

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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## **CIRCULAR TO SHAREHOLDERS**

in relation to the

### **PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

The above proposal will be tabled as Special Business at the Thirty-Third Annual General Meeting (“AGM”) of C.I. Holdings Berhad (“CIH” or “the Company”) to be held at Tun Razah Grand Hall, Level 1, Menara Yayasan Tun Razak, No. 200, Jalan Bukit Bintang, 55100 Kuala Lumpur on Thursday, 27 October 2011 at 9.30 a.m. The Notice of the Thirty-Third AGM together with the Form of Proxy are enclosed in the Annual Report of the Company which is dispatched together with this Circular.

The Form of Proxy should be completed and deposited at the Registered Office of the Company at Level 10, Menara Yayasan Tun Razak, No. 200, Jalan Bukit Bintang, 55100 Kuala Lumpur not less than forty-eight (48) hours before the time stipulated for holding the AGM or at any adjournment thereof. The lodgement of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

Last date and time for depositing the Form of Proxy : Tuesday, 25 October 2011 at 9.30 a.m.  
Date and time of the Thirty-Third AGM : Thursday, 27 October 2011 at 9.30 a.m.

## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

<b>“Act”</b>	The Companies Act, 1965 as amended from time to time and any re-enactment thereof.
<b>“AGM”</b>	Annual General Meeting.
<b>“Board”</b>	The Board of Directors of CIH.
<b>“2011 Annual Report”</b>	Annual Report of CIH issued for the financial year ended 30 June 2011.
<b>“Bursa Securities”</b>	Bursa Malaysia Securities Berhad (Company No. 635998-W)
<b>“CIH” or “the Company”</b>	C.I. Holdings Berhad (Company No. 37918-A).
<b>“CIH Group / Group”</b>	CIH and its subsidiary companies, as defined in Section 5 of the Act.
<b>“Directors”</b>	A person who is or was within the preceding six (6) months of the date on which the terms of transactions were agreed upon, a Director of CIH, or any other company which is its subsidiary or holding company or a chief executive officer of CIH, its subsidiary or holding company; AND shall have the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007.
<b>“Listing Requirements”</b>	Main Market Listing Requirements of Bursa Securities, including any amendments thereto that may be made from time to time.
<b>“Major Shareholder”</b>	A person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of CIH as defined under paragraph 1.01 of the Listing Requirements or any other corporation which is its subsidiary or holding company.
<b>“Permanis”</b>	Permanis Sdn Bhd (Company No. 15978-V), a wholly-owned subsidiary of CIH.
<b>“Permanis Sandilands”</b>	Permanis Sandilands Sdn Bhd (Company No. 17296-P), a wholly-owned subsidiary of Permanis, which in turn is a wholly-owned subsidiary of CIH.
<b>“Person(s) Connected”</b>	Such person, in relation to the director or major shareholder, who falls under any one of the following categories: <ul style="list-style-type: none"><li>(a) A family member of the director or major shareholder;</li><li>(b) A trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the director, major shareholder or a family member of the director or major shareholder, is the sole beneficiary;</li><li>(c) A partner of the director, major shareholder or a partner of a person connected with that director or major shareholder;</li></ul>

- (d) A person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director or major shareholder;
- (e) A person in accordance with whose directions, instructions or wishes the director or major shareholder is accustomed or is under an obligation, whether formal or informal, to act;
- (f) A body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director or major shareholder;
- (g) A body corporate or its directors whose directions, instructions or wishes the director or major shareholder is accustomed or is under an obligation, whether formal or informal, to act;
- (h) A body corporate in which the director or major shareholder or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
- (i) A body corporate which is a related corporation.

<b>“Proposed Renewal of Shareholders’ Mandate”</b>	Proposed renewal of the shareholders’ mandate obtained on 27 October 2010, for the CIH Group to enter into recurrent related party transactions of a revenue or trading nature.
<b>“Recurrent Related Party Transaction” or “RRPT”</b>	Related party transactions which are recurrent, of a revenue or trading nature and which are necessary for the CIH Group’s day-to-day operations.
<b>“Related Party(ies)”</b>	Director(s), major shareholder(s) or person(s) connected with such director(s) or major shareholder(s).
<b>“RM” and “Sen”</b>	Ringgit Malaysia and Sen respectively.
<b>“Share(s)”</b>	Ordinary Share(s) of RM1.00 each in CIH.
<b>“SVB”</b>	SV Beverages Holdings Sdn Bhd (Company No. 661536-U).

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# C.I. Holdings Berhad 37918-A

*(Incorporated in Malaysia)*

Level 10, Menara Yayasan Tun Razak  
No. 200, Jalan Bukit Bintang  
55100 Kuala Lumpur

Date : 5 October 2011

## Board of Directors:

Dato' Seri Abdul Ghani Bin Abdul Aziz	- <i>Senior Independent Non-Executive Chairman</i>
Datuk Johari Bin Abdul Ghani	- <i>Group Managing Director</i>
Maj Gen (R) Dato' Mohamed Isa Bin Che Kak	- <i>Independent Non-Executive Director</i>
Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Alhabshee	- <i>Independent Non-Executive Director</i>
Dato' Azmeer Bin Rashid	- <i>Independent Non-Executive Director</i>
Nor Hishammuddin Bin Dato' Mohd Nordin	- <i>Independent Non-Executive Director</i>
Datin Mariam Prudence Binti Yusof	- <i>Non-Independent Non-Executive Director</i>
Teh Bee Tein	- <i>Independent Non-Executive Director</i>
Kasinathan A/L Tulasi	- <i>Independent Non-Executive Director</i>

## To : The Shareholders of C. I. Holdings Berhad

Dear Sir/ Madam,

### **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

#### **1. INTRODUCTION**

At the AGM held on 27 October 2010, the Company had obtained a shareholders' mandate for the CIH Group to enter into certain recurrent related party transactions based on the terms set out in the Circular to Shareholders dated 29 September 2010. The said Shareholders' Mandate shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming AGM of CIH, unless approval for the renewal of the shareholders' mandate is obtained from the shareholders of CIH at the forthcoming AGM.

On 25 August 2011, the Directors announced of the Company's intention to seek shareholders' approval for the proposed renewal of shareholders' mandate for RRPT at the forthcoming AGM.

The purpose of this Circular is to provide you with the relevant information on the Proposed Renewal of Shareholders' Mandate and to seek your approval for the ordinary resolution to be tabled at the forthcoming AGM.

The Notice of the AGM is set out in the 2011 Annual Report of the Company, which is sent together with this Circular.

## 2. DETAILS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

### 2.1 Principal Activities of CIH Group

The principal activities of the Company are investment holding and provision of management services to its subsidiary companies.

The principal activities of the subsidiary companies are as follows :-

- Selling, bottling and distribution of beverages;
- Manufacture and trading of water taps, ceramic sanitary-ware and other plumbing accessories;
- Selling and distribution of water heater; and
- Investment holding.

### 2.2 Principal Activities of SVB

The principal activities of SVB are manufacturing and supply of beverages.

### 2.3 Classes of Related Party

The RRPT for which approval is sought is primarily in respect of transactions to be entered into by Permanis with SVB. Datin Mariam Prudence Binti Yusof, who is a Director and major shareholder of the Company is also a Director and major shareholder of SVB.

### 2.4 Nature and Terms of the RRPT and Estimated Values

The RRPT, as set out below, are transactions to be entered into by Permanis relating to the purchase of raw materials from and royalty payable to SVB in the ordinary course of business :-

Nature of Transaction	Transacting Parties	Interested Director/ Major Shareholder/ Person connected with them	Estimated value per last Mandate (RM'000)	Actual Value Transacted as at 15 September 2011 the latest practicable date prior to printing (RM'000)	*Estimated transaction value from 27 October 2011 up to next AGM (RM'000)
Purchase of raw materials by Permanis from SVB	Permanis and SVB	Datin Mariam Prudence Binti Yusof	3,000	2,816	3,300
Royalty payable by Permanis to SVB	Permanis and SVB	-do-	900	637	990

*Notes :*

1. The estimated transactions value, for the period from 27 October 2011 up to next AGM are based on information, budgets and forecast available at the point of estimation and the actual value of transactions may vary accordingly.
2. The royalty payment is made to SVB due to SVB having been granted the sole and exclusive right to manufacture, distribute and sell the Kickapoo Joy Juice<sup>®</sup> products in Malaysia by the Monarch Beverage Company (Europe) Limited; the owner of the Kickapoo Joy Juice<sup>®</sup> Trademark.
3. Permanis shall pay to SVB a royalty payment of RM0.60 per physical case of the Kickapoo Joy Juice<sup>®</sup> product sold.

## **2.5 Deviation from the Previous Shareholders' Mandate**

The actual value of the RRPT did not exceed 10% or more of the estimated value as approved under the previous shareholders' mandate granted to the Company at the last AGM.

## **2.6 Review Procedures for the Proposed Renewal of Shareholders' Mandate**

The CIH Group has established various procedures to ensure that the RRPT are undertaken on an arm's length basis and on the Group's normal commercial terms, which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Party than those generally available to the public and are not detrimental to the interests of the minority shareholders of CIH.

In this respect, the CIH Group has implemented the following review and disclosure procedures with regards to the RRPT :-

- (i) A list of Related Parties of the CIH Group and a summary explaining what constitutes a RRPT will be circulated to the Directors and management of the Company and its subsidiaries, to notify that all such RRPT are required to be undertaken on arm's length basis and on normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public and are not detrimental to the interests of the minority shareholders of the Company. The list of Related Parties will be continuously updated and circulated to the Directors and management of the Company and its subsidiaries, as and when the RRPT's status changes or additional RRPT are included or in any event, at least once a year if there is no change in the RRPT's status.
- (ii) All RRPT shall be reviewed by the Audit Committee of the Company who will make the necessary recommendation to the Board of Directors of CIH;
- (iii) A register/record shall be maintained by the Company to record all RRPT entered into pursuant to the Proposed Renewal of Shareholders' Mandate;
- (iv) The annual internal audit plan shall incorporate a review of all RRPT entered into pursuant to the Proposed Renewal of Shareholders' Mandate to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to;
- (v) The Board of Directors of CIH and Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor RRPT have been complied with and the review shall be done at every quarter together with the review of quarterly results; and
- (vi) The Board of Directors of CIH and Audit Committee shall review the procedures as and when required, with the authority to sub-delegate to individuals or committees within the Company, as they deem appropriate. If a member of the Board of Directors of CIH or Audit Committee has an interest in the transaction to be reviewed by the Board of Directors of CIH or Audit Committee as the case may be, he will abstain from any decision making by the Board of Directors of CIH or Audit Committee in respect of that transaction.

## 2.7 Procedures for Determining the Pricing

In determining the transactions prices, the Group applies methodologies such as the prevailing market rates/prices of the service/products, taking into account the provider's usual commercial terms, business practices and policies (including, where applicable, preferential rates and discounts accorded to a class or classes of customers or for bulk purchases) or otherwise in accordance with applicable industry norms.

Pricing of the raw materials for beverages and royalty payable are determined at prevailing market rates.

To ensure that the RRPT are carried out at arm's length basis and on normal commercial terms which are not prejudicial to the interest of the shareholders and not more favourable to the Related Party, at least two (2) other contemporaneous quotations will be obtained from unrelated/third parties to ascertain appropriate prices.

In the event that quotations or comparative pricing from unrelated party cannot be obtained, the Board and the Audit Committee will rely on their market knowledge of prevailing industry norms bearing in mind the urgency and efficiency of transactions to be provided or required to ensure that the RRPT is not detrimental to the CIH Group.

## 2.8 Threshold of Authority

The RRPTs of the Company are reviewed and authorised by the following parties:-

Nature of Transaction	Transaction Value (per transaction)	Authority Level
Purchase of raw materials	No limit	Chief Executive Officer of Permanis
Royalty payable	No limit	Vice President - Finance of Permanis

## 2.9 Disclosure in Annual Report

Disclosure will be made in the Annual Report of the Company for each subsequent financial year after the Proposed Renewal of Shareholders' Mandate has been obtained.

In accordance with Paragraph 3.1.5 of Practice Note 12 of the Listing Requirements, the following information in regard to the aggregate value of the RRPT entered into during the financial year is required to be disclosed in the Company's Annual Report :-

- (i) the types of RRPT made; and
- (ii) the names of the Related Party involved in each type of RRPT made and their relationship with the CIH Group.

## 2.10 Statement by the Audit Committee

Part of the terms of reference of the Audit Committee of CIH would be to review any related party transaction and conflict of interest that may arise within the CIH Group, including any transaction, procedure or course of action that raises questions of integrity.



With this in mind, the Audit Committee, having reviewed the procedures as outlined in Section 2.6 above, is of the view that the review procedures and processes as well as the quarterly review to be made by the Audit Committee are sufficient to ensure that the RRPT entered into are monitored, tracked and identified in a timely manner and are not more favourable to the Related Party than those generally available to the public and are not detrimental to the interests of the minority shareholders of CIH.

**3. RATIONALE FOR AND BENEFITS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

The renewal of the shareholders' mandate will benefit the Company as it allows Permanis to enter into transactions described in Section 2.4 above in a timely manner, and to eliminate the need for the Company on each occasion, to seek shareholders' approval as and when potential transactions with the Related Party arise. This would reduce substantially the administrative time, inconvenience and costs associated with the convening of such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the CIH Group.

Shareholders of the Company will appreciate that the RRPT, as outlined in Section 2.4 above are intended to facilitate transactions in the ordinary course of business of Permanis. The RRPT are carried out at arm's length basis and on normal commercial terms which are not prejudicial to the interest of the shareholders, not more favourable to the Related Party than those generally available to the public and are not detrimental to the interests of the minority shareholders.

**4. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

The renewal of the shareholders' mandate will have no effect on the share capital, dividend, gearing, net assets, earnings and the shareholdings of the Directors and major shareholders of the Company.

**5. APPROVAL REQUIRED FOR THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

The Proposed Renewal of Shareholders' Mandate is subject to the approval of the shareholders of CIH at the forthcoming Thirty-Third AGM.

**6. INTERESTS OF DIRECTOR AND MAJOR SHAREHOLDER FOR THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

The direct and indirect shareholdings of the Director and major shareholder, having interest in the Proposed Renewal of Shareholders' Mandate as at 15 September 2011, is as follows :-

Director/ Major shareholder	No. of ordinary shares of RM1.00 each			
	Direct	%	Indirect	%
Datin Mariam Prudence Binti Yusof	-	-	28,477,400 <sup>1</sup>	20.05 <sup>1</sup>

*Note :*

1. Deemed interest through Du Ain Sdn Bhd, Duclos Sdn Bhd, Syed Ibrahim Sdn Bhd, Leasing Corporation Sdn Bhd, Sisma Vest Sdn Bhd and Sisma Water Technology Sdn Bhd.

Save as disclosed above, none of the Directors, major shareholders of CIH or any persons connected with them, have any interest, direct or indirect, in the Proposed Renewal of Shareholders' Mandate.

Datin Mariam Prudence Binti Yusof, who is an interested Director and major shareholder has abstained and will continue to abstain from Board's deliberation and voting in relation to the relevant resolution on the Proposed Renewal of Shareholders' Mandate as well as abstain from voting in respect of her indirect shareholdings in CIH on the proposed resolution at the forthcoming AGM to be convened.

In addition, Datin Mariam Prudence Binti Yusof has also undertaken to ensure that persons connected with her, if any, will abstain from voting in respect of their direct and/or indirect shareholdings on the proposed resolution pertaining to the Proposed Renewal of Shareholders' Mandate at the forthcoming AGM.

## **7. DIRECTORS' RECOMMENDATION**

Your Directors (save for Datin Mariam Prudence Binti Yusof who is an interested party to the Proposed Renewal of Shareholders' Mandate), having considered all aspects of the Proposed Renewal of Shareholders' Mandate, are of the opinion that the proposal is in the best interest of the Company and recommend that you vote in favour of the resolutions pertaining to the Proposed Renewal of Shareholders' Mandate to be tabled at the forthcoming Thirty-Third AGM of the Company.

## **8. ANNUAL GENERAL MEETING**

The resolution to vote on the Proposed Renewal of Shareholders' Mandate is set out as Special Business in the Notice of Meeting contained in the 2011 Annual Report which was sent to you together with this Circular. The Thirty-Third AGM will be held at Tun Rahah Grand Hall, Level 1, Menara Yayasan Tun Razak, No. 200, Jalan Bukit Bintang, 55100 Kuala Lumpur on Thursday, 27 October 2011 at 9.30 a.m.

If you are unable to attend and vote in person at the AGM, you should complete and return the Form of Proxy enclosed in the 2011 Annual Report in accordance with the instructions therein as soon as possible so as to arrive at the Registered Office of the Company at Level 10, Menara Yayasan Tun Razak, No. 200, Jalan Bukit Bintang, 55100 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the AGM. The completion and lodgement of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

## **9. FURTHER INFORMATION**

Shareholders are advised to refer to Appendix I of this Circular, for further information.

Yours faithfully  
for and on behalf on the Board  
**C. I. HOLDINGS BERHAD**

**DATO' SERI ABDUL GHANI BIN ABDUL AZIZ**  
Senior Independent Non-Executive Chairman

## FURTHER INFORMATION

### 1. DIRECTORS' RESPONSIBILITY STATEMENT

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

### 2. MATERIAL LITIGATIONS

Save as disclosed below, neither CIH nor its subsidiaries are engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant, and the Directors of CIH do not have any knowledge of any proceedings pending or threatened against CIH or its subsidiaries or of any facts likely to give rise to any proceedings which might adversely and materially affect the position or business of CIH and its subsidiaries :-

#### **Teck Guan Trading Sdn Bhd ("TGT") V Permanis Sandilands Sdn Bhd ("Permanis Sandilands"), High Court of Sabah and Sarawak at Kota Kinabalu, Civil Suit No K22-20-2006**

TGT began the action on 7 November 2006 against Permanis Sandilands after the termination of the Distribution Partner Agreement dated 5 August 2004 ("**Agreement**"). The Agreement was terminated as the TGT failed to achieve the performance target set for them and had shown lack of performance for quite some time. Their given territory was the East Coast of the State of Sabah including but not limited to Sandakan, Tawau and Lahad Datu.

In their suit, TGT alleged, amongst others, that Permanis Sandilands had requested TGT to purchase/take-over stocks from the previous agent and that Permanis Sandilands had undertaken to repurchase all expired stocks in the market provided that the stocks were purchased by TGT from the previous agent. TGT also alleged that Permanis Sandilands had implied that it agreed to repurchase all remaining stock in the possession of TGT should the Agreement be terminated. TGT also alleged that the performance target set for them was unrealistic.

The claim by TGT was for RM1,417,565.18 which includes, inter-alia, claims for unsold stock, write-off for expired stock and trade incentives.

Permanis Sandilands filed a counterclaim for RM288,648.31 against the plaintiff for goods sold and delivered.

On 28 January 2011, the High Court dismissed TGT's claim with costs to be taxed in favour of Permanis Sandilands. The court allowed Permanis Sandilands' counterclaim in the sum of RM187,275.62 against TGT with interest at the rate of 8% per annum from the date of judgment until full payment of the judgment sum.

The counterclaim judgment sum was paid to Permanis Sandilands on 11 April 2011. TGT has since filed an appeal to the Court of Appeal against the High Court's decision. The hearing date for the appeal has yet to be set.

Our solicitors are of the opinion that there is a strong likelihood that the appeal by TGT would be dismissed by the Court of Appeal.

### **3. MATERIAL CONTRACTS**

Save as disclosed below, neither CIH nor any of its subsidiaries have entered into any material contracts (not being contracts entered into in the ordinary course of business) during the two (2) years preceding the date of this Circular :-

- (i) On 21 July 2011, CIH entered into a Share Sale Agreement (“SSA”) with Asahi Group Holdings, Ltd. to dispose of 70,000,000 ordinary shares of RM1.00 each fully paid constituting 100% of the issued and paid-up share capital of Permanis Sdn Bhd, a wholly owned subsidiary of CIH for a total cash consideration of RM820.0 million. The SSA has yet to be completed as at the date of this Circular.

### **4. DOCUMENTS FOR INSPECTION**

The following documents are available for inspection at the Registered Office of the Company during normal office hours from Mondays to Fridays (exclude public holidays) from the date of this Circular and up to the time set for convening the AGM :-

- (a) Memorandum and Articles of Association of CIH;
- (b) Audited accounts of CIH for the past two years ended 30 June 2010 and 30 June 2011;
- (c) Material litigations referred to in Section 2 above; and
- (d) Material contracts referred to in Section 3 above.