

## 11. APPROVALS AND CONDITIONS

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of CHB on the Second Board of KLSE, the Company undertook a restructuring exercise as discussed in Section 9.2 of this Prospectus, which was approved by the SC, FIC and MITI on 1 August 2002, 16 August 2001 and 18 September 2001 respectively. An extension of time was granted by the SC on 30 January 2003 for six (6) months until 1 August 2003 to implement the listing of CHB. The conditions imposed by the SC, FIC and MITI in their approvals of the restructuring exercise and the listing of CHB on the Second Board of the KLSE are as follows:

Authority/ Date of approval	Details of conditions imposed	Status of compliance
SC/ 01.08.2002	(i) At least 30% of the 5,000,000 Public Issue Shares under private placement must be placed out, to the extent possible, to Bumiputera investors.  In addition, CIMB or the independent placement agent must submit to the SC, for its notification, a final list of placees, and a confirmation that the placement complies with the SC's Guidelines after it is implemented.	To be complied.  To be complied.
	(ii) The substantial shareholders, promoters and Directors of CHB have to provide a written undertaking to the SC that they will not be involved in any similar or competing/conflicting businesses with the existing business of the CHB Group in the future. In this regard, the siblings of the substantial shareholders and Directors of CHB who are involved in such businesses and the proposal to address such conflict, are required to be fully disclosed in the Prospectus.	Complied. The relevant disclosure has been made in Section 12.2 of the Prospectus.
	(iii) Any future transactions between the CHB Group and companies connected with the Directors/substantial shareholders of CHB must be conducted on an arms-length's basis and not based on terms which are unfavourable to the CHB Group. Such transactions, if exist, should be fully disclosed in the Prospectus. The Audit Committee of CHB is required to monitor and report such transactions, if any, on an annual basis in the annual report of the CHB Group.	The Directors and substantial shareholders of CHB have taken note of the condition and will comply with this condition, if applicable.  Such transactions, made have been fully disclosed in Section 12.1 of the Prospectus.
	(iv) All outstanding debts owing by the Directors and substantial shareholders and their related companies to the CHB Group must be fully settled prior to the issuance of the Prospectus.	The Directors and substantial shareholders had settled all outstanding debts due to the Group on 22 December 2002. The related companies of the Directors and substantial shareholders had settled all outstanding debts due to the Group on 23 December 2002.
	(v) CHB is required to undertake the following before the Prospectus is issued:	
(a) Obtain the approval from the relevant authorities for the "party wall" between the two (2) relevant lots that were removed at Lot No 014329 (PN20383) and Lot No 014330 (PN20384);	The "party wall" has been restored to its original state on 24 February 2003 and the SC has been informed accordingly. Hence, the approval from the relevant authorities are no longer required.	
(b) Obtain the approval from the relevant authorities for the "steel sky-bridge" at Lot No 2661 (Geran Mukim 2292) and Lot No 1082 (Geran Mukim 23580); and	Complied. A copy of the approval letter from the Hilir Perak District Council dated 25 November 2002 was submitted to the SC on 28 February 2003.	

## 11. APPROVALS AND CONDITIONS (Cont'd)

Authority/ Date of approval	Details of conditions imposed	Status of compliance												
	<p>(c) Rectification of the express condition contained in the ownership of Lot No 2661 (Geran Mukim 2292) in order for CHB's operations, that is the manufacturing of undergarments, to comply with the express condition.</p> <p>(vi) Moratorium is to be imposed on 36,000,000 Shares ("Moratorium Shares"), representing 45% of the enlarged issued and fully-paid up capital of CHB, held by the shareholders of CHB as set out in paragraph 10.12 of the SC Policies and Guidelines on Issue/Offer of Securities ("SC Guidelines").</p> <p>In this regard, the shareholders are not allowed to sell, transfer or assign the Moratorium Shares within one (1) year from the date of listing of CHB on the KLSE. Thereafter, in every subsequent year, the shareholders are permitted to sell, transfer or assign only up to a maximum of one-third (1/3) of their respective shareholdings in CHB which are under moratorium.</p> <p>The details of the moratorium are as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Shareholders/Promoters</th> <th style="text-align: right;">No. Shares placed under moratorium</th> </tr> </thead> <tbody> <tr> <td>Fong Nyok Yoon</td> <td style="text-align: right;">9,000,000</td> </tr> <tr> <td>Chuah Chin Lai</td> <td style="text-align: right;">9,000,000</td> </tr> <tr> <td>Khor Mooi Soong</td> <td style="text-align: right;">9,000,000</td> </tr> <tr> <td>Lim Pow Choo</td> <td style="text-align: right;">9,000,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">36,000,000</td> </tr> </tbody> </table>	Shareholders/Promoters	No. Shares placed under moratorium	Fong Nyok Yoon	9,000,000	Chuah Chin Lai	9,000,000	Khor Mooi Soong	9,000,000	Lim Pow Choo	9,000,000		36,000,000	<p>Met. A copy of the approval letter dated 21 November 2002 from the relevant authority was submitted to the SC on 28 February 2003.</p> <p>The SC, via its letter dated 24 May 2003, approved the adoption of the new moratorium requirement whereby promoters of the Company will not be allowed to sell, transfer or assign the Moratorium Shares for one (1) year from the date of admission of the Company to KLSE. Thereafter, the Moratorium Shares are not subjected to any moratorium requirement.</p> <p>To be complied with upon implementation.</p>
Shareholders/Promoters	No. Shares placed under moratorium													
Fong Nyok Yoon	9,000,000													
Chuah Chin Lai	9,000,000													
Khor Mooi Soong	9,000,000													
Lim Pow Choo	9,000,000													
	36,000,000													
	<p>(vii) CHB/CIMB is required to obtain the approval from the MITI so that the Restricted Offer for Sale of 9,388,000 Shares and the Special Issue of 12,584,000 Shares to Bumiputera investors could be identified and nominated by an independent placement agent.</p>	Complied.												
	<p>(viii) CHB is required to have a succession plan to reduce over reliance on the Promoters. Such succession plan needs to be disclosed in the Prospectus.</p>	Complied, an extract of which is disclosed in Section 10.10 of this Prospectus.												
	<p>(ix) CHB is required to make full disclosure of the following in the Prospectus:</p> <p>(a) The need for skilled workers at competitive costs in the undergarment manufacturing industry and the effects on the CHB Group as a result of the emergence of low labour-cost countries. In addition, CHB is required to disclose steps taken or will be taken to:</p> <ul style="list-style-type: none"> <li>- mitigate these effects on the CHB Group as a result of the emergence of low labour-cost countries; and</li> <li>- to ensure that the CHB Group will be able to secure skilled workers at competitive costs;</li> </ul>	Complied. Please refer to Sections 6.7 and 6.11 of this Prospectus.												

## 11. APPROVALS AND CONDITIONS (Cont'd)

Authority/ Date of approval	Details of conditions imposed	Status of compliance
	(b) CHB Group employs a substantial number of foreign workers whose employment is subjected to the approval of the relevant authorities, as well as steps taken or will be taken to reduce CHB's dependence on these foreign workers;	Complied. Please refer to Section 6.7 of this Prospectus.
	(c) CHB's Group dependence on manufacturing contracts and the absence of long-term contracts, as well as steps taken to reduce such risks;	Complied. Please refer to Section 6.10 of this Prospectus.
	(d) Business risks and other risks in relation to the CHB Group's direct selling business;	Complied. Please refer to Section 6.2 of this Prospectus.
	(e) Plans and risk management practices to overcome risks related to the CHB Group's operations, including risks related to fire, energy crisis as well as other emergency risks;	Complied. Please refer to Sections 6.2, 6.12 and 6.14 of this Prospectus.
	(x) CIMB is required to confirm in writing to the SC that the allotment of shares to employees, Directors and the CHB Group's business associates, complies with Chapter 10.2(vii) of the SC Guidelines, after it is implemented; and	To be complied with upon implementation.
	(xi) CHB is required to fully comply with other requirements in relation to the listing of the Company as stated in the SC Guidelines.	Noted.
	(xii) In respect of the utilisation of proceeds from the Public Issue and Special Issue:	
	(a) Approval of the SC must be obtained for any change in the utilisation of the proceeds from the Public Issue and Special Issue if the changes involve utilisation for purposes other than the core business of the CHB Group;	Will be complied with, if required.
	(b) Approval of the shareholders of CHB must be obtained for any change equal to 25% or more of the original utilisation of the proceeds from the Public Issue and Special Issue. If the changes being contemplated are less than 25%, appropriate disclosures must be made to the shareholders of CHB;	Will be complied with, if required.
	(c) Any extension of time from the period already determined by CHB in respect of the utilisation of the proceeds from the Public Issue and Special Issue must be approved by a resolution of the Board of Directors of CHB and must be fully disclosed to the KLSE; and	Will be complied with, if required.
	(d) Appropriate disclosures on the status of utilisation of proceeds must be made in the quarterly reports and annual reports of CHB until the proceeds have been fully utilised.	To be complied.
FIC/ 16.08.2001	CHB to obtain the approvals of the MITI and SC.	Complied. CHB obtained the approvals of the MITI and SC on 18 September 2001 and 1 August 2002 respectively.

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**11. APPROVALS AND CONDITIONS (Cont'd)**


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<b>Authority/ Date of approval</b>	<b>Details of conditions imposed</b>	<b>Status of compliance</b>
<b>MITI/ 18.09.2001</b>	(i) The allocation of the 21,972,000 Special Issue Shares and Offer Shares is subject to the approval of MITI and the distribution shall be determined after the approval of the SC has been obtained.	The approval from MITI for the allocation of the 21,972,000 Special Issue Shares and Offer Shares was obtained vide its letter dated 29 May 2003.
	(ii) CHB to obtain the approvals of the FIC and SC.	CHB obtained the approvals of the FIC and SC on 16 August 2001 and 1 August 2002 respectively.
	(iii) MISB's equity condition was revised as follows: "At least 70% of the Company's shares must be bought and held by Malaysian residents including at least 30% reserved. The Company has to consult the MITI before the reserved shares are dealt with."  The Company is required to attach the letter on the revised condition to the original conditions of the Manufacturing Licence for easier future reference.	Complied upon listing of CHB which holds the entire share capital of MISB.  Complied.

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## 12. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST

### 12.1 RELATED PARTY TRANSACTIONS

Save as disclosed below, there are no other transactions, existing or potential, entered or to be entered by CHB or its subsidiaries, which involve the interest, direct or indirect, of Directors, substantial shareholders and/or persons connected with such Directors or substantial shareholders as defined under Section 122A of the Act or the senior management and key technical personnel of the Group.

- (i) CMSB has purchased goods for its direct selling business amounting to approximately RM22,000 for the financial year ended 31 December 2002 (2001: RM102,000) from Rubysteel Metal Industry Sdn Bhd ("Rubysteel") in which Khor Mooi Soong, who is an Executive Director and substantial shareholder of CHB, is also a Director and has a 14.3% direct interest. In addition, Khor Mooi Huat, who is a brother of Khor Mooi Soong, also has a 21.4% interest in Rubysteel and hence, may deemed as an indirect interest of Khor Mooi Soong.

Rubysteel is a company principally involved in the manufacturing and sales of stainless steel household utensils. The amount and value of transactions with Rubysteel is dependent upon the demand of the direct selling activities of the Group. CMSB purchases goods from Rubysteel upon the receipt of orders from its distributors.

- (ii) As disclosed in Section 5.5 of this Prospectus, the Group has constructed a new factory building, the construction contract was awarded to Kimberlux Construction Sdn Bhd ("Kimberlux"). Kimberlux is principally involved in of construction works and property development. Fong Nyok Yoon, Chuah Chin Lai, Khor Mooi Soong and Lim Pow Choo who are Directors and substantial shareholders of CHB are also Directors and shareholders of Kimberlux.

The total contract awarded to Kimberlux amounted to approximately RM7.0 million, inclusive of total variation orders as at 31 December 2002. During the financial year ended 31 December 2002, the CHB Group had made payments to Kimberlux totalling RM3,158,570 (2001: RM3,099,886).

- (iii) During the financial year ended 31 December 2002, the Group had purchased goods worth RM181,000 (2001:RM391,000) from Central Aluminium Sdn Bhd ("CALuminium") and Central Melamineware Sdn Bhd ("CMelamine"), where Tan Hong Cheng (brother-in-law of Khor Mooi Soong who is an Executive Director and substantial shareholder of CHB) is a Director and substantial shareholder. CALuminium is involved in the manufacturing and trading of aluminium and stainless steel kitchen ware/sinks and stainless steel kitchen knives. CMelamine is involved in the manufacturing and trading of melamine tableware. Goods purchased by the Group from CALuminium and CMelamine are purchased for the direct selling business of CMSB.
- (iv) During the financial year ended 31 December 2002, the Group had sub-contracted out certain work such as sewing of briefs and panties to Perusahaan Taclly ("Taclly"), Finatex Enterprise ("Finatex"), Hongdy Enterprise ("Hongdy") and Inner Beauty Enterprise ("Inner Beauty") worth approximately RM314,000, RM144,000, RM185,000 and RM168,000 respectively. All the above business entities are owned by the siblings and brother-in-law of Chuah Chin Lai, the Managing Director and substantial shareholder of CHB. The Group will only sub-contracted out low margin/value products and/or when the Group's production capacity reaches its limit.

**12. RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)**

Based on the representation of the Directors of CHB, all the transactions with the above parties have been carried out at arms' length. All the above transactions have obtained the necessary approval from shareholders who are not interested in that particular transaction.

The Directors of CHB estimate that the Group will have recurrent related party transactions with the following parties in the financial year ending 31 December 2003. Details of these recurrent related party transactions, of which the value of these transactions is subject to changes, are as follows:

Company in the CHB Group involved	Related Party	Types of transaction	Interested Directors/substantial shareholders	Estimated value of transaction for financial year ending 31 December 2003 RM'000
CMSB	Rubysteel	Purchase of stainless steel household utensils	Khor Mooi Soong	150
CCSB	Kimberlux	Construction services, civil work and building maintenance	Fong Nyok Yoon Chuah Chin Lai Khor Mooi Soong Lim Pow Choo	2,500
CMSB	CAuminium and CMelamine	Purchase of aluminium and stainless steel kitchen ware and melamine table ware	Khor Mooi Soong	1,200
CCSB and CMSB	Tacly, Finatex, Hongdy and Inner Beauty	Sub-contractors who provide sewing services for products such as briefs and panties	Chuah Chin Lai	850
<b>Total</b>				<b>4,700</b>

**12.2 CONFLICT OF INTEREST**

Save as disclosed below, none of the promoters, Directors or substantial shareholders of CHB or its subsidiaries has any interest, direct or indirect, in any business carrying on a similar trade as CHB or its subsidiaries and which is not quoted on a stock exchange:

- (i) Chuah Chin Kheng who is a brother of Chuah Chin Lai (the Managing Director and substantial shareholder of CHB) has substantial interest in Tacly. Tacly is involved in the manufacturing of apparels, briefs and panties.
- (ii) Chuah Siew Kain and Chuah Mooi Keow who are sisters of Chuah Chin Lai (the Managing Director and substantial shareholder of CHB) have substantial interest in Hongdy and Inner Beauty. These business entities are involved in the manufacturing of briefs and panties.
- (iii) Sam Choy who is a brother-in-law of Chuah Chin Lai (the Managing Director and substantial shareholder of CHB) has substantial interest in Finatex. Finatex is involved in the manufacturing of briefs and panties.

None of the Directors of the CHB Group have any shareholdings in Tacly, Finatex, Hongdy nor Inner Beauty. Further, Chuah Ching Kheng, Sam Choy, Chuah Siew Kain and Chuah Mooi Keow do not have any shareholdings and are not part of the management in CHB or its subsidiaries. As such, the Directors of the CHB Group are of the opinion that the involvement of Chuah Chin Lai's siblings in a similar business as the CHB Group will not result in a material conflict of interest and all transactions between the CHB Group and Tacly, Finatex, Hongdy and Inner Beauty have been and will be conducted at arm's length.

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**12. RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)**

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**12.3 DECLARATION**

- (i) CIMB hereby confirms that there are no existing or potential conflicts of interest in its capacity either as the Adviser, Placement Agent, Managing Underwriter and Underwriter for the Public Issue, Restricted Offer for Sale and Special Issue.
- (ii) Messrs. Wong Beh & Toh have given their confirmation that there are no existing or potential conflicts of interest in its capacity as Solicitors for the Public Issue, Restricted Offer for Sale and Special Issue.
- (iii) Messrs. PricewaterhouseCoopers have given their confirmation that there are no existing or potential conflicts of interest in their capacity as Reporting Accountants and Auditors.
- (iv) Messrs. Colliers Jordan Lee & Jaafar have given their confirmation that there are no existing or potential conflicts of interest in their capacity as Valuers for the Group's properties.
- (v) ResearchLink Sdn Bhd have given its confirmation that there are no existing or potential conflicts of interest in its capacity as industry expert.
- (vi) Infocredit D&B (Malaysia) Sdn Bhd have given its confirmation that there are no existing or potential conflicts of interest in its capacity as industry expert.

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### 13. OTHER INFORMATION CONCERNING THE GROUP

#### 13.1 MAJOR LICENCES AND PERMITS

The major licences and permits that have been obtained by the Group which are still applicable as at the date of this Prospectus are as follows:

	Subsidiaries/ Authorities	Date issued/ Licence/ Cert. No.	Nature of approval	Equity condition imposed	Status
(i)	<b>CMSB</b>				
	Ministry of Domestic Trade and Consumer Affairs	04.04.2003/ AJL93165	Licence to carry on direct sales business (multi-level marketing) from 4 April 2003 to 3 April 2006	Nil	N/A
(ii)	<b>CCSB</b>				
	MITI	11.10.1994/ A009421	Approval to act as a licensed manufacturer of "made-up garments" and "undergarments" at Tingkat 1, Lot 2661, Jalan Maharaja Lela, 36000 Teluk Intan, Perak Darul Ridzuan as from 25 August 1994	Nil	N/A
	Royal Customs and Excise Malaysia	09.10.1990/ A034950	Licence under the Sales Tax Act 1972, to act as a licensed manufacturer at Tingkat 1, Lot 2661, Jalan Maharaja Lela, 36000 Teluk Intan, Perak Darul Ridzuan to manufacture men's and boys' underwear, ladies' panties, brassiere, nightwear and undergarments	Nil	N/A
	Ministry of Finance	02.08.2001, 08.11.2001 and 04.04.2002	Exemption of import duty on raw materials used in producing finished products for the export market ("Exemption"). Validity period is from 10.10.2001 to 09.10.2003. CCSB will apply for an extension of the Exemption upon expiry of the validity period.	Nil	N/A
	Majlis Daerah Hilir Perak	02.01.2003	Special business licence (premise licence) to produce fabric, clothing and textiles at Jalan Changkat Jong, 36000 Teluk Intan for the period 01.01.2003 to 31.12.2003.	Nil	N/A
(iii)	<b>MISB</b>				
	MITI	10.06.1997/ A010859	Approval in pursuance of the Industrial Co-Ordination Act, 1975 to act as a licensed manufacturer of undergarments at Lot 2661, Jalan Maharaja Lela, 36000 Teluk Intan, Perak Darul Ridzuan	At least 70% of the Company's shares should be bought and held by Malaysians, including at least 30% reserved. The Company has to consult the MITI before the reserved shares are dealt with.	Met

The Company is also required to attach a letter from MITI dated 18 September 2001 to the original conditions of the Manufacturing Licence for easier future reference.



### 13. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)

Subsidiaries/ Authorities	Date issued/ Licence/ Cert. No.	Nature of approval	Equity condition imposed	Status
Royal Customs and Excise Malaysia	06.05.1987/ A027598	Licence under the Sales Tax Act to act as a licensed manufacturer of ladies' clothing and garments at Lot 2661, Jalan Maharaja Lela, 36000 Teluk Intan, Perak Darul Ridzuan	Nil	N/A
Majlis Daerah Hilir Perak	02.01.2003	Special business licence (premise licence) to produce fabric, clothing and textiles at Jalan Changkat Jong, 36000 Teluk Intan for the period 01.01.2003 to 31.12.2003.	Nil	N/A
<b>(iii) RGSB</b>				
Subsidiaries/ Authorities	Date issued/ Licence/ Cert. No.	Nature of approval	Equity condition imposed	Status
Royal Customs and Excise Malaysia	15.08.1989/ A034841	Licence under the Sales Tax Act to act as a licensed manufacturer at Lot 2661, Jalan Maharaja Lela, 36000 Teluk Intan, Perak Darul Ridzuan for the manufacture of men's and ladies' garments	Nil	N/A
Majlis Daerah Hilir Perak	02.01.2003	Special business licence (premise licence) to produce fabric, clothing and textiles at Jalan Changkat Jong, 36000 Teluk Intan for the period 01.01.2003 to 31.12.2003.	Nil	N/A

### 13.2 LANDED PROPERTIES

A summary of the information on landed properties owned by the Group as at 23 May 2003 is as follows:

Title and location	Registered proprietor	Description/ Existing use	Tenure/age of building	Land area/built- up area Square feet	←-----As approved by SC-----→			←--Updated information--→	
					Net book value at 31.12.2000 RM	Market value approved by SC <sup>7</sup> RM	Revaluation surplus/ (deficit) RM	Net book value at 31.12.2002 RM	Market value by Valuers RM
Lot No. 1082, Geran 23580, Mukim of Durian Sebatang, District of Hilir Perak	CMSB	Land	Freehold	45,466	123,470	577,480	454,010	577,480	577,480
Lot No. 1082, Geran 23580, Mukim of Durian Sebatang, District of Hilir Perak	CMSB	2-storey hostel/ 3-storey hostels	Freehold/ 7 years/6 years	15,250/ 11,100	<sup>ii</sup> 204,714/ 547,606	470,000/ 480,000	265,286/ (67,606)	<sup>ii</sup> 456,646/ 459,910	470,000/ 480,000
Lot No. 1082, Geran 23580, Mukim of Durian Sebatang, District of Hilir Perak	CMSB	3-storey factory building	4 years	28,140	<sup>iii</sup> 1,111,584	1,710,000	598,416	<sup>iii</sup> 1,661,861	1,710,000

## 13. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)

Title and location	Registered proprietor	Description/ Existing use	Tenure/age of building	Land area/built- up area Square feet	← As approved by SC →			← Updated information →	
					Net book value at 31.12.2000 RM	Market value approved by SC <sup>(i)</sup> RM	Revaluation surplus/ (deficit) RM	Net book value at 31.12.2002 RM	Market value by Valuers RM
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	MISB	Land/ 2-storey factory building	Freehold/ 7 years	274,972/ 69,928	1,028,705/ 5,013,999	3,492,520/ 5,090,000	2,463,815/ 76,001	3,492,520/ 4,857,061	3,492,520/ 5,090,000
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	MISB	3-storey factory building	Freehold/ <1 year	76,800	<sup>(ii)</sup> NA	<sup>(ii)</sup> NA	NA	<sup>(ii)</sup> 6,596,616	<sup>(ii)</sup> NA
Lot No. 014329, Pajakan Negeri 20383, Mukim of Durian Sebatang, District of Hilir Perak	CMSB	Land/ 3 ½-storey shophouse	Leasehold- expires on 28.12.2080/ 15 years	1,615/5,650	170,597	130,000/ 170,000	129,403	128,151/ 167,583	130,000/ 170,000
Lot No. 014330, Pajakan Negeri 20384, Mukim of Durian Sebatang, District of Hilir Perak	MISB	Land/ 3 ½-storey shophouse	Leasehold – expires on 28.12.2080/ 15 years	1,605/5,740	166,027	130,000/ 170,000	133,973	128,206/ 167,654	130,000/ 170,000
Lot No. 15603, H.S.(D) LP 10706, Mukim of Durian Sebatang, District of Hilir Perak	CCSB	Land/3-storey shophouse	Freehold/ 3 years	1,500/4,500	295,534	75,000/ 175,000	(45,534)	75,000/ 162,693	75,000/ 175,000
Lot No. 15604, H.S.(D) LP 10707, Mukim of Durian Sebatang, District of Hilir Perak	CCSB	Land/ 3-storey shophouse	Freehold/ 3 years	1,500/4,500	295,534	75,000/ 175,000	(45,534)	75,000/ 162,693	75,000/ 175,000
Lot No. 13, Geran 11402, Town of Teluk Intan, District of Hilir Perak	CCSB	Land	Freehold	29,926	170,000	300,000	130,000	300,000	300,000
Parcel No. 13, Storey, No. 7 Sri Pelangi Condominium Blöck B, Wilayah Persekutuan	<sup>(iii)</sup> CMSB	Condominium	Freehold/ 3 years	927	148,296	150,000	1,704	146,592	150,000
Lot No. 15644 H.S.(D) LP 10747, Mukim of Durian Sebatang, District of Hilir Perak	CCSB	2-storey terrace house	Freehold/ 2 years	2,400	127,400	40,000/ 80,000	(7,400)	40,000/ 74,800	40,000/ 80,000
								4,086,534	

**13. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)****Notes:**

- <sup>i</sup> The market value of the landed properties as valued by the Valuers were subsequently revised and approved by the SC vide its letter dated 11 December 2001.
- <sup>ii</sup> The net book values of the said buildings are reflected in the accounting records of CCSB.
- <sup>iii</sup> The net book value of the said building is reflected in the accounting records of MISB.
- <sup>iv</sup> This is a new factory building which the construction of this factory building was completed in November 2002. Hence, no valuation was conducted on this building. Further details of the factory building are disclosed below and in Sections 5.5 and 9.3.7.
- <sup>v</sup> Beneficial ownership as vested in the Sale and Purchase Agreement dated 21 June 2000.

The valuations of the above landed properties were carried out by the Valuers. The properties were valued using the cost and comparative methods of valuation on 18 June 2001. The net revaluation surplus amounting to RM4.09 million together with consolidation adjustments amounting to RM0.19 million were incorporated into the financial statements of the Group in financial year ended 31 December 2002.

Save as disclosed below, none of the abovementioned properties have been acquired/constructed within the last two (2) years preceding the date of this Prospectus.

Title and location	Date of Certificate of Fitness	Construction cost as at 31 December 2002 RM
Three (3)-storey factory building constructed on Lot No 2661, Geran Mukim 2292, Mukim Durian Sebatang, Perak Darul Ridzuan	26 December 2002	6,596,616

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## 14. FINANCIAL INFORMATION

### 14.1 HISTORICAL FINANCIAL INFORMATION

#### (a) Profit and dividend records

The following is a summary of the proforma consolidated results of the Group for the past five (5) financial years ended 31 December 2002 prepared on the assumption that the structure of the Group has been in existence throughout the years under review. The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the Accountants' Report set out in Section 15 of this Prospectus.

	<-----Financial years ended 31 December----->				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	45,031	51,964	56,236	63,668	56,501
EBITDA	5,794	7,935	8,714	9,234	8,931
Interest expense	(1,801)	(1,102)	(1,007)	(792)	(650)
Depreciation	(1,073)	(1,209)	(1,093)	(1,115)	(1,145)
PBT	2,920	5,624	6,614	7,327	7,136
Taxation	(751)	(205)	(1,351)	(1,689)	(748)
PAT but before minority interest	2,169	5,419	5,263	5,638	6,388
Minority interest	50	(8)	(18)	(2)	-
PAT and minority interest	2,219	5,411	5,245	5,636	6,388
Number of Shares assumed in issue ('000)	54,816	54,816	54,816	55,166	55,416
Weighted average number of Shares assumed in issue ('000)	54,816	54,816	54,816	55,166	55,416
Basic net EPS (sen) <sup>*i</sup>	4.0	9.9	9.6	10.2	11.5
Fully diluted net EPS (sen) <sup>*ii</sup>	2.8	6.8	6.6	7.0	8.0

#### Notes:

<sup>\*i</sup> Based on the PAT and minority interest and on the weighted average number of Shares assumed to be in issue in the respective years.

<sup>\*ii</sup> Based on the PAT and minority interest and on the enlarged share capital of CHB of 80,000,000 Shares in issue.

#### Commentary:

- (i) The summarised proforma consolidated profit and loss results of the Group for the five (5) financial years ended 31 December 2002 were prepared based on the audited financial statements of the Company, CMSB, MISB, CCSB and RGSB, after incorporating certain tax adjustments as disclosed in Paragraph 6(c) of Section 15.
- (ii) Turnover for 1999 and 2000 improved in line with the economic recovery and the launch of new household products and slimming lingerie for CMSB and continuous growth in export sales for CCSB.
- (iii) Turnover for 2001 improved mainly due to the increased efforts of the management of CHB in the export segment and hence, export sales is the main contributor to the growth in turnover and PAT.
- (iv) The decrease in turnover for 2002 was mainly caused by the contraction in the global economy as a result of the spillover of the September 11 effect and the deferment of export shipments by some of the Group's customers.
- (v) There were no exceptional and extraordinary items or minority interests during the financial years under review.

**14. FINANCIAL INFORMATION (Cont'd)****(b) Segmental data**

The segmental analysis of the proforma Group turnover and PBT for the five (5) financial years ended 31 December 2002 are as follows:

	<-----Financial year ended 31 December----->				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
<b>Analysis of turnover</b>					
Direct selling	10,180	10,524	12,013	12,606	10,795
Manufacturing sales (OEM)	34,113	40,775	43,563	50,298	44,515
Manufacturing sales (own brand)	3,165	2,611	3,648	2,173	1,893
Others	2,368	2,221	2,421	1,952	929
Subtotal	49,826	56,131	61,645	67,029	58,132
<b>Less: Proforma Consolidation adjustments</b>	(4,795)	(4,167)	(5,409)	(3,361)	(1,631)
	45,031	51,964	56,236	63,668	56,501
<b>Analysis of PBT and minority interest</b>					
Direct selling	(3,493)	(902)	787	1,221	524
Manufacturing sales (OEM)	7,408	6,409	5,800	6,286	6,785
Manufacturing sales (own brand)	667	1,034	824	448	381
Others	(127)	65	150	31	(11)
	4,455	6,606	7,561	7,986	7,679
Unallocated income	231	129	114	171	135
Profit from operations	4,686	6,735	7,675	8,157	7,814
Finance cost	(1,877)	(1,152)	(1,061)	(830)	(678)
Share of results of associated company	111	41	-	-	-
Consolidated total	2,920	5,624	6,614	7,327	7,136

**(c) Declaration**

Save as disclosed in this Prospectus, the financial performance, position and operations of the Group were not affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
- (ii) material capital expenditure commitments;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Group;

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**14. FINANCIAL INFORMATION (Cont'd)**


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- (iv) apart from the revenue fluctuations elaborated in Section 14.1 (a), there has not been any substantial increase in revenue for the Group; and
- (v) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

**(d) Working capital, borrowings, material commitments, contingent liabilities and material litigation**

**(i) Working capital**

The Directors of CHB are of the opinion that, after taking into account the cashflow forecast of the Group and banking facilities available, the Group will have adequate working capital for its present and foreseeable future requirements.

**(ii) Borrowings**

As at 15 May 2003, being the latest practicable date at which such amounts could be calculated prior to the printing of this Prospectus, the total borrowings of the Group amounted to approximately RM11.999 million.

The details of the Group's outstanding borrowings, overdrafts and banking facilities are as follows:

	<b>RM'000</b>
Long-term borrowings	2,483
Short-term borrowings	9,516
Total borrowings	<u>11,999</u>
<b>Represented by:</b>	
Interest-bearing	11,999
Non-interest-bearing	-

**(iii) Material commitments**

As at 23 May 2003, being the latest practicable date at which such amounts could be calculated prior to the printing of this Prospectus, the Group has material commitments for capital expenditure of approximately RM0.881 million as follows:

	<b>RM'000</b>
<i>Approved and contracted</i>	
- Motor vehicle	46
- ERP System	835
<i>Approved but not contracted</i>	-
	<u>881</u>

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**14. FINANCIAL INFORMATION (Cont'd)**


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**(iv) Contingent liabilities**

As at 23 May 2003, being the latest practicable date at which such amounts could be calculated prior to the printing of this Prospectus, save for CMSB having given an unsecured corporate guarantee amounting to RM12.5 million to banks for banking facilities extended to CCSB, MISB and RGSB, the Group does not have any other material contingent liabilities, which would have a material effect on the financial performance and position of the Group.

**(v) Material litigation**

Neither CHB nor its subsidiaries are engaged in any litigation/arbitration, either as plaintiff or defendant, which has a material effect on the financial performance and position of CHB or its subsidiaries and the Directors of CHB are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of CHB or its subsidiaries.

**14.2 CONSOLIDATED PROFIT FORECAST**

Barring unforeseen circumstances and on the bases and assumptions set out below, the Board forecasts that the consolidated profit after taxation of CHB for the financial year ending 31 December 2003 will be as follows:

<b>Financial year ending 31 December</b>	<b>2003 RM'000</b>
Turnover	72,343
Consolidated PBT	<u>10,349</u>
Less: Taxation	(2,898)
Consolidated PAT and minority interest	<u>7,451</u>
<b>Net EPS (sen):</b>	
Basic EPS (sen) <sup>*i</sup>	13.4
Diluted EPS (sen) <sup>*ii</sup>	9.3
Net PE Multiple based on the issue price of RM0.65 per share and fully diluted EPS (times)	6.99

**Notes:**

\*i Based on the share capital of CHB after the CMSB Acquisition of 55,416,000 Shares.

\*ii Based on the enlarged share capital of CHB of 80,000,000 Shares in issue.

The principal bases and assumptions upon which the consolidated profit forecast has been made are as follows:

- (i) Public Issue and Special Issue of 12,000,000 Shares and 12,584,000 Shares respectively at an issue price of RM0.65 per Share is expected to be completed by July 2003.

**14. FINANCIAL INFORMATION (Cont'd)**

- (ii) The gross proceeds of RM15.980 million from the Public Issue and Special Issue is expected to be utilised by the Group in August 2003 as follows:

	<b>RM'000</b>
Repayment of bank borrowings	7,000
Repayment of term loan obtained for the new factory building	3,500
Purchase of plant and machinery and office equipment	2,000
Working capital	1,980
Estimated listing expenses	1,500
	<u>15,980</u>

- (iii) The share issue expenses arising from the above Public Issue and Special Issue estimated at RM1,500,000 will be written off against the share premium account.
- (iv) There will be no significant changes to the prevailing economic and political conditions in Malaysia and elsewhere that will have direct or indirect adverse effects on the Group.
- (v) There will be no major industrial disputes or any abnormal circumstances which will adversely affect the operations of the Group or the markets in which it operates.
- (vi) There will be no material changes to present legislation or Government regulations, rates and bases of duties, levies and taxes affecting the Group's activities.
- (vii) Existing and future financing facilities will remain available to the Group at prevailing interest rates.
- (viii) There will be no material changes in the Group structure and principal activities of the Group.
- (ix) There will be no significant changes in the prevailing inflation and exchange rates of foreign currencies. The exchange rate of US Dollar to Ringgit Malaysia will remain pegged at the prevailing level of USD1:RM3.80.
- (x) There will be no material changes in the senior management and operating policies adopted by the Group.
- (xi) There will be no material changes in the accounting policies adopted by the Group except for the adoption of a new accounting standard, MASB Standard 25 Income Taxes, but no material impact on the profit forecast is expected.
- (xii) The prices of raw materials will not change materially from their prevailing levels and there will be no adverse time lag in supply scheduling.
- (xiii) There will be no major shortage in labour supply which would adversely affect the operations of the Group.
- (xiv) There will be no material acquisition and disposal of property, plant and equipment other than as planned in the forecast.

The financial statements of the subsidiaries, namely CMSB, MISB, CCSB and RGSB have been consolidated in compliance with the Malaysian Accounting Standards Board ("MASB") Standard No. 21 : Business Combinations under the principles of merger accounting.



14. FINANCIAL INFORMATION (Cont'd)

14.3 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST

**PRICEWATERHOUSECOOPERS** 

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

12 June 2003

Dear Sirs,

CAELY HOLDINGS BHD.  
CONSOLIDATED PROFIT FORECAST  
FOR THE YEAR ENDING 31 DECEMBER 2003

We have reviewed the accounting policies and calculations for the consolidated profit forecast of Caely Holdings Bhd. and its subsidiary companies ("the Group"), for the year ending 31 December 2003, for which the Directors are solely responsible, as set out in the Prospectus to be dated 23 June 2003 in connection with the listing and quotation of the entire issued and paid-up share capital of 80,000,000 ordinary shares of RM0.50 each in Caely Holdings Bhd. on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors as set out in the principal bases and assumptions of the consolidated profit forecast, and is presented on a basis consistent with the accounting policies normally adopted by the Group including the adoption of a new accounting policy, as set out in paragraph 11 of the principal bases and assumptions.

Yours faithfully,



PRICEWATERHOUSECOOPERS  
(No. AF-1146)  
Chartered Accountants



CHO CHOO MENG  
[No. 2082/09/04 (J)]  
Partner of the firm

PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants  
1st Floor  
Standard Chartered Bank Chambers  
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**14. FINANCIAL INFORMATION (Cont'd)****14.4 DIRECTORS' ANALYSIS OF THE CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2003**

The Board has reviewed and analysed the bases and assumptions used in arriving at the consolidated profit forecast of the Group for the financial year ending 31 December 2003 and are of the opinion that the consolidated profit forecast is fair and reasonable in light of the prospects of the textile and apparel industry in which it operates and the future plans, strategies and prospects of the Group as set out in Section 8 of this Prospectus and after taking into consideration the forecast gearing level, liquidity and working capital requirements of the Group.

For the financial year ending 31 December 2003, turnover is estimated at RM72.34 million representing an increase of 28% from the previous financial year ended 31 December 2002 of RM56.50 million. The forecasted increase in turnover is mainly due to the expected increase in orders from the Group's foreign buyers, and the securing of new buyers from Germany and the US. As a result of the increase in turnover, the consolidated PAT is forecasted to increase by 16.6% to RM7.45 million as compared to RM6.39 million in the financial year ended 31 December 2002.

**14.5 DIVIDEND FORECAST**

It is the policy of the Directors of CHB to recommend dividends to allow shareholders to participate in the profits of the Company as well as leaving adequate reserves for the future growth of the Company.

Future dividends may be waived if:

- (a) The Group is in a loss position for the relevant financial period; or
- (b) The Group has insufficient cashflows to meet any dividend payments.

Notwithstanding the above, the Directors of CHB anticipate that, based on the consolidated forecast profit after taxation of RM7.45 million for the financial year ending 31 December 2003 and barring unforeseen circumstances, the Company will be in a position to propose a gross dividend of 2.0 sen per Share for the financial year ending 31 December 2003 based on its issued and paid-up share capital of 80,000,000 Shares after the Public Issue and Special Issue.

The intended appropriation of the forecasted consolidated profit after taxation for the financial year ending 31 December 2003 will be as follows:

	<b>Year ending 31 December 2003 RM'000</b>
Profit before taxation	10,349
Less: Taxation	(2,898)
Profit after taxation	<u>7,451</u>
Less: Proposed dividend of 2 sen per Share (net of tax of 28%)	(1,152)
Profit retained for the financial year	<u>6,299</u>
Gross dividend per Share (sen)	2.00
Gross dividend yield based on the issue price of RM0.65 per Share (%)	3.08
Gross dividend cover (times)	4.65
Net dividend per Share (sen)	1.44
Net dividend yield based on the issue price of RM0.65 per Share (%)	2.22
Net dividend cover based on projected net dividend of 1.44 sen per Share (times)	6.46

**14. FINANCIAL INFORMATION (Cont'd)****14.6 SENSITIVITY ANALYSIS**

The principal bases and assumptions upon which the sensitivity analysis on the Group's profit forecast have been made are as follows:

- (i) The selected variable item will vary  $\pm 5\%$ ,  $\pm 10\%$  and  $\pm 20\%$ ;
- (ii) For the changes in volume scenario, the gross profit margin of its operations will be maintained at the same percentage as in the base case; and
- (iii) Except for the selected variable items, the same assumptions for the other items as for the base case shall apply.

The following scenarios attempt to show the impact on the forecast consolidated PBT and PAT resulting from changes in selling price, volume and cost of sales.

**(a) Changes in selling price**

	<-----Financial Year Ending 31 December 2003----->			
	<-----PBT----->		<-----PAT----->	
	RM'000	%	RM'000	%
As per forecast	10,349	-	7,451	-
+5%	13,966	+35	10,056	+35
+10%	17,583	+70	12,660	+70
+20%	24,818	+140	17,869	+140
-5%	6,732	-35	4,847	-35
-10%	3,115	-70	2,243	-70
-20%	(4,120)	-140	(4,120)	-155

All other factors remaining equal, an increase in selling prices by 5%, 10% and 20% will result in an increase in the PBT and PAT of the Group by 35%, 70% and 140% and similarly a decrease in selling prices by 5%, 10% and 20% will result in a decrease in the PBT of the Group by 35%, 70% and 140%. Accordingly, PAT will decrease by 35%, 70% and 155%.

**(b) Changes in volume**

	<-----Financial Year Ending 31 December 2003----->			
	<-----PBT----->		<-----PAT----->	
	RM'000	%	RM'000	%
As per forecast	10,349	-	7,451	-
+5%	11,537	+11	8,306	+11
+10%	12,724	+23	9,161	+23
+20%	15,099	+46	10,871	+46
-5%	9,161	-11	6,596	-11
-10%	7,974	-23	5,741	-23
-20%	5,599	-46	4,031	-46

All other factors remaining equal, an increase in volume by 5%, 10% and 20% will result in an increase in the PBT and PAT of the Group by 11%, 23% and 46% and similarly a decrease in volume by 5%, 10% and 20% will result in a decrease in the PBT and PAT of the Group by 11%, 23% and 46%.

**14. FINANCIAL INFORMATION (Cont'd)****(c) Changes in cost of sales**

	<-----Financial Year Ending 31 December 2003----->			
	<-----PBT----->		<-----PAT----->	
	RM'000	%	RM'000	%
As per forecast	10,349	-	7,451	-
+5%	7,919	-23	5,702	-23
+10%	5,490	-47	3,953	-47
+20%	630	-94	454	-94
-5%	12,779	+23	9,201	+23
-10%	15,208	+47	10,950	+47
-20%	20,068	+94	14,449	+94

All other factors remaining equal, an increase in cost of sales by 5%, 10% and 20% will result in a decrease in the PBT and PAT of the Group by 23%, 47% and 94% and similarly a decrease in cost of sales by 5%, 10% and 20% will result in an increase in the PBT and PAT of the Group by 23%, 47% and 94%.

The Board has reviewed and analysed the bases and assumptions used upon which the sensitivity analysis on the Group's profit forecast have been made and is of the opinion that the sensitivity analysis on the Group's profit forecast is fair and reasonable.

**14.7 PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2002**

The proforma consolidated balance sheet of the CHB Group as set out below is provided solely for illustrative purposes only to show the effects of the Public Issue and Special Issue of CHB on the assumption that these transactions were completed on 31 December 2002.

	<b>Audited Consolidated Balance Sheet of CHB as at 31 December 2002 RM'000</b>	<b>Proforma I After Public Issue and Special Issue RM'000</b>
<b>Non current assets</b>		
Property, plant and equipment	24,784	26,784
<b>Current assets</b>		
Inventories	27,161	27,161
Receivables, deposits and prepayments	12,499	11,699
Tax recoverable	1,297	1,297
Deposits, bank and cash balances	1,871	4,651
	42,828	44,808

**14. FINANCIAL INFORMATION (Cont'd)**

	<b>Audited Consolidated Balance Sheet of CHB as at 31 December 2002 RM'000</b>	<b>Proforma 1 After Public Issue and Special Issue RM'000</b>
<b>Current liabilities</b>		
Creditors	5,820	5,820
Borrowings	10,014	2,291
Income tax payable	1	1
	<u>15,835</u>	<u>8,112</u>
<b>Net current assets</b>	<u>26,993</u>	<u>36,696</u>
<b>Non current liabilities</b>		
Borrowings	2,949	172
Deferred tax liabilities	1,151	1,151
	<u>4,100</u>	<u>1,323</u>
	<u>47,677</u>	<u>62,157</u>
<b>Capital and reserves</b>		
Share capital	27,708	40,000
Share premium	-	2,188
Reserves on consolidation	81	81
Revaluation reserves	4,382	4,382
Retained profits	15,506	15,506
Shareholders' equity	<u>47,677</u>	<u>62,157</u>
Net tangible assets	<u>47,677</u>	<u>62,157</u>
Net tangible assets per Share (RM)	0.86	0.78

**14.7.1 NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEET****(i) Consolidated balance sheet of CHB Group**

The consolidated balance sheet of the CHB Group as at 31 December 2002 is extracted from the audited financial statements for the financial year ended 31 December 2002 which was reported on without any qualification.

In conjunction with the listing of CHB on the Second Board of the KLSE, CMSB transferred 100% of its shareholdings in CCSB, MISB and RGSB to CHB to become the wholly owned subsidiaries of CHB on 25 April 2003. This event subsequent to the balance sheet date of 31 December 2002 has no effect on the consolidated balance sheet of CHB Group.

**(ii) Proforma consolidated balance Sheet**

The proforma consolidated balance sheet of CHB Group as set out above is provided solely for illustrative purposes only to show the effects of the Public Issue and Special Issue of CHB on the assumption that these transactions were completed on 31 December 2002.

The proforma consolidated balance sheet of CHB Group has been prepared based on the accounting policies and bases consistent with those adopted in the preparation of the Group's financial statements for the financial year ended 31 December 2002.

**14. FINANCIAL INFORMATION (Cont'd)****Proforma I:**

The Proforma I has been prepared based on the audited consolidated balance sheet of CHB Group as at 31 December 2002 and incorporates the following transactions:

- (a) Public Issue of 12,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.65 per share; and
- (b) 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 MITI.

For the purpose of Proforma I, the gross proceeds of RM15.98 million from the Public Issue and Special Issue will be utilised as follows:

	<b>RM'000</b>
Repayment of bank borrowings	7,000
Repayment of term loan for the construction of a new factory building	3,500
Purchase of plant and machinery and office equipment	2,000
Working capital	1,980
Estimated listing/share issue expenses	1,500
	<u>15,980</u>

The estimated listing/share issue expenses will be written off against the share premium account.

**(iii) Share capital and share premium**

	<b>Share capital</b>	<b>Share premium</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 31 December 2002	27,708	-
Public Issue of 12,000,000 new Shares at an issue price of RM0.65 per share	6,000	1,800
Special Issue of 12,584,000 new Shares at an issue price of RM0.65 per share	6,292	1,888
Estimated listing/share issue expenses written off	-	(1,500)
As shown in Proforma I	<u>40,000</u>	<u>2,188</u>

14. FINANCIAL INFORMATION (Cont'd)

14.8 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2002

PRICEWATERHOUSECOOPERS 

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

12 June 2003

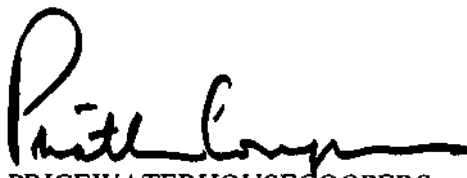
Dear Sirs,

CAELY HOLDINGS BHD.  
PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2002

We have reviewed the Proforma Consolidated Balance Sheet of Caely Holdings Bhd. and its subsidiaries as at 31 December 2002, together with the notes thereon for which the Directors are solely responsible, as set out in the Prospectus to be dated 23 June 2003 in connection with the listing and quotation of the entire issued and paid-up share capital of 80,000,000 ordinary shares of RM0.50 each in Caely Holdings Bhd. on the Second Board of the Kuala Lumpur Stock Exchange.

Based on the results of our review, we confirm that the Proforma Consolidated Balance Sheet of Caely Holdings Bhd. and its subsidiaries as at 31 December 2002, which is provided for illustrative purposes only, has been properly compiled on the bases set out in the notes to the Proforma Consolidated Balance Sheet.

Yours faithfully,



PRICEWATERHOUSECOOPERS  
(No. AF-1146)  
Chartered Accountants



CHO CHOO MENG  
[No. 2082/09/04(J)]  
Partner of the firm

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(AF 1146)  
Chartered Accountants  
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Standard Chartered Bank Chambers  
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