



Annual Report 2003

Contents

Corporate Information	2 - 3
Notice of Annual General Meeting	4 - 7
Statement Accompanying Notice of	
Annual General Meeting	
Group Structure	
Directors' Profile	10 - 11
Executive Chairperson's Statement	12 - 13
Corporate Governance Statement	14 - 21
Audit Committee Report	22 - 24
Statement on Internal Control	25 - 26
Financial Statements	27 - 69
List of Properties	70 - 71
Analysis of Shareholdings	72 - 74
Proxy Form	



(Incorporated in Malaysia)

BOARD OF DIRECTORS

Executive Chairperson Fong Nyok Yoon

Deputy Chairman Dato' Wan Mohamad Zin Bin Mat Amin

Managing Director Chuah Chin Lai

Executive Directors Khor Mooi Soong Lim Pow Choo

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

AUDIT COMMITTEE

Chairman Siow Hock Lee

Members Fong Nyok Yoon Ooi Say Teik Hem Kan @ Chan Hong Kee

REMUNERATION COMMITTEE

Chairman Ooi Say Teik

Members Fong Nyok Yoon Siow Hock Lee

NOMINATION COMMITTEE

Chairman Hem Kan @ Chan Hong Kee

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





(Incorporated in Malaysia)

COMPANY SECRETARIES

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

STOCK EXCHANGE LISTING

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

REGISTERED OFFICE

22nd Floor, Wisma Cyclecarri 288, Jalan Raja Laut 50350 Kuala Lumpur Tel: 03-2694 8788 Fax: 03-2693 9137

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 REGISTRARS

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 Bumiputra-Commerce Bank Berhad





(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting 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 23 June 2004 at 10.00 a.m. to transact the following item of businesses :-

1.		receive and adopt the statutory financial statements for the year ended ecember 2003 together with the Directors' and Auditors' Reports thereon.	(Resolution 1)
2.		eclare a first and final dividend of 2 sen per share less 28% income tax for the ended 31 December 2003.	(Resolution 2)
3.	•	oprove the payment of Directors' fee of RM140,000/- in respect of the year ended ecember 2003.	(Resolution 3)
4.		e-elect Ms Fong Nyok Yoon who retires in accordance to Article 124 of the pany's Articles of Association.	(Resolution 4)
5.		e-elect Mr Siow Hock Lee who retires in accordance to Article 124 of the pany's Articles of Association.	(Resolution 5)
6.		e-elect Mr Khor Mooi Soong who retires in accordance to Article 124 of the pany's Articles of Association.	(Resolution 6)
7.		e-appoint Messrs PricewaterhouseCoopers as auditors for the ensuing year and uthorise the Directors to fix their remuneration.	(Resolution 7)
SPE		BUSINESS	
То с	onsid	er and if thought fit, pass the following Ordinary Resolutions :-	
8.	(a)	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature	(Resolution 8)
		"THAT pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, authority be and is hereby given to the subsidiaries of CHB to enter into the recurrent related party transactions of a revenue or	

trading nature with related parties as tabled in Section 3.2.2 (Pages 9-12) of the Circular to Shareholder dated 31 May 2004 which shall be considered and approved as separate mandates :-

- (i) Transaction between Caelygirl (M) Sdn Bhd with the following related parties :-
 - Rubysteel Metal Industry (M) Sdn Bhd
 - Central Aluminium Manufactory Sdn Bhd
 - Central Melamineware Sdn Bhd
 - Perusahaan Tacly
 - Kimberlux Sdn Bhd
 - Kimberlux Construction Sdn Bhd
 - Brick By Brick Sdn Bhd
 - Prestige Gain Sdn Bhd

(Incorporated in Malaysia)

EIGHTH ANNUAL GENERAL MEETING (CONTINUED)

- (ii) Transaction between Classita (M) Sdn Bhd with the following related parties :-
 - Perusahaan Tacly
 - Hongdy Enterprise
 - Inner Beauty Enterprise
 - Finatec Enterprise
 - Kimberlux Construction Sdn Bhd
- (iii) Transaction between Marywah Industries (M) Sdn Bhd with the following related parties :-
 - Perusahaan Tacly
 - Hongdy Enterprise
 - Inner Beauty Enterprise
 - Finatec Enterprise

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

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

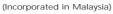
whichever is earlier.

(C) The Directors and / or any of them be and are hereby authorised to complete and do all such acts and things (including such documents as may be required) to give effect to the Proposal authorised by these Resolutions 8-10."

6

(Resolution 9)

(Resolution 10)



EIGHTH ANNU **GENERAL MEETING** (CONTINUED)

8. (b) Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and is hereby also empowered to obtain approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next AGM."

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT the First and Final Dividend of 2 sen per share less 28% income tax in respect of the financial year ended 31 December 2003, if approved at the Eighth AGM, will be paid on 19 July 2004 to all shareholders registered in the Record of Depositors at the close of business at 5.00 p.m. on 9 July 2004.

A Depositor shall qualify for entitlement only in respect of :-

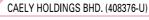
- a) Shares transferred into the Depositors' Securities Account on or before 12.30 p.m. on 9 July 2004 in respect of ordinary transfers; and
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

CHONG SWEE YOON (MAICSA 7010242) CATHERINE MAH SUIK CHING (LS 01302) Joint Secretaries Kuala Lumpur

31 May 2004

(Resolution 11)



(Incorporated in Malaysia)

EIGHTH ANNUAL GENERAL MEETING (CONTINUED)

NOTES :

- 1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
- 2. A member may appoint up to two (2) proxies to attend at the same meeting. Where a member appoints two (2) proxies, the proxies shall not be valid unless the member specifies the proportions of his shareholdings to be represented by each proxy.
- 3. The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.
- 4. The instrument appointing a proxy must be deposited at the Registered Office situated at 22nd Floor Wisma Cyclecarri 288 Jalan Raja Laut 50350 Kuala Lumpur at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

EXPLANATORY NOTES ON THE SPECIAL BUSINESS

- The proposed Ordinary Resolutions 8 to 10 if passed, will empower the Directors from the date of the Eighth AGM, to deal (i) with the related party transactions involving recurrent transactions of revenue or trading nature which are necessary for its day-to-day operations. These Recurrent Related Party Transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public. This authority, unless revoke or varied at a general meeting, will expire at the next AGM.
- (ii) The proposed Ordinary Resolution 11, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at general meeting, will expire at the next AGM.

NAME OF DIRECTORS STANDING FOR RE-ELECTION

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

- İ. Fong Nyok Yoon
- ii. Khor Mooi Soong
- iii. Siow Hock Lee

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Three (3) Board Meetings were held during the financial year from 1 January 2003 to 31 December 2003. Details of attendance of Directors at the Board Meetings are as follows:-

Name of Director	No. of meetings attended from 5 June 2003 to 31 December 2003
Fong Nyok Yoon	3/3
Dato' Wan Mohamad Zin Bin Mat Amin	3/3
Chuah Chin Lai	3/3
Khor Mooi Soong	3/3
Lim Pow Choo	3/3
Siow Hock Lee*	2/2
Ooi Say Teik*	2/2
Hem Kan @ Chan Hong Kee*	2/2

Appointed on 5 June 2003

PLACE, DATE AND TIME OF THE EIGHTH ANNUAL GENERAL MEETING

The Eighth Annual General Meeting of the Company will be held at No. 47 Zone J4, Jalan Radin Anum, Bandar Sri Petaling, 57000 Kuala Lumpur on Wednesday, 23 June 2004 at 10.00 a.m..

PROFILE OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION

Details of the Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 10 to 11 of this Annual Report whilst their shareholdings in the Company are presented in the Directors' shareholdings on page 73 of the same Annual Report.



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





100%



100%







100%





FONG NYOK YOON - Malaysian, aged 42 (Executive Chairperson / Non-Independent Director)

Fong Nyok Yoon is the Executive Chairperson of Caely Holdings Bhd. (CHB) and was appointed to the Board on 2 October 2002. She is also a member of the Audit Committee and the Remuneration Committee. She has extensive knowledge in the ladies undergarments industry having been in the business for the past 18 years. She was voted as Ernst & Young Woman Entrepreneur 2003. She has no conflict of interest with CHB and has no conviction for offences within the past 10 years.

Fong Nyok Yoon and Lim Pow Choo are sisters. Fong Nyok Yoon is the spouse of Chuah Chin Lai and Lim Pow Choo is the spouse of Khor Mooi Soong. She attended all the Board Meetings of CHB held during the financial year ended 31 December 2003.

DATO' WAN MOHAMAD ZIN BIN MAT AMIN - Malaysian, aged 57

(Deputy Chairman/Non-Independent Non-Executive Director)

Dato' Wan Mohamad Zin Bin Mat Amin is the Deputy Chairman of CHB and was appointed to the Board on 2 October 2002. He is a member of the Nomination Committee. He graduated from the Royal Military College in 1968 and completed his staff course in the Malaysian Armed Forces Staff College in 1981. He obtained his Masters in Business Administration from Greenwich University, Australia in 2002. He is a major shareholder and Managing Director of a company that supplies electronic defences products and engine spare parts, an industry in which he has more than 20 years of working experience. He is also a Director of Sunchirin Industries (Malaysia) Berhad. Dato' Wan has no family relationship with other Directors and major shareholders of CHB. He has no conflict of interest with CHB and has no conviction for offences within the past 10 years. Dato' Wan attended all the Board Meetings of CHB held during the financial year ended 31 December 2003.

CHUAH CHIN LAI - Malaysian, aged 44

(Managing Director)

Chuah Chin Lai is the Managing Director of CHB and was appointed to the Board on 2 October 2002. He has been with the Group for the past 18 years and currently heads the direct selling division and is actively involved in the Group's export business. His earlier working experience in the flooring and tiling mosaic industry has given him the necessary exposure required in both the direct sales and garment industries. He has no conflict of interest with CHB and has no conviction for offences within the past 10 years. He is the spouse of Fong Nyok Yoon. His relationship with other Directors and major shareholders are stated in the profile of Fong Nyok Yoon. He attended all the Board Meeting of CHB held during the financial year ended 31 December 2003.

KHOR MOOI SOONG - Malaysian, aged 50

(Executive Director)

Khor Mooi Soong is an Executive Director of CHB and was appointed to the Board on 2 October 2002. He has extensive business experience in various sectors including manufacturing and property development. Besides sourcing for materials / components, he also assists in the marketing of CHB's products. He has no conflict of interest with CHB and has no conviction for offences within the past 10 years. He is the spouse of Lim Pow Choo. His relationship with other Directors and major shareholders are stated in the profile of Fong Nyok Yoon. He attended all the Board Meetings of CHB held during the financial year ended 31 December 2003.





LIM POW CHOO - Malaysian, aged 44 (Executive Director)

Lim Pow Choo is an Executive Director of CHB and was appointed to the Board on 2 October 2002. She has vast experience in the garment business, particularly in ladies undergarments. She is currently the head of the Group's manufacturing division, overseeing the production processes for the OEM market. She has no conflict of interest with CHB and has no conviction for offences within the past 10 years. She is the spouse of Khor Mooi Soong. Her relationship with other Directors and major shareholders are stated in the profile of Fong Nyok Yoon. She attended all the Board Meetings of CHB held during the financial year ended 31 December 2003.

SIOW HOCK LEE - Malaysian, aged 48

(Independent Non-Executive Director)

Siow Hock Lee is an Independent Non-Executive Director of CHB and was appointed to the Board on 5 June 2003. He is the Chairman of the Audit Committee and a member of the Remuneration Committee. He is a member of the Association of Chartered Certified Accountants and Malaysian Institute of Accountants and has extensive working experience of more than 20 years in public accounting services. He is a Partner of a firm of accounting practice and an Independent Non-Executive Director of Amtel Holdings Berhad. He has no family relationship with other Directors and major shareholders of CHB, no conflict of interest with CHB and has no conviction for offences within the past 10 years. He attended all the Board Meetings of CHB held during the financial year ended 31 December 2003 since his date of appointment.

OOI SAY TEIK - Malaysian, aged 44 (Independent Non-Executive Director)

Ooi Say Teik is an Independent Non-Executive Director of CHB and was appointed to the Board on 5 June 2003. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. He graduated from the University of Malaya in 1985 with a Bachelor of Arts (Hons), majoring in Economics. In 1990, he obtained his Bachelor of Laws (Hons) from the University of London and was called to the Malaysian Bar and admitted as an Advocate & Solicitor of the High Court of Malaya in 1991. He is currently a Partner of Abraham Ooi and Partners, a firm of Advocates and Solicitors. He has been involved in a wide spectrum of the law, particularly in the areas of corporate, banking and litigation. He has no family relationship with the other Directors and major shareholders of CHB, no conflict of interest with CHB and has no conviction for offences within the past 10 years. He attended all the Board Meetings of CHB held during the financial year ended 31 December 2003 since his date of appointment.

HEM KAN @ CHAN HONG KEE - Malaysian, aged 64

(Independent Non-Executive Director)

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



On behalf of the Board of Directors of Caely Holdings Bhd., I take great pleasure in presenting the Annual Report and the Audited Financial Statements of the Group and Company for the financial year ended 31 December 2003.

FINANCIAL PERFORMANCE

For the year under review, the Group achieved a consolidated turnover of RM68.7 million, an increase of 22% over the previous year's RM56.5 million. Group profit before tax increased to RM9.0 million compared to RM7.1 million achieved in the previous year.

DIVIDENDS

The Board of Directors is recommending a first and final dividend of 2 sen gross per share less tax for the financial year ended 31 December 2003.

OPERATIONS REVIEW

The year 2003 was ushered with uncertainties from global events like the Iraq war and the Severe Acute Respiratory Syndrome ("SARS"). Despite the threats of war and the deadly SARS virus, Malaysian economy remained strong as the country registered a real GDP growth of 4.5%.

As for the Group, 2003 marked a very significant milestone in its corporate history. 31 July 2003 marked the final chapter in the Group's Initial Public Offering ("IPO") exercise with the successful listing of the entire issued and fully paid-up share capital of Caely Holdings Bhd. on the Second Board of the Bursa Malaysia Securities Berhad. The gross proceeds of close to RM16 million raised from the IPO exercise were fully utilised during the year.

The Original Equipment Manufacturer division continued to perform creditably, registering growth of 30% in the year under review. It remained the major contributor to the Group's results, accounting for approximately 84% and 95% of the Group's revenues and profits respectively. The direct sales division, on the other hand, did not register encouraging results. This division had taken considerable time to re-align itself to emerge from the effects of the SARS virus in 2003. Consequently, growth in this division has been affected to a certain extent.



PROSPECTS

The economic indicators are pointing towards a positive outlook for 2004. We expect the Malaysian economy to register growth of between 4.5% and 5.5%.

This has set the tone right for the Group to respond to the challenges ahead. The Group will continue to improve its competitive edge by implementing cost reduction and productivity enhancement programs and intensify its research and development activities.

Barring any unforeseen circumstances, the Directors are cautiously optimistic of delivering yet another year of good results in 2004.

APPRECIATION

On behalf of the Board, I wish to convey my sincere appreciation to the management and employees of the Group for their continued diligence, dedication and commitment.

I wish also to express my gratitude to our valued customers, suppliers, financiers, business associates and regulatory authorities for their continued support and confidence in us.

Lastly, I would like to thank my fellow Directors for their support and our shareholders for placing their trust and confidence in the future of the Group.

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



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

THE BOARD OF DIRECTORS

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

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

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

Board Composition and Balance

The Board comprises four (4) Executive Directors and four (4) Non-Executive Directors, three (3) of whom are Independent Directors. The role of the Executive Chairperson is clearly separated from the role of the Chief Executive Officer to ensure a balance of power and authority. The Executive Directors decide and implement operational decisions whilst the Non-Executive Directors contribute to the formulation of policies and decision-making through their knowledge and experience in other businesses and sectors. Their roles are clearly demarcated.

The Non-Executive Directors are independent of management and free from any business relationship which could materially interfere with the exercise of their independent judgment. Together, they play an important role in ensuring that the strategies proposed by the management are fully deliberated and examined, taking into accounts the long-term interests of the shareholders, employees, customers, and the many communities in which the Group conducts its business. The profile of the Directors is set out on pages 10 and 11 of the Annual Report.

In discharging its duties, the Board met three times during the financial year ended 31 December 2003.

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





Board Committees

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

Supply of Information

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

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

Appointment to the Board

Pursuant to the principles of the Code, the Board has established a Nomination Committee in February 2004, consisting of three Non-Executive Directors, two of whom are Independent. The Nomination Committee is responsible for, among others, the nomination for appointment of new Board members.

Directors' Training

All the Non-Executive Directors have attended the induction program aimed at newly appointed Directors to facilitate their understanding of the operations in CHB as well as its products and services. The Directors are updated from time to time, new or changes to regulatory legislation, changes in the Group structure, and other important issues affecting the Directors or CHB.

All the Directors have attended the Mandatory Accreditation Program.

Retirement and Re-election of Directors

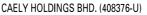
In accordance with the Company's Articles of Association, one-third of the Directors shall retire from office at each Annual General Meeting and could offer themselves for re-election. Those Directors appointed during the financial year are eligible for election at the next Annual General Meeting following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

Nomination Committee ("NC")

The members of the NC are:

Hem Kan @ Chan Hong Kee, Chairman of NC Dato' Wan Mohamad Zin Bin Mat Amin Ooi Say Teik

The NC was established in February 2004 to assist the Board in nominating new nominees as Board members as well as assessing the Directors on an on-going basis as to their skills and experience and other qualities.





Remuneration Committee ("RC") The members of the RC are:

Ooi Say Teik, Chairman of RC Fong Nyok Yoon Siow Hock Lee

The RC was established in February 2004 to assist the Board in their responsibilities in assessing the remuneration packages of the Directors of the Company and its subsidiaries. The RC is to recommend to the Board, the level of remuneration for the Directors. The Board will decide after considering the recommendations of the RC.

Directors' Remuneration

The Executive Directors' remuneration is linked to performance, service seniority, experience and scope of responsibilities and comprises salary, 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.

The Board determined the remuneration package for the Directors for 2003, before the RC was established. Directors' fees payable to Non-Executive Directors are determined after considering comparable market rates. The basic salary paid takes into account the performance of the individual, the scope of responsibility, information from independent sources on the rates of salary for similar jobs and other relevant indicators. Bonuses paid to the Executive Directors are based on various performance measures of the Group, together with an assessment of each individual's performance during the period. Other customary benefits-in-kind, such as cars are made available as appropriate. Contributions are also made to the Employees Provident Fund where applicable. Henceforth, the RC will assume its role to recommend the remuneration of the Directors for the Board's approval.

Details of the nature and amount of each major element of the remuneration of each Director of the Group are as follows.

	Fees RM	Salaries & other emoluments RM	Benefits-in- kind RM	Total RM
Executive Directors Non-Executive Directors	128,000 64,000	702,604 3,600	17,400 0	848,004 67,600
	192,000	706,204	17,400	915,604

	N	Number of Directors		
	Executive Directors	Non-Executive Directors	Total	
RM1 to RM50,000	-	4	4	
RM50,001 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	1	-	1	
RM300,001 to RM350,000	1	-	1	
	4	4	8	

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



SHAREHOLDERS

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Internal Control

The Directors recognise their responsibility for the Group's system of internal control 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 misstatement or loss.

The Statement on Internal Control is set out in pages 25 and 26 of the Annual Report which provides an overview of the state of internal control within the Group.

Relationship with Auditors

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

A full Audit Committee report enumerating its role in relation to the auditors is set out in pages 22 to 24 of the Annual Report.

(Incorporated in Malaysia)



DIRECTORS' RESPONSIBILITIES IN FINANCIAL REPORTING

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

The Directors have a general responsibility for ensuring that the Group and the Company keep accounting records and financial statements, which disclose with reasonable accuracy the financial position of the Group and of the Company. The Directors have taken steps to ensure that such financial statements comply with the Companies Act, 1965, applicable approved accounting standards in Malaysia and other regulatory provisions.

OTHER COMPLIANCE INFORMATION

Utilisation of Proceeds

The proceeds arising from the Initial Public Offering has been fully utilised during the financial year ended 31 December 2003, details of which are set out in the Directors' Report.

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 Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

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

Sanctions and/or Penalties

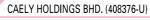
There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

Non-Audit Fees

The non-audit fees paid to external auditors, Messrs. PricewaterhouseCoopers by the Company and its subsidiaries amounted approximately RM71,500.

Variation in Results

There were no profit estimate, forecast or projections or unaudited results released which differ by 10% or more from audited results for the financial year ended 31 December 2003.







Profit Guarantee

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

Revaluation Policy on Landed Properties

GOVERNANCE STATEMENT

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

Contracts involving Directors' and Major Shareholders' Interests

There were no materials contracts entered into by the Company or its subsidiaries involving the interests of Directors and major shareholders during the financial year under review.

Recurrent Related Party Transactions

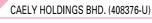
The aggregate value of recurrent related party transactions entered by the Company and its subsidiaries during the financial year ended 31 December 2003 are disclosed as follows:

Company Involved	Related Party	Interested Related Party	Nature of Transaction	Transaction Value for the Financial Year Ended 31 December 2003 RM
Caelygirl (M) Sdn. Bhd. ("CMSB")	Rubysteel Metal Industry (M) Sdn Bhd ("Rubysteel")	Khor Mooi Soong ^(a)	Purchase of stainless steel household utensils for its direct selling business	3,399
CMSB	Central Aluminium Manufactory Sdn Bhd ("CAluminium")	Khor Mooi Soong ^(b)	Purchase of stainless steel aluminium household products for its direct selling business	14,865
CMSB	Central Melamineware Sdn Bhd ("CMelamineware")	Khor Mooi Soong ^(b)	Purchase of melamine household products for its direct selling business	3,981
CMSB	Perusahaan Tacly ("Tacly")	Chuah Chin Lai ^(c)	Purchase of garments for its direct selling business	57,682
CMSB	Kimberlux Sdn Bhd ("KSB")	Fong Nyok Yoon ^(d) Chuah Chin Lai Khor Mooi Soong Lim Pow Choo	Office rental receivable	3,600
CMSB	Kimberlux Construction Sdn Bhd ("KCSB")	Fong Nyok Yoon ^(e) Chuah Chin Lai Khor Mooi Soong Lim Pow Choo	Office rental receivable	6,000

(Incorporated in Malaysia)

CORPORATE	CAELY HOLDINGS B
GOVERNANCE	(Incorporated in M
STATEMENT	(CONTINUED)

Company		Interested	Nature of S	Transaction Value for the Financial Year Ended 1 December 2003
involved CMSB	Related Party Brick By Brick Sdn Bhd ("BBBSB")	Related Party Fong Nyok Yoon ^(f) Chuah Chin Lai Khor Mooi Soong Lim Pow Choo	Office rental receivable	RM 4,800
CMSB	Prestige Gain Sdn Bhd ("PGSB")	Fong Nyok Yoon ^(g) Chuah Chin Lai Khor Mooi Soong Lim Pow Choo	Office rental receivable	3,600
Classita (M) Sdn. Bhd. ("CCSB")	Tacly	Chuah Chin Lai ^(c)	Sub-contractor who provide sewing services for products such as briefs and panties	
CCSB	Hondy Enterprise ("Hongdy")	Chuah Chin Lai ^(c)	Sub-contractor who provide sewing services for products such as briefs and panties	
CCSB	Inner Beauty Enterprise ("InBeauty")	Chuah Chin Lai ^(c)	Sub-contractor who provide sewing services for products such as briefs and panties	
CCSB	Finatec Enterprise ("Finatec")	Chuah Chin Lai ^(c)	Sub-contractor who provide sewing services for products such as briefs and panties	
CCSB	KCSB	Fong Nyok Yoon ^(e) Chuah Chin Lai Khor Mooi Soong Lim Pow Choo	Construction services, civil works and building maintenance	1,249,469
Marywah Industries (M) Sdn. Bhd. ("MISB")	Finatec	Chuah Chin Lai ^(c)	Sub-contractor who provide sewing services for products such as briefs and panties	
MISB	Tacly	Chuah Chin Lai ^(c)	Sub-contractor who provide sewing services for products such as briefs and panties	





Notes:-

- Khor Mooi Soong, who is an Executive Director and a substantial shareholder of CHB is deemed interested, by virtue of (a) his direct and indirect shareholding of 9,000,000 (11.25%) and 27,000,000 (33.75%) ordinary shares respectively in CHB. He also holds 14.29% direct interest and 21.43% indirect interest in Rubysteel by virtue of the substantial shareholdings held by his brother, Khor Mooi Huat.
- Tan Hong Cheng (brother-in-law of Khor Mooi Soong who is an Executive Director and a substantial shareholder of CHB) (b) is the Managing Director and substantial shareholder in both CAluminium and CMelamineware. Khor Mooi Soong is deemed interested, by virtue of his relationship with Tan Hong Cheng and his direct and indirect shareholdings of 9,000,000 (11.25%) and 27,000,000 (33.75%) ordinary shares respectively in CHB.
- (c) Tacly, Hongdy, InBeauty and Finatec are owned by the siblings and brother-in-law of Chuah Chin Lai, the Managing Director and substantial shareholder of CHB. Chuah Chin Lai is deemed interested, by virtue of his direct and indirect shareholdings of 9,000,000 (11.25%) and 27,000,000 (33.75%) ordinary shares respectively in CHB.

Siblings and brother-in-law of Chuah Chin Lai are as follows:

Name	Relationship with Chuah Chin Lai	Substantial interest in Entity
Chuah Chin Kheng	Brother	Tacly
Chuah Siew Kain	Sister	Hongdy
Chuah Mooi Keow	Sister	InBeauty
Sam Choy	Brother-in-law	Finatex

- (d) Fong Nyok Yoon, 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.
- (e) Fong Nyok Yoon, 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 95.00% in KCSB by virtue of their substantial shareholdings in KSB.
- (f) Fong Nyok Yoon, Chuah Chin Lai, Khor Mooi Soong and Lim Pow Choo, who are Directors and substantial shareholders in CHB are also Directors of BBBSB. They are deemed to have an indirect interest of 51.00% in BBBSB by virtue of their substantial shareholdings in KSB.
- (g) Fong Nyok Yoon, 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.



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

Members

The present members of the AC are:-

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

TERMS OF REFERENCE

Composition

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

At least one (1) member:-

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

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

Objectives

The primary objectives of the AC are to:

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



Frequency of Meetings

Meetings will be held not less than four (4) times a year. The external auditors may request a meeting if they consider one necessary.

Attendance at Meetings

The group financial controller, the head of internal audit, and a representative of the external auditors shall normally attend meeting. However, the Committee may invite any person to be in attendance to assist it in its deliberations.

Quorum

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

Authority

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

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

Duties and Responsibilities

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



SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

During the year ended 31 December 2003, the Audit Committee held three (3) meetings, attended by all the AC members.

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

- Review the external auditors' scope of work and audit plans for the year;
- Review with the external auditors the results of the audit, the audit report and the management letter, including management's response;
- Review and recommend to the Board the re-appointment of external auditors and their audit fees;
- Review the quarterly and annual financial statements, reports and announcements for the Board's consideration and approval; and
- Review the related party transactions entered into by the Group.

INTERNAL AUDIT FUNCTION

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

To this end, the internal audit function is being outsourced to Messrs. BDO Governance Advisory Sdn Bhd (BDO GA) in 2004. The scope of service of BDO GA is as follows:

- Risk Assessment
- Audit Plan
- Execution
- Communicate results

The methodology adopted by BDO GA is based upon the internationally recognised COSO framework.

BDO GA has completed its preliminary assessment of the Group's control environment in the Second quarter of 2004 and is about to embark on the audit proper.



The Malaysian Code on Corporate Governance requires that the Board of Directors ("the Board") to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Board is pleased to provide the following Statement on Internal Control which outlines the nature and scope of internal control of the Group for the financial year ended 31 December 2003 pursuant to paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad.

The Board has and will ensure that the External Auditors review the Statement on Internal Control and report to the Board, annually.

Board Responsibility

The Board and the senior management recognise the importance of maintaining a sound internal control and effective risk management practices in the Group. The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the system of internal controls. The system of internal control includes risk management practices, the management information system and systems for compliance with relevant laws, regulations, rules, directives and guidelines.

It must be noted that in any system of internal control, there are inherent limitations. As such, the Group's system of internal control is designed to manage rather than eliminate risks. Such system can only provide reasonable assurance of the Group achieving its objectives. The system will not provide absolute assurance against any occurrence of material loss.

Key Elements of Internal Control

The following are the key elements of the Group's internal control system:-

- A well defined organisation structure with clear line of reporting, responsibility and delegation of authority.
- Regular Board meetings, at least once every quarter, to monitor performance and to consider, deliberate and approve significant policies and business proposals.
- Reports on financial and operational information and the like are provided for the Board meetings.
- Executive Directors, including the Executive Chairperson ("EC") and Managing Director ("MD"), practice a "hands-on" approach in managing the Group's business. This enables significant matters to be identified, deliberated and acted upon in a timely manner.
- 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.

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



Risk Management and Internal Audit

The Board recognises that the Group operates in a dynamic business environment. The Board also recognises that a sound system of internal control needs to be responsive, capable of managing principal risks, and is embedded to the operations of the Group in order to be able to support its business objectives. To ensure that this is possible, the Group has in place a reporting structure that ensures continuous communication of operational and financial issues or risks among the Board, Executive Directors, including the EC and MD, and management through meetings at various levels. Their "hands-on" approach has enabled the Executive Directors to identify, evaluate and manage risks during these meetings as an on-going process. The Board, on the other hand, has evaluated and managed key principal risks through the monitoring of quarterly performance at its Board meetings.

The Board also understands the enormous benefits the Group may derive from having an internal audit function and a formalised risk management framework. In this respect, the Board had on March 25, 2004 engaged BDO Governance Advisory Sdn Bhd ("BDO GA") to perform its internal audit function and assist the Board in establishing a formal risk management framework that will enable the systematic identification, assessment, treatment and monitoring of the principal risk of the Group.

As an independent party, BDO GA will, among its other duties, report directly its audit findings to the Audit Committee at least once every quarter. The Board expects BDO GA to provide much of the assurance it requires regarding the adequacy and integrity of the system of internal control.

Conclusion

A number of minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board is committed to continuously review and take appropriate measures to further strengthen its internal control system and risk management practices in an effort to enhance the shareholders' value.

The statement was adopted at the Board of Directors' Meeting held on 21 April 2004.



Directors' Report	28 - 31
Income Statements	32
Balance Sheets	33
Statements of Changes in Equity	34 - 36
Cash Flow Statements	37 - 38
Notes to the Financial Statements	39 - 67
Statement by Directors	68
Statutory Declaration	68
Report of the Auditors	69

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



The directors are pleased to submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are shown in Note 13 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	<u>Group</u> RM	<u>Company</u> RM
Net profit for the financial year	6,783,930 =======	1,226,196 =======

DIVIDEND

No dividend was paid or declared by the Company since 31 December 2002.

The directors now recommend the payment of a first and final gross dividend of 2 sen per share on 80,000,000 ordinary shares, less income tax of 28%, amounting to RM1,152,000 which is subject to the approval of members at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

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

SHARE CAPITAL

During the financial year, the Company issued 24,584,000 ordinary shares of RM0.50 each at an issue price of RM0.65 per share by way of a special and public issue payable in full on application in connection with the proposed listing of the Company on the Second Board of Bursa Malaysia Securities Berhad ("BMSB") (formerly known as Malaysia Securities Exchange Berhad). These new shares were fully subscribed for and the entire issued shares were successfully listed on the Second Board of BMSB on 31 July 2003. The new shares rank pari passu in all respects with the existing ordinary shares of the Company.





DIRECTORS

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

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

(appointed on 5 June 2003) (appointed on 5 June 2003) (appointed on 5 June 2003)

In accordance with the Company's Articles of Association, Fong Nyok Yoon A.M.P., Khor Mooi Soong and Siow Hock Lee retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those disclosed in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest (other than those disclosed in Note 26 to the financial statements).

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM0.50 each			
	As at			As at
Direct interest	1.1.2003	Bought	Sold	31.12.2003
Caely Holdings Bhd. (The Company)				
Chuah Chin Lai	13,197,000	0	(4,197,000)	9,000,000
Dato' Wan Mohamad Zin bin Mat Amin	2,028,000	6,000,000	0	8,028,000
Fong Nyok Yoon A.M.P.	13,197,000	0	(4,197,000)	9,000,000
Khor Mooi Soong	13,197,000	0	(4,197,000)	9,000,000
Lim Pow Choo	13,197,000	0	(4,197,000)	9,000,000

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

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



STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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



OTHER STATUTORY INFORMATION

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

In the opinion of the directors:

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

PROCEEDS OF THE PUBLIC ISSUE AND THE SPECIAL ISSUE

The gross proceeds from the Public Issue and the Special Issue of 24,584,000 shares amounting to RM15,979,600 were proposed to be utilised as follows:

	RM
Repayment of bank borrowings	7,000,000
Repayments of term loan for the construction of a new factory building	3,500,000
Acquisition of plant and machinery and office equipment	2,000,000
Working capital	1,979,600
Share issue cost	1,500,000
	15,979,600

As at 31 December 2003, all the proceeds were fully utilised in the manner as proposed.

SIGNIFICANT EVENT

In conjunction with the restructuring and listing exercise of the Company on the Second Board of BMSB on 31 July 2003, the wholly-owned subsidiaries of Caelygirl (M) Sdn. Bhd. namely Classita (M) Sdn. Bhd., Marywah Industries (M) Sdn. Bhd. and Renova Garments Sdn. Bhd. were transferred to the Company on 25 April 2003 to become wholly owned subsidiaries of the Company.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 21 April 2004.

KHOR MOOI SOONG **EXECUTIVE DIRECTOR** CHUAH CHIN LAI MANAGING DIRECTOR

Teluk Intan, Perak Darul Ridzuan



INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

		GRO	UP	COMPANY		
	Note	2003 RM	2002 RM	2003 RM	2002 RM	
Revenue	6	68,714,208	56,501,240	1,875,015	0	
Cost of sales		(47,530,611)	(38,175,868)	0	0	
Gross profit		21,183,597	18,325,372	1,875,015	0	
Other operating income Selling and distribution costs Administrative expenses Other operating expenses		1,069,104 (5,731,774) (6,851,224) 0	908,928 (4,858,872) (6,526,573) (35,049)	55,627 0 (175,531) 0	4,192 0 (19,422) 0	
Profit/(loss) from operations	7	9,669,703	7,813,806	1,755,111	(15,230)	
Finance cost	8	(676,344)	(677,534)	0	0	
Profit/(loss) from ordinary activities before taxation		8,993,359	7,136,272	1,755,111	(15,230)	
Taxation	9	(2,209,429)	(594,729)	(528,915)	(1,876)	
Net profit/(loss) for the financial year		6,783,930 	6,541,543	1,226,196	(17,106)	
Earnings per share (sen) - basic/diluted	10	10.3	11.8			
Proposed final (sen) - gross dividend	11	2.0	0			





AS AT 31 DECEMBER 2003

		GROUP		COMPANY	
	Note	2003	2002	2003	2002
		RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	27,398,977	24,783,884	0	0
Subsidiaries	13	0	0	54,034,421	27,408,000
		 27,398,977 	24,783,884 	54,034,421 	27,408,000
CURRENT ASSETS					
Inventories	14	33,836,199	27,160,719	0	0
Debtors, deposits and prepayments	15	16,046,816	12,499,059	9,328,033	275,768
Tax recoverable		267,915	1,296,630	5,004	0
Marketable securities	16	695,866	0	695,866	0
Deposits, bank and cash balances	17	3,211,192	1,871,383	1,259,713	6,580
		54,057,988	42,827,791	11,288,616	282,348
CURRENT LIABILITIES					
Creditors and accruals	18	8,321,731	5,819,634	22,231,398	15,000
Finance lease and hire-purchase creditors Short term bank borrowings	19	0,521,751	152,969	22,231,398	0
- bank overdrafts	20	2,998,091	6,255,193	0	0
- others	20	100,706	2,987,402	0	0
Term loans	21	0	618,103	0	0
Current tax liabilities		26,798	1,200	0	1,200
		11,447,326	15,834,501	22,231,398	16,200
NET CURRENT ASSETS/(LIABILITIES)		42,610,662	26,993,290	(10,942,782)	266,148
NON-CURRENT LIABILITIES					
Finance lease and hire-purchase creditors	19	0	171,916	0	0
Term loans	21	0	2,777,154	0	0
Deferred tax	22	1,712,172	1,505,862	0	0
		1,712,172	4,454,932	0	0
		68,297,467	47,322,242	43,091,639	27,674,148
CAPITAL AND RESERVES					
Sharo capital	23	40,000,000	27 709 000	40,000,000	27 700 000
Share capital Reserves	23 24	40,000,000 28,297,467	27,708,000 19,614,242	40,000,000 3,091,639	27,708,000 (33,852
Shareholders' equity		 68,297,467	47,322,242	43,091,639	27,674,148



(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

		Non-dist	ributable	Distributable	
	Share capital	Reserve on consolidation	Revaluation reserve	Retained profits	Total
GROUP	RM	RM	RM	RM	RM
At 1 January 2002					
As previously reported Change in accounting	300,000	84,037	0	8,960,291	9,344,328
policy (Note 25)	0	0	0	120,418	120,418
As restated	300,000	84,037	0	9,080,709	9,464,746
Issue of shares Issue of 54,816,000 ordinary shares of RM0.50 each	27,408,000	0	0	0	27,408,000
Surplus on revaluation of land and buildings					
As previously reported	0	0	4,382,446	0	4,382,446
Change in accounting policy (Note 25)	0	0	(470,800)	0	(470,800)
Net gain not recognised in income statement as restated	0	0	3,911,646	0	3,911,646
Reversal of reserve on consolidation arising from disposal of a subsidiary	0	(3,693)	0	0	(3,693)
Net profit for the financial year					
As previously reported	0	0	0	6,546,023	6,546,023
Change in accounting policy (Note 25)	0	0	0	(4,480)	(4,480)
As restated	0	0	0	6,541,543	6,541,543
At 31 December 2002	27,708,000	80,344	3,911,646	15,622,252	47,322,242

35



(Incorporated in Malaysia)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

		No	n-distributable	Distributable		
GROUP	Share capital RM	Reserve on consolidation RM	Revaluation reserve RM	Share premium RM	Retained profits RM	Total RM
At 1 January 2003						
As previously reported Change in accounting	27,708,000	80,344	4,382,446	0	15,506,314	47,677,104
policy (Note 25)	0	0	(470,800)	0	115,938	(354,862)
As restated	27,708,000	80,344	3,911,646	0	15,622,252	47,322,242
Issue of shares Issue of 24,584,000 ordinary shares of RM0.50 each at issue price of RM0.65 each	12,292,000	0	0	3,687,600	0	15,979,600
Share issue cost	0	0	0	(1,788,305)	0	(1,788,305)
Net profit for the financial year	0	0	0	0	6,783,930	6,783,930
At 31 December 2003	40,000,000	80,344	3,911,646 =======	1,899,295 ======	22,406,182	68,297,467 ======

36



STATEMENTS OF • CHANGES IN EQUITY (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

COMPANY	Share capital RM	<u>Non-</u> <u>distributable</u> Share premium RM	<u>Distributable</u> (Accumulated losses)/ Retained profits RM	Total RM
At 1 January 2002	300,000	0	(16,746)	283,254
Issue of shares Issue of 54,816,000 ordinary shares	07,400,000		<u>_</u>	07 400 000
of RM0.50 each	27,408,000	0	0	27,408,000
Net loss for the financial year	0	0	(17,106)	(17,106)
At 31 December 2002	27,708,000	0	(33,852)	27,674,148
At 1 January 2003	27,708,000		(33,852)	27,674,148
Issue of shares Issue of 24,584,000 ordinary shares of RM0.50 each at issue price of RM0.65 each	12,292,000	3,687,600	0	15,979,600
	12,272,000	3,007,000	0	13,777,000
Share issue cost	0	(1,788,305)	0	(1,788,305)
Net profit for the financial year	0	0	1,226,196	1,226,196
At 31 December 2003	40,000,000	 1,899,295 	1,192,344	43,091,639



CAELY HOLDINGS BHD. (408376-U)

(Incorporated in Malaysia)

CASH FLOW ——• STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	GRO	OUP	COMP	COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM	
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit/(loss) for the financial year	6,783,930	6,541,543	1,226,196	(17,106)	
Adjustments for:					
Property, plant and equipment					
- depreciation	1,400,037	1,144,799	0	0	
-loss/(gain) on disposal	568	(52,188)	0	0	
Interest expense Revaluation deficit	627,179	650,040	0	0	
Taxation	0 2,209,429	98,468 594,729	528,915	1,876	
Interest income	(83,402)	(103,199)	(46,457)	(4,192)	
Gain on disposal of a subsidiary	(03,402)	(8,141)	(40,437)	(4,192)	
Gain on disposal of marketable securities	(9,170)	0	(9,170)	0	
	10,928,571	8,866,051	1,699,484	(19,422)	
Net movements in working capital:					
Inventories	(6,675,480)	(3,692,920)	0	0	
Debtors	(3,547,757)	(1,689,279)	(242,044)	(150,344)	
Creditors	2,502,097	(444,240)	(4,410,023)	13,840	
Cash flows generated from/(used in) operations	3,207,431	3,039,612	(2,952,583)	(155,926)	
Interest paid	(627,179)	(838,751)	0	0	
Tax paid	(948,806)	(1,581,666)	(10,115)	(676)	
Net operating cash flow	1,631,446	619,195	(2,962,698)	(156,602)	

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for property, plant				
and equipment	(3,981,898)	(4,549,782)	0	0
Proceeds from disposal of property,				
plant and equipment	6,200	95,100	0	0
Interest income received	83,402	31,660	46,457	4,192
Marketable securities				
 payments for investments 	(781,293)	0	(781,293)	0
 proceeds from disposals 	94,597	0	94,597	0
Proceeds from disposal				
of investment in a subsidiary	0	83,217	0	0
Net investing cash flow	(4,578,992)	(4,339,805)	(640,239)	4,192



CAELY HOLDINGS BHD. (408376-U)

(Incorporated in Malaysia)

• STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	GRC	OUP	COMPA	ANY
	2003	2002	2003	2002
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING				
ACTIVITIES				
Repayments of short term				
bank borrowings	(2,886,696)	(33,598)	0	0
Repayments of finance lease and				
hire-purchase creditors	(364,885)	(189,997)	0	0
Repayments of term loans	(3,395,257)	(1,133,222)	0	0
Drawdown of term loan	0	3,500,000	0	0
Withdrawal of fixed deposits	790,707	0	0	0
Advances to subsidiaries	0	0	(9,335,225)	0
Proceeds from issuance of shares	15,979,600	0	15,979,600	0
Payment of share issue cost	(1,788,305)	0	(1,788,305)	0
Net financing cash flow	8,335,164	2,143,183	4,856,070	0
Net movement in cash and cash equivalents	5,387,618	(1,577,427)	1,253,133	(152,410)
Cash and cash equivalents at				
beginning of the financial year	(5,647,859)	(4,070,432)	6,580	158,990
Cash and cash equivalents at				
end of the financial year (Note 17)	(260,241)	(5,647,859)	1,259,713	6,580

NON CASH TRANSACTIONS

The principal non cash transactions of the Group and the Company during the financial year are as follows:

2003

The Group acquired certain property, plant and equipment costing RM46,265 of which RM40,000 was financed by means of hire-purchase (Note 12).

The Company acquired Classita (M) Sdn. Bhd., Marywah Industries (M) Sdn. Bhd. and Renova Garments Sdn. Bhd. at a total purchase consideration of RM26,626,421 from a subsidiary, Caelygirl (M) Sdn. Bhd. (Note 13).

2002

The Group acquired certain property, plant and equipment costing RM337,097 by means of hire-purchase (Note 12) and issued 54,816,000 ordinary shares of RM0.50 each in exchange for investment in a subsidiary, Caelygirl (M) Sdn. Bhd..



1 GENERAL INFORMATION

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are shown in Note 13 to the financial statements.

CAELY HOLDINGS BHD. (408376-U)

The number of persons employed by the Group at the financial year end were 954 (2002: 860). The Company did not employ any staff as at financial year end (2002: Nil).

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Second Board of BMSB on 31 July 2003.

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

Registered office

22nd Floor, Wisma Cyclecarri 288 Jalan Raja Laut 50350 Kuala Lumpur Principal place of business Lot 2661, 3rd Mile Jalan Maharaja Lela 36000 Teluk Intan Perak Darul Ridzuan

2 BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in the significant accounting policies note. The financial statements comply with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

The new approved accounting standards which are applicable and adopted in these financial statements are as follows:

- MASB 25 "Income Taxes"

- MASB 27 "Borrowing Costs"

- MASB 29 "Employees Benefits"

The impact resulting from the adoption of MASB 25 is set out in Note 25 to the financial statements. The adoption of MASB 29 does not materially affect the results of the Group and the Company for the current financial year nor its shareholders' equity.

MASB Standard 27 "Borrowing Costs" had been adopted in the financial statements for the financial year ended 31 December 2001 in advance of its effective date.

• FINANCIAL STATEMENTS (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. 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. 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. The subsidiaries were acquired via an internal group reorganisation exercise which meets the conditions of a merger in accordance with MASB Standard 21 "Business Combinations". The results of the Company and the subsidiaries are consolidated using the merger method of accounting.

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

Intragroup transactions, balances and unrealised gains on transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

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.

(b) Property, plant and equipment

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

All land and buildings were subsequently shown at valuation, based on valuations by external independent valuers, less subsequent amortisation/depreciation/impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

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

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

No depreciation is provided on the freehold land. Long leasehold land is amortised on the straight line basis over the remaining lease period of 88 years. Capital work in progress is not depreciated.

• FINANCIAL STATEMENTS (CONTINUED)

3 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 to their residual values over their estimated useful lives at the following annual rates:

Buildings	2%
Plant, equipment and vehicles	5% - 20%

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

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

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit from operations. On disposal of revalued assets, amounts in revaluation reserves relating to those assets are transferred to retained profits.

(c) Investments

Investment in subsidiaries are shown at the nominal value of equity shares issued. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount as set out in accounting policy Note (d) on impairment of assets.

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

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

(d) Impairment of assets

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

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

• FINANCIAL STATEMENTS (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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 raw materials, direct labour and an appropriate proportion of production overheads.

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

(f) Trade debtors

Trade debtors are carried at invoiced amount less an allowance for doubtful debts. Bad debts are written off in the financial year in which they are identified. An estimate is made for doubtful debtors based on a review of all outstanding amounts at the financial year end.

(g) 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.

(h) Employee benefits

(i) Short term employee benefits

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

(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.

(i) Finance lease and hire-purchase arrangements

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

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

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

• FINANCIAL STATEMENTS (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income taxes

Current tax expense includes all taxes based upon the taxable profits and real property gains taxes payable on disposal of properties.

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.

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 rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

(k) Revenue recognition

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

Rental and interest income is recognised on accrual basis.

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

(I) Foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange approximating those ruling at the date of transactions. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the approximate rates ruling at that date.

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

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

	2003 RM	2002 RM
Assets:		
1 US Dollar	3.77	3.77
1 Euro	4.82	4.02
1 Singapore Dollar	2.00	0
Liabilities:		
1 US Dollar	3.82	3.82
1 Euro	4.70	4.02
100 Hong Kong Dollars	48.25	49.21

• FINANCIAL STATEMENTS (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments

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

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

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

(i) Financial instruments recognised on the balance sheet

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

(ii) Financial instruments not recognised on the balance sheet

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

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

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

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

(iii) Fair value estimation for disclosure purposes

The fair value of foreign currency forward contracts is determined using the market forward rates at the balance sheet date.

The market value of marketable securities based on quoted market prices at the balance sheet date reflect their fair values.

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

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

• FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(i) Credit risk

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

(ii) Interest rate risk

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

(iii) Liquidity risk

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

(iv) Foreign currency exchange risk

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

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

5 SEGMENT REPORTING

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

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

• FINANCIAL STATEMENTS (CONTINUED)

5 SEGMENT REPORTING (CONTINUED)

Intersegment sales comprise sales of undergarments under "Caelygirl" trademark to the direct selling business segment.

(a) Primary reporting format - business segment

2003	Direct selling RM	Manufacturing sales (OEM) RM	Manufacturing sales (own brand) RM	Others RM	Group RM
Sales Total sales Intersegment sales External sales	10,518,683 0 10,518,683	57,800,374 0 57,800,374	1,339,161 (944,010) 395,151	3,003,871 (3,003,871) 0	72,662,089 (3,947,881)
Results Segment result (external) Unallocated income Profit from operations Finance cost	310,463	9,087,921	226,632	(88,880)	9,536,136 133,567 9,669,703 (676,344)
Profit from ordinary activities before taxation Taxation Net profit for the financial year					8,993,359 (2,209,429) 6,783,930

2003

Other information Segment assets Unallocated assets	15,012,595	48,934,673	14,754,041	2,475,741	81,177,050 279,915
Total assets					81,456,965 ======
Segment liabilities Unallocated liabilities	3,978,287	6,003,435	1,244,040	194,766	11,420,528 1,738,970
Total liabilities					13,159,498 ======
Capital expenditure Depreciation	793,026 246,924	2,900,067 904,221	328,805 248,743	0 149 ======	4,021,898 1,400,037

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 SEGMENT REPORTING (CONTINUED)

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

2002	Direct selling RM	Manufacturing sales (OEM) RM	Manufacturing sales (own brand) RM	Others RM	Group RM
Sales					
Total sales Intersegment sales	10,795,047 0	44,514,756 0	1,893,006 (701,569)	929,170 (929,170)	58,131,979 (1,630,739)
External sales	10,795,047	44,514,756	1,191,437	0	56,501,240
Results					
Segment result (external) Unallocated income	523,414	6,785,383	381,252	(10,652)	7,679,397 134,409
Profit from operations Finance cost					7,813,806 (677,534)
Profit from ordinary activities before taxation Taxation					7,136,272 (594,729)
Net profit for the financial year					6,541,543 ======
2002					
Other information					
Segment assets Unallocated assets	13,787,071	38,053,344	14,175,290	285,640	66,301,345 1,310,330
Total assets					67,611,675
Segment liabilities Unallocated liabilities	6,518,570	10,409,784	1,823,029	30,988	18,782,371 1,507,062
Total liabilities					20,289,433
Capital expenditure	63,664	4,625,930	278,899	0	4,968,493
Depreciation	242,619	676,494	225,538	148 ======	1,144,799

• FINANCIAL STATEMENTS (CONTINUED)

5 SEGMENT REPORTING (CONTINUED)

(b) Secondary reporting format - geographical segments

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

	Sa	les	Total assets		Total assetsCapital expendi		penditure
	2003	2002	2003	2002	2003	2002	
	RM	RM	RM	RM	RM	RM	
Canada	24,174,731	21,265,585	0	0	0	0	
China	1,151,927	4,695,444	0	0	0	0	
Denmark	6,298,398	5,446,238	0	0	0	0	
Germany	5,284,385	2,653,386	0	0	0	0	
France	5,075,968	4,164,405	0	0	0	0	
United Kingdom	7,963,640	3,697,209	0	0	0	0	
United States of America	6,929,635	1,946,896	0	0	0	0	
Malaysia	10,572,344	10,904,236	81,456,965	67,611,675	4,021,898	4,968,493	
Other countries	1,263,180	1,727,841	0	0	0	0	
	68,714,208	56,501,240	81,456,965	67,611,675	4,021,898	4,968,493	

6 **REVENUE**

	GR	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM	
Direct sales Sales of finished goods Gross dividend income from	10,518,683 58,195,525	10,795,047 45,706,193	0 0	0 0	
an unquoted subsidiary	0	0	1,875,015	0	
	68,714,208	56,501,240	1,875,015	0	

7 PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations is stated after charging/(crediting):

Auditors' remuneration - current financial year - underprovision in respect of	82,800	79,300	15,000	15,000
previous financial year	3,500	1,200	0	1,200
Cost of inventories sold	47,530,611	38,175,868	0	0
Property, plant and equipment				
- depreciation	1,400,037	1,144,799	0	0
- loss/(gain) on disposal	568	(52,188)	0	0
Rental expenses				
- premises	13,400	9,865	0	0
- machinery	7,457	0	0	0
Staff costs	11,216,560	10,145,299	146,400	0
Allowance for doubtful debts	168,519	144,701	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 PROFIT/(LOSS) FROM OPERATIONS (CONTINUED)

	GRO	UP	COMP	COMPANY	
Profit/(loss) from operations is stated after charging/(crediting):	2003 RM	2002 RM	2003 RM	2002 RM	
Interest income	(83,402)	(103,199)	(46,457)	(4,192)	
Net realised foreign exchange gains	(459,543)	(415,546)	0	0	
Rental income of premises Gain on disposal of marketable securities	(35,495) (9,170)	(31,210) 0	0 (9,170)	0 0	
Gross dividend income from an unquoted subsidiary	0	0	(1,875,015) ======	0	
Included in staff costs are:					
 directors' fees directors' emoluments other than fees 	192,000	52,000	140,000	0	
- directors' emoluments other than rees - defined contribution plan	617,500 556,774	653,800 527,330	6,400 0	0	
FINANCE COST					
Bank commissions on trade finance facilities	49,165	27,494	0	0	
Interest expense	627,179	838,751	0	0	
	676,344	866,245	0	0	
Less: interest expense capitalised into property, plant and equipment (Note 12)	0	(188,711)	0	0	
Finance cost charged to income statement	676,344	677,534	0	0	

9 TAXATION

8

Current taxation	(2,003,119)	(98,249)	(528,915)	(1,876)
Deferred taxation	(206,310)	(496,480)	0	0
	(2007010)	(170,100)	Č.	Ŭ
Tax expense for the financial year	(2,209,429)	(594,729)	(528,915)	(1,876)
Current taxation:				
Current financial year	(1,995,863)	(360,708)	(529,000)	(1,200)
Benefits from utilisation of previously				
unrecognised tax losses	16,867	104,309	0	0
(Under)/Over accrual in prior financial years	(24,123)	158,150	85	(676)
Deferred taxation:				
Origination of taxable temporary differences	(206,310)	(496,480)	0	0
Tax expense	(2,209,429)	(594,729)	(528,915)	(1,876)

• FINANCIAL STATEMENTS (CONTINUED)

9 TAXATION (CONTINUED)

The explanation of the relationship between tax expense and profit from ordinary activities before taxation is as follows:

GR	OUP	COMPANY		
2003 RM	2002 RM	2003 RM	2002 RM	
8,993,359 =======	7,136,272	1,755,111	(15,230) =======	
(2,518,140)	(1,998,156)	(491,431)	4,264	
<i>(</i>)	()	()	(=)	
		(37,569)	(5,464)	
		0	0	
239,660	1,199,443	0	0	
23,942	78,723	0	0	
16,867	(99,275)	0	0	
(24,123)	158,150	85	(676)	
14,715	0	0	0	
(2,209,429)	(594,729)	(528,915)	(1,876)	
	2003 RM 8,993,359 (2,518,140) (96,828) 134,478 239,660 23,942 16,867 (24,123) 14,715	RM RM 8,993,359 7,136,272	$\begin{array}{ c c c c c c c c c c c c c c c c c c c$	

* As gazetted in the Finance (No. 2) Act 2002 during the financial year, the income tax rate for the first chargeable income of RM100,000 in respect of subsidiaries under small and medium scale companies with paid-up share capital of RM2.5 million and below is reduced to 20% for the financial year as compared to 28% in the previous financial year. In respect of chargeable income in excess of RM100,000, income tax at the rate of 28% is still applicable.

10 EARNINGS PER SHARE

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

	GROUP	
Net profit for the financial year (RM)	2003	2002
- as previously reported - change in accounting policy (Note 25)	6,783,930 0	6,546,023 (4,480)
- change in accounting policy (Note 23)		(4,400)
As restated	6,783,930 ======	6,541,543 ======
Weighted average number of ordinary shares in issue	65,659,333	55,416,000
Basic earnings per share (sen)	10.3	11.8

The Company has no potential dilutive ordinary shares. Comparative earnings per share information has been restated to take into account the effect on net profit for the financial year arising from the change in accounting policy as set out in Note 25.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 DIVIDEND

At the forthcoming Annual General Meeting, a first and final gross dividend in respect of the financial year ended 31 December 2003 of 2 sen per share less income tax of 28%, amounting to RM1,152,000 will be proposed for members' approval. These financial statements do not reflect this final dividend which will be accrued as a liability in the financial year ending 31 December 2004.

12 PROPERTY, PLANT AND EQUIPMENT

<u>GROUP</u> 2003	Freehold land RM	Long leasehold land RM	Buildings RM	Plant, equipment and vehicles RM	Capital work in progress RM	Total RM
Opening net						
book value	4,560,000	256,356	14,914,108	5,053,420	0	24,783,884
Additions	190,672	0	1,031,252	1,819,631	980,343	4,021,898
Disposals	0	0	0	(6,768)	0	(6,768)
Depreciation charge	0	(2,954)	(323,166)	(1,073,917)	0	(1,400,037)
Closing net book value	4,750,672	253,402 ======	15,622,194 ======	5,792,366	980,343	27,398,977 ======
2003						
Cost	190,672	0	7,627,868	13,250,784	980,343	22,049,667
Valuation	4,560,000	260,000	8,670,000	0	0	13,490,000
Accumulated	.,,					
depreciation	0	(6,598)	(675,674)	(7,458,418)	0	(8,140,690)
Net book value	4,750,672	253,402	 15,622,194 	5,792,366	980,343 	 27,398,977
2002						
				44.455.400		40.050.040

Net book value	4,560,000	256,356	14,914,108	5,053,420	0	24,783,884
depreciation	0	(3,644)	(352,508)	(6,402,213)	0	(6,758,365)
Valuation Accumulated	4,560,000	260,000	8,670,000	0	0	13,490,000
Cost	0	0	6,596,616	11,455,633	0	18,052,249

• FINANCIAL STATEMENTS (CONTINUED)

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

(i) Valuations carried out by Thoo Sing Choon on 18 June 2001.

	Valuation method	Valuation amount RM
Freehold land	Cost	4,070,000
Buildings	Cost	7,750,000
Freehold land	Comparative	490,000
Leasehold land	Comparative	260,000
Buildings	Comparative	770,000
		13,340,000

(ii) Valuation carried out by Subramaniam A/L Arumugam on 16 May 2001.

	Valuation method	Valuation amount RM
ildings	Comparative	150,000

The details of the external independent valuers are as follows:

Thoo Sing Choon, Registered Valuer Colliers, Jordan Lee & Jaafar Sdn. Bhd. Suites 3 & 6, Tingkat Kedua Labrooy House, Jalan Dato Sagor 30000 Ipoh, Perak Darul Ridzuan; and

Bui

Subramaniam A/L Arumugam, Registered Valuer Colliers, Jordan Lee & Jaafar Sdn. Bhd. Level 6, Block G North Pusat Bandar Damansara, Damansara Heights 50490 Kuala Lumpur

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:

	GRC	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM	
Freehold land Long leasehold land	1,348,063 140,406	1,348,063 142,229	0 0	0 0	
Buildings	7,185,580	7,359,580	0	0	
	8,674,049	8,849,872	0	0	

No interest expense on borrowings directly related to building under construction has been capitalised within additions of the Group during the financial year (2002: RM188,711) (Note 8).

All property, plant and equipment of the Group are pledged as securities for credit facilities granted to the subsidiaries as disclosed in Note 20 to the financial statements.

• FINANCIAL STATEMENTS (CONTINUED)

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	GRO	GROUP		COMPANY	
	2003	2002	2003	2002	
	RM	RM	RM	RM	
Hire-purchase arrangements					
Plant, equipment and vehicles					
- additions during the financial year, at cost	46,265	337,097	0	0	
- net book value at financial year end	0	442,364	0	0	
Finance lease					
Plant, equipment and vehicles					
- net book value at financial year end	0	93,842	0	0	

13 SUBSIDIARIES

	<u>COMP</u> 2003 RM	ANY 2002 RM
Unquoted shares at cost	54,034,421	27,408,000

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

Group's effective interest						
Name of company	2003	2002	Principal activities			
Caelygirl (M) Sdn. Bhd. ("CMSB")	100%	100%	Direct sales of undergarments, garments, leather goods, sportswear and household products			
Classita (M) Sdn. Bhd. ("CCSB")	100%	100%	Manufacture and sales of undergarments			
Marywah Industries (M) Sdn. Bhd. ("MISB")	100%	100%	Manufacture and sales of undergarments			
Renova Garments Sdn. Bhd. ("RGSB")	100%	100%	Provision of sewing services			

In the previous financial year, the Company acquired the entire issued and paid-up share capital of CMSB, comprising 450,000 ordinary shares of RM1 each for a purchase consideration of RM34,928,065 based on the net tangible assets of CMSB Group as at 31 December 2000, satisfied by the issuance of 54,816,000 new ordinary shares of RM0.50 each in the Company at an issue price of RM0.64 per share (rounded to the nearest sen).

The consolidated financial statements of CMSB have been merged and presented in accordance with the principles of merger accounting as if the merger had been effected on 1 January 2001.

• FINANCIAL STATEMENTS (CONTINUED)

13 SUBSIDIARIES (CONTINUED)

Results of operations of the Company and CMSB Group prior to the date of merger on 2 October 2002 that were included in the income statement of the combined enterprise for the preceding financial year are as follows:

	Period from 1.1.2002 to 1.10.2002			
	The Company	CMSB Group		
	RM	RM		
Revenue	0	37,708,145		
Operating costs	(11,422)	(33,305,053)		
(Loss)/Profit from operations	(11,422)	4,403,092		
Finance cost	0	(630,019)		
(Loss)/Profit from ordinary activities before taxation	(11,422)	3,773,073		

The amounts of assets and liabilities contributed by each enterprise on 31 January 2002 are as follows:

	<u>The Company</u> RM	<u>CMSB Group</u> RM
Assets		
Property, plant and equipment	0	24,783,884
Inventories	0	27,160,719
Debtors, deposits and prepayment	275,768	12,223,291
Tax recoverable	0	1,296,630
Deposits, bank and cash balance	6,580	1,864,803
	282,348	67,329,327
Liabilities		
Creditors and accruals	15,000	5,804,634
Borrowings	0	12,962,737
Current tax liabilities	1,200	0
Deferred tax	0	1,151,000
	16,200	19,918,371

On 25 April 2003, CCSB, MISB and RGSB became wholly-owned direct subsidiaries of the Company. The transfer has no financial impact on the results of the Group and Company for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 INVENTORIES

	GRO	GROUP		ANY
	2003	2003 2002		2002
	RM	RM	RM	RM
At cost				
Raw materials	10,902,061	8,948,699	0	0
Work in progress	3,766,524	3,483,074	0	0
Finished goods	19,167,614	14,728,946	0	0
	33,836,199	27,160,719	0	0

All the inventories of the Group have been pledged as securities for the credit facilities granted to certain subsidiaries as disclosed in Note 20 to the financial statements.

15 DEBTORS, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY		
	2003 RM	2002 RM	2003 RM	2002 RM	
Trade					
Trade debtors - normal trade terms Trade debtors - instalment schemes Allowance for doubtful debts	14,680,607 353,959	11,603,993 480,060	0 0	0 0	
- normal trade terms	(1,794,167)	(1,625,648)	0	0	
	13,240,399	10,458,405	0	0	
Non trade					
Other debtors	89,320	73,025	0	0	
Deposits	176,266	644,968	1,000	0	
Prepayments	2,528,831	1,308,961	516,812	275,768	
Amounts owing by subsidiaries Rentals receivable from companies in which certain directors have	0	0	8,810,221	0	
controlling interest	12,000	13,700	0	0	
	2,806,417	2,040,654	9,328,033	275,768	
	16,046,816	12,499,059	9,328,033	275,768	
The currency exposure profile of trade debtors are as follows:					
- Ringgit Malaysia	3,660,071	4,179,777	0	0	
- US Dollar	8,683,240	6,278,628	0	0	
- Euro	897,088	0	0	0	
Total trade debtors	13,240,399 	10,458,405	0	0	

• FINANCIAL STATEMENTS (CONTINUED)

15 DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

The Group has no significant concentration of credit risk for trade debtors other than 50% of trade debtors as at 31 December 2003 which were due from three major debtors located in Canada, China and United States of America. The Group's historical experience in collection of trade debtors falls within the recorded allowances. The directors believe that no additional credit risk beyond amounts allowed for collection loss is inherent in the Group's trade debtors.

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

- (i) normal trade terms payment in advance to 90 days (2002: payment in advance to 90 days); and
- (ii) instalment schemes 4 months to 12 months (2002: 4 months to 12 months).

All non trade balances are denominated in Ringgit Malaysia. Non trade balances with related parties are unsecured, interest free and have no fixed terms of repayment. Rental income receivable from companies in which certain directors have controlling interest does not pose significant credit risk as the rentals are based on terms agreed between the parties.

Included in deposits of the Group as at 31 December 2002 was an amount of RM535,000 being deposits paid for the purchase of computer software.

Included in prepayments of the Group is the payment for installation works amounting to RM153,000 (2002: RM Nil) to Kimberlux Construction Sdn. Bhd., a company which certain directors have controlling interest, with a total contract sum of RM230,000.

16 MARKETABLE SECURITIES

	GROUP & COMPANY		
	2003 2		
	RM	RM	
Shares at cost in corporations, quoted in Malaysia	695,866 	0	
Market value of guoted shares	789,528	0	
	========		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 CASH AND CASH EQUIVALENTS

	GROUP		COMPAI	NY
	2003	2002	2003	2002
	RM	RM	RM	RM
Fixed deposits with licensed banks	1,482,403	1,264,049	1,009,061	0
Bank and cash balances	1,728,789	607,334	250,652	6,580
Deposits, bank and cash balances Fixed deposits with a licensed bank	3,211,192	1,871,383	1,259,713	6,580
pledged as security	(473,342)	(1,264,049)	0	0
Bank overdrafts (Note 20)	(2,998,091)	(6,255,193)	0	0
	(260,241)	(5,647,859)	1,259,713	6,580
			=======================================	

The currency exposure profile of deposits, bank and cash balances are as follows:

Total deposits, bank and cash balances	3,211,192	1,871,383	1,259,713	6,580
- Singapore Dollar	26,077	0	0	0
- Furo	4,672	1.019	0	0
- US Dollar	688,574	60,049	0	0
- Ringgit Malaysia	2,491,869	1,810,315	1,259,713	6,580

	GROUP		COM	IPANY
	2003	2002	2003	2002
Weighted average effective interest rates at the balance sheet date are as follows:	%	%	%	%
Fixed deposits with licensed banks Bank balances held at call with a	3.0	3.3	3.0	3.3
licensed bank	1.1	1.1	0	0

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 licensed banks of the Group and the Company have maturity period of 30 days (2002: 30 to 365 days).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 CREDITORS AND ACCRUALS

	GROUP		COMPA	ANY
	2003 RM	2002 RM	2003 RM	2002 RM
Trade Trade creditors	7,135,410	4,851,330	0	0
Amounts owing to a company in which a director has financial interests Amounts owing to companies where a	0	4,763	0	0
substantial shareholder of those companies is connected with a director of the Company	4,919	69,395	0	0
	7,140,329	4,925,488	0	0
Non trade				
Other creditors and accruals Amount owing to a subsidiary	1,181,402 0	754,519 0	158,900 22,072,498	15,000 0
Amounts owing to a company in which certain directors have controlling interests	0	139,627	0	0
	1,181,402	894,146	22,231,398	15,000
	8,321,731	5,819,634 	22,231,398 =======	15,000
The currency exposure profile of trade creditors is as follows:				
- Ringgit Malaysia	5,979,401	4,273,529	0	0
- US Dollar	1,150,770	521,705	0	0
- Hong Kong Dollar - Euro	1,840 3,399	55,926 170	0 0	0 0
Total trade creditors	7,135,410 =======	4,851,330 ======	0	0

Credit terms of trade payables granted to the Group vary from payment in advance to 90 days (2002: payment in advance to 90 days). Non trade balances with related parties are denominated in Ringgit Malaysia. They are unsecured, interest free and have no fixed terms of repayment.

• FINANCIAL STATEMENTS (CONTINUED)

19 FINANCE LEASE AND HIRE-PURCHASE CREDITORS

		2003			2002	
	Finance lease	Hire- purchase	Total	Finance lease	Hire- purchase	Total
GROUP	RM	RM	RM	RM	RM	RM
Payable:						
Less than 1 year	0	0	0	31,825	142,920	174,745
1 - 2 years	0	0	0	0	94,373	94,373
2 - 5 years	0	0	0	0	92,599	92,599
	0	0	0	31,825	329,892	361,717
Less: Finance charges	0	0	0	(1,025)	(35,807)	(36,832)
	0	0	0	30,800	294,085	324,885
Present value of finance lease and hire-purchase liabilities:						
Current						
Less than 1 year	0	0	0	30,800	122,169	152,969
Non current						
1 - 2 years	0	0	0	0	84,372	84,372
2 - 5 years	0	0	0	0	87,544	87,544
	0	0	0	0	171,916	171,916
	0	0	0	30,800	294,085	324,885
			GRO	IIP	COM	ΡΔΝΥ
			2002	2002	2002	2002

	GROUP		COMPANY	
	2003	2002	2003	2002
Weighted average effective interest rates at the balance sheet date are as follows:	%	%	%	%
- finance lease liabilities	0	9.3	0	0
- hire-purchase liabilities	0	10.2	0	0

All hire-purchase and finance lease liabilities of the Group were denominated in Ringgit Malaysia.

Finance lease liabilities were effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The finance lease and hire-purchase liabilities were fully settled in August 2003 due to availability of funds.

• FINANCIAL STATEMENTS (CONTINUED)

20 SHORT TERM BANK BORROWINGS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Secured:				
Bank overdrafts	2,998,001	4,777,285	0	0
Trust receipts	100,706	55,402	0	0
Bankers acceptances	0	1,810,000	0	0
	3,098,707	6,642,687	0	0
Unsecured:	00	1 477 000	0	0
Bank overdrafts	90 0	1,477,908	0	0
Bankers acceptances	0	1,122,000	0	0
	90	2,599,908	0	0
Total	3,098,797	9,242,595	0	0

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

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

The short term bank borrowings are also jointly and severally guaranteed by certain directors of the respective subsidiary companies. The Group does not have any exposure to foreign currency exchange risk in respect of short term bank borrowings as they are denominated in Ringgit Malaysia.

	GRO	GROUP		COMPANY	
	2003	2002	2003	2002	
Weighted average effective interest rates	%	%	%	%	
at the balance sheet date are as follows:					
- bank overdrafts	8.2	8.7	0	0	
- trust receipts	8.0	8.4	0	0	
- bankers acceptances	0	4.7	0	0	

Trust receipts of the Group have a credit period of 120 days (2002: 120 days).

• FINANCIAL STATEMENTS (CONTINUED)

21 TERM LOANS

Term Ioan A amounting to RM87,971 was secured by a first party assignment over a building of a subsidiary. This term Ioan was repayable by 120 instalments commencing February 2001.

Term Ioan B amounting to RM3,307,286 was secured by:

- (i) the new factory building of the borrowing subsidiary;
- (ii) a debenture incorporating a fixed and floating charge over all present and future assets of the borrowing subsidiary; and
- (iii) a third party fixed charge on the freehold land and buildings of other subsidiaries.

Term loan B was also covered by a corporate guarantee by a subsidiary and joint and several guarantee of all the directors of the borrowing subsidiary.

Term Ioan B was repayable by 60 instalments commencing September 2002.

Term loans A and B were fully settled in August 2003 due to availability of funds.

The interest of term loans A and B is calculated based on floating interest rates which may be varied at any time at the banks' discretion.

	GROUP	
Weighted average effective interest rates at the balance sheet date are as follows:	2003 %	2002 %
- Term Ioan A - Term Ioan B	0 0	8.4 7.9

The Group did not have any exposure to foreign currency exchange risk in respect of term loans as they were denominated in Ringgit Malaysia. The carrying amounts of all term loans as at 31 December 2002 approximate their fair values.

22 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting are shown in the balance sheet.

	GR(GROUP	
	2003 RM	2002 RM	
Deferred tax liabilities			
- subject to income tax	(1,241,372)	(1,035,062)	
- subject to real property gains tax	(470,800)	(470,800)	
	(1,712,172)	(1,505,862)	

• FINANCIAL STATEMENTS (CONTINUED)

22 DEFERRED TAX (CONTINUED)

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

	GROUP		
	2003	2002	
	RM	RM	
At 1 January	(1,505,862)	(538,582)	
Charged to income statement:			
Property, plant and equipment Unrealised profit on inventories	(191,040) (15,270)	(492,000) (4,480)	
	(206,310)	(496,480)	
Charged to equity:			
Revaluation reserve	0	(470,800)	
At 31 December	(1,712,172)	(1,505,862)	
Subject to income tax -			
Deferred tax asset (before offsetting) Unrealised profit on inventories	100,668	115,938	
Offsetting	(100,668)	(115,938)	
Deferred tax asset (after offsetting)	0	0	
	=========		
Subject to income tax -			
Deferred tax liability (before offsetting) Property, plant and equipment	(1,342,040)	(1,151,000)	
Offsetting	100,668	115,938	
Deferred tax liability (after offsetting)	(1,241,372)	(1,035,062)	
Subject to real property gains tax - Deferred tax liability			
Property, plant and equipment	(470,800)	(470,800)	
Deferred tax liabilities (after offsetting)	(1,712,172)	(1,505,862)	

The amount of unutilised tax losses of the Group for which no deferred tax asset is recognised in the balance sheet amounted to RM108,361 (2002: RM192,695).



• FINANCIAL STATEMENTS (CONTINUED)

23 SHARE CAPITAL

	20	03	2002		
	No. of		No. of		
GROUP AND COMPANY	shares	RM	shares	RM	
Authorised:					
Ordinary shares of RM0.50 each At 1 January Creation of new ordinary shares	100,000,000	50,000,000	1,000,000	500,000	
of RM0.50 each	0	0	99,000,000	49,500,000	
At 31 December	100,000,000	50,000,000	100,000,000	50,000,000	
Issued and fully paid-up:					
Ordinary shares of RM0.50 each At 1 January Issuance of new ordinary shares	55,416,000	27,708,000	600,000	300,000	
of RM0.50 each	24,584,000	12,292,000	54,816,000	27,408,000	
At 31 December	80,000,000	40,000,000	55,416,000	27,708,000	

During the financial year, the Company issued 24,584,000 ordinary shares of RM0.50 each at an issue price of RM0.65 per share by way of a special and public issue payable in full on application in connection with the proposed listing of the Company on the Second Board of BMSB. These new shares were fully subscribed for and the entire issued shares were successfully listed on the Second Board of BMSB on 31 July 2003. The proceeds from the issuance of these shares were used to acquire property, plant and equipment, repay term loan and bank borrowings, and finance its working capital and share issue cost. The new shares rank pari passu in all respects with the existing ordinary shares of the Company.

24 RESERVES

	GRO	OUP	COMPANY		
Distributable	2003 RM	2002 RM	2003 RM	2002 RM	
Retained profits/(Accumulated losses): At 1 January as previously reported Change in accounting policy (Note 25)	15,506,314 115,938	8,960,291 120,418	(33,852) 0	(16,746) 0	
At 1 January as restated	15,622,252	9,080,709	(33,852)	(16,746)	
Net profit/(loss) for the financial year As previously reported Change in accounting policy (Note 25)	6,783,930 0	6,546,023 (4,480)	1,226,196 0	(17,106) 0	
As restated	6,783,930	6,541,543	1,226,196	(17,106)	
At 31 December as restated	22,406,182	15,622,252	1,192,344	(33,852)	



• FINANCIAL STATEMENTS (CONTINUED)

24 RESERVES (CONTINUED)

KESERVES (CONTINOED)	GR	OUP	COMPANY		
Non-distributable	2003 RM	2002 RM	2003 RM	2002 RM	
Reserves on consolidation:					
At 1 January	80,344	84,037	0	0	
Arising from disposal of a subsidiary	00,011	04,007	Ŭ	Ŭ	
· · · · · · · · · · · · · · · · · · ·	0	(3,693)	0	0	
At 31 December	80,344	80,344	0	0	
Share premium:					
At 1 January	0	0	0	0	
Arising from issue of shares	3,687,600	0	3,687,600	0	
Share issue cost	(1,788,305)	0	(1,788,305)	0	
At 31 December	1,899,295	0	1,899,295	0	
Revaluation reserve:					
Surplus on revaluation of buildings:					
At 1 January as previously reported	1,020,891	0	0	0	
Surplus on revaluation	0	1,020,891	0	0	
Change in accounting policy (Note 25)	(285,848)	(285,848)	0	0	
At 31 December as restated	735,043	735,043	0	0	
Surplus on revaluation of land:					
At 1 January as previously reported	3,361,555	0	0	0	
Surplus on revaluation	0	3,361,555	0	0	
Change in accounting policy (Note 25)	(184,952)	(184,952)	0	0	
At 31 December as restated	3,176,603	3,176,603	0	0	
Revaluation reserve:					
At 1 January as previously reported	4,382,446	0	0	0	
Surplus on revaluation of land and buildings	4,302,440	4,382,446	0	0	
Change in accounting policy (Note 25)	(470,800)	(470,800)	0	0	
At 31 December as restated	3,911,646	3,911,646	0	0	
Total reserves:					
At 31 December as restated	28,297,467	19,614,242	3,091,639	(33,582)	

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credits under Section 108(6) of the Income Tax Act, 1967 to distribute all the Company's retained profit as at 31 December 2003, if paid out as dividends (2002: RM Nil).

In accordance with the merger relief provision of Section 60(4) of the Companies Act, 1965, no premium was recorded in the share premium account in respect of the share issue for the acquisition of Caelygirl (M) Sdn. Bhd. ("CMSB"). The Company has recorded its investment in CMSB at the nominal value of ordinary shares issued as consideration. On consolidation, the excess of the nominal value of the shares acquired over the carrying value of the investment was recorded as a merger deficit. The merger deficit was set off against the retained profits on 1 January 2001.

• FINANCIAL STATEMENTS (CONTINUED)

25 CHANGE IN ACCOUNTING POLICY

During the financial year ended 31 December 2003, the Group and the Company changed its accounting policy with respect to deferred taxation to be in compliance with the new MASB 25 "Income Taxes". In the previous financial years, deferred tax was provided using the liability method in respect of all material timing differences except when there was reasonable evidence that such timing differences would not reverse in the foreseeable future. Deferred tax debits are not accounted for unless their realisation is beyond reasonable doubt.

The Group and the Company have now changed this accounting policy to recognise deferred tax on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

This change in accounting policy has been accounted for retrospectively and comparatives have been restated. The new accounting policy has the effect of decreasing the Group's net profit for the financial year ended 31 December 2003 by RM15,270. The new accounting policy has no effect on the result of the Company for the financial year ended 31 December 2003 nor its shareholder's equity.

The other effects of the change in accounting policy are as follows:

	As previously	Effects of	
	reported	change	As restated
GROUP	RM	RM	RM
At 31 December 2001:			
Retained profits	8,960,291	120,418	9,080,709
Financial year ended 31 December 2002:			
Net profit for the financial year	6,546,023	(4,480)	6,541,543
Surplus on revaluation of land and buildings	4,382,446	(470,800)	3,911,646
At 31 December 2002:			
Deferred tax			
- subject to income tax	1,151,000	(115,938)	1,035,062
- subject to real property gains tax	0	470,800	470,800
Revaluation reserve	4,382,446	(470,800)	3,911,646
Retained profits	15,506,314	115,938	15,622,252

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 SIGNIFICANT RELATED PARTY DISCLOSURES

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:

	GRO	OUP	COMPANY	
	2003	2002	2003	2002
Purchases of goods/services rendered by:	RM	RM	RM	RM
Subsidiaries of CAM Resources Bhd. ("CAM") where a substantial shareholder of CAM is connected with a director/substantial shareholder of the Company	18,847	181,474	0	0
Business entities owned by close family members of a director/substantial shareholders of the Company				
- Finatec Enterprise	147,575	169,650	0	0
- Hongdy Enterprise	207,731	206,992	0	0
- Inner Beauty Enterprise	170,378	196,195	0	0
- Perusahaan Tacly	292,092	346,622	0	0
A company in which certain directors/substantial shareholders have controlling interests				
- Kimberlux Construction Sdn. Bhd.	1,249,469	3,158,570	0	0
		=======================================		

The balances outstanding for the Group in connection with the transactions stated above are disclosed in Note 15 and Note 18 to the financial statements.

27 CAPITAL COMMITMENT

	GRO	GROUP		PANY
	2003 RM	2002 RM	2003 RM	2002 RM
Capital expenditure authorised and contracted but not provided for in the financial statements are as follows:				
Plant, equipment and vehicles	100,398	341,264	0	0

• FINANCIAL STATEMENTS (CONTINUED)

28 FINANCIAL INSTRUMENTS

<u>GROUP</u>

(i) Foreign currency forward contracts

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

At 31 December 2003, the settlement date on open forward contract ranged between 1 and 3 months (2002: 1 month). The details of the outstanding forward contract are as follows:

2003	Currency	Currency	Contractual	RM
Hedged item	bought	sold	rate	equivalent
Trade debtors - US Dollar 2,000,000 - Euro 200,000	RM RM	US Dollar Euro	3.81 4.50	7,621,860 899,950

The fair value of this outstanding forward contract at the balance sheet date was an unfavourable net position of RM35,190.

2002 Hedged item	Currency bought	Currency sold	Contractual rate 1 Euro:RM	RM equivalent
Trade creditors				
Future purchases of materials	Euro	RM	3.72	29,334

The fair value of this outstanding forward contract at the balance sheet date was a favourable net position of RM2,366.

(ii) Fair values

The carrying amounts of financial assets and liabilities of the Group and the Company as at 31 December 2003 approximate their fair values except for marketable securities which are based on the quoted market prices.

29 COMPARATIVES

Comparative figures were extended to comply with the additional disclosure requirements of the new MASB Standards that are applicable for the financial year ended 31 December 2003.

30 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution at the Board of Directors on 21 April 2004.



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

We, Khor Mooi Soong and Chuah Chin Lai, being two of the directors of Caely Holdings Bhd., state that, in the opinion of the directors, the financial statements set out on pages 32 to 67 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2003 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 applicable approved accounting standards in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 21 April 2004.

KHOR MOOI SOONG EXECUTIVE DIRECTOR

CHUAH CHIN LAI MANAGING DIRECTOR

Teluk Intan, Perak Darul Ridzuan

• DECLARATION

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

I, Loo Swee Cheng, being the officer primarily responsible for the financial management of Caely Holdings Bhd., do solemnly and sincerely declare that the financial statements set out on pages 32 to 67 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.

LOO SWEE CHENG SENIOR FINANCE MANAGER

Subscribed and solemnly declared by the abovenamed Loo Swee Cheng at Teluk Intan in the state of Perak Darul Ridzuan, Malaysia on 21 April 2004.

Before me,

KOAY HEAN BENG, P.P.T. (A059) COMMISSIONER FOR OATHS

Teluk Intan, Perak Darul Ridzuan



TO THE MEMBERS OF CAELY HOLDINGS BHD.

We have audited the financial statements set out on pages 32 to 67. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and the Company as at 31 December 2003 and of the results and cash flows of the Group and the Company for the financial year ended on that date;

and

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

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

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

PRICEWATERHOUSECOOPERS (No. AF-1146) Chartered Accountants CHO CHOO MENG [No. 2082/09/04 (J)] Partner of the firm

Ipoh, Perak Darul Ridzuan

21 April 2004

CAELY HOLDINGS BHD. (408376-U)

(Incorporated in Malaysia)

LIST OF PROPERTIES AS AT 31 DECEMBER 2003

Title and Location	Description	Tenure / Age of buildings	Year of expiry	Land area / Built-up area (Square feet)	Date of last valuation* /acquisition#	Net book value (RM)	
Caelygirl (M) Sdn	. Bhd.						
Lot No. 1082, Geran 23580, Mukim of Durian Sebatang, District of Hilir Perak	Land	Freehold	-	45,466	18.06.2001*	577,480	
Lot No. 1082, Geran 23580, Mukim of Durian Sebatang, District of Hilir Perak	2-storey hostel	Freehold 9 years	-	15,250	18.06.2001*	447,246	
Lot No. 1082, Geran 23580, Mukim of Durian Sebatang, District of Hilir Perak	3-storey hostel	Freehold 7 years	-	11,100	18.06.2001*	450,310	
Lot No. 1082, Geran 23580, Mukim of Durian Sebatang, District of Hilir Perak	3-storey factory building	Freehold 5 years	-	28,140	18.06.2001*	1,627,660	
PT 780, H.S.(D) 7645, Mukim of Durian Sebatang, District of Hilir Perak	Land	Freehold	-	13,689	31.07.2003#	169,000	
Lot No. 014329, Pajakan Negeri 20383, Mukim of Durian Sebatang, District of Hilir Perak	Land and building (3 1/2-storey shophouse)	Leasehold 16 years	28.12.2080	1,615 5,650	18.06.2001*	126,674 164,183	
Parcel No. 13, Storey No. 7 Sri Pelangi Condominium Blok B, Wilayah Persekutuan	Condominium	Freehold 4 years	-	927	16.05.2001*	143,592	

71

CAELY HOLDINGS BHD. (408376-U)

(Incorporated in Malaysia)

LIST OF PROPERTIES (CONTINUED) AS AT 31 DECEMBER 2003

Title and Location	Description	Tenure / Age of buildings	Year of expiry	Land area / Built-up area (Square feet)	Date of last valuation* /acquisition#	Net book value (RM)	
Marywah Industr	ies (M) Sdn.	Bhd.					
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	Land	Freehold	-	274,972	18.06.2001*	3,514,192	
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	2-storey factory building	Freehold 8 years	-	69,928	18.06.2001*	4,755,261	
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	3-storey factory building	Freehold 1 year	-	76,800	26.12.2002#	7,478,102	
Lot No. 014330, Pajakan Negeri 20384, Mukim of Durian Sebatang, District of Hilir Perak	Land and building (3 1/2-storey shophouse)	Leasehold 16 years	28.12.2080	1,605 5,740	18.06.2001*	126,728 164,254	
Classita (M) Sdn.	Bhd.						
Lot No. 15603, H.S.(D) LP 10706, Mukim of Durian Sebatang District of Hilir Perak	Land and building (3-storey shophouse)	Freehold 4 years	-	1,500 4,500	18.06.2001*	75,000 159,193	
Lot No. 15604, H.S.(D)	Land and	Freehold	-	1.500	18.06.2001*	75,000	

Lot No. 15604, H.S.(D) LP 10707, Mukim of Durian Sebatang, District of Hilir Perak	Land and building (3-storey shophouse)	Freehold 4 years	-	1,500 4,500	18.06.2001^	75,000 159,193
Lot No. 13, Geran 11402, Town of Teluk Intan, District of Hilir Perak	Land	Freehold	-	29,926	18.06.2001*	300,000
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 3 year		1,200 1,693	18.06.2001*	40,000 73,200

72

Authorised Capital	:	RM50,000,000
Issued and Paid-up Capital	:	RM40,000,000
Class of Shares	:	Ordinary shares of RM0.50 each
Total Number of Shares Issued	:	80,000,000
Voting Rights	:	1 vote per ordinary share
No. of Shareholders	:	3,498

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 11 MAY 2004

Size of	No. of		No of	% of
Shareholding	Shareholders	%	Shares	Issued Capital
1 - 99	1	0.03	50	Negligible
100 - 1,000	749	21.41	722,600	0.91
1,001 - 10,000	2,221	63.49	10,235,850	12.79
10,001 - 100,000	492	14.07	13,943,600	17.43
100,001 - 4,000,000	31	0.89	19,097,900	23.87
4,000,001 and above	4	0.11	36,000,000	45.00
Total	3,498	100.00	80,000,000	100.00

SUBSTANTIAL SHAREHOLDER AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 11 MAY 2004

	Direct Inter	Direct Interest		
	No. of shares	%	No. of shares	%
Fong Nyok Yoon	9,000,000	11.25	27,000,000 ^(a)	33.75
Chuah Chin Lai	9,000,000	11.25	27,000,000 ^(b)	33.75
Khor Mooi Soong	9,000,000	11.25	27,000,000 ^(c)	33.75
Lim Pow Choo	9,000,000	11.25	27,000,000 ^(d)	33.75

Notes:-

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

DIRECTORS' SHAREHOLDINGS AS AT 11 MAY 2004

	Direct Intere	st	Deemed Inter	est
	No. of shares	%	No. of shares	%
Fong Nyok Yoon	9,000,000	11.25	27,000,000 ^(a)	33.75
Dato' Wan Mohd Zin Bin Mat Amin	2,678,000 ^(b)	3.35	-	-
Chuah Chin Lai	9,000,000	11.25	27,000,000 ^(c)	33.75
Khor Mooi Soong	9,000,000	11.25	27,000,000 ^(d)	33.75
Lim Pow Choo	9,000,000	11.25	27,000,000 ^(e)	33.75
Siow Hock Lee	-	-	-	-
Ooi Say Teik	-	-	-	-
Hem Kan @ Chan Hong Kee	-	-	-	-

Notes:-

- (a) Deemed interested by virtue of the shareholding of her spouse, Chuah Chin Lai, her sister and her spouse, Lim Pow Choo and Khor Mooi Soong.
- (b) 1,028,000 shares are held through nominee company.
- (c) Deemed interested by virtue of the shareholding of his spouse, Fong Nyok Yoon, his sister-in-law and spouse, Lim Pow Choo and Khor Mooi Soong.
- (d) Deemed interested by virtue of the shareholding of his spouse, Lim Pow Choo, his sister-in-law and spouse, Fong Nyok Yoon and Chuah Chin Lai.
- (e) Deemed interested by virtue of the shareholding of her spouse, Khor Mooi Soong, her sister and her spouse, Fong Nyok Yoon and Chuah Chin Lai.

THIRTY LARGEST SHAREHOLDERS AS PER THE REGISTER OF MEMBERS AS AT 11 MAY 2004

	Name of Shareholder	No. Shares Held	%
1.	Fong Nyok Yoon	9,000,000	11.25
2.	Chuah Chin Lai	9,000,000	11.25
3.	Khor Mooi Soong	9,000,000	11.25
4.	Lim Pow Choo	9,000,000	11.25
5.	Lembaga Tabung Angkatan Tentera	3,000,000	3.75
6.	RHB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Ng New Soon (CST)	2,850,900	3.56
7.	Koid Hun Kian	2,225,600	2.78
8.	Employees Provident Fund Board	2,136,300	2.67
9.	Dato' Wan Mohamad Zin Bin Mat Amin	1,650,000	2.06
10.	Awang Adek Bin Hussin	1,223,000	1.53



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

	Name of Shareholder	No. Shares Held	%
1.	CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: CIMB for Dato' Wan Mohamad Zin Bin Mat Amin	1,028,000	1.29
2.	SJ SEC Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Ng Yoke Pheng	800,200	1.00
3.	CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Ng Yoke Pheng (MM1178)	460,000	0.58
4.	Affin-ACF Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Ng Weng Keong	339,000	0.42
5.	Citicorp Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Sow Cheng Kow (472975)	313,600	0.39
6.	HSBC Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Lim Sa Ba	250,000	0.31
7.	OSK Nominees (Tempatan) Sdn Berhad Qualifier: OSK Capital Sdn Bhd for Lim Owwe Lam	250,000	0.31
8.	Mayban Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Huan Dee Lam (08319AQ0112)	215,000	0.27
9.	HDM Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Amtel Group Sdn Bhd (Memo)	207,500	0.26
0.	CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Bukit Kiara Capital Sdn Bhd (MM1255)	200,000	0.25
1.	Tan Chean Nam	190,000	0.24
2.	Phoon Soo Hin	180,000	0.23
3.	OSK Nominees (Tempatan) Sdn Berhad Qualifier: OSK Capital Sdn Bhd for Mohammad Yusof Bin Abdullah	150,000	0.19
4.	TASEC Nominees (Tempatan) Sdn Bhd Qualifier: TA Securities (HK) Limited for TA First Credit Sdn Bhd (Research)	150,000	0.19
5.	Affin Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Thong Weng Kin (SXH745)	140,000	0.18
6.	OSK Nominees (Tempatan) Sdn Berhad Qualifier: OSK Capital Sdn Bhd for Ridzuan Bin Salimon	135,500	0.17
7.	Lau Hong Seng	129,300	0.16
8.	Teo Kin Swee	118,000	0.15
9.	OSK Nominees (Tempatan) Sdn Berhad Qualifier: Pledged Securities Account for Chang Chee Seng	115,000	0.14
0.	Citicorp Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Tan Chai Ho (471265)	110,000	0.14
	Total	54,566,900	68.21



PROXY FORM

No. of ordinary shares held

/We ____

of

(Full Name in Capital Letters) (Full Address)

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

as * my/our proxy/proxies to attend and vote for *me/us and on *my/our behalf at the Eighth 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 23 June 2004 at 10.00 a.m and, at every adjournment thereof to vote as indicated below :

		For	Against
Resolution 1	Adoption of the Statutory Financial Statements for the year ended 31 December 2003 and the Reports of the Directors and Auditors' thereon		
Resolution 2	To declare a first and final dividend of 2 sen per share less 28% income tax for the year ended 31 December 2003		
Resolution 3	To approve the payment of directors' fee of RM140,000/- in respect of the year ended 31 December 2003		
Resolution 4	Re-election of Ms Fong Nyok Yoon as Director		
Resolution 5	Re-election of Mr Siow Hock Lee as Director		
Resolution 6	Re-election of Mr Khor Mooi Soong as Director		
Resolution 7	Re-appointment Messrs PricewaterhouseCoopers as Auditors, and to authorise the Directors to determine their remuneration		
	Special Business To approve the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature		
Resolution 8	Transaction between Caelygirl (M) Sdn Bhd and related parties		
Resolution 9	Transaction between Classita (M) Sdn Bhd and related parties		
Resolution 10	Transaction between Marywah Industries (M) Sdn Bhd and related parties		
Resolution 11	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 Proxy	%
	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 _____ 2004.

* 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 22rd Floor Wisma Cyclecarri, 288 Jalan Raja Laut, 50350 Kuala Lumpur at least forty-eight (48) hours before the time approved for holding the meeting or any adjournment thereof.

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Affix Stamp

CAELY HOLDINGS BHD.

(408376-U)

22nd Floor, Wisma Cyclecarri 288, Jalan Raja Laut 50350 Kuala Lumpur

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