5. PARTICULARS OF THE PUBLIC ISSUE, RESTRICTED OFFER FOR SALE AND SPECIAL ISSUE

5.1 DETAILS OF THE PUBLIC ISSUE, RESTRICTED OFFER FOR SALE AND SPECIAL ISSUE

The Public Issue, Restricted Offer for Sale and Special Issue are subject to the terms and conditions of this Prospectus and, upon acceptance, the Public Issue Shares, Offer Shares and Special Issue Shares will be allotted/allocated in the following manner:

(i) Bumiputera investors

12,584,000 Special Issue Shares and 9,388,000 Offer Shares have been reserved for Bumiputera investors nominated by an independent placement agent and approved by the MITI and shall be issued by way of private placement;

(ii) Eligible Directors, employees and business associates

4,000,000 of the Public Issue Shares have been reserved for eligible employees, Directors and business associates (comprising of stockists, selected suppliers and leading distributors) of the CHB Group; and

(iii) Malaysian public

8,000,000 of the Public Issue Shares are available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% will be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions of the said Public Issue Shares. 5,000,000 Public Issue Shares will be issued by way of private placement and the remaining 3,000,000 Public Issue Shares will be issued through the white application form.

The 4,000,000 Public Issue Shares, in respect of item (ii) above, are allocated to identified persons who are eligible employees, Directors and business associates (comprising of stockists, selected suppliers and leading distributors) of the CHB Group. In the event that the identified persons do not take up the Public Issue Shares allocated to them, the Public Issue Shares will be re-offered to all the eligible employees, Directors and business associates (comprising of stockists, selected suppliers and leading distributors) of the CHB Group for application on a first come first serve basis. Any Public Issue Shares in respect of item (ii) not taken up will be offered to the Malaysian public as stated in item (iii) above.

The 7,000,000 Public Issue Shares comprising 4,000,000 Public Issue Shares, available for eligible employees, Directors and business associates and 3,000,000 Public Issue Shares available for application by the Malaysian public, in respect of item (ii) and (iii) above respectively, have been fully underwritten by the Underwriters set out in Section 1 of this Prospectus at an underwriting commission of 2.5% and managing underwriting commission of 0.5% of the issue price of RM0.65 per Public Issue Share. The remaining 5,000,000 Public Issue Shares to be issued by way of private placement, the 12,584,000 Special Issue Shares and the 9,388,000 Offer Shares need not be and will not be underwritten because the identified investors have provided irrevocable undertakings to acquire the said Shares.

5.2 CRITICAL DATES FOR THE PUBLIC ISSUE, RESTRICTED OFFER FOR SALE AND SPECIAL ISSUE

Last date and time for acceptance and payment	:	7 July 2003*
The tentative date for balloting of applications for the Public Issue Shares (if necessary)	:	11 July 2003
The tentative date for allotment of securities	:	23 July 2003
The tentative date of listing	:	29 July 2003

Note:

* *The Directors and the Underwriters may in their absolute discretion mutually decide to extend the closing date of the application to a further date or dates. Should the closing date of the application be extended, the dates for the allotment of the Public Issue Shares and listing of and quotation for the entire enlarged issued and paid-up share capital of CHB on the Second Board of the KLSE would be extended accordingly.*

5.3 OPENING AND CLOSING OF APPLICATION LISTS

Application will be open at 10.00 a.m. on 23 June 2003 and will remain open until 8.00 p.m. on 7 July 2003 or for such further period or periods as the Directors of the Company in their absolute discretion may decide. Correspondingly, the application list for the Public Issue Shares will be open at 10.00 a.m. and will remain open until 8.00 p.m. at the closing date of application.

5.4 PURPOSES OF THE PUBLIC ISSUE, RESTRICTED OFFER FOR SALE AND SPECIAL ISSUE

The purposes of the Public Issue, Restricted Offer for Sale and Special Issue are as follows:

(i) To enable CHB to have access to the capital market for funds required for its future expansion and growth;

(ii) To provide an opportunity for the Malaysian public, Bumiputera investors and eligible employees, Directors and business associates (comprising of stockists, selected suppliers and leading distributors) of the CHB Group to participate in the equity of the Company and in the continuing growth of the Group;

(iii) To enable CHB to comply with the National Development Policy with regards to Bumiputera equity participation in the corporate sector; and

(iv) To obtain listing of and quotation for CHB's entire issued and paid-up capital on the Second Board of KLSE.

5. PARTICULARS OF THE PUBLIC ISSUE, RESTRICTED OFFER FOR SALE AND SPECIAL ISSUE *(Cont'd)*

5.5 PROCEEDS OF THE PUBLIC ISSUE AND THE SPECIAL ISSUE

The gross proceeds of RM7.8 million from the Public Issue and RM8.18 million from the Special Issue totalling RM15.98 million will accrue entirely to the Company and will be utilised in the following manner:

	Notes	RM'000
Repayment of bank borrowings	(i)	7,000
Repayment of term loan for the construction of a new factory building	(ii)	3,500
Purchase of plant and machinery and office equipment	(iii)	2,000
Working capital	(iv)	1,980
Estimated listing expenses	(v)	1,500
		15,980

Notes:

(i) The Group proposes to utilise RM7.0 million of the proceeds from the Public Issue and Special Issue to repay its existing borrowings, details of which are as follows:

Name of lender	Type of facility	Limit of the facility RM'000	Amount out-standing as at 15 May 2003 RM'000	Terms of repayment	Purpose of utilisation
OCBC Bank (Malaysia) Berhad ("OCBC")	Overdraft	4,500	3,820	On demand	For working capital
	Letter of Credit (LC) }				To finance the purchase of materials
	Trust Receipts }				To convert bills drawn under LCs
	Bankers' Acceptance }	5,550	748	On demand	To finance local/foreign sales and purchase
	Shipping Guarantee }				To take delivery of goods under LC
	Letter of Guarantee }				As performance bonds favouring statutory bodies and government agencies
	Term loan	3,500	3,038	6 years	To part finance the construction of new factory building
Malayan Banking Berhad	Overdraft	420	338	On demand	For working capital
	Short Term Revolving Credit	1,000	1,000	On demand	For working capital
	Letter of Credit (LC) }				To finance the purchase of materials
	Trust Receipts }	2,200	812	On demand	To convert bills drawn under LCs
	Bankers Acceptance }				To finance local/foreign sales and purchase
	Term loan	100	84	10 years	To part finance the purchase of a condominium unit
Bumiputra-Commerce Bank Berhad	Overdraft	2,400	1,972	On demand	For working capital
	Letter of Credit (LC) }				To finance the purchase of materials
	Trust Receipts }	1,000	187	On demand	To convert bills drawn under LCs
	Bankers Acceptance }				To finance local/foreign sales and purchase
	Foreign Acceptance	100	-	On demand	To hedge the risk of foreign exchange
TOTAL			11,999		

The interest savings as a result of repayment of the said borrowings is expected to be about RM0.6 million per annum based on the assumption of interest charges at 8.65% per annum. The balance outstanding of the aforesaid borrowings will be subsequently reduced as some of the borrowings will be repaid progressively.

5. PARTICULARS OF THE PUBLIC ISSUE, RESTRICTED OFFER FOR SALE AND SPECIAL ISSUE *(Cont'd)*

(ii) A new factory building has been constructed on the Group's current premises at Lot No. 2661, Geran 2292, Mukim Durian Sebatang, Perak Darul Ridzuan and completed in November 2002. The certificate of fitness for the new factory building was issued on 26 December 2002. The Group had taken a term loan amounting to RM3.5 million to part finance the construction of the new factory from OCBC (as shown in note (i) above) and RM3.5 million of the proceeds from the Public Issue and the Special Issue will be used for repayment of the term loan. Should there be any excess from the repayment of the term loan, the excess will be utilised for working capital of the Group.

The new factory being a three (3)-storey building, is adjacent to the current Wisma Caelygirl. The new factory is 200 feet by 120 feet in dimension, thus making it a total of 24,000 square feet for each floor. It also has an adjoining annexure on the second floor of the new factory building which joins to the second storey of the Wisma Caelygirl. The annexure creates an additional 4,800 square feet of space. The total built-up area of the new factory building is 76,800 square feet.

The ground floor of the new factory building will be used mostly as a raw material warehouse and a small portion on the front of the ground floor will be used as a sales office. The second storey will house the cutting department whilst the third storey is reserved for the sewing department.

(iii) In view of the new factory building and the expansion of the Group's existing operating capacity, the Group plans to allocate RM2.0 million for the purpose of purchasing additional machinery and office equipment, including sewing machines, cutting machines and an Enterprise Resource Planning system.

(iv) The working capital is relating to the core business activities of the Group.

(v) The details of the estimated listing expenses are as follows:

	RM
Professional fees	576,000
SC's fee	50,000
KLSE's initial listing fee	5,000
Registration fee to increase authorised share capital	37,000
Printing of prospectus	150,000
Advertisement	50,000
Issuing House's fee	130,000
Registration and lodgement fee	5,500
Brokerage	19,500
Underwriting commission and placement fee	350,000
Industry expert's fee	30,500
Contingencies	96,500
	1,500,000

All expenses relating to the Public Issue and the Special Issue will be borne by the Company. All expenses relating to the Restricted Offer for Sale will be borne by the Offerors. The Directors of the Company expect the proceeds from the Public Issue and the Special Issue to be fully utilised by 30 June 2004.

5.6 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEES

The Managing Underwriter and Underwriters mentioned in Section 1 of this Prospectus have agreed to underwrite 7,000,000 Public Issue Shares which are available for application by the Malaysian citizens, companies, co-operatives, societies and institutions, and eligible employees, Directors and business associates (comprising of stockists, selected suppliers and leading distributors) of the Group. Underwriting commission and managing underwriting commission are payable by the Company at the rate of 2.5% and 0.5% respectively of the issue price of RM0.65 per Share underwritten, which amounts to RM136,500.

Brokerage is payable by the Company in respect of the 7,000,000 Public Issue Shares at the rate of 1% of the Public Issue price of RM0.65 per Share in respect of successful applications which bear the stamp of CIMB, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

Placement fees are payable by the Company to the Placement Agent at an average rate of 1.22% of the issue price of RM0.65 per Public Issue Share in respect of the 5,000,000 Public Issue Shares and 12,584,000 Special Issue Shares to be issued by way of private placement. The placement fee on the 9,388,000 Offer Shares is payable by the Offeror to the Placement Agent.

5.7 BASIS OF ARRIVING AT THE PUBLIC ISSUE PRICE, RESTRICTED OFFER FOR SALE PRICE AND SPECIAL ISSUE PRICE

The Public Issue/Restricted Offer for Sale/Special Issue price of RM0.65 per Share was determined and agreed upon by the Company and CIMB, as the Adviser, Placement Agent and Managing Underwriter, after taking into account, inter-alia, the following factors:

(i) The Group's financial and operating history and conditions;

(ii) The prospects of the Group and of the ladies undergarment industry;

(iii) The net forecast price earnings multiple of 6.99 times based on the forecast EPS of 9.3 sen (based on the enlarged issued and fully paid-up share capital of 80,000,000 Shares) for the financial year ending 31 December 2003;

(iv) The proforma consolidated NTA per share of CHB as at 31 December 2002 of RM0.78 per Share after the Public Issue and the Special Issue; and

(v) The qualitative and quantitative factors of the CHB Group as outlined in Section 8 and 9 of this Prospectus.

However, investors should also note that the market prices of the Shares upon and subsequent to listing on the Second Board of the KLSE are subject to the vagaries of the market forces and other uncertainties, which may affect the price of CHB Shares being traded. Investors should also bear in mind the risk factors as set out in Section 6 of this Prospectus before deciding on whether or not to invest in the Shares.

5.8 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

Some of the salient terms of the underwriting agreement dated 3 June 2003 ("Agreement") are summarized as follows:

(i) The obligations of the Underwriters to underwrite the 7,000,000 Public Issue Shares to be underwritten by the Underwriters pursuant to the Public Issue under the provisions of the Agreement are conditional on the performance by the Company of its obligations under the Agreement and on the following:

(a) The Managing Underwriter being provided with such reports or confirmations and being satisfied at the last date for acceptance, application for and payment of the subscription or purchase money under the Prospectus ("Closing Date") that:

(aa) no material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of the Group taken as a whole from that subsequent to the date of the Agreement; or

(bb) there has not occurred any event or the discovery of any facts or circumstances which would render any representation, warranty or undertaking in Clause 11 (Representations, Warranties and Undertakings) of the Agreement materially untrue or inaccurate or result in a material breach of the Agreement by the Company;

(b) The Managing Underwriter receiving a certificate in the form or substantially in the form dated not later than one (1) month from the date of the Agreement signed by the duly authorised officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 11 (Representations, Warranties and Undertakings) of the Agreement;

(c) The issue of the Prospectus not later than one (1) month from the date of the Agreement or such later date as the Managing Underwriter and the Company may from time to time agree;

(d) The registration of the Prospectus with SC and its lodgement with CCM by the issue date;

(e) All the approvals of SC, FIC and MITI referred to in Clause 2.1 (Approvals) of the Agreement remain in full force and effect and that all conditions precedent to the approvals (except for any which can only be complied with after the Public Issue has been completed) have been complied with;

(f) The approval in principle of KLSE to the admission of the Company to the Official List and the listing of and quotation for its entire share capital being obtained on terms acceptable to the Managing Underwriter and remaining in full force and effect and that all conditions precedent (except for any which can only be complied with after the Public Issue, the Special Issue and/or Restricted Offer for Sale has been completed) have been complied with;

(g) The Managing Underwriter receiving a copy certified by a Director or secretary of the Company to be a true and accurate copy and in full force and effect of a resolution of the Directors:

(aa) approving the Prospectus, the Agreement and the transactions contemplated by it;

(bb) authorising the issuance of the Prospectus; and

(cc) authorising a person to sign and deliver this Agreement on behalf of the Company;

(h) The Public Issue, the Special Issue and the Restricted Offer for Sale not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia and all consents, approvals, authorisations or other orders required by the Company under such laws for or in connection with the Public Issue, the Special Issue and the Restricted Offer for Sale and/or listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the KLSE have been obtained and are in force on the Closing Date or the Managing Underwriter being reasonably satisfied that the same will be in force on the Closing Date;

(i) The Managing Underwriter being satisfied that the Company has complied with and that the Public Issue, the Special Issue and the Restricted Offer for Sale is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements to it; and

(j) The Public Issue being approved by the shareholders of the Company in an Extraordinary General Meeting.

(ii) The Managing Underwriter may, with the consent of the majority Underwriters, waive all or any of the conditions except for any required by a mandatory rule of law or a mandatory requirement of governmental, public or regulatory authorities in connection with the Agreement.

(iii) If any of the conditions in this Section 5.8 (i) (c), (g) and (h) (to the extent not waived) are not satisfied by the Issue Date ("Pre Issue Date Conditions") or if any of the conditions in this Section 5.8 (i) other than those referred to in this Section 5.8 (iii) (Pre Issue Date Conditions) to the extent not waived are not satisfied by the Closing Date, the Managing Underwriter after consultation with the Underwriters and the Company shall be entitled to terminate this Agreement and in such event the provisions of Clause 14 (Termination) of the Agreement shall apply.

(iv) Notwithstanding anything contained in the Agreement, the Underwriters may after consultation with each other and the Company in such manner as the Underwriters shall reasonably determine by notice in writing to the Company given at any time before the Closing Date, terminate and withdraw their underwriting commitment if, in the reasonable opinion of the majority Underwriters, there shall have occurred, happened or come into effect any of the following circumstances:

(a) any material breach by the Company of any of the representations, warranties or undertakings contained in Clause 11 (Representations, Warranties and Undertakings) of the Agreement (which, if capable of remedy, is not remedied within 3 market days after notice of such breach shall have been given to the Company by the Underwriters or by the Closing Date, whichever is the earlier);

(b) any change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the abovementioned events or occurrences;

(c) any change in any law, regulation, directive, policy or ruling in any jurisdiction;

(d) any events or series of events beyond the reasonable control of the Underwriters including (without limitation) acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God, acts of terrorism or accidents which has or is likely to have the effect of making any material part of the Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Issue or pursuant to the underwriting of the 7,000,000 Public Issue Shares;

(e) there is failure on the part of the Company to perform any of its obligations contained in the Agreement; or

(f) there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to the Agreement.

which, in the reasonable opinion of the majority Underwriters, would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group taken as a whole or the success of the Public Issue, the Special Issue and the Restricted Offer for Sale and the distribution or sale of the Public Issue Shares (whether in the primary market or in respect of dealings in the secondary market) or the listing of the Company on the Second Board of KLSE or market conditions generally or which has or is likely to have the effect of making any material part of the Agreement incapable of performance in accordance with its terms.

Upon such notice being given, the Underwriters shall be released and discharged of their obligations without prejudice to their rights under the Agreement, and where the Underwriters have terminated or withdrawn their underwriting commitments pursuant to Clause 14.1 (Termination) of the Agreement, the Agreement shall be of no further force or effect and no party shall be under any liability to any other parties in respect of the Agreement, except that the Company shall remain liable in respect of any of their obligations and liabilities under Clause 11 (Representations, Warranties and Undertakings) of the Agreement and under Clause 12 (Costs and Expenses) of the Agreement for the payment of the costs and expenses already incurred up to the date on which such notice was given and under Clause 8.3.2 (Prospectus and Listing) of the Agreement for the payment of any taxes, duties or levies.

6. RISK FACTORS

Applicants for the Public Issue Shares, Offer Shares and Special Issue Shares should carefully consider the following risk factors (which may not be exhaustive) in addition to the other information contained elsewhere in this Prospectus before applying for the Public Issue Shares, Offer Shares and Special Issue Shares:

6.1 NO PRIOR MARKET FOR CHB'S SHARES

Prior to this Public Issue, Restricted Offer for Sale and Special Issue, there was no public market for the Shares. No assurance can be given that an active market for the Shares will develop upon their listing on the Second Board of KLSE and, if developed, that such a market will be sustained. The issue price of RM0.65 per Share was determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and conditions, its prospects and the prospects for the industry in which the Group operates and the prevailing market conditions prior to the issue of this Prospectus. There can be no assurance that the issue price of the Shares will correspond to the price at which the Shares will trade on the Second Board of the KLSE upon or subsequent to their listing.

6.2 BUSINESS RISKS

The Group is subject to certain risks inherent in the textile and apparel industry. These include a general downturn in the global, regional and national economy, increases in labour and material costs, energy crisis, entry of new players, changes in political and government legislation, changes in business and credit conditions and changes in interest rates. The Group seeks to limit these risks through careful planning, effective human resource management, expansion of markets for its products and a diversified market-based clientele.

As a large part of the CHB Group's business depends on the manufacturing operations, an energy crisis could result in a disruption of the Group's operations. In view of this, the Group has installed backup power generators with a capacity of 450KW/500KVA to mitigate such situations.

The Group is also involved in the business of direct selling in Malaysia. Competition is intense with local and foreign companies aggressively participating in this business. By emphasizing on strong product support through the Group's own manufacturing facilities, this has enabled the Group to offer products of high quality which are also affordable, especially in the lingerie range. The Group will also continue to strengthen and widen their network of distributorship through the sponsoring of campaigns and rendering service support to their members.

However, no assurance can be given that these factors will not have a material adverse effect on the Group's business.

6.3 POLITICAL, ECONOMIC, HEALTH HAZARD AND REGULATORY FACTORS

The Group's future growth and level of profitability are expected to be closely linked to the economic development in Malaysia and in countries to which the Group's products are exported. Adverse developments in the international political events and economic conditions in Malaysia, the South-East Asian region and the countries to which the Group exports, global economic downturn, an outbreak of war, and unfavourable changes in the Government's policies such as the depreciation of the Ringgit Malaysia, methods of taxation and currency exchange controls, all of which could materially and adversely affect the prospects of the Group and the industry in which it operates.

The recent outbreak of Severe Acute Respiratory Syndrome ("SARS") may have an impact on the business of the CHB Group. Success of the Group's direct selling business relies, in part, on good turnout during its recruitment drive and new product launching. During this period when the SARS infection is not fully under control, members' response on such recruitment drive and new products launching organised by the CHB Group may be affected negatively. Moreover, the SARS infection, if not successfully contained, may have an adverse effect on consumer demand in Malaysia and countries where the CHB Group exports/plans to export its products, resulting in an adverse impact on the CHB Group's export business. In addition, activities/efforts required by the CHB Group to maintain/secure new export contracts, such as visiting customers, may be affected by the precautionary measures taken by the CHB Group and its customers to minimise exposure to SARS. Although the CHB Group's representatives have reduced their travelling to SARS infected countries, there can be no assurance that the risk of SARS infection on the CHB Group's representatives is fully mitigated. Infection of any of the CHB Group's representatives may have an adverse impact on the future performance of the CHB Group.

In addition, the Group is subjected to risks associated with trade liberalization. The elimination of tariffs could result in more players emerging from the region, with existing ones competing to gain or maintain market share. Although every effort has been taken by the Group to maintain its competitiveness by adopting innovative design to its products and planning its marketing strategies, there is no assurance that trade liberalization will not have any adverse effect on the Group's business and financial conditions in the long run.

6.4 CHANGES IN RELEVANT RULES AND REGULATIONS

The Group's operations are governed by certain rules and regulations. For example, the Group's direct-selling activities are governed by, amongst others, the Direct Selling Act 1993 which imposes certain restrictions on CMSB's selling activities. No assurance can be given that there will be no changes or additions made to rules and regulations in the future to which the Group's operations are governed by and that such changes or additions, if made, will not have an adverse effect on the Group's operations.

6.5 FOREIGN EXCHANGE FLUCTUATIONS

The CHB Group currently exports approximately 80% of its products while some of its raw materials are imported. These transactions are mainly denominated in foreign currencies mainly in USD and Euro. The risk of foreign exchange fluctuations has been reduced since the imposition of a fixed exchange rate for the RM against the USD in September 1998. However, in the event that the fixed exchange rate is lifted or re-pegged to a new rate, the Group may have a greater exposure to foreign currency fluctuations. In order to minimise this risk, the Group has hedged against the fluctuations of foreign currencies by contracting forward contracts for its import purchases, whenever necessary. In addition, the Group operates a foreign currency account in USD and Euro, whereby the USD and Euro can be used to repay its import purchases. Although the Group seeks to limit this risk through hedging, no assurance can be given that foreign exchange fluctuations will not materially and adversely affect the Group's operations.

6.6 SUPPLY OF RAW MATERIALS

The Group sources its components and fabrics from a wide range of local and overseas suppliers. However, due to the innovative design by the Group and/or customers specification, certain components that are not available locally have to be imported by the Group. Currently, approximately 60% of the fabrics used by the Group are imported from Korea, Japan, Thailand, China and Taiwan. The management of the Group does not foresee any difficulties in procuring the components and fabrics from overseas as the Group sources its raw material from several suppliers overseas and is able to identify additional suppliers should the need arise.

However, no assurance can be given that there will not be any difficulties in procuring such supplies and in the event that any such difficulty is encountered by the Group, no assurance can be given that the Group's business will not be materially and adversely affected.

6.7 DEPENDENCE ON SUPPLY OF LABOUR

The Group's operations, like other textile and apparel manufacturers, are highly labour intensive and subject to the risk of labour strikes and increase in costs of skilled labour. Although the Group is not facing any labour shortages at present, any shortage of labour or the increase in labour cost in the future may affect the competitiveness of the Group's business. To minimise the risk of labour problem, the Group has taken steps to maintain good relationship between its workers and its management by organising social activities and programmes that promote social interaction between the workers and management and create a harmonious environment in the work place. Meanwhile, the Group is constantly reviewing its salary scale to ensure competitive rates are offered to the workers. However, no assurance can be given that the efforts of the management will be able to completely mitigate the risk involving the supply to labour and any changes to this risk will not have any material adverse effect on the Group's business.

In addition, a substantial number of the Group's factory workers are foreigners whose employment in Malaysia is governed and authorised by the Government's immigration department. No assurance can be given that any changes to current immigration rules and policies adopted by the Government will not have an adverse impact on the Group's labour force.

The table below sets out the percentage of foreign production workers to total production workers of the Group for the past five (5) financial years:

Year	1998	1999	2000	2001	2002
Number of foreign production workers	428	337	450	399	422
Total number of production workers	849	718	851	822	875
Percentage of foreign production workers against total number of production workers	50.4%	46.9%	52.9%	48.5%	48.2%

In recognising its dependence on labour supply, it has been the Group's policy to continuously invest in modern and high technology machines that are able to increase the productivity per worker and the efficiency of the production process and hence, reduce the Group's dependence/reliance on human labour. Also, in order to ensure the continuous supply of skilled workers at competitive costs, the Group is committed to continuously train its own labour force and upgrade their skills to increase efficiency and productivity. The Group may also, when deemed necessary, contract out the manufacturing of certain products which are low margin to other manufacturers and hence increase the value creation of its workers.

6.8 DEPENDENCE ON KEY PERSONNEL

The Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Directors and senior management. The loss of any of the Group's Directors and senior management could adversely affect the Group's ability to compete effectively in the textile and apparel industry. However, every effort is being made to groom the younger members of the senior management to gradually assume more responsibility. This is to ensure that there would be a continuation of senior management personnel in the future. The Group's future success is also dependent upon its ability to attract and retain skilled personnel.

6.9 FINANCIAL RISKS

(a) Borrowings

Based on the Group's audited balance sheet as at 31 December 2002, total bank borrowings of the Group was approximately RM13.0 million representing a gearing of 0.27 times. Consequently, the Group's financing costs may be affected by changes in interest rates. Details of the Group's total borrowings as at 15 May 2003 are set out in Sections 14.1.

However, the Group plans to utilise RM10.5 million of the proceeds raised from the Public Issue and Special Issue towards the repayment of bank borrowings after which the Group's total bank borrowings will be reduced to approximately RM2.5 million with a gearing of 0.04 times, based on the Group's proforma balance sheet as at 31 December 2002 after the Public Issue and the Special Issue. This augurs well for the Group's future financial performance as the Group will be less encumbered by the cost of borrowings which are subject to fluctuations in interest rates. In addition, with its lower gearing, the Group's borrowing capacity will improve. However, there is no assurance that the Group may be able to obtain loans at similar terms and/or at the required amounts in the future.

(b) Restrictive covenants

Credit facility agreements which were entered into by the Group with banks or financiers are bound by certain covenants which may limit the Group's operating and financial flexibility. Any act by the Group falling within the ambit or scope of such covenants will require the consent of the relevant bank/financier. Breach of such covenants may give rise to a right by the bank/financier to terminate the relevant credit facility and/or enforce any security granted in relation to that credit facility. The Board of Directors are aware of such covenants and shall take reasonable steps not to breach any covenants. However, there can be no assurance that additional credit facilities that may be procured by the Group in future would not have restrictive covenants that may limit the Group's operating and financial flexibilities.

6.10 CONTRACTS

As disclosed in Section 2.1 of this Prospectus, approximately 80% of the Group's business is derived from contract manufacturing for foreign customers. Further details of the Group's contract manufacturing clientele are set out in Section 9.3.4. As at the date of the Prospectus, the Group does not have any long-term contracts with its foreign customers. As such, there can be no assurance that the manufacturing contracts awarded to the Group will be sustained in the future.

Despite the absence of long-term contracts, the Directors believe that a customer who intends to discontinue placing orders with the Group will provide an indication such as a gradual reduction in orders. Such a process of phasing out by a customer will not be immediate and will usually take at least six (6) months as the customers are unlikely to outsource the entire batch with new manufacturers immediately. This will give the Group sufficient lead time to source for new customers.

The Directors of the Group believe that it is a common practice in the industry for foreign companies with international brands not to have any long-term contracts with their contract manufacturers. Most of these foreign customers have high product quality requirements and they will only award contracts to manufacturers which have proven their capability and undergone detailed assessment and evaluation tests. As such, comfort can then be derived from the fact that the Group is currently engaged by more than twenty (20) foreign customers in their contract manufacturing business, with a relationship period ranging between two (2) to eleven (11) years for the top ten (10) foreign customers. The Group also has an established R&D department that collaborates with the Group's customers in product designing and an experienced sales and marketing department in providing after-sales services. These additional facilities/services provided by the Group are crucial aspects in retaining the foreign customers. Notwithstanding the above, no assurance can be made that the Group will be able to sustain its contract manufacturing business in the future.

6.11 COMPETITION

The Group's business faces competition both locally and internationally. There is no certainty that the Group will always be able to maintain its current business standing in the future. However, with its expertise in selling its products via direct selling locally, the Group has managed to create a high level of personal service and customer loyalty.

Notwithstanding that the export market is currently facing competition from emerging low-labour cost countries such as Indonesia, Thailand and China, the Group has maintained its competitive advantage by providing quality services, such as meeting its buyers' specifications and needs, ensuring prompt delivery of samples and goods and producing high quality products. The Group is also continuously improving its products and production processes through extensive R&D. The Group plans to invest in modern software applications that will provide prompt and accurate information for management and hence, improve its production efficiency indirectly.

In connection thereto, the management of the Group believes that the Group's ability to consistently deliver high quality products, excellent services to its customers and improving production cost have provided the Group with an edge to counter the competition from the emerging low-labour cost countries.

6.12 VULNERABILITY TO COMPUTER VIRUSES

A significant part of the Group's business is dependent upon a reliable computer system for its production processes and a stable internet infrastructure network that enables the Group to market and conduct its business transactions via e-commerce. As mentioned in Section 9.3.7 of this Prospectus, the Group currently deploys computerised manufacturing and production processes to enhance the efficiency of its factory production and the quality of the Group's products. Under such an environment, the Group is exposed to threats such as computer viruses which could result in interruptions or delays in the Group's manufacturing and production operations, as well as disruptions to placement of orders by customers via its website. Essential information such as apparel designs, customers' profiles as well as financial records stored in the Group's computer system could also be wiped out in such an event.

To mitigate such risks, the Group's Management Information Systems ("MIS") department conducts a data backup daily with the backup files taken off site for custody by an assigned MIS executive. The MIS department has also installed established anti-virus softwares in order to safeguard against the threat of computer viruses. However, there is no assurance that the Group may be able to mitigate such risks completely.

6.13 CONTROL BY SUBSTANTIAL SHAREHOLDERS

Subsequent to the Public Issue, the Restricted Offer for Sale and the Special Issue, Fong Nyok Yoon, Chuah Chin Lai, Khor Mooi Soong and Lim Pow Choo will effectively own, directly and indirectly, approximately 54.25% of the Company's issued and paid-up share capital as set out in Section 2.2 of this Prospectus. As a result, they are likely to be able to influence the outcome of certain matters requiring the vote of the Company's shareholders, unless they are required to abstain from voting by law and/or by the relevant authorities.

6.14 INSURANCE COVERAGE

The management of the Group is aware of the adverse consequences arising from inadequate insurance coverage that could affect the Group's business operations. In ensuring such risks are kept to the minimum, the management of the Group reviews and ensures adequate insurance coverage on a continuous basis. Further details of the Group's insurance policies are set out in Section 18.7(v) of this Prospectus. However, there can be no assurance that the insurance coverage would be comprehensive and adequate and would reflect the replacement cost of the assets or any consequential loss arising therefrom.

6.15 FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus are based on historical data which may not be reflective of future results, and others are forward-looking in nature which are subject to uncertainties and contingencies. All forward-looking statements are based on estimations and assumptions made by the Company, and although believed to be reasonable by the Directors, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting the Group and the industry, changes in interest rates and changes in foreign exchange rates. In the light of these and other uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as a representation or warranty by the Company or its advisers that the plans and objectives of the Group will be achieved.

6.16 PROFIT FORECAST

The profit forecast as set out in Sections 2.9(iv) and 14.2 of this Prospectus are based on assumptions that are subject to uncertainties and contingencies. Because of the subjective judgements and inherent uncertainties underlying the profit forecast and because events and circumstances frequently do not occur as expected, there can be no assurance that the profit forecast as set out herein will be realised and actual results may be materially different from those forecasted. This is especially so under current economic conditions which make forecasting extremely difficult.

Applicants are deemed to have read and understood the assumptions and uncertainties underlying the profit forecast contained herein.

6.17 DELAY IN OR ABORTION OF THE LISTING EXERCISE

The listing exercise is exposed to the risk that it may fail or be delayed should the following events, which may not be exhaustive, occur:

(i) the placees under the private placement fail to subscribe to the portion of the Public Issue Shares, Special Issue Shares and Offer Shares allocated to them;

(ii) the Managing Underwriters and/or the Underwriters exercising their rights pursuant to the underwriting agreement, discharging themselves from their obligations thereunder; and

6. RISK FACTORS *(Cont'd)*

(iii) the Company is unable to meet the public spread requirement which is, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 750 public shareholders (of which at least 500 shareholders are members of the public who are not employees of the Group) holding not less than 100 shares each upon completion of the Public Issue, Special Issue and Restricted Offer Sales and at the point of listing.

Although the Directors of CHB will endeavour to ensure compliance by CHB of the listing requirements by the various authorities, no assurance can be given that the abovementioned factors will not cause a delay in or abortion of the listing exercise.

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7. INDUSTRY OVERVIEW AND OUTLOOK

7.1 OVERVIEW OF THE MALAYSIAN ECONOMY

Recovery of the Malaysian economy gained momentum in 2002 amidst a more challenging external environment. Real economic growth turned positive in the first quarter and strengthened to 5.6% in the fourth quarter. For the year as a whole, real GDP expanded by 4.2% compared with 0.4% in 2001.

Economic growth was broad-based, driven by strong demand and reinforced by improved export performance. While public expenditure was strongly supportive of economic activity, growth was reinforced by sustained strength in consumer spending and external demand. External demand recovered in 2002 and provided an important contribution to overall growth. Real exports of goods and services turned around to increase by 3.6% after contracting by 7.5% in 2001. The main impetus for stronger export performance in 2002 was from the manufacturing and tourism sectors.

(Source: Bank Negara Malaysia Annual Report 2002)

7.2 OVERVIEW OF THE US ECONOMY

Real GDP growth moderated to 1.1% in the second quarter in 2002 after posting a strong first quarter growth of 5%, as reflected in the US Institute for Supply Management factory index falling from 56.2 in June to 50.5 in July and August. However, consumer spending continues to remain strong led by purchases in houses and durable goods, with exports as well as business investment in equipment and software increasing in the second quarter.

For 2002, the US is expected to achieve a real GDP growth of 2.2% (2001: 0.3%), sustained by strong fundamentals of low inflation and strong productivity growth. The historically low overnight inter-bank rate of 1.75% is expected to continue boosting mortgage-refinancing activities and interest rate-sensitive purchases, such as durable goods as well as promote business spending. Likewise, discretionary government expenditure on military and internal security, in addition to tax cuts contained in the USD1.35 trillion ten-year package, will also help to sustain the pace and momentum of growth in the economy. However, concerns remain, particularly with regard to the huge current account deficit now standing at 4.25% of GDP, the volatility of the US dollar, weak capital spending as well as corporate governance and security issues.

(Source: Economic Report 2002/2003)

7.3 OVERVIEW OF THE EUROPEAN UNION ECONOMY

The Euro area grew by 0.3% during the first six months of 2002, largely aided by net exports and rising household spending. However, for the second-half of the year, growth is expected to strengthen to 0.3%-0.6% and is envisaged to be domestically-led by supportive monetary conditions. With inflation no longer a threat to recovery, the interest rate has been left unchanged at 3.25% since November 2001 by the European Central Bank to bolster growth. The fragility of the US economy, however, has a bearing on the performance in the Euro area as 20% of its exports go to the US. For 2002, real GDP growth is expected to stabilise at 1.4% (2001: 1.5%).

(Source: Economic Report 2002/2003)

7.4 OVERVIEW OF THE TEXTILE AND APPAREL INDUSTRY IN MALAYSIA

The textile and apparel industry is one of the most dynamic industries in ASEAN and has been one of ASEAN's largest export oriented industries. In Malaysia, the initial activities within the textile and apparel industry were confined to cotton weaving and garment manufacturing. The industry has then expanded rapidly, especially during the 1970s with the implementation of the Investment Incentives Act, 1968. It is currently one of the largest manufacturing sectors in Malaysia.

The industry is also one of the major sources of direct employment and major foreign exchange earners for the country. For the year 2002, export for articles of textile, apparel and clothing accessories was RM8,586.7 million[1]. This represents 2.4% of the total gross export of manufactured goods for the year and this makes it the fourth largest contributor to the country's manufactured export. The top export destinations for textile and apparel are the US, UK, Hong Kong, Singapore and Japan. Compared to the year 2001, exports have declined by 5.2%. This was mainly due to the increasing competition from low-cost producing countries such as China, Thailand, Indonesia and Vietnam.

The textile and apparel industry is segregated into two major groups, namely the textile sub-sector and the apparel sub-sector. Activities in the textile sub-sector are production of man-made fibers and synthetic fibers, spinning of natural and man-made fiber as well as the production of man-made fiber yarn, and weaving and knitting of a wide range of fabrics. In the apparel sub-sector, the activities include the making of various types of garments, articles, clothing and accessories. In Malaysia, many players in the textile sub-sector are involved in the knitting of textile, with some of them also involved in the producing of clothing and apparels concurrently.

The textile and apparel industry is one of the eight key sectors identified by the government to be promoted under the Second Industrial Master Plan. The plan aims at achieving greater technological self-reliance through the reproduction of imported capital and intermediate goods while enhancing productivity. Small and medium-sized businesses have been identified as targets of growth, both as component producers and exporters of finished products. In line with the government's policy to promote "Made in Malaysia Products", many textile and apparel manufacturers have created indigenous brands and further upgraded their marketing and distribution capabilities, both locally and abroad. Many apparel manufacturers are heavily involved in contract manufacturing for major world brands and others are involved in the manufacturing of integrated garments.

Manufacturers may now enjoy higher demand from the US as some buyers are believed to have shifted their sourcing of garments to local garment manufacturers from Pakistan and India after the Afghanistan war in 2001 and the recent Iraq-led war in 2003.

(Source: ResearchLink Report dated 27 June 2001 and subsequently updated by Infocredit D&B (Malaysia) on 8 May 2003)

[1] *These commodities **do not** include single transactions with value 'below RM 5,000' (Source: Department of Statistics, Malaysia)*

7.5 OVERVIEW OF THE LADIES UNDERGARMENT INDUSTRY

The ladies undergarment industry is a segment of the apparel industry.

7.5.1 Demand

In Malaysia, females in the age group of ten (10) to nineteen (19), comprising 27.9% of the female population provides a good potential for the demand of ladies undergarments. However, although the population in Malaysia is increasing year by year (2002: 24.53 million and 2001: 24.01 million), the ladies undergarment manufacturers need to venture to the global market where there are many potential buyers of ladies undergarments from larger markets such as in the Europe, North America and Japan. Manufacturers also need to focus constantly in innovation, quality, fashion and design to remain competitive in the ladies undergarment market. In developed countries, demand for ladies undergarments is largely driven by affluent women who have high disposable incomes. There is also a growing trend where undergarments are seen as fashion accessories and hence, great emphasis is placed on the fabric and the brand of the undergarments.

The demand for ladies undergarments in the export market is huge with the large world women population and their increasing disposable income and purchasing power. In 2002, the revised female population by the Population Reference Bureau shows that in the Americas, total female population (comprising North and South America) was 432 million, while in Europe and Asia there were 375 million and 1,844 million females respectively. Based on the United Nations Population Division, the world's population is expected to grow at about 16.67% to 7 billion people in the year 2013. The demand for ladies undergarments is therefore expected to remain stable.

World Women Population, 2002

	Total Females 2002 (in millions)	Women Ages 15-49 (in millions)
Africa	416	197
North America	162	80
Latin America & the Caribbean	270	145
Asia	1,844	981
Europe	375	183
Oceania	16	8

Source: Population Reference Bureau 2002

(Source: ResearchLink Report dated 27 June 2001 and subsequently updated by Infocredit D&B (Malaysia) on 8 May 2003)

7.5.2 Supply

The ladies undergarment industry in Malaysia consists of brassiere, female panties, underwear (other than brassiere and panties) and female pyjamas. The production data by the abovementioned grouping are based on the Manufacturing Statistics from the Statistics Department with the latest available information for 2001.

In 2001, the ladies undergarment output is valued at RM220.82 million, representing a slight decrease of 2.01% from the previous year.

In 2001, the brassiere market increased by 5.44% to RM130.7 million as compared to RM123.95 million in 2000. The female panties market increased 10.12% to RM35.48 million from RM32.22 million from the prior year. Underwear, other than brassiere and panties, declined by 34.67% to RM5.22 million in 2001 (2000: RM7.99 million). Ladies pyjamas decreased by 16.78% to RM49.60 million in 2001 as compared to RM49.6 million in the previous year. In general, the overall production of ladies undergarment is fuelled by higher export demand for brassiere and female panties.

Total imports for selected ladies undergarments in 2002 recorded a growth of 7.41% to RM17.69 million as compared to RM16.47 million in 2001. Apart from the year 2000, the imports in the last 3 years for the above selected ladies undergarments have shown an increasing trend. The decline recorded in the year 2000 was largely due to zero imports for T-shirts, singlets, other vests, knitted or crocheted of cotton. Exports have improved slightly in 2002 with an increased of 2.05%. This was mainly attributable to the increased in export of brassiere made of other textile materials other than cotton, girdles, corsets and suits.

Even though the local ladies undergarment manufacturers are able to meet local market demand, there are still imported products being brought into Malaysia. Cotton suits and brassieres are Malaysia's main imports of ladies undergarments. This is due to brand conscious consumers who favour high-end foreign label designer brands and association with imported brands despite the higher pricing, especially the ones imported from European countries.

(Source: ResearchLink Report dated 27 June 2001 and subsequently updated by Infocredit D&B (Malaysia) on 8 May 2003)

7.6 RELEVANT LAWS AND REGULATIONS GOVERNING THE TEXTILE AND APPAREL INDUSTRY

The Malaysian government has been encouraging and assisting the local textile and apparel industry by means of offering various investment incentives and facilities such as awarding pioneer status with fixed tax-exemption periods, subsidies in the form of tax relief for capital investment, re-investment incentives, high-technology industries incentives and manpower training.

The Malaysian textile and apparel industry has benefited from the Multi-Fibre Arrangement ("MFA") which was introduced in 1974. The MFA is a system of quotas for foreign exporters selling products into the developed markets of the US, Canada and the European Union. The MFA will be replaced in 2005 with an agreement under the World Trade Organization ("WTO"). The phasing out of the MFA is expected to cause greater competition amongst global players. Under the free trade environment of WTO, Malaysian players will need to face the challenges of competing with other exporting nations.

Under the liberalisation of the ASEAN Free Trade Agreement ("AFTA"), textiles and apparels would be subjected to tariff reductions of 0%-5% by 2008. The small and medium industry is encouraged by the Government to use the services provided by the National Productivity Corporation, Small and Medium Industries Development Corporation or Malaysian Industrial Development Authority to assist them in increasing their competitiveness.

There are ten (10) member countries under AFTA, namely Malaysia, Brunei, Indonesia, Thailand, Philippines, Singapore, Vietnam, Laos, Myanmar and Cambodia. The AFTA's main objective is to increase ASEAN's competitive edge in the global market. One of the critical steps is the liberalisation of trade in the region through the elimination of intra-regional tariff and non-tariff barriers. In preparation for AFTA, manufacturers that employed higher levels of technology and have conducted technological innovations in products and production process would be well-positioned to face the increasing competition under AFTA.

(Source: ResearchLink Report dated 27 June 2001 and subsequently updated by Infocredit D&B (Malaysia) on 8 May 2003)

7.6.1 Licensing

The CHB Group's principal activities are governed by the Industrial Co-Ordination Act 1975 whereby any manufacturing entity with shareholders' funds of RM2.5 million and above or that engages 75 or more full-time employees must obtain a manufacturing license.

CMSB's principal activities are also governed by the Direct Sales Act 1993. The objective of the act is to protect consumer rights and to enforce and develop a healthy and ethical direct selling industry.

(Source: ResearchLink Report dated 27 June 2001 and subsequently updated by Infocredit D&B (Malaysia) on 8 May 2003)

Further details on the major licenses and permits governing the Group's operations are disclosed in Section 13.1 of this Prospectus.

7.7 INDUSTRY LIFE-CYCLE

The textile and apparel industry has been established in Malaysia for over 50 years and is considered a mature industry. The ladies undergarment industry itself has been established in Malaysia for about 30 years. Women around the world have been using undergarments for centuries and it has become a necessity. In addition to being a necessity, it is also intended to enhance the beauty of a woman's physical appearance and as such, has also become a fashion accessory.

The ladies undergarment industry in Malaysia is considered mature but the full potential of this market has yet to be fully tapped by local manufacturers. However, there have been developments and innovations in the designing of ladies undergarments. For instance, the introduction of polyester and spandex mixtures has inspired new designs and patterns previously not possible using 100% cotton materials.

In terms of the design of brassiere, it has become increasingly trendy and more sexually appealing such as the WonderBra design. There are other designs that are trying to capture the WonderBra users, such as Victoria Secrets "Miracle Bra", "Maximiser" and "Minimisers", where there are several brands carrying the design.

(Source: ResearchLink Report dated 27 June 2001 and subsequently updated by Infocredit D&B (Malaysia) on 8 May 2003)

8. PROSPECTS AND FUTURE PLANS OF THE GROUP

8.1 PROSPECTS OF THE GROUP

The Directors of CHB view the future prospects of the Group to be favourable. In addition to the expected recovery of both the Malaysian economy and the global economy as mentioned in Section 7 of this Prospectus, the Directors of CHB are of the opinion that the following factors place the Group's future in good stead:

(i) With the expected increase in world population, demand for undergarments such as those manufactured by the Group is expected to increase. According to the United Nations Population Division, world population is forecasted to increase from 6 billion in 1999 to 7 billion in 2013. Females under the age of 15 years make up a sizable portion of the female population, particularly in developing countries. In Malaysia, for example, there were 1.2 million females between 10 to 19 years old representing approximately 27.9% of all Malaysian females in 2002.

(Source: ResearchLink Report dated 27 June 2001 and subsequently updated by Infocredit D&B (Malaysia) on 8 May 2003)

(ii) Retail sales of undergarments in the countries where the Group exports its products to are expected to increase. In the UK, for example, it is forecasted that by 2004, the retail sales of women's lingerie, corset and hosiery will reach GBP1.88 billion, an increase of approximately 21% from GBP1.55 billion in 1999.

(Source: ResearchLink Report dated 27 June 2001 and subsequently updated by Infocredit D&B (Malaysia) on 8 May 2003)

(iii) With better education on the use and importance of undergarments coupled with the increasing affluence of women in developing countries like China, demand for products of CHB is expected to increase. The Group will be well positioned to meet the increase in demand with the completion of the new factory building and the purchase of the new machinery and equipment from the proceeds to be raised from the Public Issue and Special Issue, as disclosed in Section 5.5 of this Prospectus.

(iv) With the trend towards trade liberalization, tariffs for trade of certain items between countries would be reduced. With the opening of markets, prospects of the Group are thought to be better as the Group would be able to access a wider market, allowing the Group to expand its business worldwide.

8.2 FUTURE PLANS OF THE GROUP

The future plans of the CHB Group includes, inter-alia:

(i) To increase the number of export countries

The CHB Group has plans to penetrate new overseas markets such as Belgium, Scandinavian countries, the Middle East countries and South Africa to increase its exports. The targeted dates for the Group to venture into these markets are as follows:

Countries/Regions	Targeted Date
Middle-East countries and Belgium	2004
Scandinavian countries and South Africa	2005

Increasing the number of export countries, especially to other regions of the world, is part of the Group's expansion plans.

(ii) To increase the range of products

The CHB Group is continuously planning to diversify horizontally by increasing its product range. For instance, a new product in the pipeline is the nursing bra which is expected to be launched by the end of 2003. Based on a preliminary survey conducted by the Group, the Group expects market acceptance of the nursing bra to be encouraging.

(iii) To complete and upgrade the Group's Enterprise Resource Planning ("ERP") system

The CHB Group plans to purchase additional ERP modules in order to complete and upgrade its current ERP system. With the completed and upgraded ERP system, there will be full integration of the Group's computer systems, allowing the management to have more control, better information for decision-making and allow for faster response to changes in design of products and production environment. The management expects the ERP system to be fully operational by mid of 2004.

8.3 GROWTH STRATEGIES OF THE GROUP

(i) Manufacturing of nursing bra

In line with the Group's future plans of increasing its product base, the Group has developed a nursing bra. The Group expects to release the nursing bra for export market by the end of 2003.

The nursing bra is a functional bra that not only provides support for the breasts but also has convenient features for a mother to breast-feed her newborn baby. The nursing bra comes in many styles but the main feature being the ability for the cup to have a detachable flap that is easily removed thus allowing the mother to feed her baby without having to remove her outer clothing and bra. It also allows her to discreetly breast-feed in public.

(ii) Penetration of the China market

The Group plans to increase its penetration of the China market via its local business partner in the country. This is in line with the Group's expansion plan to penetrate new markets and its principle of expanding together with its business partners. The detailed plan to penetrate the China market have not been finalised as at the date of this Prospectus.

(iii) Increasing production capacity

In tandem with the Group's plans to increase the number of export countries in its portfolio, the Group is expanding its manufacturing facilities. A new factory building to house the additional manufacturing facilities of the Group has been constructed, details of which are disclosed in Sections 5.5 and 9.3.7.

The new manufacturing facilities are expected to increase the production capacity of the Group by approximately 30% with an area expansion of approximately 76,800 square feet. The workforce is anticipated to increase by another 135 workers by the first quarter of 2004, to meet the growing production needs of the Group. This additional production capacity will be sufficient to cater for the Group's needs for the next three (3) years.