PRICEWATERHOUSECOOPERS

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The Board of Directors
Caely Holdings Bhd.
Lot 2661, 3rd Mile
Jalan Maharaja Lela
36000 Teluk Intan
Perak Darul Ridzuan

12 June 2003

Dear Sirs

1. INTRODUCTION

The following report has been prepared by PricewaterhouseCoopers, an approved company auditor for inclusion in the Prospectus of Caely Holdings Bhd. (hereafter referred to as "CHB" or "the Company") to be dated 23 June 2003, in connection with the Public Issue of 12,000,000 new ordinary shares of RM0.50 each and Special Issue of 12,584,000 new ordinary shares of RM0.50 each at an issue price of RM0.65 per share and the listing and quotation for its entire enlarged issued and fully paid-up share capital of 80,000,000 ordinary shares of RM0.50 each on the Second Board of the Kuala Lumpur Stock Exchange.

2. GENERAL INFORMATION

The Company was incorporated on 31 October 1996 in Malaysia as a public limited company. The principal activity of the Company is that of an investment holding company through the acquisition of Caelygirl (M) Sdn. Bhd. group of companies (hereafter referred to as "CMSB Group"). CHB and the CMSB Group are hereafter collectively referred to as "CHB Group" or "the Group". Details of the CMSB Group, all of which are incorporated in Malaysia, are as follows:

Name	Date of incorporation	Issued and paid-up share capital	Effective interest	Principal activities
		RM	%	
Caelygirl (M) Sdn. Bhd. ("CMSB")	4.12.1986	450,000	100	Direct sales of undergarments, garments, leather goods, sportswear and household products.

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2. GENERAL INFORMATION (Continued)

Name	Date of incorporation	Issued and paid-up share capital	Effective interest	Principal activities
		RM	%	
Classita (M) Sdn. Bhd. ("CCSB")	25.11.1989	750,006	100	Manufacture and sales of undergarments.
Marywah Industries (M) Sdn. Bhd. ("MISB")	21.2.1991	1,710,000	100	Manufacture and sales of undergarments.
Renova Garments Sdn. Bhd. ("RGSB")	14.6.1989	350,400	100	Provision of sewing services.

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

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

3. RESTRUCTURING EXERCISE

In conjunction with, and as an integral part of the listing of and quotation for the enlarged issued and fully paid-up ordinary share capital of CHB on the Second Board of the Kuala Lumpur Stock Exchange, the Company proposed the following restructuring scheme which was approved by the relevant authorities:

(a) The acquisition by CHB of 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 CHB at an issue price of RM0.64 per share (rounded to the nearest sen) on 2 October 2002.

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3. RESTRUCTURING EXERCISE (Continued)

For the purpose of the acquisition stated above, the net tangible assets of CMSB Group as at 31 December 2000 are based on the audited financial statements of CMSB Group for the financial year ended 31 December 2000, adjusted to reflect the following:

(i) the acquisition by CMSB of 43,800 remaining shares (equivalent to 12.5% shareholding) in an existing subsidiary, RGSB for a cash consideration of RM23,214 paid on 18 June 2001;

(ii) the disposal by CMSB of the 95% paid-up share capital of Chemson Manufacturing (M) Sdn Bhd ("Chemson") for a cash consideration of RM83,217 based on the net tangible assets of Chemson as at 31 December 2000 on 17 October 2002; and

(iii) revaluation of the land and buildings of CMSB and its subsidiary companies and the incorporation of the revaluation surplus into the financial statements of CMSB and its subsidiary companies in October 2002.

(b) Upon completion of 3 (a) above, three existing subsidiary companies of CMSB were transferred to CHB for considerations equivalent to the net tangible asset values of the respective subsidiary companies as at 31 December 2000 as follows:

(i) MISB comprising 1,710,000 ordinary shares of RM1 each with a net tangible asset value of RM6,278,566;

(ii) CCSB comprising 750,006 ordinary shares of RM1 each with a net tangible asset value of RM20,161,473; and

(iii) RGSB comprising 350,400 ordinary shares of RM1 with a net tangible asset value of RM186,382.

The total consideration for the above transfers is reflected as an amount due to CMSB in CHB's books. The above transfers were completed on 25 April 2003 and are disclosed in Paragraph 13 as an event subsequent to the balance sheet date.

(c) CHB will implement / undertake the following share issues:

(i) public issue of 12,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.65 per share;

(ii) special issue of 12,584,000 new ordinary shares of RM0.50 each at an issue price of RM0.65 per share to bumiputra investors approved by Ministry of International Trade and Industry ("MITI"); and

(iii) restricted offer for sale of 9,388,000 ordinary shares of RM0.50 each at an offer price of RM0.65 per share to bumiputra investors approved by MITI.

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4. SHARE CAPITAL

As at the date of incorporation, the Company's authorised share capital was RM100,000 comprising 100,000 ordinary shares of RM1 each and an issued and paid-up share capital of RM2 comprising 2 ordinary shares of RM1 each. On 8 June 2001, every ordinary share is sub-divided from RM1 each into 2 ordinary shares of RM0.50 each. Thereafter, the authorised share capital was increased from RM100,000 to RM500,000 by the creation of 800,000 new ordinary shares of RM0.50 each on 8 June 2001. Subsequently, on 2 October 2002, the authorised share capital was further increased to RM50,000,000 by the creation of 99,000,000 new ordinary shares of RM0.50 each.

The changes in the issued and fully paid-up share capital of the Company since its incorporation are as follows:

Date of allotment	Par value	Number of ordinary shares	Consideration	Cumulative total issued and fully paid-up share capital
	RM	RM		
31.10.1996	1	2	Subscribers' shares	2
8.6.2001	0.50	4	Sub-division of every ordinary share of RM1 each into 2 ordinary shares of RM0.50 each	2
8.6.2001	0.50	599,996	Rights issue on the basis of 149,999 ordinary shares of RM0.50 each for every existing 1 ordinary share of RM0.50 each held in CHB	300,000
2.10.2002	0.50	54,816,000	Acquisition of the entire equity interest in CMSB	27,708,000

The new shares rank pari passu in all respects with the existing ordinary shares of the Company.

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5. FINANCIAL STATEMENTS AND AUDITORS

The financial statements included in this Report have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies and in accordance with the applicable approved accounting standards in Malaysia. This requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses during the reported financial year. Actual results could differ from those estimates.

The financial statements are the responsibilities of the Company's directors.
We are the auditors of CHB and its subsidiaries for all years relevant to this Report. The audited financial statements of CHB and its subsidiaries for all the financial years under review were audited and reported on by us without any qualification.

6. BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

(a) The financial statements included in this Report are based on the audited financial statements of the Company and CMSB Group respectively. The comparative figures comprising the financial years ended 31 December 1998 to 31 December 2001 have been reclassified and incorporate additional disclosures in accordance with the requirements of the accounting standards issued by the Malaysian Accounting Standards Board that are applicable up to the financial year which commenced 1 January 2002 except that the adjustments resulting from the revaluation of land and buildings were only recognised in the financial statements in the financial year ended 31 December 2002.

(b) The directors of CHB are of the opinion that the financial statements are not significantly affected by transactions and balances between the companies to which they relate, except to the extent stated in the notes to their respective financial statements.

(c) Prior year adjustments

During the financial year ended 31 December 2000, CMSB changed its accounting policy with respect to the treatment of trademark. Trademark, which had been previously stated at cost, was subsequently adjusted and written off to the income statement in the year of acquisition i.e. in the financial year ended 31 December 1996. The change in this accounting policy has been accounted for retrospectively.

In addition, for the purpose of this Report, we have adjusted the taxation charge for the (under)/overprovision of taxation for the five financial years ended 31 December 1998 to 31 December 2002.

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6. BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION (Continued)

(c) Prior year adjustments (continued)

The effects of the adjustments of trademark, taxation charge and merger deficit (as described in Paragraph 9.5(p) below) on the Group are as follows:

	As previously reported RM'000	Trademark RM'000	Taxation charge RM'000	Merger deficit RM'000	As restated RM'000
1998					
Retained profits/(accumulated loss) as at 1 January 1998	19,968	(2,500)	97	(26,958)	(9,393)
Taxation charge for the financial year	(703)	-	(48)	-	(751)
Net profit for the financial year	2,267	-	(48)	-	2,219
Income tax payable as at 31 December 1998	572	-	(49)	-	523
Retained profits/(accumulated losses) as at 31 December 1998	22,235	(2,500)	49	(26,958)	(7,174)
Trademark as at 31 December 1998	2,500	(2,500)	-	-	-
1999					
Taxation charge for the financial year	(227)	-	22	-	(205)
Net profit for the financial year	5,389	-	22	-	5,411
Income tax payable as at 31 December 1999	549	-	(71)	-	478
Retained profits/(accumulated losses) as at 31 December 1999	27,624	(2,500)	71	(26,958)	(1,763)
Trademark as at 31 December 1999	2,500	(2,500)	-	-	-
2000					
Taxation charge for the financial year	(1,424)	-	73	-	(1,351)
Net profit for the financial year	5,172	-	73	-	5,245
Income tax payable as at 31 December 2000	1,096	-	(144)	-	952
Retained profits as at 31 December 2000	30,296	-	144	(26,958)	3,482
2001					
Taxation charge for the financial year	(1,703)	-	14	-	(1,689)
Net profit for the financial year	5,622	-	14	-	5,636
Income tax payable as at 31 December 2001	188	-	(158)	-	30
Retained profits as at 31 December 2001	35,918	-	158	(26,958)	9,118
2002					
Taxation charge for the financial year	(590)	-	(158)	-	(748)
Net profit for the financial year	6,546	-	(158)	-	6,388

The trademark adjustment has no financial impact on the income statements for the five financial years ended 31 December 2002.

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7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(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.

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.

Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed during the financial year are included in the consolidated income statement from the date of acquisition or up to the date of disposal. The difference between the acquisition cost and fair value of the net assets of subsidiaries at the date of acquisition is reflected as goodwill or reserve on consolidation.

CMSB Group was 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 CMSB Group are consolidated using the merger method of accounting, whereas the results of CMSB Group are consolidated using the acquisition method of accounting.

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

Separate disclosure is made on minority interest.

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.

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7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The Group adopted the policy of regular revaluation of land and buildings with effect from the financial year ended 31 December 2002. 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 reserves. Any deficit arising from revaluation or impairment losses is charged against the revaluation reserves to the extent of a previous surplus held in the revaluation 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.

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. The following are the annual rates of depreciation:

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 income statement.

Gains and losses on disposals 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 these assets are transferred to retained profits.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investment in subsidiaries

Investment in subsidiaries are shown at 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.

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

(d) Investment in an associated company

An associated company is an enterprise in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated company but not control over those policies. Investment in an associated company is accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising in the income statement the Group's share of the results of the associated company for the period. The Group's investment in the associated company carried in the balance sheet at an amount that reflects its share of the net assets of the associated company and includes goodwill on acquisition. Equity accounting is discontinued when the carrying amount of the investment in the associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of the associated company to ensure consistency of accounting policies with those of the Group.

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

(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) include cost of direct materials, direct labour and an appropriate proportion of production overheads.

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7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Inventories (continued)

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 anticipated realisable value. Bad debts are written off when 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 on 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) 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.

(i) Deferred tax liabilities

The tax expense is determined on the basis of tax effect accounting using the liability method for taxation deferred in respect of all timing differences. Deferred tax benefits are recognised only if there is a reasonable expectation of their realisation.

(j) Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained profits in the period in which they are declared.

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7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 are recognised on accrual basis.

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

(l) 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 are from the settlement of the 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 foreign currency monetary assets and liabilities are as follows:

	As at 31 December				
	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
Assets:					
1 US Dollar	3.77	3.77	3.77	3.77	3.77
Liabilities:					
1 US Dollar	3.77	3.82	3.82	3.82	3.82
1 Euro	-	-	-	3.33	4.02
100 Hong Kong Dollar	47.00	48.20	49.21	49.21	49.21
1 Deutsche Mark	2.24	1.92	1.24	-	-
100 French Franc	66.30	57.30	50.60	-	-

(m) Financial instruments

(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.

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7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments (continued)

(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 forward foreign exchange contracts is determined using the market forward rates at the balance sheet date.

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

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

(iv) Comparatives

Comparatives are not disclosed upon first application of MASB Standard 24 "Financial Instruments: Disclosure and Presentation", as permitted by the Standard.

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8. CHB

8.1 Income statements

The income statements of CHB for the five financial years ended 31 December 1998 to 31 December 2002, which are based on the audited results of the Company, are as follows:

	Note	← Financial year ended 31 December →				
	8.5	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Revenue		-	-	-	-	-
Other operating income		-	-	-	2	4
Administrative expenses		(6)	(3)	(3)	(5)	(19)
Loss before taxation	(a)	(6)	(3)	(3)	(3)	(15)
Taxation		-	-	-	-	(2)
Loss after taxation		(6)	(3)	(3)	(3)	(17)

8.2 Balance sheets

The balance sheets of CHB as at 31 December 1998 to 31 December 2002, which are based on the audited financial statements of the Company, are as follows:

	Note	← As at 31 December →				
	8.5	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Non current asset						
Investment in subsidiaries	(b)	-	-	-	-	27,408
Current assets						
Prepayments		-	-	-	125	276
Fixed deposit with a licensed bank		-	-	-	151	-
Bank and cash balances		*	*	*	8	6
		*	*	*	284	282
Current liabilities						
Other creditors and accruals		8	11	14	1	15
Income tax payable		-	-	-	-	1
		8	11	14	1	16
Net current (liabilities)/assets		(8)	(11)	(14)	283	266
		(8)	(11)	(14)	283	27,674
Share capital		*	*	*	300	27,708
Accumulated losses		(8)	(11)	(14)	(17)	(34)
		(8)	(11)	(14)	283	27,674

* Two ordinary shares of RM1 each

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8. CHB (Continued)

8.3 Statements of changes in equity

The statements of changes in equity of CHB for the five financial years ended 31 December 1998 to 31 December 2002, which are based on the audited financial statements of the Company, are as follows:

	Issued and fully paid -up ordinary shares			
	Number of shares ('000)	Nominal value RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 1998	*	*	(2)	(2)
Net loss for the financial year	-	-	(6)	(6)
At 31 December 1998	*	*	(8)	(8)
At 1 January 1999	*	*	(8)	(8)
Net loss for the financial year	-	-	(3)	(3)
At 31 December 1999	*	*	(11)	(11)
At 1 January 2000	*	*	(11)	(11)
Net loss for the financial year	-	-	(3)	(3)
At 31 December 2000	*	*	(14)	(14)
At 1 January 2001	*	*	(14)	(14)
Rights issue of 599,996 ordinary shares of RM0.50 each	600	300	-	300
Net loss for the financial year	-	-	(3)	(3)
At 31 December 2001	600	300	(17)	283
At 1 January 2002	600	300	(17)	283
Issue of 54,816,000 ordinary shares of RM0.50 each	54,816	27,408	-	27,408
Net loss for the financial year	-	-	(17)	(17)
At 31 December 2002	55,416	27,708	(34)	27,674

* Two ordinary shares at RM1 each

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8. CHB (Continued)

8.4 Cash flow statement

The cash flow statement of CHB for the financial year ended 31 December 2002, which is based on the audited financial statements of the Company, is as follows:

	2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss for the financial year	(17)
Adjustments for:	
Interest income	(4)
Taxation	2
	(19)
Net movement in working capital:	
Debtors	(150)
Creditors	13
	(156)
Income tax paid	(1)
Net operating cash flow	(157)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	4
Net investing cash flow	4
Net movement in cash and cash equivalents	(153)
Cash and cash equivalents at beginning of the financial year	159
Cash and cash equivalents at end of the financial year	6
Represented by:	
Bank and cash balances	6

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8. CHB (Continued)

8.5 Notes to the financial statements

(a) Loss before taxation

	Financial year ended 31 December				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Loss before taxation is stated after charging:					
Auditors' remuneration	1	1	1	2	15
Interest income	-	-	-	2	4

(b) Investment in subsidiaries

Investment in subsidiaries are shown at the nominal value of the equity shares issued.

Details of the subsidiaries are disclosed in Paragraph 2 of this Report.

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9. CHB GROUP

9.1 Consolidated income statements

The consolidated income statements of CHB Group for the five financial years ended 31 December 1998 to 31 December 2002, based on the audited results of CHB and CMSB Group (after incorporating certain tax adjustments as disclosed Paragraph 6(c) above) are consolidated using the merger accounting method on the assumptions that the acquisition of CMSB Group and the sub-division of every one ordinary share of RM1 each to two ordinary shares of RM0.50 each in respect of CHB were completed on 1 January 1998.

		← Financial year ended 31 December →				
	Note	1998	1999	2000	2001	2002
	9.5	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	(a)	45,031	51,964	56,236	63,668	56,501
Cost of sales		(30,046)	(36,208)	(37,594)	(44,689)	(38,176)
Gross profit		14,985	15,756	18,642	18,979	18,325
Other operating income		638	421	391	1,234	909
Selling and distribution cost		(5,142)	(4,506)	(5,348)	(6,008)	(4,859)
Administrative expenses		(5,010)	(4,934)	(6,002)	(6,019)	(6,526)
Other operating expenses		(785)	(2)	(8)	(29)	(35)
Profit from operations	(b)	4,686	6,735	7,675	8,157	7,814
Finance cost	(c)	(1,877)	(1,152)	(1,061)	(830)	(678)
Share of results of associated company		111	41	-	-	-
Profits from ordinary activities before taxation		2,920	5,624	6,614	7,327	7,136
Taxation						
- company and subsidiaries		(718)	(205)	(1,351)	(1,689)	(748)
- associated company		(33)	-	-	-	-
	(d)	(751)	(205)	(1,351)	(1,689)	(748)
Profit from ordinary activities after taxation		2,169	5,419	5,263	5,638	6,388
Minority interest		50	(8)	(18)	(2)	-
Net profit for the financial year		2,219	5,411	5,245	5,636	6,388
Weighted average number of ordinary shares in issue ('000)		54,816	54,816	54,816	55,166	55,416
Basic earnings per 50 sen share (sen)	(e)	4.05	9.87	9.57	10.22	11.53

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9. CHB GROUP (Continued)

9.2 Consolidated balance sheets

The consolidated balance sheets of CHB Group as at 31 December 1998 to 31 December 2002, based on the audited financial statements of CHB and CMSB Group (after incorporating certain prior year adjustments as disclosed in Paragraph 6(c) above) are consolidated using the merger accounting method on the assumptions that the acquisition of CMSB Group and the sub-division of every one ordinary share of RM1 each to two ordinary shares of RM0.50 each in respect of CHB were completed on 1 January 1998.

		As at 31 December				
	Note	1998	1999	2000	2001	2002
	9.5	RM'000	RM'000	RM'000	RM'000	RM'000
Non current assets						
Property, plant and equipment	(g)	12,695	13,555	13,873	16,719	24,784
Associated company	(h)	324	-	-	-	-
		13,019	13,555	13,873	16,719	24,784
Current assets						
Inventories	(i)	18,357	19,231	25,225	23,468	27,161
Debtors	(j)	8,331	13,025	12,213	10,777	12,499
Tax recoverable		-	-	-	-	1,297
Deposits, bank and cash balances	(k)	1,902	1,982	1,807	3,437	1,871
		28,590	34,238	39,245	37,682	42,828
Current liabilities						
Creditors	(l)	6,964	9,021	9,183	6,181	5,820
Borrowings	(m)	12,033	10,926	10,323	9,736	10,014
Income tax payable		523	478	952	30	1
		19,520	20,425	20,458	15,947	15,835
Net current assets		9,070	13,813	18,787	21,735	26,993
Non current liabilities						
Borrowings	(m)	1,392	1,022	1,122	881	2,949
Deferred tax liabilities	(n)	300	610	539	659	1,151
		1,692	1,632	1,661	1,540	4,100
		20,397	25,736	30,999	36,914	47,677
Capital and reserves						
Share capital	(o)	27,408	27,408	27,408	27,708	27,708
Reserves	(p)	(7,034)	(1,682)	3,563	9,202	19,969
		20,374	25,726	30,971	36,910	47,677
Minority interest		23	10	28	4	0
		20,397	25,736	30,999	36,914	47,677
Number of ordinary shares in issue as at 31 December ('000)		54,816	54,816	54,816	55,416	55,416
NTA per 50 sen share (sen)		37.21	46.95	56.55	66.61	86.03

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9. CHB GROUP (Continued)

9.3 Statements of changes in equity

The statements of changes in equity of CHB Group for the five financial years ended 31 December 1998 to 31 December 2002, based on the audited financial statements of CHB and CMSB Group (after incorporating certain prior year adjustments as disclosed in Paragraph 6(c) above) are consolidated using the merger accounting method on the assumptions that the acquisition of CMSB Group and the sub-division of every one ordinary share of RM1 each to two ordinary shares of RM0.50 each in respect of CHB were completed on 1 January 1998.

	Issued and fully paid-up ordinary shares of RM0.50 each		Non-distributable		Distributable	
	Number of shares	Nominal value	Reserves on consolidation	Revaluation reserves	(Accumulated losses)/ Retained profits	Total
	('000)	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 1998	54,816	27,408	140	-	(9,393)	18,155
Net profit	-	-	-	-	2,219	2,219
At 31 January 1998	54,816	27,408	140	-	(7,174)	20,374
At 1 January 1999	54,816	27,408	140	-	(7,174)	20,374
Net profit	-	-	-	-	5,411	5,411
Goodwill relating to acquisition of subsidiaries	-	-	(59)	-	-	(59)
At 31 December 1999	54,816	27,408	81	-	(1,763)	25,726
At 1 January 2000	54,816	27,408	81	-	(1,763)	25,726
Net profit	-	-	-	-	5,245	5,245
At 31 December 2000	54,816	27,408	81	-	3,482	30,971
At 1 January 2001	54,816	27,408	81	-	3,482	30,971
Issue of ordinary shares	600	300	-	-	-	300
Reserve on consolidation relating to acquisition of a subsidiary	-	-	3	-	-	3
Net profit	-	-	-	-	5,636	5,636
At 31 December 2001	55,416	27,708	84	-	9,118	36,910

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ACCOUNTANTS' REPORTS

9. CHB GROUP (Continued)

9.3 Statements of changes in equity (continued)

	Issued and fully paid-up ordinary shares of RM0.50 each		Non-distributable		Distributable	
	Number of shares	Nominal value	Reserves on consolidation	Revaluation reserves	Retained profits	Total
	('000)	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2002	55,416	27,708	84	-	9,118	36,910
Surplus on revaluation of land and buildings	-	-	-	4,382	-	4,382
Reversal arising from disposal of a subsidiary	-	-	(3)	-	-	(3)
Net profit	-	-	-	-	6,388	6,388
At 31 December 2002	55,416	27,708	81	4,382	15,506	47,677

9.4 Consolidated cash flow statement

The consolidated cash flow statement of the Group for the financial year ended 31 December 2002 is based on the audited financial statements of the Group, after incorporating certain tax adjustments as disclosed in Paragraph 6(c) above.

	2002
	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Net profit for the financial year	6,388
Adjustments for:	
Property, plant and equipment	
- depreciation	1,145
- net gain on disposal	(52)
Interest expense	650
Revaluation deficit	98
Taxation	748
Gain on disposal of a subsidiary	(8)
Interest income	(103)
	8,866
Net movements in working capital:	
Inventories	(3,693)
Debtors	(1,689)
Creditors	(444)
Cash flow generated from operations	3,040
Interest paid	(839)
Income tax paid	(1,582)
Net operating cash flow	619