

CORPORATE INFORMATION

BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
Tan Sri A. Rahim bin Tamby Chik (<i>Non-Executive Chairman</i>)	5331C, Sri Kasturi Jalan Paya Ikan 75150 Bukit Baru Melaka	Director	Malaysian
Lim Choon Hiok (<i>Managing Director</i>)	10 Jalan Budaya Taman Bandar 83000 Batu Pahat Johor Darul Ta'zim	Director	Malaysian
Lim Meng Hong (<i>Executive Director</i>)	59 Jalan Mersawa Taman Batu Pahat 83000 Batu Pahat Johor Darul Ta'zim	Director	Malaysian
Lim Meng Hee (<i>Executive Director</i>)	59 Jalan Mersawa Taman Batu Pahat 83000 Batu Pahat Johor Darul Ta'zim	Director	Malaysian
Dr Ng Soon Lim (<i>Independent Non-Executive Director</i>)	12 Jalan Dedap Taman Perdana 83000 Batu Pahat Johor	General Medical Practitioner	Malaysian
Keah Say Wan (<i>Independent Non-Executive Director</i>)	No 30, Jalan Jambu Air Taman Sentosa 83000 Batu Pahat Johor	Advocate & Solicitor	Malaysian

AUDIT COMMITTEE

Name	Responsibility	Directorship
Keah Say Wan	Chairman	Independent Non-Executive Director
Lim Meng Hong	Member	Executive Director
Dr Ng Soon Lim	Member	Independent Non-Executive Director

CORPORATE INFORMATION (Cont'd)

COMPANY SECRETARIES	:	Chua Siew Chuan (MAICSA 0777689) No 6 Jalan SS14/8E Subang Jaya 47500 Petaling Jaya Selangor
		Teo Soon Mei (MAICSA 7018590) No 9 Jalan OZ 17 Ozana Impian 75450 Bukit Katil Melaka
REGISTERED OFFICE/ HEAD/MANAGEMENT OFFICE	:	Lot 4979, 2½ Miles Jalan Tanjung Laboh 83000 Batu Pahat Johor Email : bhb@baneng.com.my Website : www.baneng.com.my Telephone Number : 07-435 5700
PRINCIPAL BANKERS	:	EON Bank Berhad 51 & 51A Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Ta'zim
		Malayan Banking Berhad 32-4 Jalan Rahmat 83000 Batu Pahat Johor Darul Takzim
		HSBC Bank Malaysia Berhad 15 Jalan Petrie 84000 Muar Johor Darul Ta'zim
		Bumiputra-Commerce Bank Berhad 39 & 39A Jalan Rahmat 83000 Batu Pahat Johor Darul Ta'zim
		Hong Leong Bank Berhad 49 Jalan Jenang 83000 Batu Pahat Johor Darul Ta'zim

CORPORATE INFORMATION (Cont'd)

PRINCIPAL BANKERS (Cont'd)	:	Affin Bank Berhad No.3 & 4 Jalan Merah, Taman Bukit Pasir, 83000 Batu Pahat, Johor.
AUDITORS AND REPORTING ACCOUNTANTS	:	Arthur Andersen & Co Chartered Accountants Graha Maju, (Bangunan PKNM) Tingkat 10-Lot 1 Jalan Graha Maju 75300 Melaka
ISSUING HOUSE	:	MIDF Consultancy and Corporate Services Sendirian Berhad 12th Floor, Bangunan MIDF 195A, Jalan Tun Razak 50400 Kuala Lumpur
REGISTRAR	:	Securities Services (Holdings) Sdn Bhd Level 22 Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur
SOLICITORS FOR THE DUE DILIGENCE EXERCISE	:	Lee, Perara & Tan No. 55, Jalan Thambapillai Off Jalan Tun Sambanthan, Brickfields 50470 Kuala Lumpur
SOLICITORS FOR THE COMPANY	:	Tay & Partners Suite 6.01 6 th Floor Plaza See Hoy Chan Jalan Raja Chulan 50200 Kuala Lumpur
ADVISER AND MANAGING UNDERWRITER	:	Malaysian International Merchant Bankers Berhad 12 th Floor, Wisma Cyclecarri 288, Jalan Raja Laut 50350 Kuala Lumpur
UNDERWRITERS	:	Malaysian International Merchant Bankers Berhad 12 th Floor, Wisma Cyclecarri 288, Jalan Raja Laut 50350 Kuala Lumpur

CORPORATE INFORMATION (Cont'd)

UNDERWRITERS (Cont'd)	:	Kestrel Securities Sdn Bhd No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim
		MIDF Sisma Securities Sdn Bhd 17 th & 18 th Floor, Empire Tower 182 Jalan Tun Razak 50400 Kuala Lumpur
VALUER	:	Colliers, Jordan Lee & Jaafar (M'cca) Sdn Bhd No. 669 & 669A Jalan Melaka Raya 8 Taman Melaka Raya 75000 Melaka
LISTING SOUGHT	:	Main Board of the KLSE

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1. SUMMARY INFORMATION

The Summary Information is only a summary of the salient information about the Company and investors should read and understand the whole Prospectus prior to deciding whether or not to invest in the shares of the Company.

The summary information set out below is derived from the full text of this Prospectus and should be read in conjunction with the full text of this Prospectus.

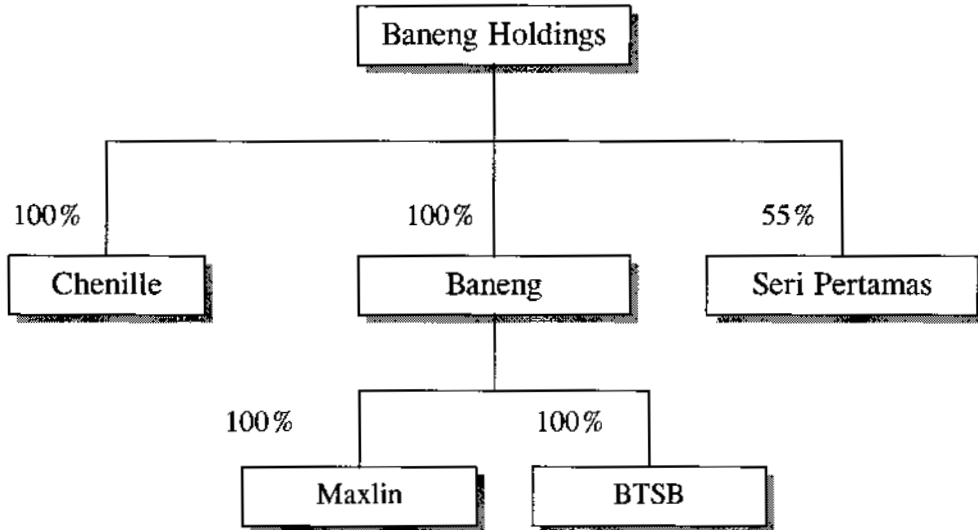
1.1 History and Principal Activities

The Company was incorporated in Malaysia under the Companies Act, 1965 on 11 July 1994 as a private limited company under the name of Gaya Metro Sdn Bhd. The Company was subsequently converted to a public limited company on 23 November 1994 and changed to its present name on 17 July 1996. Baneng Holdings is principally an investment holding company whilst the principal activities of its subsidiaries are detailed below:-

Name of Subsidiary Company	Date/ Place of Incorporation	Issued and Paid-up Share Capital	Equity Interest held by Baneng Holdings %	Principal Activity
Baneng	18.12.80/ Malaysia	RM8,000,000	100.00	Manufacturing, knitting, dyeing, sale of all types of fabrics, garments and related products
Maxlin	05.12.85/ Malaysia	RM1,500,004	100.00	Manufacturer and exporter of garments and related products
BTSB	05.10.89/ Malaysia	RM250,000	100.00	Manufacturer of fabrics
Chenille	24.10.91/ Singapore	S\$30,000	100.00	Trading and agency services
Seri Pertamas	19.11.92/ Brunei	B\$2,000,000	55.00	Manufacturer and exporter of garments and related products.

1. SUMMARY INFORMATION (Cont'd)

The Group's corporate structure is as follows:



Detailed information on the Group's history and principal activities are set out in Section 4.1, Section 4.4 and Section 4.5 of this Prospectus.

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1. SUMMARY INFORMATION (Cont'd)

1.2 Promoters/Substantial Shareholders, Directors and Key Management

Promoters/Substantial Shareholders

Name	Nationality / Place of Incorporation	Principal Activity/ Designation	No of Baneng Holdings Shares held after the Public Issue			
			Direct	%	Indirect	%
Upaya Mendaki	Malaysia	Investment Holding/ promoter & substantial shareholder	18,325,886	30.54	-	-
Lim Choon Hiok	Malaysian	Promoter, substantial shareholder & Managing Director of Baneng	12,857,727	21.43	18,325,886 ⁽¹⁾	30.54
Tan Sri A. Rahim bin Tamby Chik	Malaysian	Promoter, substantial shareholder & Non-Executive Chairman of Baneng	12,000,000	20.00	-	-
Lim Poh Choo	Malaysian	Promoter, substantial shareholder & Director of Upaya Mendaki	1,602,613	2.67	18,325,886 ⁽¹⁾	30.54

(1) Deemed interest by virtue of her shareholdings of more than 15% in Upaya Mendaki pursuant to Section 6A of the Companies Act, 1965

Directors

Name	Designation	No of Baneng Holdings Shares held after the Public Issue			
		Direct	%	Indirect	%
Tan Sri A. Rahim bin Tamby Chik	Non-Executive Chairman	12,000,000	20.00	-	-
Lim Choon Hiok	Managing Director	12,857,727	21.43	18,325,886 ⁽¹⁾	30.54
Lim Meng Hong	Executive Director	213,774	0.36	-	-
Lim Meng Hee	Executive Director	-	-	-	-
Dr. Ng Soon Lim	Independent Non- Executive Director	-	-	-	-
Keah Say Wan	Independent Non- Executive Director	-	-	-	-

(1) Deemed interest by virtue of her shareholdings of more than 15% in Upaya Mendaki pursuant to Section 6A of the Companies Act, 1965

1. SUMMARY INFORMATION (Cont'd)**Key Management**

Name	Designation	No. of Baneng Holdings Shares held after the Public Issue *			
		Direct	%	Indirect	%
Lim Beng Hoe	General Manager of Baneng & BTSS	-	-	-	-
Tan Wee Kuan	Factory Manager of Baneng	-	-	-	-
Tan Mia Huan	Offshore Country Manager of Maxlin	-	-	-	-
Lim Meng Chai	Sales & Marketing Manager of Maxlin	-	-	-	-
Cher How Ming	Production Manager of Baneng	-	-	-	-
Yow Yu Mun	Accounting Manager of Maxlin	-	-	-	-
Lee Mun Ngor	Merchandising Manager of Maxlin	-	-	-	-

*Note * : None of the key management has any direct or indirect interests in Baneng Holdings save for the shares in Baneng Holdings offered to them pursuant to the Public Issue as stated in Section 2.5 below.*

The key management have no direct/indirect shareholdings in Baneng Holdings prior to the Public Issue.

Detailed information on the promoters/substantial shareholders, Directors, as well as the key management is set out in Section 5 of this Prospectus.

1. SUMMARY INFORMATION (Cont'd)

1.3 Table of Income Statement for the Past Five (5) Years

The following table is a summary of the proforma consolidated financial results of the Baneng Holdings Group for the last five (5) financial years ended 31 December 1996 to 2000 and seven (7)-month period ended 31 July 2001 and is prepared based on the assumption that the Group has been in existence since 1 January 1996. The proforma consolidated financial results are prepared for illustrative purposes and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report as set out in Section 9 of this Prospectus.

	← Financial year ended 31 December →					7-month
	1996	1997	1998	1999	2000	period ended 31.7.2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	114,097	151,891	268,283	292,760	353,863	185,400
Profit before depreciation, interest and taxation	20,912	28,247	39,383	43,031	49,457	29,214
Interest expense	(8,334)	(11,735)	(19,892)	(14,186)	(15,302)	(8,895)
Depreciation	(4,183)	(6,025)	(7,874)	(9,243)	(13,781)	(8,518)
Profit before taxation	8,395	10,487	11,617	19,602	20,374	11,801
Taxation	(503)	(956)	(1,018)	(48)	(1,066)	(655)
Profit after taxation	7,892	9,531	10,599	19,554	19,308	11,146
Minority interest	(101)	(261)	(621)	(2,767)	(3,028)	(2,148)
Profit after taxation and minority interest	7,791	9,270	9,978	16,787	16,280	8,998
Number of ordinary shares of RM 1.00 each assumed to be in issue ('000)	51,000	51,000	51,000	51,000	51,000	51,000
Gross earnings per share (sen)	16.46	20.56	22.78	38.44	39.95	* 39.67
Net earnings per share (sen)	15.28	18.18	19.56	32.92	31.92	* 30.25

* Annualised

- (1) There were no exceptional or extraordinary items in all the financial years/period under review.
- (2) The gross earnings per share has been calculated based on profit before taxation divided by the issued and paid up share capital of 51,000,000 ordinary shares before the public issue.

1. SUMMARY INFORMATION (Cont'd)

- (3) The net earnings per share has been calculated based on profit after taxation and minority interest divided by the issued and paid up share capital of 51,000,000 ordinary shares before the public issue.
- (4) Taxation has been adjusted to reflect the under/over provision in the respective financial years/period. The effective tax rate for 1999 was lower than the statutory tax rate as there was no tax charge for Malaysian companies and the amount payable was waived in accordance with the Income Tax (Amendment) Act, 1999. The effective tax rate for other years were lower than the statutory tax rate mainly due to the following reasons:
- (i) Seri Pertamas was granted pioneer status for a period of five years commencing 26 May, 1996; and
 - (ii) Baneng and Maxlin were entitled to claim reinvestment allowances.
- (5) The revenue for 1996 and 1997 increased by 15% and 33% respectively mainly due to the commencement of operations by Seri Pertamas in April, 1996 which had expanded the production capacity for apparels manufacturing and therefore boosted the demand of fabrics produced by Baneng.
- (6) The significant growth in revenue by 77% for 1998 was due to the increase in demand from the Group's existing customers from overseas markets as well as the favourable foreign currency exchange rates which had increased the average selling prices.
- However, profit before taxation only increased by 11% mainly due to competitive pricing in the industry where special prices were given to customers with voluminous orders. In addition, the escalating interest rates during the year had caused interest expense to increase from RM11.7 million to RM19.9 million.
- (7) Revenue for year 1999 rose by 9% but pretax profit increased remarkably by 69% to RM19.6 million mainly due to the decrease in interest expense by 29% which is a result of the drop in interest rates from an average of 15% in 1998 to an average of 9.75% in 1999.
- (8) The revenue for year 2000 increased by 21% mainly due to the increase in the production capacity of Maxlin. Profit before taxation only increased marginally by 4% as a result of a major capital expansion undertaken by the Group during the year of approximately RM76.5 million for upgrading and modernisation of production facilities. As a result, depreciation increased substantially by 49% and eroded the profit margin accordingly.
- (9) The annualised revenue for the year 2001 is 10% lower than the preceding year mainly due to seasonal factors whereby revenue for the second half of the year would normally be higher than the first half of the year. As such, the Group recorded revenue of RM185.4 million with a pretax profit of RM11.8 million.

1. SUMMARY INFORMATION (Cont'd)

1.4 Proforma Consolidated Balance Sheets as at 31 July 2001

The Proforma Consolidated Balance Sheets as set out below are provided for illustrative purposes only to show the effects on the Consolidated Balance Sheets of Baneng Holdings as at 31 July 2001 had the Public Issue been effected on that date.

	Audited Balance Sheets of Baneng Holdings as at 31 July, 2001		Proforma I (After Public Issue)
	Company RM'000	Group RM'000	RM'000
CURRENT ASSETS			
Cash and bank balances	*	12,479	12,479
Trade debtors	-	74,728	74,728
Stocks	-	80,105	80,105
Other debtors, deposits and prepayments	695	12,116	12,116
	<u>695</u>	<u>179,428</u>	<u>179,428</u>
CURRENT LIABILITIES			
Short term borrowings	-	117,464	101,558
Trade creditors	-	31,919	31,919
Other creditors and accruals	1	6,806	6,806
Due to a director	-	5,196	4,202
Due to a subsidiary	764	-	-
Hire purchase creditors	-	13,841	13,841
Loans	-	5,156	5,156
Taxation	-	675	675
	<u>765</u>	<u>181,057</u>	<u>164,157</u>
NET CURRENT (LIABILITIES)/ ASSETS	(70)	(1,629)	15,271
FIXED ASSETS	-	162,484	162,484
SUBSIDIARIES	59,203	-	-
OTHER INVESTMENT	-	4	4
MINORITY INTERESTS	-	(10,689)	(10,689)
HIRE PURCHASE CREDITORS	-	(6,643)	(6,643)
LOANS	-	(39,960)	(39,960)
DEFERRED TAXATION	-	(2,769)	(2,769)
	<u>59,133</u>	<u>100,798</u>	<u>117,698</u>
SHAREHOLDERS' FUNDS			
SHARE CAPITAL	51,000	51,000	60,000
RESERVES	8,133	49,798	57,698
	<u>59,133</u>	<u>100,798</u>	<u>117,698</u>
NTA per share (RM)	<u>1.16</u>	<u>1.98</u>	<u>1.96</u>

* This represents RM2

1. SUMMARY INFORMATION (Cont'd)

1.5 Audit Qualifications in the Audited Financial Statements for the Past Five (5) Financial Years

The Reporting Accountants are the auditors of the Baneng Holdings Group. The financial statements for Chenille and Seri Pertamas are audited by other accounting firms save and except for the financial statements for the 7-month period ended 31 July 2001 which were audited by the Reporting Accountants. All the financial statements were reported on without any qualification throughout the past five (5) financial years ended 31 December 1996 to 2000 and the 7-month period ended 31 July 2001.

1.6 Summary of Material Risk Factors

The following are the main investment considerations (which may not be exhaustive) as extracted from Section 3 of this Prospectus which applicants for the Issue Shares should carefully consider in addition to other information contained elsewhere in this Prospectus before applying for the Issue Shares :-

- (i) Prior to this Public Issue, there has been no public market for Baneng Holdings shares. There can be no assurance that the issue price will correspond to the price at which Baneng Holdings shares will trade on the Main Board of the KLSE upon or subsequent to its listing or that an active market for Baneng Holdings shares will develop or, if developed, that such market will be sustained;
- (ii) Upon the completion of the Public Issue, the controlling shareholders of Baneng Holdings will effectively and collectively hold 55.00% in Baneng Holdings. As a result, the controlling shareholders will be able to control the outcome on certain matters requiring the vote of the Company's shareholders;
- (iii) As a manufacturing concern competing in the global market, Baneng Holdings is subject to certain inherent risks in the industry. These include labour and raw material shortages, quota restraints, competition, increases in costs as well as changes in the domestic and international economic environment, political, legislative and social conditions;
- (iv) The Group is subject to certain financial risks, in particular, its level of borrowings and foreign exchange fluctuations. The Group has managed to reduce its gearing ratio from 2.84 times as at 31 December 2000 to 1.82 times as at 31 July 2001 and expects to further reduce its gearing ratio to 1.42 times from proceeds to be received from the Public Issue. However, there is no assurance that the Group's gearing ratio will not increase from this level in the future. Whilst foreign exchange risks are minimised as a result of the pegging of the Malaysian Ringgit to the USD, there is no assurance that the exchange rate will remain fixed;
- (v) The Group believes that its continual success will depend on the abilities and continuous efforts of its existing senior management team. The loss of any key member of the Group's senior management may, to a certain extent, affect the Group's continued ability to maintain and improve its performance. However, the Group is always conscious of the need to groom the younger members of the management team to assume more responsibilities, hence ensuring a smooth transition should changes occur;

1. SUMMARY INFORMATION (Cont'd)

- (vi) Adverse developments in political, economic and regulatory conditions in Malaysia, Brunei or other countries where Baneng Holdings markets its products such as risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, changes in interest rates and methods of taxation could materially and adversely affect the financial prospects of the Group;
- (vii) The Group exports its products to a wide base of customers in the international markets, in particular to the USA. For the financial year ended 31 December 2000, sales to the US market accounted for approximately 50.4% of the Group's total sales. As such, the continued sales to the US market is very much dependent on the economic condition in the USA;
- (viii) This Prospectus contains certain forecasts and expectations of the Company which are based on assumptions that are subject to uncertainties and contingencies even though the directors have considered the assumptions used in the preparation of the forecasts or statement of expectations to be reasonable; and
- (ix) As part of its long term plans, the Group may consider joint venture operations with strategic partners in other countries. Whilst there are benefits from strategic joint ventures, there is a potential risk that these investments may not be successful.

Please refer to Section 3 of this Prospectus for further details on "Risk Factors".

1.7 Consolidated Profit and Dividend Estimate and Forecast

Profit Estimate and Forecast for Financial Years Ended/Ending 31 December

	Estimate 2001	Forecast 2002
Consolidated profit after taxation and minority interest (RM'000)	16,641	19,801
Enlarged issued and paid-up share capital ('000 shares)	51,000	60,000
Net earnings per share (sen)	32.63	33.00
Net PE Multiple based on the issue price of RM2.10 per share	6.44	6.36

Estimate and Forecast Dividends For Financial Years Ended/Ending 31 December

	Estimate 2001	Forecast 2002
Final tax-exempt dividend per share (sen)	-	5
Gross dividend yield based on the issue price of RM2.10 per share (after imputing notional tax of 28%) (%)	-	3.31
Net dividend cover (times)	-	6.60

1. SUMMARY INFORMATION (Cont'd)

1.8 Proforma Group NTA as at 31 July 2001

	Proforma Group NTA RM'000	NTA per share RM
After adjusting for the Public Issue	117,698	1.96

The above Proforma Consolidated NTA is derived after taking into account the Acquisitions and is based on the share capital of 60,000,000 shares of RM1.00 each. Detailed calculations on the Proforma Consolidated NTA are set out in Section 9 of this Prospectus.

1.9 Principal Information relating to the Public Issue

1.9.1 Share Capital

RM'000

Authorised:-

100,000,000 shares of RM1.00 each

100,000

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Issued and fully paid-up:-

51,000,000 shares of RM1.00 each

51,000

To be issued pursuant to the Public Issue :-

9,000,000 new shares of RM1.00 each

9,000

60,000

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1.9.2 Issue Price per Share

RM2.10

1.9.3 Class of Shares

There is only one class of shares in the Company at this point in time, namely, shares of RM1.00 each, all of which rank pari passu with one another. The Issue Shares will rank pari passu in all respects with the existing issued and paid-up ordinary shares in the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the issue and allotment of the Issue Shares.

1. SUMMARY INFORMATION (Cont'd)

1.10 Proposed Utilisation of Proceeds

The Public Issue is expected to raise gross proceeds of RM18,900,000 based on the issue price of RM2.10 per share.

The total proceeds of RM18,900,000 arising from the Public Issue will be utilised in the following manner:-

	RM'000
Repayment of bank borrowings	15,906
Payment of purchase consideration in respect of the acquisition of 7.5% and 20.0% equity interest in Maxlin and BTSB respectively by Baneng	994
Estimated listing expenses	2,000

	18,900
	===

1.11 Material Litigations, Commitments and Contingent Liabilities

Material Litigations

Neither the Company nor its subsidiary companies are engaged in any litigation either as plaintiff or defendant and the directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect the position or business of the Company or its subsidiary companies.

Commitments

As at 18 January 2002 (being the latest practicable date prior to the printing of this Prospectus), there are no commitments incurred or known to be incurred by the Group which may have a substantial impact on the result or the financial position of the Group, save and except for an amount of RM1.738 million which will be utilised for capital expenditure.

Contingent Liabilities

As at 18 January 2002 (being the latest practicable date prior to the printing of this Prospectus), neither Baneng Holdings nor its subsidiaries has any contingent liabilities except for the following :-

	RM'000
Corporate guarantees given by Baneng for banking facilities granted to Maxlin	<u>5,051</u>

2. DETAILS OF THE PUBLIC ISSUE

This Prospectus is dated 31 January 2002. A copy of this Prospectus has been registered by the SC and has been lodged with the ROC who takes no responsibility for its contents.

An application shall be made to the KLSE within three (3) market days of the issuance of this Prospectus for admission to the Official List of the Main Board of the KLSE and for dealing in and quotation for the entire issued and paid-up shares of the Company, which are the subject of this Prospectus. These shares will be admitted to the Official List of the Main Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of the applications will be conditional upon permission being granted to deal in and quotation for all the issued shares of the Company. Monies paid in respect of any application accepted will be returned, without interest if the said permission is not granted.

2.1 Opening and Closing Dates of the Application

The Application Lists will open at 10.00 am on 20 February 2002 and will remain open until 8.00 pm on the same day or for such further period or periods as the directors of Baneng Holdings in their absolute discretion may decide.

2.2 Dates of Special Events

Opening Date	:	31 January 2002
Closing Date	:	20 February 2002
Tentative Balloting Date	:	27 February 2002
Tentative Allotment Date	:	14 March 2002
Tentative Listing Date	:	21 March 2002

2.3 Purposes of the Public Issue

The purposes of the Public Issue are as follows :-

- (a) to provide an opportunity for the eligible employees of the Baneng Holdings Group and the Malaysian investing public to participate in the equity and in the continuing growth of the Group;
- (b) to enable Baneng Holdings to gain access to the capital market to raise funds for future expansion, diversification, modernisation and continued growth of the Group; and
- (c) to obtain listing of and quotation for the entire issued and paid-up share capital of Baneng Holdings on the Main Board of the KLSE.

2. DETAILS OF THE PUBLIC ISSUE (Cont'd)

2.4 Number and Class of Securities to be Issued

Authorised:-	RM
100,000,000 shares of RM1.00 each	100,000,000 =====
Issued and fully paid-up:-	
51,000,000 shares of RM1.00 each	51,000,000
To be issued pursuant to the Public Issue :-	
9,000,000 new shares of RM1.00 each	9,000,000 ----- 60,000,000 =====
Issue Price per Share	RM2.10

The issue price of RM2.10 per share is payable in full upon application.

There is only one class of shares in the Company at this point in time, namely, shares of RM1.00 each, all of which rank pari passu with one another. The Issue Shares will rank pari passu in all respects with the other existing issued and paid-up shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the issue and 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, distributions and the whole of any surplus in the event of liquidation of the Company in accordance with its Articles of Association.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, 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 vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each share held.

2. DETAILS OF THE PUBLIC ISSUE (Cont'd)

2.5 Details of the Public Issue

The Public Issue is subject to the terms and conditions of this Prospectus and upon acceptance, will be allotted in the following manner:-

(a) **Eligible Employees**

3,000,000 Issue Shares have been reserved for the eligible employees of the Baneng Holdings Group.

(b) **Malaysian Public**

6,000,000 Issue Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

The entire 9,000,000 Issue Shares have been fully underwritten. Any Issue Shares under paragraph (a) above not subscribed for by eligible employees of the Baneng Holdings Group will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions.

2.6 Basis of Arriving at the Issue Price

The issue price of RM2.10 per share was determined and agreed upon by the Company and MIMB as Adviser and Managing Underwriter after taking into account the following:-

- (a) the estimate and forecast net PE Multiple of 6.44 times and 6.36 times based on the estimate and forecast net earnings per share of 32.63 sen and 33.00 sen respectively for the financial years ended/ending 31 December 2001 and 2002 and the issue price of RM2.10 per share;
- (b) the business and prospects of the Baneng Holdings Group as outlined in the Sections 4.4 and 4.9 of this Prospectus; and
- (c) the proforma consolidated NTA of RM1.96 per Baneng Holdings share as at 31 July 2001. The issue price of RM2.10 per Baneng Holdings share represents a premium of 14 sen or 7.14% over the proforma consolidated NTA per Baneng Holdings share.

2. DETAILS OF THE PUBLIC ISSUE (Cont'd)

2.7 Proposed Utilisation of Proceeds

The Public Issue is expected to raise gross proceeds of RM18,900,000 based on the issue price of RM2.10 per share and will be utilised in the following manner:-

	Note	RM'000
Repayment of bank borrowings	(a)	15,906
Payment of purchase consideration in respect of the acquisition of 7.5% and 20.0% equity interest in Maxlin and BTSSB respectively by Baneng		994
Estimated listing expenses	(b)	2,000

		18,900
		=====

Note :

(a) *These loans were made to the Baneng Holdings Group for their working capital needs. As at 18 January 2002, the Group had a total of approximately RM182.462 million of the principal amount of loans outstanding. Assuming an interest rate of 5% per annum, the repayment of RM15.906 million is expected to result in savings in interest expenses of approximately RM795,300 per annum for the Baneng Holdings Group. The Group expects to make the repayment upon receipt of the proceeds from the Public Issue.*

(b) *All expenses incidental to the listing and quotation for the entire issued and paid-up share capital of Baneng Holdings on the Main Board of the KLSE, estimated at RM2,000,000, shall be borne by the Company including underwriting commission, brokerage and registration fee relating to the Issue Shares. The details of listing expenses are as follows :-*

	RM
<i>Underwriting Commission at 2.00%</i>	378,000
<i>Brokerage Fee at 1.00%</i>	189,000
<i>Estimated Professional Fees</i>	1,000,000
<i>Prospectus Registration Fee</i>	5,000
<i>Prospectus Lodgement Fee with ROC</i>	500
<i>SC Processing Fee</i>	60,000
<i>Estimated Issuing House Fee and Disbursements</i>	100,000
<i>KLSE Perusal Fee</i>	30,000
<i>Estimated Printing and advertisement expenses</i>	230,000
<i>Contingencies</i>	<u>7,500</u>
Total	<u>2,000,000</u>

2. DETAILS OF THE PUBLIC ISSUE *(Cont'd)*

There is no minimum subscription to be raised from the Public Issue as the Issue Shares are fully underwritten. The proceeds from the Public Issue are expected to be fully utilised by June 2002.

2.8 Financial Impact from the Utilisation of Proceeds

Cashflow for Financial Year Ending 31 December 2002

	RM'000
<u>Inflow</u>	
Gross proceeds from the Public Issue	18,900
<u>Outflow</u>	
Repayment of bank borrowings	(15,906)
Listing expenses	(2,000)
Purchase of investments	(994)
	0
	0

The impact on the consolidated balance sheet of the Baneng Holdings Group is reflected in the Proforma Consolidated Balance Sheets in Section 8.12 of this Prospectus.

2.9 Brokerage and Underwriting Commission

Brokerage is payable by the Company at the rate of 1.0% of the issue price of RM2.10 per share in respect of successful applications bearing stamps of MIMB, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

The Managing Underwriter and Underwriters mentioned earlier in this Prospectus have agreed to underwrite the entire 9,000,000 Issue Shares to be offered to the Malaysian public and the eligible employees of the Baneng Holdings Group.

Underwriting commission is payable by the Company at the rate of 2.0% of the issue price of RM2.10 per share or a total of RM378,000 in respect of the 9,000,000 Issue Shares.

2.10 Salient Terms of the Underwriting Agreement

In accordance with the underwriting agreement dated 25 January 2002 ("the Underwriting Agreement"), upon any material breach of the warranties or representations, or any material failure to perform any of the agreements or undertakings or any change rendering any of the said warranties, representations or agreements inaccurate in a material respect prior to the closing date of the Public Issue, the Underwriters shall by way of prior written notice to the Managing Underwriter at any time before the Closing Date, be entitled to terminate their obligations under the Underwriting Agreement.

Some of the salient terms of the Underwriting Agreement are reproduced as follows:

Clause 7.1

- "Notwithstanding anything herein contained, the Underwriters may by way of prior written notice to the Managing Underwriter at any time before the Closing Date terminate their obligations under this Underwriting Agreement :-

2. DETAILS OF THE PUBLIC ISSUE (Cont'd)

- (a) if in their reasonable opinion there shall have been such a change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates or the coming into force of any law or governmental regulations or directives as would in their reasonable opinion prejudice materially the success of the issuance of the Issue Shares and their distribution or where the composite index of the KLSE falls to or below **600** points (whether in the primary market or in respect of dealings in the secondary market); or
- (b) the conditions precedent in Clause 6.1 are not fulfilled by the Closing Date;
- (c) if the Company is not listed on the Main Board of the KLSE within ninety (90) days from the date of this Agreement; or
- (d) by reason of a force majeure event not being within the reasonable control of the Underwriters, including but not limited to civil disorders, outbreak of war or declaration of a state or national emergency.

and thereupon the parties hereto shall (except for the liability of the Company in the payment of costs and expenses referred to in Clause 17.3 hereof incurred prior to or in connection with such termination) be released and discharged from their respective obligations hereunder.”

Clause 3.1

- “The Company further undertakes with the Underwriters that it will:-

- (a) give to the Underwriters any or all information which the Underwriters may reasonably need or require affecting the issue of the Underwritten Shares and the accounts or affairs of the Baneng Group;
- (b) forthwith notify the Underwriters of any facts or information or situations or circumstances which may adversely affect the success of the issue of the Underwritten Shares and in particular and without prejudice to the generality of the foregoing of any material change affecting any of the aforesaid representations, warranties or agreements at any time prior to the Closing Date and take such steps as may be reasonably requested by the Underwriters to remedy and/or publicise the same. Upon any material breach of the said warranties or representations, or any material failure to perform any of the said agreements or any change rendering any of the said warranties, representations or agreements inaccurate in a material respect coming to the notice of the Underwriters prior to the Closing Date, the Underwriters shall be entitled (but not bound) by notice to the Company to elect to treat such breach, failure or change as releasing or discharging it of its obligations hereunder PROVIDED THAT the Company shall remain liable for the payment of the costs and expenses referred to in Clause 17.3 below which are incurred prior to or in connection with such release and discharge AND PROVIDED FURTHER THAT failure to make such election as aforesaid shall be without prejudice to the right of the Underwriters to treat any further or other breach, failure or change as releasing and discharging the Underwriters from their obligations as aforesaid;

2. DETAILS OF THE PUBLIC ISSUE (*Cont'd*)

- (c) disclose to the Underwriters any matter occurring prior to the Listing Date which may constitute a breach of or is inconsistent with any of the representations, warranties and undertaking contained in this Agreement promptly after becoming aware of the same.”

Clause 6.1

- “The several obligations of the Underwriters under this Agreement shall further be conditional upon:
 - (a) The KLSE and the Securities Commission having approved the Prospectus and agreed in principle on or prior to the Closing Date of the listing of and quotation for all the issued capital of the Company on the Main Board of the KLSE (and if such approvals shall be conditional, all conditions thereto being in terms acceptable to the Underwriters) and the Underwriters being reasonably satisfied that such listing and quotation will be granted three (3) clear Market Days (within the meaning ascribed thereto by the listing requirements of KLSE) after the Company shall have delivered or caused to be delivered to the MALAYSIAN CENTRAL DEPOSITARY SDN BHD (“the Central Depository”) a record of the successful applicants of the Issue Shares together with such particulars as may be required by the Central Depository for the purpose of making appropriate entries in the securities accounts of the respective applicants, together with the appropriate share scripts (in such denominations as may be specified by the Central Depository) registered in the name of the Central Depository;
 - (b) all necessary consents and approvals, including the approval in principle of the KLSE required for the admission to the official list of the KLSE and dealing in and quotation of the shares to be issued having been obtained on terms which are, in the Underwriters’ reasonable opinion, satisfactory and the same remaining valid and continuing to be in full force and effect on the Closing Date (if any) and that all conditions imposed by the Stock Exchange have been fully complied with;
 - (c) the issue of the Issue Shares having been approved by the Securities Commission, Malaysia, Foreign Investment Committee and the Ministry of International Trade and Industry Malaysia, and or any other relevant authority or authorities;
 - (d) there not having been on or prior to the Closing Date, any adverse change or any development reasonably likely to involve a prospective adverse change in the condition (financial or otherwise) of the Company and its subsidiary(ies) as defined by Section 5 of the Companies Act 1965, from that set forth in the Prospectus which is material in the context of the issue of the Underwritten Shares nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representations or warranties contained in Clause 2.1 hereof as though they had been given or made on such date;
 - (e) the delivery to the Securities Commission for the registration and to the Registrar of Companies, Malaysia for the lodgement of the Prospectus in accordance with the requirements of the Securities Commission Act, 1993 together with copies of all documents required by that Section and/or the said Act;

2. DETAILS OF THE PUBLIC ISSUE (Cont'd)

- (f) the delivery to the Managing Underwriter, on the Closing Date of a certificate by a director of the Company in the form set out in Schedule 2 hereto on behalf of all of its directors stating that to the best of his knowledge and belief, having made all reasonable inquiries, there has been no adverse change, development or event as is referred to in paragraph (d) of this Clause and that as at such date the Company has not committed a breach of any of its covenants herein;

If any of the foregoing conditions are not satisfied on or before the Closing Date, the Underwriters shall thereupon be entitled subject as mentioned below, to terminate this Agreement and in that event (except for the liability of the Company for the payment of costs and expenses as provided in Clause 17.3 hereof incurred prior to or in connection with such termination) the parties hereto shall be released and discharged from their obligations hereunder PROVIDED THAT the Underwriters may at their discretion waive compliance with any of the provisions of this Clause.”

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3. RISK FACTORS

Prior to making an investment decision, potential investors should carefully consider the following investment considerations in addition to all other relevant information contained elsewhere in this Prospectus, before making an application.

3.1 Marketability of Baneng Holdings shares

Prior to this Public Issue, there has been no public market for Baneng Holdings shares. The issue price of RM2.10 per share for the Issue Shares has been determined after taking into consideration a number of factors, including but not limited to Baneng Holdings's financial history and operating conditions, its prospects and the prospects for the industry in which Baneng Holdings operates, the management of the Group and the market prices of companies engaged in the businesses similar to that of Baneng Holdings. There can be no assurance that the issue price will correspond to the price at which Baneng Holdings shares will trade on the Main Board of the KLSE upon or subsequent to its listing or that an active market for Baneng Holdings shares will develop or, if developed, that such market will be sustained.

3.2 Ownership and Control of the Group

Upon the completion of the Public Issue, the controlling shareholders of Baneng Holdings (comprising Upaya Mendaki, Lim Choon Hiok, Lim Poh Choo and Lim Meng Hong) will effectively and collectively hold 55.00% in Baneng Holdings. As a result, the controlling shareholders will be able to control the outcome on matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities or the proposal requires a special resolution to be passed which requires 75% majority vote. Details of the shareholdings of directors and substantial shareholders of Baneng Holdings are set out under Section 12.6 of this Prospectus.

3.3 Business Risks

As a manufacturing concern competing in the global market, Baneng Holdings is subject to certain inherent risks in the industry. These include labour and raw material shortages, quota restraints, competition, increases in costs as well as changes in the domestic and international economic environment, political, legislative and social conditions. The Group recognises the business environment it is operating in and has undertaken proactive approaches in mitigating and minimising some of these risks, including the following:-

(i) Labour

Shortage of skilled labour in this industry is not uncommon. Taking into consideration the labour problems the industry is facing, the Baneng Holdings Group has integrated its operations and has been continuously upgrading its production facilities throughout the last three years. This has led to lower labour input and cost which has resulted in higher production and quality improvements.

Although the Group seeks to limit these risks, no assurance can be given that any change to these factors will not have a material adverse effect on the Group's business.

3. RISK FACTORS *(Cont'd)*

(ii) Quota Restraints

A problem faced by this industry is the restriction of exporting quota products and also penetration into quota markets such as the USA, EU, Canada and Norway. Malaysia has bilateral agreements with each of these countries which impose export restrictions on fabric and apparel products manufactured in Malaysia. The MITI allocates specific quantity quotas to selected apparels manufacturers in the country for exports to the USA, EU, Canada and Norway based on their past performance. If any of the selected manufacturers fail to meet the quota, MITI may lower the quota (in terms of export quantity) in the following year. On the other hand, manufacturers which consistently meet the allocated quota may request for an increase in their quota for the following years.

So far, the Group has been producing in excess of the export quotas imposed by the MITI, and has in the past been successful in obtaining approvals for additional ad-hoc allocation from MITI.

In addition, the Group has also ventured into Brunei which is a non-quota country. All cotton items exported from Brunei are quota free and lower import duty is imposed by the importing countries resulting in lower operating costs for the Group.

Under the World Trade Organisation's Agreement on Textiles and Clothing, countries must, beginning January 1995, set out a transitional process for the ultimate removal of quotas which has led to annual reduction on the dependency on quotas.

With the eventual abolishment of quotas by January 2005, the Group forecasts greater opportunities to capture a larger market share given its efficiency brought about by its modernised integrated production facilities.

(iii) Competition

Like in any industry, the Group currently faces competition from other operators, domestically, regionally and internationally. With the liberalisation of the world textiles and apparels trade in January 2005, there will be intense competition amongst the global players especially the Asian manufacturers who are one of the largest producers of textiles in the world. Long term prospects for this sector will depend on the strength of the local manufacturers against the rest of the global players.

Manufacturers like the Baneng Holdings Group will need to focus their business on satisfying market opportunities and needs, reassessing their marketing strategies and product specialisation and formulating strategies based on sound knowledge of market needs, production capabilities and skills.

Although no assurances can be given that the Group will be able to continue to compete effectively in the future, the Group is optimistic that it will be able to forge ahead through continuous efforts undertaken in terms of modernisation of production technology using fully computerised machines and new market penetration.

3. RISK FACTORS (Cont'd)

3.4 Financial Risks

The Group is subject to certain inherent financial risks, in particular, its level of borrowings and foreign exchange fluctuations. The Group believes in a proactive approach in mitigating and minimising such potential risks.

(i) Borrowings

As at 18 January 2002, being the latest practicable date prior to the printing of this Prospectus, the total borrowings of the Group amounted to RM182.462 million.

The Group has managed to reduce its gearing ratio from 2.84 times as at 31 December 2000 to 1.82 times as at 31 July 2001 through repayment of bank borrowings from fixed deposits, debt collection and proceeds from the disposal of machinery. Although the Group intends to further reduce its gearing ratio to 1.42 times from proceeds to be received from the Public Issue, there is no assurance that the Group's gearing ratio will not increase from this level in the future.

(ii) Foreign exchange fluctuations

Baneng Holdings Group's businesses involve the export and import of textiles, garments and raw materials to/from foreign markets which subject the Group to foreign exchange fluctuations. Whilst foreign exchange risks are minimised as a result of the pegging of the Malaysian Ringgit to the USD introduced by the Malaysian Government on 1 September 1998, there is no assurance that the exchange rate will remain fixed or remain fixed at the current rate. The Group is also exposed to the fluctuations of the Singapore Dollar as a small amount of purchases and payments for freight, chemicals and dye-stuff and apparel accessories are made in Singapore Dollars. For the financial year ended 31 December 2000, the Group's total purchase transacted in Singapore Dollars was RM5,751,117 or approximately 3.41% of the Group's total purchases. As the amount is not significant, this risk can be mitigated via sourcing from local suppliers.

3.5 Dependency on Key Personnel

The Group believes that its continual success will depend on the abilities and continuous efforts of its existing senior management team. The loss of any key member of the Group's senior management may, to a certain extent, affect the Group's continued ability to maintain and improve its performance. However, ongoing efforts are presently made by the Group to groom the younger members of the management team to assume more responsibilities, hence ensuring a smooth transition should changes occur. The Group progressively strives to attract and retain skilled personnel by creating promotion opportunities within the Group.

3.6 Political, Economic and Regulatory Considerations

Adverse developments in political, economic and regulatory conditions in Malaysia, Brunei or other countries where Baneng Holdings markets its products could materially and adversely affect the financial prospects of the Group. Other political, economic and regulatory uncertainties include risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, changes in interest rates and methods of taxation.

3. RISK FACTORS (Cont'd)

While Baneng Holdings will continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic factors will not materially affect the Company.

3.7 Dependence on Particular Geographical Locations

The Group exports its products to a wide base of customers in the international markets, in particular to the USA. For the financial year ended 31 December 2000, sales to the US market accounted for approximately 50.4% of the Group's total sales. As such, the sales to the US market is very much dependent on the economic condition in the USA.

Whilst the Group seeks to limit this risk by expanding to other markets such as the Asian, South African and Eastern European regions, no assurance can be given that the move to these markets will be successful in the initial years.

3.8 Forecasts and Expectations

This Prospectus contains certain forecasts and expectations of the Company that are based on assumptions that are subject to uncertainties and contingencies. The directors have considered the assumptions used in the preparation of the forecasts or statement of expectations to be reasonable. Because of the subjective judgements and inherent uncertainties of forecasts/expectations and because events and circumstances frequently do not occur as expected, there can be no assurance that the forecasts contained and expectations stated herein will be realised and actual results may be materially different from those shown or expected. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forecasts contained or expectations stated herein.

3.9 Investment in New Markets

As part of its long term plans, the Group may consider joint venture operations with strategic partners in countries that enjoy investment incentives or which are not restricted by quotas and/or tariffs. By having strategic joint venture partners, the Group hopes to not only reduce the potential risks of its investment but also increase its internal consumption of its fabrics.

Whilst there are benefits from strategic joint ventures, there can be no assurance that these investments will be successful.