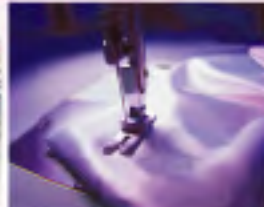




Annual Report 2005



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BOARD OF DIRECTORS

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

Deputy Chairman :
Dato' Wan Mohamad Zin Bin Mat Amin

Managing Director :
Chuah Chin Lai, A.M.P.

Executive Directors :
Khor Mooi Soong
Lim Pow Choo

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

AUDIT COMMITTEE

Chairman
Siow Hock Lee

Members
Fong Nyok Yoon, A.M.P.
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

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, Menara EON Bank
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 15-2, 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

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting ("AGM") of CAELY HOLDINGS BHD. ("CHB") will be convened and held at No. 47, Zone J4, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on 28 June 2006 at 10.00 a.m. to transact the following item of businesses :-

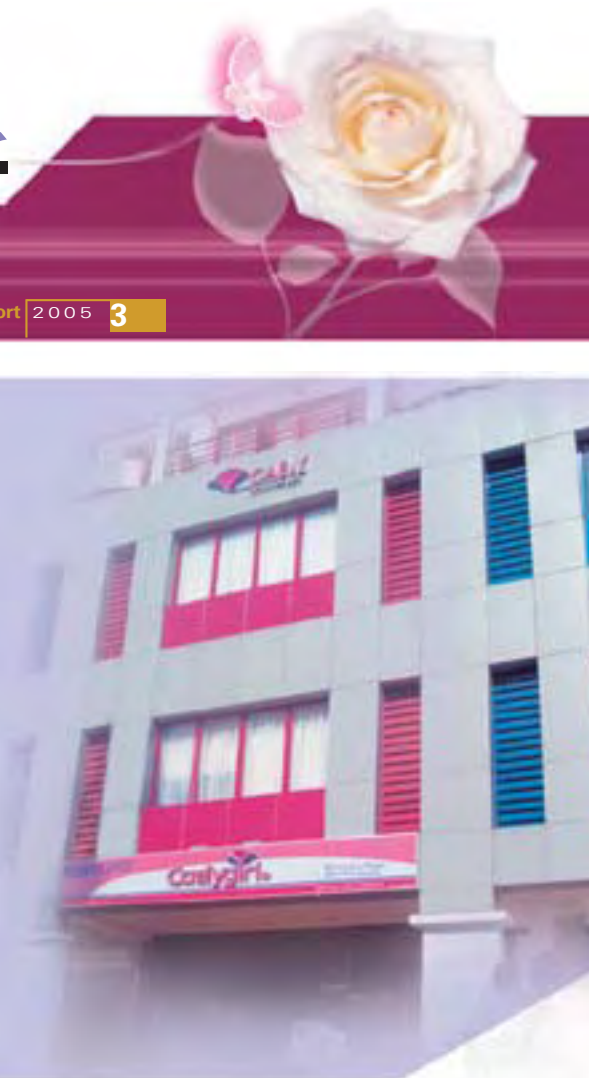
1. To receive and adopt the statutory financial statements for the year ended 31 December 2005 together with the Directors' and Auditors' Reports thereon. **(Resolution 1)**
2. To declare a first and final dividend of 2.5 sen per share less 28% income tax for the year ended 31 December 2005. **(Resolution 2)**
3. To approve the payment of Directors' fee of RM214,000/- in respect of the year ended 31 December 2005. **(Resolution 3)**
4. To re-elect Ms Fong Nyok Yoon who retires in accordance to Article 124 of the Company's Articles of Association. **(Resolution 4)**
5. To re-elect Dato' Wan Mohamad Zin Bin Mat Amin who retires in accordance to Article 124 of the Company's Articles of Association. **(Resolution 5)**
6. To re-elect Mr Ooi Say Teik who retires in accordance to Article 124 of the Company's Articles of Association. **(Resolution 6)**
7. To re-appoint Messrs PricewaterhouseCoopers as auditors for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 7)**

SPECIAL BUSINESS

To consider 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**

"THAT pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, authority be and is hereby given to the subsidiaries of CHB to enter into sale and purchase of materials of a revenue or trading nature with related parties as tabled in Section 3.2.2 (Pages 8-13) of the Circular to Shareholder dated 5 June 2006 which shall be considered and approved as separate mandates :-





- (i) Transaction between Caelygirl (M) Sdn Bhd with the following related parties :- **(Resolution 8)**
- Rubysteel Metal Industry (M) Sdn Bhd
 - Central Aluminium Manufactory Sdn Bhd
 - Central Melamineware Sdn Bhd
 - Perusahaan Tacly
 - Yori-Samensa Ltd
 - Kimberlux Sdn Bhd
 - Kimberlux Construction Sdn Bhd
 - Brick By Brick Sdn Bhd
 - Prestige Gain Sdn Bhd
 - Nyok Lan Garments Sdn Bhd
- (ii) Transaction between Classita (M) Sdn Bhd with the following related parties :- **(Resolution 9)**
- Perusahaan Tacly
 - Hongdy Enterprise
 - Inner Beauty Enterprise
 - Finatec Enterprise
 - Nyok Lan Garments Sdn Bhd
 - Yori-Samensa Ltd
 - Kimberlux Construction Sdn Bhd
- (iii) Transaction between Marywah Industries (M) Sdn Bhd with the following related parties :- **(Resolution 10)**
- Perusahaan Tacly
 - Hongdy 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) Disclosure of the aggregate value of the recurrent transactions conducted during the financial year will be disclosed in the Annual Report for the said financial year AND that such approval shall continue to be in force until :-
- (i) the conclusion of the next AGM of the Company following the forthcoming AGM at which time it will lapse, unless by a resolution passed at the AGM, the mandate is renewed;
 - (ii) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (iii) revoked or varied by resolution passed by the Shareholders in general meeting;
- whichever is earlier.
- (c) The Directors and / or any of them be and are hereby authorised to complete and do all such acts and things (including such documents as may be required) to give effect to the Proposal authorised by these Resolutions 8-10.

8. (b) Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965 (“the Act”) (Resolution 11)

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

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 2.5 sen per share less 28% income tax in respect of the financial year ended 31 December 2005, if approved at the Tenth AGM, will be paid on 18 July 2006 to all shareholders registered in the Record of Depositors at the close of business at 5.00 p.m. on 11 July 2006.

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 11 July 2006 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

5 June 2006

EXPLANATORY NOTES ON THE SPECIAL BUSINESS

- (i) The proposed Ordinary Resolutions 8 to 10 if passed, will empower the Directors from the date of the Tenth AGM, to deal with the related party transactions involving recurrent transactions of revenue or trading nature which are necessary for its day-to-day operations. These Recurrent Related Party Transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public. This authority, unless revoked or varied at a general meeting, will expire at the next AGM.
- (ii) The proposed Ordinary Resolution 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.

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 Menara EON Bank 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.

STATEMENT ACCOMPANYING NOTICE OF TENTH ANNUAL GENERAL MEETING

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



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NAME OF DIRECTORS STANDING FOR RE-ELECTION

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

- i. Fong Nyok Yoon
- ii. Dato' Wan Mohamad Zin Bin Mat Amin
- iii. Ooi Say Teik

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

During the financial year ended 31 December 2005, there were six (6) meetings held. Details of attendance of the Directors at the Board Meetings are as follows:-

Name of Directors	Attendance (No. of Meetings)
Fong Nyok Yoon	5/6
Dato' Wan Mohamad Zin Bin Mat Amin	6/6
Chuah Chin Lai	6/6
Khor Mooi Soong	6/6
Lim Pow Choo	6/6
Siow Hock Lee	6/6
Ooi Say Teik	6/6
Hem Kan @ Chan Hong Kee	6/6

TENTH ANNUAL GENERAL MEETING OF CAELY HOLDINGS BHD

Place : No. 47, Zone J4, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur
Date : Wednesday 28 June 2006
Time : 10.00 a.m.

DETAILS OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE ANNUAL GENERAL MEETING

Details of the Directors who are standing for re-election are set out in the Profile of Directors appearing on pages 8 to 10 of this Annual Report whilst their shareholdings in the Company are presented in the Directors' shareholdings on page 67 of the same Annual Report.



GROUP STRUCTURE

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



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CAELY

HOLDINGS BHD.
(Company No. 408376-U)

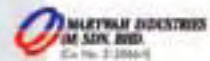
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**FONG NYOK YOON***(44 years of age - Malaysian)*

Executive Chairperson / Non-Independent Executive 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 20 years. 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 five (5) out of six (6) Board Meetings of CHB held during the financial year ended 31 December 2005.

DATO' WAN MOHAMAD ZIN BIN MAT AMIN*(59 years of age - Malaysian)*

Deputy Chairman / Non-Independent Non-Executive Director

Dato' Wan Mohamad Zin Bin Mat Amin is the Deputy Chairperson of CHB and was appointed to the Board on 2 October 2002. He is a member of the Nomination Committee. He graduated from the Royal Military College in 1968 and completed his staff course in the Malaysian Armed Forces Staff College in 1981. He obtained his Master in Business Administration from Greenwich University, Australia in 2002. He is a major shareholder and Managing Director of a company that supplies electronic defence products and engine spare parts, an industry in which he has more than 20 years of working experience. He is also a Director of Sunchirin Industries (Malaysia) Berhad. 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 six (6) Board Meetings of CHB held during the financial year ended 31 December 2005.

CHUAH CHIN LAI*(46 years of age - Malaysian)*

Managing Director / Non-Independent Executive Director

Chuah Chin Lai is the Managing Director of CHB and was appointed to the Board on 2 October 2002. He has been in the Group for the past 20 years and currently heads the direct selling division and is actively involved in the Group's export business. He has no conflict of interest with CHB and has no conviction of offences within the past 10 years. He is the spouse of Fong Nyok Yoon. His relationship with other Directors and major shareholders are stated in the profile of Fong Nyok Yoon. He attended all the six (6) Board Meetings of CHB held during the financial year ended 31 December 2005.



KHOR MOOI SOONG

(52 years of age - Malaysian)

Non-Independent Executive Director

Khor Mooi Soong is an Executive Director of CHB and was appointed to the Board on 2 October 2002. He has extensive business experience in various sectors including manufacturing and property development. Besides sourcing for materials / components, he also assists in the marketing of CHB's products. He has no conflict of interest with CHB and has no conviction of offences within the past 10 years. He is the spouse of Lim Pow Choo. His relationship with other Directors and major shareholders are stated in the profile of Fong Nyok Yoon. Mr. Khor attended all the six (6) Board Meetings of CHB held during the financial year ended 31 December 2005.

LIM POW CHOO

(46 years of age - Malaysian)

Non-Independent Executive Director

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

She has no conflict of interest with CHB and has no conviction of offences within the past 10 years. She is the spouse of Khor Mooi Soong. Her relationship with other Directors and major shareholders are stated in the profile of Fong Nyok Yoon. She attended all the six (6) Board Meeting of CHB held during the financial year ended 31 December 2005.

SIOW HOCK LEE

(50 years of age - Malaysian)

Independent Non-Executive Director

Siow Hock Lee is an Independent Non Executive Director of CHB and was appointed to the Board on 5 June 2003. He is the Chairman of the Audit Committee and a member of the Remuneration Committee. He is a member of the Association of Chartered Certified Accountants and Malaysian Institute of Accountants and has extensive working experience of more than 20 years in providing audit and accounting related services. He is a Partner of a firm of accounting practice and an Independent Non-Executive Director of Amtel Holdings Berhad, a public company listed on the Second Board of Bursa Malaysia Securities Berhad. He has no family relationship with other Directors and major shareholders of CHB. He has no conflict of interest with CHB and has no conviction for offences within the past 10 years. Mr. Siow attended all the six (6) Board Meetings of CHB held during the financial year ended 31 December 2005.



OOI SAY TEIK

(46 years of age - Malaysian)

Independent Non-Executive Director

Ooi Say Teik is an Independent Non-Executive Director and was appointed to the Board on 5 June 2003. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. He graduated from the University of Malaya in 1985 with a Bachelor of Arts (Hons), majoring in Economics. In 1990, he obtained his Bachelor of Laws (Hons) from the University of London and was called to the Malaysian Bar and admitted as an Advocate & Solicitor of the High court of Malaya in 1991. He is currently a Partner in 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 six (6) Board Meetings of CHB held during the financial year ended 31 December 2005.

HEM KAN @ CHAN HONG KEE

(65 years of age - Malaysian)

Independent Non-Executive Director

Hem Kan @ Chan Hong Kee is an Independent Non-Executive Director of CHB and was appointed to the Board on 5 June 2003. He is the Chairman of the Nomination Committee and a member of the Audit Committee. He obtained his Senior Cambridge Certificate in 1963. He has extensive business experience in various business sectors, including housing development and oil palm plantation. He is the Honorary Chairman of both the Perak Chinese Chamber of Commerce and the Lower Perak Chinese Chamber of Commerce. He is also the Board Chairman of San Min Secondary School, Teluk Intan and is an Honorary Chairman and Adviser to the Hilir Perak Dialysis Centre and a committee member of the Bethany Home for the Handicap. He also serves on the Board of various limited companies. He has no family relationship with other Directors and major shareholders of CHB, no conflict of interest with CHB and has no conviction for offences within the past 10 years. He attended all the six (6) Board Meetings of CHB held during the financial year ended 31 December 2005.



Dear Shareholders,

On behalf of the Board of Directors of Caely Holdings Bhd, I am pleased to present the Annual Report and the Audited Financial Statements of the Group and Company for the financial year ended 31 December 2005.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2005, the Group registered revenue of RM109.5 million, an 8% increase over RM101.4 million achieved in the previous year. Despite the improvement in Group revenue, the Group only managed to record profit after tax of RM3.3 million, against a profit after tax of RM7.0 million achieved in the previous corresponding period. The higher operating costs, brought about by the persistent escalation of the oil prices and inflationary pressures, increased allowances in respect of doubtful debts and inventories and to a lesser extent, an allowance in respect of diminution in value of marketable securities are some of the major factors that have affected the current year's results.

Earnings per share for the financial year under review was 4.1 sen, whilst the Group shareholders' funds as at 31 December 2005 stood at RM75.8 million.

PERFORMANCE REVIEW

The Group's business faced various challenges during the financial year under review: from price-cutting competitions (from mainly low-cost producing countries), rising oil prices, increasing inflationary trend and tightening monetary policies, especially in the United States to weakening overall consumer confidence. On the back of these challenging operating conditions, the Group continued to show growth improvement in revenue of 8%, albeit with a much lower profit margin.

The OEM division remained the main contributor, accounting for approximately 90.4% of the Group's turnover for the financial year ended 31 December 2005. For the financial year under review, this division registered an increase of 13.4% growth in revenue to RM99.0 million, compared to RM87.3 million of the preceding year. However, profit margins from this division have diminished due to escalating operating costs and competition.

The Direct Selling division reported revenue of RM10.2 million, a decrease of 18.4% compared to the previous year's revenue of RM12.5 million. In line with the decline in turnover and compounded with rising operating costs, this division succumbed to record an operating loss of RM2.0 million for 2005.

DIVIDENDS

The Board is pleased to recommend a first and final dividend of 2.5 sen per RM0.50 share less 28% income tax for the year pending approval of the shareholders in the forthcoming Annual General Meeting.

PROSPECTS

The Malaysian economy is expected to grow by 5.5% in the 2006 fiscal year although global growth is expected to be moderate on account of high oil prices, inflationary pressures and interest rates hikes. These challenging risks are expected to exert additional pressures on the Group.

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

APPRECIATION

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

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

Lastly, to our shareholders, I wish to express my heartfelt appreciation for placing trusts 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 investor's relations program or shareholder communications policies; and
- Reviews the adequacy and the integrity of the internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

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

Board Composition and Balance

The Board comprises four Executive Directors and four Non-Executive Directors, three of whom are Independent Directors. The role of the Executive Chairperson is clearly separated from the role of the 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 8 to 10 of the Annual Report.

In discharging its duties, the Board met six times during the financial year ended 31 December 2005.

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

The Group acknowledges that continuous education is important for the Board member to keep abreast on the state of economy, technology advances, regulatory updates and management strategies. All the Directors have attended the Mandatory Accreditation Programme conducted by Bursa Malaysia Training Sdn Bhd. As the Continuous Education Programme (CEP) has been repealed by Bursa Malaysia with effect from 1 January 2005, the Board of Directors will adopt a training programme deemed appropriate for the Directors to further enhance their skills and knowledge.

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, fees, allowances and bonuses. Other customary benefits are also made available as appropriate. Other factors like market rates and industry practices are considered during the review of salaries, as and when the Board deems fit.

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

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

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

	Fees RM	Salaries and other emoluments RM	Benefits in kind RM	Total RM
Executive Directors	162,000	923,848	30,900	1,116,748
Non-Executive Directors	104,000	9,000	-	113,000
	266,000	932,848	30,900	1,229,748

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

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

SHAREHOLDERS

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Internal Controls

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

The Statement on Internal Control is set out in pages 22 to 23 of the Annual Report which provides an overview of the state of internal controls within the Group.

Relationship with Auditors

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

A full Audit Committee report enumerating its role in relation to the auditors is set out in pages 19 to 21 of the Annual Report.





DIRECTORS' RESPONSIBILITIES IN FINANCIAL REPORTING

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

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

OTHER COMPLIANCE INFORMATION

Share Buybacks

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

Options, Warrants or Convertible Securities

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

American 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 RM4,000.

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 2005.

Profit Guarantee

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

Contracts involving Directors' and Major Shareholders' Interests

Other than the recurrent related party transactions disclosed below, 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 2005 are disclosed as follows:

Company in the Group Involved	Related Party	Interested Related Party	Nature of Transaction	Transaction Value for the Financial Year Ended 31 December 2005 RM
Caelygirl (M) Sdn Bhd				
CMSB	Perusahaan Taclly ("Taclly")	Chuah Chin Lai ^(a)	Purchase of garments for its direct selling business	91,615
CMSB	Kimberlux Sdn Bhd ("KSB")	Fong Nyok Yoon ^(b) Chuah Chin Lai Khor Mooi Soong Lim Pow Choo	Office rental receivable	3,600
CMSB	Kimberlux Construction Sdn Bhd ("KCSB")	Fong Nyok Yoon ^(c) Chuah Chin Lai Khor Mooi Soong Lim Pow Choo	Office rental receivable	6,000
CMSB	Brick By Brick Sdn Bhd ("BBBSB")	Fong Nyok Yoon ^(d) Chuah Chin Lai Khor Mooi Soong Lim Pow Choo	Office rental receivable	4,800
CMSB	Prestige Gain Sdn Bhd ("PGSB")	Fong Nyok Yoon ^(e) Chuah Chin Lai Khor Mooi Soong Lim Pow Choo	Office rental receivable	3,600
CMSB	Yori Samensa Ltd ("Yori")	Fong Nyok Yoon ^(f) Lim Pow Choo	Purchase of undergarments for its direct selling business	98,809

Company in the Caely Group Involved	Related Party	Interested Related Party	Nature of Transaction	Transaction Value for the Financial Year Ended 31 December 2005 RM
Classita (M) Sdn. Bhd. ("CCSB")	Tacly	Chuah Chin Lai ^(a)	Sub-contractor who provides sewing services for products such as briefs and panties	242,303
CCSB	Hondy Enterprise ("Hongdy")	Chuah Chin Lai ^(a)	Sub-contractor who provides sewing services for products such as briefs and panties	301,132
CCSB	Inner Beauty Enterprise ("InBeauty")	Chuah Chin Lai ^(a)	Sub-contractor who provides sewing services for products such as briefs and panties	131,330
CCSB	Finatec Enterprise ("Finatec")	Chuah Chin Lai ^(a)	Sub-contractor who provides sewing services for products such as briefs and panties	112,314
CCSB	Nyok Lan Garments Sdn Bhd ("NLGSB")	Fong Nyok Yoon ^(g) Lim Pow Choo ^(g)	Sub-contractor who provides sewing services for products such as briefs and panties	203,502
Marywah Industries (M) Sdn. Bhd. ("MISB")	Hongdy	Chuah Chin Lai ^(a)	Sub-contractor who provides sewing services for products such as briefs and panties	1,079
MISB	Tacly	Chuah Chin Lai ^(a)	Sub-contractor who provides sewing services for products such as briefs and panties	206

Notes:-

(a) 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.

The entities in which the siblings and brother-in-law of Chuah Chin Lai which have substantial interests are as follows:

Name of Entities	Name of Relatives	Relationship with Chuah Chin Lai
Tacly	Chuah Chin Kheng	Brother
Hongdy	Chuah Siew Kain	Sister
InBeauty	Chuah Mooi Keow	Sister
Finatec	Sam Choy	Brother-in-law

(b) 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.

(c) 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.

(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 of BBBBSB. They are deemed to have an indirect interest of 51.00% in BBBBSB by virtue of their substantial shareholdings 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 PGSB and are deemed to have an indirect interest of 100% in PGSB by virtue of their substantial shareholdings in KSB.

(f) Yori is substantially owned by Choong Wee Yee, the sister-in-law of Fong Nyok Yoon and Lim Pow Choo, the Executive Chairperson and Executive Director respectively and substantial shareholders of CHB. Fong Nyok Yoon and Lim Pow Choo are deemed interested by virtue of their direct and indirect shareholdings of 16,500,000 (20.625%) and 16,500,000 (20.625%) ordinary shares respectively in CHB.

(g) NLGSB is substantially owned by Fong Nyok Lan, sister of Fong Nyok Yoon and Lim Pow Choo, the Executive Chairperson and Executive Director respectively and substantial shareholders of CHB. Fong Nyok Yoon and Lim Pow Choo are deemed interested by virtue of their direct and indirect shareholdings of 16,500,000 (20.625%) and 16,500,000 (20.625%) ordinary shares respectively in CHB.



Constitution

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

Members

The present members of the AC are:-

- Siow Hock Lee, *Chairman of the AC*
~ Independent Non-Executive Director

- Ooi Say Teik
~ Independent Non-Executive Director

- Hem Kan @ Chan Hong Kee
~ Independent Non-Executive Director

- Fong Nyok Yoon
~ Executive Chairperson



TERMS OF REFERENCE

Composition

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

At least one (1) member:-

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

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

Objectives

The primary objectives of the AC are to:

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

Frequency of meetings

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

Attendance at meetings

During the year ended 31 December 2005 the Audit Committee held six (6) meetings, attended by all the AC members, except for Miss Fong Nyok Yoon who attended five (5) of the meetings. The group financial controller was invited to attend all meetings. The external auditors attended two (2) of the meetings during this period. The Audit Committee had the opportunity to meet up with the external auditors without the presence of management. The Committee may invite any person to be in attendance to assist it in its deliberations.

Quorum

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

Authority

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

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

Duties and responsibilities

- a) To review 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.
- l) To consider and examine such other matters as the AC considers appropriate.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

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

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

INTERNAL AUDIT FUNCTION

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

To this end, the internal audit function was outsourced to a firm of consultants in 2005. During the financial year under review, BDOGA carried out the following activities:-

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

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





Introduction

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

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

Responsibility for Risk and Internal Controls

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

Risk Management Framework

The Group has outsourced its internal audit function to BDO Governance Advisory Sdn. Bhd. ("BDO GA"). BDO GA has assisted the Board to establish a risk management policy and framework incorporating the following activities:-

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



Internal Audit Function

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

In line with the risk areas identified in the company-wide audit risk assessment exercise, BDO GA has completed three (3) internal control reviews on Human Resource and Payroll department, Cash Management function and Information System. A number of internal control weaknesses have been identified and all of which have been, or are being, addressed by management.

Other Key Elements of Internal Control

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

- The Board of Directors has put in place an organisation structure, which formally defines lines of responsibility and delegation of authority.
- Internal control procedures are set out in a series of standard operating policies and procedures. These procedures are the subject of regular reviews and improvements to reflect changing risks or to resolve operational deficiencies.
- Monthly management reports are prepared at subsidiary levels and subject to review and discussion by the Executive Chairperson, Managing Director, Executive Directors and senior management.
- Quarterly performance reports with comprehensive information on financial performance and key business indicators are provided to the Board for review and discussion.
- The Audit Committee and the Board are committed to identify any significant risks faced by the Group and assess the adequacy of financial and operational controls to address these risks.
- The Audit Committee reviews the external auditors' internal control recommendations arising from the statutory audit. None of the internal control weaknesses identified during the year under review have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

Conclusion

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

The statement was adopted at the Board of Directors' Meeting held on 25, April 2006.

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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 2005.

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

	Group RM	Company RM
Net profit for the financial year	3,269,183	1,420,165

DIVIDENDS

Dividends declared, paid and payable since 31 December 2004 are as follows:

In respect of the financial year ended 31 December 2004; as shown in the Directors' report of that year:	RM
- a first and final gross dividend of 3 sen per share less tax at 28% was paid on 29 July 2005	<u>1,728,000</u>

The directors now recommend the payment of a first and final gross dividend of 2.5 sen per share less tax at 28%, amounting to RM1,440,000 in respect of the financial year ended 31 December 2005 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.

DIRECTORS

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

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

In accordance with the Company's Articles of Association, Fong Nyok Yoon A.M.P., Dato' Wan Mohamad Zin bin Mat Amin and Ooi Say Teik 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 25 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 31.12.2005
	As at 1.1.2005	Bought	Sold	
Direct interest				
<i>Caely Holdings Bhd. (The Company)</i>				
Chuah Chin Lai A.M.P.	9,000,000	-	(750,000)	8,250,000
Dato' Wan Mohamad Zin bin Mat Amin	1,028,000	-	-	1,028,000
Fong Nyok Yoon A.M.P.	9,000,000	-	(750,000)	8,250,000
Khor Mooi Soong	9,000,000	-	(750,000)	8,250,000
Lim Pow Choo	9,000,000	-	(750,000)	8,250,000
Indirect interest				
<i>Caely Holdings Bhd. (The Company)</i>				
Chuah Chin Lai A.M.P.	27,000,000	-	(2,250,000)	24,750,000
Fong Nyok Yoon A.M.P.	27,000,000	-	(2,250,000)	24,750,000
Khor Mooi Soong	27,000,000	-	(2,250,000)	24,750,000
Lim Pow Choo	27,000,000	-	(2,250,000)	24,750,000
Siow Hock Lee	135,000	-	-	135,000

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

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



STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION

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



OTHER STATUTORY INFORMATION (CONTINUED)

In the opinion of the directors:

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

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution dated 25 April 2006.

KHOR MOOI SOONG
EXECUTIVE DIRECTOR

CHUAH CHIN LAI A.M.P.
MANAGING DIRECTOR

Teluk Intan, Perak Darul Ridzuan



FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Note	GROUP		COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	6	109,466,649	101,393,343	3,000,024	3,000,024
Cost of sales		(88,397,346)	(76,658,502)	-	-
Gross profit		21,069,303	24,734,841	3,000,024	3,000,024
Other operating income		1,239,995	1,604,206	242,639	149,575
Selling and distribution costs		(6,774,328)	(8,404,802)	-	-
Administrative expenses		(10,728,243)	(8,463,901)	(505,976)	(566,642)
Other operating expenses		(444,525)	-	(444,525)	-
Profit from operations	7	4,362,202	9,470,344	2,292,162	2,582,957
Finance cost	8	(1,140,300)	(529,612)	(66,281)	(28,202)
Profit from ordinary activities before taxation		3,221,902	8,940,732	2,225,881	2,554,755
Taxation	9	47,281	(1,915,599)	(805,716)	(736,622)
Net profit for the financial year		3,269,183	7,025,133	1,420,165	1,818,133
Earnings per share (sen)					
- basic	10	4.1	8.8		
Proposed final (sen)					
- gross dividend per share	11	2.5	3.0		



AS AT 31 DECEMBER 2005

	Note	GROUP		COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	30,676,532	31,263,312	2,022,453	2,091,889
Subsidiaries	13	-	-	54,034,421	54,034,421
		<u>30,676,532</u>	<u>31,263,312</u>	<u>56,056,874</u>	<u>56,126,310</u>
CURRENT ASSETS					
Inventories	14	37,634,021	43,342,405	-	-
Debtors, deposits and prepayments	15	19,514,566	23,671,949	8,004,448	9,659,743
Tax recoverable		1,559,331	499,337	171,030	123,493
Marketable securities	16	502,851	1,139,944	502,851	1,139,944
Deposits, bank and cash balances	17	2,685,623	1,032,750	407,382	8,858
		<u>61,896,392</u>	<u>69,686,385</u>	<u>9,085,711</u>	<u>10,932,038</u>
CURRENT LIABILITIES					
Creditors and accruals	18	9,871,466	10,854,308	20,649,046	22,158,414
Hire-purchase creditors	19	207,332	182,983	-	-
Short term bank borrowings					
- bank overdrafts	20	1,212,438	3,046,129	-	-
- others	20	2,418,550	8,757,100	-	-
Term loan	21	94,626	101,413	94,626	101,413
Tax payables		-	585,815	-	-
		<u>13,804,412</u>	<u>23,527,748</u>	<u>20,743,672</u>	<u>22,259,827</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>48,091,980</u>	<u>46,158,637</u>	<u>(11,657,961)</u>	<u>(11,327,789)</u>
NON-CURRENT LIABILITIES					
Hire-purchase creditors	19	238,374	356,354	-	-
Term loan	21	948,976	1,040,749	948,976	1,040,749
Deferred tax liabilities	22	1,789,133	1,854,246	-	-
		<u>2,976,483</u>	<u>3,251,349</u>	<u>948,976</u>	<u>1,040,749</u>
		<u>75,792,029</u>	<u>74,170,600</u>	<u>43,449,937</u>	<u>43,757,772</u>
CAPITAL AND RESERVES					
Share capital	23	40,000,000	40,000,000	40,000,000	40,000,000
Reserves	24	35,792,029	34,170,600	3,449,937	3,757,772
Shareholders' equity		<u>75,792,029</u>	<u>74,170,600</u>	<u>43,449,937</u>	<u>43,757,772</u>



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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

GROUP	Share capital RM	Share premium RM	Revaluation reserve RM	Reserve on consolidation RM	Retained profits RM	Total RM
At 1 January 2004	40,000,000	1,899,295	3,911,646	80,344	22,406,182	68,297,467
First and final dividend in respect of financial year ended 31 December 2003 of 2 sen per share, less tax at 28%	-	-	-	-	(1,152,000)	(1,152,000)
Net profit for the financial year	-	-	-	-	7,025,133	7,025,133
At 31 December 2004	40,000,000	1,899,295	3,911,646	80,344	28,279,315	74,170,600
At 1 January 2005	40,000,000	1,899,295	3,911,646	80,344	28,279,315	74,170,600
First and final dividend in respect of financial year ended 31 December 2004 of 3 sen per share, less tax at 28%	-	-	-	-	(1,728,000)	(1,728,000)
Revaluation reserve realised upon disposal of properties	-	-	(393,375)	-	393,375	-
Deferred tax written back upon disposal of properties	-	-	80,246	-	-	80,246
Net profit for the financial year	-	-	-	-	3,269,183	3,269,183
At 31 December 2005	40,000,000	1,899,295	3,598,517	80,344	30,213,873	75,792,029



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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

COMPANY	Share capital RM	Non-distributable Share premium RM	Distributable Retained profits RM	Total RM
At 1 January 2004	40,000,000	1,899,295	1,192,344	43,091,639
First and final dividend in respect of financial year ended 31 December 2003 of 2 sen per share, less tax at 28%	-	-	(1,152,000)	(1,152,000)
Net profit for the financial year	-	-	1,818,133	1,818,133
At 31 December 2004	40,000,000	1,899,295	1,858,477	43,757,772
At 1 January 2005	40,000,000	1,899,295	1,858,477	43,757,772
First and final dividend in respect of financial year ended 31 December 2004 of 3 sen per share, less tax at 28%	-	-	(1,728,000)	(1,728,000)
Net profit for the financial year	-	-	1,420,165	1,420,165
At 31 December 2005	40,000,000	1,899,295	1,550,642	43,449,937



FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the financial year	3,269,183	7,025,133	1,420,165	1,818,133
Adjustments for:				
Property, plant and equipment				
- depreciation	1,939,834	1,645,421	69,436	34,033
- gains on disposal	(270,163)	(423,022)	-	-
Interest expense	561,581	440,964	66,281	28,202
Taxation	(47,281)	1,915,599	805,716	736,622
Interest income	(46,776)	(51,921)	(8,948)	(8,009)
Gross dividend income from a subsidiary	-	-	(3,000,024)	(3,000,024)
Allowance for diminution in value of marketable securities	444,525	-	444,525	-
Gross dividend income from a corporation quoted in Malaysia	(10,024)	(18,228)	(10,024)	(18,228)
Gains on disposal of marketable securities	(55,808)	(39,338)	(55,808)	(39,338)
	5,785,071	10,494,608	(268,681)	(448,609)
Net movements in working capital:				
Inventories	5,708,384	(9,506,206)	-	-
Debtors	3,984,283	(7,625,133)	125,914	382,854
Creditors	(982,842)	2,532,577	(44,000)	156,100
Cash flows generated from/(used in) operations	14,494,896	(4,104,154)	(186,767)	90,345
Dividend received from a subsidiary	-	-	2,160,017	2,160,017
Interest paid	(561,581)	(440,964)	(66,281)	(28,202)
Tax paid	(1,659,053)	(1,440,826)	(11,000)	(10,000)
Tax refund	77,904	-	-	-
Net operating cash flow	12,352,166	(5,985,944)	1,895,969	2,212,160
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for property, plant and equipment	(1,925,791)	(5,324,934)	-	(2,125,922)
Proceeds from disposal of property, plant and equipment	1,126,000	848,200	-	-
Interest income received	46,776	51,921	8,948	8,009
Marketable securities				
- payments for investments	(37,461)	(524,078)	(37,461)	(524,078)
- proceeds from disposals	285,837	119,338	285,837	119,338
- dividend received	7,778	13,124	7,778	13,124
Net investing cash flow	(496,861)	(4,816,429)	265,102	(2,509,529)



FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Net (repayments of)/proceeds from short term bank borrowings	(6,338,550)	8,656,394	-	-
Repayments of hire-purchase creditors	(203,631)	(70,663)	-	-
Repayments of term loans	(98,560)	(57,838)	(98,560)	(57,838)
Drawdown of term loan	-	1,200,000	-	1,200,000
Dividend paid	(1,728,000)	(1,152,000)	(1,728,000)	(1,152,000)
Advances to/(repayments from) subsidiaries	-	-	64,013	(943,648)
Net financing cash flow	(8,368,741)	8,575,893	(1,762,547)	(953,486)
Net movement in cash and cash equivalents	3,486,564	(2,226,480)	398,524	(1,250,855)
Cash and cash equivalents at beginning of the financial year	(2,486,721)	(260,241)	8,858	1,259,713
Cash and cash equivalents at end of the financial year (Note 17)	999,843	(2,486,721)	407,382	8,858



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.

The number of persons employed by the Group at the financial year end were 1,147 (2004: 1,119). The Company did not employ any staff as at financial year end (2004: Nil).

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

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

Registered office	Principal place of business
22nd Floor, Menara EON Bank 288 Jalan Raja Laut 50350 Kuala Lumpur	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 MASB approved accounting standards in Malaysia.

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.



3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) *Property, plant and equipment*

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

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

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

No depreciation is provided on the freehold land. Long leasehold land is amortised on the straight line basis over the lease period. Capital work in progress is not depreciated. Depreciation on assets under construction commences when the assets are ready for their intended use.

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

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

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 reserve relating to those assets are transferred to retained profits.

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

(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.



3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) *Impairment of assets*

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

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

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

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

(f) *Trade debtors*

Trade debtors are carried at anticipated realisable value. 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.

(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.

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(i) Hire-purchase arrangements**

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

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

(j) Income taxes

Current tax expense is determined according to the tax laws of Malaysia and includes all taxes based upon the taxable profits and real property gains taxes payable upon 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 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, unless hedged by foreign currency forward contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities denominated in foreign currencies are translated into Ringgit Malaysia at exchange rates ruling at the balance sheet date, unless hedged by foreign currency forward contracts, in which case the rates specified in such forward contracts are used.

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

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

	2005 RM	2004 RM
Assets:		
1 US Dollar	3.77	3.77
1 Euro	4.44	5.12
1 Singapore Dollar	2.25	2.00
Liabilities:		
1 US Dollar	3.82	3.82
1 Euro	4.53	5.22
100 Hong Kong Dollars	49.97	49.35
100 Chinese Reminbi	47.34	N/A



3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

(n) 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 fair value of marketable securities is based on quoted market prices at the balance sheet date.

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

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



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 mostly to the Europe, Canada and the United States of America. For the local market, where a substantial portion of its revenue is transacted on credit terms, the Group applies due credit approval and monitoring processes and assesses the credit worthiness of its customers on a periodic basis. For overseas customers, most of the trade debtors are secured via Letter of Credit or Document Against Payment at Sight and only a few customers are on credit.

(ii) **Interest rate risk**

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

(iii) **Liquidity risk**

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

(iv) **Foreign currency exchange risk**

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

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, sportswear and household products.
- Manufacturing and sales of undergarments under Original Equipment Manufacturer arrangement ("OEM") mainly to Europe, Canada and United States of America.
- Manufacturing and sales of own brand of undergarments under the "Caelygirl" trademark, mainly to cater for direct selling business and the China market.

**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

2005 Sales	Direct selling RM	Manufacturing sales (OEM) RM	Manufacturing sales (own brand) RM	Others RM	Group RM
Total sales	10,164,835	99,035,242	1,213,775	4,118,417	114,532,269
Intersegment sales	-	-	(947,203)	(4,118,417)	(5,065,620)
External sales	10,164,835	99,035,242	266,572	-	109,466,649
Results					
Segment result (external)	(1,965,104)	7,528,991	(459,352)	(445,967)	4,658,568
Unallocated income					148,159
Unallocated expense					(444,525)
Profit from operations					4,362,202
Finance cost					(1,140,300)
Profit from ordinary activities before taxation					3,221,902
Taxation					47,281
Net profit for the financial year					3,269,183
2005 Other information					
Segment assets	13,759,191	60,016,498	14,240,088	2,455,026	90,470,803
Unallocated assets					2,102,121
Total assets					92,572,924
Segment liabilities	3,503,921	9,470,446	679,611	1,337,784	14,991,762
Unallocated liabilities					1,789,133
Total liabilities					16,780,895
Capital expenditure	302,819	1,915,284	3,788	-	2,221,891
Depreciation	249,357	1,369,202	251,839	69,436	1,939,834

**5 SEGMENT REPORTING (CONTINUED)****(a) Primary reporting format - business segment (continued)**

2004 Sales	Direct selling RM	Manufacturing sales (OEM) RM	Manufacturing sales (own brand) RM	Others RM	Group RM
Total sales	12,532,159	87,298,060	2,363,361	4,330,799	106,524,379
Intersegment sales	-	-	(800,237)	(4,330,799)	(5,131,036)
External sales	12,532,159	87,298,060	1,563,124	-	101,393,343
Results					
Segment result (external)	62,444	9,707,679	6,818	(449,384)	9,327,557
Unallocated income					142,787
Profit from operations					9,470,344
Finance cost					(529,612)
Profit from ordinary activities before taxation					8,940,732
Taxation					(1,915,599)
Net profit for the financial year					7,025,133
2004 Other information					
Segment assets	15,396,220	65,493,359	16,153,191	2,237,646	99,280,416
Unallocated assets					1,669,281
Total assets					100,949,697
Segment liabilities	4,348,038	16,208,795	2,258,972	1,523,231	24,339,036
Unallocated liabilities					2,440,061
Total liabilities					26,779,097
Capital expenditure	249,101	3,600,720	29,191	2,125,922	6,004,934
Depreciation	249,608	1,117,775	243,994	34,044	1,645,421

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

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

**5 SEGMENT REPORTING (CONTINUED)****(b) Secondary reporting format - geographical segments**

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

	Sales		Total assets		Capital expenditure	
	2005 RM	2004 RM	2005 RM	2004 RM	2005 RM	2004 RM
Canada	22,402,787	20,120,592	-	-	-	-
China	53,556	259,326	-	-	-	-
Denmark	6,980,336	7,746,652	-	-	-	-
Germany	6,032,688	9,548,603	-	-	-	-
France	149,889	1,490,401	-	-	-	-
United Kingdom	13,014,208	17,720,162	-	-	-	-
United States of America	50,045,482	30,192,531	-	-	-	-
Malaysia	10,377,851	13,807,207	92,572,924	100,949,697	2,221,891	6,004,934
Other countries	409,852	507,869	-	-	-	-
	109,466,649	101,393,343	92,572,924	100,949,697	2,221,891	6,004,934

6 REVENUE

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Direct sales	10,164,835	12,532,159	-	-
Sales of finished goods	99,301,814	88,861,184	-	-
Gross dividend income from an unquoted subsidiary	-	-	3,000,024	3,000,024
	109,466,649	101,393,343	3,000,024	3,000,024

7 PROFIT FROM OPERATIONS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit from operations is stated after charging/(crediting):				
Auditors' remuneration	82,800	82,800	15,000	15,000
Allowance for doubtful debts	1,613,709	163,919	-	-
Inventories				
- allowance for slow moving inventories	284,201	78,094	-	-
- write down	14,742	172,652	-	-

**7 PROFIT FROM OPERATIONS (CONTINUED)**

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit from operations is stated after charging/(crediting):				
Property, plant and equipment				
- depreciation	1,939,834	1,645,421	69,436	34,033
- (gain on disposal)	(270,163)	(423,022)	-	-
Rental expenses				
- premises	14,100	9,601	-	-
- machinery	14,178	21,478	-	-
Staff costs	15,269,353	13,838,261	229,500	314,400
Interest income	(46,777)	(51,921)	(8,948)	(8,009)
Net realised foreign exchange gains	(706,806)	(828,759)	-	-
Rental income of premises	(35,550)	(33,300)	(168,000)	(84,000)
Gains on disposal of marketable securities	(55,808)	(39,338)	(55,808)	(39,338)
Allowance for diminution in value of marketable securities	444,525	-	444,525	-
Gross dividend income from an unquoted subsidiary	-	-	(3,000,024)	(3,000,024)
Gross dividend income from a corporation quoted in Malaysia	(10,024)	(18,228)	(10,024)	(18,228)
Included in staff costs are:				
- directors' fees	266,000	310,000	214,000	258,000
- directors' emoluments other than fees	808,624	691,400	15,500	14,400
- defined contribution plan expenses	739,163	680,386	-	-
Money value of benefits given to certain directors	30,900	17,400	-	-

Defined contribution plan expenses of the Group includes contributions in respect of directors amounting to RM124,224 (2004: RM106,640).

8 FINANCE COST

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Bank commissions on trade finance facilities	92,855	41,979	-	-
Bank charges	485,864	46,669	-	-
Interest expense	561,581	440,964	66,281	28,202
	1,140,300	529,612	66,281	28,202



9 TAXATION

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Malaysian taxation:				
- income tax	1,061,715	1,859,167	794,746	736,828
- real property gains tax	29,287	-	-	-
Deferred taxation:				
- origination and reversal of temporary differences	15,133	142,074	-	-
	1,106,135	2,001,241	794,746	736,828
In respect of previous financial years:				
- (over)/under accrual of income tax	(1,153,416)	(85,642)	10,970	(206)
	(47,281)	1,915,599	805,716	736,622

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

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit from ordinary activities before taxation	3,221,902	8,940,732	2,225,881	2,554,755
Tax calculated at the Malaysian income tax rate 28% (2004: 28%)	902,132	2,503,404	623,247	715,331
Tax effects of				
- expenses not deductible for tax purposes	304,277	83,964	160,175	21,497
- expenses eligible for double deduction/ tax incentives	(518,712)	(381,148)	-	-
- income not subject to tax	(41,131)	(134,027)	-	-
- utilisation of previously unrecognised tax losses	-	(22,952)	-	-
- tax rate of 20% on initial RM500,000 (2004: RM500,000) of chargeable income	(44,650)	(48,000)	-	-
- real property gains tax	29,287	-	-	-
- current financial year's deductible temporary differences not recognised as deferred tax asset	474,932	-	11,324	-
- (over)/under accrual of income tax in respect of previous financial years	(1,153,416)	(85,642)	10,970	(206)
Tax expense	(47,281)	1,915,599	805,716	736,622

**9 TAXATION (CONTINUED)**

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

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Unutilised capital allowances	1,259,182	364,676	256,182	185,676
Unused tax losses	2,239,000	-	-	-

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	
	2005	2004
Net profit for the financial year (RM)	3,269,183	7,025,133
Weighted average number of ordinary shares in issue	80,000,000	80,000,000
Basic earnings per share (sen)	4.1	8.8

The Company has no potential dilutive ordinary shares as at 31 December 2005 and 31 December 2004.

11 DIVIDENDS

A first and final gross dividend in respect of the financial year ended 31 December 2004 of 3 sen per share less tax at 28%, amounting to RM1,728,000 was paid on 29 July 2005.

At the forthcoming Annual General Meeting, a first and final gross dividend in respect of the financial year ended 31 December 2005 of 2.5 sen per share less tax at 28%, amounting to RM1,440,000 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 2006.

12 PROPERTY, PLANT AND EQUIPMENT

GROUP 2005	Freehold	Long	Buildings	Plant, equipment and vehicles	Capital work in progress	Total
	land	leasehold land		RM	RM	
	RM	RM	RM	RM	RM	RM
Opening net book value	4,600,672	558,368	16,251,836	8,726,054	1,126,382	31,263,312
Additions	-	-	40,000	1,335,715	846,176	2,221,891
Transfer	-	-	-	1,030,343	(1,030,343)	-
Disposals	(300,000)	(249,464)	(319,371)	(2)	-	(868,837)
Depreciation charge	-	(5,173)	(340,819)	(1,593,842)	-	(1,939,834)
Closing net book value	4,300,672	303,731	15,631,646	9,498,268	942,215	30,676,532

**12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

GROUP 2005	Freehold land RM	Long leasehold land RM	Buildings RM	Plant, equipment and vehicles RM	Capital work in progress RM	Total RM
Cost	190,672	310,015	8,947,651	19,055,807	942,215	29,446,360
Valuation	4,110,000	-	7,980,000	-	-	12,090,000
Accumulated depreciation	-	(6,284)	(1,296,005)	(9,557,539)	-	(10,859,828)
Net book value	4,300,672	303,731	15,631,646	9,498,268	942,215	30,676,532

2004

Cost	190,672	310,015	8,907,651	16,813,342	1,126,382	27,348,062
Valuation	4,410,000	260,000	8,320,000	-	-	12,990,000
Accumulated depreciation	-	(11,647)	(975,815)	(8,087,288)	-	(9,074,750)
Net book value	4,600,672	558,368	16,251,836	8,726,054	1,126,382	31,263,312

**COMPANY
2005**

Opening net book value	-	307,920	1,227,659	556,310	-	2,091,889
Depreciation charge	-	(4,189)	(24,801)	(40,446)	-	(69,436)
Closing net book value	-	303,731	1,202,858	515,864	-	2,022,453
Cost	-	310,015	1,240,060	575,847	-	2,125,922
Accumulated depreciation	-	(6,284)	(37,202)	(59,983)	-	(103,469)
Net book value	-	303,731	1,202,858	515,864	-	2,022,453

2004

Cost	-	310,015	1,240,060	575,847	-	2,125,922
Valuation	-	-	-	-	-	-
Accumulated depreciation	-	(2,095)	(12,401)	(19,537)	-	(34,033)
Net book value	-	307,920	1,227,659	556,310	-	2,091,889

**12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

The details of the revaluation of land and buildings (less disposal during the financial year) are as follows:

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

	Valuation method	Valuation amount net of disposal RM
Freehold land	Cost	4,070,000
Buildings	Cost	7,750,000
Freehold land	Comparative	40,000
Buildings	Comparative	80,000
		<u>11,940,000</u>

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

	Valuation method	Valuation amount RM
Buildings	Comparative	<u>150,000</u>

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

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:

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Freehold land	998,063	1,168,063	-	-
Long leasehold land	-	138,585	-	-
Buildings	6,301,157	6,642,542	-	-
	<u>7,299,220</u>	<u>7,949,190</u>	-	-

Net book value of property, plant and equipment pledged as securities for the bank borrowings of the Group and the Company as disclosed in Note 20 and 21 to the financial statements are RM30,160,668 (2004: RM30,707,002) and RM1,506,589 (2004: RM1,535,579) respectively.

**12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

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

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Plant, equipment and vehicles				
- additions during the financial year, at cost	147,300	917,366	-	-
- net book value at financial year end	769,679	826,645	-	-

13 SUBSIDIARIES

	COMPANY	
	2005 RM	2004 RM
Unquoted shares at cost	54,034,421	54,034,421

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

Name of company	Group's effective interest		Principal activities
	2005	2004	
Caelygirl (M) Sdn. Bhd.	100%	100%	Direct sales of undergarments, garments, leather goods, sportswear and household products
Classita (M) Sdn. Bhd.	100%	100%	Manufacture and sales of undergarments
Marywah Industries (M) Sdn. Bhd.	100%	100%	Manufacture and sales of undergarments and trading of related raw materials
Renova Garments Sdn. Bhd.	100%	100%	Provision of sewing services

14 INVENTORIES

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
At cost				
Raw materials	12,280,220	11,907,611	-	-
Work in progress	3,091,904	3,617,045	-	-
Finished goods	21,160,698	27,378,273	-	-
	36,532,822	42,902,929	-	-

**14 INVENTORIES (CONTINUED)**

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
At net realisable value				
Raw materials	-	32,217	-	-
Finished goods	1,101,199	407,259	-	-
	<u>1,101,199</u>	<u>439,476</u>	-	-
	<u>37,634,021</u>	<u>43,342,405</u>	-	-

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

15 DEBTORS, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade				
Trade debtors, net of allowance for doubtful debts				
- normal trade terms	14,926,319	19,900,117	-	-
- instalment schemes	1,767,310	239,934	-	-
	<u>16,693,629</u>	<u>20,140,051</u>	-	-
Non trade				
Other debtors	51,886	142,135	-	-
Deposits	95,153	338,230	3,000	3,000
Prepayments	2,635,898	3,021,533	6,044	131,958
Amounts owing by subsidiaries	-	-	7,995,404	9,524,785
Rentals receivable from companies in which certain directors have controlling interest	38,000	30,000	-	-
	<u>2,820,937</u>	<u>3,531,898</u>	<u>8,004,448</u>	<u>9,659,743</u>
	<u>19,514,566</u>	<u>23,671,949</u>	<u>8,004,448</u>	<u>9,659,743</u>
The currency exposure profile of trade debtors are as follows:				
- Ringgit Malaysia	2,750,413	4,353,993	-	-
- US Dollar	13,621,553	15,272,794	-	-
- Euro	321,663	513,264	-	-
Total trade debtors	<u>16,693,629</u>	<u>20,140,051</u>	-	-

**15 DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)**

The Group's historical experience in collection of trade debtors falls within the recorded allowances. The Group has no other significant concentration of credit risk for trade debtors, 60% of the total trade debtors balance as at 31 December 2005 (2004: 58%) are in respect of two debtors located in United States of America and Canada respectively. The directors believe that no additional credit risk beyond amounts allowed for collection loss is inherent in the Group's trade debtors.

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

- (i) normal trade terms - payment in advance to 120 days (2004: payment in advance to 120 days); and
- (ii) instalment schemes - 4 months to 24 months (2004: 4 months to 24 months).

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

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 receivable from companies in which certain directors have controlling interest are pertaining to shared office premises, based on terms agreed between the parties.

Included in prepayments of the Group is payment in advance to Yori Samensa Ltd., a company owned by close family members of certain directors of the Group, for the purchase of inventories amounting to RM123,817 (2004: Nil).

16 MARKETABLE SECURITIES

	GROUP AND COMPANY	
	2005 RM	2004 RM
Shares at cost in corporations, quoted in Malaysia	947,376	1,139,944
Allowance for diminution in value	(444,525)	-
	<u>502,851</u>	<u>1,139,944</u>
Market value of quoted shares	502,851	1,229,315

17 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Fixed deposits with a licensed bank	473,342	473,342	-	-
Bank and cash balances	2,212,281	559,408	407,382	8,858
Deposits, bank and cash balances	<u>2,685,623</u>	<u>1,032,750</u>	<u>407,382</u>	<u>8,858</u>
Fixed deposits with a licensed bank pledged as security	(473,342)	(473,342)	-	-
Bank overdrafts (Note 20)	(1,212,438)	(3,046,129)	-	-
	<u>999,843</u>	<u>(2,486,721)</u>	<u>407,382</u>	<u>8,858</u>

**17 CASH AND CASH EQUIVALENTS (CONTINUED)**

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
The currency exposure profile of deposits, bank and cash balances are as follows:				
- Ringgit Malaysia	1,350,525	966,797	407,382	8,858
- US Dollar	1,273,002	56,893	-	-
- Singapore Dollar	62,085	543	-	-
- Others	11	8,517	-	-
Total deposits, bank and cash balances	2,685,623	1,032,750	407,382	8,858

	GROUP		COMPANY	
	2005 %	2004 %	2005 %	2004 %
Weighted average effective interest rates at the balance sheet date are as follows:				
Fixed deposits with a licensed bank	3.0	3.0	-	-
Bank balances held at call with licensed banks	3.8	2.1	2.8	-

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

Fixed deposits with a licensed bank of the Group have an average maturity period of 30 days (2004: 30 days).

18 CREDITORS AND ACCRUALS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade creditors	7,509,489	8,503,884	-	-
Other creditors	766,941	375,642	-	-
Accruals	1,595,036	1,974,782	271,000	315,000
Amount owing to a subsidiary (non trade)	-	-	20,378,046	21,843,414
	9,871,466	10,854,308	20,649,046	22,158,414
The currency exposure profile of trade creditors and other creditors is as follows:				
- Ringgit Malaysia	5,100,296	6,880,307	-	-
- US Dollar	1,112,020	1,768,366	-	-
- Hong Kong Dollar	14,004	226,308	-	-
- Euro	6,293	4,545	-	-
- Chinese Renminbi	1,948,271	-	-	-
- Singapore Dollar	95,546	-	-	-
Total trade creditors	8,276,430	8,879,526	-	-

**18 CREDITORS AND ACCRUALS (CONTINUED)**

Credit terms of trade payables granted to the Group vary from payment in advance to 90 days (2004: payment in advance to 90 days).

Non trade amount owing to a subsidiary is denominated in Ringgit Malaysia. It is unsecured, interest free and has no fixed terms of repayment.

Included in other creditors as at 31 December 2005 of the Group are downpayments totalling RM50,597 received from buyers for the sale of properties belonging to the Group for a total consideration of RM366,000. The sale of these properties is not finalised as at 31 December 2005.

19 HIRE-PURCHASE CREDITORS

	GROUP	
	2005 RM	2004 RM
Payable within one year	227,878	210,216
Payable later than one year but not later than two years	162,366	187,074
Payable later than two years but not later than five years	88,288	194,170
	478,532	591,460
Less: Finance charges	(32,826)	(52,123)
	445,706	539,337
Present value of hire-purchase liabilities:		
Current		
Payable within one year	207,332	182,983
Non current		
Payable later than one year but not later than two years	153,993	171,659
Payable later than two years but not later than five years	84,381	184,695
	238,374	356,354
	445,706	539,337

All hire-purchase of the Group are denominated in Ringgit Malaysia. The effective interest rates of hire-purchase creditors of the Group ranged from 5.10% to 10.23% (2004: 5.10% to 10.23%) per annum.

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

**20 SHORT TERM BANK BORROWINGS**

	GROUP		Total RM
	Secured RM	Unsecured RM	
2005			
Bank overdrafts	1,047,988	164,450	1,212,438
Others:			
Bankers acceptances	84,000	849,000	933,000
Revolving credits	485,550	1,000,000	1,485,550
	569,550	1,849,000	2,418,550
Total short term bank borrowings	1,617,538	2,013,450	3,630,988
2004			
Bank overdrafts	2,817,288	228,841	3,046,129
Others:			
Bankers acceptances	6,385,000	882,000	7,267,000
Revolving credits	490,100	1,000,000	1,490,100
	6,875,100	1,882,000	8,757,100
Total short term bank borrowings	9,692,388	2,110,841	11,803,229

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

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

Certain short term bank borrowings of the subsidiaries are also guaranteed by the Company as shown in Note 27 to the financial statements. In addition, certain credit facilities are jointly and severally guaranteed by certain directors of the respective subsidiaries.

**20 SHORT TERM BANK BORROWINGS (CONTINUED)**

	GROUP	
	2005 RM	2004 RM
The currency exposure profile of short term bank borrowings is as follows:		
- Ringgit Malaysia	3,145,438	11,313,129
- US Dollar	485,550	490,100
	<u>3,630,988</u>	<u>11,803,229</u>

	GROUP	
	2005 %	2004 %
Weighted average effective interest rates at the balance sheet date are as follows:		
- bank overdrafts	7.9	7.6
- bankers acceptances	4.6	4.5
- revolving credits	5.5	4.8

The ranges of credit periods of these short term bank borrowings are 90 to 184 days (2004: 91 to 183 days).

21 TERM LOAN

	GROUP AND COMPANY	
	2005 RM	2004 RM
Current		
Repayable within one year	94,626	101,413
Non current		
Repayable later than one year and not later than five years	454,954	433,998
Repayable later than five years	494,022	606,751
	<u>948,976</u>	<u>1,040,749</u>
	<u>1,043,602</u>	<u>1,142,162</u>

The term loan which is denominated in Ringgit Malaysia is secured by fixed charges over a leasehold land and building of the Company. This term loan obtained from a licensed bank is repayable by 119 instalments commencing July 2004 and carries effective interest rate of 6.25% (2004: 4.38%) per annum.

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

**22 DEFERRED TAX LIABILITIES**

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

	GROUP	
	2005 RM	2004 RM
Deferred tax liabilities		
- subject to income tax	1,643,241	1,701,853
- subject to real property gains tax	145,892	152,393
	<u>1,789,133</u>	<u>1,854,246</u>

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

	GROUP	
	2005 RM	2004 RM
At 1 January	1,854,246	1,712,172
Charged/(credited) to income statement:		
- property, plant and equipment	114,940	144,592
- unused tax losses	(163,445)	-
- other temporary differences	63,638	(2,518)
	15,133	142,074
Credited to equity		
- property, plant and equipment	(80,246)	-
At 31 December	<u>1,789,133</u>	<u>1,854,246</u>
Subject to income tax:		
Deferred tax assets (before offsetting)		
- property, plant equipment	(293,882)	(99,801)
- unused tax losses	(163,445)	-
- other temporary differences	(61,414)	(103,186)
Offsetting	518,741	202,987
Deferred tax assets (after offsetting)	-	-

**22 DEFERRED TAX LIABILITIES (CONTINUED)**

	GROUP	
	2005 RM	2004 RM
Subject to income tax - Deferred tax liabilities (before offsetting) - property, plant and equipment	2,161,982	1,904,840
Offsetting	(518,741)	(202,987)
Deferred tax liabilities (after offsetting)	1,643,241	1,701,853
Subject to real property gains tax - Deferred tax liabilities - property, plant and equipment	145,892	152,393
Deferred tax liabilities (after offsetting)	1,789,133	1,854,246

The tax effects of unused tax losses of a subsidiary and unutilised capital allowances of the Company, determined after appropriate offsetting, for which no deferred tax assets are recognised in the financial statements of the respective companies, amounted to approximately RM463,000 (2004: Nil) and RM16,000 (2004: RM5,000) respectively.

23 SHARE CAPITAL

	GROUP AND COMPANY			
	2005 No. of shares	2005 RM	2004 No. of shares	2004 RM
Authorised: Ordinary shares of RM0.50 each At 1 January/31 December	100,000,000	50,000,000	100,000,000	50,000,000
Issued and fully paid-up: Ordinary shares of RM0.50 each At 1 January/31 December	80,000,000	40,000,000	80,000,000	40,000,000



24 RESERVES

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-distributable				
Reserve on consolidation:				
At 1 January/31 December	80,344	80,344	-	-
Share premium:				
At 1 January/31 December	1,899,295	1,899,295	1,899,295	1,899,295
Revaluation reserve:				
Surplus on revaluation of land and buildings				
At 1 January				
- land	3,161,953	3,161,953	-	-
- buildings	1,220,493	1,220,493	-	-
	4,382,446	4,382,446	-	-
Realised upon disposal of revalued properties				
- land	(244,128)	-	-	-
- buildings	(149,247)	-	-	-
	(393,375)	-	-	-
At 31 December				
- land	2,917,825	3,161,953	-	-
- buildings	1,071,246	1,220,493	-	-
	3,989,071	4,382,446	-	-
Deferred tax liabilities				
At 1 January	(470,800)	(470,800)	-	-
Deferred tax written back	80,246	-	-	-
At 31 December	(390,554)	(470,800)	-	-
Revaluation reserve, net of tax at 31 December	3,598,517	3,911,646	-	-
Distributable				
Retained profits :				
At 1 January	28,279,315	22,406,182	1,858,477	1,192,344
First and final dividend paid	(1,728,000)	(1,152,000)	(1,728,000)	(1,152,000)
Revaluation reserve realised upon disposal of properties	393,375	-	-	-
Net profit for the financial year	3,269,183	7,025,133	1,420,165	1,818,133
At 31 December	30,213,873	28,279,315	1,550,642	1,858,477
Total reserves	35,792,029	34,170,600	3,449,937	3,757,772

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 profits as at 31 December 2005, if paid out as dividends.

**25 SIGNIFICANT RELATED PARTY DISCLOSURES**

The significant related parties and their relationship with the Group and the Company are as follows:

Related party	Relationship
Caelygirl (M) Sdn. Bhd.	Subsidiary
Classita (M) Sdn. Bhd.	Subsidiary
Marywah Industries (M) Sdn. Bhd.	Subsidiary
Renova Garments Sdn. Bhd.	Subsidiary
Kimberlux Construction Sdn. Bhd.	A company in which certain directors have controlling interests
Kimberlux Sdn. Bhd.	A company in which certain directors have controlling interests
Brick by Brick Sdn. Bhd.	A company in which certain directors have controlling interests
Prestige Gain Sdn. Bhd.	A company in which certain directors have controlling interests
Rubysteel Metal Industry (M) Sdn. Bhd.	A company in which a director has financial interest
CAM Resources Bhd. ("CAM")	A company where a substantial shareholder is connected with a director of the Group and the Company
Central Aluminium Manufactory Sdn. Bhd.	A subsidiary of CAM where a substantial shareholder of CAM is connected with a director of the Group and the Company
Central Melamineware Sdn. Bhd.	A subsidiary of CAM where a substantial shareholder of CAM is connected with a director of the Group and the Company
Nyok Lan Garments Sdn. Bhd.	A company where a substantial shareholder is connected with certain directors of the Company
Yori Samensa Ltd.	A company owned by close family members of certain directors of the Company
Finatec Enterprise	Business entity owned by close family members of certain directors of the Group and the Company
Hongdy Enterprise	Business entity owned by close family members of certain directors of the Group and the Company
Inner Beauty Enterprise	Business entity owned by close family members of certain directors of the Group and the Company
Perusahaan Taclay	Business entity owned by close family members of certain directors of the Group and the Company

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

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Purchases of goods/services rendered by:				
Subsidiaries of CAM	-	11,670	-	-
Nyok Lan Garments Sdn. Bhd.	203,502	-	-	-
Finatec Enterprise	112,314	169,742	-	-
Hongdy Enterprise	302,211	428,608	-	-
Inner Beauty Enterprise	131,330	209,589	-	-
Perusahaan Taclay	334,124	466,095	-	-
Yori Samensa Ltd.	98,809	-	-	-

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.

**26 CAPITAL COMMITMENT**

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Capital expenditure authorised and contracted but not provided for in the financial statements are as follows:				
Buildings	26,445	353,961	-	-
Plant, equipment and vehicles	132,550	170,963	-	-
	158,995	524,924	-	-

27 CONTINGENT LIABILITIES

	GROUP	
	2005 RM	2004 RM
Unsecured Corporate guarantees for banking facilities extended to certain subsidiaries	34,910,000	-

28 NON CASH TRANSACTIONS

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

	GROUP	
	2005 RM	2004 RM
Sale proceeds used as trade-in amounts	13,000	70,000
Hire-purchase	110,000	610,000
Downpayments made in previous financial year	173,100	-

**29 FINANCIAL INSTRUMENTS**

(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.

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

Hedged items	Currency bought	Currency sold	Contractual rates	RM equivalent
2005				
Trade debtors				
Sales contracts in January 2006 to August 2006				
- USD9,310,000	RM	USD	3.6700 to 3.7635	34,610,570
2004				
Trade debtors				
Sales contracts in January 2005 to November 2005				
- USD8,568,189	RM	USD	3.7595 to 3.8200	32,561,713

The fair value of this outstanding forward contracts at balance sheet date was an unfavourable net position of RM326,170 (2004: favourable net position of RM38,500).

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

The carrying amounts of recognised financial assets and liabilities of the Group and the Company as at 31 December 2005 and 31 December 2004 approximated their fair values.

30 SUBSEQUENT EVENT

On 1 January 2006, one of its subsidiaries, Renova Garments Sdn. Bhd. ceased its operations on provision of sewing services and transferred all its employees to another subsidiary, Classita (M) Sdn. Bhd. with effect from the said date.

31 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution at the Board of Directors on 25 April 2006.



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

We, Khor Mooi Soong and Chuah Chin Lai A.M.P., being two of the directors of Caely Holdings Bhd., state that, in the opinion of the directors, the financial statements set out on pages 29 to 61 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 2005 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution dated 25 April 2006.

KHOR MOOI SOONG
EXECUTIVE DIRECTOR

CHUAH CHIN LAI A.M.P.
MANAGING DIRECTOR

Teluk Intan, Perak Darul Ridzuan



STATUTORY 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 29 to 61 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 25 April 2006.

Before me,

COMMISSIONER FOR OATHS



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

TO THE MEMBERS OF CAELY HOLDINGS BHD.

We have audited the financial statements set out on pages 29 to 61. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia 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 2005 and of the results and cash flows of the Group and the Company for the financial year ended on that date;

and

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

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

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

LIM TEONG KEAN
(No. 2499/12/07 (J))
Partner of the firm

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

25 April 2006



AS AT 31 DECEMBER 2005

Title and Location	Description	Tenure / Age of buildings	Year of expiry	Land area / Built-up area (Square feet)	Date of last valuation* /acquisition#	Net book value (RM)
PM 3351 Lot 21475, Mukim Petaling, Negeri Wilayah Persekutuan	Land	Leasehold	05.04.2078	2,300	15.03.2004#	303,731
PM 3351 Lot 21475, Mukim Petaling, Negeri Wilayah Persekutuan	Building (4 storey shophouse)	Leasehold 2 year	05.04.2078	9,060	15.03.2004#	1,202,858
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 11 years	-	15,250	18.06.2001*	428,446
Lot No. 1082, Geran 23580, Mukim of Durian Sebatang, District of Hilir Perak	3-storey hostel	Freehold 9 years	-	11,100	18.06.2001*	431,110
Lot No. 1082, Geran 23580, Mukim of Durian Sebatang, District of Hilir Perak	3-storey factory building	Freehold 7 years	-	28,140	18.06.2001*	1,559,260
PT 780, H.S.(D) 7645, Mukim of Durian Sebatang, District of Hilir Perak	Land	Freehold	-	13,689	31.07.2003#	169,000
Parcel No. 13, Storey No. 7 Sri Pelangi Condominium Blok B, Wilayah Persekutuan	Condominium	Freehold 6 years	-	927	16.05.2001*	137,592



AS AT 31 DECEMBER 2005

Title and Location	Description	Tenure / Age of buildings	Year of expiry	Land area / Built-up area (Square feet)	Date of last valuation* /acquisition#	Net book value (RM)
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	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 building	Freehold 10 years	-	69,928	18.06.2001*	4,551,662
Lot No. 2661, Geran 2292, Mukim of Durian Sebatang, District of Hilir Perak	3-storey building	Freehold 3 years	-	76,800	26.12.2002#	7,250,718
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 5 years	-	1,200 1,693	18.06.2001*	40,000 70,000

**AS AT 4 MAY 2006**

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	:	3,687

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 4 MAY 2006

Size of Shareholding	No. of Shareholders	%	No of Shares Issued	% of Capital
1 - 99	1	0.03	50	Negligible
100 - 1,000	641	17.38	605,700	0.76
1001 - 10,000	2,328	63.14	11,140,950	13.93
10,001 - 100,000	656	17.79	19,206,700	24.00
100,001 - 4,000,000	57	1.55	20,928,600	26.16
4,000,001 and above	4	0.11	28,118,000	35.15
TOTAL	3,687	100	80,000,000	100.00

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 4 MAY 2006

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Fong Nyok Yoon	8,250,000	10.31	24,750,000 ^(a)	30.93
Chuah Chin Lai	8,250,000	10.31	24,750,000 ^(b)	30.93
Khor Mooi Soong	8,250,000	10.31	24,750,000 ^(c)	30.93
Lim Pow Choo	8,250,000	10.31	24,750,000 ^(d)	30.93

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 4 MAY 2006**

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Fong Nyok Yoon	8,250,000	10.31	24,750,000 ^(a)	30.93
Dato' Wan Mohd Zin Bin Mat Amin	1,028,000	1.29 ^(b)	-	-
Chuah Chin Lai	8,250,000	10.31 ^(c)	24,750,000 ^(d)	30.93
Khor Mooi Soong	8,250,000	10.31 ^(e)	24,750,000 ^(f)	30.93
Lim Pow Choo	8,250,000	10.31	24,750,000 ^(g)	30.93
Siow Hock Lee	-	-	135,500 ^(h)	0.17
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 companies.
- (c) 6,768,000 shares are held through nominee companies.
- (d) 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.
- (e) 2,400,000 shares are held through nominee company.
- (f) 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.
- (g) 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.
- (h) Deemed interested by virtue of the shareholding of his spouse, Chen Bee Yoke.

THIRTY LARGEST SHAREHOLDERS AS PER THE REGISTER OF MEMBERS AS AT 4 MAY 2006

	Name of Shareholder	No. Shares Held	%
1.	Fong Nyok Yoon	8,250,000	10.31
2.	Lim Pow Choo	8,250,000	10.31
3.	Khor Mooi Soong	5,850,000	7.31
4.	Citicorp Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Chuah Chin Lai (474038)	5,768,000	7.21
5.	RHB Capital Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Khor Mooi Soong (CEB)	2,000,000	2.50
6.	Chuah Chin Lai	1,482,000	1.85
7.	PM Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Ng New Soon (B)	1,435,000	1.79
8.	DB (Malaysia) Nominees (Asing) Sdn Bhd Qualifier: Deutsche Bank AG London	1,027,100	1.28
9.	AI Wakalah Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Chuah Chin Lai	1,000,000	1.25



AS AT 4 MAY 2006

	Name of Shareholder	No. Shares Held	%
10.	CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: CIMB for Wan Mohamad Zin Bin Mat Amin (Margin-MY0113)	984,300	1.23
11.	Awang Adek Bin Hussin	928,000	1.16
12.	HSBC Nominees (Asing) Sdn Bhd Qualifier: BNP Paribas Arbitrage (Hong Kong) Limited	754,000	0.94
13.	SJ SEC Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Ng Yoke Pheng	609,100	0.76
14.	Ng New Soon	600,000	0.75
15.	CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: CIMB for Cheang Kim Leong (Margin-MY0021)	558,100	0.70
16.	HLB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Tan Chin Chan	531,500	0.66
17.	Kuala Lumpur City Nominees (Tempatan) Sdn Bhd Qualifier: Boston Asset Management Pte Ltd for Tan Ooi Thiam	515,800	0.64
18.	ABB Nominees (Tempatan) Sdm Njd Qualifier: Pledged Securities Account for Ng Weng Keong	495,400	0.62
19.	HSBC Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for E Pian	450,000	0.56
20.	CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: CIMB for Ng Yoke Pheng (Margin-MM1178)	440,100	0.55
21.	Employees Provident Fund Board	357,800	0.45
22.	Cheah See Han	305,600	0.38
23.	ECM Libra Securities Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Koid Hun Kian (MR0665)	300,000	0.38
24.	HLB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Tan Choon Ping	295,000	0.37
25.	Tay Choon Wei	248,400	0.31
26.	Mayban Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Huan Dee Lam (08319AQ0112)	215,000	0.27
27.	Yong Miau Lim	214,000	0.27
28.	Hia Wan Kiga	200,000	0.25
29.	Chan Moon Thiam	200,000	0.25
30.	OSK Nominees (Tempatan) Sdn Berhad Qualifier: Pledged Securities Account for Khor Mooi Soong	200,000	0.25
	Total	44,464,200	55.58

PROXY FORM

I/We _____
(Full Name in Capital Letters)

of _____
(Full Address)

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

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

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

as * my/our proxy/proxies to attend and vote for *me/us and on *my/our behalf at the Tenth Annual General Meeting of the Company, to be held at No. 47 Zone J4 Jalan Radin Anum Bandar Baru Sri Petaling 57000 Kuala Lumpur on 28 June 2006 at 10.00 a.m and, at every adjournment thereof to vote as indicated below :

		FOR	AGAINST
Resolution 1	ORDINARY BUSINESS Adoption of the Statutory Financial Statements for the year ended 31 December 2005 and the Reports of the Directors and Auditors' thereon	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	To declare a first and final dividend of 2.5 sen per share less 28% income tax for the year ended 31 December 2005	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	To approve the payment of directors' fee of RM214,000/- in respect of the year ended 31 December 2005	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Re-election of Ms. Fong Nyok Yoon as Director	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Re-election of Dato' Wan Mohamad Zin Bin Mat Amin as Director	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Re-election of Mr. Ooi Say Teik as Director	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Re-appointment Messrs PricewaterhouseCoopers as Auditors, and to authorise the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
	SPECIAL BUSINESS		
	To approve the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Transaction between Caelygirl (M) Sdn Bhd and related parties	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Transaction between Classita (M) Sdn Bhd and related parties	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Transaction between Marywah Industries (M) Sdn Bhd and related parties	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	To authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965	<input type="checkbox"/>	<input type="checkbox"/>

(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	_____ %
	<u>100 %</u>

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 _____ 2006.

* 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 22nd Floor Menara EON Bank 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.

Then fold here

Affix
Stamp

CAELY HOLDINGS BHD.

(408376-U)

22nd Floor, Menara Eon Bank
288, Jalan Raja Laut
50350 Kuala Lumpur

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