

This Circular is important and requires your immediate attention.

If you are in any doubt as to the course of action you should take, please consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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Caely Holdings Bhd.

(Company No. 408376-U)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO THE SHAREHOLDERS

IN RELATION TO THE

**PROPOSED DIVERSIFICATION OF THE BUSINESS OF CAELY HOLDINGS BHD.
("CHB") AND ITS SUBSIDIARIES INTO PROPERTY DEVELOPMENT AND
CONSTRUCTION**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



AmInvestment Bank

AmInvestment Bank Berhad

(Company No. 23742-V)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

An Extraordinary General Meeting ("**EGM**") will be held at No. 47, Zone J4, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Wednesday, 6 February 2013 at 10.30 a.m.. The notice of EGM together with the Proxy Form is enclosed in this Circular.

If you decide to appoint a proxy to attend and vote on behalf at the EGM, you may complete, sign and return the enclosed Proxy Form in accordance with the instruction contained therein as soon as possible, so as to arrive at the registered office of CHB at Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, not later than the time and date indicated below. The lodging of the Proxy Form will not preclude you from attending and voting in person at the meeting, should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Monday, 4 February 2013, 10.30 a.m.
Date and time of the EGM : Wednesday, 6 February 2013 at 10.30 a.m.

This Circular is dated 16 January 2013

DEFINITIONS

Unless where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:

AmBank	-	AmBank (M) Berhad
AmInvestment Bank	-	AmInvestment Bank Berhad
AmIslamic	-	AmIslamic Bank Berhad
Board	-	Board of Directors of CHB
Bursa Securities	-	Bursa Malaysia Securities Berhad
CHB or the Company	-	Caely Holdings Bhd.
CHB Group or the Group	-	CHB and its subsidiaries
Classita	-	Classita (M) Sdn Bhd, wholly-owned subsidiary of CHB
CMSB	-	Caely (M) Sdn Bhd, wholly-owned subsidiary of CHB
Commercial Phase	-	The commercial phase comprising: <ul style="list-style-type: none">(a) 182 units of shop lots; and(b) 2 parcels of vacant commercial lots comprising:<ul style="list-style-type: none">- 1 parcel of land measuring approximately 1 acre tentatively reserved for the development of a petrol station ; and- 1 parcel of land measuring approximately 1 acre of the usage of which has not been determined as at the LPD
Contract	-	Contract dated 7 September 2012 entered into between CMSB and KPFB for the appointment of CMSB as the turnkey contractor for the Felcra Project
Development Project	-	The proposed development project consisting of: <ul style="list-style-type: none">(a) the Commercial Phase; and(b) the Residential Phase. <p>The details of the Development Project is disclosed in Section 2.1.2 of this Circular</p>
EGM	-	Extraordinary general meeting
Felcra Project	-	The design and construction of 300 bungalow units and the relevant infrastructure works on Project Kampung Tersusun Generasi Kedua Felcra Berhad Seberang Perak, Changkat Lada, Mukim Pasir Salak, Perak Darul Ridzuan
FYE	-	Financial year ended / ending, as the case may be
KPFB	-	Koperasi Peserta-Peserta Felcra Malaysia Berhad

DEFINITIONS (Cont'd)

Land	- A parcel of vacant leasehold land measuring in area of approximately 52.79 acres held under Plot 31,32 and 39, at Tapah Road, Mukim Batang Padang, Daerah Batang Padang, Negeri Perak Darul Ridzuan
Land Acquisition	- Acquisition of the Land for a total purchase consideration of RM3,695,300, to be satisfied via the following manner: (a) cash consideration of RM1,925,300; and (b) consideration in kind consisting of 13 units of completed double storey "Kedai Rakyat" built by CMSB at CMSB's cost at the designated location, design and concept, valued at an aggregate sum of RM1,770,000, based on the terms and conditions of the SPA
Listing Requirements	- Main Market Listing Requirements of Bursa Securities
LPD	- 31 December 2012, being the latest practicable date prior to the date of this Circular
NA	- Net assets
Proposed Diversification	- Proposed diversification of the business of the CHB Group into property development and construction
Residential Phase	- Comprising 160 units of single storey terrace houses, 86 units of double storey terrace houses, 52 units of semi-detached houses and 6 units of bungalow lots
RM and sen	- Ringgit Malaysia and sen respectively
SPA	- Sale and purchase agreement dated 27 June 2011 entered into between CMSB and TDSB
TDSB	- Tenaga Danawa Sdn Bhd, an indirect wholly-owned subsidiary of Majuperak Holdings Berhad

In this Circular, words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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Caely Holdings Bhd.

(Company No. 408376-U)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

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

16 January 2013

Board of Directors:

Datin Fong Nyok Yoon (Executive Chairperson/Non Independent Executive Director)

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

Siow Hock Lee (Independent Non Executive Director)

Ooi Say Teik (Independent Non Executive Director)

Hem Kan @ Chan Hong Kee (Independent Non Executive Director)

To: The shareholders of CHB

Dear Sir/Madam,

PROPOSED DIVERSIFICATION

1. INTRODUCTION

On 7 December 2012, AmInvestment Bank, on behalf of the Board, announced that the CHB Group proposes to diversify its business into property development and construction via its wholly-owned subsidiary, CMSB.

Pursuant to Paragraph 10.13(1) of the Listing Requirements, a listed issuer must obtain its shareholders' approval in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:

- (a) the diversion of 25% or more of the NA of the listed issuer to an operation which differs widely from those operations previously carried on by the listed issuer; or
- (b) the contribution from such an operation of 25% or more of the net profits of the listed issuer.

The details pertaining to the Proposed Diversification are set out in the ensuing sections of this Circular.

The purpose of this Circular is to provide you with the details of the Proposed Diversification, and to seek your approval for the ordinary resolution pertaining to the Proposed Diversification to be tabled at the forthcoming EGM, the notice of which is set out in this Circular.

YOU ARE ADVISED TO READ THE CONTENT OF THIS CIRCULAR BEFORE VOTING ON THE ORDINARY RESOLUTION TO GIVE EFFECT TO THE PROPOSED DIVERSIFICATION AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DIVERSIFICATION

The principal activities of the CHB Group are manufacturing and sales of undergarments and direct sales. During the FYE 31 March 2012, the CHB Group commenced its property development and construction activities pursuant to the Land Acquisition and the Contract respectively. The details on the Land Acquisition are set out in the announcements made by CHB dated 27 June 2011 and 29 June 2011, while the details of the Contract are set out in the announcements made by CHB dated 7 September 2012, 14 September 2012 and 18 September 2012.

Further details of the Land Acquisition and the Contract are set out in Sections 2.1 and 2.2 below:

2.1 Information on the Land Acquisition

2.1.1 The details of the Land Acquisition

On 27 June 2011, the Board announced that CMSB had entered into a SPA with TDSB for the Land Acquisition.

Pursuant to the SPA, the total purchase consideration for the Land Acquisition of RM3,695,300 shall be satisfied in the following manner:

- (a) the cash consideration of RM1,925,300 shall be payable based on the following schedule:

Time	Percentage (%)	Amount (RM)	Payment status (As at the LPD)
Commitment deposit	1	19,253	Fully paid
Upon execution of the SPA or 2 months from the date of the letter of offer dated 13 April 2011 (" Offer Letter "), whichever is the earlier	9	173,277	Fully paid
4 months from the date of the SPA or 6 months from the date of the Offer Letter, whichever is the earlier	20	385,060	Fully paid
12 monthly instalments, which instalment to commence upon first approval of the first building plan of the Development Project	70	1,347,710	A total of RM786,170 (amount equivalent to 7 monthly instalments at RM112,310 per instalment) has been paid since the approval of the first building plan of the Development Project was obtained on 18 June 2012
Total	100	1,925,300	

- (b) the consideration in kind to be delivered within 36 months from the date of the approval of the first building plan for the Development Project (by 17 June 2015).

The purchase price of the Land Acquisition was arrived at on a "willing buyer willing seller" basis. In determining the purchase price of the Land Acquisition, CHB took into consideration the price of the recent land/property transactions in the vicinity of the Land and the type of development to be undertaken. The basis of arriving at the quantum of the consideration in kind is as follows:

	RM
3 units of "Kedai Rakyat" with the land area size of 22' x 75' at RM150,000 per unit	450,000
10 units of "Kedai Rakyat" with the land area size of 20' x 70' at RM132,000 per unit	1,320,000
Total consideration in kind	1,770,000

The condition precedent to the SPA has been fulfilled by the corporate guarantee dated 27 June 2011 provided by CHB in favour of TDSB for the due observance and performance by CMSB of its obligations⁽¹⁾ as set out in the SPA. The corporate guarantee is irrevocable and effective and remains valid until the expiry of the defect liability period (being 24 months after delivery of vacant possession of the 13 units of "Kedai Rakyat") of the Development Project.

As at the LPD, the Land Acquisition is pending completion. The Land Acquisition shall be deemed completed upon full payment of the cash consideration of RM1,925,300 and the delivery of vacant possession of the 13 units of double storey "Kedai Rakyat" with a Certificate of Completion and Compliance to be issued by the architect certifying that the buildings are fit for occupation, to TDSB. Accordingly, barring unforeseen circumstances, the Land Acquisition is expected to be completed within 36 months from 18 June 2012, being the date of the approval of the first building plan⁽²⁾ for the Development Project. The Commercial Phase is expected to be completed by June 2015.

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¹ CMSB's obligations as set out in the SPA includes, inter-alia, the settlement of the cash consideration amounting to RM1,925,300, the delivery of vacant possession of the 13 units of "Kedai Rakyat", the construction of the main infrastructure in accordance with the relevant approved plans and payment of the premiums, survey fees and all other charges imposed by the relevant authorities for the issuance of the titles to the Land.

² The first building plan is the approval dated 18 June 2012 issued by Majlis Daerah Tapah in respect of the building plan application for the Development Project submitted by the appointed architect.

Brief description of the Land is set out below:

Location	:	Plot 31,32 and 39 Mukim Batang Padang Daerah Batang Padang Negeri Perak Darul Ridzuan
Tenure	:	99 years leasehold interest ⁽¹⁾⁽²⁾
Title	:	Residential/ commercial (subject to the issuance of the titles) ⁽²⁾
Category of land use	:	Building
Restriction in interest	:	This Land shall only be transferred or charged with the written consent from the state authority
Total land area	:	Approximately 52.79 acres
Encumbrances	:	Nil

Notes:

- (1) *The expiry date of the lease period cannot be determined at this juncture as the lease will only commence upon the issuance of the titles.*
- (2) *As at the LPD, the Land is pending issuance of the titles from the Perak Land and Mines Office (Pejabat Tanah dan Galian Perak).*

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2.1.2 Details of the Development Project

The Land is intended for the Development Project. As at the LPD, the brief description of the Development Project is set out below:

Name of the project	: Taman Wallagonia				
Estimated total gross development value	: Approximately RM145.0 million				
Estimated total development cost	: Approximately RM134.5 million				
Estimated profit before interest and tax	: Approximately RM10.5 million				
Type of Development	: Mixed development consisting of 2 phases as follows:				
		Type of Development	Status of completion of the Development Project as at the LPD	Actual/targeted commencement date	Targeted completion date
		(a) Commercial Phase (i) 182 units of shop lots ⁽¹⁾ (ii) 2 parcels of vacant commercial lots comprising: - approximately 1 acre tentatively reserved for the development of a petrol station - approximately 1 acre of the usage of which has not been determined as at the LPD	Commenced the physical works ⁽²⁾ Yet to commence Yet to commence -	July 2012	June 2015
		(b) Residential Phase ⁽³⁾ 160 units of single storey terrace houses, 86 units of double storey terrace houses, 52 units of semi-detached houses and 6 units of bungalow lots	Yet to commence	July 2013	June 2016

Notes:

- (1) *The Commercial Phase includes the development of 13 units of "Kedai Rakyat" which will be delivered (within 36 months from the date of the approval of the first building plan for the Development Project) to TDSB as the consideration in kind in accordance to the SPA.*
- (2) *CMSB has commenced the physical works on the Land (namely site clearing, earthwork and levelling) for the development of the Commercial Phase.*
- (3) *Barring unforeseen circumstances, CMSB intends to develop the entire Residential Phase simultaneously.*

The Commercial Phase will be funded through bank borrowings while the Residential Phase will be funded by internally generated funds and/or bank borrowings, the proportion of which is to be determined by the Company at a date nearer to the commencement of the development of the Residential Phase.

As at the LPD, CMSB has obtained all the necessary approvals as stated below for the commencement of the development of the Commercial Phase:

Name of authority	Date of approval	Nature of approval
(a) Majlis Daerah Tapah	25 October 2011	Planning permission for layout plan
(b) Majlis Daerah Tapah	4 January 2012	Survey plan approval
(c) Majlis Daerah Tapah	18 June 2012	Earthworks plan approval
(d) Majlis Daerah Tapah	18 June 2012	Road and drainage plan approval
(e) Majlis Daerah Tapah	18 June 2012	Building plan approval

2.2 Information on the Contract

KPFB had issued an offer letter dated 14 October 2011 to CMSB for the design and construction of 300 bungalow units and the relevant infrastructure works⁽³⁾ on Project Kampung Tersusun Generasi Kedua, Felcra Berhad, Seberang Perak, Changkat Lada, Mukim Pasir Salak, Perak ("Offer"). In the same letter, KPFB stated that the construction work is to be commenced by 17 October 2011 and to be completed by 16 October 2013. The Offer was subject to further negotiations of the terms and conditions of the Contract and finalisation of the financial details.

On 17 October 2011, KPFB issued a letter to instruct CMSB to commence works on the Felcra Project as soon as possible in view that the construction of the Felcra Project must be completed within the prescribed period. In the same letter, KPFB stated that although the definitive Contract is pending finalisation at that point of time, KPFB will make payments in accordance with the work completed and certified by the appointed quantity surveyor. The infrastructure works commenced by CMSB pursuant to the aforesaid letters include earthworks (inclusive of temporary open water drainage) and roadwork foundation.

³ The infrastructure works such as roadwork, surface water drainage, water reticulation as well as the construction of elevated water tank for Perak Water Board (Lembaga Air Perak) and Tenaga Nasional Berhad substations.

CMSB commenced works on the Felcra Project accordingly after taking into consideration the following factors:

- (a) the reputation and track record of KPFB;
- (b) the commitment by KPFB pursuant to its letter dated 17 October 2011 to make payments in accordance with the work completed and certified by the appointed quantity surveyor;
- (c) the financial benefit arising from the Felcra Project which is expected to contribute positively to the CHB Group's earning; and
- (d) the timeline to complete the Felcra Project.

The details of the work done prior to the execution of the definitive Contract pursuant to KPFB's letters dated 14 October 2011 and 17 October 2011 are set out below:

Type of work done	: Infrastructure works which include earthworks (inclusive of temporary open water drainage) and roadwork foundation, and the structural work of 300 bungalow units which represents approximately 80% of the work completion for the said bungalow units.
Value of the work done	: RM19.8 million
Mode and timeframe of payments for the work done	: There is no timeframe for payment stipulated in the aforesaid letters. However, based on CMSB's records of receipts, payments from KPSB (less the retention sum of 10% of the value of the work done) were made via cheque issued by KPSB within 60 days from the date of the relevant claims certified by the appointed quantity surveyor.

Upon finalisation of the terms and conditions of the Contract, the Board had on 7 September 2012 announced that CMSB had signed the Contract with KPFB in respect to the appointment of CMSB as the turnkey contractor for the Felcra Project. The nature and scope of work undertaken by CMSB as a turnkey contractor for the Felcra Project include the design and construction for the Felcra Project. The duration of the Contract is 2 years from the date of commencement of works for the Felcra Project and it is expected to be completed by October 2013.

The salient terms and conditions of the Contract are set out below:

- (a) CMSB is to undertake and complete the Felcra Project by 16 October 2013 at a total contract value of approximately RM47.9 million, in accordance with the relevant plans, scope of work and terms of the Contract.
- (b) CMSB shall be paid by KPFB in accordance with the work completed in accordance with the scope of work and certified by the appointed quantity surveyor.
- (c) CMSB shall make good any defects to the Felcra Project at any time during the defect liability period of 6 months from the date of practical completion.

- (d) In the event CMSB fails to comply with any instructions in writing issued by KPFB within 7 days from the date of receipt of the said notice, KPFB has the right to appoint and pay a third party to complete such instructions and/or works and all costs and expenses to be incurred thereto shall be claimable by KPFB from CMSB and shall be deemed a debt owing by CMSB to KPFB which is capable of being deducted from any amounts owing by KPFB to CMSB.
- (e) In the event CMSB fails to complete the works to the satisfaction of the appointed quantity surveyor within the period stipulated in the Contract or such other extended period to be agreed in writing by KPFB, CMSB shall be liable for liquidated ascertained damages at the rate of RM11,984.18 for each day of delay until the date of completion of the works and KPFB shall have the right to deduct such sums from payment(s) to be made to CMSB.

The estimated profit margin to be derived from the Contract is approximately 15% based on the estimates provided by the quantity surveyor of the Company. The total profit contribution from the Contract is expected to be distributed over 3 financial years starting from FYE 31 March 2012 to 2014.

There is no major capital commitment on the Felcra Project and the source of funding for the working capital in undertaking the Contract is funded by internally generated funds (50%) and bank borrowings (50%).

The Board does not expect the property development activities to contribute to 25% or more of the net profits of the CHB Group for the FYE 31 March 2013. However, the CHB Group anticipates that the property development will emerge to be one of the major contributors as the CHB Group continues to seek and secure more property development projects in the future.

The construction activities had contributed a net profit of RM4.0 million to the CHB Group, representing 333.3% of the net profits of the CHB Group of RM1.2 million for the FYE 31 March 2012. It is expected that the construction business will continue to contribute 25% or more of the net profits of the CHB Group for the FYE 31 March 2013. Going forward, the CHB Group intends to seek further opportunities in the construction sector.

Datin Fong Nyok Yoon and Dato' Chuah Chin Lai, being the Executive Chairperson of CHB and Managing Director of CHB respectively have been involved in the property development and constructions businesses for 16 years. Datin Fong Nyok Yoon and Dato' Chuah Chin Lai have undertaken and completed several property development projects (mixed development projects that include both commercial shop units and residential houses) which include Taman Kayangan in Hutan Melintang, Taman Sri Intan II in Hutan Melintang, Taman Maharaja Lela in Teluk Intan, Taman Intanova-Phase 1 in Teluk Intan and Imperia Central Business Park in Teluk Intan. They have through the abovementioned property development projects, gained vast experience in planning, executing, managing, marketing and conducting risks assessments of construction projects and development schemes. Further information on the role and responsibilities of Datin Fong Nyok Yoon and Dato' Chuah Chin Lai for all the projects stated above is set out in Section 2.3 of this Circular.

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2.3 Key Management Team

A brief description on the past property development and/or construction related working experience of the members of the key management who will spearhead the property development and construction businesses of the CHB Group are set out below:

Name	Years of experience	Past projects	Type of project	Position held	Roles and responsibilities
Dato' Chuah Chin Lai	16 years	(a) Taman Intanova –Phase 1, Teluk Intan (32 units of commercial lots and 50 units of residential lots)	Property development	Managing Director	• Plan the development and resources such as capital and human resources.
		(b) Imperia Central Business Park, Teluk Intan (10 units of commercial lots)	Property development		• Monitor the status and progress of each of the projects.
		(c) Taman Maharaja Lela, Teluk Intan (10 units of commercial lots and 42 units of residential lots)	Property development and construction		• Make key decisions such as the negotiation and acquisition of properties and approving alternate plans.
		(d) Taman Sri Intan II, Hutan Melintang (84 units of residential lots)	Property development and construction		• Carry out the marketing and promotional activities.
		(e) Taman Kayangan, Hutan Melintang (10 units of commercial lots and 90 units of residential lots)	Property development and construction		• Establish pricing strategy, create and evaluate the budgets of each of the projects.
		(f) Taman Desa Hartaya, Langkap (47 units of residential lots)	Construction		• Evaluate and analyse the effectiveness of the strategies.
Datin Fong Nyok Yoon	16 years	(a) Taman Intanova –Phase 1, Teluk Intan (32 units of commercial lots and 50 units of residential lots)	Property development	Executive Director	• Plan the development and resources such as capital and human resources.
		(b) Imperia Central Business Park, Teluk Intan (10 units of commercial lots)	Property development		• Monitor the status and progress of each of the projects.

Name	Years of experience	Past projects	Type of project	Position held	Roles and responsibilities
Datin Fong Nyok Yoon (Cont'd)		(c) Taman Maharaja Lela, Teluk Intan (10 units of commercial lots and 42 units of residential lots)	Property development and construction		<ul style="list-style-type: none"> Make key decisions such as the negotiation and acquisition of properties and approving alternate plans.
		(d) Taman Sri Intan II, Hutan Melintang (84 units of residential lots)	Property development and construction		<ul style="list-style-type: none"> Carry out the marketing and promotional activities.
		(e) Taman Kayangan, Hutan Melintang (10 units of commercial lots and 90 units of residential lots)	Property development and construction		<ul style="list-style-type: none"> Establish pricing strategy, create and evaluate the budgets of each of the projects. Evaluate and analyse the effectiveness of the strategies.
Lim Owe Lam	20 years	(a) Taman Maharaja Lela, Teluk Intan (10 units of commercial lots and 42 units of residential lots)	Construction	Site Manager	<ul style="list-style-type: none"> Schedule and supervise the project to meet deadline.
		(b) Taman Sri Intan II, Hutan Melintang (84 units of residential lot)	Construction		<ul style="list-style-type: none"> Ensure effective communication and coordination on assigned projects between all project participants.
		(c) Taman Kayangan, Hutan Melintang (10 units of commercial lots and 90 units of residential lots)	Construction		<ul style="list-style-type: none"> Inspect and review projects to meet the compliance with building and safety codes and other regulations.
		(d) Taman Desa Hartaya, Langkap (47 units of residential lots)	Construction		<ul style="list-style-type: none"> Update the management regularly on the progress of the projects. Plan, schedule and coordinate the engineering and management aspects of projects.

Name	Years of experience	Past projects	Type of project	Position held	Roles and responsibilities
Lim Owe Lam (Cont'd)					<ul style="list-style-type: none"> • Participate in client/contractors meetings and resolving client/engineering and management project issues. • Monitor and control the material/resources wastage at site.
Ching Han Hoew	20 years	(a) Brunei SEA Games Indoor Multi-Purpose Hall, Brunei (Building and Infrastructure) (b) Brunei Forestry Department – National Park, Brunei (Building and Infrastructure) (c) Kampong Perpindahan, Brunei (160 units residential lots)	Construction Construction Construction	Project Manager	<ul style="list-style-type: none"> • Review the completeness, accuracy set of plans for all the structure in a project. • Ensure effective communication and coordination on assigned projects between all project participants. • Plan, schedule and coordinate the engineering and management aspects of projects. • Monitor work for compliance to applicable codes, accepted engineering practices and other regulations. • Participate in client/contractors meetings and resolving client/engineering and management project issues. • Update the management regularly on the progress of the projects.

The Board believes that the CHB Group has the capacity, capabilities and resources in diversifying into property development and construction businesses after taking into consideration the following:

- (a) the CHB Group has begun developing its credential as a construction project contractor via its first project being the Felcra Project. With this credential, the CHB Group intends to seek and secure other similar construction services; and
- (b) the competency and experience of the key management team who have been involved in the property development and construction industry as set out in the table above as well as the assistance from the consultants (namely, the architects, engineers, surveyors, subcontractors and other consultants).

There is no management agreement entered into with any of the key management personnel who is involved in the CHB Group's property development and/or construction businesses. The Group believes that the success in the property development and construction industry depends largely on the experience and continued efforts of Datin Fong Nyok Yoon, Dato' Chuah Chin Lai and the key management team. The loss of any of these individuals may affect the business operation of the Group. Recognising the importance of the key management team, the CHB Group will continuously adopt appropriate approaches to retain the key personnel. To avoid over dependence on any key personnel, the Company strives to attract qualified and experienced employees, as well as to address the succession planning programme by grooming the junior employees to complement the management team. This will in turn help to ensure continuity and competency of the management team.

3. RATIONALE FOR THE PROPOSED DIVERSIFICATION

The CHB Group intends to diversify and expand its business activities to enhance its prospects through the Proposed Diversification. The Board believes that the Proposed Diversification would contribute positively to the Group's future earnings and improve the financial position of the CHB Group. This is supported by the profit contribution from the Contract which accounted RM4.0 million for the FYE 31 March 2012. The additional revenue contribution from the Company's property development and construction activities will provide the Company an additional source of earnings which is expected to enhance the Company's profitability and returns on shareholders' fund.

The Board has also taken into consideration the following factors in its decision for the Group to venture into the property development and construction businesses instead of other business:

- (a) the property development and construction businesses is expected to contribute positively to the Group under the leadership of Dato' Chuah Chin Lai and Datin Fong Nyok Yoon as well as the other members of the key management team based on their respective past experiences in the property development and construction industry as set out in Section 2.3 of this Circular;
- (b) the positive prospects of the Development Project along the Tapah Road in view of the growing student population around the Land due to the close vicinity of the Land to the Universiti Teknologi Mara ("UITM") campus; and
- (c) the financial benefits from the Felcra Project and the Development Project which is expected to contribute positively to the Group's earnings.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview and the Prospect of the Malaysian Economy

The Malaysian economy continued to record a strong growth of 5.2% in the third quarter of 2012 (Q2 2012: 5.6%) despite slowing external demand. During the first nine months of 2012, the economy grew 5.3% surpassing the targeted growth of 4.5-5.0% for 2012. The strong performance was driven by robust domestic economic activity, particularly the private investment and consumption. On the supply side, all sectors continued to record positive growth except mining. The services sector recorded a stronger growth of 7% (Q2 2012: 6.6%) boosted by the finance and insurance, real estate and business services as well as communication subsectors. The construction sector continued to register a strong growth of 18.3% (Q2 2012: 22.2%) supported by expansion in civil engineering and residential works. Despite lower exports of electric and electronic (E&E) products, the manufacturing sector expanded 3.3% (Q2 2012: 5.6%) supported by higher growth in construction-related and transport equipment subsectors. The agriculture sector rebounded 0.5% (Q2 2012: -4.7%) contributed by increased output of food crop and livestock subsectors and recovery in production of palm oil. Meanwhile, growth of the mining sector contracted 1.2% (Q2 2012: 2.3%) on account of lower production of natural gas.

The performance of the stock market was upbeat in the third quarter of 2012 in line with the performance on Wall Street and most regional markets. The FTSE Bursa Malaysia KLCI was on the uptrend in October and recorded a new high of 1,675.69 points on 1 November 2012, bolstered by the positive external developments including improving United State of America ("US") job data and reports on European Central Bank ("ECB") action to buy government bonds of euro-indebted nations; stronger-than-expected US retail sales, industrial production and housing data; as well as China's stronger manufacturing output. However, the market retreated to 1,618.55 points on 22 November 2012, as investors remained concerned over the US fiscal cliff, and Europe's unresolved debt problems.

The global economy remains vulnerable to downside risks and is expected to register a slower growth of 3.3% in 2012 (2011: 3.8%). The slowdown in global growth reflects persistent concerns on the unresolved euro area crisis, fears of the US fiscal cliff, and probability of a hard landing in some emerging economies. However, the decision of the ECB to purchase unlimited sovereign bonds under the Outright Monetary Transactions programme, the ratification of the European Stability Mechanism Treaty in September, and policy measures by emerging economies are expected to improve market confidence.

On the domestic front, the Malaysian economy is expected to sustain its growth momentum in the final quarter of 2012. This was reflected by the Leading Index which grew at an average 2% from April 2012 to September 2012. On the demand side, growth momentum of private investment is expected to accelerate while private consumption remains resilient. On the supply side, growth will be supported by strong expansion in the services and construction sectors.

(Source: Quarterly Update on the Malaysian Economy – 3rd Quarter 2012, Ministry of Finance Malaysia)

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The Malaysian economy is expected to strengthen further and projected to grow at a faster rate of 4.5% – 5.5% in 2013. Growth will be supported by improving exports and strong domestic demand on the assumption that global growth will pick up, especially during the second half of 2013. The growth projection is premised upon the expectation of an improvement in the resolution of the debt crisis in the euro area and stronger growth momentum in the economies of Malaysia's major trading partners. Domestic demand is expected to maintain its strong momentum driven by robust private investment and strong private consumption. Private sector activity will be supported by an accommodative monetary policy in an environment of low inflation coupled with a robust financial sector. Recovery in the external sector, particularly increasing external demand from regional economies and major trading partners will further provide the impetus for a private-led growth. The overall public expenditure is expected to increase, led by higher Non-Financial Public Enterprises' capital investment which will further augment growth. Thus, nominal Gross National Income per capita is expected to increase 6.4% to RM32,947 (2012: 4.4%; RM30,956). In terms of PPP, per capita income is expected to grow 4.4% to reach USD16,368 (2012: 3.2%; USD15,676).

Given that domestic economic activity is expected to strengthen further in 2013, inflation is estimated to increase moderately, partly mitigated by further capacity expansion in the economy. The key supply side factors that will influence inflation, namely prices of energy and food commodities are expected to ease during the first half of 2013, but are likely to trend up during the second half on the assumption that global growth continues to pick up pace. Hence, for 2013, the average inflation rate is estimated to be between 2% and 3%.

(Source: Economic Report 2012/2013, Ministry of Finance Malaysia)

4.2 Overview and Prospect of the Property and Construction Industry in Malaysia

The construction sector consists of four subsectors: residential, non-residential, civil engineering and special trade works⁴. During the first half of 2012, the sector expanded strongly by 18.9% supported by strong activities in the residential and civil engineering subsectors.

The residential subsector expanded significantly by 22% during the first half of 2012 (January – June 2011: 9.9%) supported by strong demand for housing and investment purposes arising from higher household disposable income. Additionally, improved accessibility following the development of infrastructure projects further stimulated the demand for houses, especially in the suburban areas. Housing starts increased 13.1% to 60,975 units (January – June 2011: 37.8%; 53,912 units).

Taking advantage of the Government's continuous efforts to increase home ownership, developers are embarking on building more affordable homes. In this regard, launches for houses priced between RM150,000 and RM250,000 increased 2.7% to 5,628 units as at end-June 2012 (end-December 2011: 5,481 units). As at end-June 2012, a total of 2,801 units of *Rumah Mesra Rakyat 1Malaysia* (RMR1M) were completed, while 8,752 units are under construction. This new residential supply will add to the existing stock and match the growing demand for affordable residential houses.

The Malaysian All-House Price Index trended upwards by 7.9% to 167.3 points during the second quarter of 2012 (Q2 2011: 10.6%; 155.1 points), with Klang Valley recording the highest index at 185.3 points followed by Pulau Pinang at 181 points, respectively. Kuala Lumpur continued to record the highest average all-house price at RM491,388 followed by Selangor (RM364,722) and Pulau Pinang (RM261,601).

⁴ Special trade works include maintenance activities such as electrical, tiling, plumbing, painting and carpentry.

The non-residential subsector grew 12.8% (January – June 2011: 4.2%) largely driven by construction of industrial buildings, particularly in the Samalaju Industrial Park, Sarawak and shophouses. Industrial building starts increased 47.8% to 501 units (January – June 2011: 48%; 339 units). Meanwhile, construction starts for purpose-built office ("**PBO**") decreased substantially to 22,758 square metres ("**sm**") (January – June 2011: 281,647 sm) due to higher supply following the completion of several office buildings and shopping malls in 2011. The incoming supply of retail space decreased 36.1% while construction starts dropped 56.9% during the first half of 2012. Meanwhile, planned supply for PBO and retail space contracted 53.6% and 24.9% (January – June 2011: -14.7%; -9.9%), respectively. As at end-June 2012, the stock for PBO and retail space stood at 17.56 million sm and 11.62 million sm (end-June 2011: 17.05 million sm; 10.86 million sm), respectively.

Overall occupancy rate in the various segments of commercial buildings remained steady, reflecting strong domestic economic activities. In the PBO segment, the national PBO occupancy rate remained high at 83.8% (January – June 2011: 83%) despite an additional 120,234 sm space. Kuala Lumpur, accounting for 50% of the total space, experienced an increase in occupancy rate to 80.5% during the second quarter of 2012 (Q2 2011: 79.4%). Likewise, the occupancy rate in the shopping complex segment remained high at 80%, reflecting strong retail activities and robust private consumption during the first half of 2012. The newly released Purpose-Built Office Rent Index Wilayah Persekutuan Kuala Lumpur ("**PBO-RI WPKL**") showed that the PBO in Kuala Lumpur continued to experience stable demand despite the increase in supply of floor space. The PBO-RI WPKL improved to record 103.3 points during the fourth quarter of 2011 (Q3: 2011: 100.7 points).

The average rental of PBO in the Kuala Lumpur City Centre/Golden Triangle areas remained firm at RM4.66 per square foot ("**psf**"), while the Central Business District averaged RM3.27 psf during the fourth quarter of 2011 (Q3 2011: RM4.68 psf; RM3.21 psf).

Going forward, the sector is expected to experience a robust growth given the many construction projects in the pipeline or under implementation such as the My Rapid Transit (MRT), River of Life, Tun Razak Exchange ("**TRX**"), Bandar Malaysia at Sungai Besi, Light Rail Transit extension and the Rubber Research Institute of Malaysia (RRIM) land development in Sungai Buloh. For the year, the sector is expected to grow 15.5% (2011: 4.6%), contributing 0.5 percentage points to the overall Gross Development Product growth.

The non-residential subsector is expected to expand spurred by the industrial building segment and the commencement of construction of the TRX. The residential subsector is also projected to expand, albeit at a moderate pace, after recording several years of strong growth. Key housing development projects, particularly in Sungai Buloh and Bandar Malaysia in Sungai Besi, which are expected to commence in 2013 will support residential construction activities.

(Source: Economic Report 2012/2013, Ministry of Finance Malaysia)

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4.3 Overview and Prospect of the Property Market in Perak

The state's property market recorded a mediocre performance. There were 26,784 transactions worth RM3.89 billion in the review period. Against H1 2011, the volume and value reduced by 8.8% and 18.3% (29,381 transactions worth RM4.77 billion). However compared to H2 2011, volume of transactions grew at 6.5% (25,161 transactions), whilst value dropped by 13.1% (RM4.48 billion). Residential property led the overall market with 60.3% share (16,143 transactions) and trailed by agricultural sub-sector with 28.3% (7,575 transactions) market share.

The market activity across all sub-sectors softened with few exceptions. Against H1 2011, commercial and industrial sub-sectors led the highest contraction at 13.5% and 13.2% respectively, followed by residential sub-sector (10.1%) and agricultural sub-sector (5.2%). Development land sub-sector remained resilient, increased by 9.0%. Compared to H2 2011, development land sub-sector recorded the highest increase (26.2%), followed by agricultural (11.0%) and residential (6.2%) sub-sectors.

The state recorded more numbers of new launches in H1 2012 (4,410 units), higher than H1 2011 (2,674 units) but lower than H2 2011 (5,618 units). Sales performance was increased to 39.6% slightly higher compared to H1 2011 (38.8%).

Construction activities witnessed a mixed movement across the sub-sectors. Against H1 2011, residential and shop sub-sectors recorded more completions, starts and new planned supply. However, industrial sub-sector saw more new planned supply but fewer completions, whilst nil in new planned supply. Compared to H2 2011, residential sub-sector recorded more new planned supply but fewer completions and starts. Shops sub-sector registered more completions and new planned supply but fewer starts. Industrial sub-sector, on the other hand, recorded more new planned supply and starts but fewer completions. In the review period, the retail sub-sector saw three completions of shopping complexes and two units each in starts and new planned supply. The office sub-sector recorded one office building each in completion and starts.

(Source: Property Market Report First Half 2012, Valuation and Property Services Department, Ministry of Finance Malaysia)

Based on the Property Stock Report (3Q2012) by National Property Information Center ("NAPIC"), Perak recorded the fourth (4th) largest residential property stock in Malaysia, after Selangor, Kuala Lumpur and Johor.

According to the NAPIC's Property Stock Report (3Q2012), there are 392,635 units of residential properties located within Perak. Kinta District, which hosted the Ipoh city center, the main economic and administrative center of the state, recorded the highest number of residential properties with 193,292 units or about 49.2% of the overall residential units in the state.

Larut Matang and Manjung districts recorded the second and third largest number of residential properties with 46,937 and 39,255 units respectively. The residential units within these two (2) districts made up about 12% and 10% of the overall residential property supply in the state. Notable towns located within Larut Matang include Taiping while Manjung hosted towns such as Sitiawan, Lumut and Pulau Pangkor.

Districts in Perak that recorded over 14,000 units of residential property include Hilir Perak (23,933 units or 6.1%), Batang Padang (20,583 units or 5.2%), Kampar (19,971 units or 5.1%), Kuala Kangsar (19,143 units or 4.9%) and Kerian (14,644 units or 3.7%). Other districts such as Perak Tengah, Hulu Perak and Selama, recorded lesser than 8,000 units of residential properties.

Residential development outside Ipoh, which is the capital city for Perak, depends on the demographic trend and economic activities of the localities. Generally, major economic activities of the towns located further from Ipoh city center include agriculture and trading. Certain locations with tourist attractions such as Cameron Highlands and Taiping have also benefited from the tourism developments.

Developments of large universities will also improve residential developments around the campuses, supported by large influx of students in this locality. Examples include the localities such as Kampar and Tapah, which have benefited from the developments of Universiti Tunku Abdul Rahman (UTAR) and UiTM, respectively.

According to the NAPIC's Property Stock Report, about 95.7% of the residential properties in Perak comprised landed residential properties, such as terraced, semi-detached, detached, cluster and low cost houses. The remaining 4.3% comprised stratified residential properties such as townhouses, low cost flats, flats, serviced apartments and condominiums / apartments.

Based on the Property Market Report ("PMR"), 33,170 residential properties in Perak were transacted in 2011. This represented about 40.3% higher than the 23,636 transactions recorded in 2010. More than half of the residential property transactions in Perak, e.g. estimated to be about 53.7%, involved residential properties priced at RM100,000 and below.

About 16.8% and 12.3% of the residential properties transacted in Perak were priced at RM100,000 to RM150,000 and RM150,000 to RM200,000, respectively. About 16.1% or 5,339 residential property transactions in Perak involved properties priced at between RM200,000 to RM500,000. Only 383 residential properties priced at above RM500,000 were transacted in Perak in 2011.

Generally, residential property market in Perak focuses on developed locations, such as Ipoh city center and other major towns in the state. Landed residential properties such as terraced houses, low cost houses as well as semi-detached and detached houses are the preferred residential property types in the state. Barring any unforeseen circumstances, the residential property market in Perak is expected to remain stable.

(Source: Overview of Residential Property Market in Perak dated December 2012 prepared by JS Valuers Property Consultants (Perak) Sdn Bhd)

4.4 Prospect of the Proposed Diversification

The Land is located at the south-eastern side of approximately the 4th mile stone Tapah – Teluk Intan/Langkap road, to the immediate north-east of the learning institution of UiTM and close by to the south-east of Rancangan Perkampungan Tersusun Batu 3, and the south-west of Tapah Town, Perak.

The Development Project is situated adjoining to the UiTM Tapah campus along the Tapah Road, Perak, the prospect of the Development Project is promising after taking into consideration the potential demand for residential units and commercial shops in view that the student population is expected to increase in that area. The first phase of the development of the UiTM Tapah campus measuring approximately 26 acres, has been completed and it is able to accommodate approximately 500 students. When the second phase of the development of the UiTM Tapah campus is completed in 2014, the UiTM Tapah campus is expected to accommodate approximately 5,000 students.

The Development Project is easily accessible via the North-South Expressway and within close proximity to various residential areas such as Taman Indah and Taman Perdana.

Additionally, there are proposed amenities/facilities (such as petrol station, hall, prayer room (surau), Government office/activities centre/service centre, etc) to be built at the surrounding areas of the Land, which may potentially increase the attractiveness of the properties of the Development Project.

In light of the outlook of the property and construction industry in Malaysia and Perak as set out in Sections 4.2 and 4.3 above, the prospects of the property development and construction business of the Group remain encouraging due to the following:

- (a) Development of large universities such as UiTM in Tapah Road is expected to improve residential developments around the campus. The Group is expected to benefit from the growing student population in Tapah Road as the Development Project is situated adjoining to the UiTM campus;
- (b) The Residential Phase of the Development Project is expected to augur well due to its location and accessibility and given that the residential property market in Perak is expected to remain stable;
- (c) The Residential Phase is also in line with the Government's continued efforts to increase home ownership in Malaysia by building affordable homes; and
- (d) The Malaysian economy is expected to strengthen further and projected to grow at a rate of 4.5% - 5.5% in 2013 based on the Economic Report 2012/2013.

The CHB Group has begun developing its credential as a construction project contractor via its first project, being the Felcra Project in Seberang Perak. With this credential, the CHB Groups intend to seek and secure other similar construction services.

Save for the Land, the CHB Group currently does not have other landbank for future property development activities. However, the CHB Group is continuously seeking for opportunities to acquire more lands with good prospects for its future property development activities. They currently do not have any specific targeted areas for the expansion of its landbank.

Going forward, the CHB Group intends to seek further opportunities in the property development and construction sector. The Board is confident that, with the competency of Datin Fong Nyok Yoon and Dato' Chuah Chin Lai in the property development business, coupled with the assistance from its experienced staffs as well as the consultants (namely, the architects, engineers, surveyors, subcontractors and other consultants), the CHB Group has the required expertise to run the property development and construction businesses.

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5. RISK FACTORS IN RELATION TO THE PROPOSED DIVERSIFICATION

Below are the main risk factors relating to the Proposed Diversification, which may not be exhaustive:

5.1 Diversification in operations risks

The CHB Group is principally engaged in the manufacturing and sales of undergarments and direct sales. As the Proposed Diversification would result in the diversification of the CHB Group into new businesses, the CHB Group is exposed to the risks of diversification in operations. The risks include, inter-alia, inefficiency of operations and dealing with competition.

Nevertheless, Datin Fong Nyok Yoon and Dato' Chuah Chin Lai, being the Executive Chairperson and Managing Director of CHB respectively have been involved in the property development and construction businesses for 16 years. Datin Fong Nyok Yoon and Dato' Chuah Chin Lai have undertaken and completed several property development projects (mix development projects that include both commercial shop units and residential houses) which include Taman Kayangan in Hutan Melintang, Taman Sri Intan II in Hutan Melintang, Taman Maharaja Lela in Teluk Intan, Taman Intanova-Phase 1 in Teluk Intan and Imperia Central Business Park in Teluk Intan. They have through the abovementioned property development projects, gained vast experience in planning, executing, managing, marketing and conducting risks assessments of construction projects and development schemes.

With the experience of Datin Fong Nyok Yoon and Dato' Chuah Chin Lai together with the assistance from the key management and the consultants (namely, architects, engineers, surveyors, subcontractors and other consultants), the Board is confident that it has the required expertise to run the property development and construction businesses. Dato' Chuah Chin Lai and his team are responsible to oversee and manage the property development and construction project division of the CHB Group. However, there is no assurance that the loss of any key Directors and key management will not adversely affect the CHB Group's ability to succeed and compete in the property development and construction businesses arising from the Proposed Diversification.

5.2 Business risks

The Proposed Diversification will expose the CHB Group to risks inherent in the property development industry and construction industry which include but are not limited to shortages of building materials, price fluctuation of building materials costs, increase in labour costs, shortages of labour including foreign workers, drop in demand for residential and commercial properties, changes in general economy and business conditions, renegotiations or nullification of existing contracts, changes in the legal and environment framework within which the industries operate, default by purchasers and availability to finance the purchase of property.

The CHB Group seeks to limit these risks by, inter-alia, prudent financial policies, continuous review of operations, effective resource management and cost-control policies, and monitoring the price trends of building materials. However, no assurance can be given that any changes to the said risk factors will not have a material adverse effect on the CHB Group's business.

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5.3 Dependence on key personnel

As in any other business, CHB Group's success in the property development and construction industry depends largely on the abilities, skills, experience, competency and continued efforts on Datin Fong Nyok Yoon, Dato' Chuah Chin Lai and the key management team for its property development and construction businesses. The loss of any of the said directors and/or relevant key management personnel without suitable and timely replacement, or the inability of the CHB Group to attract and retain other qualified personnel, could adversely affect the CHB Group's property development and construction operations and consequently, its revenue and profitability. Recognising the importance of the key management, the CHB Group will continuously adopt appropriate approaches to retain the key personnel. To avoid over dependence on any key personnel, the Company strives to attract qualified and experienced employees, as well as to address the succession planning programme by grooming the junior employees to complement the management team. This will in turn help to ensure continuity and competency of the management team.

5.4 Risks of unforeseen delays in the completion of a project

The timely completion of the property development projects and construction projects is dependent on various external factors, which include inter-alia, the timely receipt of requisite licences, permits or regulatory approvals, the work performance of the appointed building contractors, sub-contractors and consultants, availability of financing and availability of construction/ building materials, equipment and labour. Unreasonable wet weather may also delay the timely completion of the property development projects and construction projects.

Any adverse developments can lead to interruptions or delays in the completion a project, which may consequently result in cost overruns that affect the CHB Group's profitability and cash flow. The CHB Group seeks to limit this risk by careful planning, closely monitoring of project progress and endeavouring prompt actions to ensure the overall positive progress of the projects.

5.5 Risk of dependence on third party contractors

CHB Group's property development and construction businesses are dependent on the support of third party contractors to ensure the continuous supply of services and construction materials.

Although the CHB Group is not dependent on any single third party contractor, any substantial limitation or sub-standard performance of the third party contractors and their inability to supply sufficient labour, whether skilled or unskilled, and sufficient quality services and building materials will inevitably disrupt the progress and/or quality of the CHB Group's operation and may cause an adverse effects on its profitability. The CHB Group seeks to limit this risk by practising prudence in its selection of third party contractors engaged for its projects as well as implementing control procedures such as careful planning, closely monitoring of project progress and endeavouring prompt actions to ensure the overall positive progress of the projects.

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5.6 Competition risks

CHB Group's property development and construction businesses face competition from other companies operating in the same business. The competitiveness of the CHB Group is dependent on the ability of its management to secure strategically located land bank for development, construction contracts, supply of labour and building materials as well as to price its products competitively, to provide quality and timely delivery of developments and to sell its properties. In addition, the CHB Group may face some challenges as the CHB Group is a new entrant in the property development and construction industry and it lacks track record.

Nevertheless, the CHB Group will continue to take measures to remain competitive in the property development and construction industry by providing quality products and competitive pricing and actively seeking new opportunities in the property development and construction sectors.

5.7 Political, economic and regulatory risks

Similar to other types of businesses, political and economic conditions as well as regulatory developments in Malaysia could have a material effect on the CHB Group's foray into the property development and construction businesses and consequently the financial performance of the CHB Group. Adverse political, economic and/or regulatory conditions or development include but are not limited to risk of war, change in political leadership and environment, unfavourable changes in government policies, laws and legislation, nationalisation, changes in interest rates, changes in methods of taxation and economic recession. For example, the property development and construction businesses will be sensitive to, inter-alia, interest rate movements, consumer sentiments, regulation and taxation changes or the gradual tightening of credit conditions.

While the CHB Group will seek to limit the impact of such risks to the Proposed Diversification by monitoring and adapting business strategies in response to major developments in the political, economic and regulatory environment, there is no assurance that any change to the above factors will not have a material adverse effect on the business and prospects of the CHB Group's property development and construction businesses.

5.8 Forward-looking statements

Certain statements in this Circular are based on assumptions deemed reasonable by the Board based on current conditions, which may not be reflective of the future results, and any forward-looking statements are based on assumptions made by the Company and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ from the future results, performance or achievements express or implied in such forward looking-statements. Such factors include, inter-alia, general economic and business conditions, competition and the impact of new laws and regulations affecting the CHB Group. Hence, any forward-looking statement in this Circular should not be regarded as a representation or warranty by the CHB Group that the plans and objective of the CHB Group will be achieved.

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6. EFFECTS OF THE PROPOSED DIVERSIFICATION

The effects of the Proposed Diversification are set out below:

6.1 Share capital

The Proposed Diversification will not have any effect on the Company's share capital as there is no issuance of new shares in the Company.

6.2 Earnings

The Proposed Diversification is expected to contribute positively to the earnings of the CHB Group in the short to medium term. The Contract is expected to contribute positively to the CHB Group's earnings and EPS for the FYE 31 March 2013.

Barring unforeseen circumstances, the Board believes that as and when the Development Project is being developed, the Development Project is expected to contribute positively to the earnings and EPS of the CHB Group in the future.

6.3 NA

The Proposed Diversification is not expected to have any material impact on the NA of the CHB Group for the FYE 31 March 2013. However, the profit contribution arising from the Contract and Development Project are expected to have a positive impact on the future NA of the CHB Group.

6.4 Gearing

The Proposed Diversification is not expected to have an immediate impact on the CHB Group's gearing position. However, the future gearing position of the CHB Group will depend on, amongst others, the manner of funding for the Development Project.

6.5 Substantial shareholders' shareholdings

The Proposed Diversification will not have any effect on the Company's substantial shareholders' shareholdings.

7. APPROVALS REQUIRED

The Proposed Diversification is subject to the approval of the shareholders of CHB at the forthcoming EGM.

The Proposed Diversification is not conditional upon any other corporate exercise/scheme of the Company.

8. DIRECTORS' AND/OR MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and/or major shareholders of CHB and/or persons connected with them have any interest, direct or indirect, in the Proposed Diversification.

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9 DIRECTORS' RECOMMENDATION

After having considered all aspects of the Proposed Diversification, including the rationale as set out in Section 3 above, the prospects of the Proposed Diversification as set out in Section 4.4 above, the risk factors as set out in Section 5 above and the effects of the Proposed Diversification as set out in Section 6 above, the Board is of the opinion that the Proposed Diversification is in the best interest of the CHB Group.

Accordingly, the Board recommends that you vote in favor of the resolution pertaining to the Proposed Diversification at the forthcoming EGM.

10 OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING COMPLETION

The Board has confirmed that as at the LPD, the Company does not have any other corporate proposals which have been announced but which have not yet been completed save for:

- (i) Proposed Diversification; and
- (ii) Land Acquisition, which was announced on 27 June 2011.

11 EGM

The EGM, notice of which is enclosed together with this Circular, will be held at No. 47, Zone J4, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Wednesday, 6 February 2013 at 10.30 a.m., for the purpose of considering and, if thought fit, passing the resolution to give effect to the Proposed Diversification.

If you decide to appoint a proxy to attend and vote on your behalf at the EGM, you may complete, sign and return the enclosed Proxy Form in accordance with the instruction contained therein as soon as possible, so as to arrive at the registered office of CHB at Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, not later than forty-eight (48) hours before the time for holding the EGM. The lodging of the Proxy Form will not preclude you from attending and voting in person at the meeting, should you subsequently wish to do so.

12 FURTHER INFORMATION

Please refer to the enclosed appendix for further information.

Yours faithfully
For and on behalf of
CAELY HOLDINGS BHD.

Datin Fong Nyok Yoon
Executive Chairperson/Non Independent Executive Director

APPENDIX I – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board who collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

2. CONSENT AND CONFLICT OF INTEREST

AmInvestment Bank has prior to the issue of this Circular, given and not subsequently withdrawn their respective written consents for the inclusion in this Circular of their respective names, reports and/or letters and all references thereto in the form and context in which they appear in this Circular.

Save for the following, AmInvestment Bank is not aware of any possible conflict of interest which exists or likely to give rise to a possible conflict of interest situation by virtue of AmInvestment Bank's appointment as Adviser to obtain shareholders' approval for the Proposed Diversification:

Lender	Borrower	Type	Outstanding Amount as at the LPD (RM' million)
AmIslamic	Classita	Hire purchase	0.20
AmBank	Classita	Overdraft	1.99

AmInvestment Bank is a related company to AmIslamic and AmBank as AmInvestment Bank, AmIslamic and AmBank are all the subsidiaries of AMMB Holdings Berhad. Nonetheless, AmInvestment Bank is of the opinion that its appointment as the Adviser to obtain shareholders' approval for the Proposed Diversification does not fall under a "conflict of interest" situation based on the following:

- AmInvestment Bank is a licensed investment bank which provides a wide range of investment banking services, inter-alia, including loan syndications, corporate finance and advisory, debt capital markets and treasury products. As such, the services extended to CHB as the Adviser to obtain shareholders' approval for the Proposed Diversification represent transaction entered into in the ordinary course of business of AmInvestment Bank;
- As licensed commercial banks, both AmIslamic and AmBank provide services which include loans, advances and financing, deposit services, credit cards, remittance services and/or Islamic banking services. Therefore, the credit facilities extended to Classita represent transactions entered into the ordinary course of business of AmIslamic and AmBank;
- The lines of business of AmInvestment Bank, AmIslamic and AmBank are distinct and their operations are independent of one another;
- The conduct of AmInvestment Bank, AmIslamic and AmBank is regulated strictly by the Banking and Financial Institutions Act 1989 and by their own internal controls and checks;
- The credit facilities granted to the CHB Group by AmIslamic and AmBank constitute only a relatively small portion as compared to the entire credit portfolio of AmIslamic and AmBank respectively; and

APPENDIX I – FURTHER INFORMATION (Cont'd)

- Save for the professional fees charged in relation to the Proposed Diversification, AmInvestment Bank, AmIslamic and AmBank will not be deriving any direct monetary benefit from the Proposed Diversification outside of their aforesaid capacities as the Proposed Diversification does not include any form of funds raising to repay any of the facilities.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**Material Commitments**

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the CHB Group.

Contingent Liabilities

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred which upon becoming enforceable, may have an impact on the profits or net asset value of the CHB Group.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office, Level 8, Symphony House, Block D13, Pusat Dagangan, Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor during normal office hours on Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) the Memorandum and Articles of Association;
- (ii) the audited consolidated financial statements of CHB for the past two (2) FYEs 31 March 2011 and 31 March 2012 and the latest unaudited results of CHB for the six (6) months financial period ended 30 September 2012; and
- (iii) the letter of consent as referred to in Section 2 above.

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Caely Holdings Bhd.

(Company No. 408376-U)

(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Caely Holdings Bhd. ("**CHB**" or the "**Company**") will be held at No. 47, Zone J4, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Wednesday, 6 February 2013 at 10.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution:

ORDINARY RESOLUTION

PROPOSED DIVERSIFICATION OF THE BUSINESS OF CHB AND ITS SUBSIDIARIES INTO PROPERTY DEVELOPMENT AND CONSTRUCTION ("PROPOSED DIVERSIFICATION")

"**THAT**, subject to the approvals of the relevant authorities being obtained (if any), approval be and is hereby given to the Company to diversify its business into the property development and construction businesses.

AND THAT, the Directors of the Company be and are hereby authorised to do all acts and things as they may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, modifications, variations and/or amendments as may be required, or imposed by the relevant authorities, and to take all steps and to execute all such documents as may be required to implement, finalise and give full effect to the Proposed Diversification."

By Order of the Board

WONG SIEW YEEN (MAICSA 7018749)

CHEONG CHOON YIN (MAICSA 7019120)

Company Secretaries

16 January 2013

Notes:

1. *In respect of deposited securities, only shareholders whose names appear in the Record of Depositors as at 25 January 2013 shall be eligible to attend the meeting of shareholders.*
2. *A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his / her 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.*
3. *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 / her shareholdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his / her 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.*
6. *The instrument appointing a proxy must be deposited at the Registered Office situated at Level 8 Symphony House Block D13 Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*



Caely Holdings Bhd.

(Company No. 408376-U)

(Incorporated in Malaysia)

No. of ordinary shares held

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 Extraordinary General Meeting of the Company, to be held at No. 47, Zone J4, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Wednesday, 6 February 2013 at 10.30 a.m. and, at every adjournment thereof to vote as indicated below:

		FOR	AGAINST
Ordinary Resolution	Proposed Diversification		

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

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

First name Proxy _____ %
Second name Proxy _____ %
100%

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

As witness my hand _____ day of _____ 2013.

* Strike out whichever is not desired.

Signature/ Common Seal of Shareholder _____

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

CAELY HOLDINGS BHD.
(408376-U)

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

1st fold here