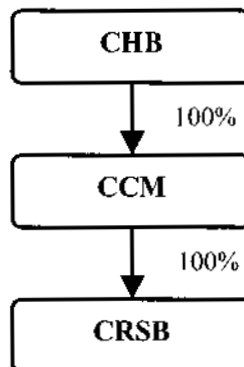


## 6. INFORMATION ON CHB GROUP

### 6.1 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 two (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 the 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. Since then, the modus operandi of the company was to outsource its manufacturing activities to external manufacturers while the company concentrated on the designing and brand building for its apparels.

In 1979, Mr Chia Kee Foo, another son of Madam Hor Ah Kuan, joined the family business and together with Madam Hor Ah Kuan and Mr Chia Kee Yew, they formed Success Sports Company on 7 April 1982, which took over the growing operations of Syarikat Yoon Yuen. As the Chia family began to trade in more *Cheetah* products they formed Cheetah Sports Centre on 13 March 1987 as a retail arm to promote *Cheetah* products more aggressively. Its initial scope of business was still confined to sports wear.

Following the growth of the business of Cheetah Sports Centre, CCM was incorporated on 28 September 1989 as a private limited company pursuant to the Act. The business of Success Sports Company was eventually transferred to CCM. In 1998, CCM took over the operations of Cheetah Sports Centre as well. On 6 July 1992, CRSB acquired the Group's current headquarters, a double storey light industrial shop lot with a built-up area of 15,000 sq ft located at No. 26, Jalan 6/91, Taman Shamelin Perkasa, Kuala Lumpur for the purpose of warehousing and distribution due to its expanding business. Over the years, CCM has managed to expand its operations and widen its distribution and retailing network in both East and West Malaysia.

Today, after more than 25 years in the industry, CCM's business of trading and distributing sports apparel has grown tremendously. CCM is now a market leader in the local sports apparel industry, with 40% market share (*Source: Frost & Sullivan, 2004*). In addition, CCM has also expanded its range of products from the traditional sports apparel to casual apparel under its own brand name, namely *C.Union*. The modus operandi of outsourcing the manufacturing of its apparels has served CCM well. It was spared from the onslaught of the 1997 Asian financial crises, recording profit after tax of RM4.9 million and RM2.3 million for the financial years ended 30 June 1997 and 1998 respectively. While the local textile and apparels manufacturers continue to face increasing labour cost and intense competition from low cost producing countries like China, Laos, Vietnam, Philippines and Thailand, CCM enjoys competitive prices from external manufacturers.

## 6. INFORMATION ON CHB GROUP (Cont'd)

As a result of outsourcing its manufacturing activities, CCM is able to concentrate on product designing and building its brand names and marketing network. Currently, CCM's brand names include *Cheetah*, *Cheetah Ladies*, *Cheetah Junior*, *C.Union*, *Cth Unlimited* and *C2*. As at 30 November 2004, its distribution network spans over 448 consignment outlets and 12 boutiques in West and East Malaysia. It also distributes its apparels to 100 sports shops. As at 30 November 2004, the Group employed 518 full time staff comprising management, professional and executive staff, sales supervisors, clerical staff, general workers and promoters, as well as 447 temporary promoters.

### 6.2 SHARE CAPITAL

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

The present issued and paid-up capital of CHB is RM38,500,000 comprising 77,000,000 Shares. Upon completion of the Public Issue, the enlarged issued and paid-up share capital of CHB will be RM40,000,000 comprising 80,000,000 Shares.

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

Date of allotment	No. of ordinary shares allotted	Par value (RM)	Consideration	Cumulative total (RM)
06.05.1997	2	1.00	Cash	2
27.01.2004	4	0.50	Sub division of par value of shares from RM1.00 to RM0.50 each	2
28.08.2004	76,999,996	0.50	Acquisition of the entire equity interest in CCM	38,500,000

As at 30 November 2004, there are no outstanding warrants, options, convertible securities or uncalled capital of CHB.

### 6.3 FLOTATION SCHEME

In conjunction with, and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of CHB on the Second Board of Bursa Securities, the Company undertook a restructuring exercise that was approved by the following relevant authorities:

- (i) SC vide its letter dated 18 June 2004; and
- (ii) MITI vide its letters dated 22 and 24 June 2004;

In addition, under the Guidelines of FIC in relation to Acquisitions, Mergers and Take-Overs, 1974, the SC vide its letter dated 18 June 2004 has no objections to the indicative equity structure of CHB after the Listing as set out in Section 8.1 of this Prospectus.

Details of the restructuring exercise are as follows:

#### (i) Acquisition

On 11 March 2004, CHB entered into a conditional sale and purchase agreement with the shareholders of CCM for the acquisition of 153,004 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of CCM for a total purchase consideration of RM37,052,895, which was arrived at after taking into consideration the audited consolidated NTA of CCM of RM37,052,895 as at 30 June 2003.

**6. INFORMATION ON CHB GROUP (Cont'd)**

Subsequently, on 25 May 2004, CHB entered into a supplemental agreement with the shareholders of CCM to revise the total purchase consideration to RM41,848,378. The revised purchase consideration was arrived at after taking into consideration the audited consolidated NTA of CCM of RM41,848,378 as at 31 January 2004. The said purchase consideration was wholly satisfied through the issuance of 76,999,996 new Shares to the shareholders of CCM at an issue price of approximately RM0.543 per Share as follows:

Shareholders/Vendors of CCM	No. of CCM shares acquired by CHB	% of the issued and paid-up share capital of CCM	No. of new CHB Shares issued as consideration
CYY	114,542	74.86	57,643,810
Chia Kee Foo	12,522	8.18	6,301,756
Chia Kee Kwei	6,167	4.03	3,103,572
Chia Kee Yew	3,266	2.14	1,643,631
Hor Ah Kuan	5,246	3.43	2,640,075
Tham Kien Wei	11,261	7.36	5,667,152
Total	153,004	100.00	76,999,996

The Acquisition was completed on 28 August 2004.

**(ii) Public Issue**

In conjunction with the flotation of CHB on the Second Board of Bursa Securities, the Company will undertake a Public Issue of 3,000,000 new Shares at an issue price of RM0.75 per Share. The Public Issue is subject to the terms and conditions of this Prospectus.

The 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.

**(iii) 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;

**(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; and

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**6. INFORMATION ON CHB GROUP (Cont'd)**


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**(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.

**(iv) Listing**

Following the completion of the IPO, CHB shall be admitted to the Official List of Bursa Securities and the entire enlarged issued and paid-up share capital of CHB of RM40,000,000 comprising 80,000,000 Shares shall be listed and quoted on the Second Board of Bursa Securities.

**6.4 ESOS**

On 3 December 2004, the existing shareholders of CHB approved the establishment of an employees' share option scheme in order to retain and motivate eligible employees and Directors who have contributed to the success of the CHB ESOS Group. The Bursa Securities had on 29 June 2004 granted the approval-in-principle for the listing of and quotation for such number of new Shares representing up to 15% of the issued and paid-up share capital of the Company to be issued pursuant to the exercise of the Options under the Scheme.

The Scheme shall be for a period of five (5) years from the effective date of the ESOS as prescribed under the Listing Requirements of Bursa Securities for the implementation of the Scheme. An extension to the Scheme may be effected by the Company upon the recommendation of the ESOS committee, subject to an aggregate duration of 10 years from the effective date of the ESOS (or any other duration that is allowed by the relevant authorities).

Acceptance of an offer of Options by the eligible employees and Directors of the CHB ESOS Group shall be accompanied by a payment of a nominal non-refundable consideration of RM1.00 to the Company.

According to the Listing Requirements of Bursa Securities, the exercise price shall be as follows:

- (i) for an applicant implementing the scheme as part of its listing proposal, not less than the initial public offer price; or
- (ii) for a listed company, based on the five (5) day weighted average market price of the underlying shares at the time the option is offered, with a discount of not more than 10% or at par value, whichever is higher.

The Directors of CHB intend to grant such number of Options comprising up to 8 million new CHB Shares prior to the Listing at an exercise price of RM0.75 per Share. However, such Options are only exercisable after the listing of CHB on the Second Board of Bursa Securities.

The Directors of CHB intend to utilise the proceeds from the exercise of the Options for working capital purposes.

The new Shares to be allotted upon any exercise of Options shall, upon allotment and issue, rank *pari passu* in all respects with the then existing issued and paid-up Shares including voting rights and rights to all dividends and distributions, if the date of allotment is on or before the Entitlement Date and subject to all the provisions of the Articles of Association of the Company. "Entitlement Date" means the date as at the close of business on which shareholders must be registered in the Record of Depositors with Bursa Depository in order to participate in any dividends or other distributions.

The By-Laws of the ESOS are set out in Section 16 of this Prospectus.

## 6. INFORMATION ON CHB GROUP (Cont'd)

### 6.5 BUSINESS OVERVIEW

#### 6.5.1 Products and Services

The CHB Group designs, develops, markets and retails a wide range of homegrown apparels from sports wear and accessories to casual apparels. Its products cater for various market segments and this is reflected by the brand names under which the products are sold.

The *Cheetah*, *Cheetah Junior*, *Cheetah Ladies*, *Cth Unlimited* and *C2* brand names mainly cater for sports apparels. Products sold under the said brand names are for various sporting activities including, soccer, basketball, badminton, squash, tennis, cycling and golf. Subsequent to the launch of *Cheetah* in 1979, the Group launched *Cheetah Junior* in 1995 to cater for the children segment for ages between 4 to 14 years old. In July 2000, the Group launched *Cheetah Ladies* to enhance its market share for the ladies' apparels. *Cth. Unlimited* and *C2* were launched on September 2003 and March 2004 respectively. *C. Union* products, which were launched in August 2003, comprise both adult men and women casual wears and apparels. Its products are targeted at medium end-consumers.

The complete range of the Group's products are as follows:

Brand Name	Sporting Activities	Apparels Range	Accessories Range	Proposed Line Extension
<i>Cheetah</i>	Football/Soccer	Jersey Shorts Goalkeeper's Jersey Goalkeeper's Pants Bibs Track Suits Sweaters Rain Jackets Towels	Numberings Socks Arm Bands Protectors/Guard Footballs Sports Bags Shoe Bags Travelling Bags Gloves	Boots
	Tennis/ Squash/ Badminton/Table Tennis	Collar T-shirts Round Neck T-shirts Tennis Shorts Tennis Skirts Track Suits Sweaters Towels	Socks Sports Bags Shoe Bags Travelling Bags Caps	Court Shoes Tennis Shoes Rackets Racket Strings Tennis Balls Shuttle Cock Table Tennis Bats Table Tennis Balls Squash Balls
	Basketball	Singlet Shorts Track Suits Sweaters	Socks Numberings Arm Bands Sport Bags	Court Shoes
	Ad-Hoc Sports (American Football, Skating, Softball, Baseball, Golf, etc)	Collar T-shirts Round Neck T-shirts Jackets		

## 6. INFORMATION ON CHB GROUP (Cont'd)

Brand Name	Sporting Activities	Apparels Range	Accessories Range	Proposed Line Extension
	Cycling	Cycling Tights	Waist Pouch	Protectors/Helmet
	Jogging/Running/ Walking	Collar T-shirts Round Neck T-shirt Running Shorts Shorts Track Suits Sweaters Singlets	Socks	Sandals Jogging / Running Shoes
	Adventure Sports	Fishing Vest Reporter Jacket Bermuda Shorts Shorts Collar Neck T-shirt Track Suits Windbreakers Bomber Jackets	Socks Travelling Bags Back Packs	Boots
	Leisure/Casual Sports	Winter Jacket Collar T-shirts Round Neck T-shirts Shorts Rain Coats/Bottoms Beach Wears Plain/Training T-shirts Plain/Training Shorts Track Bottoms Fashion Shorts Cardigan Jackets Vest Sports Briefs Auto striped T-shirts	Caps Bags/Pouch	Shoes & Sandals
<i>Cheetah Junior</i>	General Sports Activities	Socks Brief Shorts Jackets/ Vest Bermuda Track Bottoms Pull Over/Long Sleeve Collar T-Shirts Singlet Round Neck T-Shirts Jeans Girl skirts/dress	Caps Bags/Pouch	

## 6. INFORMATION ON CHB GROUP (Cont'd)

Brand Name	Sporting Activities	Apparels Range	Accessories Range	Proposed Line Extension
<i>Cheetah Ladies</i>	General Sports Activities	Socks Brief Shorts Jackets Bermuda Long Pants Long Sleeve Collar T-Shirts Singlet Round Neck Vest Jeans/Cotton Pants Skirts/Dress	Caps Bags/Pouch Towels	
<i>Cth Unlimited</i>	Note 1	Note 1	Note 1	Note 1
<i>C2</i>	Note 1	Note 1	Note 1	Note 1
<i>C. Union</i>	Leisure/Casual/ Fashion	Winter Jacket Collar-T-shirts Round Neck T-Shirts Shorts Fashion Shorts Cardigan Jackets Vest Briefs Sweater Singlet Dress Skirts Bermuda Shorts Long pants Socks Jeans / Cotton Pants	Caps, Belts Bags / Pouch	

Note:

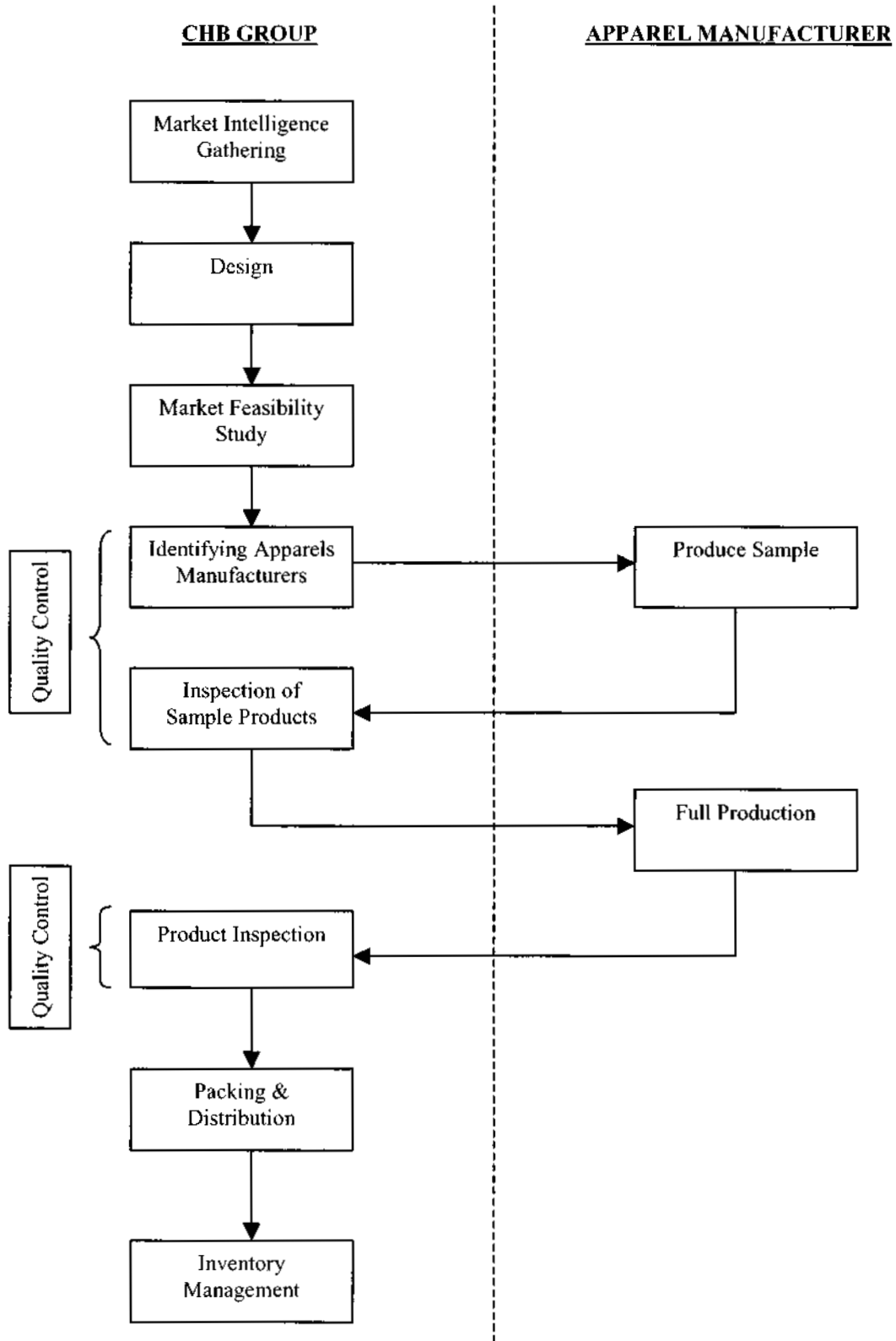
(1) The product range under *Cth Unlimited* and *C2* is similar to those under *Cheetah*.

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6. INFORMATION ON CHB GROUP (Cont'd)

6.5.2 Business process

The diagrammatic illustration of the product design and development process of the Group is depicted below:





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**6. INFORMATION ON CHB GROUP (Cont'd)**

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**Market Intelligence Gathering**

The Merchandising Department is responsible for gathering market intelligence from both local and foreign sources. The Merchandising Department has a total of 13 staff, whose primary function is to produce new designs for the Group's apparels.

The Merchandising Department gathers information such as the latest trend and fashion in the market, competitors' latest products and public's response towards the Group's newly launch products from its sales supervisors and promoters in consignment outlets and retail boutiques and outright-sales customers. In addition, the Merchandising Department personnel are required to make periodic visits to departmental stores, boutiques, shops and public places to observe the latest trends in the market. Internally, the Group analyses its inventory movements to determine the sales performance of its products in various locations.

In order to forecast future fashion trends, the Group's Directors and senior management also visit foreign trade fairs and exhibitions and the fashion hubs in Europe, Hong Kong, South Korea, United States and South East Asia. The Group's apparel manufacturers who are based locally or overseas, also provide feedbacks to the Group based on the orders they received from other players in the industry.

Based on the market intelligence gathered, the Group will chart its annual master plan which sets out the type, quantity and timing of new products to be sold for the year. The Group also obtains feedbacks from departmental stores with regards to their programmes for the year to assist them in preparing its annual master plan.

**Design**

Based on the aforementioned annual master plan and up to date market intelligence, the designers in the Merchandising Department will proceed with the designing of new apparels for the Group. Currently, the Group has 6 designers whose tasks are supervised by 3 merchandisers who are also experienced designers. The designers carry out their tasks using designing softwares such as CorelDraw, Adobe Photoshop and Adobe Illustrator. 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* for the financial year ended 30 June 2004.

**Market Feasibility Study**

The Merchandising Department will then conduct market feasibility studies on the new designs together with the Marketing Department, which has over 850 sales supervisors and promoters who are in the front line of the Group's distribution network. The primary objective of the market feasibility study is to anticipate the public's response of the Group's new designs. Being constantly in touch with the market's responses to various designs and products, both belonging to the Group and its competitors, the Marketing Department is able to provide invaluable input for the market feasibility studies on new designs. If necessary, the Merchandising Department will alter the new designs based on the feedbacks from the Marketing Department. Factors such as the colour, material, designs, cutting and price of the new products, the demographic pattern and the culture of targeted market are taken into consideration when conducting the market feasibility study.

**Identifying Apparels Manufacturers and Product Inspection**

After conducting the market feasibility study on the new designs, the Merchandising Department will proceed with identifying the appropriate apparel manufacturer. The Merchandising Department will either appoint a local apparel manufacturer directly or foreign apparel manufacturers via a local agent.

The Merchandising Department will invite several manufacturers based on their expertise and their track record of producing high quality products to produce samples based on specification of the new designs. The Merchandising Department will then scrutinise the material, cutting, colour and accessories such as zip and buttons, labels and overall quality of the samples produced.

## 6. INFORMATION ON CHB GROUP (Cont'd)

Only the manufacturer who can produce samples of the highest quality, which comply with the Merchandising Department's specifications, will be selected. Although, price is also taken into consideration when selecting a manufacturer, quality of the product is CCM's main criteria in the selection process.

During the course of production, the manufacturer will keep the Merchandising Department updated on the status of production. The Merchandising Department will select samples of the finished products for inspection and quality check prior to accepting the products, which will be stored at the manufacturer's premises until further instruction from the Marketing Department for delivery. In the event the finished product is not produced according to the specifications or its quality is not up to the Group's expectation, the said products will be rejected.

Generally, the process from designing to full production of the products will take approximately two (2) to four (4) months.

### Packing and Distribution

Upon instruction from the Merchandising Department, the apparels manufacturer will deliver the finished products to the Group's warehouse. The timing of the delivery of the product is important in ensuring that the new products can be launched timely according to the annual master plan. The warehouse personnel will then pack the new products for distribution to various consignments outlets and retail boutiques in different quantities depending on the anticipated sales performance for the product at the said consignments outlets and retail boutiques. The Group also sells to sports shops.

### Inventory Management

In order to save on storage space and cost, the Group does not accept the delivery of the finished products from manufacturers immediately after production. Instead, it will advise the manufacturers on when to deliver the products depending on when it intends to launch the products.

In addition, 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-distributing to outlets and boutiques which have, thus far, managed to sell the respective products. Accordingly, sales will be maximised and stock surplus minimised. 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.

### 6.5.3 Approvals, Major Licences and Permits

As at 30 November 2004, save for the warehousing licence issued by Dewan Bandaraya Kuala Lumpur ("DBKL") for its warehouse located at 26, Jalan 6/91, Taman Shamelin Perkasa, Cheras, 56100 Kuala Lumpur, there are no other approvals, major licences or permits obtained by the Group. Details of the warehousing licence are as follows:

Authority / Company	Date of issuance / validity	Equity, employment and/or other major conditions imposed
DBKL	1 January 2004 to 31 December 2004	None

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## 6. INFORMATION ON CHB GROUP (*Cont'd*)

### 6.5.4 Brand names and Trademarks

Since the inception of the *Cheetah* brand, the Group has nurtured it into an established homegrown brand name. Over the same period of time, the Group has capitalised on the prominence of the *Cheetah* brand by introducing a host of other related brand names, namely *Cheetah Ladies*, *C. Union*, *Cth Unlimited*, *C2* and *Cheetah Junior*. The Group has successfully built up the *Cheetah* brand name by offering good quality products and through selective sponsorships of events as well as advertisements and promotions (as detailed in Section 6.5.5 below). Accordingly, the management uses the same promotion strategy for its other brand names. The success of *Cheetah*, *Cheetah Ladies* and *Cheetah Junior* brand names can also be seen from the number of consignment outlets they possess, as shown in Section 6.5.7 of this Prospectus. In practice, retail floor space in shopping centres or malls and hypermarkets are limited and therefore, it is usually allocated to products or brand names, which sell better and have a higher turnover.

In addition, the Group believes that, with *Cheetah Junior*, it will be able to introduce the *Cheetah* brand names to its young consumers at a tender age, which, it believes will instil the *Cheetah* brand names in them from young and, in turn, over the years will develop into brand loyalty.

Currently, only *Cheetah* and *Cheetah Junior* are registered trademarks of the Group. The Group has also applied for *Cheetah Ladies*, *C. Union*, *Cth Unlimited* and *C2* to be registered trademarks of the Group. All products sold by the Group are under its own brand names. As such, it is not dependent on any third party licensed trademarks.

### 6.5.5 Advertisements and Promotions

In line with the Group's efforts in creating and enhancing brand-awareness for its products, the Group spent approximately RM141,000 on advertisements and promotions in the financial year ended 30 June 2004. Over the years, the Group has carried out promotions for its products via advertisements in sports and fashion magazines, posters, sponsorship of sporting events and distinctive designs of consignment outlets and boutiques to reflect the active, sporting and casual lifestyles which *Cheetah* products represent.

The Group has been sponsoring various events since 1991. Set out below are some of the events sponsored by the Group:

Events
Malaysian Taekwondo Team for the 16 <sup>th</sup> Sea Games Manila (1991)
Malaysian Table Tennis Team for the 16 <sup>th</sup> Sea Games Manila (1991)
Malaysian Basketball Team for the 16 <sup>th</sup> Sea Games Manila (1991)
Persatuan Bolasepak Malacca Liga Semi Pro (1991)
Persatuan Bolasepak Angkatan Tentera Malaysia Liga Semi Pro (1992)
10 <sup>th</sup> Asia Taekwondo Championship in Kuala Lumpur (1992)
Kelab Sukan Bakat Kuala Lumpur for Hockey Development for Under 18 years old (Girls) and 15 years old (Boys) (1996)
Kuala Lumpur Football Association for Premier League (2002 & 2003)
Kejohanan Bolasepak Cheetah Piala Steven Kutai, Kota Kinabalu (2003)
Brunei National Football Team (1993-2004)

## 6. INFORMATION ON CHB GROUP (Cont'd)

### 6.5.6 Market Share

For the financial year ended 30 June 2004, 99.85% of the Group's revenue was generated from the sales of sports apparels and accessories.

In the local homegrown sports apparel market, there are four (4) substantial players which produce under the brand names of *Cheetah*, *Antioni*, *Forest*, and *Schwarzenbach*. The distinction between the CHB Group and its main competitors is that the CHB Group is not involved in manufacturing of sports apparels and accessories, which the Directors of CHB view as a competitive edge due to reasons set forth in Section 6.5.17 of this Prospectus.

The market share by revenues of the local homegrown sports apparel and accessories manufacturers in 2003 are as follows:

Company	2003 (%)
CCM	40
Other local players	60
	<u>100</u>

(Source: Frost & Sullivan, 2004)

### 6.5.7 Market Access and Distribution Network

As at 30 November 2004, the Group's products are distributed through a comprehensive marketing and distribution network as follows:

Consignment outlets	Units
Cheetah	209
Cheetah Ladies	68
Cheetah Junior	132
Cth Unlimited	14
C2	25
	<u>448</u>
<b>Boutiques</b>	12
<b>Sports Shops</b>	100
<b>Total</b>	<u>560</u>

The Group's consignment outlets are located in departmental stores such as The Store, Parkson, Fajar, Pasaraya Hiong Kong and Jaya Jusco and hypermarkets, namely, Carrefour and Tesco. The Group's marketing and distribution network spans across West and East Malaysia.

For financial year ended 30 June 2004, approximately 85.0% of the Group's sales is generated from consignment outlets while approximately 8.3% is from boutiques. The remaining 6.7% of its sales are generated from sales to sports shops. As 100% of the Group's revenue is contributed by the local market, the Group is not dependent on any foreign markets which are often governed by quotas to protect local manufacturers. The Group expects to strengthen its local market access via future expansion of its consignment outlets and boutiques.

## 6. INFORMATION ON CHB GROUP (Cont'd)

### 6.5.8 New Designs

Like other players in the apparel industry, it is important for the Group to produce new designs for its apparels regularly to be in line with the current trend and fashion and hence, ensuring continued growth of the Group's business.

For the five (5) financial years ended 30 June 2004, the number of designs based on brand names produced by the Group are as follows:

Financial Year Ended	Cheetah	Cheetah Junior	Cheetah Ladies	C. Union	Cth. Unlimited	C2	Total
30 June 2000	400	192	31	-	-	-	623
30 June 2001	357	229	149	-	-	-	735
30 June 2002	334	180	157	-	-	-	671
30 June 2003	411	242	231	-	-	-	884
30 June 2004	434	223	353	171	81	34	1,296

### 6.5.9 Principal Market

All the Group's products are sold locally. Apart from *Cheetah Junior*, which targets children between 4 to 14 years of age, the other products of the Group are targeted at adults. Based on the financial year ended 30 June 2004, the sales breakdown is as follows:

Category	%
Children	21.06
Adults	78.94
	<u>100.00</u>

Cheetah's consumer target is more towards the medium end-consumers.

### 6.5.10 Product Design and Development

Although the Group outsources its manufacturing activities to external parties, it designs all its products in-house. In order to remain competitive in the apparel industry, the Group recognises the importance of introducing new designs regularly. Designs encompass, amongst others, cutting, colour, labels, materials and accessories such as buttons and zips. The Group produces its own designs based on its survey of current trends and its competitors' latest products. In recognition of the importance of producing new designs, the senior management of the Group also 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.

The Merchandising Department is responsible for the designing and development of the Group's products. The department has 13 staff which is headed by the Merchandising Director, Mr Chia Kee Yew, who has more than 25 years of experience in the apparel retail industry. The Merchandising Department's scope of work includes the following:

- (i) consignment counter conceptualising and designing;
- (ii) brand-awareness development;
- (iii) apparel designing;
- (iv) product intelligence gathering; and
- (v) market feasibility study.

## 6. INFORMATION ON CHB GROUP (Cont'd)

By outsourcing its manufacturing, the Group does not lose control over the production process of apparels. It still dictates the specifications for the designs and quality of its apparels via quality inspections conducted on sample products before production and on finished products after production.

The amount spent on product design and development based on the consolidated financial statements of the Group for the last three (3) financial years ended 30 June 2004 are as follows:

	Financial Year Ended 30 June		
	2002	2003	2004
Product design and development expenses (RM)	2,596,608	2,824,275	3,338,212
% of revenue	5.20%	5.32%	5.50%

The Group plans to spend approximately 5.00% of its revenue on product design annually.

The achievements of the Group's product design and development program can be seen from the expansion of its products from its traditional sports wear and apparels to ladies, men and children life-style casual wear which caters for different market segments of all age groups, gender and income groups. In general, the Group's ability to maintain its sales growth over the years shows that it has been successful in keeping up with the ever-changing fashion and trend to meet consumers' demand.

### 6.5.11 Quality Control

The Group is aware that apart from in-fashion designs, high quality is an important aspect of apparels, which must be maintained to ensure that consumers' expectations are met. As mentioned in Section 6.5.2 of this Prospectus, the Merchandising Department of CCM performs inspection and quality check at two (2) stages of the product design and development process.

In order to ensure that the apparels produced are of high quality, the first product inspection and quality check is performed at the stage of selecting apparel manufacturers. The manufacturers are required to produce samples based on the specifications provided by the Merchandising Department which will then scrutinise the material, cutting, colour, accessories such as zip and buttons, labels and overall quality of the samples. Quality is CCM's main criteria in selecting a manufacturer.

The second product inspection and quality check is performed after production of the apparels but prior to CCM accepting delivery of the said goods. The Merchandising Department will again scrutinise the material, cutting, colour, apparels, labels and overall quality of the finished products to ensure that they have met its specifications. In the event CCM's specifications are not met or the quality of the finished products is not up to its expectation, the products will be rejected.

### 6.5.12 Interruptions in business

There has not been any interruption to the Group's business or operations for the past 12 months prior to 30 November 2004.

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## 6. INFORMATION ON CHB GROUP (Cont'd)

### 6.5.13 Employees

As at 30 November 2004, the employee structure of the Group is as follows:

Category of employees	Total	Average number of years of service
Managerial and professional	15	10
Supervisory	76	7
Clerical and related occupations	23	2
General workers	34	4
Promoters		
- full time	370	3
- temporary	447	-
<b>Total</b>	<b>965</b>	

The employees of the Group receive on-the-job training under the guidance of their experienced superiors. None of the employees belongs to any trade unions. They enjoy cordial working relationship with the management and there has not been any past industrial dispute.

### 6.5.14 Milestones

The Group began its operations with the trading of sports apparels of various brand names (not owned by the Group) under Syarikat Yoon Yuen in 1977. The *Cheetah* brand name only came to being two (2) years later. Today, the Group designs its own apparels, which are all sold under its own brand names.

The milestones of the Group are reflected by the history of the Group's growth as follows:

Date	Milestones
1977	Formation of Syarikat Yoon Yuen, which traded in sports apparels
1979	Launch of the <i>Cheetah</i> brand name
1982	Formation of Success Sports Company, which took over the operations of Syarikat Yoon Yuen
1987	Formation of Cheetah Sport Centre as a retail arm of <i>Cheetah</i> products
1987	Established the Group's first boutique at Central Market
1989	Incorporation of CCM, which took over the operations of Success Sports Company
1995	Established the 100 <sup>th</sup> consignment outlet
1995	Launch of <i>Cheetah Junior</i> apparels
1998	CCM took over the operations of Cheetah Sports Centre
1998	Established the 200 <sup>th</sup> consignment outlet
2000	Launch of <i>Cheetah Ladies</i> apparels
2002	Established the 300 <sup>th</sup> consignment outlet
2003	Launch of <i>C. Union and Cth Unlimited</i> brand names
2004	Launch of <i>C2</i> brand name

From trading from a single premise under Syarikat Yoon Yuen in 1977, CCM has, as at 30 November 2004, increased its distribution network to 448 consignment outlets and 12 boutiques as well as selling to 100 sports shops. In addition, CCM has also expanded its range of products from the traditional sports apparel to casual apparel under its own brand names.

## 6. INFORMATION ON CHB GROUP (Cont'd)

### 6.5.15 Major customers

As at 30 November 2004, the Group has established an extensive marketing and distribution network comprising 448 consignment outlets, 12 boutiques and 100 sports shops. For the financial year ended 30 June 2004, approximately 85.0% of the Group's sales are generated from consignment outlets while approximately 8.3% is from boutiques. The remaining 6.7% of its sales are generated from sales to sports shops.

The top ten (10) customers of the CHB Group for the financial year ended 30 June 2004 are as follows:

Major customers	Approximate length of relationship (years)	Contribution to total revenue for financial year ended 30 June 2004 (%)
The Store	> 10 years	14.69
Parkson	> 10 years	8.68
Fajar	> 10 years	7.34
Jaya Jusco	> 10 years	5.80
Pasaraya Hiong Kong	> 10 years	5.56
Parkwell	> 10 years	4.73
Sogo	> 10 years	4.32
Bilion	> 10 years	4.07
Ngiu Kee	> 10 years	3.33
Milimewa	< 10 years	2.23
		60.75

As the balance 39.25% of the Group's revenue for the financial year ended 30 June 2004 was attributable to sales by consignment outlets located at 30 other departmental stores, sales by boutiques as well as sales to sports shops, the CHB Group is not overly dependent on any distributor for its business as it has a large distributor base.

### 6.5.16 Major suppliers and certainty of production

The CHB Group's business does not require any raw material as it outsources its manufacturing activities to local and foreign manufacturers. Its foreign manufacturers include those who are based in countries like Indonesia, Thailand, China, Hong Kong and Taiwan. Over the span of 26 years, the Group has dealt with approximately 36 manufacturers. However, the Group prefers to outsource its manufacturing activities to its 4 main local manufacturers with whom it has long standing relationship ranging from 6 to 22 years as they have proven track record of being able to produce quality products at competitive cost and deliver timely. There are no written long-term contracts between the Group and the apparel manufacturers. As such, the Group has the flexibility to engage any manufacturer and, due to the highly competitive nature of the textile and apparel industry, it has been able to dictate terms and conditions on the manufacturers for lower costs and higher quality products.

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**6. INFORMATION ON CHB GROUP (Cont'd)**

The top ten (10) suppliers of the CHB Group for the financial year ended 30 June 2004 are as follows:

<b>Major suppliers</b>	<b>Approximate length of relationship (years)</b>	<b>Contribution to total purchases for financial year ended 30 June 2004 (%)</b>
Asia Pacific Apparel (M) Sdn Bhd	6	23.60
Goodtex Marketing Sdn Bhd	10	15.60
Swell Products (M) Sdn Bhd	9	11.50
Hing Yiap Knitting Industries Bhd	22	6.54
Kids-Wear Garments Sdn Bhd	3	6.29
Sri Utama Marketing	5	4.59
VRD Corporation Sdn Bhd	5	2.78
Hing Yiap Trading Sdn Bhd	22	2.68
Lava Apparels	8	1.73
Shanghai Thai-Tien Industry Sdn Bhd	4	1.36
		76.67

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. 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 apparels, the CHB Group 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 cost by outsourcing to lower cost producing countries. This has allowed the CHB Group to outsource the manufacturing of its apparels to manufacturers who offer the most competitive prices without compromising on quality. (Source: Frost & Sullivan, 2004)

The Directors of CHB believe that the absence of manufacturing operations and written contracts prove to be advantageous to the Group's business. As the textile and apparel industry is highly competitive, CHB is able to engage any manufacturers who offer lower cost. In addition, the Group's modus operandi of outsourcing its manufacturing activities has enabled it to focus on product designing and brand building and this is in line with the strategies of the Second Industrial Master Plan ("IMP2") which, 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. IMP2 recognises that in high-fashion apparel, about 75% of value-added is generated from non-manufacturing activities.

## 6. INFORMATION ON CHB GROUP (Cont'd)

### 6.5.17 Competitive advantage

#### (i) Diversity of products

The Group produces a wide range of products and accessories for a wide spectrum of the population, both male and female of different ages and income groups. As a result, the Group is able to adjust its product mix according to customer demand and prevailing fashion trends. The Group's products are competitively priced, timeless, appeal to a wide age group and are commonly and widely used. Hence, it would be less vulnerable to any decline in the Malaysian economy, change in consumer tastes and fashion trends.

#### (ii) Manufacturing vs. Outsourcing

A comparison between the manufacturing and outsourcing of manufacturing of sports apparels is as follows:

	<b>Manufacturing</b>	<b>Outsourcing</b>
<b>Operating Cost</b>	High operating cost - Fixed plant cost and labour - Profit margins eroded by manufacturing cost	Low operating cost - No fixed plant cost - No manufacturing cost
<b>Selling Prices</b>	Prices are volatile as they are affected by prices and availability of raw materials, labour and etc.	Prices are competitive as the manufacturing activities are only outsourced to manufacturers who offer attractive prices and not affected by the increasing cost of production.
<b>Turnover Time</b>	Turnover time approximately 6 months from raw materials to finished goods.	Not involved in the manufacturing and production process, thus turnover time is approximately 2-4 months.
<b>Labour</b>	At risk of labour shortage for the plant.	Labour risks not a concern as it is borne by the manufacturers.
<b>Wastage</b>	Have to bear cost of wastage from rejected apparels such as run of colour, fault from sewing and etc.	Do not have to bear cost of wastage from rejected apparels.
<b>Flexibility</b>	The apparel machine is able to produce only a single product either apparel or accessories. A few machines are needed to provide a wide range of apparels.	Able to source from a diverse range of manufacturers for particular apparels or accessories needed which offers attractive pricing and superior quality.  Able to be responsive to shifts and trends in the market.
<b>Channelling of Funds</b>	Have to allocate additional investment into value added activities besides the allocated funds for marketing, advertising and promotion.	With lower operating cost, able to channel resources to value added activities such as product and label development, branding and design and etc.

(Source: Frost & Sullivan, 2004)

As depicted above, the outsourcing of manufacturing has enabled the Group to price its products competitively and free up its resources for product design and development, brand building and expansion of its marketing and distribution network.

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**6. INFORMATION ON CHB GROUP (Cont'd)**

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In addition, the Group's bulk orders and long standing relationship with its suppliers allows it to enjoy purchase discounts.

**(iii) Extensive distribution network**

The Group has an extensive distribution network, which allows it to distribute its products throughout East and West Malaysia. As at 30 November 2004, it distributes its products via 448 consignment outlets in departmental stores and hypermarkets and 12 retail boutiques. As a result of its established brand names, the Group often gets invited to set up consignment outlets in departmental stores. The Group's consignment outlets are located in reputable departmental stores and hypermarkets such as Jaya Jusco, Parkson, The Store, Tesco and Carrefour. In addition, it also sells to 100 sports shops.

**(iv) Established own brand names**

A renowned brand name such as *Cheetah* takes a considerably long time to establish. *Cheetah* was launched in 1979. The Directors of CHB had over a period of approximately 25 years nurtured the *Cheetah* brand name by ensuring that the *Cheetah* products consistently offer good quality and fashionable apparels at affordable prices and hence, gain consumers' confidence. Weaker brand names appear and disappear constantly from the market, be it in the apparel market or other markets. However the *Cheetah* brand name has been in the market for the last 25 years and still remains strong today, capturing 40% of the local sports apparels' market share in 2003. This is testament of the acceptance of the Group's products by consumers. As such, it will not be easy for new market players who have just entered the local sports apparels' market with a new brand name to compete with CCM.

In addition, *Cheetah*, *Cheetah Junior*, *Cheetah Ladies*, *Cth Unlimited*, *C2* and *C. Union* are brand names owned by the Group as opposed to licensed brand names owned by third party. Therefore, the Group's products are not subject to any conditions, which may be imposed by such licences. Also, the Group is not exposed to the risk of the licence being revoked by third party licensors.

**(v) Management expertise**

Chia Kee Foo, Chia Kee Kwei and Chia Kee Yew, being the Executive Directors of CHB have been in the apparel business for more than 16 years and have managed to transform the Group's brands into successful homegrown brand names. The Group's track record of revenue is a testimony of the management's prowess in keeping abreast with the ever-changing fashion trends and producing designs, which continue to appeal to consumers. With such experienced and capable management team, the Group is confident of striving to achieve greater heights.

**6.5.18 Locations of Principal Place of Business, Marketing and Distribution Network**

The location of the Group's principal place of business is at the following premise:

No. 26, Jalan 6/91  
Taman Shamelin Perkasa  
Cheras  
56100 Kuala Lumpur

## 6. INFORMATION ON CHB GROUP (Cont'd)

### 6.6 INFORMATION ON SUBSIDIARY COMPANIES

As at 30 November 2004, the subsidiaries of CHB are as follows:

Company	Date of incorporation	Issued and paid-up share capital	Effective equity interest held (%)	Principal activities
CCM	28.09.1989	153,004	100	Principally involved in product designing, product development, marketing and retailing of sports apparel and accessories and casual wear under its own brand names
CRSB	24.04.1992	150,000	100	Property investment holding

As at 30 November 2004, CHB does not have any associated companies. Further information on the subsidiaries of CHB are set out below.

#### 6.6.1 Information on CCM

##### (i) History and business

CCM was incorporated in Malaysia under the Act on 28 September 1989 as a private limited company and commenced business in the same year. 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.

##### (ii) Share capital

CCM has an authorised share capital of RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which 153,004 ordinary shares of RM1.00 each are currently issued and credited as fully paid-up.

The changes in the issued and paid-up share capital of CCM since its incorporation are as follows:

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Cumulative issued and paid-up share capital (RM)
28.09.1989	4	Cash	4
21.03.1991	153,000	Otherwise than in Cash	153,004

As at 30 November 2004, there are no outstanding warrants, options, convertible securities or uncalled capital of CCM.

##### (iii) Substantial shareholder

CCM is a wholly-owned subsidiary of CHB.

##### (iv) Subsidiary and associated companies

As at 30 November 2004, CCM owns the entire issued and paid-up share capital of CRSB.

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**6. INFORMATION ON CHB GROUP (Cont'd)**


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**6.6.2 Information on CRSB****(i) History and business**

CRSB was incorporated in Malaysia under the Act on 24 April 1992 as a private limited company. The company is principally involved in property investment holding.

**(ii) Share capital**

CRSB has an authorised share capital of RM250,000 comprising 250,000 ordinary shares of RM1.00 each, of which 150,000 ordinary shares of RM1.00 each are currently issued and credited as fully paid-up.

The changes in the issued and paid-up share capital of CRSB since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital (RM)</b>
24.04.1992	4	Cash	4
09.05.1992	149,996	Cash	150,000

As at 30 November 2004, there are no outstanding warrants, options, convertible securities or uncalled capital of CRSB.

**(iii) Substantial shareholder**

CRSB is a wholly-owned subsidiary of CCM.

**(iv) Subsidiary and associated companies**

As at 30 November 2004, CRSB does not have any subsidiary or associated company.

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## 7. INFORMATION ON THE SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL OF CHB GROUP

### 7.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

#### 7.1.1 Promoters

The direct and indirect interests of the promoters of CHB in the Shares after 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.

#### 7.1.2 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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## 7. INFORMATION ON THE SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL OF CHB GROUP (Cont'd)

### 7.1.3 Background Information on the promoters/substantial shareholders of CHB

- (i) Chia Kee Foo, Chia Kee Kwei and Chia Kee Yew have extensive experience and knowledge in the apparel industry whilst CYY is a company wholly owned by the three of them. Please refer to the profile of Chia Kee Foo, Chia Kee Kwei and Chia Kee Yew in Section 7.2.2 of this Prospectus.
- (ii) CYY was incorporated in Malaysia under the Act on 3 July 1997 and is principally an investment holding company.

CYY has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each, with a paid-up capital of RM10,000 comprising 10,000 ordinary shares of RM1.00 each. As at 30 November 2004, the directors/shareholders of CYY and their shareholdings in the company are as follows:

Directors/Shareholders	Nationality	<-----Direct ----->		<-----Indirect ----->	
		No. of shares	%	No. of shares	%
Chia Kee Foo	Malaysian	5,750	57.50	-	-
Chia Kee Kwei	Malaysian	2,800	28.00	-	-
Chia Kee Yew	Malaysian	1,450	14.50	-	-
Hor Ah Kuan	Malaysian	-	-	-	-

### 7.1.4 Directorships and substantial shareholdings in all other public corporations for the past two (2) years

Based on the declarations by the promoters and substantial shareholders of CHB, none of the promoters or substantial shareholders of CHB has any directorship and/or substantial shareholding in any other public corporation for the past two (2) years preceding 30 November 2004.

### 7.1.5 Changes in promoters' and substantial shareholders' shareholdings in CHB for the past three (3) years

The changes in the shareholdings of the promoters and substantial shareholders of CHB in the Shares for the past three (3) years are as follows:

	Date of change	Acquisition/ Allotted No. of shares	Disposal / Transfer No. of shares	<-----Direct ----->		<-----Indirect ----->	
				No. of shares	%	No. of shares	%
Sim Hooi Leng	01.12.03	-	1	-	-	-	-
Qui Ai Ging	01.12.03	-	1	-	-	-	-
Sonny Geh Sim Chong	01.12.03	1	-	1	50.00	-	-
	27.01.04	1 <sup>(1)</sup>	-	2	50.00	-	-
Riznida Eliza Binti Hamzah	01.12.03	1	-	1	50.00	-	-
	27.01.04	1 <sup>(1)</sup>	-	2	50.00	-	-
CYY	28.08.04	57,643,810	-	57,643,810	74.86	-	-
Chia Kee Foo	28.08.04	6,301,756	-	6,301,756	8.18	57,643,810 <sup>(2)</sup>	74.86
Chia Kee Kwei	28.08.04	3,103,572	-	3,103,572	4.03	57,643,810 <sup>(2)</sup>	74.86

## 7. INFORMATION ON THE SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL OF CHB GROUP (Cont'd)

	Date of change	Acquisition/ Allotted No. of shares	Disposal / Transfer No. of shares	<-----Direct----->		<-----Indirect----->	
				No. of shares	%	No. of shares	%
Chia Kee Yew	28.08.04	1,643,631	-	1,643,631	2.13	-	-

Notes:

(1) Share split of 1 ordinary share of RM1.00 each to 2 ordinary shares of RM0.50 each.

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

## 7.2 DIRECTORS

### 7.2.1 Directors' shareholdings

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.

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**7. INFORMATION ON THE SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL OF CHB GROUP (Cont'd)**

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**7.2.2 Profiles**

The profiles of the Board of Directors of CHB are as follows:

**Chia Kee Foo**, aged 42, was appointed to the Board of CHB as the Chairman and Managing Director on 29 August 2004. He was one of the co-founders of Success Sports Company and Cheetah Sports Centre and was appointed to the Board of CCM as the Managing Director upon incorporation of the company on 28 September 1989. Mr Chia Kee Foo has more than 25 years of experience in the garment industry and was involved in the day-to-day operations of Success Sports Company and Cheetah Sports Centre and currently, CCM. As such, he has a comprehensive understanding of the apparel market and has thus far managed to ensure that CCM keeps abreast with the ever-changing trends and taste of the fashion industry. Under his stewardship, CCM was transformed from a small to a substantial player in the local sports apparel industry. Mr Chia Kee Foo also supervises the selection of external manufacturers to ensure that CCM purchases only high quality products at competitive prices. He is also a Director and shareholder of CYY, a substantial shareholder of CHB.

**Chia Kee Yew**, aged 47, was appointed to the Board of CHB as an Executive Director on 29 August 2004 and heads the Merchandising Department. Mr Chia Kee Yew was a co-founder of Syarikat Yoon Yuen, Success Sports Company and Cheetah Sports Centre and was appointed to the Board of Directors of CCM as an Executive Director on 28 September 1989. He was involved in the designing of *Cheetah* apparels since the early days of Syarikat Yoon Yuen and continues to play a crucial role in designing the Group's apparels. In view of his extensive experience in apparel designing, Mr Chia Kee Yew has gathered a deep understanding of the fashion trends, which appeal to various target markets. His expertise in editing computer generated artwork, coupled with his creative flair, has resulted in the creation of designs which are well accepted in the market. Under his guidance, the Group has managed to consistently produce new designs to remain competitive over the years. Mr Chia Kee Yew is also a Director and shareholder of CYY, a substantial shareholder of CHB.

**Chia Kee Kwei**, aged 39, was appointed to the Board of CHB as an Executive Director on 29 August 2004 and heads the Finance Department. Prior to his appointment as the Finance Director of CCM on 28 September 1989, Mr Chia Kcc Kwei was entrusted with the task of supervising the retail operations of Cheetah Sports Centre. He was subsequently promoted to head the Accounting and Administrative Department of Success Sports Company in 1989. He is also well versed with the logistic aspects of the company's operations and in 1991, together with Creative Global Sdn Bhd (formerly known as IT&S Software Services Sdn Bhd), they developed a computer software application system known as Integrated Consignment Management System for its inventory control, invoicing, accounting and payroll. Under his supervision, CCM successfully implemented the Electronic Data Processing system. Mr Chia Kee Kwei was involved in the feasibility study on *Cheetah Junior* and *Cheetah Ladies* range of products and is also responsible for the business development of CCM. Mr Chia Kee Kwei is also a Director and shareholder of CYY, a substantial shareholder of CHB.

**Hor Ah Kuan**, aged 69, was appointed to the Board of Directors of CHB as Non-Independent Non-Executive Director on 29 August 2004. She began her career in the garment industry in 1977 by setting up a partnership called Syarikat Yoon Yuen with her son, Mr Chia Kee Yew. Together with Mr Chia Kee Foo, she co-founded another two (2) partnerships, namely Success Sports Company and Cheetah Sports Centre. Upon incorporation of CCM on 28 September 1989, she was appointed to the Board of CCM as an Executive Director. Her extensive experience in the cutting and sewing process in the manufacturing of apparels has provided her with valuable insight of the innovations that could be made to the manufacturing and retailing of apparels. Presently, she is involved in an advisory capacity with regard to the quality control aspects of the Group's apparels to ensure that the required quality is maintained prior to making the said apparels available to the market.

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**7. INFORMATION ON THE SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL OF CHB GROUP (Cont'd)**

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**Gong Wooi Teik**, aged 54, was appointed as Independent Non-Executive Director of the Company on 1 November 2004. He is a fellow member of The Institute of Chartered Accountants in England & Wales, member of the Malaysian Institute of Accountants and fellow member of the Malaysian Institute of Taxation. Mr.Gong did his articleship in United Kingdom in the early seventies and graduated as a Chartered Accountant in 1976. Thereafter, he returned to Malaysia and worked for Hanafiah, Raslan & Mohamed (now known as Ernst & Young) and Kassim Chan & Co (now known as Deloitte KassimChan) for a few years. In 1980, he started his own accounting firm and currently he is the managing partner of GEP Associates, which is a member firm of AGN International. Mr.Gong is currently an Independent Non-Executive Director of Nikko Electronics Bhd and Supermax Corporation Berhad.

**Chong Jock Peng**, aged 56, was appointed as Independent Non-Executive Director of the Company on 1 November 2004. He is an advocate and solicitor of the High Court of Malaya and has been practising law for the past nine (9) years since his admission to the Malaysian Bar in October 1995. He is now a senior partner in the law firm, Jayasuria, J.P. Chong & Co. Prior to his admission to the Malaysian Bar, he was a manager in an established law firm in Kuala Lumpur for several years. He received his LL.B (Hon) degree from the University of Wolverhampton, United Kingdom in 1993 and his Certificate in Legal Practice (CLP) in 1994.

**7.2.3 Directors' remuneration and benefits**

The remuneration paid to the Directors of the Company for services rendered to the Group in all capacities for the financial year ended 30 June 2004 amounted to RM871,080. For the financial year ending 30 June 2005, approximately RM1.3 million has been proposed to be paid to the Directors of the Company.

**7.2.4 Directorships and substantial shareholdings in all other public companies for the past two (2) years**

Based on the declarations by the Directors of CHB, save as disclosed in their respective profiles in Section 7.2.2, none of the Directors of CHB has any directorship and/or substantial shareholdings in any other public companies for the past two (2) years preceding 30 November 2004.

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## 7. INFORMATION ON THE SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL OF CHB GROUP (Cont'd)

### 7.3 KEY MANAGEMENT PERSONNEL

#### 7.3.1 Key management personnel's shareholdings

The direct and indirect interests of the key management personnel of the CHB Group 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 form allocations.

#### 7.3.2 Profiles

The profiles of the key management personnel of the CHB Group are as follows:

**Chen Yee Ho**, aged 35, is the General Manager of the Sales & Marketing Department in CCM. He graduated with a Bachelor of Business Administration (Honours) degree from Universiti Utara Malaysia in 1994 and joined CCM as Sales Executive in the same year. He was promoted to his current position in 2003. His responsibilities in CCM include planning and supervising the implementation of the Group's marketing and sales strategies. Mr Chen currently supervises the Group's sales force of more than 850 sales supervisors and promoters throughout Malaysia. Hence, he is also responsible for gathering market intelligence from the Group's sales personnel for product design and planning. He is also actively involved in the product and brands development for the Group.

**Chow Tat Kee**, aged 38, joined CCM in 1997 as the Finance & Administration Manager. He obtained a Diploma in Financial Accounting in 1990 from Kolej Damansara Utama. From 1991 to 1994, he worked as an auditor in Kassim Chan & Co (now known as Deloitte KassimChan), where he was involved in the auditing of companies in various industries such as trading and services, manufacturing, banking and finance, stockbroking, petroleum and property development. In 1994, he left Kassim Chan & Co (now known as Deloitte KassimChan) as an Audit Senior to join Pilecon Engineering Berhad, a company listed on the Main Board of Bursa Securities, as the Personal Assistant to the Operations Director. Subsequently he joined Syarikat Binaan Budi Sawmill Berhad (now known as SBBS Consortium Berhad) in 1996, a company listed on the Second Board of Bursa Securities, as an accountant. Mr Chow's responsibilities in CCM include preparing financial statements and monitoring the internal controls of the Group, and supervising administration matters.

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**7. INFORMATION ON THE SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL OF CHB GROUP (Cont'd)**

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**Kuan Sook Ching**, aged 37, is the Senior Merchandiser of CCM. She obtained a Diploma in Fashion from Kuala Lumpur College of Art and Ascot House of Fashion in 1990 and 1991 respectively. In 1992, she joined Goggles Marketing Sdn Bhd as a Merchandiser. She then left the company in 2000 to join CCM as a Merchandiser. She was subsequently promoted to Senior Merchandiser in 2002. Presently, she is the divisional leader for *Cheetah Ladies* and *C.Union*. Her responsibilities include selecting and engaging external manufacturers and quality inspections. She is also involved in the designing of the Group's apparels.

**Chong Mei Fong**, aged 30, is the Senior Merchandiser of CCM. She obtained a Diploma in Computer & Graphic Design from IN-HOUSE Computer & Graphic Training Centre in 1996. In 1997, she joined First Worldwide Technology Sdn Bhd as a Design Co-ordinator. In 1999, she joined Depi Corporation Sdn Bhd as a Graphic Designer / Artist. She left the Company in 2002 to join Joya Marketing (M) Sdn Bhd as a Merchandiser cum Designer for men's wear. She joined CCM in 2004 as Senior Merchandiser. Ms Chong is the divisional leader for *Cheetah*, *Cth Unlimited* and *C2*. Her responsibilities include selecting and engaging external manufacturers and quality inspections. She is also involved in the designing of the Group's apparels.

**Lai Wei Neng**, aged 32, is the Senior Merchandiser of CCM. He obtained a Diploma in Graphic Design from the Malaysian Institute of Arts in 1993. In 1994, he joined Kraal Corporation (M) Sdn Bhd as children wear designer. In 1996, he joined Charming Force (M) Sdn Bhd as Merchandiser / Designer for children wear. Mr Lai joined CCM in 1999 as Merchandiser cum Designer and was subsequently promoted to his current position in 2000. He is the divisional leader for *Cheetah Junior*. His responsibilities include selecting and engaging external manufacturers and carrying out quality inspections. He is also involved in the designing of the Group's apparels.

**7.4 INVOLVEMENT IN OTHER BUSINESSES/CORPORATIONS**

As at 30 November 2004, based on the declarations from the Executive Directors and key management personnel of the CHB Group, none of the said Directors and personnel are involved in any other businesses and corporations.

**7.5 DECLARATIONS FROM THE DIRECTORS AND KEY MANAGEMENT PERSONNEL**

None of the Directors or key management personnel of the CHB Group is or was involved in the following events (whether in or outside Malaysia):

- (i) A petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any company of which he was a director or key management personnel;
- (ii) A charge and/or conviction in a criminal proceeding or is a named subject of a pending criminal proceeding; or
- (iii) The subject of any order, judgement or ruling of any court of competent jurisdiction, temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

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**7. INFORMATION ON THE SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL OF CHB GROUP (Cont'd)**


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**7.6 AUDIT COMMITTEE**

The composition of the Audit Committee is as follows:

<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

The Audit Committee is responsible for the recommendation to the Board of Directors regarding the selection of the external auditors, reviewing the results and scope of the audit and other services provided by the Group's external auditors and reviews and evaluates the Group's internal audit and control functions. The Audit Committee is also responsible for the assessment of financial risk and matters relating to related party transactions and conflict of interests. The Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties.

**7.7 RELATIONSHIPS**

Save as disclosed below, there are no family relationships or associations between/amongst the substantial shareholders, promoters, Directors and key management personnel of the CHB Group:

- (i) Chia Kee Foo, Chia Kee Kwei and Chia Kee Yew are brothers;
- (ii) Hor Ah Kuan is the mother to the abovementioned; and
- (iii) Chia Kee Foo, Chia Kee Kwei and Chia Kee Yew are the shareholders of CYY as disclosed in Section 7.1.3 of this Prospectus.

**7.8 SERVICE AGREEMENTS**

None of the Directors or key management personnel have any existing or proposed service contracts with CHB or its subsidiaries.

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## 8. APPROVALS AND CONDITIONS

### 8.1 CONDITIONS ON APPROVALS FOR THE FLOTATION SCHEME

The Flotation Scheme has been approved by the SC vide its letter dated 18 June 2004 and by MITI vide its letters dated 22 and 24 June 2004 and the Listing has been approved by Bursa Securities vide its letter dated 29 June 2004. Under the Guidelines of FIC in relation to Acquisitions, Mergers and Take-Overs, 1974, the SC, vide its letter dated 18 June 2004, has no objections to the indicative equity structure of CHB after the Listing as follows:

	Equity structure before Flotation Scheme (%)	Equity structure after Flotation Scheme (%)
Bumiputera	50.00	30.00
Non-Bumiputera	50.00	70.00
Foreign	-	-
	<u>100.00</u>	<u>100.00</u>

In addition, the SC had vide its letter dated 3 December 2004 granted CHB an extension of time to 17 February 2005 to complete the Flotation Scheme.

The conditions imposed by the SC, MITI and Bursa Securities and their respective status of compliance are set out below:

Details of conditions imposed	Status of compliance
<b><i>Conditions imposed by the SC vide its letter dated 18 June 2004</i></b>	
(i) The proposed directors and substantial shareholders who are involved in full-time capacity in the CHB Group should not be involved in full time capacity in their personal businesses.	Complied.
(ii) The promoters, proposed/existing directors and substantial shareholders of CHB should not, in the future, carry out any businesses which will compete directly or indirectly and be in conflict with the business of CHB.	The undertaking letters have been furnished to the SC on 16 December 2004.
(iii) Moratorium is to be imposed on CYY of its shareholdings of 36,000,000 Shares amounting to 45% of the enlarged issued and paid-up capital of CHB after the Flotation Scheme, whereby CYY is not allowed to sell, transfer or assign the CHB Shares under moratorium for one (1) year from the listing date of the CHB shares. In addition, the individual shareholders of CYY must each provide an undertaking that he will not sell, transfer or assign his shareholding in CYY for the period of the moratorium.	Complied. The undertaking letters furnished by CYY and its shareholders have been furnished to the SC on 6 December 2004.
(iv) With regard to the CHB Group's trade debtors, the conditions as below:	
(a) CHB should fully disclose in the listing prospectus the debtors' position, ageing analysis and, for amounts exceeding the credit period, comments by the Directors on the recoverability of the amounts;	Complied. Please refer to Section 11.1.5 of this Prospectus.

**8. APPROVALS AND CONDITIONS (Cont'd)**

Details of conditions imposed	Status of compliance
(b) Full provision should be made for all overdue trade debtors which are in dispute or under legal action, or for amounts which had been outstanding for more than six (6) months; and	Complied. Please refer to Section 11.1.5 of this Prospectus.
(c) The Directors of CHB should confirm and submit a declaration that debts exceeding credit period are recoverable and that full provision has been made to the accounts/forecast in accordance with paragraph (b) above.	The necessary declaration has been furnished to the SC on 6 December 2004.
(v) With regard to CHB Group's landed property held under Lot No. 11931, Mukim of Ampang, District of Kuala Lumpur, Federal Territory, the conditions as below:	
(a) In relation to the extension work carried out to the first floor which has been approved by the Building Control Department of Dewan Bandaraya Kuala Lumpur (DBKL), the company is to:	
<ul style="list-style-type: none"> <li>• obtain the certificate of building completion of the extension within six (6) months of the SC's approval letter;</li> </ul>	Complied based on a letter from DBKL dated 8 September 2004.
<ul style="list-style-type: none"> <li>• have the ownership transferred and registered into the document of title within six (6) months from the SC's approval letter; and</li> </ul>	Complied. Ownership transferred and registered on 2 September 2004.
<ul style="list-style-type: none"> <li>• make quarterly announcement to Bursa Securities on the status of the above applications and to update the SC when such announcements are made;</li> </ul>	Not applicable as the conditions have been complied with as at the date of this Prospectus and the SC has been informed of the compliance on 6 December 2004.
(b) In relation to the existing front, side and rear terraces of the property not approved by DBKL, the company is to provide an undertaking that the unapproved structure will be removed prior to the listing of CHB if the relevant approval has not been obtained by then.	Complied. The unapproved structure has been removed and the confirmation letter from the valuer in relation to the removal of the unapproved structure has been furnished to the SC on 6 December 2004.
(vi) 30% of the enlarged share capital of CHB is to be allocated to Bumiputera investors approved by MITI to comply with the National Development Policy (NDP) requirement and CHB/RHB Sakura is to inform the SC of the status of compliance with the NDP requirement upon completion of the Flotation Scheme.	To be complied.

**8. APPROVALS AND CONDITIONS (Cont'd)**

<b>Details of conditions imposed</b>	<b>Status of compliance</b>
<p>(vii) CHB is to disclose the time frame for the utilisation of proceeds in the listing prospectus.</p> <p>(viii) Any extension of time for the completion of the utilisation of the proceeds from that determined earlier is to be approved by a clear resolution by the board of Directors of CHB and fully disclosed to Bursa Securities; and</p> <p>(viii) CHB is to disclose the status of the utilisation of the listing proceeds in its quarterly and annual reports until the proceeds are fully utilised.</p>	<p>Complied. Please refer to Section 3.8 of this Prospectus.</p> <p>To be complied, if applicable.</p> <p>To be complied.</p>
<p><b>Conditions imposed by MITI vide its letters dated 22 June 2004 and 24 June 2004.</b></p> <p>(i) CHB is required to obtain the SC's approval for the Flotation Scheme and comply with the guidelines for acquisitions, mergers and take-overs; and</p> <p>(ii) The allocation of 24,000,000 Shares representing 30% of the enlarged issued and paid-up share capital of CHB is subject to MITI's approval and will be determined subsequent to the SC's approval being obtained.</p>	<p>Complied. The SC's approval was obtained on 18 June 2004.</p> <p>MITI had, vide its letters dated 28 October 2004, 25 November 2004 and 7 December 2004, allocated the entire 24,000,000 Shares.*</p>
<p><b>Conditions imposed by Bursa Securities vide its letter dated 29 June 2004.</b></p> <p>(a) Approval from the SC being obtained and where there are conditions and/or variations imposed by the SC, compliance of the said conditions and/or variations in relation to the issuance and listing of the securities of the Company; and</p> <p>(b) Compliance with the Listing Requirements of Bursa Securities in respect of any variations to the issued and paid-up capital of the Company.</p>	<p>Complied. The SC's approval was obtained on 18 June 2004. There is no variation imposed by the SC for the Flotation Scheme and the conditions imposed by the SC that can be complied prior to the issuance of this Prospectus, have been complied with.</p> <p>Not applicable. There is no variation to the issued and paid-up share capital of CHB.</p>

*Note:*

\* Vide its letters dated 28 October 2004, 25 November 2004 and 7 December 2004, MITI had approved the allocation of 24,000,000 Offer Shares reserved for Bumiputera investors. The said MITI's approvals are subject to the condition that 30% of the number of Shares allocated may be disposed of within three (3) months from the date of Listing and the remaining 70% of the number of Shares allocated may be disposed of on staggered basis, with prior approval from MITI.



## 8. APPROVALS AND CONDITIONS (Cont'd)

### 8.2 MORATORIUM ON SHARES

The SC, in approving the listing of CHB, imposed a moratorium on the disposal of Shares by CYY, a Promoter of CHB. The moratorium will be imposed on the sale of 36,000,000 Shares representing 45% of the enlarged issued and paid-up share capital of CHB held by CYY. CYY is not allowed to sell, transfer or assign its shareholding in CHB which is placed under moratorium within one (1) year from the date of admission of CHB to the Official List of the Second Board of Bursa Securities.

Details of CYY's shareholding in CHB are as follows:

Promoter	Shareholdings after the IPO		Shareholdings under moratorium	
	No. of Shares	% of enlarged issued and paid-up share capital	No. of Shares	% of enlarged issued and paid-up share capital
CYY	36,308,113	45.39	36,000,000	45.00

The restriction, which has been fully accepted by CYY, is specifically endorsed on the share certificates representing its shareholding, which is under moratorium. This is to ensure that the Company's share registrar does not register any transfer, which is not in compliance with the restriction imposed by the SC.

The statement endorsed on the said certificate is as follows:

*"The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."*

In compliance with the SC's approval letter for the Flotation Scheme dated 18 June 2004, the shareholders of CYY have given their respective undertakings that they will not sell, transfer or assign their respective shareholdings in CYY for the period of the moratorium as stipulated above. Copies of the letters of undertakings have been furnished to SC on 6 December 2004.

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