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20 December 2004

The Board of Directors
Cheetah Holdings Berhad
26, Jalan 6/91
Taman Shamelin Perkasa
Cheras
56100 Kuala Lumpur

Dear Sirs,

ACCOUNTANTS' REPORT
CHEETAH HOLDINGS BERHAD

A. INTRODUCTION

This Report has been prepared by Deloitte KassimChan, an approved company auditor, for inclusion in the Prospectus of Cheetah Holdings Berhad (hereinafter referred to as "CHB") to be dated 31 December 2004 in conjunction with the listing of and quotation for the entire issued and paid-up share capital of CHB, comprising 80,000,000 ordinary shares of RM0.50 each in CHB ("CHB Shares") on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") (formerly known as Malaysia Securities Exchange Berhad) which include the following exercise:

(i) Public issue of 3,000,000 new CHB Shares available for application by the Malaysian public at an issue price of RM0.75 per share payable in full upon application; and

(ii) Offer for sale by the shareholders of CHB of 28,500,000 CHB Shares at an offer price of RM0.75 per share payable in full upon application comprising:

  (a) 1,500,000 CHB Shares reserved for application by the eligible employees and business associates of CHB and its subsidiary companies ("CHB Group");

  (b) 3,000,000 CHB Shares available for application by the Malaysian public; and

  (c) 24,000,000 CHB Shares available for application by bumiputera investors approved by the Ministry of International Trade and Industry ("MITI").

B. GENERAL INFORMATION

B.1 Incorporation and Principal Activity

CHB was incorporated in Malaysia under the Companies Act, 1965 on 6 May 1997 as a public limited company.

CHB is principally an investment holding company.

B.2 Listing Exercise

In conjunction with and as an integral part of the listing of and quotation for its entire enlarged issued and paid-up share capital on the Second Board of Bursa Securities, CHB undertook/will undertake the following:

(i) Acquisition by CHB of 153,004 ordinary shares of RM1.00 each in Cheetah Corporation (M) Sdn Bhd ("CCM"), representing the entire equity interest in CCM, for a purchase consideration of RM41,848,378 fully satisfied by the issuance of 76,999,996 CHB Shares at an issue price of RM0.5435 per share;

(ii) Public issue of 3,000,000 new CHB Shares available for application by the Malaysian public at an issue price of RM0.75 per share payable in full upon application;

(iii) Offer for sale by the shareholders of CHB of 28,500,000 CHB Shares at an offer price of RM0.75 per share payable in full upon application comprising:

 (a) 1,500,000 CHB Shares reserved for application by the eligible employees and business associates of CHB Group;

 (b) 3,000,000 CHB Shares available for application by the Malaysian public; and

 (c) 24,000,000 CHB Shares available for application by bumiputera investors approved by MITI.

(iv) Listing of and quotation for the entire enlarged issued and paid-up share capital of CHB, comprising 80,000,000 CHB Shares on the Second Board of Bursa Securities.

The approvals for the abovesaid flotation scheme were obtained from the Securities Commission ("SC") and Foreign Investment Committee (via the SC) on 18 June 2004 and MITI on 22 June 2004 and 24 June 2004.

The approval-in-principle for, inter-alia, the admission of CHB to the official list of the Second Board of Bursa Securities and for permission to deal in and for the listing of and quotation for the entire enlarged issued and paid-up share capital of CHB has been obtained from Bursa Securities on 29 June 2004.

B.3 Share Capital

The present authorised share capital of CHB is RM100,000,000, comprising 200,000,000 CHB Shares.

The present issued and paid-up share capital of CHB is RM38,500,000, comprising 77,000,000 CHB Shares.

Details of the movements in the issued and paid-up share capital of CHB since the date of its incorporation are as follows:

Date Of Allotment	No. Of Ordinary Shares Of RM0.50* Each Allotted	Consideration For Shares Issued	Resultant Share Capital RM
06.05.1997	2	Cash; subscribers' shares	2
27.01.2004	4	Sub division of par value of shares from RM1.00 to RM0.50 each	2
28.08.2004	76,999,996	Shares issued pursuant to the CCM acquisition	38,500,000

* On 27 January 2004, the nominal value of each ordinary shares of RM1.00 of CHB was split into two ordinary shares of RM0.50 each.

Upon completion of the public issue of 3,000,000 new CHB Shares, the issued and paid-up share capital of the Company will be RM40,000,000, comprising 80,000,000 CHB Shares.

B.4 Information on subsidiary companies of CHB

B.4.1 CCM

CCM was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 28 September 1989 and commenced its operations soon thereafter.

CCM is mainly involved in product designing, product development, marketing and retailing of sports apparel and accessories and casual wear under its own brand names.

The present authorised share capital of CCM is RM500,000, comprising 500,000 ordinary shares of RM1.00 each.

The present issued and paid-up share capital of CCM is RM153,004, comprising 153,004 ordinary shares of RM1.00 each.

Details of the movements in the issued and paid-up share capital of CCM since the date of its incorporation are as follows:

Date Of Allotment	No. Of Ordinary Shares Of RM1.00 Each Allotted	Consideration For Shares Issued	Resultant Share Capital RM
28.09.1989	4	Cash; subscribers' shares	4
21.03.1991	153,000	Other than cash	153,004

B.4.2 Subsidiary company of CCM

Cheetah Realty Sdn Bhd ("CRSB")

CRSB was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 24 April 1992. The company is a wholly-owned subsidiary of CCM.

The principal activity of CRSB is that of property investment holding.

The present authorised share capital of CRSB is RM250,000, comprising 250,000 ordinary shares of RM1.00 each.

The present issued and paid-up share capital of CRSB is RM150,000, comprising 150,000 ordinary shares of RM1.00 each.

Details of the movements in the issued and paid-up share capital of CRSB since the date of its incorporation are as follows:

Date Of Allotment	No. Of Ordinary Shares Of RM1.00 Each Allotted	Consideration For Shares Issued	Resultant Share Capital RM
24.04.1992	4	Cash; subscribers' shares	4
09.05.1992	149,996	Cash	150,000

C. AUDITED FINANCIAL STATEMENTS

The auditors' reports on the financial statements of CHB, CCM and CRSB for the financial years/period under review were reported by us without any qualification.

D. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of CHB, CCM and CRSB included in this Report have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards issued and adopted by the Malaysian Accounting Standards Board.

There were no changes in accounting policies or accounting estimates by CHB, CCM and CRSB for the financial years/period under review.

E. DIVIDENDS

No dividend has been paid or declared by CHB, CCM and CRSB over the financial years/period under review.

F. SUMMARISED INCOME STATEMENTS

An analysis of performance indices for the past five financial years ended 30 June 2004 is as follows:

F.1 Summarised Proforma Consolidated Income Statements

The summarised proforma consolidated income statements of CHB and its subsidiary companies ("CHB Group") for the five financial years ended 30 June 2004 presented for illustrative purposes only are as follows:

Financial Years Ended	30 June 2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	44,473,862	50,355,905	50,146,179	53,124,278	60,816,339
Profit before depreciation, interest expense and amortisation of goodwill	6,732,966	7,316,192	6,667,460	6,780,014	8,448,549
Depreciation	(531,945)	(569,693)	(531,918)	(531,937)	(726,078)
Interest expense	(337,077)	(312,290)	(264,129)	(230,027)	(207,767)
Amortisation of goodwill	(22,613)	(22,613)	(22,615)	(22,614)	(22,613)
Profit before tax	5,841,331	6,411,596	5,848,798	5,995,436	7,492,091
Income tax expense	(1,710,353)	(1,907,016)	(1,738,347)	(1,728,676)	(2,152,000)
Net profit for the year	4,130,978	4,504,580	4,110,451	4,266,760	5,340,091
Number of ordinary shares of RM0.50 each assumed in issue*	77,000,000	77,000,000	77,000,000	77,000,000	77,000,000
Gross earnings per ordinary share of RM0.50 each (sen)	7.59	8.33	7.60	7.79	9.73
Net earnings per ordinary share of RM0.50 each (sen)	5.36	5.85	5.34	5.54	6.94

* *The number of ordinary shares assumed in issue throughout the financial years under review represents the number of ordinary shares in issue after the CCM acquisition.*

Assumptions used in the preparation of the summarised proforma consolidated income statements

The summarised proforma consolidated income statements of the CHB Group for the five financial years ended 30 June 2004 are presented on the assumption that the Proforma Group has existed throughout the years under review and are prepared by the summation of the audited income statements of CHB, CCM and CRSB for the applicable years.

Notes:

(a) The proforma financial information and ratios of the CHB Group for the five financial years ended 30 June 2004 are prepared based on the following:

(i) Audited financial statements of CHB and CCM for the five financial years ended 30 June 2004; and

(ii) Audited financial statements of CRSB for financial period 1 January 2000 to 30 June 2000 and four financial years ended 30 June 2004.

CRSB changed its financial year-end from 31 December to 30 June to be coterminous with the financial year-end of CCM when it became the wholly-owned subsidiary company of CCM during the financial year ended 30 June 1999.

In view of the different financial year-end of CRSB, for the purpose of illustration, the results of CRSB have been arrived at, on a pro-rata basis, based on the audited financial statements for the financial period 1 January 2000 to 30 June 2000.

(b) The effective tax rates for the financial years ended 30 June 2000 to 30 June 2003 ranged between 28.8% and 29.7%, which are higher than the statutory income tax rate mainly due to certain expenses which are not deductible for income tax purposes.

Income tax expense has been arrived at after making adjustments to reflect the actual tax charge for each respective year.

(c) The gross earnings per ordinary share of the CHB Group for the respective financial years under review is calculated based on the proforma consolidated profit before tax over the enlarged issued and paid-up share capital of 77,000,000 ordinary shares of RM0.50 each following the acquisition of CCM in connection with the listing exercise.

(d) The net earnings per ordinary share of the CHB Group for the respective financial years under review is calculated based on the proforma consolidated net profit for the year over the enlarged issued and paid-up share capital of 77,000,000 ordinary shares of RM0.50 each following the acquisition of CCM in connection with the listing exercise.

(e) There were no extraordinary or exceptional items during the financial years under review.

F.2 CHB

The summarised income statements of CHB based on the audited financial statements for the five financial years ended 30 June 2004 are as follows:

Financial Years Ended	2000 RM	2001 RM	30 June 2002 RM	2003 RM	2004 RM
Revenue	-	-	-	-	-
Loss before depreciation and interest expense	-	(11,362)	(1,434)	(1,473)	(3,680)
Depreciation	-	-	-	-	-
Interest expense	-	-	-	-	-
Loss before tax	-	(11,362)	(1,434)	(1,473)	(3,680)
Income tax expense	-	-	-	-	-
Net loss for the year	-	(11,362)	(1,434)	(1,473)	(3,680)
Number of ordinary shares of RM1.00/RM0.50 each in issue*	2	2	2	2	4
Gross loss per ordinary share of RM1.00/RM0.50 each	-	(5,681)	(717)	(737)	(920)
Net loss per ordinary share of RM1.00/RM0.50 each	-	(5,681)	(717)	(737)	(920)

* *On 27 January 2004, the nominal value of each ordinary shares of RM1.00 of CHB was split into two ordinary shares of RM0.50 each.*

Notes:

(a) No provision for estimated current tax payable has been made as CHB incurred tax losses.

(b) The gross loss per ordinary share of CHB for the financial years under review is calculated based on the loss before tax over ordinary shares in issue at the end of the respective financial years.

(c) The net loss per ordinary share of CHB for the financial years under review is calculated based on the net loss for the year over ordinary shares in issue at the end of the respective financial years.

(d) There were no extraordinary or exceptional items during the financial years under review.

F.3 CCM

The summarised income statements of CCM based on the audited financial statements for the five financial years ended 30 June 2004 are as follows:

	30 June				
Financial Years Ended	**2000**	**2001**	**2002**	**2003**	**2004**
	RM	**RM**	**RM**	**RM**	**RM**
Revenue	44,399,462	50,284,905	50,104,179	53,057,278	60,727,339
Profit before depreciation, interest expense and amortisation of goodwill	6,574,935	7,107,134	6,484,596	6,617,090	8,303,260
Depreciation	(390,353)	(446,004)	(408,228)	(408,247)	(503,947)
Interest expense	(36,156)	(16,547)	(389)	(468)	(973)
Amortisation of goodwill	(22,613)	(22,613)	(22,615)	(22,614)	(22,613)
Profit before tax	6,125,813	6,621,970	6,053,364	6,185,761	7,775,727
Income tax expense	(1,710,353)	(1,907,016)	(1,738,347)	(1,728,676)	(2,152,000)
Net profit for the year	4,415,460	4,714,954	4,315,017	4,457,085	5,623,727
Number of ordinary shares of RM1.00 each in issue	153,004	153,004	153,004	153,004	153,004
Gross earnings per ordinary share of RM1.00 each	40.04	43.28	39.56	40.43	50.82
Net earnings per ordinary share of RM1.00 each	28.86	30.82	28.20	29.13	36.76

Notes:

(a) The effective tax rates for the financial years ended 30 June 2000 to 30 June 2003 ranged between 27.9% and 28.8%. Whereas, the effective tax rate for the financial year ended 30 June 2004 approximate to the statutory tax rate.

The income tax expense has been arrived at after making adjustments to reflect the actual tax charge for each respective year.

(b) The gross earnings per ordinary share of CCM for the financial years under review is calculated based on the profit before tax for the financial years over 153,004 ordinary shares of RM1.00 each in issue at the end of the respective financial years.

(c) The net earnings per ordinary share of CCM for the financial years under review is calculated based on the net profit for the financial years over 153,004 ordinary shares of RM1.00 each in issue at the end of the respective financial years.

(d) There were no extraordinary or exceptional items during the financial years under review.

F.4 CRSB

The summarised income statements of CRSB based on the audited financial statements for the five financial years/period ended 30 June 2004 are as follows:

	←		30 June		→
Financial Years/Period Ended	**2000**	**2001**	**2002**	**2003**	**2004**
	RM	**RM**	**RM**	**RM**	**RM**
Revenue	277,200	551,000	522,000	539,800	561,800
Profit before depreciation and interest expense	215,467	446,856	425,087	421,037	431,329
Depreciation	(65,758)	(123,689)	(123,690)	(123,690)	(124,502)
Interest expense	(307,477)	(522,178)	(504,529)	(486,199)	(489,064)
Loss before tax	(157,768)	(199,011)	(203,132)	(188,852)	(182,237)
Income tax expense	-	-	-	-	-
Net loss for the year	(157,768)	(199,011)	(203,132)	(188,852)	(182,237)
Number of ordinary shares of RM1.00 each in issue	150,000	150,000	150,000	150,000	150,000
Gross loss per ordinary share of RM1.00 each	(2.10)*	(1.33)	(1.35)	(1.26)	(1.21)
Net loss per ordinary share of RM1.00 each	(2.10)*	(1.33)	(1.35)	(1.26)	(1.21)

* *Annualised based on audited financial statements for the six month period ended 30 June 2000.*

Notes:

(a) No provision for taxation has been made over the years/period under review as CRSB incurred operating losses.

(b) The gross loss per ordinary share of CRSB for the financial years/period under review is calculated based on the loss before tax for the financial years/period over 150,000 ordinary shares of RM1.00 each in issue at the end of the respective financial years/period.

(c) The net loss per ordinary share of CRSB for the financial years/period under review is calculated based on the net loss for the financial years/period over 150,000 ordinary shares of RM1.00 each in issue at the end of the respective financial years/period.

(d) There were no extraordinary or exceptional items during the financial years/period under review.

G. BALANCE SHEETS

The proforma consolidated balance sheet of the CHB Group has only been presented by way of proforma statement of assets and liabilities as of 30 June 2004, as shown in Section H of this Report, based on the latest audited financial statements of CHB, CCM and CRSB as of 30 June 2004. It is impractical to present the proforma consolidated balance sheets of the CHB Group for the financial years prior to 30 June 2004 as the transaction for the CCM acquisition, including the purchase consideration, is determined based on current information and net assets of CCM as of 31 January 2004.

G.1 CHB

The summarised balance sheets of CHB based on the audited financial statements for the five financial years ended 30 June 2004 are as follows:

	←		As Of 30 June		→
	2000	**2001**	**2002**	**2003**	**2004**
	RM	**RM**	**RM**	**RM**	**RM**
Expenditure carried forward	10,202	-	-	-	-
Total current assets	-	-	-	-	178,422
Total current liabilities	(10,200)	(11,360)	(12,794)	(14,267)	(196,369)
Net Assets/(Liabilities)	2	(11,360)	(12,794)	(14,267)	(17,947)
Represented by:					
Issued capital	2	2	2	2	2
Accumulated loss	-	(11,362)	(12,796)	(14,269)	(17,949)
Shareholders' Equity/(Capital Deficiency)	2	(11,360)	(12,794)	(14,267)	(17,947)
Net liabilities per ordinary share of RM1.00/RM0.50 each based on number of shares in issue as at balance sheet date*	(5,100)	(5,680)	(6,397)	(7,134)	(4,487)

* *On 27 January 2004, the nominal value of each ordinary shares of RM1.00 of CHB was split into two ordinary shares of RM0.50 each.*

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G.2 CCM

The summarised balance sheets of CCM based on the audited financial statements, after making such adjustments as we considered necessary, for the five financial years ended 30 June 2004 are as follows:

	As Of 30 June				
	2000 **RM**	**2001** **RM**	**2002** **RM**	**2003** **RM**	**2004** **RM**
Property, plant and equipment	2,269,379	2,381,673	2,048,041	2,103,199	3,496,958
Investment in subsidiary company	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Goodwill	135,682	113,069	90,454	67,840	45,227
Total current assets	34,407,697	38,894,751	39,157,995	42,715,926	50,990,489
Total current liabilities	(13,900,014)	(13,699,795)	(9,291,775)	(8,425,165)	(12,447,147)
Net Current Assets	20,507,683	25,194,956	29,866,220	34,290,761	38,543,342
Deferred tax liabilities	(183,000)	(245,000)	(245,000)	(245,000)	(245,000)
Net Assets	24,729,744	29,444,698	33,759,715	38,216,800	43,840,527
Represented by:					
Issued capital	153,004	153,004	153,004	153,004	153,004
Unappropriated profit	24,576,740	29,291,694	33,606,711	38,063,796	43,687,523
Shareholders' Equity	24,729,744	29,444,698	33,759,715	38,216,800	43,840,527
Net tangible assets per ordinary share of RM1.00 each based on number of shares in issue as at balance sheet date	161	192	220	249	286

G.3 CRSB

The summarised balance sheets of CRSB based on the audited financial statements for the five financial years/period ended 30 June 2004 are as follows:

	As Of 30 June				
	2000 **RM**	**2001** **RM**	**2002** **RM**	**2003** **RM**	**2004** **RM**
Property, plant and equipment	-	824,995	845,414	893,350	949,870
Investment properties	6,724,764	5,798,491	5,674,801	5,551,111	5,489,678
Total current assets	67,679	67,969	67,969	67,969	67,969
Total current liabilities	(4,816,142)	(5,040,187)	(5,525,224)	(6,046,072)	(6,729,447)
Net Current Liabilities	(4,748,463)	(4,972,218)	(5,457,255)	(5,978,103)	(6,661,478)
Term loans – non-current portion	(2,610,087)	(2,484,065)	(2,098,889)	(1,691,139)	(1,185,178)
Net Liabilities	(633,786)	(832,797)	(1,035,929)	(1,224,781)	(1,407,108)
Represented by:					
Issued capital	150,000	150,000	150,000	150,000	150,000
Accumulated losses	(783,786)	(982,797)	(1,185,929)	(1,374,781)	(1,557,108)
Capital Deficiency	(633,786)	(832,797)	(1,035,929)	(1,224,781)	(1,407,108)
Net liabilities per ordinary share of RM1.00 each based on number of shares in issue as at balance sheet date	(4.23)	(5.55)	(6.91)	(8.17)	(9.38)

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H. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES AS OF 30 JUNE 2004

The proforma statements of assets and liabilities of the Proforma Group and the Company as of 30 June 2004 prepared for illustrative purposes only are as follows:

	Note	The Proforma Group RM	The Company RM
Property, plant and equipment	J.3	4,446,828	-
Investment properties	J.4	7,285,613	-
Investment in subsidiary companies	J.5	-	41,848,378
Goodwill	J.6	45,227	-
Current Assets			
Inventories		22,449,824	-
Trade receivables	J.7	12,326,715	-
Other receivables and prepaid expenses	J.7	1,211,890	178,422
Fixed deposits with licensed banks	J.8	8,355,631	-
Cash and bank balances		1,349,299	-
		45,693,359	178,422
Current Liabilities			
Trade payables	J.9	11,479,220	-
Other payables and accrued expenses	J.9	932,957	196,369
Long-term loans- current portion	J.10	522,833	-
Bank overdrafts	J.11	633,917	-
Tax liabilities		47,339	-
		13,616,266	196,369
Net Current Assets/(Liabilities)		32,077,093	(17,947)
Long-Term and Deferred Liabilities			
Long-term loans – non-current portion	J.10	(1,185,178)	-
Deferred tax liabilities	J.12	(245,000)	-
		(1,430,178)	-
Net Assets		42,424,583	41,830,431
Represented by:			
Issued capital	J.13	38,500,000	38,500,000
Reserves	J.14	3,924,583	3,330,431
Shareholders' Equity		42,424,583	41,830,431

	The Proforma Group RM	The Company RM
Total net tangible assets	42,379,356	41,830,431
Net tangibles assets per ordinary share of RM0.50 each based on the issued share capital at balance sheet date	0.55	0.54

Assumptions used in the preparation of the proforma statement of assets and liabilities of the Proforma Group as of 30 June 2004

The proforma statement of assets and liabilities of the Proforma Group as of 30 June 2004 is prepared for illustrative purposes only on the assumption that the CCM acquisition had been effected on 30 June 2004. The purchase consideration of RM41,848,378 in respect of the CCM acquisition is determined based on the audited net tangible assets of CCM and its subsidiary company as of 31 January 2004 of RM41,848,378.

Notes on the preparation of the proforma statements of assets and liabilities of the Proforma Group and of the Company as of 30 June 2004

The proforma statements of assets and liabilities of the Proforma Group and of the Company as of 30 June 2004 are prepared based on the audited financial statements of CHB, CCM and CRSB for the financial year ended 30 June 2004.

The above proforma statements of assets and liabilities should be read in conjunction with the Notes as set out in Section J of this Report.

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I. PROFORMA CASH FLOW STATEMENTS

The following proforma cash flow statements of the Proforma Group and of the Company for the year ended 30 June 2004 have been prepared for illustrative purposes only based on the audited financial statements of CHB, CCM and CRSB for the year ended 30 June 2004 and on the assumption that the Proforma Group has been in existence throughout the financial year:

	The Proforma Group RM	The Company RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) before tax	7,492,091	(3,680)
Adjustments for:		
Allowance for doubtful debts	690,172	-
Depreciation of property, plant and equipment	503,947	-
Finance costs	207,767	-
Depreciation of investment properties	222,131	-
Amortisation of goodwill	22,613	-
Write back of allowance for doubtful debts	(7,718)	-
Interest income	(177,378)	-
Gain on disposal of property, plant and equipment	(50,775)	-
Operating Profit/(Loss) Before Working Capital Changes	8,902,850	(3,680)
(Increase)/Decrease in:		
Inventories	(3,740,517)	-
Trade receivables	(1,928,352)	-
Other receivables and prepaid expenses	(549,287)	(178,422)
Amount owing by director	1,646,439	-
Increase in:		
Trade payables	4,154,542	-
Other payables and accrued expenses	185,069	182,102
Cash Generated From Operations	8,670,744	-
Finance costs paid	(207,767)	-
Income tax paid	(2,000,000)	-
Net Cash From Operating Activities	6,462,977	-
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,970,751)	-
Addition of investment properties	(63,069)	-
Interest received	177,378	-
Proceeds from disposal of property, plant and equipment	67,300	-
Net Cash Used In Investing Activities	(1,789,142)	-

(Forward)

	Note	The Proforma Group RM	The Company RM
CASH FLOWS USED IN FINANCING ACTIVITY			
Repayment of long-term loans		(425,095)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,248,740	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		4,822,273	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	J.16	9,071,013	-

The above proforma cash flow statement should be read in conjunction with the Notes as set out in Section J of this Report.

J. NOTES TO THE PROFORMA STATEMENTS OF ASSETS AND LIABILITIES AND THE PROFORMA CASH FLOWS STATEMENTS

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The proforma statements of assets and liabilities of the Proforma Group and of the Company have been prepared in accordance with the applicable approved accounting standards of the MASB, and using the same accounting principles and policies as were used in the preparation of the statutory financial statements of CHB, CCM and CRSB.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The proforma statements of assets and liabilities of the Proforma Group and of the Company have been prepared under the historical cost convention.

Basis of Consolidation

Subsidiary company is the enterprise controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The consolidated financial statements include the audited financial statements of the Company and the subsidiary companies made up to the end of the financial year.

Subsidiary company is consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the subsidiary company are measured at their fair values at the date of acquisition.

The results of the subsidiary company acquired or disposed of during the financial year are included in the consolidated financial statements of the Proforma Group from the effective date of acquisition or up to the date of disposal.

All significant intercompany transactions and balances are eliminated on consolidation.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is treated as a revaluation decrease.

Depreciation of property, plant and equipment, except for freehold land and shoplots under construction which are not depreciated, is computed on the straight-line method at the following annual rates based on the estimated useful lives of the various property, plant and equipment:

Long leasehold land	Over the period of lease of 83 years
Building	2%
Furniture and fittings	5% - 10%
Motor vehicles	20%
Office equipment	10%
Renovation	10%

Investment Properties

Investment properties are held for long-term investment potential and for rental income. Investment properties are stated at cost less accumulated depreciation.

Depreciation of investment properties, except for freehold land which is not depreciated, is computed on the straight-line method at the following annual rates based on the estimated useful lives of the various assets:

Long leasehold land	Over the period of lease of 58½ years
Long leasehold industrial building and factory lots	2% - 10%
Shoplots	2%
Apartment	2%

Where an indication of impairment exists, the carrying amount of investment properties is assessed and written down immediately to its recoverable amount.

Investment in Subsidiary Companies

Investment in unquoted shares of the subsidiary companies, which is eliminated on consolidation, is stated at cost in the Company's financial statements.

Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Goodwill

Goodwill which represents the excess of the cost of investment over the related net assets of a business acquired, is amortised over a period of ten years.

Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

Inventories

Inventories which consist mainly of trading merchandise, are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis which approximates actual cost and includes all costs of bringing the inventories to their present location and condition.

In arriving at net realisable value, due allowance is made for obsolete and slow moving inventories.

Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Provisions

Provisions are made when the Proforma Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Defined Contribution Plan

The Proforma Group and its eligible employees are required by law to make monthly contributions to Employees Provident Fund ("EPF"), a statutory defined contribution plan, at certain prescribed rates based on the employees' salaries. The Proforma Group's contributions to EPF are disclosed separately.

Cash Flow Statements

The Proforma Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

The Proforma Group	Long Leasehold Land RM	Freehold Land RM	Building RM	Furniture And Fittings RM	Motor Vehicles RM	Office Equipment RM	Renovation RM	Shoplots Under Constructions RM	Total RM
Cost	276,614	1,353,600	410,000	990,320	2,399,835	1,033,742	15,915	949,870	7,429,896
Accumulated Depreciation	36,758	-	132,413	416,072	1,640,435	741,475	15,915	-	2,983,068
Net Book Value	239,856	1,353,600	277,587	574,248	759,400	292,267	-	949,870	4,446,828

The long leasehold land and building of the Proforma Group is charged to a local bank for bank overdrafts and other credit facilities as mentioned in Note 11.

Included in property, plant and equipment of the Proforma Group as of 30 June 2004 are fully depreciated assets which are still in use, with costs totalling RM801,441.

4. INVESTMENT PROPERTIES

Investment properties consists of

The Proforma Group	**Freehold Land RM**	**Long Leasehold Land And Factory Building RM**	**Long Leasehold Industrial Factory Lots RM**	**Shoplots RM**	**Apartment RM**	**Total RM**
Cost	796,407	3,928,949	2,551,677	941,814	128,700	8,347,547
Accumulated Depreciation	-	587,388	310,670	141,997	21,879	1,061,934
Net Book Value	796,407	3,341,561	2,241,007	799,817	106,821	7,285,613

Included under investment properties of the Proforma Group are certain properties with a net book value of RM7,276,421 belonging to the subsidiary company which are charged to local banks for term loan facilities as mentioned in Note 10.

5. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company RM
Unquoted shares – at cost	41,848,378

The details of the subsidiary companies, which are incorporated in Malaysia, are as follows:

Name of Company	Effective Equity Interest	Principal Activities
Direct		
Cheetah Corporation (M) Sdn Bhd	100%	Principally involved in product designing, product development, marketing and retailing of sports apparel and accessories and casual wear under its own brand names
Indirect		
Cheetah Realty Sdn Bhd	100%	Property investment holding

6. GOODWILL

	The Proforma Group RM
Goodwill	226,134
Less: Accumulated amortisation	(180,907)
	45,227

7. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	The Proforma Group RM
Trade receivables	14,067,869
Less: Allowance for doubtful debts	(1,741,154)
	12,326,715

Trade receivables comprise amounts receivable for the sales of goods. The normal credit period granted on sales of goods ranges between 30 to 90 days. The Proforma Group's historical experience in collection of trade receivables falls within the recorded allowances and management believes that there are no additional credit risk beyond the allowances made.

Other receivables and prepaid expenses consist of:

	The Proforma Group RM	**The Company RM**
Tax recoverable	143,170	-
Other receivables	433,984	-
Prepaid expenses	-	177,922
Refundable deposits	634,736	500
	1,211,890	178,422

8. FIXED DEPOSITS WITH LICENSED BANKS

The average effective interest rates of fixed deposits of the Proforma Group is 4.5% per annum.

Deposits of the Proforma Group have an average maturity of 365 days.

9. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period granted to the Proforma Group for trade purchases is 90 days.

Other payables and accrued expenses consist of:

	The Proforma Group RM	**The Company RM**
Other payables	713,708	196,369
Accrued expenses	219,249	-
	932,957	196,369

10. LONG-TERM LOANS

	The Proforma Group RM
Outstanding principal	1,708,011
Less: Current portion (included under current liabilities)	(522,833)
Non-current portion	1,185,178

The non-current portion is repayable as follows:

	The Proforma Group RM
Financial years ending 30 June	
2006	601,488
2007	240,128
2008	148,453
2009 and above	195,109
	1,185,178

As of 30 June 2004, the Proforma Group has long-term loan facilities totalling RM3,786,000 obtained from three local banks. These long-term loans bear interest at rates ranging from 7.5% to 8.4% per annum and are repayable in monthly instalments of approximately RM53,024.

These long-term loan facilities, together with the bank overdraft facility obtained by CRSB as mentioned in Note 11 are secured as follows:

(a) first legal charge and deeds of assignment over certain investment properties and shoplots under construction of CRSB;

(b) corporate guarantee of CCM; and

(c) joint and several guarantee from the directors of CCM.

11. BANK OVERDRAFTS

CCM

As of 30 June 2004, CCM has bank overdrafts and other credit facilities totalling RM3,800,000 obtained from local banks. These facilities bear interest at rates ranging from 7.50% to 8.80% per annum and are secured by the following:

(i) first legal charge and deeds of assignment over certain investment properties and shoplots under construction of CRSB;

(ii) legal charge over the long leasehold land and building of CCM;

(iii) legal charge over a building belonging to certain directors of CCM;

(iv) joint and several guarantee of the directors of CCM; and

(v) negative pledge on all present and future properties and assets of CCM.

CRSB

As of 30 June 2004, CRSB has bank overdrafts and other credit facilities totalling RM700,000 obtained from a local bank. This overdraft facility bears interest at rates ranging from 8.40% to 8.80% per annum and is secured as mentioned in Note 10.

12. DEFERRED TAX LIABILITIES

	The Proforma Group RM
Balance at end of year	245,000

The deferred tax liabilities are in respect of the following:

	The Proforma Group RM
Tax effects of temporary differences arising from property, plant and equipment	245,000

13. SHARE CAPITAL

	The Proforma Group and The Company RM
Authorised:	
200,000,000 ordinary shares of RM0.50 each	100,000,000
Issued and fully paid:	
77,000,000 ordinary shares of RM0.50 each	38,500,000

14. RESERVES

	The Proforma Group RM	The Company RM
Non-distributable reserve:		
Reserve on consolidation	594,152	-
Share premium	3,348,380	3,348,380
Accumulated loss	(17,949)	(17,949)
	3,924,583	3,330,431

15. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Proforma Group are subject to a variety of financial risks, including interest rate risk, credit risk, liquidity risk and cash flow risk. The Proforma Group has formulated a financial risk management framework whose principal objective is to minimise the Proforma Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Proforma Group.

Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

Interest rate risk

The Proforma Group's significant interest bearing financial assets and financial liabilities are mainly its deposit placements, bank overdrafts and also its long term debt obligation comprising long-term loans. The deposit placements and bank overdrafts as of balance sheet date, which bears interest as disclosed in Notes 8 and 11, are short term and therefore its exposure to the effects of future changes in prevailing level of interest rates is limited.

The long-term loans of the Proforma Group as of 30 June 2004 are fixed and floating rate financial liabilities as disclosed in Note 10.

Credit risk

The Proforma Group is exposed to credit risk mainly from trade receivables. The Proforma Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history. The Proforma Group also ensures a large number of customers so as to limit high credit concentration in a customer or customers from a particular market.

The Proforma Group's exposure to credit risk in relation to its trade receivables, should all its customers fail to perform their obligations as of 30 June 2004, is the carrying amount of these receivables as disclosed in the balance sheet.

Liquidity risk

The Proforma Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

Cash flow risk

The Proforma Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial Assets

The principal financial assets of the Proforma Group are trade and other receivables, fixed deposits with licensed banks and cash and bank balances.

The accounting policies applicable to the major financial assets are as disclosed in Note 2.

Financial Liabilities

Debts and equity instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement.

Significant financial liabilities of the Proforma Group include trade and other payables, bank overdrafts and long-term loans, which are stated at their nominal values.

Fair values

The fair values of the financial assets and financial liabilities reported in the balance sheets approximate the carrying amount of those assets and liabilities because of the immediate or short-term maturity of these financial instruments, except as follows:

		The Proforma Group	
		Carrying Amount	**Fair Value**
	Note	**RM**	**RM**
Long-term loans	10	1,708,811	1,550,240

The fair value of the term loans of the Proforma Group is estimated using the discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	The Proforma Group RM
Cash and bank balances	1,349,299
Fixed deposits with licensed banks	8,355,631
Bank overdrafts	(633,917)
	9,071,013

17. CAPITAL COMMITMENTS

As of 30 June 2004, the Proforma Group has the following capital commitments:

	The Proforma Group RM
Approved and contracted for:	
Purchase of land	1,282,500
Purchase of shoplot	104,184
	1,386,684

18. RENTAL COMMITMENTS

As of 30 June 2004, the Proforma Group has the following commitments in respect of rental of sales outlets:

	The Proforma Group RM
Within 1 year	1,031,905
Within 1 - 2 years	242,364
Within 2 - 5 years	40,460
	1,314,729

19. CONTINGENT LIABILITY

As of 30 June 2004, the subsidiary company, CRSB is contingently liable for liquidated damages to the extent of RM166,170 arising from the termination of sale and purchase agreements for the purchase of industrial factory lots. The directors are of the opinion that the claim has no merit.

K. PROFORMA NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the proforma statements of assets and liabilities of the Proforma Group as of 30 June 2004, the proforma net tangible assets per ordinary share of RM0.50 each after incorporating the effects of the public issue and estimated listing expenses is as follows:

	The Proforma Group RM
Net tangible assets of the Proforma Group	42,379,356
Add: Proceeds from public issue of 3,000,000 ordinary shares of RM0.50 each at an issue price of RM0.75 per share	2,250,000
Less: Estimated share issue and listing expenses to be incurred	(1,200,000)
Adjusted net tangible assets	43,429,356
Number of ordinary shares of RM0.50 each in issue as of 30 June 2004	77,000,000
Public issue of 3,000,000 ordinary shares of RM0.50 each	3,000,000
Adjusted number of ordinary shares of RM0.50 each in issue	80,000,000
Proforma net tangible assets per ordinary share of RM0.50 each (sen)	0.54

L. AUDITED FINANCIAL STATEMENTS

No audited financial statements of CHB and its subsidiary companies have been prepared in respect of any period subsequent to 30 June 2004.

M. SUBSEQUENT EVENTS

(i) The Proforma Group entered into an agreement with a third party on 31 May 2004 to dispose of a piece of leasehold land and building for a consideration of RM2,000,000. The said disposal, which is expected to be completed in the next financial year, is expected to result in a gain on disposal of approximately RM1,485,000 for the Proforma Group.

(ii) On 5 August 2004, the Proforma Group entered into an agreement with a third party to purchase a piece of land for a consideration of RM2,649,711. Completion of the said acquisition is conditional upon certain conditions being met by the vendor.

No events have occurred subsequent to 30 June 2004 that would require adjustments to the proforma statements of assets and liabilities and the proforma cash flow statements of the Proforma Group and the Company.

Yours very truly,

Deloitte KassimChan

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

TAN BUN POO
1304/05/06 (J/PH)
Partner

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The Board of Directors

Cheetah Holdings Berhad.

29, Jalan 6/91,

Taman Shamelin Perkasa,

Cheras,

56100 Kuala Lumpur, Malaysia.

20 December 2004

Dear Sirs:

Executive Summary of the Independent Market Research Report on the Strategic Analysis of Local Sports Apparel Industry in Malaysia

The purposes of the Summary Independent Market Report of Cheetah Corporation (M) Sdn. Bhd. ("CCM") is prepared by Frost & Sullivan (M) Sdn Bhd for inclusion in the Prospectus of Cheetah Holdings Berhad ("CHB") in relation to the proposed listing of and quotation for the entire issued and paid-up share capital of CHB on the Second Board Market of the Bursa Malaysia Securities Berhad.

Malaysian Economy

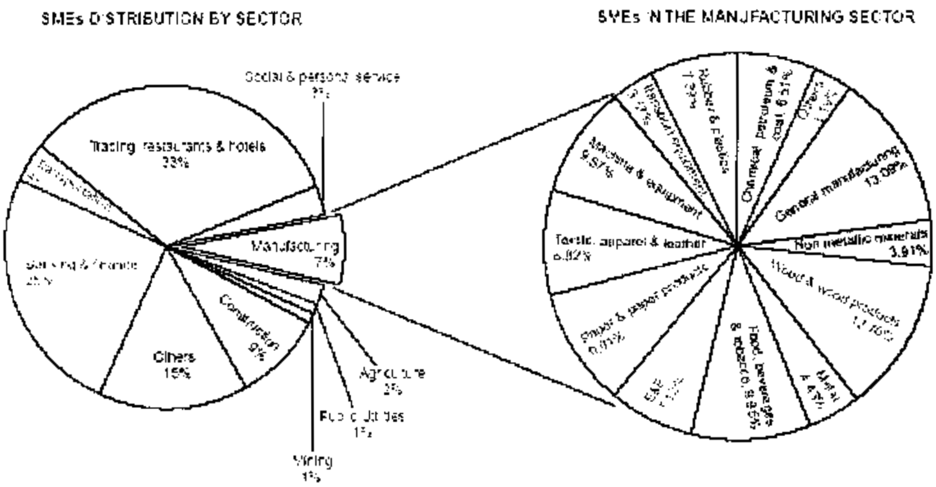
The Malaysian economy managed to overcome many challenges and uncertainties that dampened both the global trade and domestic investor confidence and had made a significant improvement in the economic growth. The economic growth was driven by strong domestic demand reinforced by improved export performance. The Malaysian economy performed admirably early on in the first quarter of 2004 to register a 7.6% growth, sustaining the momentum it gained in 2003 where it expanded by 5.2%. Low interest rates, improved access to financing and significant improvement in commodity prices provided strong stimuli for the economy to expand. The government is steadfast in continuing fiscal expansion over the next year and plans structural changes to stimulate investment and production in order to make the economy more diversified and less dependent on exports.

The manufacturing sector, along with the services sector, is expected to be the main engines of growth in 2004 and 2005. The "value add" in the Malaysian manufacturing sector is projected to increase from around 8.2 percent in 2003 to around 10.2 percent in 2004. This is mainly supported by the pick up in the global electronics industry and improved domestic demand. While the improving global and regional economies have boosted export growths, the Malaysian economy also got a lift from an increased in household spending and government consumptions. An increase in disposable income due to firm commodity prices, high export earnings, and the low interest rate environments and stable job market, helped ensured domestic demand remained resilient. Consumer expenditure in 2003 was nearly RM161.7 billion, almost 7% higher than the previous year encouraged by higher disposable incomes, better job prospects and low interest rates (Source: Economic Report 2003/2004, Ministry of Finance Malaysia). Consumer expenditure can also be broken down to per household and per capita expenditure. Malaysia's per capita consumer expenditure has increased from RM5,808 in 1999 to RM7,170 in 2003 (growth of over 23%). It is estimated that in 2003 each household spent around RM32,107 on goods and services. These growths are in line with overall changes in consumer expenditure.

Small medium enterprises (SME) constitute about 92% of the total 689,160 companies registered in Malaysia. The distribution of SMEs according to economic sectors, as shown in Chart 2-1 shows that SMEs tend to be concentrated in the trading, manufacturing and service sectors, of which 8.82 percent of the manufacturing sector comes from Textile, Apparel and Leather.

Chart 2 below outlines the Malaysian SMEs Distribution by Sector in 2002

Chart 2



Source: Economic Report 2003-2004, Ministry of Finance Malaysia

As the capacity utilization increases in the manufacturing sector and the inventory levels decreasing, it is expected that there would be more manufacturing activities leading to increase in employment as well as a strengthening of both consumer sentiments and business confidence. This is expected to translate to a more vibrant Malaysian economy.

Market Overview of the Local Sports Apparel Industry in Malaysia

The local sports apparel market in Malaysia is a saturated and competitive industry. There are local homegrown manufacturers such as Hing Yiap Knitting Industries Berhad that produces the brand "Antioni", John Master Industries Berhad that produces the brand "Schwarzenbach" and Target Fashion Sdn. Bhd. that produces the brand "Forest". Most of the players have been in the local sports apparel industry for more than 10 years and their brands are renown in the market. The distinction between CCM and its main competitors is that CCM is not involved in the manufacturing of its sports apparels and accessories. CCM outsources its manufacturing activities to its appointed suppliers, which allows CCM to be more attentive towards the research and development activities of their sports apparels and accessories. All manufacturing activities are outsourced to manufacturers both locally and overseas in countries such as Indonesia, Thailand, China, Hong Kong and Taiwan.

International sports apparel and accessories are entering the local market and as disposable income increases, purchasing high-priced sports apparel and/or accessories may not pose a big challenge to the consumers. Such potential entrants in the international sports apparel and accessories market may create indirect competition to CCM. This however does not pose a significant threat because they are targeting a different level of consumers as well as go through different distribution channels. CCM's consumer targets are more towards the medium end consumers and international brands such as Nike, Reebok, Puma and Adidas are towards high end consumers. International brands normally retail in retail outlets in shopping centres, whereas CCM have their own retail outlets and their own consignment outlets throughout departmental stores in Malaysia. Hence, CCM has a wider distribution reach compared to these international brands.

The local sports apparel industry is quite competitive and the manufacturing process of its apparel is facing much competition from low cost production countries such as China, India, Bangladesh, Sri Lanka, Pakistan, Indonesia, Philippines, Laos, Vietnam and Cambodia.

Competitive Structure

Figure 1 presents the Competitive Structure of the Sports Apparel market in Malaysia for the year 2003.

Figure 1

Local Sports Apparel: Competitive Structure in Malaysia, 2003

Types of Competitors	Local homegrown manufactured brands
	International licensed brands
Distribution Structure	Directly to end-users through consignment counters/outlets, retail boutiques, sports shops and hypermarkets
Tiers of Competition	Low-market
	Mid-market
Key End-User Group	Athletes
	Adult/Young Adult Men
	Adult/Young Adult Ladies
	Children
Competitive Factors	Quality
	Price
	Customer Service
	Sales Promotion

Source: Frost & Sullivan, 2004

Quality and price is one of the key competitive factors as consumers are always looking for "best buys" to get their money's worth. Consumers are also attracted by sales promotions when freebies such as the sporting accessories namely bags, caps and pouches are thrown in. Customer service is also important as consumers are aided with their purchases to make the decision making process easier as well as to be conscious about the range of sports apparel and accessories available.

It is relatively difficult for a new entrant to gain entry in the market, as it is capital intensive for the manufacturing of apparels industry. Also, establishing a new brand in the market amongst the other mature players would not be an easy task.

Market Share Analysis

Figure 2 and Chart 3 presents the market shares by revenues of the local homegrown sports apparel and accessories manufacturers in 2003.

Figure 2

Local Sports Apparel: Company Market Share estimated by Revenues (Malaysia), 2003

Company	Brand	2003 (%)
CCM	Cheetah	40
Other Local Players	Others	60
Total		100

Source: Frost & Sullivan., 2004

The market size of the local homegrown sports apparel industry (as defined above) is estimated to be at RM140 million in 2003. The industry comprises of 4 major players of which CCM is the biggest among them with a turnover of RM53 million for 2003.

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Chart 3

Local Sports Apparel: Estimated Company Market Share by Revenues (Malaysia), 2003

Source: Frost & Sullivan, 2004

It is estimated that in 2003, CCM is estimated to have captured 40 percent of the local sports apparel market in 2003. This is due to their comprehensive distribution network, which comprises 448 consignment outlets in Malaysia which is an increase from around 354 consignment outlets in 2003. In addition to that, their renowned brand in the market as well as the quality and affordable prices of their sports apparel and accessories also gives them a distinctive advantage over the other market players.

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Market Forecast

Based on the Consumer Price Index (CPI) weightage, the weight for "Clothing and Footwear" is 3.4. In absence of any other input, we can estimate that for every RM100 spent, RM3.4 is spent on clothing (including apparel) and footwear in Malaysia. Coupled with the largest group of consumers for branded items of which stood at 27 percent of the total population, the estimated market size for the local sports apparel is RM140 million for the year 2003. It is expected to grow within the range of 6 to 7 percent, in tandem with private consumption growth rate at 7 percent and Compounded Annual Growth Rate ("CAGR") of 7 percent for imported apparels.

Figure 3 illustrates below the estimated and projected Malaysia Population, Household Statistics and Local Sports Apparel ("LSA") Market Forecast for 2002-2009

Figure 3

Malaysia Population, Household Statistics and LSA Market Forecast for 2002-2009

Year	Population (millions)	Annualised Income Per Capita (RM)	Estimated Annual Spending on Clothing & Footwear Per Capita (RM)	Estimated Total Market for Clothing and Footwear (RM/ Billion)	Estimated contribution of LSA (in %) estimated growth at 7% p.a.	Estimated Market Revenues for LSA (RM/ Million)
2002	24.2	13,683#	465	3.04	4.0	122.0
2003	24.5	14,343#	488	3.23	4.3	140.0
2004	24.9	15,060	512	3.44	4.6	158.3
2005	25.3	15,813	538	3.67	4.9	179.8
2006	25.6	16,604	565	3.90	5.3	206.7
2007	26.0	17,434	593	4.16	5.6	233.0
2008	26.4	18,306	622	4.44	6.0	266.4
2009	26.8	19,221	654	4.73	6.5	307.5

Source: Population figures from World Development Indicators 2003, World Bank. The estimated population growth has been considered to be 1.5% on a y-o-y basis.

 # Capita Income 2002-2003 Economic Report- Ministry of Finance.

Other figures are computed based on the CPI

As witnessed from the estimated forecasts based on the anticipated population growth as well as a standard CPI contribution of 3.4 percent and the per capita income, the spending (equated with consumption) of clothing and footwear is expected to rise from around RM 3.23 billion in 2003 to around RM 4.73 billion in 2009. This translates into a CAGR of around 6.6 percent during the forecast period. Frost & Sullivan also estimates that the contribution of the LSA segment in this entire industry to increase from the current levels of 4.3 percent in 2003 to around 6.5 percent in 2008, based on the estimated growth rate of 7 percent per annum in private consumption. Based on these assumptions, we can compute the estimated market revenues for the LSA segment as outlined above in Figure 2. The revenues from the LSA segment are expected to grow from RM 140 million in 2003 to around RM 307 million in 2009. This translates into a CAGR of around 14 percent.

Relevant Laws and Regulations

There is no specific law governing the sports apparel and accessories industry. However, Malaysian textile and apparel manufacturers benchmark their processes against ISO9000 and ISO14000 standards, ensuring product suitability in stringent markets such as in the United States and the United Kingdom.

Prospect & Conclusion

The local sports apparel market in Malaysia is expected to grow about 14 percent in revenue terms based on the various assumptions as highlighted above. The end user spends / revenues are expected to increase from around RM140 million in 2003 to around RM 307 million in 2009.

With the phasing out of quotas in 2005 following the WTO agreement, quotas will be abolished for all the textile and apparel imports from most favored nations to the United States and European Union. This would mean that the Malaysian local sport apparel manufacturers would have to compete with neighboring countries to produce the lowest price possible. Outsourcing seems to be the trend in the Malaysian local sports apparel manufacturing market, as the manufacturers are unable to beat low cost production countries such as China, Indonesia, Thailand, Cambodia, Myanmar, Vietnam, India and Bangladesh. In addition, it also gives the flexibility to the manufacturer to be responsive to changes in the market.

With respect to that, the textile and apparel industry as well as the local sports apparel industry is experiencing a slow growth in Malaysia as production costs are increasing due to competitive competition from low cost production countries and rising labour cost conditions. However, Cheetah over the past 20 years has already been focusing on its branding and marketing, while outsourcing their manufacturing. Hence, they have been in the right mind set all this while, which is to outsource their manufacturing and concentrate on their branding and marketing of Cheetah's sports apparel and accessories market. Overall, local sports apparel manufacturers' need to build their brands more aggressively by pursuing branding strategies that may elevate their brand status in order to compete on the same level as foreign brands and to capture the larger piece of the Malaysian sports apparel market.

Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of among others, secondary statistics and primary research. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and / or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Yours Sincerely,

Sanjay Singh
Director