



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

ANNUAL
REPORT 2011



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Datin Fong Nyok Yoon
Executive Chairperson /
Non Independent Executive Director

Dato' Chuah Chin Lai
Managing Director /
Non Independent Executive Director

Siow Hock Lee
Independent Non Executive Director

Ooi Say Teik
Independent Non Executive Director

Hem Kan @ Chan Hong Kee
Independent Non Executive Director

Dato Wan Mohamad Zin Bin Mat Amin
Deputy Chairman /
Non Independent Non Executive Director
Resigned on 23 June 2011

Khor Mooi Soong
Non Independent Executive Director
Resigned on 12 April 2011

Lim Pow Choo
Non Independent Executive Director
Resigned on 12 April 2011

AUDIT COMMITTEE

Chairman
Siow Hock Lee

Members
Ooi Say Teik
Hem Kan @ Chan Hong Kee

REMUNERATION COMMITTEE

Chairman
Ooi Say Teik

Members
Datin Fong Nyok Yoon
Siow Hock Lee

NOMINATION COMMITTEE

Chairman
Hem Kan @ Chan Hong Kee

Members
Ooi Say Teik
Siow Hock Lee

COMPANY SECRETARIES

Wong Siew Yeen (MAICSA 7018749)
Cheong Choon Yin (MAICSA 7019120)

STOCK EXCHANGE LISTING

Main Market of the Bursa Malaysia
Securities Berhad
Stock Code : 7154

REGISTERED OFFICE

Level 8, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor

Tel : 03-7841 8000
Fax: 03-7841 8199

AUDITORS

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 9427
Fax : 05-253 2366

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

PRINCIPAL BANKERS

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



NOTICE OF 15TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifteenth 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 28 September 2011 at 9.30 a.m. to transact the following item of businesses :-

AGENDA

1. To receive and adopt the statutory financial statements for the financial year ended 31 March 2011 together with the Directors' and Auditors' Reports thereon. (Resolution 1)
2. To approve the payment of Directors' fee of RM214,000.00 in respect of the financial year ended 31 March 2011. (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 consider and, if thought fit, pass the following resolution pursuant to Section 129 of the Companies Act, 1965 :- (Resolution 4)
 - “That Mr Ham Ken @ Chan Hong Kee, retiring in accordance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting.”
5. To re-appoint Messrs PricewaterhouseCoopers as auditors for the ensuing year and to authorise the Directors to fix their remuneration. (Resolution 5)

SPECIAL BUSINESS

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

6. **Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965 (“the Act”)** (Resolution 6)

“THAT subject always to the Companies Act, 1965 (“the Act”) and the approval of the relevant authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Act, to issue and allot shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever 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 are also empowered to obtain approval from Bursa Malaysia Securities Berhad (“Bursa Malaysia”) for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”



NOTICE OF 15TH ANNUAL GENERAL MEETING *(continued)*

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

BY ORDER OF THE BOARD

WONG SIEW YEE (MAICSA 7018749)
CHEONG CHOON YIN (MAICSA 7019120)
Joint Secretaries
Selangor

6 September 2011

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 appointer 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 Level 8 Symphony House Block D13 Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

EXPLANATORY NOTES ON THE SPECIAL BUSINESS

The proposed Ordinary Resolution 6, if passed, will empower the Directors to issue and allot 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.

The Mandate is as renewal of the Mandate granted by the members at the last AGM held on 29 September 2010. The Mandate granted at the last AGM was not utilised by the Company and thus, no proceeds were raised.

The Renewed Mandate will empower the directors to raise fund via issuance of new shares without delay, in the event of business opportunities arise.



GROUP STRUCTURE





PROFILE OF THE DIRECTORS

DATIN FONG NYOK YOON *Aged 49, Malaysian*

Executive Chairperson / Non Independent Executive Director

Datin Fong Nyok Yoon is the Executive Chairperson of Caely Holdings Bhd (CHB), a post she has held since 2 October 2002. She is also a member of the Remuneration Committee.

Datin Fong has been involved in the ladies undergarments industry since she started her career in 1985 and has garnered extensive experience and knowledge in this industry. She is the driving force in the OEM's export markets, which has been the dominant contributor to the Group.

Datin Fong is the spouse to Dato' Chuah Chin Lai, the Managing Director and a major shareholder of the Company.

Save as disclosed above, she does not have any family relationship with any other Director and/or major shareholder of the Company and does not have any conflict of interest with CHB. She has no conviction for offences within the past 10 years. She attended all 5 Board Meetings of CHB held during the financial year ended 31 March 2011.

DATO' CHUAH CHIN LAI *Aged 51, Malaysian*

Managing Director

Dato' Chuah Chin Lai is the Managing Director of CHB, a post he has held since his appointment on 2 October 2002.

Dato' Chuah has gained vast business acumen with his involvement with various businesses. He and his spouse, Datin Fong, were among the founders of the Group's business. He heads the direct selling division and he is actively involved in the Group's OEM export business.

Save as disclosed above, Dato' Chuah does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with CHB. He has no conviction of offences within the past 10 years. He attended all 5 Board Meetings of CHB held during the financial year ended 31 March 2011.

SIOW HOCK LEE *Aged 55, 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 and the Nomination Committee.

Mr. Siow is a member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants. He is partner to a couple of firms of accounting practices and has extensive working experience in providing audit and accounting related services. Mr. Siow is also an Independent Non Executive Directors of Amtel Holdings Berhad and Green Ocean Corporation Berhad, the shares of both companies are listed and traded on Bursa Malaysia.

Mr. Siow has no family relationship with the 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. He attended all 5 Board Meetings of CHB held during the financial year ended 31 March 2011.



PROFILE OF THE DIRECTORS *(continued)*

OOI SAY TEIK *Aged 51, 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 holds the post of Chairman of the Remuneration Committee and is a member of the Audit Committee and Nomination Committee.

Mr. Ooi graduated from the University of Malaya in 1985 with a Bachelor of Arts (Hons), majoring in Economics and obtained his Bachelor of Laws (Hons) from the University of London. He was called to the Malaysian Bar and admitted as an Advocate and Solicitor of the High Court of Malaya in 1992. He is a partner of a legal firm and is involved in a wide spectrum of the law that covers areas in corporate, banking and litigation.

Mr. Ooi is an Independent Non Executive Director of Green Ocean Corporation Berhad. He has no family relation with the 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. He attended 4 out of 5 Board Meetings of CHB held during the financial year ended 31 March 2011.

HEM KAN @ CHAN HONG KEE *Aged 71, Malaysian*

Independent Non Executive Director

Hem Kan @ Chan Hong Kee is an Independent Non Executive Director 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.

Mr. Chan has extensive business experience in various business sectors such as housing development and oil palm plantation. He is the Honorary Chairman for 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 Adviser to the Hilir Perak Dialysis Centre.

Mr. Chan has no family relationship with the other Directors and major shareholders of CHB. He has no conviction for offences within the past 10 years and has attended all 5 Board Meetings of CHB held during the financial year ended 31 March 2011.



EXECUTIVE CHAIRPERSON'S STATEMENT



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 Caely Holdings Bhd and its group of companies for the financial year ended 31 March 2011.

FINANCIAL REVIEW

The global financial turbulence continues to impact unfavourably and has brought about not only a shift in consumption pattern, but also a general recession in consumption, both locally and abroad. The effect is more obvious in the United States of America and some European countries, the Group's dominant exporting countries. As a result, the Group recorded revenue of RM57.7 million for the current financial year ended 31 March 2011 as compared to RM88.1 million in the previous financial year.

In line with the decline in revenue, the Group registered an after tax loss of RM10.3 million for the current financial year compared to a profit after tax of RM0.9 million for the previous financial year. The OEM and direct selling segments contributed RM52.9 million and RM4.3 million respectively to Group revenue and RM3.8 million and RM5.9 million respectively to the Group's loss before tax.

The decline in OEM's performance was, inter alia, mainly attributable to the strengthening of the ringgit against the US dollars and EURO and the rising cost of raw materials. The Direct Selling's financial loss was however, attributable to the mediocre revenue, the relatively higher operational cost and the impairment of doubtful debts.

DIVIDENDS

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

PROSPECTS

The global economies are still very volatile and unstable with oil prices still remaining relatively high and inflation is expected to trend upwards thus causing a decline in consumption. In addition, the faltering US economy, the weakening of the US dollars and EURO would continue to pose an adverse impact on the Group's revenue and margin.

On the local front, there is good news. Our country's economy is expected to maintain its growth and remain robust in 2011 due to supportive government initiative and policies such as the Economic Transformation Programmes.

Against this backdrop, the Group remains committed to exercise prudence and greater emphasis in its business approach such as products improvements, cost management. Barring any unforeseen circumstances, the Board is cautiously optimistic that the financial performance for the ensuing financial year will be satisfying.



EXECUTIVE CHAIRPERSON'S STATEMENT *(continued)*

CORPORATE SOCIAL RESPONSIBILITY

The Group's corporate social responsibility activities are continuously guided by its firm beliefs that it can contribute positively to our society as a caring and responsible corporate entity. To this end, the Group is proud to set up CaelyCare to discharge its corporate social responsibility.

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

The Group is also concerned on the Health and Safety of its employees and strives to maintain a work place that is safe and risk-free. A health and safety committee has been 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 which include the use of fire fighting equipment, first aid, CPR, orderly evacuation procedures and other hazard preventive measures.

The Group is also doing its part for the local community and society by providing 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. The Group also donates 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.

Also, I wish to thank the management team and the staff of the Group for their hard work, dedication, loyalty and trust throughout the year.

I also wish to take this opportunity to thank my fellow Board members, management and employees of the Group for their continued diligence, dedication and commitment. I also thank Dato' Wan Mohamad Zin Bin Mat Amin, Mr. Khor Mooi Soong and Ms. Lim Pow Choo who have resigned from the Board. I would also like to record our gratitude and appreciation for their valuable contribution during their tenure as Board members.

Datin Fong Nyok Yoon
Executive Chairperson



CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") recognises the importance of and is committed to the high standards of corporate governance throughout the Group as a fundamental role in discharging its responsibilities towards achieving the optimal governance framework.

The Board is pleased to disclose the manner how the principles and best practices as enshrined in the Malaysian Code on Corporate Governance ("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.

1. THE BOARD OF DIRECTORS

(a) *Composition of the Board*

Mr. Khor Mooi Soong and his spouse, Mdm. Lim Pow Choo, both Executive Directors, resigned from the Board on 12 April 2011. Accordingly, Mdm. Khor Siew Teng, the daughter of and Alternate Director to Mdm. Lim ceased office on the same date.

Dato' Wan Mohammad Zin bin Mat Amin, the Non Independent, Non Executive Director and Deputy Chairman, resigned from the Board on 23 June 2011. Since then, the Board consists of five (5) members made up of two (2) Executive Directors and three (3) Non Executive Directors 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 similar or 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 account the long-term interests of the shareholders, employees, customers, and the many communities in which the Group conducts its business.

In discharging its duties, the Board met five times during the financial year ended 31 March 2011.

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.

(b) *Duties and Responsibilities*

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:

- Reviewing and adopting strategic plans for the Group;
- Overseeing the overall conduct of the Group's businesses to ensure that they are being properly managed;
- Identifying principal risks and ensuring that appropriate control systems are implemented to manage those risks;
- Formulating policies for succession planning, including recruiting, training, rewarding and, where appropriate, replacing senior management;
- Developing and implementing an investor's relations program or shareholder communications policies; and
- Reviewing 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.



CORPORATE GOVERNANCE STATEMENT *(continued)*

(b) **Duties and Responsibilities** *(continued)*

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.

(c) **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.

i) **Audit Committee ("AC")**

The Board is assisted by the Audit Committee, which operates within clearly defined terms of reference. The composition, terms of reference and activities of the Audit Committee are set out on pages 16 to 18 of this Annual Report.

ii) **Nomination Committee ("NC")**

The members of the NC are:

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

Ooi Say Teik

Siow Hock Lee

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.

iii) **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.

(d) **Supply of Information**

All Board members are supplied with information on a timely basis before each Board Meeting to be convened with an agenda. 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. Senior management staff are invited to attend Board Meetings when necessary to present to the Board further explanation and clarification on matters being tabled.

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.

(e) **Appointment to the Board**

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



CORPORATE GOVERNANCE STATEMENT *(continued)*

(f) Directors' Training

The Group acknowledges the importance of continuous education and training to enable the Board members to keep abreast on the state of economy, technology advances, regulatory updates and management strategies so as to effectively discharge their duties and responsibilities. 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.

The Directors are aware of the importance of having a knowledge-based management and staff force. To this end, the management and staff are encouraged to attend trainings and education programmes to embrace themselves with the latest development and industry updates, etc.

During the financial year, all the directors have attended some training programmes save and except for Dato' Chuah Chin Lai and Mr. Hem Kan @ Chan Hong Kee who were unable to attend due to the timing of training programmes coincided with business commitment.

Datin Fong Nyok Yoon attended a seminar on "Knowledge Investment - Series of Investment Talk". Mr. Ooi Say Teik attended a seminar on "Assessing the Risk and Control Environment". Mr. Siow attended several other programmes such as "The All New Year 2010 Edition Quarterly Interim Financial Reporting & the Various New Standards, Interpretations and Amendments to Various Standards", "2010 Corporate Fraud Conference - Managing Fraud Risk" and "Bursa Malaysia Evening Talk on Corporate Governance : Risk Management - Things Can Still Go Wrong".

Throughout the year, the Board of Directors also received updates and briefings by the Company Secretary and external auditors, particularly on information on significant changes in regulatory framework, legal, accounting and governance practices and activities.

(g) 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.

A Director over seventy (70) years of age is required to retire and offer himself for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

2. 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 year. 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.



CORPORATE GOVERNANCE STATEMENT *(continued)*

2. DIRECTORS' REMUNERATION *(continued)*

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	135,000	837,895	26,918	999,813
Non Executive Directors	105,000	6,500	-	111,500
	<u>240,000</u>	<u>844,395</u>	<u>26,918</u>	<u>1,111,313</u>

	Number of Directors		
	Executive Directors	Non Executive Directors	Total
RM1 to RM 50,000	-	4	4
RM 50,001 to RM100,000	1	-	1
RM100,001 to RM150,000	-	-	-
RM150,001 to RM200,000	1	-	1
RM200,001 to RM250,000	-	-	-
RM250,001 to RM300,000	-	-	-
RM300,001 to RM350,000	-	-	-
RM350,001 to RM400,000	1	-	1
RM400,001 to RM450,000	-	-	-
RM450,001 to RM500,000	-	-	-
RM500,001 to RM550,000	1	-	1
	<u>4</u>	<u>4</u>	<u>8</u>

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.

3. SHAREHOLDERS AND INVESTORS

The Board acknowledges the importance of regular communication with shareholders and investors via AGM, 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.

Shareholders and members of the public can also access information on the Company via the Bursa Malaysia Securities Bhd's website at www.bursamalaysia.com or the Company's website at www.caelyholdings.com. All announcements including the Company's quarterly results and annual reports are posted on these websites.

4. ACCOUNTABILITY AND AUDIT

(a) 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.



CORPORATE GOVERNANCE STATEMENT *(continued)*

4. ACCOUNTABILITY AND AUDIT *(continued)*

(b) 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 19 to 20 of the Annual Report which provides an overview of the state of internal controls within the Group.

(c) Relationship with Auditors

The appointment of the external auditors is recommended by the Audit Committee and the Audit Committee also recommends the remuneration of the external auditors. An appropriate and transparent 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 16 to 18 of the Annual Report.

5. 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 had 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 provisions of the Companies Act, 1965, the Bursa Malaysia's Listing Requirements and the Financial Reporting Standards in Malaysia.

6. 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 by the Company and its subsidiaries amounted approximately RM38,800 .



CORPORATE GOVERNANCE STATEMENT *(continued)*

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 March 2011.

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 periodic revaluation on the Group's landed properties. Details of the policy are stated in Note 4(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

Details of recurrent related party transactions entered by the Company and its subsidiaries during the financial year ended 31 March 2011 are as follows:

Company in the Group Involved	Related Party	Interested Related Party	Nature of Transaction	Transaction Value for the Financial Year Ended 31 March 2011 RM
CMSB	Kimberlux Sdn Bhd ("KSB")	Datin Fong Nyok Yoon ^{^^} 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 [#] 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 ⁺ Dato' Chuah Chin Lai Khor Mooi Soong Lim Pow Choo	Office rental receivable	6,000
Classita (M) Sdn Bhd ("CCSB")	Tacly	Dato' Chuah Chin Lai [^]	Sub-contractor who provides sewing services for products such as briefs and panties	29,983

Notes:-

[^] Tacly is owned by Chuah Chin Kheng, the brother of Dato' Chuah Chin Lai, the Managing Director and substantial shareholder of CHB.

^{^^} 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.

[#] 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.

⁺ 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.



AUDIT COMMITTEE REPORT

The Audit Committee ("AC") was established by the Board of Directors ("the Board") on 5 June 2003. The AC comprises the following members, all of whom are Independent Non Executive Directors.

Members		
Siow Hock Lee, <i>Chairman, Independent Non Executive Director</i>	Ooi Say Teik <i>Independent Non Executive Director</i>	Hem Kan @ Chan Hong Kee <i>Independent Non Executive Director</i>

TERMS OF REFERENCE

Composition of members

The Board shall elect the AC members from among themselves comprising not less than three (3) members, all of whom shall not be executive directors. The members of the AC shall elect a chairman from among themselves.

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.
- iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

No alternate director of the Board 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.



AUDIT COMMITTEE REPORT *(continued)*

Attendance at meetings

During the financial year ended 31 March 2011 the AC held five (5) meetings and the Company Secretaries were in attendance. The Executive Directors, Senior Management staff and Internal Auditors were invited to the meetings as and when necessary to response to queries and to provide detailed information and explanations requested. The representatives of the External Auditors attended two (2) of the meetings during this period. The AC had the opportunity to meet up with the external auditors without the presence of management. The AC may invite any person to be in attendance to assist it in its deliberations.

The details of attendance of the AC members are as follows:

Name of AC members	Number of attendance
Siow Hock Lee	5/5
Ooi Say Teik	4/5
Hem Kan @ Chan Hong Kee	5/5

Quorum

The quorum for meeting of the AC shall be two (2) members of the AC.

Authority

The AC is authorised by the Board to:

- i) investigate any matter within its terms of reference;
- ii) gain free access to all information and documents pertaining to the Group;
- iii) establish a channel of direct communication with the external and internal auditors, and
- iv) obtain external legal or other independent professional advice whenever deemed necessary.

Duties and responsibilities

The duties and responsibilities of the AC include the following:

- i) Assess and review the adequacy and effectiveness of the accounting system and internal controls in the business process.
- ii) Review the company's accounting policies and reporting requirements to ensure compliance with the relevant laws, standards, directives and guidelines.
- iii) Assess the adequacy of management reporting.
- iv) Review the scope of the external audit and internal audit (if applicable) to ensure no unjustified restrictions are imposed by the management.
- v) Review the assistance given by the company's officers to the auditors.
- vi) Recommend the appointment and remuneration of external auditors.
- vii) Liaise directly between the external auditors, the management and the Board as a whole, particularly with regard to the audit plan and audit report.
- viii) Review the findings of internal and external auditors (as the case may be) on internal controls and other audit comments.
- ix) 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.
- x) Receive reports directly from the internal auditors for all the internal audit functions.
- k) Review the financial statements and annual report prior to submission to the Board.
- l) 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.
- m) Consider and examine such other matters as the AC considers appropriate.



AUDIT COMMITTEE REPORT *(continued)*

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:-

- Reviewed the external auditors' scope of work and audit plans for the year;
- Reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response;
- Reviewed and recommended to the Board the re-appointment of external auditors and their audit fees;
- Reviewed the quarterly and annual financial statements, reports and announcements for the Board's consideration and approval;
- Reviewed the related party transactions entered into by the Group;
- Reviewed the internal audit plan prepared by the internal auditors;
- Reviewed and discussed reports of the internal auditors and assessed the effectiveness of the system of internal controls in the areas audited; and
- Reported to the Board on major events covered by the AC and make recommendations to the Board and management concerning these matters.

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 the extent of compliance with policies and procedures.

To this end, the internal audit function was outsourced to a firm of consultants. During the financial year under review, the following internal audit activities were carried out:-

- 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.

During the financial year, an amount of RM30,600 was incurred in respect of the Group's internal audit function.

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



STATEMENT ON INTERNAL CONTROLS

1. INTRODUCTION

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"), the Board of Directors of Caely Holdings Bhd is pleased to provide the following statement on the state of internal controls of the Group. This statement has been prepared 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.

2. RESPONSIBILITY FOR RISK AND INTERNAL CONTROLS

The Board and the senior management recognise their overall responsibilities and endeavor 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, there are limitations inherent in any system of internal controls. Hence, it is recognised that evaluation and implementation of the system can only provide reasonable assurance and not absolute assurance against any material loss or misstatement.

The Group has established 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.

3. RISK MANAGEMENT

The Group has established an on-going risk management commitment for identifying risks, assessing and evaluating its likelihood and impact and taking preventive measures to manage potential risks faced by the Group. In this regard, the risk management policy and framework is established to incorporate 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.

4. INTERNAL AUDIT FUNCTION

During the financial year under review, the Group engaged the internal audit services by outsourcing the internal audit function to an independent consultancy firm, Messrs. RSM Corporate Consulting Sdn Bhd to review the risk assessment of the internal control systems of the Group and to report directly to the Audit Committee of its internal audit findings.



STATEMENT ON INTERNAL CONTROLS *(continued)*

4. INTERNAL AUDIT FUNCTION *(continued)*

The scope of the internal audit focused on the risk areas identified in the company-wide risk assessment exercise in accordance with the internal audit plan approved by the management. The Audit Committee receives reports of the findings of the internal audits with comments from operational heads of the respective departments under audit. These internal audit reports are tabled during the Audit Committee meetings for review and the corrective actions to be undertaken and the management is to ensure that the necessary corrective actions are implemented. Update on the status of action plans as identified in the previous internal audit reports were also presented to the Audit Committee to review and deliberate.

During the financial year under review, a number of internal control weaknesses have been identified and all of which have been or are being addressed by the management. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in this Annual Report.

5. OTHER KEY ELEMENTS OF INTERNAL CONTROLS

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 and also in compliance with International Organisation for Standardisation ("ISO") certification.
- Monthly management reports are prepared at subsidiary levels and subject to review and discussion by the Executive Chairperson, Managing Director, 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 reviews the external auditors' internal control recommendations arising from the statutory audit. None of the internal control weaknesses identified during the financial year under review have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.
- 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 controls 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.

6. CONCLUSION

The Board is of the view that the development of internal controls is an ongoing process and has taken steps to establish a sound internal controls system and will continue to strengthen the internal controls environment. Based on the internal auditors' reports for the financial year ended 31 March 2011, there is a reasonable assurance that the Group's systems of internal controls are adequate and are working satisfactorily.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.23 of BMSB Main Market Listing Requirements.



STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 March 2011

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DIRECTORS' REPORT

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 March 2011.

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

	<u>Group</u>	<u>Company</u>
	RM	RM
Net loss for the financial year	<u>(10,257,179)</u>	<u>(7,562,243)</u>

DIVIDENDS

No dividend was paid or declared by the Company since 31 March 2010.

The directors do not recommend the payment of a dividend for the financial year ended 31 March 2011.

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

Dato' Chuah Chin Lai

Siow Hock Lee

Ooi Say Teik

Hem Kan @ Chan Hong Kee

Khor Mooi Soong (resigned on 12 April 2011)

Lim Pow Choo (resigned on 12 April 2011)

Khor Siew Teng (Alternate to Lim Pow Choo) (resigned on 12 April 2011)

Dato' Wan Mohamad Zin bin Mat Amin (resigned on 23 June 2011)

Executive Chairperson

Managing Director

Deputy Chairman

In accordance with the Company's Articles of Association, Datin Fong Nyok Yoon retires at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

In accordance with Section 129(2) of the Companies Act, 1965, Hem Kan @ Chan Hong Kee who at age of 71 retires at the forthcoming Annual General Meeting and the directors recommend his re-appointment under Section 129(6) of the said Act.



DIRECTORS' REPORT *(continued)*

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 8 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 29 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:

	As at 1.4.2010	Number of ordinary shares of RM0.50 each		As at 31.3.2011
		Bought	Sold	
Direct interest				
Caely Holdings Bhd. (The Company)				
Dato' Chuah Chin Lai	7,152,000	-	-	7,152,000
Dato' Wan Mohamad Zin bin Mat Amin	1,028,000	-	-	1,028,000
Datin Fong Nyok Yoon	7,630,000	-	-	7,630,000
Khor Mooi Soong	6,930,000	-	-	6,930,000
Lim Pow Choo	6,950,000	-	-	6,950,000
Khor Siew Teng	180,000	-	-	180,000
Indirect interest				
Caely Holdings Bhd. (The Company)				
Dato' Chuah Chin Lai	21,510,000	-	-	21,510,000
Datin Fong Nyok Yoon	21,032,000	-	-	21,032,000
Khor Mooi Soong	21,912,000	-	-	21,912,000
Lim Pow Choo	21,892,000	-	-	21,892,000
Siow Hock Lee	135,500	-	-	135,500
Khor Siew Teng	13,880,000	-	-	13,880,000

By virtue of their substantial interests in shares in Caely Holdings Bhd. as at 31 March 2011, Dato' Chuah Chin Lai, Datin Fong Nyok Yoon, Khor Mooi Soong, Lim Pow Choo and Khor Siew Teng are deemed to have interests in the shares in all the subsidiaries of the Company.

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



DIRECTORS' REPORT *(continued)*

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position 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.



DIRECTORS' REPORT *(continued)*

OTHER STATUTORY INFORMATION *(continued)*

In the opinion of the directors:

- (a) 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 other than the change in accounting policies as disclosed in Note 3 to the financial statements and allowance for doubtful debts which affected the results of the Group and the Company, and the impairment loss on investment in a subsidiary which affected the results of the Company, as disclosed in Note 8 to the financial statements; 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.

SUBSEQUENT EVENTS

The following are the significant events which took place subsequent to the financial year end:

- (a) the Group received notification from the relevant authority in the People's Republic of China that its application for members' voluntary liquidation of Foshan City Classita Undergarments Pte Ltd ("FCCUPL"), the jointly controlled entity in China has been approved. The voluntary liquidation of FCCUPL has no material impact on the results of the Group.
- (b) Caely (M) Sdn. Bhd. a wholly owned subsidiary of the Company, entered into a sale and purchase agreement to acquire a piece of land, free from encumbrances, from Tenaga Danawa Sdn. Bhd. for a total consideration of RM3,695,300, intended for future mixed property development.

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 26 July 2011.

DATO' CHUAH CHIN LAI
MANAGING DIRECTOR

DATIN FONG NYOK YOON
EXECUTIVE CHAIRPERSON

Teluk Intan, Perak Darul Ridzuan



STATEMENT BY DIRECTORS

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

We, Dato' Chuah Chin Lai and Datin Fong Nyok Yoon, being two of the directors of Caely Holdings Bhd., state that, in the opinion of the directors, the financial statements set out on pages 28 to 77 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 March 2011 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.

The information set out in Note 35 on page 78 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1 Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution dated 26 July 2011.

DATO' CHUAH CHIN LAI
MANAGING DIRECTOR

DATIN FONG NYOK YOON
EXECUTIVE CHAIRPERSON

Teluk Intan, Perak Darul Ridzuan

STATUTORY DECLARATION

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

I, Datin Fong Nyok Yoon, 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 28 to 78 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.

DATIN FONG NYOK YOON
EXECUTIVE CHAIRPERSON

Subscribed and solemnly declared by the abovenamed Datin Fong Nyok Yoon at Teluk Intan in the state of Perak Darul Ridzuan, Malaysia on 26 July 2011.

Before me,

KOAY HEAN BENG
COMMISSIONER FOR OATHS



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAELY HOLDINGS BHD.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Caely Holdings Bhd. on pages 28 to 77, which comprise the statements of financial position as at 31 March 2011 of the Group and the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 34.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2011 and of their financial performance and cash flows for the financial year then ended.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAELY HOLDINGS BHD. *(continued)*

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, 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.
- (b) 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 35 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

LIM TEONG KEAN
(No. 2499/12/11 (J))
Chartered Accountant

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

26 July 2011



STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	Note	GROUP		COMPANY	
		2011 RM	2010 RM	2011 RM	2010 RM
Revenue	7	57,651,875	88,119,128	1,125,009	1,200,010
Cost of sales		(55,823,879)	(69,871,545)	-	-
Gross profit		1,827,996	18,247,583	1,125,009	1,200,010
Other operating income		2,226,352	3,063,563	393,036	749,039
Selling and distribution costs		(3,409,858)	(5,085,589)	-	-
Administrative expenses		(11,463,857)	(10,769,949)	(590,556)	(589,000)
Other operating expenses		-	(1,544,356)	(8,155,206)	(4,956,808)
(Loss)/profit from operations	8	(10,819,367)	3,911,252	(7,227,717)	(3,596,759)
Finance cost	9	(795,122)	(760,303)	(116,043)	(43,785)
Share of loss in a jointly controlled entity		-	(104,857)	-	-
(Loss)/profit before taxation		(11,614,489)	3,046,092	(7,343,760)	(3,640,544)
Taxation	10	1,357,310	(2,169,823)	(218,483)	(311,000)
Net (loss)/profit for the financial year		(10,257,179)	876,269	(7,562,243)	(3,951,544)
Other comprehensive income		-	-	-	-
Total comprehensive income attributable to owners of the Company		(10,257,179)	876,269	(7,562,243)	(3,951,544)
(Loss)/earnings per share (sen)					
- basic	11	(12.82)	1.10		
- diluted	11	(12.82)	1.10		



STATEMENTS OF FINANCIAL POSITION

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Note	GROUP 2011 RM	2010 RM
ASSETS			
Non current assets			
Property, plant and equipment	13	26,015,093	26,941,984
Prepaid lease payments	14	806,010	334,628
Investment property	15	-	1,146,952
Deferred tax assets	17	69,402	-
Receivables, deposits and prepayments	18	288,504	752,314
		<u>27,179,009</u>	<u>29,175,878</u>
CURRENT ASSETS			
Inventories	19	25,895,378	27,269,386
Receivables, deposits and prepayments	18	9,524,156	13,222,744
Tax recoverable		1,083,906	352,458
Marketable securities	20	2,410,746	1,903,022
Derivative financial instruments	21	95,593	-
Deposits, bank and cash balances	22	7,248,299	14,897,910
		<u>46,258,078</u>	<u>57,645,520</u>
TOTAL ASSETS		<u>73,437,087</u>	<u>86,821,398</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	40,000,000	40,000,000
Other reserves	24	14,270,083	14,270,083
Retained profits		6,327,724	16,473,440
Total equity		<u>60,597,807</u>	<u>70,743,523</u>



STATEMENTS OF FINANCIAL POSITION *(continued)*

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2011 *(continued)*

	Note	2011 RM	GROUP 2010 RM
LIABILITIES			
Non current liabilities			
Payables and accruals	25	74,889	-
Hire-purchase creditors	26	376,921	448,174
Term loans	27	1,012,570	2,000,263
Deferred tax liabilities	17	489,440	1,502,146
		<u>1,953,820</u>	<u>3,950,583</u>
Current liabilities			
Payables and accruals	25	7,004,047	7,116,844
Derivative financial instruments	21	116,203	-
Hire-purchase creditors	26	210,590	85,260
Term loans	27	228,615	402,026
Short term bank borrowings			
-bank overdrafts	28	1,694,160	1,673,581
-others	28	1,630,950	1,899,800
Current tax liabilities		895	949,781
		<u>10,885,460</u>	<u>12,127,292</u>
Total liabilities		<u>12,839,280</u>	<u>16,077,875</u>
TOTAL EQUITY AND LIABILITIES		<u>73,437,087</u>	<u>86,821,398</u>

STATEMENTS OF FINANCIAL POSITION *(continued)*STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2011 *(continued)*

		COMPANY	
	Note	2011 RM	2010 RM
ASSETS			
Non current assets			
Property, plant and equipment	13	1,493,024	1,559,469
Prepaid lease payments	14	329,898	334,628
Investment in subsidiaries	16	34,967,023	40,880,227
		<u>36,789,945</u>	<u>42,774,324</u>
Current assets			
Receivables, deposits and prepayments	18	2,635,152	5,095,238
Tax recoverable		236,394	170,374
Marketable securities	20	2,410,746	1,903,022
Deposits, bank and cash balances	22	55,802	362,158
		<u>5,338,094</u>	<u>7,530,792</u>
TOTAL ASSETS		<u>42,128,039</u>	<u>50,305,116</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	40,000,000	40,000,000
Other reserves	24	9,545,213	9,545,213
Accumulated losses		(28,391,623)	(20,829,380)
Total equity		<u>21,153,590</u>	<u>28,715,833</u>
LIABILITIES			
Non current liabilities			
Payables and accruals	25	14,139,174	-
Term loans	27	334,924	484,893
Deferred tax liabilities	17	110,492	110,492
		<u>14,584,590</u>	<u>595,385</u>
Current liabilities			
Payables and accruals	25	6,246,555	20,876,152
Term loans	27	143,304	117,746
		<u>6,389,859</u>	<u>20,993,898</u>
Total liabilities		<u>20,974,449</u>	<u>21,589,283</u>
TOTAL EQUITY AND LIABILITIES		<u>42,128,039</u>	<u>50,305,116</u>



STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

GROUP	Attributable to owners of the Company						Total RM
	Share capital RM	Share premium RM	Reserve on consolidation RM	Currency translation reserve RM	Revaluation reserve RM	Retained profits RM	
At 1 April 2009	40,000,000	9,419,360	80,344	79,707	4,690,672	15,597,171	69,867,254
Total comprehensive income							
Net profit for the financial year	-	-	-	-	-	876,269	876,269
At 31 March 2010	40,000,000	9,419,360	80,344	79,707	4,690,672	16,473,440	70,743,523
At 1 April 2010	40,000,000	9,419,360	80,344	79,707	4,690,672	16,473,440	70,743,523
Effects on adoption of FRS 139	-	-	-	-	-	111,463	111,463
At restated	40,000,000	9,419,360	80,344	79,707	4,690,672	16,584,903	70,854,986
Total comprehensive income							
Net loss for the financial year	-	-	-	-	-	(10,257,179)	(10,257,179)
At 31 March 2011	40,000,000	9,419,360	80,344	79,707	4,690,672	6,327,724	60,597,807

COMPANY	Attributable to owners of the Company				Total RM
	Share capital RM	Share premium RM	Revaluation reserve RM	Accumulated losses RM	
At 1 April 2009	40,000,000	9,419,360	125,853	(16,877,836)	32,667,377
Total comprehensive income					
Net loss for the financial year	-	-	-	(3,951,544)	(3,951,544)
At 31 March 2010	40,000,000	9,419,360	125,853	(20,829,380)	28,715,833
At 1 April 2010	40,000,000	9,419,360	125,853	(20,829,380)	28,715,833
Total comprehensive income					
Net loss for the financial year	-	-	-	(7,562,243)	(7,562,243)
At 31 March 2011	40,000,000	9,419,360	125,853	(28,391,623)	21,153,590



STATEMENTS OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss)/profit for the financial year	(10,257,179)	876,269	(7,562,243)	(3,951,544)
Adjustments for:				
Property, plant and equipment				
- depreciation	1,943,734	2,122,192	66,445	66,446
- gains on disposals	(148,760)	(8,460)	-	-
- write off	69,637	590	-	-
Amortisation on investment property	23,328	23,328	-	-
Amortisation of prepaid lease payments	4,730	4,730	4,730	4,730
Allowance of doubtful debts (net)	1,906,273	302,323	2,242,002	1,100,000
Interest expense	578,807	372,671	116,043	43,785
Taxation	(1,357,310)	2,169,823	218,483	311,000
Interest income	(226,251)	(144,929)	(10,171)	(20,225)
Gross dividend income from marketable securities	(33,832)	(50,808)	(33,832)	(50,808)
Fair value gains on marketable securities	(168,590)	-	(168,590)	-
Write back of impairment in marketable securities	-	(237,402)	-	(237,402)
Losses/(gains) on disposal of marketable securities	3,126	(272,604)	3,126	(272,604)
Fair value losses on derivative financial instruments	20,610	-	-	-
Share of loss in a jointly controlled entity	-	104,857	-	-
Impairment losses on investment in subsidiaries	-	-	5,913,204	3,840,817
Impairment of goodwill	-	954,035	-	-
Impairment on investment in jointly controlled entity	-	500,627	-	-
Gross dividend income from a subsidiary	-	-	(1,125,009)	(1,200,010)
Waiver of debt by a creditor	-	(1,189,511)	-	-
	(7,641,677)	5,527,731	(335,812)	(365,815)
Net movements in working capital:				
Inventories	1,374,008	4,982,309	-	-
Receivables	2,367,588	873,513	114,355	(251)
Payables	(37,908)	(1,321,447)	2,546	(60,464)
Related companies	-	-	113,259	-
Cash flows generated from/(used in) operations	(3,937,989)	10,062,106	(105,652)	(426,530)
Dividend received from a subsidiary	-	-	843,757	900,007
Interest paid	(578,807)	(372,671)	(39,366)	(43,785)
Tax paid	(1,445,692)	(3,078,865)	(3,250)	(12,500)
Tax refund	40,560	144,493	-	-
Net operating cash flow	(5,921,928)	6,755,063	695,489	417,192



STATEMENTS OF CASH FLOW *(continued)*

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 *(continued)*

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for property, plant and equipment	(369,330)	(477,621)	-	-
Proceeds from disposal of property, plant and equipment	246,122	84,000	-	-
Interest income received	226,251	144,929	640	20,225
Advances to a subsidiary	-	-	-	(2,214,587)
Marketable securities				
- payments for investments	(2,262,831)	(5,467,383)	(2,262,831)	(5,467,383)
- proceeds from disposals	1,920,571	5,571,975	1,920,571	5,571,975
- dividend received	33,832	50,808	33,832	50,808
Net investing cash flow	(205,385)	(93,292)	(307,788)	(2,038,962)
CASH FLOWS FROM FINANCING ACTIVITIES				
Withdrawal/(placement) of deposits pledged as security	3,000,000	(3,000,000)	-	-
Repayments of short term bank borrowings	(268,850)	(277,936)	-	-
Repayments of hire-purchase creditors	(112,923)	(128,255)	-	-
Term loans obtained	-	975,183	-	-
Repayments of term loans	(1,161,104)	(217,737)	(124,411)	(119,991)
Repayments of advances to a subsidiary	-	-	(670,417)	(4,474,155)
Advances from subsidiaries	-	-	100,771	5,538,024
Net financing cash flow	1,457,123	(2,648,745)	(694,057)	943,878
Net movement in cash and cash equivalents	(4,670,190)	4,013,026	(306,356)	(677,892)
Cash and cash equivalents at beginning of the financial year	9,750,987	5,737,961	362,158	1,040,050
Cash and cash equivalents at end of the financial year (Note 22)	5,080,797	9,750,987	55,802	362,158



NOTES TO THE FINANCIAL STATEMENTS

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 in 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
Level 8, Symphony House Block D13, Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan	Lot 2661, 3rd Mile Jalan Maharaja Lela 36000 Teluk Intan Perak Darul Ridzuan

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 26 July 2011.

2 BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared under the historical cost convention unless stated otherwise in the summary of significant accounting policies.

The financial statements of the Group and the Company have been prepared in accordance 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.

Estimates and judgement

The preparation of financial statements in conformity with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the use of certain critical accounting estimates 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 amounts 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. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

The Group and the Company has adopted the following new and amended FRSs as of 1 April 2010:

- FRS 7 "Financial Instruments: Disclosures"
- FRS 8 "Operating Segments"
- FRS 101 "Presentation of Financial Statements (Revised)"
- FRS 123 "Borrowing Costs"
- FRS 139 "Financial Instruments: Recognition and Measurement"
- IC Interpretation 9 "Reassessment of Embedded Derivatives"
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- Amendments to FRS 1 and FRS 127 "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 "Presentation of Financial Statements" - "Puttable Financial Instruments and Obligations Arising on Liquidation"
- Amendments to FRS 139 "Eligible Hedged Items"
- Amendments to FRS 139 and FRS 7 "Reclassification of Financial Assets"
- Amendments to IC 9 and FRS 139 "Embedded Derivatives"
- MASB's improvements project covering amendments to the following standards:
 - FRS 7 "Financial Instruments: Disclosures"
 - FRS 8 "Operating Segments"
 - FRS 107 "Statement of Cash Flows"
 - FRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors"
 - FRS 110 "Events After the Reporting Period"
 - FRS 116 "Property, Plant and Equipment"
 - FRS 117 "Leases"
 - FRS 118 "Revenue"
 - FRS 123 "Borrowing Costs"
 - FRS 127 "Consolidated and Separate Financial Statements"
 - FRS 134 "Interim Financial Reporting"
 - FRS 136 "Impairment of Assets"
 - FRS 140 "Investment Property"

A summary of the impact of the new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group and the Company is set out below:

FRS 7 "Financial Instruments : Disclosures"

Prior to 1 April 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 "Financial Instruments: Disclosure and Presentation". FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) Standards, amendments to published standards and interpretations that are applicable to the Group and are effective *(continued)*

FRS 7 "Financial Instruments : Disclosures" (continued)

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the financial year ended 31 March 2011.

FRS 8 "Operating Segments"

FRS 8, which replaces FRS 114 "Segment Reporting", specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance.

The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers, whenever applicable. Following the adoption of FRS 8, the reportable segments are presented based on the Group's four main operating segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performances of the operating segments has been identified as executive directors.

FRS 101 "Presentation of Financial Statements (Revised)"

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy resulted in retrospective application, the correction of an error or the classification of items in the financial statements.

FRS 139 "Financial Instruments : Recognition and Measurement"

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 April 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening retained profits of the Group as at 1 April 2010. Comparatives for financial instruments have not been adjusted and therefore the corresponding balances are not comparable. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

Equity instruments

Prior to 1 April 2010, the Group classified its investments in quoted shares and unit trusts as marketable securities under current assets. Such investments were carried at lower of cost and market value. Upon the adoption of FRS 139, these investments are categorised at 1 April 2010 as fair value through profit or loss - held for trading and accordingly are stated at their fair values. The difference between initial recognition and the previous carrying amounts as at 31 March 2010 was not material and no adjustment to opening retained profits of the Group as at 1 April 2010 has been made.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) Standards, amendments to published standards and interpretations that are applicable to the Group and are effective *(continued)*

Derivatives

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and initially measured at their fair values with the subsequent gain or loss recognised in profit or loss. Upon the adoption of FRS 139, the difference between initial recognition and the previous carrying amounts has been taken up as adjustment to the opening retained profits of the Group as at 1 April 2010.

Financial guarantee contracts

The Group has changed its accounting policy for financial guarantee contracts upon adoption of FRS 139 "Financial instruments: Recognition and Measurement" on 1 April 2010. Previously, financial guarantee contracts were not recognised in the financial statements. The impact of this new accounting policy has no significant impact to the results of the Group and the Company.

The impact on the changes in accounting policies is disclosed in Note 33 to the financial statements.

(b) Standards, amendments to published standards and interpretations to existing standards issued that are applicable to the Group but not yet effective

The new accounting standards that are relevant for the Group's financial periods beginning on or after 1 April 2011, but which the Group has not early adopted, are as follows:

- FRS 3 "Business Combinations"
- FRS 127 "Consolidated and Separate Financial Statements"
- FRS 1 "First-time Adoption of FRS"
- IC Interpretation 17 "Distributions of Non-cash Assets to Owners"
- Improvements to FRS
- Amendments to FRS 7 "Improving Disclosures about Financial Instruments"
- IC Interpretation 4 "Determining whether an Arrangement Contains a Lease"
- FRS 124 "Related Party Disclosures"
- IC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments"
- IC Interpretation 15 "Agreements for the Construction of Real Estate"

The above new accounting standards are not expected to have a material impact on the Group's and the Company's financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated in Note 3 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.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(i) Subsidiaries *(continued)*

Subsidiaries which were acquired in 2003 prior to the adoption of FRS 3 Business Combinations via an internal group reorganisation exercise, 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 these 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.

Other than those stated above, all other subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiary companies are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date control ceases.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is included in the consolidated balance sheet as goodwill and is initially measured at cost. Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the profit or loss.

Minority interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interest that are not owned directly, or indirectly through subsidiary, by the parent. It is measured at the minorities' share of the fair values of the subsidiary's identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiary's equity since that date.

At the end of the reporting period, 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.

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.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(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 profit or loss 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.

(b) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Freehold land and buildings are subsequently shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

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 recognised as expenses in profit or loss during the financial period in which they are incurred.

When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income as a revaluation surplus reserve. When the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus reserve of that asset.

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.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Property, plant and equipment *(continued)*

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, equipment and vehicles	5% - 50%

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the reporting period.

At the end of the reporting period, 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 profit or loss. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained profits.

(c) Accounting by lessee

(i) Finance lease

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

(ii) Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.



NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *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 are amortised in equal instalments over the respective lease periods.

Previously, certain 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 was 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 2007 was retained as the surrogate carrying amount.

(e) *Investment property*

Investment property is a property which is held for long term rental yields or for capital appreciation or both, and is not occupied by the Group.

Investment property is measured initially at cost. After initial recognition, it is stated at cost less any accumulated depreciation and impairment losses. Investment property is depreciated on the straight line basis to write off the cost of the asset to its residual value over its estimated useful lives of 50 years.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in profit or loss.

If an investment property becomes owner-occupied, it is reclassified to owner-occupied property. Its carrying amount at the date of reclassification becomes its cost for subsequent accounting purposes.

(f) *Investments in subsidiaries and a jointly controlled entity*

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 Note 4(g) below.

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

(g) *Impairment of non financial assets*

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An 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.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) *Impairment of non financial assets (continued)*

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of the reporting period.

The impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued amount in which case it is taken to revaluation surplus.

(h) *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 applicable variable selling expenses.

(i) *Financial assets*

The Group has changed its accounting policy for recognition and measurement of financial assets upon adoption of FRS 139 "Financial instruments: Recognition and Measurement" on 1 April 2010.

Previously, trade receivables are carried at invoice amount. The Group has applied the new policy according to the transitional provision of FRS 139 by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits or, if appropriate, another category of equity, of the current financial year. The impact of this opening balance adjustment is discussed in Note 3(a) and Note 33 to the financial statements.

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges.

In addition, certain financial assets are designated at initial recognition at fair value through profit or loss when one of the designation criteria is met:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise
- Its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
- The item is a hybrid contract that contains one or more embedded derivatives



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) **Financial assets** *(continued)*

(i) Classification *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non current assets. The loans and receivables comprise of trade and other receivables (excluding prepayments), amounts owing by subsidiaries (at entity level) and deposits, bank and cash balances.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(iii) Subsequent measurement - gains and losses

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables financial assets are subsequently carried at amortised cost using the effective interest method.

For financial assets at fair value through profit or loss, an entity is allowed to recognise interest income, interest expense and dividend income separately.

(iv) Subsequent measurement - impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or company of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- (i) adverse changes in the payment status of borrowers in the portfolio;
- and

- (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets *(continued)*

(iv) Subsequent measurement - impairment of financial assets *(continued)*

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(k) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequent re-measured at their fair value.

Derivatives that do not qualify for hedged accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 4(i).

(l) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with FRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial guarantee contracts *(continued)*

The fair value of financial guarantees is determined based on the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(m) 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.

(n) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Employee benefits

(i) Short term employee benefits

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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 the 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.

(p) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Dividend distribution

Distributions to holders of an equity instrument is debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the period in which the dividends are approved.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) 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 profit or loss except to the extent that it relates to items recognised directly to equity, in which case the taxation is recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company and the subsidiary companies operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

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. Tax benefit from reinvestment allowance is recognised when the tax credit is utilised and no deferred tax asset is recognised when the tax credit is receivable.

Deferred tax is determined using tax rates enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on the taxable entity where there is an intention to settle the balances on a net basis.

(r) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- (i) Revenue for sales of goods under Original Equipment Manufacturer arrangement is recognised upon delivery of goods to customers, net of returns and discounts.
- (ii) Revenue for sales of goods under direct sales is recognised upon declaration of sales to the Group by the distributors, net of returns.
- (iii) Interest income is recognised using the effective interest method.
- (iv) Dividend income is recognised when the Group's right to receive payment is established.
- (v) Revenue of rental is recognised on accrual basis unless collection is in doubt.



NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) 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 end of the reporting period.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in the profit or loss.

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

	31.03.2011 RM	31.03.2010 RM
Assets:		
1 US Dollar	2.99	3.24
1 Euro	4.24	4.35
Liabilities:		
1 US Dollar	3.06	3.31
1 Euro	4.33	4.44
100 Hong Kong Dollars	39.97	43.30
100 Chinese Renminbi	46.61	48.32

(iii) Foreign entity

The Group's foreign entity is that operation that are not an integral part of the operations of the Company. Profit or loss of the foreign entity is translated into Ringgit Malaysia at average exchange rates for the period and the statement of financial position is translated at exchange rates ruling at the end of the reporting period. Exchange differences arising from the retranslation of the net investment in foreign entities and borrowings that hedge such investments are taken to 'Currency translation reserve' in shareholders' equity. On disposal of the foreign entity, such translation differences are recognised in the profit or loss as part of the gain or loss on disposal.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5 JUDGEMENTS AND ESTIMATIONS

In the process of applying the Group's accounting policies, management makes judgements and estimates that can significantly affect the amount recognised in the financial statements. These judgements and estimates include:

(a) Provision for taxation

The Group is subject to income taxes whereby significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Allowance for slow moving inventories

Allowance for slow moving inventories is made based on an analysis of the ageing profile and taking into account the expected usage / sales patterns of items by categories held in inventory. Changes in the inventory ageing and the expected usage / sales profiles can have an impact on the allowance recorded.

(c) Impairment of investments in subsidiaries

Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Significant judgement is required in the estimation of the fair value less costs to sell and the present value of future cash flows generated by the assets, which involves uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions can significantly affect the results of the Company's test for impairment of investments in subsidiaries.

(d) Allowance for receivables

The allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. This is determined based on the ageing profile, expected collection patterns of individual receivable balances, credit quality and credit losses incurred. Management carefully monitors the credit quality of receivable balances and makes estimates about the amount of credit losses that have been incurred at each financial statement reporting date. Any changes to the ageing profile, collection patterns, credit quality and credit losses can have an impact on the allowance recorded.

6 SEGMENT REPORTING

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

- Direct selling and retail - involving 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 arrangements ("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 provision of sewing services to a fellow subsidiary within the Group.
- Manufacturing and sales of car accessories and trading of goods.

Others represent investment holding activities undertaken by the Company.

Intersegment revenue comprises sales of goods from certain subsidiaries to the direct selling business segment, provision of sewing services from the Manufacturing Sales-Own Brand segment to the OEM segment and dividend income received from a subsidiary.



NOTES TO THE FINANCIAL STATEMENTS (continued)

6 SEGMENT REPORTING (continued)

(a) Analysis of results and financial position

Group 2011	Direct selling/retail RM	Manufacturing sales (OEM) RM	Manufacturing sales own brand RM	car accessories manufacturer RM	Others RM	Total RM
Revenue						
Total revenue	4,253,540	52,870,163	1,793,436	606,642	1,125,009	60,648,790
Intersegment revenue	-	-	(1,793,436)	(78,470)	(1,125,009)	(2,996,915)
External revenue	4,253,540	52,870,163	-	528,172	-	57,651,875
Results						
Loss from operations	(5,549,074)	(3,480,008)	(48,465)	(1,355,004)	(386,816)	(10,819,367)
Finance cost	(279,910)	(296,117)	(93,432)	(86,297)	(39,366)	(795,122)
Loss before tax	(5,828,984)	(3,776,125)	(141,897)	(1,441,301)	(426,182)	(11,614,489)
Taxation						1,357,310
Net loss for the financial year						(10,257,179)
Segment assets	8,024,023	44,978,603	12,648,034	3,124,682	4,661,745	73,437,087
Segment liabilities	2,882,288	6,209,193	1,206,553	1,702,087	839,159	12,839,280
Interest income	86,165	139,446	-	-	640	226,251
Capital expenditure	162,165	364,606	-	9,559	-	536,330
Depreciation and amortisation	304,008	1,211,315	232,212	153,082	71,175	1,971,792



NOTES TO THE FINANCIAL STATEMENTS (continued)

6 SEGMENT REPORTING (continued)

(a) Analysis of results and financial position (continued)

Group 2010	Direct selling/retail RM	Manufacturing sales (OEM) RM	Manufacturing sales own brand RM	car accessories manufacturer RM	Others RM	Total RM
Revenue						
Total revenue	8,169,083	79,485,670	570,566	1,025,324	2,068,311	91,318,954
Intersegment revenue	-	-	(570,566)	(560,949)	(2,068,311)	(3,199,826)
External revenue	8,169,083	79,485,670	-	464,375	-	88,119,128
Results						
(Loss)/profit from operations	(2,732,109)	7,344,282	288,189	100,032	(1,089,142)	3,911,252
Finance cost	(132,698)	(417,059)	(64,873)	(101,888)	(43,785)	(760,303)
Share of loss in a jointly controlled entity	-	(104,857)	-	-	-	(104,857)
(Loss)/profit before tax	(2,864,807)	6,822,366	223,316	(1,856)	(1,132,927)	3,046,092
Taxation						(2,169,823)
Net profit for the financial year						876,269
Segment assets	15,652,593	49,586,442	12,841,542	4,160,663	4,580,158	86,821,398
Segment liabilities	4,587,689	7,917,915	787,393	1,825,267	959,611	16,077,875
Interest income	16,688	108,016	-	-	20,225	144,929
Capital expenditure	107,656	517,738	-	177,227	-	802,621
Depreciation and amortisation	346,212	1,348,195	228,712	155,955	71,176	2,150,250



NOTES TO THE FINANCIAL STATEMENTS (continued)

6 SEGMENT REPORTING (continued)

(b) Analysis of revenue by countries

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

	Group	
	2011 RM	2010 RM
Revenue		
Canada	15,638,649	18,443,559
Denmark	3,968,890	5,238,061
Germany	10,465,550	7,339,863
France	279,860	117,725
Italy	1,414,769	1,953,003
United Kingdom	213,873	1,078,995
United States of America	18,540,971	42,700,377
Hong Kong	959,889	525,107
Japan	923,739	470,030
Netherlands	265,091	-
Mexico	-	156,891
Malaysia	4,781,712	8,633,459
Other countries	198,882	1,462,058
	57,651,875	88,119,128

All non current assets of the Group are located in Malaysia.

The basis of measurement of reported segment profit or loss, segment assets and segment liabilities are consistent with the basis used for the statement of comprehensive income of the Group for the financial year ended 31 March 2011 and the statement of financial position for the financial year then ended. The components of the segment assets and liabilities include all classes of assets and liabilities disclosed in the statements of financial position.

7 REVENUE

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Direct sales and retail	4,253,540	8,169,083	-	-
Sales of finished goods	53,398,335	79,950,045	-	-
Gross dividend income from an unquoted subsidiary	-	-	1,125,009	1,200,010
	57,651,875	88,119,128	1,125,009	1,200,010



NOTES TO THE FINANCIAL STATEMENTS (continued)

8 (LOSS)/PROFIT FROM OPERATIONS

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
(Loss)/profit from operations is stated after charging/(crediting):				
Auditors' remuneration paid/payable to PricewaterhouseCoopers Malaysia				
- statutory audit	145,790	133,790	43,050	37,050
- other services	38,800	100,800	8,200	7,800
Allowance for doubtful trade debts	1,824,459	302,323	-	-
Allowance for amount prepaid not recoverable	158,541	-	-	-
Allowance for doubtful trade debts written back	(76,727)	-	-	-
Inventories				
- allowance for slow moving inventories	879,855	756,038	-	-
- write down	38,239	181,888	-	-
- write back	(78,493)	-	-	-
Amortisation on investment property	23,328	23,328	-	-
Amortisation of prepaid lease payments	4,730	4,730	4,730	4,730
Property, plant and equipment				
- depreciation	1,943,734	2,122,192	66,445	66,446
- gains on disposal	(148,760)	(8,460)	-	-
- write off	69,637	590	-	-
Rental expenses				
- premises	134,915	310,430	-	-
- machinery	1,800	8,870	-	-
Staff costs	18,056,699	18,825,303	227,200	228,000
Gross dividend income from an unquoted subsidiary	-	-	(1,125,009)	(1,200,010)
Significant amounts included in other operating expenses are :				
- allowance for doubtful debts due from a subsidiary	-	-	2,242,002	1,100,000
- impairment loss on investment in a subsidiary (2010 : subsidiaries)	-	-	5,913,204	3,840,817
- impairment loss on goodwill arising from business combination	-	954,035	-	-
- impairment loss on investment in a jointly controlled entity	-	500,627	-	-



NOTES TO THE FINANCIAL STATEMENTS (continued)

8 (LOSS)/PROFIT FROM OPERATIONS (continued)

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
(Loss)/profit from operations is stated after charging/(crediting):				
Significant amounts included in other operating income are:				
- interest income	(226,251)	(144,929)	(10,171)	(20,225)
- net realised foreign exchange (gains)/losses	(1,444,464)	(1,162,713)	(15,547)	5,650
- net unrealised foreign exchange (gains)/losses	(5,293)	291,162	(22)	10,341
- rental income of premises	(141,760)	(137,260)	-	-
- waiver of debt by a creditor	-	(1,189,511)	-	-
- losses/(gains) on disposal of marketable securities	3,126	(272,604)	3,126	(272,604)
- fair value gains on marketable securities	(168,590)	-	(168,590)	-
- fair value losses on derivative financial instruments	20,610	-	-	-
- writeback of impairment in marketable securities	-	(237,402)	-	(237,402)
- gross dividend income from marketable securities	(33,832)	(50,808)	(33,832)	(50,808)
Included in staff costs are:				
- directors' fees	240,000	266,000	214,000	214,000
- directors' emoluments other than fees				
- directors of the Company	844,395	845,195	13,200	14,000
- a director of a subsidiary	165,600	184,640	-	-
- defined contribution plan expenses	829,645	868,506	-	-
Monetary value of benefits given to certain directors	26,918	26,918	-	-

Defined contribution plan expenses of the Group include contributions in respect of directors amounting to RM153,249 (2010: RM118,548).

9 FINANCE COST

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Bank commissions on trade finance facilities	27,888	94,243	-	-
Bank charges and commitment fees	188,427	293,389	-	-
Interest expense	578,807	372,671	116,043	43,785
	795,122	760,303	116,043	43,785



NOTES TO THE FINANCIAL STATEMENTS (continued)

10 TAXATION

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Malaysian taxation:				
Income tax (credit)/charge	(44,253)	1,805,998	237,000	259,000
Deferred tax (credit)/charge				
- origination and reversal of temporary differences (Note 17)	(1,082,108)	40,540	-	52,000
	(1,126,361)	1,846,538	237,000	311,000
In respect of previous financial years:				
- (over)/under accrual of income tax	(230,949)	323,285	(18,517)	-
Tax (credit)/charge	(1,357,310)	2,169,823	218,483	311,000

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

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
(Loss)/profit before taxation	(11,614,489)	3,046,092	(7,343,760)	(3,640,544)
Tax calculated at the Malaysian income tax rate 25% (2010: 25%)	(2,903,622)	761,523	(1,835,940)	(910,136)
Tax effects of				
- expenses not deductible for tax purposes	254,871	676,075	2,125,147	1,305,186
- expenses eligible for double deduction/tax incentives	(29,852)	(47,901)	-	-
- income not subject to tax	(70,892)	(76,534)	(52,207)	(72,053)
- current financial year's net deductible temporary differences not recognised	1,623,134	545,372	-	-
- utilisation of previously adjusted tax loss arising from change in basis period	-	(11,997)	-	(11,997)
- (over)/under accrual of income tax in respect of previous financial years	(230,949)	323,285	(18,517)	-
Tax (credit)/charge	(1,357,310)	2,169,823	218,483	311,000

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	
	2011 RM	2010 RM	2011 RM	2010 RM
Unutilised capital allowances	3,547,000	2,165,000	-	-
Unused tax losses	24,940,000	16,605,000	-	-



NOTES TO THE FINANCIAL STATEMENTS (continued)

11 (LOSS)/EARNINGS PER SHARE

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

	GROUP 2011 RM	2010 RM
Net (loss)/profit for the financial year attributable to owners of the Company (RM)	(10,257,179)	876,269
Weighted average number of ordinary shares in issue	80,000,000	80,000,000
Basic/diluted (loss)/earnings per share (sen)	(12.82)	1.10

12 DIVIDENDS

No dividend was paid or declared by the Company since 31 March 2010.

The directors do not recommend the payment of a dividend for the financial year ended 31 March 2011.

13 PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land at valuation RM	Buildings at valuation RM	Buildings at cost RM	Plant, furniture, equipment and vehicles at cost RM	Total RM
Cost/Valuation					
At 1 April 2010	4,135,000	17,306,500	516,468	20,143,881	42,101,849
Additions	-	-	-	536,330	536,330
Disposals	-	-	-	(979,875)	(979,875)
Write off	-	-	-	(89,087)	(89,087)
Transfer from investment property	-	-	647,512	-	647,512
At 31 March 2011	4,135,000	17,306,500	1,163,980	19,611,249	42,216,729
Accumulated depreciation					
At 1 April 2010	-	1,173,945	23,560	13,962,360	15,159,865
Charge for the financial year	-	393,410	10,329	1,539,995	1,943,734
Disposals	-	-	-	(882,513)	(882,513)
Write off	-	-	-	(19,450)	(19,450)
At 31 March 2011	-	1,567,355	33,889	14,600,392	16,201,636
Net book value					
At 31 March 2011	4,135,000	15,739,145	1,130,091	5,010,857	26,015,093
Cost/Valuation					
At 1 April 2009	4,135,000	17,306,500	516,468	19,892,834	41,850,802
Additions	-	-	-	802,621	802,621
Disposals	-	-	-	(209,795)	(209,795)
Write off	-	-	-	(341,779)	(341,779)
At 31 March 2010	4,135,000	17,306,500	516,468	20,143,881	42,101,849



NOTES TO THE FINANCIAL STATEMENTS (continued)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP	Freehold land at valuation RM	Buildings at valuation RM	Buildings at cost RM	Plant, furniture, equipment and vehicles at cost RM	Total RM
Accumulated depreciation					
At 1 April 2009	-	812,731	13,231	12,687,155	13,513,117
Charge for the financial year	-	361,214	10,329	1,750,649	2,122,192
Disposals	-	-	-	(134,255)	(134,255)
Write off	-	-	-	(341,189)	(341,189)
At 31 March 2010	-	1,173,945	23,560	13,962,360	15,159,865
Net book value					
At 31 March 2010	4,135,000	16,132,555	492,908	6,181,521	26,941,984

COMPANY	Building at valuation RM	Furniture, equipment, and vehicles at cost RM	Total RM
Cost/Valuation			
At 1 April 2010 / 31 March 2011	1,300,000	575,847	1,875,847
Accumulated depreciation			
At 1 April 2010	84,500	231,878	316,378
Charge for the financial year	26,000	40,445	66,445
At 31 March 2011	110,500	272,323	382,823
Net book value			
At 31 March 2011	1,189,500	303,524	1,493,024
Cost/Valuation			
At 1 April 2009 / 31 March 2010	1,300,000	575,847	1,875,847
Accumulated depreciation			
At 1 April 2009	58,500	191,432	249,932
Charge for the financial year	26,000	40,446	66,446
At 31 March 2010	84,500	231,878	316,378
Net book value			
At 31 March 2010	1,215,500	343,969	1,559,469



NOTES TO THE FINANCIAL STATEMENTS (continued)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

Description	Valuation method	Valuation amount RM
Buildings	Comparison method	<u>1,300,000</u>

- (ii) Valuations of the freehold 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.

Description	Valuation method	Valuation amount RM
Freehold land	Comparison method	4,135,000
Buildings	Comparison method	16,006,500
		<u>20,141,500</u>

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	
	2011 RM	2010 RM	2011 RM	2010 RM
Freehold land	1,019,735	1,019,735	-	-
Buildings	13,749,106	14,106,182	1,078,852	1,103,653
	<u>14,768,841</u>	<u>15,125,917</u>	<u>1,078,852</u>	<u>1,103,653</u>

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 27 and Note 28 to the financial statements are RM21,004,236 (2010: RM20,760,463) and RM1,189,500 (2010: RM1,215,500) respectively.

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

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Furniture, equipment and vehicles				
- additions during the financial year, at cost	206,370	387,877	-	-
- net book value at financial year end	<u>546,862</u>	<u>697,554</u>	<u>-</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS (continued)

14 PREPAID LEASE PAYMENTS

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Net book value				
At 1 April	334,628	339,358	334,628	339,358
Amortisation	(4,730)	(4,730)	(4,730)	(4,730)
Transfer from investment property due to change in use to owner occupied	476,112	-	-	-
At 31 March	806,010	334,628	329,898	334,628

Certain 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 of certain leasehold land stated above less accumulated amortisation has been treated as the surrogate carrying amount of prepaid lease payments as at 1 January 2007.

The leasehold land of the Group and the Company with net book values of RM806,010 (2010: RM334,628) and RM329,898 (2010: RM334,628) is pledged as securities for the respective term loans of the Group and the Company as disclosed in Note 27 to the financial statements.

15 INVESTMENT PROPERTY

	GROUP	
	2011 RM	2010 RM
Cost	1,180,000	1,180,000
Accumulated amortisation	(56,376)	(33,048)
Net book value	1,123,624	1,146,952
Transfer due to change in use		
- property, plant and equipment (Note 13)	(647,512)	-
- prepaid lease payments (Note 14)	(476,112)	-
	-	1,146,952

A subsidiary has transferred the use of the investment property previously held for rental to owner occupied as at 31 March 2011.



NOTES TO THE FINANCIAL STATEMENTS (continued)

16 SUBSIDIARIES

	COMPANY	
	2011 RM	2010 RM
Unquoted shares at cost	62,562,873	65,562,873
Adjustments arising from the reversal of the contingent considerations	-	(3,000,000)
Accumulated impairment losses	(27,595,850)	(21,682,646)
	<u>34,967,023</u>	<u>40,880,227</u>

The impairment loss charged to profit or loss for the current financial year amounting to RM5,913,204 is in respect of the direct selling/retail segment which continued to suffer losses in the current financial year. The unquoted shares measured at fair value less costs to sell represent the higher of the recoverable amounts. Fair value less costs to sell is based on the best information available to reflect the amount that the relevant segment could obtain, at the end of the reporting period, for the realisable value of various assets owned in the normal course of business, after deducting the costs to sell.

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

Name of company	Group's effective interest		Principal activities
	2011 %	2010 %	
Caely (M) Sdn. Bhd. (formerly known as 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 Development Sdn. Bhd.	100	100	Dormant
Avana Technologies (M) Sdn. Bhd. ("ATMSB")	51	51	Manufacture and marketing of automobiles accessories and trading of goods
Subsidiaries of ATMSB			
Avana MSC Sdn. Bhd.	51	51	Dormant
Avana Industries Sdn. Bhd.	51	51	Dormant



NOTES TO THE FINANCIAL STATEMENTS (continued)

17 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 tax authority.

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Deferred tax assets				
- subject to income tax	69,402	-	-	-
Deferred tax liabilities				
- subject to income tax	343,132	1,355,838	110,492	110,492
- subject to real property gains tax	146,308	146,308	-	-
	489,440	1,502,146	110,492	110,492
Deferred tax liabilities (net)	420,038	1,502,146	110,492	110,492

The movements in deferred tax (assets)/liabilities during the financial year comprise the following:

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
At 1 April 2010/1 April 2009	1,502,146	1,461,606	110,492	58,492
(Credited)/charged to profit or loss				
- property, plant and equipment	(322,371)	217,005	-	12,812
- unused tax losses	(806,811)	(78,588)	-	12,564
- other temporary differences	47,074	(97,877)	-	26,624
	(1,082,108)	40,540	-	52,000
At 31 March 2011/31 March 2010	420,038	1,502,146	110,492	110,492
Subject to income tax:				
Deferred tax assets (before offsetting)				
- property, plant and equipment	(618,315)	(370,770)	-	-
- unused tax losses	(897,963)	(91,152)	-	-
- other temporary differences	(644,345)	(695,685)	-	-
Offsetting	2,091,221	1,157,607	-	-
Deferred tax assets (after offsetting)	(69,402)	-	-	-



NOTES TO THE FINANCIAL STATEMENTS (continued)

17 DEFERRED TAX LIABILITIES (continued)

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Subject to income tax:				
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	2,434,353	2,509,179	110,492	110,492
- other temporary differences	-	4,266	-	-
Offsetting	(2,091,221)	(1,157,607)	-	-
Deferred tax liabilities (after offsetting)	343,132	1,355,838	110,492	110,492
Subject to real property gains tax:				
Deferred tax liabilities	146,308	146,308	-	-
Deferred tax liabilities (after offsetting)	489,440	1,502,146	110,492	110,492

The tax effects of unused tax losses and unutilised capital allowances of subsidiaries determined after appropriate offsetting, for which no deferred tax assets are recognised in the financial statements of the subsidiaries, amounted to approximately RM5,337,000 (2010: RM3,911,000) and RM267,000 (2010: RM121,000) respectively.

18 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Non current assets				
Trade receivables				
- instalment scheme B	119,666	752,314	-	-
Other receivables	168,838	-	-	-
	288,504	752,314	-	-
Current assets				
Trade receivables				
- normal trade terms	7,923,884	10,586,273	-	-
- instalment scheme A	-	19,257	-	-
- instalment scheme B	44,328	203,466	-	-
	7,968,212	10,808,996	-	-
Other receivables	144,419	215,889	-	-
Deposits	172,834	121,564	10,000	10,000
Prepayments	1,238,691	1,801,717	121,790	236,145
Amounts owing by subsidiaries	-	-	2,503,362	4,849,093
Advances to a jointly controlled entity	-	274,578	-	-
	1,555,944	2,413,748	2,635,152	5,095,238
	9,524,156	13,222,744	2,635,152	5,095,238
Total receivables, deposits and prepayments	9,812,660	13,975,058	2,635,152	5,095,238



NOTES TO THE FINANCIAL STATEMENTS (continued)

18 RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
The currency profile of trade and other receivables is as follows:				
- Ringgit Malaysia	1,221,001	3,294,012	2,503,362	4,849,093
- US Dollar	5,183,184	6,850,368	-	-
- Euro	1,996,950	1,632,819	-	-
- Chinese Renminbi	-	274,578	-	-
Total trade and other receivables	8,401,135	12,051,777	2,503,362	4,849,093

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

- (i) normal trade terms - cash on delivery to 90 days (2010: cash on delivery to 90 days);
- (ii) instalment scheme A - 4 months to 12 months (2010: 4 months to 12 months); and
- (iii) instalment scheme B - 60 monthly instalments (2010: 60 monthly instalments).

Included in other receivables of the Group is a staff loan amounting to RM194,179 (2010: RM199,400). It is unsecured, interest free and repayable over a period of 8 years. The directors have reviewed the staff loan and decided to revise the terms as stated above during the financial year. A director of a subsidiary has undertaken to repay the staff loan in the event of default.

Non trade balances with subsidiaries are unsecured, carry market floating interest rate of 4.50% (2010: Nil) per annum and are repayable on demand. An amount owing by a subsidiary, Avana Technologies (M) Sdn. Bhd. of RM3,342,002 (2010: RM2,958,539) which carries interest rates ranging from 8.30% to 8.80% (2010: 8.05% to 8.30%) per annum has been fully impaired by the Company as at 31 March 2011.

19 INVENTORIES

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Raw materials	10,322,424	9,578,790	-	-
Work in progress	4,022,558	1,372,059	-	-
Finished goods	11,550,396	16,318,537	-	-
	25,895,378	27,269,386	-	-

20 MARKETABLE SECURITIES

	GROUP AND COMPANY	
	2011 RM	2010 RM
Held for trading		
Shares in corporations and unit trusts		
- quoted in Malaysia	1,427,410	1,073,302
- quoted outside Malaysia	983,336	829,720
	2,410,746	1,903,022

The fair values of all quoted shares and unit trusts are based on quoted market prices at the financial year end in active markets.



NOTES TO THE FINANCIAL STATEMENTS (continued)

21 DERIVATIVE FINANCIAL INSTRUMENTS

	2011 RM	2010 RM
Assets		
Foreign currency forward exchange contracts	95,593	-
Liabilities		
Foreign currency forward exchange contracts	116,203	-

The Group has entered into foreign currency forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting.

The notional principal amounts of the outstanding foreign currency forward exchange contracts at 31 March 2011 were RM7,928,450 (2010: RM12,431,345).

22 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Fixed deposits with a licensed bank	5,696,898	7,910,883	-	-
Bank and cash balances	1,551,401	6,987,027	55,802	362,158
Deposits, bank and cash balances	7,248,299	14,897,910	55,802	362,158
Fixed deposits with a licensed bank pledged as security	(473,342)	(3,473,342)	-	-
Bank overdrafts (Note 28)	(1,694,160)	(1,673,581)	-	-
	5,080,797	9,750,987	55,802	362,158
The currency profile of deposits, bank and cash balances is as follows:				
- Ringgit Malaysia	5,959,681	9,965,386	45,820	51,574
- US Dollar	564,773	2,094,518	-	217,221
- Hong Kong Dollar	593	93,363	593	93,363
- Euro	713,863	1,444,443	-	-
- Pound	-	1,300,200	-	-
- Singapore Dollar	9,389	-	9,389	-
Total deposits, bank and cash balances	7,248,299	14,897,910	55,802	362,158

	GROUP		COMPANY	
	2011 %	2010 %	2011 %	2010 %
Weighted average effective interest rates at the end of the reporting period are as follows:				
Fixed deposits with a licensed bank	2.75	1.60	-	-
Foreign currency bank balances with licensed banks	-	0.20	-	0.20

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 average maturity periods of 89 days (2010: 72 days).



NOTES TO THE FINANCIAL STATEMENTS (continued)

23 SHARE CAPITAL

	GROUP AND COMPANY			
	2011 No. of shares	2010 No. of shares	2011 RM	2010 RM
Authorised:				
Ordinary shares of RM0.50 each	100,000,000	100,000,000	50,000,000	50,000,000
Issued and fully paid-up:				
Ordinary shares of RM0.50 each	80,000,000	80,000,000	40,000,000	40,000,000

24 OTHER RESERVES

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Share premium	9,419,360	9,419,360	9,419,360	9,419,360
Reserve on consolidation	80,344	80,344	-	-
Currency translation reserve	79,707	79,707	-	-
Revaluation reserve	4,690,672	4,690,672	125,853	125,853
	14,270,083	14,270,083	9,545,213	9,545,213

The details of revaluation reserve are as follows:

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Surplus on revaluation of land and buildings				
- 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
Deferred tax liabilities	(791,663)	(791,663)	(46,549)	(46,549)
Revaluation reserve, net of tax	4,690,672	4,690,672	125,853	125,853

The currency translation reserve relates to translational difference in the previous financial year for the Group's share of net assets in a jointly controlled entity, Foshan City Classita Undergarments Pte. Ltd. ("FCCUPL"), a company incorporated in the People's Republic of China ("China"). The Group has a 51% (2010: 51%) interest in this jointly controlled entity whose principal business was the manufacturing and trading in undergarments. The cost of investment in this jointly controlled entity was RM574,330. The Group had, in the previous financial year, fully impaired this investment due to the planned cessation of business of this jointly controlled entity. The members' voluntary liquidation of this jointly controlled entity was completed subsequent to the current financial year end.



NOTES TO THE FINANCIAL STATEMENTS (continued)

24 OTHER RESERVES (continued)

	GROUP	
	2011 RM	2010 RM
Share of net assets in a jointly controlled equity	500,627	500,627
Impairment loss	(500,627)	(500,627)
	-	-

The Group's share of the revenue and expenses of the jointly controlled entity in the previous financial year was as follows:

	GROUP	
	2011 RM	2010 RM
Revenue	-	3,089,633
Expenses including tax	-	(3,194,490)
Loss from ordinary activities after tax	-	(104,857)
Loss from ordinary activities after tax was stated after charging: Director's remuneration - director of the Company	-	33,430

25 PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Non current liabilities				
Other payables	74,889	-	-	-
Amount owing to subsidiaries	-	-	14,139,174	-
	74,889	-	14,139,174	-
Current liabilities				
Trade payables	4,574,374	4,734,376	-	-
Other payables	396,940	419,166	-	-
Accruals	1,999,604	1,963,302	246,555	244,009
Amounts owing to subsidiaries	-	-	6,000,000	20,632,143
Amounts owing to a jointly controlled entity	33,129	-	-	-
	2,429,673	2,382,468	6,246,555	20,876,152
	7,004,047	7,116,844	6,246,555	20,876,152
Total payables and accruals	7,078,936	7,116,844	20,385,729	20,876,152



NOTES TO THE FINANCIAL STATEMENTS (continued)

25 PAYABLES AND ACCRUALS (continued)

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
The currency profile of trade and other payables and accruals is as follows:				
- Ringgit Malaysia	4,523,908	4,805,269	20,385,729	20,876,152
- US Dollar	1,542,228	1,303,487	-	-
- Chinese Renminbi	923,633	930,468	-	-
- Others	89,167	77,620	-	-
Total payables and accruals	7,078,936	7,116,844	20,385,729	20,876,152

Credit terms of trade payables granted to the Group vary from cash on delivery to 90 days (2010: cash on delivery to 270 days).

Non trade amounts owing to subsidiaries of the Company are unsecured, carry market floating interest rate of 4.50% (2010: Nil) per annum and are repayable within a period of 7 years. The directors have reviewed the intra-group advances and decided to revise the terms as stated above during the financial year.

Included in other payables of the Group is sales tax payable of RM95,788 (2010: Nil) via instalment over a period of 5 years. It is unsecured and interest free.

26 HIRE-PURCHASE CREDITORS

	GROUP	
	2011 RM	2010 RM
Payable within one year	248,428	127,110
Payable later than one year but not later than two years	131,798	120,132
Payable later than two years but not later than five years	284,270	314,599
Payable more than five years	-	52,564
	664,496	614,405
Less: Finance charges	(76,985)	(80,971)
	587,511	533,434
Present value of hire-purchase liabilities		
Current		
Payable within one year	210,590	85,260
Non current		
Payable later than one year but not later than two years	109,230	98,847
Payable later than two years but not later than five years	267,691	298,348
Payable more than five years	-	50,979
	376,921	448,174
	587,511	533,434

All hire-purchase creditors of the Group are denominated in Ringgit Malaysia. The effective interest rates of hire-purchase creditors of the Group ranged from 5.35% to 6.98% (2010: 4.55% to 8.41%) per annum.

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

27 TERM LOANS

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Current				
Repayable within one year	228,615	402,026	143,304	117,746
Non current				
Repayable later than one year and not later than five years	727,993	1,616,828	334,924	484,893
Repayable later than five years	284,577	383,435	-	-
	<u>1,012,570</u>	<u>2,000,263</u>	<u>334,924</u>	<u>484,893</u>
	<u>1,241,185</u>	<u>2,402,289</u>	<u>478,228</u>	<u>602,639</u>

The term loan of the Company 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 120 instalments commencing July 2004 and carries an effective interest rate of 7.30% (2010: 6.55%) per annum. The interest on this loan is calculated based on floating interest rates which may be varied any time at the banks' discretion.

A term loan of a subsidiary is secured by the leasehold land and building of the said subsidiary and covered by a personal guarantee from the same director. This term loan obtained from a licensed bank is repayable by 120 instalments commencing November 2008 and carries an effective interest rate of 6.30% (2010: 5.50%) per annum. The interest on this loan is calculated based on floating interest rates which may be varied any time at the banks' discretion.

A subsidiary has early settled the full amount of the term loans obtained under the Skim Pembiayaan Peribadi (Tawarruq)-i with a licensed bank during the financial year.

All term loans are denominated in Ringgit Malaysia.

28 SHORT TERM BANK BORROWINGS

	GROUP		
	Secured RM	Unsecured RM	Total RM
2011			
Bank overdrafts	<u>1,498,380</u>	<u>195,780</u>	<u>1,694,160</u>
Others:			
Trade finance facilities	769,000	392,000	1,161,000
Foreign currency revolving credit	<u>469,950</u>	<u>-</u>	<u>469,950</u>
	<u>1,238,950</u>	<u>392,000</u>	<u>1,630,950</u>
Total short term bank borrowings	<u>2,737,330</u>	<u>587,780</u>	<u>3,325,110</u>



NOTES TO THE FINANCIAL STATEMENTS (continued)

28 SHORT TERM BANK BORROWINGS (continued)

	Secured RM	GROUP Unsecured RM	Total RM
2010			
Bank overdrafts	1,393,153	280,428	1,673,581
Others:			
Trade finance facilities	818,000	570,000	1,388,000
Foreign currency revolving credit	511,800	-	511,800
	1,329,800	570,000	1,899,800
Total short term bank borrowings	2,722,953	850,428	3,573,381

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

- (i) fixed charges on the land and buildings/investment property of the respective subsidiaries;
- (ii) a fixed deposit of RM473,342 of a subsidiary.

Certain short term bank borrowings of the subsidiaries are also covered by negative pledge and/or guaranteed by the Company. In addition, certain credit facilities of a subsidiary are guaranteed by a director of a subsidiary.

	2011 RM	GROUP 2010 RM
The currency profile of short term bank borrowings is as follows:		
- Ringgit Malaysia	2,855,160	3,061,581
- US Dollar	469,950	511,800
	3,325,110	3,573,381

	2011 %	GROUP 2010 %
Weighted average effective interest rates at the end of the reporting period are as follows:		
- bank overdrafts	7.90	7.30
- trade finance facilities	5.60	4.30
- revolving credit	3.40	3.40

The ranges of credit periods of the trade finance facilities and revolving credit are 90 to 183 days (2010: 144 to 183 days).



NOTES TO THE FINANCIAL STATEMENTS (continued)

29 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	
	2011 RM	2010 RM	2011 RM	2010 RM
Purchases of goods from a jointly controlled entity:				
- Foshan City Classita Undergarments Pte. Ltd.	-	5,856,013	-	-
Purchases of goods/services from a business entity owned by close family members of certain directors of the Company:				
- Perusahaan Tacly	29,983	158,835	-	-
Management fees charged to subsidiaries:				
- Caely (M) Sdn. Bhd.	-	-	108,000	108,000
- Classita (M) Sdn. Bhd.	-	-	60,000	60,000
Interest expense paid/payable to subsidiaries:				
- Caely (M) Sdn. Bhd.	-	-	12,889	-
- Classita (M) Sdn. Bhd.	-	-	63,788	-
Interest income receivable from a subsidiary:				
- Marywah Industries (M) Sdn. Bhd.	-	-	9,138	-

(b) Key management compensation

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Salaries and other short term employee benefits	1,223,763	1,268,713	227,200	228,000
Post employment benefits	147,627	135,148	-	-
	<u>1,371,390</u>	<u>1,403,861</u>	<u>227,200</u>	<u>228,000</u>

Key management compensation includes directors' fees and directors' emoluments as disclosed in Note 8 to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Hire-purchase	167,000	325,000	-	-
Waiver of debt by a creditor	-	1,189,511	-	-
Reversal of contingent consideration due to a vendor for acquisition of subsidiaries	-	3,000,000	-	3,000,000

31 CAPITAL COMMITMENT

	GROUP	
	2011 RM	2010 RM
Approved capital expenditure not provided for in the financial statements:		
Property, plant and equipment		
- contracted	300,000	-

32 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

	GROUP	COMPANY
	2011 RM	2011 RM
Financial assets		
Fair value through profit or loss:		
- Marketable securities	2,410,746	2,410,746
- Derivative financial assets	95,593	-
	2,506,339	2,410,746
Loans and receivables:		
- Trade and other receivables excluding prepayments	8,573,969	10,000
- Amounts owing by subsidiaries	-	2,503,362
- Deposits, bank and cash balances	7,248,299	55,802
	15,822,268	2,569,164
Total	18,328,607	4,979,910



NOTES TO THE FINANCIAL STATEMENTS (continued)

32 FINANCIAL INSTRUMENTS (continued)

(a) Financial instruments by category (continued)

	GROUP	COMPANY
	2011 RM	2011 RM
Financial liabilities		
Fair value through profit or loss:		
- Derivative financial liabilities	116,203	-
Other financial liabilities as amortised cost:		
- Hire-purchase creditors	587,511	-
- Term loans	1,241,185	478,228
- Short term bank borrowings	3,325,110	-
- Payables and accruals excluding statutory liabilities	6,983,148	246,555
- Amounts owing to subsidiaries	-	20,139,174
	12,136,954	20,863,957
Total	12,253,157	20,863,957

The Group and the Company have no financial assets classified as "available-for-sale" nor "held to maturity".

(b) Financial risk management

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) Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of the changes in foreign exchange rates. The Group is exposed to foreign currency exchange risk as a result of its normal trade activities that are denominated in currencies other than Ringgit Malaysia.

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

The Group mitigates its foreign currency exchange risk through the natural hedge of operating foreign currency accounts using the deposits from its export proceeds to pay imported purchases where both are denominated in the same foreign currency. The Group also enters into foreign currency forward contracts for both export proceeds and import purchases.

Sensitivity analysis for foreign currency exchange risk

Based on the currency profile of receivables and payables as disclosed in Notes 18 and 25 to the financial statements respectively, the sensitivity analysis on 5% upward movement of the major currencies transacted by the Group against Ringgit Malaysia at the end of the financial year would have improved/(worsen) the results of the Group as shown below. This analysis assumes that all other variables are held constant.

NOTES TO THE FINANCIAL STATEMENTS *(continued)***32 FINANCIAL INSTRUMENTS** *(continued)*(b) Financial risk management *(continued)*(i) Foreign currency exchange risk *(continued)*Group
RM

Impact on profit or loss

Foreign currency strengthens against RM

- US Dollar +182,000

- Euro +99,000

- Chinese Renminbi -46,000

Conversely, weakening of major currencies against Ringgit Malaysia by 5% would have equal but opposite effects on the results of the Group shown above on the basis that all other variables remain constant.

The Company is not exposed to significant foreign currency exchange risk.

(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. Majority of the borrowings are contracted on variable terms.

Sensitivity analysis for interest rate risk

Assuming all variables remain constant, an increase in interest rate by 0.5% on financial assets and liabilities of the Group which have variable interest rates would have an impact on the Group's profit or loss as shown below:

Group
RM

Impact on profit or loss

- bank borrowings -38,000

- fixed deposit +185,000

Conversely, a decrease in interest rate by 0.5% on financial assets and liabilities of the Group would have had the equal but opposite effect on the amounts shown above on the basis that all other variables remain constant.

The impact of fluctuation in interest rate risk on the results of the Company is not significant.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company is exposed to price risk arising from its investments in quoted shares and unit trusts. These quoted shares and unit trusts are listed on Bursa Malaysia or overseas' exchanges and are classified as fair value through profit or loss.

At the end of the reporting period, if both the FTSE Bursa Malaysia KLCI and other overseas markets had been 5% higher/lower, with all other variables held constant, the Group's and the Company's results would have been RM120,000 higher/lower, as a result of an increase/decrease in the fair value of these quoted shares and unit trusts.



NOTES TO THE FINANCIAL STATEMENTS (continued)

32 FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(iv) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial assets should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables and deposits and bank balances.

The Group operates locally in Malaysia for its direct selling, retail activities and also exports its ladies undergarment products mostly to 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.

Credit risk concentration profile

Concentration of credit risk with respect to trade receivables is limited due to the Group's large number of customers.

The Group has minimal concentration of credit risk relating to bank deposits as bank deposits are spread and placed with a number of licensed banks in Malaysia.

Exposure to credit risk

At the financial year, the Group's maximum exposure to credit risk arising from receivables and deposits, bank and cash balances is represented by the respective carrying amounts in the statements of financial position.

Ageing analysis

The ageing analysis of the loans and receivables of the Group and the Company is as follows:

	GROUP	COMPANY
	2011	2011
	RM	RM
Neither past due nor impaired		
- trade receivables	6,097,781	-
- other receivables and deposits	486,091	10,000
- deposits, bank and cash balances	7,248,299	55,802
- amounts owing by subsidiaries	-	2,503,362
	13,832,171	2,569,164
Trade receivables: Past due but not impaired		
1 to 60 days past due	1,562,424	-
61 to 120 days past due	126,692	-
More than 121 days past due	300,981	-
	1,990,097	-
	15,822,268	2,569,164
Trade receivables: Impaired	3,020,237	3,342,002
	18,842,505	5,911,166



NOTES TO THE FINANCIAL STATEMENTS (continued)

32 FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(iv) Credit risk (continued)

Receivables that are neither past due nor impaired

Deposits and bank balances are mainly deposits placed with reputable licensed banks in Malaysia. Amounts owing by subsidiaries is repayable on demand and is within the treasury arrangement controlled within the Group. Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors with good historical payment records with the Group. Majority of the Group's trade receivables arise from customers with more than 5 years of experience with the Group and with insignificant losses noted.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

As of 31 March 2011, trade receivables of RM1,990,097 were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default. Certain portions of these debts have been repaid subsequent to the financial year end.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movements of the allowance accounts used to record the impairment are as follows:

	Group	Company
	2011 RM	2011 RM
Receivables		
Nominal amount of individually impaired debt	3,020,237	3,342,002
Allowance for doubtful debts	(3,020,237)	(3,342,002)
	-	-
Movements in allowance accounts:		
At 1 April	1,272,505	1,100,000
Charge for the financial year	1,824,459	2,242,002
Allowance written back	(76,727)	-
At 31 March	3,020,237	3,342,002

Trade receivables of the Group that are individually impaired at the end of the reporting period relates mainly to receivables under a specific direct sales scheme which was aborted during the current financial year. The directors considered this allowance made to be non-recurring and there is no similar scheme outstanding as at the current financial year end. These receivables are not secured by any collateral or credit enhancements.

The allowance made at the Company level relates to debts due from a subsidiary.



NOTES TO THE FINANCIAL STATEMENTS (continued)

32 FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(v) 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.

The table below summaries the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	2011			
	On demand or within one year RM	One to five years RM	More than five years RM	Total RM
Group				
Financial liabilities:				
Trade and other payables	6,950,019	-	-	6,950,019
Amounts owing to related parties	33,129	-	-	33,129
Hire-purchase creditors	248,428	416,068	-	664,496
Term loans	288,924	876,251	297,507	1,462,682
Short term bank borrowings	3,325,110	-	-	3,325,110
Total undiscounted financial obligations	10,845,610	1,292,319	297,507	12,435,436
Company				
Financial liabilities:				
Trade and other payables	246,555	-	-	246,555
Amounts owing to related parties	6,000,000	12,000,000	2,139,174	20,139,174
Term loans	163,776	375,659	-	539,435
Total undiscounted financial obligations	6,410,331	12,375,659	2,139,174	20,925,164
Group				
Derivative financial liabilities:				
Gross-settled currency forwards				
- receipts	2,032,500	-	-	2,032,500
- payments	(2,148,703)	-	-	(2,148,703)
	(116,203)	-	-	(116,203)

Financial guarantees

The Company provides unsecured corporate guarantees to banks in respect of banking facilities granted to certain wholly-owned subsidiaries and monitors on an ongoing basis the performance of the subsidiaries. These bank borrowings amounted to RM3,634,947 (2010: RM3,816,631) at financial year end.

The financial guarantees have not been recognised as the amounts are not materialised.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

32 FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management *(continued)*

(vi) Capital risk

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value.

Management monitors capital based on shareholders' equity attributable to owners of the Company.

33 CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group changed the following accounting policy upon adoption of the new accounting standards, amendments and improvements to published standards.

Impact on the statement of financial position

	Balance as at 1 April 2010		
	As previously reported RM	FRS 139 RM	As restated RM
Group			
Retained profits	16,473,440	111,463	16,584,903
Derivative financial instruments	-	(111,463)	(111,463)

34 SUBSEQUENT EVENTS

The following are the significant events which took place subsequent to the financial year end:

- (a) the Group received notification from the relevant authority in the China that its application for members' voluntary liquidation of FCCUPL, the jointly controlled entity in China, has been approved. The voluntary liquidation of FCCUPL has no material impact on the results of the Group.
- (b) Caely (M) Sdn. Bhd. a wholly owned subsidiary of the Company, entered into a sale and purchase agreement to acquire a piece of land, free from encumbrances, from Tenaga Danawa Sdn. Bhd. for a total consideration of RM3,695,300, intended for future mixed property development.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

35 REALISED AND UNREALISED PROFITS/LOSSES

The following analysis of realised and unrealised profits/losses at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the group level is based on the prescribed format by Bursa Malaysia Securities Berhad.

	Group	Company
	2011	2011
	RM	RM
Retained profits/(accumulated losses):		
- realised	32,265,035	(28,449,743)
- unrealised	(246,155)	58,120
	<u>32,018,880</u>	<u>(28,391,623)</u>
Add: Consolidation adjustments	(25,691,156)	-
Total retained profits/(accumulated losses) as at 31 March	<u>6,327,724</u>	<u>(28,391,623)</u>

The disclosure of realised and unrealised profits/losses above is solely for compliance with the directive issued by Bursa Malaysia Securities Berhad and should not be used for any other purpose.



LANDED PROPERTIES

AS AT 31 MARCH 2011

Title and Location	Description/ Use	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	329,898
PM 3351 Lot 21475, Mukim Petaling, Negeri Wilayah Persekutuan	Building (4-storey shophouse)	Leasehold 7 years	05.04.2078	9,060	03.10.2006	1,189,500
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 16 years	-	15,250	21.09.2006	389,790
Lot No. 1082, Geran 23580, Mukim of Durian Sebatang, District of Hilir Perak	3-storey hostel	Freehold 14 years	-	11,100	21.09.2006	344,040
Lot No. 1082, Geran 23580, Mukim of Durian Sebatang, District of Hilir Perak	3-storey factory building	Freehold 12 years	-	28,140	21.09.2006	1,580,570
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. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	2-storey factory building	Freehold 15 years	-	69,928	21.09.2006	4,960,080



LANDED PROPERTIES *(continued)*

AS AT 31 MARCH 2011

Title and Location	Description/ Use	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 8 years	-	76,800	21.09.2006	6,373,435
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	1 1/2-storey factory building	Freehold 5 years	-	8,400	21.09.2006	587,800
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	1-storey hostel	Freehold 5 years	-	7,200	21.09.2006	237,900
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	1-storey surau	Freehold 5 years	-	625	21.09.2006	24,705
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	1-storey factory building	Freehold 5 years	-	1,980	21.09.2006	141,825
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 10 years	-	1,200 1,693	25.09.2006	35,000 91,500
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	1-storey hostel	Freehold 4 year	-	7,200	1.12.2007	300,579
HSD 42613, Lot No. 334, Mukim 13, District of Seberang Perai Tengah	Land and building (1-storey) warehouse	Leasehold	4.11.2058	30,408 13,550	08.07.2008	476,112 647,512



ANALYSIS OF SHAREHOLDINGS

AS AT 29 JULY 2011

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	:	2,550

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 29 JULY 2011

Size of Shareholding	No. of Shareholders	%	No of Shares	% of Issued Capital
1 - 99	23	0.90	342	Negligible
100 - 1,000	482	18.90	422,639	0.53
1001- 10,000	1,455	57.06	7,100,100	8.88
10,001 - 100,000	512	20.08	16,336,719	20.42
100,001 - 4,000,000	74	2.90	25,749,800	32.19
4,000,001 and above	4	0.16	30,390,400	37.98

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	— Direct Interest —		— Deemed Interest —	
	No. of shares	%	No. of shares	%
Datin Fong Nyok Yoon	13,130,000	16.41	12,652,000 ^(a)	15.82
Dato' Chuah Chin Lai	12,652,000	15.82	13,130,000 ^(b)	16.41

Notes:-

- (a) Deemed interested by virtue of the shareholdings of her spouse, Dato' Chuah Chin Lai.
- (b) Deemed interested by virtue of the shareholdings of his spouse, Datin Fong Nyok Yoon.

DIRECTORS' SHAREHOLDINGS

	— Direct Interest —		— Deemed Interest —	
	No. of shares	%	No. of shares	%
Datin Fong Nyok Yoon	13,130,000	16.41	12,652,000 ^(a)	15.82
Dato' Chuah Chin Lai	12,652,000	15.82 ^(b)	13,130,000 ^(c)	16.41
Siow Hock Lee	-	-	135,500 ^(d)	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.
- (b) 5,768,000 shares are held through nominee companies.
- (c) Deemed interested by virtue of the shareholdings of his spouse, Datin Fong Nyok Yoon.
- (d) Deemed interested by virtue of the shareholdings of his spouse, Chen Bee Yoke.



ANALYSIS OF SHAREHOLDINGS *(continued)*

THIRTY LARGEST SHAREHOLDERS AS PER THE REGISTER OF MEMBERS AS AT 29 JULY 2011

	Name of Shareholder	No. Shares Held	%
1.	Datin Fong Nyok Yoon	13,130,000	16.41
2.	Chuah Chin Lai	6,884,000	8.61
3.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Chuah Chin Lai (474038)	5,768,000	7.21
4.	DB (Malaysia) Nominees (Asing) Sdn Bhd Deutsche Bank Ag Singapore for Horizon Growth Fund N.V.	4,608,400	5.76
5.	Mah Wee Hian @ Mah Siew Kung	2,141,800	2.68
6.	Lim Pow Choo	1,450,000	1.81
7.	Jelapang Jasa Sdn Bhd	1,430,000	1.79
8.	Tan Yeng Fatt	1,256,400	1.57
9.	Devarajan A/L V Ponnusamy	1,249,900	1.56
10.	Chong Jong Siew	1,218,200	1.52
11.	Fong Chong Seng	1,099,200	1.37
12.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Wan Mohamad Zin Bin Mat Amin (PB)	1,028,000	1.29
13.	MAYBAN Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Hock Leong	1,014,300	1.27
14.	Teo Boon Huang Andy	672,400	0.84
15.	SJ SEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Yoke Pheng	609,100	0.76

ANALYSIS OF SHAREHOLDINGS *(continued)***THIRTY LARGEST SHAREHOLDERS AS PER THE REGISTER OF MEMBERS AS AT 29 JULY 2011**

	Name of Shareholder	No. Shares Held	%
16.	Tan Ooi Thiam	593,100	0.74
17.	MAYBAN Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Weng Keong	510,000	0.64
18.	Ravichan Thiran A/L Appudurai	388,400	0.49
19.	Woon Lay Kuen	328,000	0.41
20.	Tan Ooi Thiam	305,000	0.38
21.	Ooi Joo Hong	301,300	0.38
22.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koid Hun Kian (MR0665)	300,000	0.38
23.	Kenanga Nominees (Tempatan) SDN BHD Pledged Securities Account for Tay Choon Wei	300,000	0.38
24.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Ng Yoke Pheng (MM1178)	297,100	0.37
25.	Lee Yu Yong @ Lee Yuen Ying	295,000	0.37
26.	Ow Tiew See	293,600	0.37
27.	Mah Wee Hian @ Mah Siew Kung	270,000	0.34
28.	Lee Boon Koon	257,500	0.32
29.	HLB Nominees (Asing) Sdn Bhd Pledged Securities Account For Francis Chun Kwong IP	250,000	0.31
30.	Fong Yoke Mooi	230,700	0.29
	Total	48,479,400	60.62



PROXY FORM

I/We _____
(Full Name in Capital Letters)

being a Member/Members of CAELY HOLDINGS BHD, hereby appoint * the Chairman of the meeting or

_____ of _____
(Full Name in Capital Letters) (Full Address)

or failing him _____ of _____
(Full Name in Capital Letters) (Full Address)

as * my/our proxy/proxies to attend and vote for *me/us and on *my/our behalf at the fifteenth Annual General Meeting of the Company, to be held at No. 47 Zone J4 Jalan Radin Anum Bandar Baru Sri Petaling 57000 Kuala Lumpur on 28 September 2011 at 9.30 a.m and, at every adjournment thereof to vote as indicated below :

		FOR	AGAINST
Resolution 1	ORDINARY BUSINESS To receive the Statutory Financial Statements for the year ended 31 March 2011 and the Reports of the Directors and Auditors' thereon	☐	☐
Resolution 2	To approve the payment of directors' fee of RM214,000.00 in respect of the year ended 31 March 2011	☐	☐
Resolution 3	Re-election of Datin Fong Nyok Yoon as Director	☐	☐
Resolution 4	Re-appoint of Mr. Hem Kan @ Chan Hong Kee as Director	☐	☐
Resolution 5	Re-appointment Messrs PricewaterhouseCoopers as Auditors, and to authorise the Directors to determine their remuneration	☐	☐
	SPECIAL BUSINESS		
Resolution 6	To authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965	☐	☐

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

The proportion of my holdings to be represented by my *proxy/proxies are as follows :-

First name Proxy	%
------------------	---

Second name Proxv	%
1	100

100 %

In case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf.

As witness my hand _____ day of _____ 2011.

* Strike out whichever is not desired.

Signature _____

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 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 Level 8 Symphony House Block D13 Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan at least forty-eight (48) hours before the time approved for holding the meeting or any adjournment thereof.

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Affix
Stamp

CAELY HOLDINGS BHD.
(408376-U)

Level 8, Symphony House,
Block D13, Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor.

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