-	575,847
Valuation as restated	-	-	1,300,000	-	-	1,300,000
Accumulated depreciation	-	-	-	(100,429)	-	(100,429)
Net book value	-	-	1,300,000	475,418	-	1,775,418

The details of the revaluation of land and buildings are as follows:

- (i) Valuation of land and building of the Company carried out by an independent valuer, Raine & Horne International Zaki & Partner Sdn. Bhd. on 3 October 2006.

	Valuation method	Valuation amount RM
Buildings	Comparison method	1,300,000

- (ii) Valuations of land and buildings of the subsidiaries carried out by an independent valuer, Raine & Horne International Zaki & Partner Sdn. Bhd. on 21 and 25 September 2006.

	Valuation method	Valuation amount RM
Freehold land	Comparison method	4,135,000
Buildings	Comparison method	16,006,500
		20,141,500

The net book value of land and buildings that would have been included in the financial statements, had these assets been carried at cost less accumulated depreciation and impairment losses are as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Freehold land	1,019,735	1,019,735	-	-
Buildings	14,868,268	15,225,345	1,153,255	1,178,057
	15,888,003	16,245,080	1,153,255	1,178,057



12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Net book value of property, plant and equipment pledged as securities for the bank borrowings of the Group and the Company as disclosed in Note 22 and Note 23 to the financial statements are RM29,475,002 (2006: RM30,709,195) and RM1,274,000 (2006: RM1,300,000) respectively.

Property, plant and equipment being acquired under hire-purchase arrangements are as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Furniture, fittings, equipment and vehicles				
- additions during the financial year, at cost	108,351	190,059	-	-
- net book value at financial year end	543,172	714,372	-	-

13 PREPAID LEASE PAYMENTS

	GROUP AND COMPANY	
	2007 RM	2006 RM
Net book value		
At 1 January	350,000	303,731
Revaluation surplus (Note 26)	-	50,459
Amortisation	(4,730)	(4,190)
At 31 December	345,270	350,000

The prepaid lease payments which were previously recorded as property, plant and equipment were last revalued by an independent valuer, Raine & Horne International Zaki & Partner Sdn. Bhd. on 3 October 2006.

Description	Valuation method	Valuation amount RM
Leasehold land	Comparison method	350,000

As permitted by the transitional provisions of FRS 117, the last revalued amounts stated above less accumulated amortisation is now treated as the surrogate carrying amount of prepaid lease payments. The leasehold land with net book value of RM345,270 (2006: RM350,000) is pledged as security for the bank borrowings of the Group and the Company as disclosed in Note 23 to the financial statements.

14 SUBSIDIARIES

	COMPANY	
	2007 RM	2006 RM
Unquoted shares at cost	61,554,486	61,554,486
Less:		
Accumulated Impairment losses	(11,654,777)	(7,241,013)
	49,899,709	54,313,473



14 SUBSIDIARIES (CONTINUED)

Details of the subsidiaries which are all incorporated in Malaysia, are as follows:

Name of company	Group's effective interest		Principal activities
	2007	2006	
Caelygirl (M) Sdn. Bhd.	100%	100%	Direct sales of undergarments, garments, leather goods, sportswear and household products and retail sales of undergarments and garments
Classita (M) Sdn. Bhd.	100%	100%	Manufacture and sales of undergarments
Marywah Industries (M) Sdn. Bhd.	100%	100%	Manufacture and sales of undergarments and trading of related raw materials
Caely Intima Sdn. Bhd. (formerly known as Renova Garments Sdn. Bhd.)	100%	100%	Dormant

15 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2007 RM	2006 RM
Share of net assets of a jointly controlled equity	510,347	-

The Group has a 51% (2006: Nil) interest in a jointly controlled entity, Foshan City Classita Undergarments Pte. Ltd., a company incorporated in China in April 2007 whose principal business is the manufacturing and trading in undergarments. The cost of investment in this jointly controlled entity is RM574,330.

The Group's share of the assets and liabilities of the jointly controlled entity is as follows:

	GROUP 2007 RM
Non current assets	395,932
Current assets	803,570
Current liabilities	(680,162)
Net assets	519,340

The Group's share of the revenue and expenses of the jointly controlled entity is as follows:

	GROUP 2007 RM
Revenue	1,531,630
Expenses including tax	(1,595,613)
Loss from ordinary activities after tax	(63,983)

16 INVENTORIES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
At cost				
Raw materials	10,695,174	12,070,973	-	-
Work in progress	2,170,296	5,776,149	-	-
Finished goods	20,068,796	19,244,489	-	-
	<u>32,934,266</u>	<u>37,091,611</u>	<u>-</u>	<u>-</u>
At net realisable value				
Finished goods	439,929	288,728	-	-
	<u>33,374,195</u>	<u>37,380,339</u>	<u>-</u>	<u>-</u>

All inventories of the Group are pledged as security for credit facilities granted to the Group as disclosed in Note 22 to the financial statements.

17 DEBTORS, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade				
Trade debtors, net of allowance for doubtful debts				
- normal trade terms	15,613,753	12,999,812	-	-
- instalment schemes	210,472	1,092,574	-	-
	<u>15,824,225</u>	<u>14,092,386</u>	<u>-</u>	<u>-</u>
Non trade				
Other debtors	21,869	43,021	-	-
Deposits	244,682	186,101	10,000	8,000
Prepayments	1,971,522	3,100,131	45,921	3,626
Amounts owing by subsidiaries	-	-	3,090,780	4,179,811
Advances to a jointly controlled entity	230,632	-	-	-
Rentals receivable from companies in which certain directors have controlling interest	3,000	56,000	-	-
	<u>2,471,705</u>	<u>3,385,253</u>	<u>3,146,701</u>	<u>4,191,437</u>
	<u>18,295,930</u>	<u>17,477,639</u>	<u>3,146,701</u>	<u>4,191,437</u>
The currency exposure profile of trade debtors and non trade debtors are as follows:				
- Ringgit Malaysia	2,494,000	2,228,115	3,090,780	4,179,811
- US Dollar	11,784,616	11,309,989	-	-
- Euro	1,570,478	653,303	-	-
- Chinese Renminbi	230,632	-	-	-
Total trade debtors and non trade debtors	<u>16,079,726</u>	<u>14,191,407</u>	<u>3,090,780</u>	<u>4,179,811</u>



17 DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

The Group's historical experience in collection of trade debtors falls within the recorded allowances. The Group has no other significant concentration of credit risk for trade debtors. The directors believe that no additional credit risk beyond amounts allowed for collection loss is inherent in the Group's trade debtors.

Credit terms of trade debtors of the Group are as follows:

- (i) normal trade terms - payment in advance to 120 days (2006: payment in advance to 120 days); and
- (ii) instalment schemes - 4 months to 24 months (2006: 4 months to 24 months).

Included in trade debtors under instalment schemes is an amount due from an overseas customer with agreed repayment terms of 24 months.

Non trade balances with related parties and subsidiaries are unsecured, interest free and have no fixed terms of repayment. Rentals receivable from companies in which certain directors have controlling interest are pertaining to shared office premises, based on terms agreed between the parties.

18 MARKETABLE SECURITIES

	GROUP AND COMPANY	
	2007 RM	2006 RM
Shares in corporations and unit trusts at cost, quoted in Malaysia	2,438,047	870,156
Allowance for diminution in value	(382,965)	(379,782)
	<u>2,055,082</u>	<u>490,374</u>
Market value of quoted shares and unit trusts	2,106,805	490,374

19 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Fixed deposits with a licensed bank	1,473,342	473,342	-	-
Bank and cash balances	4,432,931	1,048,238	25,280	544,596
Deposits, bank and cash balances	<u>5,906,273</u>	<u>1,521,580</u>	<u>25,280</u>	<u>544,596</u>
Fixed deposits with a licensed bank pledged as security	(473,342)	(473,342)	-	-
Bank overdrafts (Note 22)	(2,360,244)	(2,955,345)	-	-
	<u>3,072,687</u>	<u>(1,907,107)</u>	<u>25,280</u>	<u>544,596</u>



19 CASH AND CASH EQUIVALENTS (CONTINUED)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
The currency exposure profile of deposits, bank and cash balances are as follows:				
- Ringgit Malaysia	3,488,007	1,095,584	25,280	544,596
- US Dollar	2,053,891	346,067	-	-
- Singapore Dollar	17,036	17,878	-	-
- Euro	347,339	62,051	-	-
Total deposits, bank and cash balances	5,906,273	1,521,580	25,280	544,596

	GROUP		COMPANY	
	2007 %	2006 %	2007 %	2006 %
Weighted average effective interest rates at the balance sheet date are as follows:				
Fixed deposits with a licensed bank	3.1	3.1	-	-
Bank balances held at call with licensed banks	3.2	3.4	-	3.2

The remaining bank and cash balances of the Group and the Company are deposits placed in current accounts of various licensed banks in Malaysia and cash in hand which do not earn any interest.

Fixed deposits with a licensed bank of the Group have an average maturity period of 31 days (2006: 30 days).

20 CREDITORS AND ACCRUALS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade				
Trade creditors	7,755,163	8,580,860	-	-
Amount owing to a jointly controlled entity	38,106	-	-	-
	7,793,269	8,580,860	-	-
Non Trade				
Other creditors	169,550	347,404	-	-
Accruals	1,932,470	1,861,919	256,401	277,000
Amounts owing to subsidiaries	-	-	16,333,826	16,990,535
	2,102,020	2,209,323	16,590,227	17,267,535
	9,895,289	10,790,183	16,590,227	17,267,535



20 CREDITORS AND ACCRUALS (CONTINUED)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
The currency exposure profile of trade balances is as follows:				
- Ringgit Malaysia	6,781,485	4,650,111	-	-
- US Dollar	191,743	1,452,412	-	-
- Chinese Renminbi	693,764	2,449,047	-	-
- others	126,277	29,290	-	-
Total trade balances	7,793,269	8,580,860	-	-

Credit terms of trade payables granted to the Group vary from payment in advance to 90 days (2006: payment in advance to 90 days).

Included in trade creditors of the Group is an amount owing to Perusahaan Tacly, a business entity owned by close family members of certain directors of the Company, for the purchase of inventories amounting to RM17,521 (2006: RM18,383).

Non trade amounts owing to subsidiaries are denominated in Ringgit Malaysia. They are unsecured, interest free and have no fixed terms of repayment.

21 HIRE-PURCHASE CREDITORS

	GROUP	
	2007 RM	2006 RM
Payable within one year	124,236	204,942
Payable later than one year but not later than two years	104,804	94,560
Payable later than two years but not later than five years	36,992	77,428
	266,032	376,930
Less: Finance charges	(18,613)	(22,641)
	247,419	354,289
Present value of hire-purchase liabilities:		
Current		
Payable within one year	112,888	190,788
Non current		
Payable later than one year but not later than two years	99,645	88,131
Payable later than two years but not later than five years	34,886	75,370
	134,531	163,501
	247,419	354,289

All hire-purchase of the Group are denominated in Ringgit Malaysia. The effective interest rates of hire-purchase creditors of the Group ranged from 4.94% to 7.50% (2006: 5.10% to 7.50%) per annum.

Hire-purchase creditors are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The fair value of hire-purchase creditors at the balance sheet date amounted to RM246,764 (2006: RM340,059).



22 SHORT TERM BANK BORROWINGS

	Secured RM	GROUP Unsecured RM	Total RM
2007			
Bank overdrafts	2,061,687	298,557	2,360,244
Others:			
Bankers acceptance	175,000	3,037,000	3,212,000
Foreign currency revolving credit	517,950	-	517,950
Short term revolving credit	-	1,000,000	1,000,000
	692,950	4,037,000	4,729,950
Total short term bank borrowings	2,754,637	4,335,557	7,090,194
2006			
Bank overdrafts	2,955,345	-	2,955,345
Others:			
Bankers acceptance	-	523,000	523,000
Revolving credits	486,200	-	486,200
	486,200	523,000	1,009,200
Total short term bank borrowings	3,441,545	523,000	3,964,545

The short term bank borrowings of the subsidiaries are secured, where applicable by:

- (i) fixed charges on the land and buildings of the respective subsidiaries;
- (ii) debentures incorporating fixed and floating charges over all the present and future assets of the respective subsidiaries; and
- (iii) a fixed deposit of RM473,342 of a subsidiary.

Certain short term bank borrowings of the subsidiaries are also guaranteed by the Company as shown in Note 29 to the financial statements. In addition, certain credit facilities are jointly and severally guaranteed by certain directors of the respective subsidiaries.



22 SHORT TERM BANK BORROWINGS (CONTINUED)

	GROUP	
	2007 RM	2006 RM
The currency exposure profile of short term bank borrowings is as follows:		
- Ringgit Malaysia	6,572,244	3,478,345
- US Dollar	517,950	486,200
	<u>7,090,194</u>	<u>3,964,545</u>

	GROUP	
	2007 %	2006 %
Weighted average effective interest rates at the balance sheet date are as follows:		
- bank overdrafts	8.4	8.3
- bankers acceptances	5.0	5.0
- revolving credits	6.2	7.7

The ranges of credit periods of these short term bank borrowings are 8 to 185 days (2006: 115 to 183 days).

23 TERM LOAN

	GROUP AND COMPANY	
	2007 RM	2006 RM
Current		
Repayable within one year	104,337	96,758
Non current		
Repayable later than one year and not later than five years	508,943	470,993
Repayable later than five years	242,789	385,076
	<u>751,732</u>	<u>856,069</u>
	<u>856,069</u>	<u>952,827</u>

The term loan which is denominated in Ringgit Malaysia is secured by fixed charges over a leasehold land and building of the Company. This term loan obtained from a licensed bank is repayable by 119 instalments commencing July 2004 and carries effective interest rate of 7.75 % (2006: 7.75%) per annum.

The interest on this loan is calculated based on floating interest rate which may be varied any time at the bank's discretion.



24 DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority.

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Deferred tax liabilities				
- subject to income tax	1,856,903	1,977,848	71,136	71,136
- subject to real property gains tax	146,308	146,308	-	-
	<u>2,003,211</u>	<u>2,124,156</u>	<u>71,136</u>	<u>71,136</u>

The movements in deferred tax liabilities during the financial year comprise the following:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
At 1 January	2,124,156	1,789,133	71,136	-
(Credited)/ charged to income statement:				
- property, plant and equipment	(218,486)	193,010	-	54,534
- unused tax losses	83,096	(105,346)	-	-
- other temporary differences	14,445	(153,750)	-	(29,947)
	<u>(120,945)</u>	<u>(66,086)</u>	<u>-</u>	<u>24,587</u>
Charged to equity				
- property, plant and equipment (Note 26)	-	401,109	-	46,549
At 31 December	<u>2,003,211</u>	<u>2,124,156</u>	<u>71,136</u>	<u>71,136</u>
Subject to income tax:				
Deferred tax assets (before offsetting)				
- property, plant and equipment	(499,364)	(401,742)	-	-
- unused tax losses	(215,642)	(268,791)	-	-
- other temporary differences	(182,720)	(215,164)	(29,947)	(29,947)
Offsetting	<u>897,726</u>	<u>885,697</u>	<u>29,947</u>	<u>29,947</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



24 DEFERRED TAX LIABILITIES (CONTINUED)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Subject to income tax -				
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	2,742,681	2,863,545	101,083	101,083
- other temporary differences	11,948	-	-	-
Offsetting	(897,726)	(885,697)	(29,947)	(29,947)
Deferred tax liabilities (after offsetting)	1,856,903	1,977,848	71,136	71,136
Subject to real property gains tax :				
Deferred tax liabilities				
- property, plant and equipment	146,308	146,308	-	-
Deferred tax liabilities (after offsetting)	2,003,211	2,124,156	71,136	71,136

The tax effects of unused tax losses of a subsidiary determined after appropriate offsetting, for which no deferred tax assets are recognised in the financial statements of the subsidiary, amounted to approximately RM2,033,000 (2006: RM1,138,000).

25 SHARE CAPITAL

	GROUP AND COMPANY			
	2007 No. of shares	2007 RM	2006 No. of shares	2006 RM
Authorised:				
Ordinary shares of RM0.50 each				
At 1 January/31 December	100,000,000	50,000,000	100,000,000	50,000,000
Issued and fully paid-up:				
Ordinary shares of RM0.50 each				
At 1 January/31 December	80,000,000	40,000,000	80,000,000	40,000,000



26 RESERVES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-distributable				
Reserve on consolidation:				
At 1 January/31 December	80,344	80,344	-	-
Share premium:				
At 1 January/31 December	9,419,360	9,419,360	9,419,360	9,419,360
Revaluation reserve:				
Surplus on revaluation of land and buildings				
At 1 January				
- land	2,976,612	2,917,825	50,459	-
- buildings	2,505,723	1,071,246	121,943	-
	5,482,335	3,989,071	172,402	-
Realised upon disposal of revalued properties				
- buildings	-	(1,705)	-	-
Net surplus arising from current year's revaluation				
- land (Note 13)	-	58,787	-	50,459
- building (Note 12)	-	1,458,629	-	121,943
- clawback of surplus on building	-	(22,447)	-	-
	-	1,494,969	-	172,402
At 31 December				
- land	2,976,612	2,976,612	50,459	50,459
- buildings	2,505,723	2,505,723	121,943	121,943
	5,482,335	5,482,335	172,402	172,402



26 RESERVES (CONTINUED)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Revaluation reserve (continued) :				
Deferred tax liabilities				
At 1 January	(791,663)	(390,554)	(46,549)	-
Additions	-	(407,870)	-	(46,549)
Clawback of surplus	-	6,285	-	-
Write back upon disposal	-	476	-	-
	-	(401,109)	-	(46,549)
At 31 December	(791,663)	(791,663)	(46,549)	(46,549)
Revaluation reserve, net of tax at 31 December	4,690,672	4,690,672	125,853	125,853
Distributable				
Retained profits/(accumulated loss) :				
At 1 January	18,758,613	22,693,808	(5,881,359)	1,550,642
First and final dividend paid	-	(1,440,000)	-	(1,440,000)
Revaluation reserve realised upon disposal of properties	-	1,705	-	-
Net loss for the financial year	(159,991)	(2,496,900)	(3,665,065)	(5,992,001)
At 31 December	18,598,622	18,758,613	(9,546,424)	(5,881,359)
Total reserves	32,788,998	32,948,989	(1,211)	3,663,854



27 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) In addition to the related party information disclosed elsewhere in the financial statements, the Group and the Company have the following significant transactions with related parties based on terms agreed between the parties:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Purchases of goods/services from a company where a substantial shareholder is connected with certain directors of the Company: - Nyok Lan Garments Sdn. Bhd.	18,979	15,831	-	-
Purchases of goods/services from business entities owned by close family members of certain directors of the Company: - Perusahaan Tacy - Inner Beauty Enterprise - Hongdy Enterprise - Finatec Enterprise	253,534 - - -	274,860 8,981 47,922 7,324	- - - -	- - - -
Purchases of goods/services from a company owned by close family members of certain directors of the Company: - Yori Samensa Ltd.	62,719	73,646	-	-
Purchases of goods from a jointly controlled entity: - Foshan City Classita Undergarments Pte. Ltd.	2,661,019	-	-	-
Sales of raw materials to a jointly controlled entity: - Foshan City Classita Undergarments Pte. Ltd.	381,224	-	-	-
Advances to a jointly controlled entity: - Foshan City Classita Undergarments Pte. Ltd.	230,632	-	-	-
Management fees charged to subsidiaries: - Caelygirl (M) Sdn. Bhd. - Classita (M) Sdn. Bhd.	- -	- -	108,000 60,000	108,000 60,000



27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
(b) Key management compensation				
Salaries and other short term employee benefits	1,179,018	1,307,138	228,500	229,500
Post employment benefits	140,026	154,800	0	0
	<u>1,319,044</u>	<u>1,461,938</u>	<u>228,500</u>	<u>229,500</u>

Key management compensation includes directors' fees and directors' emoluments as disclosed in Note 7 to the financial statements.

28 CAPITAL COMMITMENT

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Capital expenditure authorised and contracted but not provided for in the financial statements are as follows:				
Buildings	-	126,437	-	-

29 CONTINGENT LIABILITIES

	COMPANY	
	2007 RM	2006 RM
Unsecured		
Corporate guarantees for banking facilities extended to certain subsidiaries	29,950,000	34,910,000

30 NON CASH TRANSACTIONS

The principal non cash transactions of the Group during the financial year are the purchase of property, plant and equipment by means of the following:

	GROUP	
	2007 RM	2006 RM
Sale proceeds used as trade-in amounts	-	32,000
Hire-purchase	93,700	140,000



31 FINANCIAL INSTRUMENTS

(i) Foreign currency forward contracts

Foreign currency forward contracts are entered into by the Group in currencies other than its functional currency to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

The details of the outstanding forward contracts at the balance sheet dates are as follows:

Hedged Items	Currency bought	Currency sold	Contractual rates	RM equivalent
2007				
Trade debtors				
Sales contracts in January 2008 to March 2008				
- USD3,600,000	RM	USD	3.419 to 3.438	12,343,050
2006				
Trade debtors				
Sales contracts in January 2007 to June 2007				
- USD6,000,000	RM	USD	3.604 to 3.638	21,720,250

The fair value of this outstanding forward contracts at balance sheet date was a favourable net position of RM465,450 (2006: favourable net position of RM668,000).

(ii) Fair values of financial assets and liabilities on the balance sheet

The carrying amounts of recognised financial assets and liabilities of the Group and the Company as at 31 December 2007 and 31 December 2006 approximated their fair values.

**32 RESTATEMENT OF COMPARATIVES)**

The following comparative amounts have been reclassified following the adoption of FRS 117. The effects of changes in accounting policy are as follows:

	CHANGE IN ACCOUNTING POLICY		
	As previously reported RM	FRS 117 Note 2 RM	As restated RM
Balance sheets			
Group			
At 1 January 2006			
Property, plant and equipment - net book value	30,676,532	(303,731)	30,372,801
Prepaid lease payments	-	303,731	303,731
Company			
At 1 January 2006			
Property, plant and equipment - net book value	2,022,453	(303,731)	1,718,722
Prepaid lease payments	-	303,731	303,731
Income statements			
Group			
For the financial year ended 31 December 2006			
Depreciation of property, plant and equipment	2,221,039	(4,190)	2,216,849
Operating lease expenses on leased land	-	4,190	4,190
Company			
For the financial year ended 31 December 2006			
Depreciation of property, plant and equipment	69,437	(4,190)	65,247
Operating lease expenses on leased land	-	4,190	4,190

33 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution at the Board of Directors on 28 April 2008.



STATEMENT BY DIRECTORS

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CAELY HOLDINGS BHD. (408376-U)
(Incorporated in Malaysia)

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

We, Khor Mooi Soong and Dato' Chuah Chin Lai D.P.M.P., A.M.P., being two of the directors of Caely Holdings Bhd., state that, in the opinion of the directors, the financial statements set out on pages 41 to 79 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2007 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

Signed on behalf of the Board of Directors in accordance with a resolution dated 28 April 2008.

KHOR MOOI SOONG
EXECUTIVE DIRECTOR

DATO' CHUAH CHIN LAI D.P.M.P., A.M.P.
MANAGING DIRECTOR

Teluk Intan, Perak Darul Ridzuan

STATUTORY DECLARATION

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

I, Dato' Chuah Chin Lai D.P.M.P., A.M.P., being the director primarily responsible for the financial management of Caely Holdings Bhd., do solemnly and sincerely declare that the financial statements set out on pages 41 to 79 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

DATO' CHUAH CHIN LAI D.P.M.P., A.M.P.
MANAGING DIRECTOR

Subscribed and solemnly declared by the abovenamed Dato' Chuah Chin Lai D.P.M.P., A.M.P. at Teluk Intan in the state of Perak Darul Ridzuan, Malaysia on 28 April 2008.

Before me,

COMMISSIONER FOR OATHS



TO THE MEMBERS OF CAELY HOLDINGS BHD.

We have audited the financial statements set out on pages 41 to 79. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and the Company as at 31 December 2007 and of the results and cash flows of the Group and the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

Our audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of section 174 of the Act.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SHIRLEY GOH
(No. 1778/08/08 (J))
Partner of the firm

1st Floor, Standard Chartered Bank Chambers,
21-27 Jalan Dato' Maharaja Lela
30000 Ipoh,
Perak Darul Ridzuan

28 April 2008


AS AT 31 DECEMBER 2007

Title and Location	Description	Tenure / Age of buildings	Year of expiry	Land area / Built-up area (Square feet)	Date of last valuation* /acquisition#	Net book value (RM)
PM 3351 Lot 21475, Mukim Petaling, Negeri Wilayah Persekutuan	Land	Leasehold	05.04.2078	2,300	03.10.2006*	345,270
PM 3351 Lot 21475, Mukim Petaling, Negeri Wilayah Persekutuan	Building (4-storey shophouse)	Leasehold 4 years	05.04.2078	9,060	03.10.2006*	1,274,000
Lot No. 1082, Geran 23580, Mukim of Durian Sebatang, District of Hilir Perak	Land	Freehold	-	45,466	21.09.2006*	581,745
Lot No. 1082, Geran 23580, Mukim of Durian Sebatang, District of Hilir Perak	2-storey hostel	Freehold 13 years	-	15,250	21.09.2006*	417,480
Lot No. 1082, Geran 23580, Mukim of Durian Sebatang, District of Hilir Perak	3-storey hostel	Freehold 11 years	-	11,100	21.09.2006*	368,480
Lot No. 1082, Geran 23580, Mukim of Durian Sebatang, District of Hilir Perak	3-storey factory building	Freehold 9 years	-	28,140	21.09.2006*	1,709,579
Lot No. 2661, Geran 2292,, Mukim of Durian Sebatang, District of Hilir Perak	Land	Freehold	-	274,972	21.09.2006*	3,518,255
Lot No. 2621, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	2-storey factory building	Freehold 12 years	-	69,928	21.09.2006*	5,383,767



AS AT 31 DECEMBER 2007

Title and Location	Description	Tenure / Age of buildings	Year of expiry	Land area / Built-up area (Square feet)	Date of last valuation* /acquisition#	Net book value (RM)
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	3-storey factory building	Freehold 5 years	-	76,800	21.09.2006*	6,826,095
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	1 1/2-storey factory building	Freehold 2 years	-	8,400	21.09.2006*	629,400
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	1-storey hostel	Freehold 2 years	-	7,200	21.09.2006*	254,800
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	1-storey surau	Freehold 2 years	-	625	21.09.2006*	26,460
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	1-storey factory building	Freehold 2 years	-	1,980	21.09.2006*	151,900
Lot No. 15644 H.S.(D) LP 10747, Mukim of Durian Sebatang, District of Hilir Perak	Land and Building (2-storey residential property for staff)	Freehold 7 years	-	1,200 1,693	25.09.2006*	35,000 98,000
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	1-storey hostel	Freehold 1 year	-	7,200	1.12.2007#	295,974



AS AT 2 MAY 2008

Authorised Capital	:	RM50,000,000
Issued and Paid-up Capital	:	RM40,000,000
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	1 vote per ordinary share
No. of Shareholders	:	3,129

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 2 MAY 2008

Size of Shareholding	No. of Shareholders	%	No of Shares	% of Issued Capital
1 - 99	2	0.06	102	Negligible
100 - 1,000	527	16.84	487,179	0.61
1001 - 10,000	1,867	59.67	9,351,200	11.69
10,001 - 100,000	654	20.90	19,644,119	24.56
100,001 - 4,000,000	75	2.40	26,299,400	32.87
4,000,001 and above	4	0.13	24,218,000	30.27
TOTAL	3,129	100.00	80,000,000	100.00

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 2 MAY 2008

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Datin Fong Nyok Yoon	7,250,000	9.06	21,052,000 ^(a)	26.32
Dato' Chuah Chin Lai	7,152,000	8.94	21,150,000 ^(b)	26.44
Khor Mooi Soong	6,950,000	8.69	21,352,000 ^(c)	26.69
Lim Pow Choo	6,950,000	8.69	21,352,000 ^(d)	26.69

Notes:-

- (a) Deemed interested by virtue of the shareholdings of her spouse, Dato' Chuah Chin Lai, her sister and her spouse, Lim Pow Choo and Khor Mooi Soong.
- (b) Deemed interested by virtue of the shareholdings of his spouse, Datin Fong Nyok Yoon, his sister-in-law and spouse, Lim Pow Choo and Khor Mooi Soong.
- (c) Deemed interested by virtue of the shareholdings of his spouse, Lim Pow Choo, his sister-in-law and spouse, Datin Fong Nyok Yoon and Dato' Chuah Chin Lai.
- (d) Deemed interested by virtue of the shareholdings of her spouse, Khor Mooi Soong, her sister and her spouse, Datin Fong Nyok Yoon and Dato' Chuah Chin Lai.



DIRECTORS' SHAREHOLDINGS AS AT 2 MAY 2008

	Direct Interest No. of shares	%	Deemed Interest No. of shares	%
Datin Fong Nyok Yoon	7,250,000	9.06	21,052,000 ^(a)	26.32
Dato' Wan Mohd Zin Bin Mat Amin	1,028,000	1.29 ^(b)	-	-
Dato' Chuah Chin Lai	7,152,000	8.94 ^(c)	21,150,000 ^(d)	26.44
Khor Mooi Soong	6,950,000	8.69 ^(e)	21,352,000 ^(f)	26.69
Lim Pow Choo	6,950,000	8.69	21,352,000 ^(g)	26.69
Siow Hock Lee	-	-	135,500 ^(h)	0.17
Ooi Say Teik	-	-	-	-
Hem Kan @ Chan Hong Kee	-	-	-	-

Notes:-

- (a) Deemed interested by virtue of the shareholdings of her spouse, Dato' Chuah Chin Lai, her sister and her spouse, Lim Pow Choo and Khor Mooi Soong.
- (b) 1,028,000 shares are held through nominee companies.
- (c) 6,768,000 shares are held through nominee companies.
- (d) Deemed interested by virtue of the shareholdings of his spouse, Datin Fong Nyok Yoon, his sister-in-law and spouse, Lim Pow Choo and Khor Mooi Soong.
- (e) 2,700,000 shares are held through nominee companies.
- (f) Deemed interested by virtue of the shareholdings of his spouse, Lim Pow Choo, his sister-in-law and spouse, Datin Fong Nyok Yoon and Dato' Chuah Chin Lai.
- (g) Deemed interested by virtue of the shareholdings of her spouse, Khor Mooi Soong, her sister and her spouse, Datin Fong Nyok Yoon and Dato' Chuah Chin Lai.
- (h) Deemed interested by virtue of the shareholdings of his spouse, Chen Bee Yoke.



THIRTY LARGEST SHAREHOLDERS AS PER THE REGISTER OF MEMBERS AS AT 2 MAY 2008

	Name of Shareholder	No. Shares Held	%
1.	Fong Nyok Yoon	7,250,000	9.06
2.	Lim Pow Choo	6,950,000	8.69
3.	Citicorp Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Chuah Chin Lai (474038)	5,768,000	7.21
4.	Khor Mooi Soong	4,250,000	5.31
5.	RHB Capital Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Khor Mooi Soong (CEB)	2,000,000	2.50
6.	Wong Lai Fun	1,962,800	2.45
7.	Tan Yeng Fatt	1,368,000	1.71
8.	HLB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Goh Hock Leong	1,172,200	1.47
9.	AI Wakalah Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Chuah Chin Lai	1,000,000	1.25
10.	CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: CIMB Bank for Wan Mohamad Zin Bin Mat Amin (MY0113)	984,300	1.23
11.	Ng Ee Chiat	942,600	1.18
12.	HLB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Tan Chin Chan	808,200	1.01
13.	Kenanga Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Ng New Soon	800,000	1.00
14.	HSBC Nominees (Asing) Sdn Bhd Qualifier: BNP Paribas Arbitrage (Hong Kong) Limited	754,000	0.94
15.	OSK Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Khor Mooi Soong	700,000	0.88
16.	Teo Kin Swee	654,400	0.82
17.	SJ SEC Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Ng Yoke Pheng	609,100	0.76
18.	Tan Ooi Thiam	550,300	0.69
19.	Karamjit Singh A/L Tara Singh	500,000	0.63

CAELY HOLDINGS BHD. (408376-U)
(Incorporated in Malaysia)

AS AT 2 MAY 2008

	Name of Shareholder	No. Shares Held	%
20.	Koh Lee Huat	473,400	0.59
21.	CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: CIMB Bank for Ng Yoke Pheng (MM1178)	440,100	0.55
22.	Chuah Chin Lai	384,000	0.48
23.	Tan Tan Lee	380,000	0.48
24.	CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Wong Lai Fun	365,700	0.46
25.	Tay Choon Wei	360,000	0.45
26.	Lee Yu Yong @ Lee Yuen Ying	345,000	0.43
27.	Yong Miao Lim	326,000	0.41
28.	ECML Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Koid Hun Kian (MR0665)	300,000	0.38
29.	Ow Tiew See	293,600	0.37
30.	Tan Ooi Thiam	285,000	0.36
Total		42,976,700	53.72



No. of ordinary shares held

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. A member may appoint up to two (2) proxies to attend at the same meeting. Where a member appoints two (2) proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office at 10th Floor Wisma Havela Thakardas No. 1 Jalan Tiong Nam Off Jalan Raja Laut, 50350 Kuala Lumpur at least forty-eight (48) hours before the time approved for holding the meeting or any adjournment thereof.

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CAELY HOLDINGS BHD.
(408376-U)

10th Floor, Wisma Havela Thakardas
No. 1, Jalan Tiong Nam,
Off Jalan Raja Laut,
50350 Kuala Lumpur.

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