

**1. CORPORATE DIRECTORY****DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Occupation</b>	<b>Nationality</b>
Chia Kee Foo <i>(Chairman / Managing Director)</i>	37, Lorong Bunga Matahari 1A Taman Maju Jaya 2 ½ Miles Cheras 56100 Kuala Lumpur	Company Director	Malaysian
Chia Kee Kwei <i>(Executive Director)</i>	37, Lorong Bunga Matahari 1A Taman Maju Jaya 2 ½ Miles Cheras 56100 Kuala Lumpur	Company Director	Malaysian
Chia Kee Yew <i>(Executive Director)</i>	2, Jalan Kencana 37/2 Taman Kencana 56100 Kuala Lumpur	Company Director	Malaysian
Hor Ah Kuan <i>(Non-Independent Non-Executive Director)</i>	37, Lorong Bunga Matahari 1A Taman Maju Jaya 2 ½ Miles Cheras 56100 Kuala Lumpur	Company Director	Malaysian
Gong Wooi Teik <i>(Independent Non-Executive Director)</i>	5 Jalan TR6/1 Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor	Public Accountant	Malaysian
Chong Jock Peng <i>(Independent Non-Executive Director)</i>	No.67 Jalan Mutiara Barat 4 Taman Mutiara Cheras 56000 Kuala Lumpur	Advocate & Solicitor	Malaysian

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Gong Wooi Teik	Chairman	Independent Non-Executive Director
Chong Jock Peng	Member	Independent Non-Executive Director
Chia Kee Foo	Member	Chairman / Managing Director

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1. **CORPORATE DIRECTORY (Cont'd)**

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- COMPANY SECRETARIES** : Lim Poh Yen (MAICSA 7009745)  
10, Jalan USJ 11/1E  
Taman Seafield Jaya  
47620 Petaling Jaya  
Selangor
- : Ng Yen Hoong (LS008016)  
42A, Jalan PJU3/18H  
Damansara Indah  
47410 Petaling Jaya  
Selangor
- REGISTERED OFFICE** : Level 14, Uptown I  
No. 1, Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor
- Telephone no.: 603-7725 2888
- HEAD / MANAGEMENT OFFICE** : 26, Jalan 6/91  
Taman Shamelin Perkasa  
Cheras  
56100 Kuala Lumpur
- Telephone no.: 603-9776 4088  
Website: [www.cheetah.com.my](http://www.cheetah.com.my)  
Email: [cheetah@cheetah.com.my](mailto:cheetah@cheetah.com.my)
- PRINCIPAL BANKERS** : Malayan Banking Berhad (3813-K)  
Kompleks Bandar  
103, 105 & 107  
Jalan Mega Mendung, Bandar Park  
Jalan Kelang Lama  
58200 Kuala Lumpur
- Telephone no.: 603-7982 3450
- : United Overseas Bank (Malaysia) Berhad (271809 K)  
Medan Pasar Branch  
Bangunan UOB Medan Pasar  
10-12, Medan Pasar  
50050 Kuala Lumpur
- Telephone no.: 603-2772 8000

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**1. CORPORATE DIRECTORY (Cont'd)**

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- AUDITORS AND REPORTING ACCOUNTANTS** : Deloitte KassimChan (AF 0080)  
Level 19, Uptown I  
1, Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor  
  
Telephone no.: 603-7723 6500
- SOLICITORS FOR THE LISTING EXERCISE** : Tay & Helen Wong  
Suite 703, Block F, Phileo Damansara 1  
No. 9, Jalan 16/11  
46350 Petaling Jaya  
Selangor  
  
Telephone no.: 603-7960 1863
- VALUER** : Stocker Roberts & Gupta (VE (3) 0040)  
Block D-9-8, Megan Phileo Promenade  
Jalan Tun Razak  
50400 Kuala Lumpur  
  
Telephone no.: 603-2164 3522
- INDEPENDENT MARKET RESEARCH CONSULTANT** : Frost & Sullivan (522293-W)  
Suite E-08-15, Block E  
Plaza Mont' Kiara  
2, Jalan Kiara, Mont' Kiara  
50480 Kuala Lumpur  
  
Telephone no.: 603-6204 5800
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd (258345-X)  
Tingkat 27, Menara Multi-Purpose  
Capital Square  
No. 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur  
  
Telephone no.: 603-2693 2075
- REGISTRAR** : PFA Registration Services Sdn Bhd (19234-W)  
Level 13, Uptown I  
No. 1, Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor  
  
Telephone no.: 603- 7725 4888

**1. CORPORATE DIRECTORY (Cont'd)**

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**ADVISER / UNDERWRITER** : RHB Sakura Merchant Bankers Berhad  
Level 10, Tower One  
RHB Centre, Jalan Tun Razak  
50400 Kuala Lumpur

Telephone no.: 603-9280 3888

**LISTING SOUGHT** : Second Board of Bursa Securities

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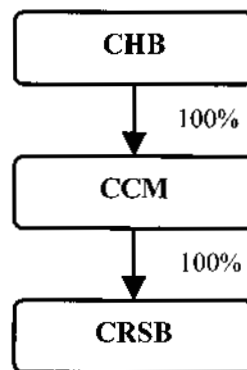
## 2. INFORMATION SUMMARY

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**THIS SECTION OF THE PROSPECTUS REPRESENTS ONLY A SUMMARY OF THE SALIENT INFORMATION IN RELATION TO THE CHB GROUP. INVESTORS SHOULD THEREFORE READ AND UNDERSTAND THE FULL TEXT OF THIS PROSPECTUS BEFORE DECIDING WHETHER TO INVEST IN THE IPO SHARES.**

### 2.1 HISTORY AND BUSINESS

CHB was incorporated as a public limited company in Malaysia under the Act on 6 May 1997. The Company is principally an investment holding company with 2 wholly-owned subsidiaries, namely CCM and CRSB. CCM is principally involved in product designing, product development, marketing and retailing of sports apparel and accessories and casual wear under its own brand names. The principal activity of CRSB is property investment holding. The CHB Group's corporate structure is as follows:



The history of CCM started in 1977, when founding members Madam Hor Ah Kuan and her son, Mr Chia Kee Yew, set up a partnership called Syarikat Yoon Yuen and began trading sports apparel. The Cheetah products came into existence in 1979.

For further details on the history and business of the CHB Group, please refer to Sections 6.1 and 6.5 of this Prospectus.

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## 2. INFORMATION SUMMARY (Cont'd)

### 2.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

The following information summary on the promoters, substantial shareholders, Directors and key management personnel of the CHB Group is extracted from and should be read in conjunction with the more detailed information set out in Section 7 of this Prospectus.

#### 2.2.1 Promoters

The direct and indirect interests of the promoters of CHB in the Shares after the IPO are as follows:

Promoters	Designation	Place of incorporation / Nationality	After IPO			
			Direct		Indirect	
			No. of Shares	%	No. of Shares	%
CYY	-	Malaysia	36,308,113	45.39	-	-
Chia Kee Foo	Chairman/ Managing Director	Malaysian	3,969,300	4.96	36,308,113 <sup>(1)</sup>	45.39
Chia Kee Kwei	Executive Director	Malaysian	1,954,900	2.44	36,308,113 <sup>(1)</sup>	45.39
Chia Kee Yew	Executive Director	Malaysian	1,035,279	1.29	-	-

Note:

(1) Deemed interested by virtue of his shareholdings in CYY pursuant to Section 6A of the Act.

#### 2.2.2 Substantial shareholders

The direct and indirect interests of the substantial shareholders of CHB in the Shares after the IPO are as follows:

Substantial shareholders	Designation	Place of incorporation / Nationality	After IPO			
			Direct		Indirect	
			No. of Shares	%	No. of Shares	%
CYY	-	Malaysia	36,308,113	45.39	-	-
Chia Kee Foo	Chairman/ Managing Director	Malaysian	3,969,300	4.96	36,308,113 <sup>(1)</sup>	45.39
Chia Kee Kwei	Executive Director	Malaysian	1,954,900	2.44	36,308,113 <sup>(1)</sup>	45.39

Note:

(1) Deemed interested by virtue of his shareholdings in CYY pursuant to Section 6A of the Act.

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## 2. INFORMATION SUMMARY (Cont'd)

### 2.2.3 Directors

The direct and indirect interests of the Directors of CHB in the Shares after the IPO are as follows:

Directors	Designation	After IPO			
		Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Chia Kee Foo	Chairman/ Managing Director	3,969,300	4.96	36,308,113 <sup>(1)</sup>	45.39
Chia Kee Kwei	Executive Director	1,954,900	2.44	36,308,113 <sup>(1)</sup>	45.39
Chia Kee Yew	Executive Director	1,035,279	1.29	-	-
Hor Ah Kuan	Non-Independent Non-Executive Director	1,662,904	2.08	-	-
Gong Wooi Teik	Independent Non- Executive Director	-	-	-	-
Chong Jock Peng	Independent Non- Executive Director	-	-	-	-

Note:

(1) Deemed interested by virtue of his shareholdings in CYY pursuant to Section 6A of the Act.

### 2.2.4 Key management personnel

The direct and indirect interests of the key management personnel in the Shares after the IPO are as follows:

Key management personnel	Designation	After IPO			
		Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Chen Yee Ho	General Manager of Sales and Marketing	20,000 <sup>(1)</sup>	-	-	-
Chow Tat Kee	Finance and Administration Manager	20,000 <sup>(1)</sup>	-	-	-
Kuan Sook Ching	Senior Merchandiser	15,000 <sup>(1)</sup>	-	-	-
Chong Mei Fong	Senior Merchandiser	7,000 <sup>(1)</sup>	-	-	-
Lai Wei Neng	Senior Merchandiser	20,000 <sup>(1)</sup>	-	-	-

Note:

(1) Assuming full subscription of the Offer Shares allocated to the respective key management personnel of the Group pursuant to the pink forms allocations.

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## 2. INFORMATION SUMMARY (Cont'd)

### 2.3 FINANCIAL HIGHLIGHTS

The following table sets out a summary of the proforma Group's financial performance for the past 5 financial years ended 30 June 2004 based on the assumption that the current Group structure has been in existence throughout the years under review. The proforma consolidated results have been prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 12 of this Prospectus.

	-----Financial year 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
EBITDA	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)
PBT	5,841,331	6,411,596	5,848,798	5,995,436	7,492,091
Taxation	(1,710,353)	(1,907,016)	(1,738,347)	(1,728,676)	(2,152,000)
PAT	4,130,978	4,504,580	4,110,451	4,266,760	5,340,091
Number of Shares assumed in issue <sup>(1)</sup>	77,000,000	77,000,000	77,000,000	77,000,000	77,000,000
- Gross EPS (sen) <sup>(1)</sup>	7.59	8.33	7.60	7.79	9.73
- Net EPS (sen) <sup>(1)</sup>	5.36	5.85	5.34	5.54	6.94

*Notes:*

(1) Based on the issued and paid-up share capital of CHB after the Acquisition but before Public Issue.

(2) There were no exceptional or extraordinary items during the financial years under review. The results in all the financial years under review were not subject to any auditors' qualification.

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## 2. INFORMATION SUMMARY (Cont'd)

### 2.4 PROFORMA CONSOLIDATED BALANCE SHEETS OF CHB AS AT 30 JUNE 2004

The proforma consolidated balance sheets set out below are provided for illustrative purposes only to show the effects of the Flotation Scheme assuming that it had been effected on 30 June 2004. The proforma consolidated balance sheets below should be read in conjunction with the accompanying notes included in the Proforma Consolidated Balance Sheets set out in Section 11.3 of this Prospectus.

	Per audited financial statements as of 30 June 2004 RM	Proforma 1 After Acquisition RM	Proforma 2 After Proforma I, and Public Issue and utilisation of proceeds RM
<b>Property, plant and equipment</b>	-	4,446,828	4,446,828
<b>Investment properties</b>	-	7,285,613	7,285,613
<b>Goodwill</b>	-	45,227	45,227
<b>Current Assets</b>			
Inventories	-	22,449,824	22,449,824
Trade receivables	-	12,326,715	12,326,715
Other receivables and prepaid expenses	178,422	1,211,890	1,211,890
Deposits with licensed banks	-	8,355,631	8,355,631
Cash and bank balances	-	1,349,299	1,649,299
	<u>178,422</u>	<u>45,693,359</u>	<u>45,993,359</u>
<b>Current Liabilities</b>			
Trade payables	-	11,479,220	11,479,220
Other payables and accrued expenses	196,369	932,957	932,957
Bank overdrafts	-	633,917	633,917
Long-term loans - current portion	-	522,833	-
Tax liabilities	-	47,339	47,339
	<u>196,369</u>	<u>13,616,266</u>	<u>13,093,433</u>
<b>Net Current Assets/(Liabilities)</b>	<b>(17,947)</b>	<b>32,077,093</b>	<b>32,899,926</b>
<b>Long-term and Deferred Liabilities</b>			
Long-term loans – non-current portion	-	(1,185,178)	(958,011)
Deferred tax liabilities	-	(245,000)	(245,000)
	<u>-</u>	<u>(1,430,178)</u>	<u>(1,203,011)</u>
<b>Net Assets/(Liabilities)</b>	<b>(17,947)</b>	<b>42,424,583</b>	<b>43,474,583</b>
<b>Represented by:</b>			
Issued capital	2	38,500,000	40,000,000
Accumulated loss	(17,949)	(17,949)	(17,949)
Reserve on consolidation	-	594,152	594,152
Share premium	-	3,348,380	2,898,380
<b>Shareholders' Equity/(Capital Deficiency)</b>	<b>(17,947)</b>	<b>42,424,583</b>	<b>43,474,583</b>
Net tangible assets/(liabilities) per ordinary share of RM0.50 each	<u>(4,487)</u>	<u>0.55</u>	<u>0.54</u>

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**2. INFORMATION SUMMARY (Cont'd)**


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**2.5 PRINCIPAL STATISTICS RELATING TO THE IPO****2.5.1 Share capital**

	<b>RM</b>
<i>Authorised</i>	
200,000,000 ordinary shares of RM0.50 each	<u>100,000,000</u>
<i>Issued and fully paid-up</i>	
77,000,000 ordinary shares of RM0.50 each	38,500,000
<i>To be issued pursuant to the Public Issue</i>	
3,000,000 new ordinary shares of RM0.50 each	1,500,000
Enlarged issued and fully paid-up share capital	<u>40,000,000</u>
<i>To be offered pursuant to the Offer for Sale</i>	
28,500,000 ordinary shares of RM0.50 each	14,250,000

CHB proposes to establish an employees' share option scheme in order to retain and motivate eligible employees and Directors of the CHB ESOS Group who have contributed to the success of the CHB ESOS Group. The ESOS will allow the granting of options to eligible employees and Directors of the CHB ESOS Group to subscribe for new CHB Shares of up to 15% of the Company's issued and paid-up share capital at any point in time for the duration of the ESOS. Based on the enlarged share capital of 80,000,000 Shares upon listing, and assuming that the maximum number of Shares available under the ESOS are issued, the issued and paid-up share capital will increase to 92,000,000 Shares after the Listing. Please refer to Section 6.4 of this Prospectus for details of the ESOS.

**2.5.2 Classes of shares and rights**

There is only one class of shares in CHB, namely, ordinary shares of RM0.50 each, all of which rank *pari passu* with each other. The Issue Shares will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment of the Issue Shares.

For further details on the share capital of CHB, please refer to Section 3.4 of this Prospectus.

**2.5.3 IPO Price**

The offer/issue price in respect of the IPO is RM0.75 per Share. For further details on the basis of arriving at the IPO Price, please refer to Section 3.7 of this Prospectus.

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## 2. INFORMATION SUMMARY (Cont'd)

### 2.5.4 Proforma consolidated NTA as at 30 June 2004

The following information has been extracted from and should be read in conjunction with the accompanying notes included in the Proforma Consolidated Balance Sheets set out in Section 11.3 of this Prospectus.

Proforma consolidated NTA (after the Public Issue and deducting estimated listing expenses of RM1,200,000)	RM43,429,356
Proforma consolidated NTA per Share (based on the enlarged issued and paid-up share capital of 80,000,000 Shares)	RM0.54

### 2.5.5 Consolidated profit forecast

The following table sets out a summary of the consolidated profit forecast of CHB for the financial year ending 30 June 2005 and should be read in conjunction with the accompanying notes included in the consolidated profit forecast set out in Section 11.2.2 of this Prospectus.

	<b>Forecast Financial year ending 30 June 2005 RM'000</b>
Revenue (after pre-acquisition revenue) <sup>(1)</sup>	<u>53,039</u>
PBT	9,770
Taxation	(2,340)
PAT	<u>7,430</u>
Less: pre-acquisition profits <sup>(2)</sup>	(1,022)
PAT after pre-acquisition profits	<u>6,408</u>
Net EPS (sen)	
- Based on weighted average number of Shares in issue	9.69 <sup>(3)</sup>
- Based on enlarged issued and paid-up share capital	9.29 <sup>(4)</sup>
Net PE Multiple (times)	
- Based on weighted average number of Shares in issue	7.7 <sup>(3)</sup>
- Based on enlarged issued and paid-up share capital	8.1 <sup>(4)</sup>

*Notes:*

- (1) The pre-acquisition revenue relates to the period from 1 July 2004 to 27 August 2004. The forecast revenue for the full financial year ending 30 June 2005 is RM63.6 million.
- (2) The pre-acquisition profit relates to the period from 1 July 2004 to 27 August 2004.
- (3) Based on the consolidated PAT after pre-acquisition profit and the weighted average number of Shares of 66,104,110 Shares for the financial year assuming completion of the Listing by 19 January 2005.
- (4) Based on the consolidated PAT before pre-acquisition profit and the enlarged issued and paid-up share capital of CHB after the Listing of 80,000,000 Shares.
- (5) The consolidated PAT for the financial year ending 30 June 2005 includes an exceptional gain amounting to RM1,485,000 expected to arise from the disposal of a piece of leasehold land and building.

Further details on the consolidated profit forecast of CHB and the principal bases and assumptions are set out in Section 11.2 of this Prospectus.

## 2. INFORMATION SUMMARY (Cont'd)

### 2.5.6 Dividend forecast

The following table sets out a summary of the dividend forecast for the financial year ending 30 June 2005 and should be read in conjunction with the accompanying notes included in the dividend forecast set out in Section 11.2.6 of this Prospectus.

	<b>Forecast Financial year ending 30 June 2005</b>
Dividend per Share (sen)	
- Gross dividend per Share	2.5
- Net dividend per Share	1.8
Dividend yield (%)	
- Gross dividend yield based on the IPO Price of RM0.75 per Share	3.3
- Net dividend yield based on the IPO Price of RM0.75 per Share	2.4
Net dividend cover (times)	4.5

### 2.6 RISK FACTORS

An investment in the Shares to be listed on Bursa Securities involves a certain degree of risk. Applicants for the IPO Shares should therefore rely on their own evaluations and are advised to 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 IPO Shares:

- (i) Economic, political and regulatory risks
- (ii) Business risks
- (iii) Control by substantial shareholders
- (iv) Trademarks
- (v) Dependence on key management personnel
- (vi) Brand loyalty
- (vii) Dependence on suppliers
- (viii) Adequacy of insurance coverage
- (ix) Competition
- (x) Seasonality
- (xi) Keeping abreast with the latest trend and fashion
- (xii) Inventory management
- (xiii) Profit forecast and forward looking statements
- (xiv) Failure / delay in the listing
- (xv) No prior market for the shares

For details on the risk factors, please refer to Section 4 of this Prospectus.

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## 2. INFORMATION SUMMARY *(Cont'd)*

### 2.7 UTILISATION OF PROCEEDS

The total gross proceeds arising from the Public Issue of RM2.25 million will accrue entirely to the Company and shall be utilised in the following manner:

	<b>RM'000</b>
Repayment of bank borrowings	750
Working capital	300
Estimated listing expenses	<u>1,200</u>
Total proceeds	<u>2,250</u>

Details of the utilisation of the gross proceeds arising from the Public Issue are set out in Section 3.8 of this Prospectus.

### 2.8 MATERIAL LITIGATION, MATERIAL CAPITAL COMMITMENTS, BORROWINGS AND CONTINGENT LIABILITIES

#### (i) Material litigation

Neither CHB nor its subsidiaries is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of CHB or its subsidiaries and the Directors of CHB have no knowledge of any proceedings pending or threatened against CHB or its subsidiaries or of any facts likely to give rise to any proceedings which may materially and adversely affect the position and business of CHB or its subsidiaries.

#### (ii) Material capital commitments

As at 30 November 2004 (being the latest practicable date prior to the printing of this Prospectus), the Directors of CHB are not aware of any material capital commitments incurred or known to be incurred by the Group, which upon becoming enforceable, may have a material impact on the profit or net asset value of the Group, save as disclosed below:

#### Approved and contracted for:

Purchase of land <sup>(1)</sup>	<u>RM2,384,740</u>
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*Note:*

(1) CCM had, on 5 August 2004, entered into a conditional sale and purchase agreement to acquire a property located at H.S (M) 3347, PT No. 6615, Mukim Ceras, Daerah Hulu Langat, Negeri Selangor for a total purchase consideration of RM2,649,711. CCM paid a deposit of RM264,971, being 10% of the total purchase consideration, upon signing of the said agreement. As at 30 November 2004, the said land acquisition has yet to be completed.

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**2. INFORMATION SUMMARY (Cont'd)**


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**(iii) Borrowings**

As at 30 November 2004 (being the latest practicable date prior to the printing of this Prospectus), the CHB Group had total borrowings of approximately RM2.18 million, all of which are interest bearing, details of which are set out below:

<b>Types of borrowings</b>	<b>Payable within twelve (12) months RM'000</b>	<b>Payable after twelve (12) months RM'000</b>
Term loans	523	979
Bank overdrafts	679	-
<b>Total</b>	<b>1,202</b>	<b>979</b>

As at 30 November 2004, the Group does not have any foreign currency denominated borrowings.

In so far as the Directors of CHB are aware, there has not been any default on payments of interest and/or principal sums for the borrowings disclosed above.

**(iv) Contingent liabilities**

As at 30 November 2004 (being the latest practicable date prior to the printing of this Prospectus), the Directors of CHB are not aware of any material contingent liabilities which have become enforceable or is likely to become enforceable, which in the opinion of the Directors of CHB, will or may substantially affect the ability of the Group or the Company to meet their obligations as and when they fall due.

Further details of material litigation, material capital commitments, borrowings and contingent liabilities are set out in Section 11.1.4 of this Prospectus.

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### 3. PARTICULARS OF THE IPO

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#### 3.1 INTRODUCTION

This Prospectus is dated 31 December 2004.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the securities of CHB as securities to be deposited into the CDS. In consequence thereof, the Shares issued through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.

Approval-in-principle has been obtained from Bursa Securities on 29 June 2004 for, inter-alia, the admission of CHB to the Official List of the Second Board of Bursa Securities and the listing of and quotation for the entire issued and paid-up share capital of the Company, including the IPO Shares which are the subject of this Prospectus, on the Second Board of Bursa Securities. The entire issued and paid-up share capital of CHB will be admitted to the Official List of the Second Board of Bursa Securities and official quotation will commence after, inter-alia, the receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all the successful applicants.

Acceptance of applications for the IPO Shares will be conditional upon permission being granted by Bursa Securities to deal in and for the quotation of the entire enlarged issued and fully paid-up share capital on the Second Board of Bursa Securities. Accordingly, monies paid in respect of any application accepted from the IPO will be returned without interest if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of Bursa Securities within the aforesaid timeframe.

Persons submitting applications by way of Application Forms or by way of Electronic Share Applications (refer to Sections 18.4 and 18.5 of this Prospectus) **MUST** have a CDS account. Where an applicant does not presently have a CDS account, he should open a CDS account at an ADA prior to making an application for the IPO Shares.

In the case of an application by way of Application Forms, an applicant must state his CDS account number in the space provided in the Application Form.

In the case of an application by way of Electronic Share Application, an applicant shall furnish his CDS account number to the Participating Financial Institutions by way of keying in his CDS account number if the instruction on the ATM screen at which he enters his Electronic Share Application requires him to do so. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application.

No person is authorized to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorized by CHB, the Offerors or the Adviser. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of CHB or the Group since the date of this Prospectus.

The distribution of this Prospectus and the sale of the IPO Shares in certain other jurisdictions may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for or an offer to sell any IPO Shares in any jurisdiction in which such invitation or offer is not authorized or lawful or to any persons to whom it is unlawful to make such an invitation or offer.

**If you are in any doubt about this Prospectus, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.**

### 3. PARTICULARS OF THE IPO (Cont'd)

#### 3.2 OPENING AND CLOSING OF APPLICATION

Applications for the IPO Shares will be accepted from 10.00 a.m. on 31 December 2004 and will be closed at 5.00 p.m. on 7 January 2005 or for such further period or periods as the Directors of CHB, the Offerors and the Underwriter in their absolute discretion may mutually decide. **Late applications will not be accepted.**

#### 3.3 IMPORTANT TENTATIVE DATES

The indicative timing of events leading up to the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company of 80,000,000 Shares on the Second Board of Bursa Securities is set out below:

Event	Tentative date
Opening date of the applications	31 December 2004
Closing date of the applications	7 January 2005*
Tentative balloting date	11 January 2005
Tentative allotment date	17 January 2005
Tentative listing date	19 January 2005

Note:

\* Applications for the Shares will close at the time and date as stated above or such later date as the Directors of CHB, Offerors and Underwriter in their absolute discretion may mutually decide. Any extension of the abovementioned dates will be published in a widely circulated English and Bahasa Malaysia newspaper in Malaysia.

#### 3.4 SHARE CAPITAL

	RM
<i>Authorised</i>	
200,000,000 ordinary shares of RM0.50 each	<u>100,000,000</u>
<i>Issued and fully paid-up</i>	
77,000,000 ordinary shares of RM0.50 each	38,500,000
<i>To be issued pursuant to the Public Issue</i>	
3,000,000 new ordinary shares of RM0.50 each	1,500,000
Enlarged issued and fully paid-up share capital	<u>40,000,000</u>
<i>To be offered pursuant to the Offer for Sale</i>	
28,500,000 ordinary shares of RM0.50 each	14,250,000

The IPO Price of RM0.75 per Offer/Issue Share is payable in full upon application.



### 3. PARTICULARS OF THE IPO (Cont'd)

CHB proposes to establish an employees' share option scheme in order to retain and motivate eligible employees and Directors of the CHB ESOS Group who have contributed to the success of the CHB ESOS Group. The ESOS will allow the granting of Options to eligible employees and Directors of the CHB ESOS Group to subscribe for new CHB Shares of up to 15% of the Company's issued and paid-up share capital at any point in time for the duration of the ESOS. Based on the enlarged share capital of 80,000,000 Shares upon listing, and assuming that the maximum number of Shares available under the ESOS are issued, the issued and paid-up share capital will increase to 92,000,000 Shares after the Listing. Please refer to Section 6.4 of this Prospectus for details of the ESOS.

There is only one class of shares in CHB, namely ordinary shares of RM0.50 each, all of which rank *pari passu* with each other. The Issue Shares will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment of the Issue Shares.

Subject to any special rights attaching to any Shares which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in respect of any surplus in the event of liquidation of the Company.

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney or by other duly authorised representative, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder, shall have one (1) vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each Share held by them. A proxy may but need not be a member of the Company.

#### 3.5 DETAILS OF THE IPO

The IPO Shares, which are issued/offered at a price of RM0.75 per Share are payable in full upon application. The IPO is subject to the terms and conditions of this Prospectus, and upon acceptance, the IPO Shares will be allocated in the following manner:

(i) **Public Issue**

3,000,000 new Issue Shares representing 3.75% of the enlarged issued and paid up share capital of CHB will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(ii) **Offer for Sale**

The 28,500,000 Offer Shares representing 35.62% of the enlarged issued and paid-up share capital of CHB after the Public Issue will be offered in the following manner:

(a) **Eligible employees and business associates of CHB and its subsidiaries**

1,500,000 Offer Shares representing 1.88% of the enlarged issued and paid-up share capital of CHB have been reserved for eligible employees and business associates of CHB and its subsidiaries.

Of the 1,500,000 Offer Shares, 1,150,000 Shares have been allocated to 442 eligible employees of the Group based on, inter-alia, staff grades and length of service. The remaining 350,000 Shares have been allocated to a total of 35 eligible business associates of the Group who have contributed to its success based on, inter-alia, the transaction value and the length of relationship with the Group.

### 3. PARTICULARS OF THE IPO (Cont'd)

**(b) Malaysian public**

3,000,000 Offer Shares representing 3.75% of the enlarged issued and paid-up share capital of CHB will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

**(c) Bumiputera investors approved by MITI**

24,000,000 Offer Shares representing 30.00% of the enlarged issued and paid-up share capital of CHB have been reserved for Bumiputera investors approved by MITI.

The details of the Offerors are as follows:

<b>Offerors</b>	<b>Number of Offer Shares</b>
CYY	21,335,697
Chia Kee Foo	2,332,456
Chia Kee Kwei	1,148,672
Chia Kee Yew	608,352
Hor Ah Kuan	977,171
Tham Kien Wei	<u>2,097,652</u>
	<u>28,500,000</u>

The Issue/Offer Shares in respect of paragraphs (i), (ii)(a) and (ii)(b) above are fully underwritten. The 24,000,000 Offer Shares in respect of paragraph (ii)(c) are not underwritten as irrevocable undertakings to subscribe for the said Offer Shares have been given by the respective Bumiputera investors.

Any Offer Shares in respect of paragraph (ii)(a) above which are not subscribed by the eligible employees and business associates of CHB Group will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions (of which at least 30% is to be set aside strictly for Bumiputera applicants), and if undersubscribed, such Offer Shares will be made available for subscription by the Underwriter (details of which are set out in Section 3.9 of this Prospectus).

There is no minimum subscription amount to be raised from the IPO. All the IPO Shares will either be underwritten by the Underwriter and/or subscribed by the Bumiputera investors pursuant to their respective written irrevocable undertakings.

### 3.6 PURPOSES OF THE IPO

The purposes of the IPO are as follows:

- (i) to provide an opportunity for the Bumiputera investors, Malaysian investing public and institutions and eligible employees and business associates of CHB Group to participate in the continuing growth of the Group by way of equity participation;
- (ii) to provide the Group access to the capital market to raise funds for future expansion and continued growth;
- (iii) to enhance the CHB Group's corporate stature and profile; and
- (iv) to obtain the listing of and quotation for the entire enlarged issued and paid-up share capital of CHB comprising 80,000,000 Shares on the Second Board of Bursa Securities.

### 3. PARTICULARS OF THE IPO (Cont'd)

#### 3.7 BASIS OF ARRIVING AT THE IPO PRICE

The IPO Price of RM0.75 per IPO Share was determined and agreed upon by the Company, Offerors and RHB Sakura as the Adviser and Underwriter based on various factors after taking into account the following:

- (i) the Group's operating and financial history as outlined in Sections 6 and 11.1 respectively of this Prospectus;
- (ii) the prevailing equity market condition;
- (iii) the forecast net PE multiple of approximately 8.1 times based on the forecast consolidated net EPS of CHB of approximately 9.29 sen (computed based on the consolidated PAT before pre-acquisition profit and the enlarged share capital of 80,000,000 Shares) for the financial year ending 30 June 2005 and the IPO Price of RM0.75 per Share;
- (iv) the prospects of the Group and the industry in which the Group operates as outlined in Section 5 of this Prospectus;
- (v) the proforma consolidated NTA per Share of CHB of RM0.54 as at 30 June 2004 after the IPO and utilisation of proceeds; and
- (vi) the forecast net dividend yield of 2.4% based on the forecast net dividend of 1.8 sen per Share for the financial year ending 30 June 2005.

However, investors should also take note that the market price of the Shares upon and subsequent to the listing of CHB on Bursa Securities are subject to the vagaries of market forces and other uncertainties, which may affect the price of the Shares being traded.

#### 3.8 UTILISATION OF PROCEEDS

The total gross proceeds arising from the Public Issue of RM2.25 million will accrue entirely to the Company and shall be utilised in the following manner:

		RM'000	Timeframe for utilisation
Repayment of bank borrowings	<i>Note 1</i>	750	Within 12 months after Listing
Working capital	<i>Note 2</i>	300	Within 12 months after Listing
Estimated listing expenses*	<i>Note 3</i>	<u>1,200</u>	Within 6 months after Listing
Total proceeds		<u>2,250</u>	

Notes:

\* If actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if actual listing expenses are lower than budgeted, the excess will be utilised as working capital for the Group.

(1) **Repayment of bank borrowings**

Based on the current average interest rate applicable to the Group's borrowings of approximately 8.00% per annum, the repayment of bank borrowings will result in estimated interest savings of approximately RM60,000 per annum.

### 3. PARTICULARS OF THE IPO (Cont'd)

(2) **Working capital**

Approximately RM300,000 will be utilised as working capital to support the core business of the Group, which includes financing its purchases of apparel and operating expenses.

(3) **Estimated listing expenses**

The details of the estimated listing expenses are as follows:

	<b>RM'000</b>
Professional fees	600
Authorities' fees	63
Advertisement and printing expenses	150
Brokerage fees	23
Underwriting commission	57
Issuing House's fees	100
Contingencies	207
	<u>1,200</u>

The proforma impact of the utilisation of proceeds on the proforma consolidated balance sheets of CHB as at 30 June 2004 is reflected in Section 11.3 of this Prospectus.

#### 3.9 BROKERAGE AND UNDERWRITING COMMISSION

(i) **Brokerage**

Brokerage is payable by the Company in respect of the Issue Shares and by the Offerors in respect of the Offer Shares at the rate of 1.0% of the IPO Price of RM0.75 per Share in respect of successful applications which bear the stamps of RHB Sakura, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or the Issuing House.

(ii) **Underwriting commission**

The Underwriter has agreed to underwrite the 3,000,000 Issue Shares and 3,000,000 Offer Shares made available for application by the Malaysian public as well as the 1,500,000 Offer Shares made available for application by the eligible employees and business associates of CHB and its subsidiaries. Underwriting commission is payable by the Company and the Offerors in respect of the Issue Shares and Offer Shares to be underwritten respectively, at the rate of 2.5% of the IPO Price of RM0.75 per Share.

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**3. PARTICULARS OF THE IPO (Cont'd)**

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**3.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT**

An underwriting agreement has been entered into between the Company, the Offerors and RHB Sakura, being the Underwriter, on 15 December 2004 to underwrite the Issue/Offer Shares mentioned in Section 3.9(ii) of this Prospectus ("Underwritten Shares"). The salient terms of the Underwriting Agreement are summarised below:

- (a) Pursuant to Clause 3.1 of the Underwriting Agreement, the obligations of the Underwriter to underwrite the Underwritten Shares are conditional upon, *inter alia*, the following:
- (i) the registration with the SC of the Prospectus in accordance with the requirement of the Securities Commission Act 1993, together with all documents required by the aforesaid Act and the issue by the SC of the relevant certificate of registration of the Prospectus or any like document;
  - (ii) the lodgement with the ROC of the Prospectus in accordance with the requirements of the Act, together with copies of all documents required by the Act;
  - (iii) there not having been on or prior to the allotment and issuance of the Issue Shares any material adverse change or development reasonably and likely to involve a material adverse change in the condition (financial or otherwise) of the Company or any of its subsidiaries from that set out in the draft Prospectus annexed to the Underwriting Agreement which is in the opinion of RHB Sakura relevant in the context of the Listing or the issuance of the Issue Shares thereunder;
  - (iv) the delivery to RHB Sakura on the date on which the application list for subscription of the Underwritten Shares will be closed of a certificate signed by an authorised Director of the Company confirming that to the best of the Company's knowledge and belief after having made all reasonable enquiries that the warranties and representation in Clause 2.1 of the Underwriting Agreement remains valid and RHB Sakura has been provided with all information with respect to the Company and each of its subsidiary companies that affect the condition of the Company or any of its subsidiaries, financial or otherwise, or the earnings, affairs or business prospects of the Company or any of its subsidiaries or that so affect the success of the Listing and the issuance of the Issue Shares;
  - (v) the Prospectus (for lodgement with the ROC) is in compliance with the Prospectus Guidelines issued by the SC, and the due diligence verification exercise has been conducted for the contents of the Prospectus to ensure the accuracy of information contained therein, and to ensure no false or misleading statements or other facts the omission of which would make any of the statements therein in relation to the CHB Group and/or the Listing false or misleading; and
  - (vi) all necessary approvals and consents required in relation to the Listing including but not limited to governmental approvals having been obtained and 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 IPO has been completed) have been complied with.

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**3. PARTICULARS OF THE IPO (Cont'd)**

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- (b) Pursuant to Clause 3.2 of the Underwriting Agreement, RHB Sakura shall have the right to terminate the Underwriting Agreement by notice in writing on or before two (2) months from the date of signing of the Underwriting Agreement in the event that any of the conditions stated in (a) above is not satisfied on or before two (2) months from the date of signing of the Underwriting Agreement or the approval-in-principle of Bursa Securities for listing of and quotation for all the IPO Shares on Bursa Securities is withdrawn and upon such termination the liabilities of the Company and the Offerors and RHB Sakura shall become null and void and none of the parties shall have a claim (other than rights and obligations which have accrued prior to the cessation of the Underwriting Agreement) against each other save that each party shall return any moneys paid in advance to the other or others under the Underwriting Agreement (if any) free of interest within 72 hours upon receipt of such notice. Notwithstanding the termination of the Underwriting Agreement as aforesaid, the Company and the Offerors shall remain liable for the payment of cost and expenses referred to in Clause 13 of the Underwriting Agreement, which are incurred prior to the aforesaid termination.
- (c) Pursuant to Clause 12.1 of the Underwriting Agreement, notwithstanding anything contained in the Underwriting Agreement, RHB Sakura may at any time be entitled to terminate its obligations under the Underwriting Agreement with a notice in writing delivered to the Company and the Offerors on or before the allotment and issuance of the Issue Shares if the success of the IPO is, in the reasonable opinion of RHB Sakura, materially jeopardised by:-
- (i) any Government requisition or other occurrence of any nature whatsoever which adversely affects or will adversely affect the business of the Company or its subsidiaries; or
  - (ii) any material adverse change in national or international monetary, financial, (including stockmarket conditions and interest rates) political or economic conditions or exchange control or currency exchange rates which would prejudice materially the success of the IPO and their distribution or sale (whether in the primary or in respect of dealings on the secondary market); or
  - (iii) any breach of the warranties and undertakings referred to in Clause 2.1 and Clause 4.1 of the Underwriting Agreement or withholding of information of a material nature from RHB Sakura which, in the opinion of RHB Sakura, would have or can reasonably be expected to have, a material adverse effect on the financial condition, earnings, affairs, business, operations or prospects of the Company, any of its subsidiaries or the CHB Group, taken as a whole and/or the success of the IPO or there is withholding of information of a material nature from RHB Sakura which, if capable of remedy, is not remedied within such number of days as stipulated in the notice requesting for such information from the Company, which in the opinion of RHB Sakura, would have or can reasonably be expected to have, a material adverse effect on the financial condition, earnings, affairs, business, operations or prospects of the Company, any of its subsidiaries or the CHB Group, taken as a whole and/or the success of the IPO; or
  - (iv) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, which has or is likely to have an adverse and material effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of the Company or the CHB Group (taken as a whole); or

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**3. PARTICULARS OF THE IPO (Cont'd)**

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- (v) Any event or series of events beyond the control of the parties (including without limitation acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which has or is likely to have the effect of making the Underwriting Agreement or a portion thereof incapable of performance within its terms or which prevents the processing of application, crediting of accounts and/or payments pursuant to the IPO or pursuant to the underwriting thereof; or
- (vi) the imposition of any moratorium, suspension or restriction on trading in securities generally in Bursa Securities.

On delivery of such a notice by RHB Sakura to the Company in accordance with Clause 14.1 of the Underwriting Agreement, the Underwriting Agreement shall be terminated and the obligations of RHB Sakura under the Underwriting Agreement shall be discharged accordingly.

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#### 4. RISK FACTORS

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**INVESTORS SHOULD RELY ON THEIR OWN EVALUATION AND ARE ADVISED TO CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE), WHICH MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE CHB GROUP IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE HEREIN BEFORE APPLYING FOR THE IPO SHARES.**

##### 4.1 ECONOMIC, POLITICAL AND REGULATORY RISKS

The CHB Group's business, prospects, financial conditions and level of profitability may be affected by the development of the economic, political and regulatory environment in Malaysia. Any adverse development in the political situation, economic uncertainties or changes in the regulatory environment could materially and adversely affect the financial performance of the CHB Group. These risks include risks of war, global economic downturn, changes in interest rates and unfavourable changes in Government policies such as introduction of new regulations, import duties and tariffs.

Whilst the CHB Group practices prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic developments, which are beyond the Company's control, will not materially affect the CHB Group.

##### 4.2 BUSINESS RISKS

The textile and apparel industry is subject to certain inherent risks which include, amongst others but not limited to, raw material and skilled labour shortages, increases in the cost of raw materials such as yarn and increases in the cost of cutting, making and trimming. In the event these risks materialise, the cost of manufacturing of textile and apparels would increase.

In this respect, the Directors of CHB believe that the Group is advantaged as it is not involved in manufacturing activities and hence not directly exposed to the said business risk inherent in the textile and apparel industry. The Directors of CHB believe that the textile and apparel industry is highly competitive as manufacturers seek to cut cost by outsourcing to lower cost producing countries such as Bangladesh, Sri Lanka, Pakistan, Indonesia, Philippines, Laos, Vietnam, Cambodia, India and China. Due to the highly competitive nature of the textile and apparel industry, the Group is able to outsource the manufacturing of its apparels to manufacturers who offer the most competitive prices without compromising on quality. However there can be no assurance that these risks will not have a material effect on the Group's profit margin.

##### 4.3 CONTROL BY SUBSTANTIAL SHAREHOLDERS

By virtue of their shareholdings disclosed in Section 7.1 of this Prospectus, CYY, Chia Kee Foo, Chia Kee Kwei, Chia Kee Yew and Hor Ah Kuan ("Chia Family") will collectively hold approximately 56.16% of the issued and paid-up capital of the Company upon completion of the IPO. Being the single largest group of shareholders of the Company, the members of the Chia Family are able to exercise their voting rights attached to the Shares held by them and 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.

This risk is mitigated by the appointment of two (2) independent directors to the Board of Directors of CHB and the setting up of an audit committee to oversee the overall operations and corporate governance of the Group. This is to ensure that all decisions made by the Board of Directors of CHB are to the benefit of the shareholders of CHB.



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#### 4. RISK FACTORS (Cont'd)

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##### 4.4 TRADEMARKS

Currently, two (2) of the Group's brandnames, *Cheetah* and *Cheetah Junior*, are registered trademarks in Malaysia and Singapore. The Group has also applied for *Cheetah Ladies*, *Cth Unlimited*, *C2* and *C Union* to be registered trademarks belonging to the Group. The success of the Group's business is largely dependent on the popularity of its trademarks and its ability to protect its trademarks in the countries in which it sells its products. The existing trademark laws provide only limited protection which are required to be renewed periodically and generally do not have extraterritorial coverage. Although the Group's trademarks are registered, there can be no assurance that the Group will be able to protect its trademarks against unauthorised third party use or exploitation, which could have a material effect on the business and performance of the Group.

##### 4.5 DEPENDENCE ON KEY MANAGEMENT PERSONNEL

The Group believes that its continued success will, to a certain extent, depend on the abilities and continued efforts of its existing Directors and senior management. The loss of any of the Group's Executive Directors or the senior management could adversely affect the performance and ability to compete effectively in the industry. The Directors of the Group recognise the importance of retaining existing personnel while recruiting new skilled ones by offering attractive remuneration packages and career development opportunities. The Group's management shall endeavour to groom the existing generation of personnel to succeed them. The Company also proposes to establish an employees' share option scheme (details of which are set out in Section 6.4 of this Prospectus) to retain and motivate eligible employees and Directors who have contributed to the success of the Group. However, there can be no assurance that the above measures will always be successful in retaining key management personnel or ensuring smooth succession should changes occur.

##### 4.6 BRAND LOYALTY

The Directors of CHB believe that the Group's established brand names such as *Cheetah*, *Cheetah Ladies*, *Cheetah Junior* and new brand names such as *C Union*, *Cth Unlimited* and *C2* play an important role in contributing to the growth of the Group and have enabled the Group to capture approximately 40% of the local sports apparels' market share (Source: Frost & Sullivan, 2004). The success of the homegrown brand names is dependent on consumers' loyalty and quality associated with the brand names. With this in mind, the Group has been aggressively promoting and developing the *Cheetah* brand names for approximately 25 years since the inception of its brand name in 1979. The *Cheetah* brands cater for all age groups from the young to the old. *Cheetah Junior* for example, was developed to instil the awareness of *Cheetah* brand names in children from a very tender age in order to cultivate loyalty for the *Cheetah* brand. Furthermore, in recognition of the importance of owning strong brand names, the Group has strived to promote its brand names through sponsorships and advertisements in local fashion and sports magazines as well as through concept shops, namely the *Cheetah* boutiques. The Group has sponsored soccer jerseys and apparels to the Brunei National Football Team for the past 10 years. In addition, the Group has also sponsored some M-League teams such as Malacca and Kuala Lumpur and other local soccer leagues (such as Kejohanan Bolasepak Cheetah Piala Steven Kutai in October 2003). However, there can be no assurance that the above steps will always be successful in enhancing the Group's existing brand names or promoting its new brand names.

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**4. RISK FACTORS (Cont'd)**

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**4.7 DEPENDENCE ON SUPPLIERS**

The Group does not manufacture its own apparels but outsources its manufacturing activities to external manufacturers instead. Hence, the Group relies on external manufacturers, both local and overseas, for its supply of apparels. For the financial year ended 30 June 2004, approximately 57.0% of the Group's apparels are manufactured by four (4) of its main suppliers, namely Asia Pacific Apparel (M) Sdn Bhd, Goodtex Marketing Sdn Bhd, Swell Products (M) Sdn Bhd and Hing Yiap Knitting Industries Bhd. The CHB Group is confident that it will not face any major difficulty in outsourcing its manufacturing activities to its main suppliers in view of the Group's long standing relationship with them of between 6 to 22 years. The Group has also been enjoying purchase discounts from these manufacturers.

Over the past 20 years, the CHB Group has not faced any problems with its suppliers in terms of delivery of quality products in a timely manner. Due to the highly competitive nature of the textile and apparel industry, buyers are able to dictate terms and conditions on the suppliers for lower costs and higher quality products. In order to ensure constant supply of apparels, CHB maintains a pool of more than 30 suppliers and hence, the Group has avoided the dependency on one single supplier.

In the event suppliers from foreign countries such as Indonesia, Thailand, China, Hong Kong and Taiwan, are not able to supply the apparels, Cheetah is able to source from other low cost producing countries such as Cambodia, Myanmar, Vietnam, India and Bangladesh. The textile and apparel industry is highly competitive as manufacturers seek to cut costs by outsourcing to lower cost producing countries. This has allowed Cheetah to outsource the manufacturing of its apparels to manufacturers who offer the most competitive prices without compromising on quality. *(Source: Frost & Sullivan, 2004)*

The Second Industrial Master Plan ("IMP2") encourages the enhancement of non-manufacturing activities along the value-chain, such as design, product development, research and development, marketing, distribution and retailing in order to market specialty apparel (which involve high fashion with distinctive brand names and customer defined quality). IMP2 recognises that in high-fashion apparel, about 75% of value-added is generated from non-manufacturing activities.

**4.8 ADEQUACY OF INSURANCE COVERAGE**

The Directors of CHB recognise the importance of having adequate insurance coverage for the Group's assets. The Group endeavours to carry out periodic review to ensure that its assets are adequately insured. The types of insurance policies taken by the Group include, but are not limited to, money, machinery and equipment, burglary and fire. However, there can be no assurance that the insurance coverage taken by the Group would be adequate to cover the cost for reinstating the Group to its former position immediately prior to its loss.

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#### 4. RISK FACTORS (*Cont'd*)

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##### 4.9 COMPETITION

The CHB Group currently faces competition from local market players. Its main competitors from the local markets are Hing Yiap Knitting Industries Bhd, John Master Industries Bhd and Target Fashion Sdn Bhd. Unlike most of its competitors, the CHB Group is not involved in the manufacturing of garments and apparels and hence, is spared from having to deal with challenges associated with manufacturing such as rising cost of labour and raw material, shortage of skilled labour and technological obsolescence. Other competitive edge possessed by the Group includes its extensive marketing and distribution network comprising 448 consignment outlets and 12 boutiques, as at 30 November 2004, product mix which caters for both men and women of various ages and lifestyle, namely sports and casual wear, and ability to price its products competitively owing to its modus operandi of outsourcing its manufacturing activities to external parties. The Group also sells to 100 sports shops. In order to remain competitive, the Group is constantly striving to produce new designs regularly to keep up with the market trend.

However, there is no assurance that the Group will be able to maintain its competitive edge well into the future and in the event it loses any of them, there is no assurance that it will be able to continue to operate competitively.

##### 4.10 SEASONALITY

The apparel industry is seasonal in nature. In Malaysia, the industry usually records better sales at the end and beginning of the calendar year due to festive seasons like Hari Raya Aidilfitri, Deepavali, Christmas and Chinese New Year. However, the Group seeks to mitigate this risk by launching new designs and participating in nationwide sales carnivals throughout the year.

##### 4.11 KEEPING ABREAST WITH THE LATEST TREND AND FASHION

One of the challenges of the apparel industry would be to keep up with the latest trends and fashion in the apparel market. Around the world, trends and fashion are constantly and rapidly changing and hence keeping up with the latest trends and fashion in the apparel market would not be an easy task and failing to do so would render apparel out of fashion and hence, lose their appeal.

The Group recognises the importance of producing new designs for its apparels regularly to be in line with the current trend and fashion and thus, ensuring continued growth of the Group's business. The Group produces its designs based on market intelligence gathered from both local and foreign sources. The Group's senior management travels to foreign countries like the United States, South Korea and Hong Kong in search for the latest trends and new ideas for their designs. For the financial year ended 30 June 2004, the Group produced more than 1,000 new designs for *Cheetah*, *Cheetah Ladies*, *Cheetah Junior*, *Cth Unlimited*, *C2* and *C. Union*. Although the Group will continue to take the necessary measures to keep abreast with the latest trends and fashion, there is no assurance that its apparels will continue to be appealing to consumers.

##### 4.12 INVENTORY MANAGEMENT

Although apparels are not perishable goods, the Group recognises the importance to have a high turnover for prudent financial management as well as to minimise stock surplus as their designs may go out of fashion. However, due to the nature of the apparel industry and the CHB Group's business, the Group has to maintain a high inventory level to ensure that all its consignment outlets and boutiques are sufficiently stocked with apparel of various sizes and designs. It also has to keep sufficient stock to meet demand from sports shops to ensure prompt delivery.

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**4. RISK FACTORS (Cont'd)**

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According to the Directors of CHB, as part of its inventory management practices, the Group's consignment outlets and boutiques will return stock surplus to its warehouse for repackaging, re-pricing and re-distribution to outlets and boutiques which have, thus far, managed to sell the respective products in order to minimise any slow-moving stock. While the Group ensures that such reasonable steps are taken to minimise the risk of obsolete or slow-moving stocks, there can be no assurance that the operation and financial position of the Group will not be affected due to obsolete and slow-moving stocks.

**4.13 PROFIT FORECAST AND FORWARD LOOKING STATEMENTS**

This Prospectus contains profit forecast made by the CHB Group that are based on assumptions which are deemed by the Directors of CHB to be reasonable at this point in time. However, there can be no assurance that the profit forecast contained herein will be realised. As the actual results may be materially different from those forecast, investors are advised to read and understand the assumptions and uncertainties underlying the profit forecast.

In addition, certain statements in this Prospectus are based on historical data, which may not be reflective of future results. Other statements which are forward looking in nature 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. The inclusion of a forward looking statement 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 CHB Group will be achieved.

**4.14 FAILURE / DELAY IN THE LISTING**

The Listing is exposed to the risk that it may fail or be delayed should the following events occur:

- (i) the identified Bumiputera investors fail to subscribe for the Offer Shares allocated to them despite irrevocable undertakings to subscribe for the said Offer Shares have been given by them;
- (ii) the Underwriter exercises its rights pursuant to the Underwriting Agreement and discharges itself from its obligations thereunder; and
- (iii) the Company is unable to meet the public spread requirement of at least 25% of the issued and paid-up share capital of the Company being held by a minimum of 1,000 public shareholders holding not less than 100 Shares each.

**4.15 NO PRIOR MARKET FOR THE SHARES**

The IPO Price of RM0.75 per Share has been determined and agreed upon by CHB, the Offerors and RHB Sakura as Adviser and Underwriter, after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and conditions, the Group's future prospects, the prospects of the Malaysian textile and apparel industry and the prevailing market conditions.

Prior to this IPO, there was no public market for CHB's shares. There can be no assurance that an active market for the Shares will develop upon its listing on Bursa Securities or, if developed, that such market can be sustained.

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## 5. INDUSTRY OVERVIEW AND PROSPECTS

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**THE FOLLOWING DISCUSSION ON THE MALAYSIAN ECONOMY AND THE INDUSTRY IN WHICH THE CHB GROUP OPERATES IS NOT INTENDED TO BE EXHAUSTIVE BUT REFLECTS SOME OF THE FACTORS WHICH ARE CONSIDERED RELEVANT TO THE UNDERSTANDING OF THE BUSINESS AND PROFITABILITY OF THE CHB GROUP BASED ON PREVAILING REGULATIONS, ECONOMIC TRENDS AND DEVELOPMENTS.**

### 5.1 INDUSTRY OVERVIEW

#### 5.1.1 Malaysian Economy

The Malaysian economy accelerated its growth momentum in the first half of 2004, after a strong take-off in 2003, and is expected to surpass earlier expectations with higher growth of 7% for the whole year. Positive signs of a firm economic recovery at the global front, particularly in the first six months as well as higher commodity prices, reinforced the “feel-good” factor that contributed to further improvement in consumer and business sentiments. Growth has become more broad based with all sectors registering positive growth. Domestic demand, particularly private consumption, continued to sustain growth for five consecutive years, while private investment, which picked up in 2003, became more entrenched, resulting in a private sector-led growth.

The textile, apparel and footwear industry is well positioned to meet market demand with more companies adopting the targeted marketing approach as markets become more segmented and demand for better designs as well as quality clothing and footwear. This approach has enabled manufacturers to focus on higher value-added production.

The outlook for 2005 will generally remain favourable although global growth is expected to moderate on account of high oil prices, inflationary pressures, interest rate hikes and a probable slowdown in China’s economy. The emergence of these risks, that became apparent in the second half of 2004 and are expected to continue in 2005, will have a larger impact on growth next year. Global economic growth is projected to moderate to 4.4% in 2005 from 4.6% in 2004. The stronger macroeconomic fundamentals and resilience, backed by sturdy domestic demand and broad-based growth, will however, continue to support Malaysia’s GDP growth, forecast at 6% in 2005.

*(Source: Economic Report 2004 / 2005)*

#### 5.1.2 Overview of the Malaysian Textile and Apparel Manufacturing

In the 1960’s with the force of industrialisation, the textile and apparel manufacturing industry progressively boomed and emerged as one of the dominant industry groups. During the premature years of industrialisation, the Malaysian textile and apparel manufacturing industry posted strong double-digit growth rates in terms of exports. The substantial export countries are the United States, United Kingdom, Germany, Japan, Singapore, Belgium, France and Italy. Also, the industry covers a wide array of activities, which amongst them include polymerization, spinning, texturizing, weaving, knitting, printing, dyeing and finishing as well as garment making.

For the 11-year period of 1992-2002, the compounded annual growth rate (“CAGR”) for exports is 6%. These “made in Malaysia” textiles and apparels have gained the reputation in global markets due to their superior quality, attractive prices as well as the textile and apparel manufacturers’ long experience in the industry.

The Malaysian textile and apparel manufacturing industry faces intense competition from low production cost countries where cheap labour is abundant such as in Bangladesh, Sri Lanka, Pakistan, Indonesia, Philippines, Laos, Vietnam, Cambodia, India and China.

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%, in tandem with private consumption growth rate at 7% and CAGR of 7% for imported apparels.

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**5. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)**

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Based on the anticipated population growth as well as a standard consumer price index contribution of 3.4% and the per capita income, the spending (equated with consumption) of clothing and footwear is expected to rise from around RM3.23 billion in 2003 to around RM4.73 billion in 2009. This translates into a CAGR of around 6.6% during the forecast period. Frost & Sullivan also estimates that the contribution of the local sports apparel segment in this entire industry to increase from the current levels of 4.3% in 2003 to around 6.5% in 2008, based on the estimated growth rate of 7% per annum in private consumption. The revenues from the local sports apparel segment are expected to grow from RM140 million in 2003 to around RM307 million in 2009. This translates into a CAGR of around 14%.

With the phasing out of quotas in 2005 following the World Trade Organisation (“WTO”) agreement, quotas will be abolished for all the textile and apparel imports from most favoured nations to the United States and European Union. This would mean that the Malaysian local sport apparel manufacturers would have to compete with neighbouring 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 manufacturers to be responsive to changes in the market.

Thus, more emphasis is given into the product development, market research, marketing, branding and promotions of the sports apparel and accessories value chain. International licensed sports brands such as Nike and Reebok are some of the manufacturers who outsource their manufacturing activities to other low production cost countries. This has enabled them to focus more towards branding, marketing, advertising and promotions.

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, CCM over the past 20 years has already been focusing on its branding and marketing, while outsourcing its manufacturing. Hence, it has been in the right mind set all this while which is to outsource its manufacturing and concentrating on its branding and marketing of CCM’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 brands status in order to compete on the same level as foreign brands and to capture the larger piece of the Malaysian sports apparel market.

*(Source: Frost & Sullivan, 2004)*

**5.1.3 Second Industrial Master Plan 1996-2005**

Under the Second Industrial Master Plan (“IMP2”), the development objectives for the textiles and apparel industry group comprise, *inter alia*, the establishment of design and fashion houses and the development of new textiles and apparels products. In order to achieve these objectives, the strategies employed include those aimed not only at overcoming the weaknesses of support industries, but also strengthening the existing cooperation between the public sector and the industry in formulating and implementing various programmes for its development. The strategies include, *inter alia*:

- shift to high value specialty apparel; and
- encouraging the development of Malaysian Brand Apparel.

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## 5. INDUSTRY OVERVIEW AND PROSPECTS (*Cont'd*)

The marketing of specialty apparel involves high fashion with distinctive brand names and customer-defined quality. This can be achieved through enhancing non-manufacturing activities along the value-chain, such as design, product development, research and development, marketing, distribution and retailing. In high-fashion apparel, about 75% of value-added is generated from non-manufacturing activities. Among the measures to be undertaken are as follows:

- moving towards higher value-chain activities which require skills in fashion designing, modeling, fashion intelligence, branding and advertising services;
- competing on subtle product differentiation;
- promoting Malaysia as a location for the establishment of international design houses; and
- providing fiscal incentives and liberalising equity policy to attract such design houses.

Currently Malaysian apparel manufacturers are heavily involved in contract manufacturing for substantial world brands. These manufacturers are encouraged to develop their own brand name apparel for the global market through measures such as, *inter alia*:

- encourage Malaysian designers to create original designs for textiles and apparel;
- set up design houses in substantial fashion centres in the world; and
- organise annual fashion shows in leading fashion centres to promote and expose Malaysian brand apparels.

(Source: *Second Industrial Master Plan 1996-2005*)

### 5.1.4 Overview of the Malaysian Retail Industry

The Malaysian economy is now steadfastly on the growth track and domestic demand has become a significant contributor to growth. Private consumption had accelerated from 2.4% growth in 2001 to 5.6% in 2003, and is expected to remain robust, with annual growth of about 6.5% in 2004 driven basically by improving consumer confidence, increasing disposable income arising from more buoyant domestic activities, favourable commodity prices and the positive wealth effect on account of the rising stock market. Moreover, the overall positive economic environment is expected to boost private consumption and this will have a direct force on the expansion of retail sales.

Frost & Sullivan expects the retail sales growth for 2004 to be between 5% and 6%, in tandem with the high growth in GDP of 6.5% in 2004. Also, the Malaysian Retailers-Chain Association (MRCA) expects sales in 2004 to be 10% to 15% better than 2003, which was approximately RM47 billion. In the first quarter of 2003, the department and specialty stores sub-sectors grew at 4.3% and 19.2% respectively and it is expected that in 2004, these 2 sub-sectors will be able to boost the retail growth in Malaysia. Furthermore, the Ministry of Domestic Trade and Consumer Affairs is trying to promote local branding by encouraging the foreign and local retailers to display more local brands on their shelves. This is expected to be a strong driver for local brands in Malaysia across all industries.

However, in the near term the ill effects of bird flu, SARS, etc can potentially have a negative impact on the performance of this market. This development in demand provides opportunities for emerging retail outlets to provide a greater variety of choices to both local and foreign customers. Also, consumers these days are seeking value for money products. Retailers should continue to be creative and innovative, in order to ensure customer loyalty.

(Source: *Frost & Sullivan, 2004*)

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## 5. INDUSTRY OVERVIEW AND PROSPECTS (*Cont'd*)

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### 5.2 PROSPECTS OF THE CHB GROUP

From its humble beginning in the 1970's, the Group has weathered all economic crises and uncertainties to emerge as the largest player in the local sports apparel industry today with 40% market share (*Source: Frost & Sullivan, 2004*). The profits recorded by the Group during the turbulence period from 1997 to 2003 which saw the Asian financial crisis, September 11, 2001 terrorist attack on the World Trade Center and SARS, are testament of the Group's strength and resilience. Moreover, the Group has achieved all this with none other than a Malaysian homegrown brand. Much of this success is attributed to the Group's modus operandi of outsourcing its apparel manufacturing while it focuses on brand building, designs and development and distribution of its products.

The textile and apparel industry is traditionally dependent on labour. However, with the rising of labour cost domestically and competition posed by cheap labour countries like China, Vietnam, Bangladesh, Sri Lanka, Pakistan and Indonesia, the Malaysian textile and apparel manufacturers have no choice but to move towards capital-intensive means of production or relocate to the said lower labour cost countries to remain competitive. The CHB Group is spared from this challenging trend of the textile and apparel manufacturing industry as it outsources its manufacturing and will continue to do so. In addition, the Directors of CHB believe that the emergence of more textile and apparel manufacturers in countries like China, Vietnam, Bangladesh and Sri Lanka will benefit the Group as this will enhance its pool of manufacturers.

In order to ensure sustainable growth and further consolidate its position in the industry locally, the Group plans to build up its existing and new brand names, increase its product mix and expand its marketing and distribution network further.

The Group views branding, and the quality attached to it, as the essence of the apparel industry. The Group will press on with its brand-building effort via promotions, sponsorships and distinctive boutique designs, and enhance and maintain the quality of its products by being more selective on the appointments of apparel manufacturers. With the ever-changing apparel fashion, emphasis will also be placed on designs and materials used for its products. This can be noted from more than 1,000 new designs, which had been created for *Cheetah*, *Cheetah Ladies*, *Cheetah Junior*, *Cth Unlimited*, *C2* and *C. Union* in the financial year ended 2004 alone. The CHB Group will continue to produce new designs for its apparels and also to increase the range of products sold under its brand names. The Group has already launched *Cth Unlimited* in September 2003 and *C2* in March 2004. To date, the public's response for both brand names is encouraging and the Directors of CHB are confident that both brand names will continue to perform well in the market. Despite that the Group will work tirelessly towards creating distinguished homegrown brand names, no time frame could be set for this goal to be achieved as brand building involves constantly gaining consumers' acceptance and confidence.

Traditionally, the Group's main source of revenue is from selling middle range sports apparels. However, the Group plans to increase its product-mix by moving into lifestyle apparels and part of this plan has already being implemented with the introduction of *Cheetah's* casual apparels into the market under the brand name *C. Union* in 2003, which also targets the medium end-consumers.

CHB has plans to penetrate further into the local homegrown apparel market by increasing the existing number of consignment outlets and boutiques and selling to more sports shops. The backbone of the CHB Group's marketing and distribution network is its 448 consignment outlets (as at 30 November 2004), which is expected to expand by an additional of up to 15 outlets by December 2005. The Directors of CHB expect that with the continued success of the *Cheetah* brands, the Group would be invited to set up more consignment outlets in new departmental stores and hypermarkets. In addition, as at 30 November 2004, the Group has 12 boutiques and sells to 100 sports shops. It plans to own 14 boutiques by the financial year ending 30 June 2005.



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**5. INDUSTRY OVERVIEW AND PROSPECTS (Cont'd)**

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With established brands and an extensive marketing and distribution network, there are many growth areas for the Group to venture into in the future. For instance, it could embark on a franchise chain business for its boutiques, export its products or even venture into high-end designer apparels. In addition to its own brand names, the Group could also acquire other local or international brand names to increase its range of products or venture into other market segments. Other means of increasing the Group's range of products or market segments include setting up franchise outlets for new brand names, which do not compete directly with the *Cheetah* brand names.

However, for now and in the near future, the Group plans to build up its existing and new brand names, increase its product mix and expand its marketing and distribution network further to ensure sustainable growth and further consolidate its position in the industry locally.

Frost & Sullivan has estimated that the local sports apparel segment is expected to grow from RM140 million in 2003 to around RM307 million in 2009 which translate into a compounded annual growth rate of about 14% (*Source: Frost & Sullivan, 2004*). In this respect, the Directors of CHB are of the view that the prospects of the local sports apparel segment and Group will be favourable.

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