III. PARTICULARS OF THE PUBLIC ISSUE

1. INTRODUCTION

This Prospectus is dated 30 September 2002.

A copy of this Prospectus has been registered by the SC and lodged with the Chief Executive Officer of the Companies Commission of Malaysia ("CCM"), and neither the SC nor the CCM takes any responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed HIB as a Prescribed Security. In consequence thereof, the Issue Shares offered through this Prospectus will be deposited directly with MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

An application will be made to the KLSE within 3 market days from the date of this Prospectus for admission to the Official List of the Main Board of the KLSE and for permission to deal in and for the listing of and quotation for the entire enlarged issued and paid-up ordinary shares of HIB, including the Issue Shares which are the subject of this Prospectus, on the Main Board of the KLSE. These ordinary 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 dispatched to all successful applicants.

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

Pursuant to the SC Guidelines, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 1,000 shares each, of which at least 750 shareholders are members of the public who are not employees of the Company, upon completion of the Public Issue and at the point of listing. In the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with its listing on the Main Board of the KLSE. In the event thereof, monies paid in respect of all applications will be returned if the said permission is not granted.

In the case of an application by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form only if he/she presently has such an account. Where an applicant does not presently have a CDS account, he/she should state in the Application Form his/her preferred ADA Code. Where an applicant already has a CDS account, he/she should not complete the preferred ADA Code. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application.

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

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

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

2. PARTICULARS OF THE PUBLIC ISSUE

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

(i) 7,500,000 Issue Shares have been reserved for eligible Directors and employees, and the customers and suppliers of the HIB Group;

(ii) 11,615,000 Issue Shares are reserved for private placement to identified investors including collective investment schemes; and

(iii) 4,000,000 Issue Shares are 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.

The Issue Shares in respect of paragraph (i) above are allocated based on the following criteria:

(a) the eligible Directors of the HIB Group are allocated 50,000 Issue Shares each;

(b) the position and number of years of service of the eligible employees who are confirmed employees of the HIB Group as at 16 September 2002. Based on this criteria, there are 499 employees who are eligible to subscribe for the reserved Issue Shares; and

(c) the value of transactions per annum and length of relationship of the customers and suppliers of the HIB Group. Based on the above criterias, up to 7 customers and 148 suppliers are eligible to subscribe for the reserved Issue Shares.

All the Issue Shares in paragraphs (i) and (iii) above are fully underwritten at an underwriting commission and a managing underwriting commission of 2.0% and 0.5% of the issue price of RM0.65 per Issue Share respectively. The Issue Shares under paragraph (ii) above will not be underwritten as the identified investors have provided irrevocable undertakings to subscribe for the said Issue Shares.

Any Issue Shares in respect of paragraph (i) above not subscribed for by the eligible Directors and employees, and the customers and suppliers of the HIB Group will be reallocated to the other eligible Directors and employees, and the customers and suppliers of the HIB Group. The Issue Shares in respect of paragraph (i) above not taken up after the said reallocation, if any, will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions.

3. SHARE CAPITAL AND RIGHTS ATTACHING TO THE ISSUE SHARES

	RM
Authorised	
200,000,000 ordinary shares of RM0.50 each	100,000,000
Issued and fully paid-up as at the date of this Prospectus	
126,885,000 ordinary shares of RM0.50 each	63,442,500
To be issued pursuant to the Public Issue	
23,115,000 new ordinary shares of RM0.50 each	11,557,500
	75,000,000

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

At any general meeting of the Company, each shareholder shall be entitled to vote 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 ordinary share held. A proxy may but need not be a member of the Company.

Subject to any special rights attaching to any shares that may be issued by the Company in the future, the shareholders of the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distribution and the whole of any surplus in the event of liquidation of the Company in accordance with the Articles of Association of the Company.

4. OPENING AND CLOSING OF APPLICATION LISTS

Applications will be accepted from 10.00 a.m. on 30 September 2002 and will close at 8.00 p.m. on 14 October 2002 or for such further period or periods as the Directors of the Company in their absolute discretion may decide. The indicative timing of events leading up to the listing is set out below:

Event	
Opening of Application List	30 September 2002
Closing of Application List	14 October 2002
Tentative date for balloting	October 2002
Tentative date for dispatch of notices of allotment to successful applicants	October 2002
Tentative date for Listing	November 2002

5. PURPOSES OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:

(i) To provide an opportunity for the Malaysian public and eligible Directors, employees, customers and suppliers of the HIB Group to participate in the continuing growth of the HIB Group;

(ii) To enable HIB to gain access to the capital market to tap external sources of borrowings and equity funds for the future expansion and continued growth of the HIB Group; and

(iii) To obtain a listing of and quotation for the entire enlarged issued and paid-up share capital of HIB on the Main Board of the KLSE.

6. BASIS OF ARRIVING AT THE ISSUE PRICE

The issue price of RM0.65 per Issue Share was determined and agreed upon by the Company and CIMB, as Adviser, Managing Underwriter and Placement Agent, after taking into consideration the following factors:

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

(ii) the prospects of the industry and of the HIB Group as outlined in Sections V(5) and V(8) of this Prospectus;

(iii) the prevailing market conditions;

(iv) the forecast net PE Multiple of 10.83 times and 6.30 times based on the enlarged issued and paid-up share capital of 150,000,000 ordinary shares of RM0.50 each and the weighted average number of ordinary shares in issue of 87,165,581 ordinary shares of RM0.50 each respectively for the financial year ending 31 March 2003;

(v) the proforma audited consolidated NTA per share of RM0.64 as at 31 March 2002; and

(vi) the forecast gross dividend yield of 1.5% for the financial year ending 31 March 2003.

Investors should also note that market price of the Issue Shares upon listing on the KLSE are subject to the vagaries of market forces and other uncertainties which may affect the price of these shares.

7. PROCEEDS FROM THE RIGHTS ISSUE AND PUBLIC ISSUE AND THE UTILISATION THEREOF

The total gross proceeds from the Rights Issue and Public Issue of RM27.176 million are expected to be fully utilised for the core business of the HIB Group by July 2003 as follows:

	Note	RM 000
Procurement of machinery	1	1,634
Redemption of convertible secured loan stocks	2	1,875
Repayment of borrowings	3	12,157
Repayment of advances from Directors	4	1,929
Working capital		7,381
Estimated listing expenses	5	2,200
Total proceeds		27,176

Notes:

1. The HIB Group's future plans are focused on local and overseas expansion. In realising these plans, HASB and LTSB intend to purchase new machinery to meet the expected increase in demand from customers and to provide support to the other companies within the HIB Group.

In this respect, the HIB Group intends to procure 5 major types of machines and miscellaneous laboratory equipment by July 2003. The procurement of additional machinery by HASB and LTSB is expected to overcome the constraints in the production capacity of HASB and LTSB and the Board of Directors of HIB and the key management of HIB believe that there would be an increase in the production capacity by an estimated rate of 10%. The procurement of additional machinery is also expected to enhance the overall operational efficiency of HASB and LTSB. Presently, HASB and LTSB has a combined production capacity of approximately 600,000 pieces of garments per month.

The estimated total cost of procurement of the machineries amount to RM1.934 million, out of which approximately RM1.634 million will be financed by the proceeds raised from the Rights Issue and Public Issue. The balance of approximately RM0.300 million will be financed by internally generated funds. The details of the machinery to be acquired are as follows:

Company	*Type*	*Quantity*	*Estimated unit costs RM 000*	*Estimated Total costs RM 000*
HASB and LTSB	*Sewing machines*	*200*	*5*	*1,000*
HASB	*Automatic screen printing machines*	*2*	*397*	*794*
HASB	*Quick wash machines*	*1*	*50*	*50*
HASB	*Beaker Dyer Labomat*	*1*	*30*	*30*
HASB	*Fabric inspection machine*	*1*	*60*	*60*
				1,934

2. *In 1997, HASB issued 1.5 million convertible secured loan stock of RM1.00 each ("CSLS") to Bank Pembangunan Dan Infrastruktur Malaysia Berhad ("BPIMB") to finance the construction of a factory in Kepong, Kuala Lumpur for the operations of HASB, HGSB and LTSB. The CSLS, which will mature on 31 December 2004, can be converted (at the option of either parties) to ordinary shares of RM1.00 each in HASB ("HASB Shares") based on the higher of the par value or the latest audited net tangible assets per HASB Share. As at 16 September 2002, RM1.5 million of the CSLS remains outstanding.*

   BPIMB has via its letter dated 4 December 2001 and 11 December 2001 agreed to the redemption of the entire 1.5 million CSLS by HASB at a redemption amount (inclusive of premium on redemption) of RM1.875 million by 20 November 2002. In view of this, the Company proposes to utilise RM1.875 million of the proceeds from the Rights Issue and Public Issue for the redemption of the CSLS.

3. *HIB proposes to utilise RM12.157 million of the proceeds from the Rights Issue and Public Issue to repay the existing borrowings of HASB, details of which are as follows:*

Name of lenders	*Type of facilities*	**Terms of repayment*	*Limit of Facility RM 000*	*Amount outstanding as at 16 September 2002 RM 000*	*Estimated amount outstanding as at 31 October 2002 RM 000*	*Amount proposed to be repaid RM 000*	*Purpose*
HSBC	*Term loan*	*180 equal instalments*	*2,208*	*1,811*	*1,808*	*1,808*	*Acquisition of land and building*
BPIMB	*AJDF loan*	*108 monthly repayment of principal*	*2,000*	*1,878*	*1,869*	*1,869*	*Expansion of factory*
BPIMB	*AJDF loan*	*120 monthly repayment of principal*	*4,000*	*2,182*	*2,154*	*228*	*Purchase of land and construction of factory*
BPIMB	*GF loan*	*108 monthly repayment of principal*	*3,000*	*2,878*	*2,870*	*2,870*	*Expansion of factory*
BPIMB	*SMIPP loan*	*108 monthly repayment of principal*	*5,000*	*4,596*	*4,572*	*4,572*	*Expansion of factory*
BPIMB	*GF loan*	*108 monthly repayment of principal*	*2,000*	*838*	*810*	*810*	*Purchase of machinery*
				14,183	*14,083*	*12,157*	

Notes:

* *Per bank facility letter*

HSBC	-	*HSBC Bank Malaysia Berhad*
BPIMB	-	*Bank Pembangunan Dan Infrastruktur Malaysia Berhad*
AJDF	-	*ASEAN-Japan Development Fund*
GF	-	*General Fund*
SMIPP	-	*Small and Medium Scale Industry Promotion Programme*

The Company intends to repay the above borrowings using the proceeds from the Rights Issue and Public Issue upon completion of the Listing, which is expected to be in end October 2002. The interest savings for the financial year ending 31 March 2003 as a result of repayment of the said borrowings is expected to be RM741,937.

The balance outstanding of the aforesaid borrowings from 16 September 2002 to the completion of the Listing will be subsequently reduced as some of the borrowings will be repaid progressively. Should there be any excess/variation from/to the repayment of the aforesaid borrowings, the excess/variation will be utilised for working capital of the HIB Group.

4. *This is in respect of trade related advances from the Directors of HIB to the other companies within the HIB Group for working capital purposes. The advances are unsecured, interest free and have no fixed terms of repayment.*

5. *Details of the listing expenses are as follows:*

	RM 000
Professional fees	*680*
SC's fees	*68*
Brokerage	*151*
Underwriting commission	*187*
Placement fee	*188*
Issuing house fees and expenses	*170*
Printing of prospectus, application forms and envelopes	*200*
KLSE fee	*41*
Registration of prospectus with the SC and lodgement of prospectus with the Chief Executive Officer of the Companies Commission of Malaysia	*6*
Advertisement of prospectus and publicity	*100*
Contingencies	*409*
Total	*2,200*

The proforma impact of the utilisation of proceeds on the consolidated balance sheets of the HIB Group as at 31 March 2002 is reflected in Section IX(8) of the Prospectus.

8. BROKERAGE AND UNDERWRITING COMMISSION

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

The Managing Underwriter and the Underwriters as mentioned in the Corporate Directory of this Prospectus have agreed to underwrite the 11,500,000 Issue Shares which are available for application by the Malaysian public and the eligible Directors, employees, customers and suppliers of the HIB Group. The underwriting commission and managing underwriting commission is payable by the Company at the rate of 2.0% and 0.5% of the issue price of RM0.65 per Issue Share respectively.

9. DETAILS OF UNDERWRITING AGREEMENT

An Underwriting Agreement was entered into between the Company, CIMB, Southern Investment Bank Berhad and PM Securities Sdn Bhd on 18 September 2002 to underwrite the 11,500,000 Issue Shares which are made available for application by the Malaysian public and the eligible Directors, employees, customers and suppliers of the HIB Group ("Underwritten Shares"). Some of the salient terms of the Underwriting Agreement are as follows:

(i) Pursuant to Clause 6.1 of the Underwriting Agreement, the obligations of the Underwriters to underwrite the Underwritten Shares are conditional on the performance by the Company of its obligations on the following:

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

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

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

(b) the Managing Underwriter receiving a certificate in the form or substantially in the form contained in Schedule 3 (Certificate) of the Underwriting Agreement dated the Issue Date signed by the duly authorised officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 11 (Representations, Warranties and Undertakings) of the Underwriting Agreement;

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

(d) the registration of the Prospectus with SC and its lodgment with the Chief Executive Officer of the Companies Commission of Malaysia by the Issue Date;

(e) all the approvals of SC, FIC and MITI referred to in Clause 2.2 (Approvals) of the Underwriting Agreement remain in full force and effect and that all conditions precedent to the approvals (except for any which can only be complied with after the Public Issue has been completed) have been complied with;

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

(g) the Managing Underwriter being satisfied that the Company will, following completion of the Public Issue be admitted to the Official List and its share capital listed and quoted on the Main Board of the KLSE without undue delay;

(h) the Managing Underwriter being satisfied with the arrangements of the Company to pay the expenses referred to in Clause 10 of the Underwriting Agreement (Fees and Commission);

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

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

(bb) authorising the issuance of the Prospectus; and

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

(j) the Underwriting Agreement being signed by all parties and stamped;

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

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

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

If any of the conditions stated in (c), (i) and (j) above (to the extent not waived) are not satisfied by the Issue Date or if any of the conditions other than (c), (i) and (j) to the extent not waived are not satisfied by the Closing Date, the Managing Underwriter after consultation with the Underwriters and the Company shall be entitled to terminate the Underwriting Agreement and in such event the provisions of Clause 14 of the Underwriting Agreement (Termination) shall apply.

(ii) Notwithstanding anything contained in the Underwriting Agreement, the Underwriters may after consultation with each other and the Company in such manner as the Underwriters shall reasonably determine by notice in writing to the Company given at any time before the Closing Date, terminate and withdraw their underwriting commitment if:

(a) in the reasonable opinion of a majority of the Underwriters (collectively all the Underwriters which have agreed to underwrite more than 50% of all the Underwritten Shares) there shall have occurred, happened or come into effect any of the following circumstances:

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

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

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

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

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

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

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

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

(iii) The Underwriters shall have the right to terminate the Underwriting Agreement by notice in writing served by the Managing Underwriter on behalf of the Underwriters on the Company in the event that the approval-in-principle of the KLSE for the admission of the Company to the Official List and for the listing of and quotation for the entire issued and paid-up shares capital of the Company on the Main Board of the KLSE is withdrawn or not procured within 6 weeks from the date of issue of the Prospectus (or such longer period as may be specified by the SC) or procured but subject to conditions not acceptable to the Underwriters and upon such termination the liabilities and obligations of the Company and the Underwriters shall become null and void and none of the parties shall have a claim against each other save that the Underwriters shall, on making a joint decision, be entitled to the return of the payment consideration for those Underwritten Shares within 3 market days from the date of notice given by the Managing Underwriter to the Company and the Company shall, on receipt by the Underwriters of the payment consideration, be entitled to the return of those Underwritten Shares underwritten by the Underwriters.

IV. RISK FACTORS

Applicants for the Issue Shares should carefully consider the following factors, which may not be exhaustive and which may have an impact on the future performance of the Group, in addition to the other information contained elsewhere in this Prospectus, before applying for the Issue Shares:

(i) No prior market for HIB shares

Prior to this Public Issue, there has been no public market for HIB shares. There can be no assurance that an active market for HIB shares will develop upon HIB's listing on the Main Board of the KLSE or, if developed, that such market will be sustained. The issue price of RM0.65 per Issue Share has been determined after taking into consideration a number of factors including, but not limited to, the Group's operating and financial history and conditions, its prospects and the prospects of the industry in which the Group operates, the management of the Group and the prevailing market conditions prior to the issue of this Prospectus. The price at which HIB shares will trade on the Main Board of the KLSE after the Public Issue may be influenced by a number of factors, including the depth and liquidity of the market for HIB shares and investors' perception of the HIB Group. There can be no assurance that the issue price will correspond to the price at which the HIB shares will trade on the Main Board of the KLSE upon or subsequent to its listing or that an active market for the HIB shares will develop and continue upon or subsequent to its listing.

(ii) Control by major shareholders

Following the Public Issue, the major shareholders of HIB, namely Sau Kim Hing @ Soo Kim Sin, Saw Kam Fock @ Saw Kim Hock, Soo Kim Tek @ Saw Kim Teik, Saw Kam Weng, Saw Kim Chuan, Saw Guat Choo and Mohamed Azahari Bin Mohamed Kamil collectively hold approximately 71% of the Company's enlarged issued and paid-up share capital. The aforesaid shareholders, if they act together, may be able to influence the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

(iii) Business risks

The HIB Group is subject to certain risks inherent in the textile and apparel industry which include, amongst others, but not limited to, raw material shortages and labour supply constraints, increases in the costs of raw materials such as yarn, increase in cost of cutting, making and trimming, changes in general economic, business and credit conditions, entry of new players, foreign exchange rate fluctuations and changes in consumers' tastes and fashion, changes in industry policy and tax legislation affecting textile and apparel industry in Malaysia, Singapore, Cambodia and Brunei (in which the HIB Group has existing operations) and in China and South Africa (in which the HIB Group intends to set up operations), increases in production costs and the introduction of new technologies. Although the Group seeks to limit these risks through, inter alia, investing in high technology equipment and automating certain aspects of its operations, investing in research and development, maintaining close relationships with customers, developing innovative print and embroidery applications, diversifying its pool of suppliers and customers, implementing a performance related wage mechanism, creating strong brand names and developing new products, there can be no assurance that any change to these factors will not have a material adverse effect on the Group's business.

(iv) Operational risks

The HIB Group faces certain operational risks which are inherent in the textile and apparel industry for example disruptions to electricity supply and water supply and fire. As most of the production processes are carried out at its main factory in Taman Ehsan Industrial Area Kepong, uninterrupted water supply is essential for the dyeing process while uninterrupted electricity supply is essential for the smooth operation of the textile machineries. The HIB Group seeks to limit the above operational risks via the following:

(i) the process of dyeing of fabrics is performed at the Group's main factory at Taman Ehsan Industrial Area Kepong. As uninterrupted water supply is essential for the process, the factory reserves as much as 357,000 gallons of water in a water tank which can sustain its operations for a day. In the event that the water supply is disrupted for an extended period of time, the dyeing of fabrics can be sub-contracted outwards to other dye houses. Besides the above, the HIB Group practises a lead time of 90 days between placement of orders by customers and delivery time. With the said lead-time, the process of dyeing of fabrics would have taken place ahead of the delivery date of the products;

(ii) the Group's production process is also highly automated and thus is dependent on consistent supply of electricity for its smooth operations. As a backup plan, the Group's main factory has a generator with a capacity of 1,000 KVA which is capable of generating 1,200 amp of electricity supply which will enable the Group to overcome the disruption in electricity supply as and when required. The electricity supply generated by the backup generator is capable of sustaining the whole factory's production process. In the event of a prolonged disruption of electricity supply and/or the failure of the generator, the HIB Group has a wide network of sub-contractors which it can rely on, to support the affected production processes. The Group's other operation sites in Sungai Buloh, Banting, Kajang and Rawang are mainly sewing stations and thus will not be significantly affected by disruption in power supply;

(iii) as a significant proportion of the production process is located within the main factory in Kepong, there is also a risk of potential fire hazard. The main factory is well equipped with a sprinkler system and fire fighting equipments such as fire extinguishers and hose reels on each floor. Employees are also trained on the use of these equipments as well as basic fire-fighting techniques and regular fire drills are jointly conducted annually with the Fire Department. This is further supplemented with annual inspections by the Fire Department; and

(iv) while the Group has purchased insurance coverage on inter-alia, fire, fire consequential loss, plant and machinery, stocks and products liability, the Group has not taken coverage against disruptions in water and electricity supply as the Board of Directors of HIB is of the view that the operations of its main factory will not be significantly affected in the event of such disruptions as a result of the mitigating factors listed in parts (i) and (ii) above.

The Board of Directors is of the view that the operations of the Group have never been materially affected by disruptions in water and electricity supply as well as occurrences of fire due to the mitigating measures in place. Save for the above, the Board of Directors are not aware of any operational risks which may have a material adverse effect on the operations or financial performance of the HIB Group. While the Board of Directors has taken all reasonable steps to mitigate the operational risks as described above, there can be no assurance that the above measures taken will be adequate in the event of a disruption in water or electricity supply or fire and that it will not have a material adverse effect on the Group's business.

(v) Political and economic considerations

Given the nature of the industry in which the HIB Group operates, its operations are closely linked to the economic fundamentals and political stability of Malaysia, Singapore, Cambodia and Brunei, where it presently has operations, and in China and South Africa, where it intends to set up operations in the future. Any adverse developments in the political and economic environment and any uncertainties in Malaysia, Singapore, Cambodia, Brunei, China and South Africa may materially and adversely affect the financial performance of the HIB Group. These include risk of war, global economic downturn and unfavourable changes in the Malaysian, Singaporean, Cambodian, Brunei, South African and Chinese Governments' policies such as changes in interest rates, methods of taxation, exchange controls, or the introduction of new regulations. There can be no assurance that any change to these factors will not have a material adverse effect on the business of the HIB Group.

(vi) Foreign market risk and foreign currency fluctuations risk

For the financial year ended 31 March 2002, approximately 45% of the HIB Group's products were exported to countries such as Singapore, Taiwan, Hong Kong, Japan and Canada while approximately 44% of its raw materials of yarn, thread, fabric and fabric chemicals were imported from Taiwan, Singapore, India, Australia, Korea and Hong Kong. As such, the HIB Group's level of profitability and future growth are expected to be linked to the political and economic developments of these countries, where some of the Group's customers and suppliers, direct or indirect, are located. The economic situations in these countries may be affected by changes in inflation rates, interest rates, taxation and other political, economic or social developments.

The HIB Group is also exposed to foreign exchange fluctuation risks. The imposition of currency controls via the pegging of the RM to USD at the fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia since September 1998 has stabilised the risks arising from foreign exchange fluctuation. For the HIB Group, its foreign exchange risk is mitigated by the natural hedge which resulted from the fair mix of the Group's imports and exports which are transacted in USD, thus reducing the risk of potential losses that may occur due to foreign exchange fluctuations. However, no assurance can be given that the fair mix of imports and exports will be maintained and that future foreign exchange fluctuations will not have a material adverse effect on the Group's financial performance. In addition, there can be no assurance that the currency controls will remain and that future foreign exchange fluctuations arising from the lifting of the currency controls or the adjustment of the RM to USD peg will not adversely affect the financial results of the HIB Group.

(vii) Competition

The HIB Group faces competition from competitors in countries with lower cost of production like Cambodia, Myanmar, Vietnam, Thailand, Indonesia, India, Bangladesh and China as well as from existing market players who may expand their businesses substantially and from new players coming into the industry. The Malaysian textile and apparel industry is currently facing and is predicted to face increasing competition from the following:

(i) foreign branded apparel manufactured either locally by contract manufacturers or imported from the aforesaid countries with lower cost of production; and

(ii) other low labour cost countries involved with the AFTA.

The possibility of increasing competition from the countries with lower cost of production and low labour cost and from existing market players may result in lower profit margins and smaller market share for the HIB Group.

Nevertheless, the HIB Group has in place several strategic measures, including new product-development, continuous production process improvement, consumer market research and setting up of production facilities in Cambodia, which has lower production costs. The HIB Group is also continuously looking at ways to improve its production processes in order to increase production efficiency and maintains its competitive advantage by ensuring prompt delivery, consistent quality and price competitiveness of its products. However, there can be no assurance that the Group will not be affected by the competitive strategy adopted by the other manufacturers within the same industry, both domestic and overseas and that the HIB Group will always be able to maintain its existing market share in the future.

(viii) Dependence on key personnel

The HIB Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Directors and senior management. The loss of any of the HIB Group's Directors or key members of the senior management especially the designers, could adversely affect the HIB Group's ability to compete effectively in the textile and apparel industry. The Directors of the HIB Group recognise the importance of the Group's ability to attract and retain skilled personnel and have in place a human resource strategy which includes a suitable compensation package as well as a structured succession plan. Efforts are also made to groom the existing staff members to further support the senior management and/or to shoulder further responsibilities in preparation for long term expansion. The Group's future success will also depend upon its ability to attract and retain skilled personnel. However, there can be no assurance that the above measures will always be successful in retaining key personnel or ensuring a smooth transition should changes occur.

(ix) Government regulations on foreign labour and consumer protection

Government regulations on foreign labour can severely affect the labour intensive textile and apparel industry as most manufacturers employ a significant number of foreign workers. Regulations which have been introduced to limit the recruitment of foreign workers may affect the industry's expansion as there could lead to a shortage of workers. Labour shortage will not only reduce the production capacity of the manufacturers but also increase wage levels. As a result, productivity may decline and production costs may increase. As at 16 September 2002, the subsidiaries of the HIB Group in Malaysia employs 594 foreign workers which are sourced from Bangladesh, Indonesia, India, Nepal, Myanmar and Vietnam. Although the Group seeks to limit the reliance on foreign labour through the setting up of labour intensive operations in sub-urban areas where local workers are more freely available, there can be no assurance that further Government regulations regarding foreign labour would not affect the Group's performance.

In addition, the Malaysian Government has, from time to time, adopted policies and implemented regulations that have generally affected businesses in Malaysia. The Ministry of Domestic Trade and Consumer Affairs, amongst other governmental agencies, is empowered to introduce new policies and regulations from time to time, which may affect the retailing sector. At present, such policies and regulations have a common theme of consumer protection. The Company welcomes such measures to protect customers and to provide a level playing field and transparent business policies and ethics.

(x) Brand loyalty

Brand loyalty is a set of brand assets linked to a brand, such as its name and symbol that add to the value provided by the product to the customers. In the Malaysian textile and apparel industry, particularly a consumer product, there is an inertia of goodwill favouring a particular brand even though the marginal savings may arise if customers were to switch brands.

No assurance can be given that goodwill in relation to brand loyalty on the brands owned by the HIB Group will persist and that the HIB Group can expand its existing market share within or outside Malaysia. Nevertheless, the HIB Group strives to maintain or strengthen its brand loyalty through extensive efforts in promotion and advertisement activities.

(xi) Trademark licences

Some of the products of HIB Group are those of renowned labels licensed by foreign licensors such as Disney Consumer Products and Warner Bros. which comprises approximately 25.2% of the HIB Group's turnover for the financial year ended 31 March 2002. Such licences are granted to the HIB Group to contract manufacture, market and distribute apparel under certain well-known labels comprising, inter alia, "Mickey Unlimited", "Mickey for Kids", "Winnie the Pooh", "Looney Tunes", "Baby Looney Tunes", "Superman", "Batman", etc.. The success of the Group has been largely attributable to the popularity of such labels and the corresponding brand loyalty. As such, the licences granted by the foreign licensors are crucial to the growth and success of the Company. No assurance can be given that the licences granted will be renewed when they expire. However, the HIB Group has endeavoured and successfully cultivated good working relationships with all of its licensors as evidenced by the second and third renewals of the licences by the licensors. In addition, the Group has introduced its own in-house labels to reduce its reliance on the licences granted by the foreign licensors. Notwithstanding the above, there is no assurance that termination of any of the aforesaid licences will not have a material impact on the performance of the HIB Group. Furthermore, no warranties from the foreign licensors were provided for in the licensing agreements in respect of their right to the title of the renowned labels. There is also no assurance that there will not be a material impact on the business or performance of the HIB Group if the foreign licensors' rights to the titles of the licences are challenged.

(xii) Domestic borrowings

The HIB Group's total domestic long-term and short-term borrowings as at 16 September 2002 amounted to RM19.6 million and RM52.5 million respectively. All the loans of the HIB Group are interest bearing. As such, any increase in interest rates will increase the burden of the HIB Group with respect to interest payments of the loans depending on the total outstanding loans as at the point in time. There can be no assurance that the performance of the HIB Group would remain favourable in the event of adverse changes in the interest rate.

(xiii) Adequacy of insurance coverage on the Group's assets

The Group has taken measures to ensure that its assets are covered by insurance. The types of insurance coverage taken by the Group includes, but are not limited to, fire, fire consequential loss, theft and accidental damage on machinery and equipment, products liability and group personal accident. However, there can be no assurance that the insurance coverage would be adequate and would reflect the replacement cost of the assets or any consequential loss arising therefrom.

(xiv) Technology used or to be used by the HIB Group and the rapid development of technological change

The risks involved with rapid technological changes are the obsolescence of current technology, the requirement of new technology not matched by existing technical staff and that the operations of the HIB Group are not ready for new methods. The HIB Group acknowledges the said risks and is continuously undertaking research and development and exploring other areas of technological improvement, ensuring that staff are continuously trained to align their skills with the requirements of new technologies and investing in state-of-the-art machinery and equipment to keep abreast with the latest technology. However, there can be no assurance that the rapid development of technological change will not have a material adverse effect on the Group's business.

(xv) Restrictive covenants under credit facility agreements

The HIB Group has credit facilities amounting to approximately RM84.0 million granted by various local financial institutions out of which an amount of RM72.1 million is outstanding as at 16 September 2002. These credit facilities have various covenants that may limit the Group's operating and financial flexibilities. Some of the major covenants found in the various credit facilities granted to certain subsidiaries of HIB include, inter-alia, that the consent of the financial institutions must be first obtained prior to the execution of the following:

(a) incurring additional borrowings from other financial institutions;

(b) changing its ownership structure, shareholdings of their guarantors and/or the majority shareholders' shareholding;

(c) pledging or encumbering any of its assets or granting loans, guaranteeing any person or making advances to the company's subsidiaries or related companies;

(d) effecting or permitting any form of merger, reconstruction, consolidation, amalgamation or reduction in share capital; and

(e) declaring any dividends in excess of 10% or any amount in excess of 50% of its annual net income after tax provided always any such permissible declaration or dividends may only be made if debt servicing is current.

Apart from the major covenants mentioned above, certain credit facilities also contain special conditions, inter-alia, prohibiting inter-company financing between the HIB Group.

The management of the HIB Group has obtained confirmation from the said financial institutions that no event has occurred which may cause any breach by the subsidiary concerned of any of the provisions of such credit facilities granted. However, there can be no assurance that additional credit facilities that may be procured by the HIB Group would not have restrictive covenants that may limit the Group's operating and financial flexibilities or that existing provisions in existing facilities can or will be varied to relax or remove all or any of such restrictive covenants.

(xvi) Operations in Cambodia

In 1998, the HIB Group expanded its operations to Cambodia mainly to cater for quota free export to Europe. By having a set-up in Cambodia, the HIB Group expects to be able to better serve the high volume needs of its customers in Europe, US and Canada. The operations in Cambodia is, however, subject to certain risks which includes but not limited to the general conditions of the economy, the political stability, changes in legal and tax legislation affecting the industry in which HGCL operates, fluctuations in exchange rates and fluctuations in costs of production. As such, there can be no assurance that any change to the above factors will not have a material impact on the operations of the HIB Group.

(xvii) Dependence on key customers

The HIB Group has a wide and diversified range of customers, ranging from overseas contract customers to local retail outlets and consumers. Other than Nike Japan Corporation ("Nike Japan"), which contributes approximately 11.8% of the Group's turnover for the financial year ended 31 March 2002, none of the customers of the HIB Group contribute more than 10% to the Group's turnover. Since the HIB Group has established about 9 years of good working relationship with Nike Japan, the Directors are of the opinion that the good working relationship will continue in the foreseeable future. Besides Nike Japan, the Group also have orders from Nike companies in Australia, Taiwan, New Zealand, Korea, Holland, Hong Kong and Philippines, which source their orders through Nike, Inc. (Singapore Branch) which acts as the liaison office for these countries to place orders with the HIB Group. However, none of the aforesaid Nike customers contribute to more than 10% of the Group's turnover individually. The Group is also actively sourcing for new international buyers to reduce the degree of dependency on any one customer. However, there is no assurance that the business or performance of the HIB Group will not be materially affected if the orders from Nike Japan is reduced or discontinued.

(xviii) Seasonality

The garment industry is seasonal in nature and usually performs better in the second half of the year due to the festive seasons. In line with the above, the turnover of the HIB Group is usually higher in the last quarter of the year.

In order to reduce the effect of the seasonal trend on its products, the HIB Group holds special sales, promotional fairs, fashion shows, etc. during the non-festive seasons.

(xix) Expansion plans

As part of the HIB Group's plan, it is looking into expanding its operations locally by increasing the number of outlets and also to expand its production activities overseas, such as Brunei, South Africa and China. In this respect, the Board of Directors of the HIB Group recognises the importance of setting up new outlets at suitable locations and new production plants in countries with lower cost of production. Nevertheless, even though the HIB Group exercises great prudence and conducts detailed market surveys prior to making any investment decision, there can be no assurance that such investment ventures will always be successful.

(xx) Underwriting risks

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should the Underwriters fail to honour their obligations under the underwriting agreement.

(xxi) Profit forecast

This Prospectus contains the consolidated profit forecast of the HIB Group for the financial years ending 31 March 2003 that have been prepared based on assumptions which the Directors of HIB believe to be reasonable. However, these assumptions are subject to uncertainties and contingencies. Owing to the subjective judgements and inherent uncertainties underlying the profit forecast and given that events and circumstances do not occur as expected, there can be no assurance that the forecast contained herein will be achieved and actual results may be materially different from the forecast. Investors are deemed to have read and understood the assumptions and uncertainties underlying the forecast contained herein.

(xxii) Forward looking statements

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and others are forward-looking in nature which are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by the Board of Directors of the Company, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting the HIB Group and the industry, changes in interest rates and changes in foreign exchange rates. In light of these uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as a representation or warranty by the Company or its advisers that the plans and objectives of the HIB Group will be achieved.

(xxiii) Failure/Delay in the Listing Exercise

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

(a) the identified investors fail to subscribe for the portion of Issue Shares placed to them despite having given irrevocable undertakings to subscribe;

(b) the Underwriters exercising their rights pursuant to the Underwriting Agreement discharging themselves from their obligations thereunder; or

(c) the Company is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 1,000 shares each upon completion of the Public Issue and at the point of listing.