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

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
17.12.1993	40,000	Subscribers' shares	40,000
16.06.1994	736,635	Cash	776,635
20.03.1996	423,365	Cash	1,200,000

Major Shareholder

HHSB is a wholly-owned subsidiary of HIB.

Subsidiary and Associated Company

As at the date hereof, HHSB has 1 wholly-owned subsidiary, WBSB. Details of WBSB are set out in Section V(4.9) of this Prospectus.

As at the date hereof, HHSB does not have any associated company.

4.4 LTSB

History and Business

LTSB was incorporated on 16 July 1994 in Malaysia under the Companies Act, 1965 as a private limited company. The principal activities of the company are the manufacture, marketing and distribution of garments.

Share Capital

The authorised share capital of LTSB is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of LTSB is RM860,000 comprising 860,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
16.07.1994	2	Subscribers' shares	2
31.03.1995	99,998	Cash	100,000
20.03.1996	50,000	Cash	150,000
26.02.1999	350,000	Cash	500,000
01.11.1999	360,000	Issued at par in relation to capitalisation of amount owing to directors of LTSB	860,000

Major Shareholder

LTSB is a wholly-owned subsidiary of HIB.

Subsidiary and Associated Company

As at the date hereof, LTSB does not have any subsidiary or associated company.

4.5 HPSB

History and Business

HPSB was incorporated on 5 December 1983 in Malaysia under the Companies Act, 1965 as a private limited company. The principal activities of the company are that of a producer and dealer of textile products.

Share Capital

The authorised share capital of HPSB is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of HPSB is RM870,000 comprising 870,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
05.12.1983	3	Subscribers' shares	3
19.05.1984	49,997	Cash	50,000
09.12.1985	50,000	Cash	100,000
20.03.1996	50,000	Cash	150,000
01.11.1999	720,000	Issued at par in relation to capitalisation of amount owing to directors of HPSB	870,000

Major Shareholder

HPSB is a wholly-owned subsidiary of HIB.

Subsidiary and Associated Company

As at the date hereof, HPSB does not have any subsidiary or associated company.

4.6 HIPL

History and Business

HIPL was incorporated on 12 April 1994 in Singapore as a private limited company. The principal activities of HIPL are that of traders, retailers and wholesalers of wearing apparels and sports equipment.

Share Capital

The authorised share capital of HIPL is SGD100,000 comprising 100,000 ordinary shares of SGD1.00 each. The issued and paid-up share capital of HIPL is SGD100,000 comprising 100,000 ordinary shares of SGD1.00 each.

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

Date of Allotment	No. of ordinary shares of SGD1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital SGD
12.04.1994	2	Subscribers' shares	2
30.06.1994	99,998	Cash	100,000

Major Shareholder

HIPL is a wholly-owned subsidiary of HIB.

Subsidiary and Associated Company

As at the date hereof, HIPL does not have any subsidiary or associated company.

4.7 HGCL

History and Business

HGCL is a private limited company incorporated with the Cambodian Ministry of Commerce ("MOC") on 4 June 1996. HGCL received its investment licence approval from the Council for the Development of Cambodia ("CDC") on 11 December 1998 under the Laws and Regulations on Investment in Cambodia. The Company is a legal entity under the laws of Cambodia with 99 years under MOC and 70 years under CDC. The principal activities of HGCL are the provision of garment accessories, packing materials and sub-contracting services to garment manufacturers.

Share Capital

The registered share capital of HGCL is USD1,500,000 comprising 100 ordinary shares of USD15,000 each. The issued and paid-up share capital of HGCL is USD1,500,000 comprising 100 ordinary shares of USD15,000 each.

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

Date of allotment	No. of ordinary shares	Par value	Consideration	Total issued and paid-up share capital
04.06.1996	100	Riels 200,000	Riels 20,000,000[@]	Riels 200,000,000
05.01.1999*	100	USD15,000	USD367,000[#]	USD375,000
08.01.2002	100	USD15,000	USD1,125,000[#]	USD1,500,000

Notes:

* *On 11 December 1998, HGCL obtained the investment licence approval of the CDC for the conversion of its commercial licence to investment licence where CDC imposed a condition requiring HGCL to increase the par value of its shares to USD15,000 per ordinary share.*

@ *Via cash.*

\# *Via the capitalisation of amount owing to HASB.*

Major Shareholder

HGCL is a wholly-owned subsidiary of HIB.

Subsidiary and Associated Company

As at the date hereof, HGCL does not have any subsidiary or associated company.

4.8 HGBSB

History and Business

HGBSB was incorporated on 23 March 2002 in Brunei under the Brunei Companies Act, Chapter 39 as a private limited company. HGBSB is currently dormant.

Share Capital

The authorised share capital of HGBSB is BND25,000 comprising 25,000 ordinary shares of BND1.00 each. The issued and paid-up share capital of HGBSB is BND10 comprising 10 ordinary shares of BND1.00 each. The changes in the issued and paid-up share capital of HGBSB since its incorporation are as follows:

Date of allotment	No. of ordinary shares	Par value BND	Consideration/Type of issue	Total issued and paid-up share capital BND
23.03.2002	2	1.00	Cash	2
14.08.2002	8	1.00	Cash	10

Major shareholder

HGBSB is a 70%-owned subsidiary of HIB. The other major shareholder of HGBSB is Helmayanti Binti Abdul Hamid, a Brunei citizen who holds the remaining 30% equity interest in HGBSB.

Subsidiary and Associated Company

As at the date hereof, HGBSB does not have any subsidiary or associated company.

4.9 WBSB

History and Business

WBSB was incorporated on 28 February 1997 in Malaysia under the Companies Act, 1965 as a private limited company. The principal activities of WBSB are the retailing of printed garments, wearing apparels and accessories.

Share Capital

The authorised share capital of WBSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of WBSB is RM400,000 comprising 400,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
28.02.1997	100,000	Subscribers' shares	100,000
20.06.1997	100,000	Cash	200,000
10.11.1999	200,000	Cash	400,000

Major Shareholder

WBSB is a wholly-owned subsidiary of HHSB.

Subsidiary and Associated Company

As at the date hereof, WBSB does not have any subsidiary or associated company.

5. INDUSTRY OVERVIEW

5.1 The Malaysian Economy

The year 2001 held promises of great economic recovery and strong growth in all the major economic sectors, similar to year 2000. However, the global economic slowdown has finally made its mark in the Malaysian economy, with the country reporting another month of declining exports. The impact on Malaysia of the downturn in the electronics cycle and the slowdown in the global economy was transmitted through the export channel. Exports which had remained positive since 1987, fell by 10.4% in 2001. Specifically, exports of electrical and electronic products, which make up 59.9% of total exports for 2001, fell by 13.1% from the same period last year. This contraction was experienced in all sectors, manufacturing as well as primary commodities. However, the contraction of exports for Malaysia is still less severe than that of other Asian countries like South Korea, Taiwan and Singapore. Given the existing structure of high import content in exports, imports also declined by 9.9% in 2001. The trade surplus, therefore narrowed, but remained large at RM53.7 billion (USD14.1 billion). This contraction in both exports and imports started in March 2001, reached its peak in September and moderated in the 4th quarter of 2001. Less declines in exports and greater improvement in imports supported other indicators that, by the end of 2001, the economy was in the early stages of recovery.

As an added shield to the 11 September 2001 terrorist attacks, the Government has announced an additional RM4.3 billion stimulus package to boost the economy. This stimulus package is the latest measure used to support the economy, following the RM3 billion supplementary budget in March 2001 and the RM28 billion spending package from the 2001 budget. Further to the above fiscal measures, Bank Negara Malaysia has also announced the reduction of its 3-month "intervention" rate by 50 basis points, and also allowed banks to reduce savings deposit rates by up to 0.25%. While increased spending and lower interest rates will assist Malaysia in limiting the impact of a global slowdown, its huge reliance on exports (particularly in the high technology sector) will potentially delay growth to the 2nd or 3rd quarter of 2002. This anticipated growth is on track with the Gross Domestic Product ("GDP") growing at 1.1% for the 1st quarter of 2002.

This recovery was mainly driven by strong consumption spending and supported by the external demand following the general overall recovery in the global economy. Public consumption, which accounts for almost half of GDP, increased by 2.5%, reflecting the cumulative effects of expansionary monetary and fiscal policies as well as the recovery in exports. Public consumption continued to register a strong increase of 13.4%, reflecting the implementing of the fiscal stimulus during the quarter, including the 10% salary adjustment for civil servants and the higher expenditure on supplies and services.

The near term outlook remains favourable as going forward, the outlook is for the further strengthening of the Malaysian economy. The Malaysian economy will continue to be driven by domestic driven activities. Capacity utilisation has improved and earlier expectations of a recovery in investments in the 2nd half of 2002 remains unchanged. The public sector will be the primary stimulus for reviving the economy, while the Government continues to provide expansionary economic policies and measures.

Malaysia is projecting to grow at an average of 7.5% per annum during the Eighth Malaysian Plan ("8MP") period from 2001 to 2005 with low inflation and price stability. The private sector is envisaged to lead this growth with the public sector continuing its role in stimulating the economy. The economy will become less reliant on labour, in the country's efforts to develop a knowledge-based economy. Private investments are forecasted to grow at 19% annually and public investments at 1.1%. Supported by strong domestic demand and strong recovery in private investments, private consumption is expected to grow at 7.4% while public consumption is expected to grow at 7.7% per annum. It is expected that the per capita income will increase from RM13,411 in 2000 to RM17,779 in 2005, increasing private consumption per capita from RM6,198 in 2000 to RM9,073 in 2005. The Malaysian Government's basis for growth in the 8MP period takes into account the challenges arising from a more liberal global economy and the impact of technological advancements. As such, greater efforts will be made to ensure the sustainability and resilience of the economy in the long term to achieve the country's Vision 2020 target.

(Source: Executive Summary Report by ACNielsen dated 24 September 2002)

5.2 The Manufacturing Industry

The manufacturing industry would continue to be the key factor in sustaining Malaysia's economic recovery and future growth. In the country's drive to be a developed nation by 2020, the manufacturing industry will play a pivotal role as the backbone of the economy. Based on the 8MP report, Malaysia's manufacturing output grew at an average rate of 9.1% between 1996 and 2000, which is higher than the Seventh Malaysia Plan revised target of 3.9%. Between 1996 and 1997, this sector grew by 14.1% and while the 1998 economic slowdown did affect total output and the sector contracted by 13.4%, 1999 saw a rebound causing the sector to grow at 13.5%. In 2000, the overall output performance of the manufacturing sector continued to remain robust in tandem with the recovery of domestic demand and sustained growth in exports. For the first half of 2000, value added in the manufacturing sector registered a significantly higher growth of 24.5% compared with the 5.3% registered in the corresponding period in 1999. Output of export-oriented industries registered a stronger than expected growth of 33.4% in the first 8 months of 2000 compared to 5% recorded in the period from January to August 1999. The significantly higher growth was underpinned by the continued strong global demand for electrical and electronic products as well as office machineries and air-conditioning units.

Moving into year 2001, the manufacturing sector has experienced sharp deterioration. The decline is largely attributable to the slowdown in major industrial countries and a depressed global market for electronic products. Given that electronics account for close to half of Malaysian exports (41.8%) and the production output of the electronics industry registering double-digit negative growth year-on-year, this has impacted significantly on the growth of the manufacturing sector. While the export-oriented industries have been adversely affected by weak external demand, the domestic-oriented industries have shown greater resilience, largely due to the expansion of output industries producing construction-related materials, transport equipment and consumer products as well as resource-based industries. The growth in these industries has provided the support to growth and somewhat cushioned the contraction in the manufacturing sector. While operating in a slower business environment during the year, some manufacturers had taken the opportunity to consolidate and streamline their operations in order to better position themselves in the increasingly global market. This was evident in the relocation of the labour-intensive industries and lower-end operations from Malaysia to lower cost producing countries such as Thailand. Some manufacturers also transferred their higher-end operations to Malaysia to take advantage of the existing well-developed manufacturing infrastructure, competitive incentive schemes as well as a workforce that is well-trained and proficient in the English language. This augurs well for the Malaysian Government's direction of developing a more skilled workforce which have the ability to produce higher-end products, in line with its move towards a knowledge-based economy.

In the 1st quarter of 2002, value added in the manufacturing sector recorded a significantly lower decline of 2.1% as compared to a decline of 8.4% in the 4th quarter of 2001 following the improved external conditions and sustained domestic consumption. Output of the domestic-oriented industries as a group expanded further by 2.2% during the quarter. Industries producing transport equipment and food products continued to record double-digit expansion of 17.5% and 11.9% respectively. Reflecting the rapid inventory adjustment in both the global and domestic electronics industry, output of the export-oriented industries as a group declined more moderately by 5.5% as compared to a decline of 15.3% in the 4th quarter of 2001. This corresponded with the smaller decline in exports of manufactured goods of 4% during the quarter as compared to a decline of 12.4% in the 4th quarter of 2001 while the exports of electronics goods turned around to grow by 1.1%. As manufacturers increased production to meet higher orders and to replenish depleted stocks, the decline in output levelled off during the quarter to 0.6% as compared to a decline of 23.8% in the 4th quarter of 2001. This being a further indicator of the improvement in the capacity utilisation rate of the manufacturing sector from 78% in the 4th quarter of 2001 to 80% at the end of the 1st quarter in 2002.

During the period from 2001 to 2005, the average growth that is expected of the manufacturing sector is 8.9%, starting with 0.2% in 2001 and increasing to 6.5% in 2002. This sector's growth will be export-led, accounting for 89% of the country's export earnings by 2005. It should be noted that the sector's share of GDP has grown from 27.1% in 1995 to 33.4% in 2000 and is expected to continue this uptrend, reaching 35.8% in 2005. Moving forward, as outlined in the Malaysia Outline Perspective Plan for 2001 to 2010 ("OPP3"), the manufacturing sector will continue to grow with its share of GDP reaching 36% by 2010.

In the longer term, the outlook for the overall manufacturing industry continues to remain positive albeit the global economic slowdown due to the increasing opportunities in China and other Asian countries. The government's efforts to sustain growth as described earlier, via the OPP3, 8MP, the new supplementary budget and other fiscal stimulus packages, coupled with higher per capita income and increased private consumption, will help sustain demand in this sector. Beyond 2001, prevailing low rates of interest and recovering consumer sentiments will also boost domestic sales.

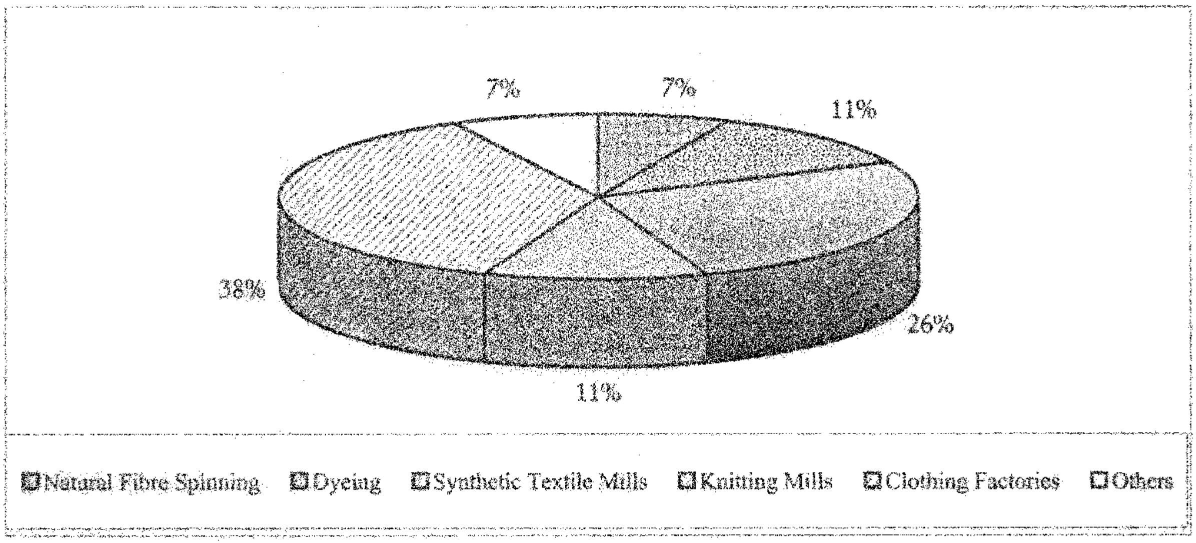
(Source: Executive Summary Report by ACNielsen dated 24 September 2002)

The HIB Group's business prosperity hinges on the health of the global economy as well as domestic economic wellbeing. This is because approximately half of the Group's products are exported. Post 11 September 2001, the Group is expecting growth as projected, as none of their export customers have cancelled or delayed orders, and in addition, the Group has managed to secure new export customers. The developments in the overall Malaysian manufacturing industry also impacts the Group as its main operating plants are located in Malaysia, thus favourable government incentives and support will help the HIB Group in expanding their business both abroad and locally. During times of global economic slowdown, further analysis will reveal that major impacted goods and services will be the luxury items and "big-ticket" items, leisure, and other non-necessity goods that are highly priced. However, food and clothing are termed as necessities in today's modern society. As consumers begin to be more discerning in their purchases, good quality and value for money products will become highly demanded. The Group produces international quality products at very reasonable prices and stands to benefit from this turn of events. The Group has in the past weathered recessions based on the quality and pricing of their products as well as good customer service.

5.3 Textiles and Apparels Industry

The Malaysian textile and apparels manufacturing industry is one of the major foreign exchange earners for the country, and it contributed a total of 2.8% to the total exports of the manufacturing industry. This sector encompasses a broad range of activities divided into the two major sectors i.e. textiles and apparels. Some of these activities include polymerisation, spinning, texturing of man-made fibre yarn, weaving, knitting and finishing of yarn and fabrics to produce a wide range of wearing garments and other textile articles. The textiles manufacturing sub-sector includes the manufacturing of man-made fibres, textile yarn and fabrics, and made-up articles and related products, while the apparels manufacturing sub-sector includes articles of apparels and clothing accessories. The clothing factories (Apparels sector) and the synthetic textile manufacturing (Textile sector) subsectors are the 2 main contributors, producing 64% of the total value output.

Total Contributions by Sector for the Textiles & Apparels Manufacturing Industry, based on Gross Output (RM millions)



These sectors are followed closely by knitting, dyeing and finishing. The chart above provides total percentage contributions by subsector. The players in the industry can be categorised into 4 major sub-groupings i.e. synthetic fibres manufacturers, textile manufacturers, knitted fabric and knitted wear manufacturers and apparel manufacturers.

The knitted fabric and knitted wear manufacturers total about 123 in the country, with about 60% being involved in both knitting and apparel making. The companies involved in both knitting and apparel making, conduct continuous manufacturing operations, from knitting to sewing. An average of 50% of their production is usually for export.

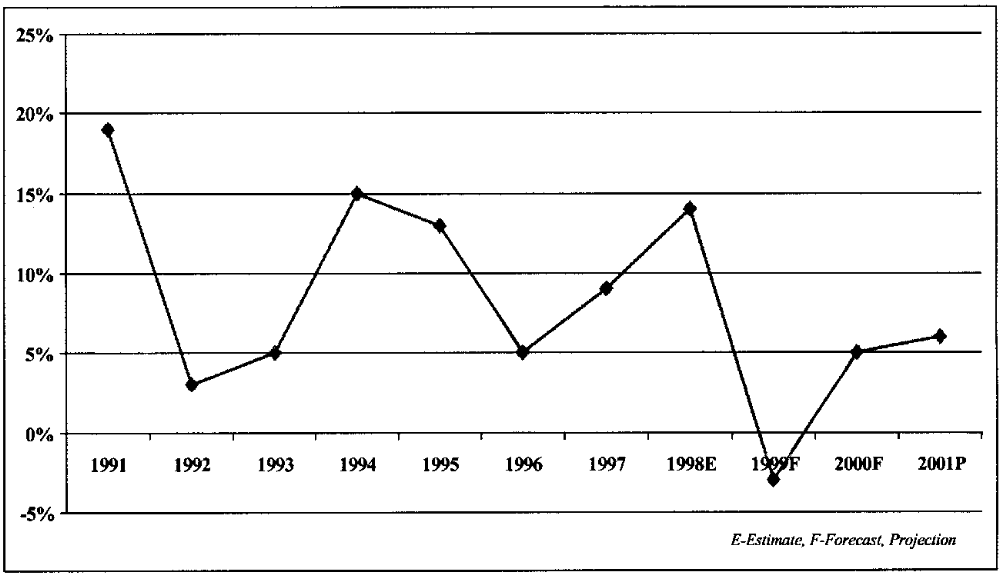
A majority of the HIB Group's operations fall into the knitted fabric and knitted wear manufacturers'category. However, as the Group has an integrated manufacturing process, some of the Group's business operations overlaps into the other manufacturing categories within the textiles and apparels manufacturing industry.

(Source: Executive Summary Report by ACNielsen dated 24 September 2002)

Textiles And Apparels Industry Trends

The industry has charted a respectable average growth rate of 11.03% from 1981 to 1998, with the strongest growth rate recorded during the period from 1985 to 1990 of 21.80% . From 1995 to 2000, it is expected that total output will increase from RM9,365 million to RM12,290 million, representing an average growth of 6%, a significant drop from the past years' average. The Asian economic crisis from 1997 to 1998 and other global economic uncertainties are some of the major factors contributing to this drop.

Production Output Growth (%) for the Total Textiles and Apparels Industry from 1991 – 2001



In terms of average output per company, the industry saw an increase from RM1.6 million in 1993 to RM2.9 million in 2000. Subsequently, the industry saw continued growth in the average output. The textiles manufacturing sub-sector has a higher average output per player, as compared to the apparels manufacturing sub-sector. The textiles manufacturing sub-sector's average output per player grew from RM5.9 million per player in 1993, to RM9.3 million per player in 1996, with the latest recorded statistics of RM11.1 million per player in 2000. The apparels sector (specifically the clothing factories) recorded an average output per player of RM4.0 million in 1993, growing marginally to RM4.7 million and RM5 million per player in 1996 and 1998 respectively. This trend continued with the latest statistics showing RM6.1 million per player in 2000. The HIB Group's annual average output of RM38.3 million exceeds the industry norm of RM11.1 million for the textiles manufacturing sub-sector.

Several factors are the cause of the uneven growth recorded in the textiles and apparels industry, due to the differing trends, these sectors will be examined individually in the proceeding sections. Based on the 8MP and OPP3 projections for the manufacturing sector and the government's efforts to improve the overall economy, it is expected that the textiles and apparels industry will record higher growth rates from the year 2002 onwards, in line with expected global economic recovery. While Foreign Direct Investments ("FDI") increased from 1998 up to the first half of 2001, the country is expecting a slight dip in FDIs post 11 September 2001, picking up again in the second or third quarter of 2002, when the global economic situation is more stabilised. These can be further verified by the increase in new manufacturing investment projects from 35 in 1998 to 70 in 1999, both from local and foreign investors. Major sources of foreign investors for the first half of year 2000 include Japan (RM20.0 million), Singapore (RM16.8 million), Taiwan (RM10.9 million), Korea (RM5.40 million) and Indonesia (RM3.90 million).

(Source: Executive Summary Report by ACNielsen dated 24 September 2002)

5.4 The Textiles Sector

The textiles sector achieved healthy average growth rates of 15.2% for the 5 year period between 1990 to 1995. However, this rate was not sustainable and average growth rate dipped to 6.0% in the 5 year period from 1996 to 2000. The main reason for the slower growth is a decrease in demand from the Asia-Pacific countries as a result of the 1998 economic turmoil. During the period from 1990 to 1995, the growth in this sector is attributable to increased investments by major textile companies in the synthetic textile mills sub-sector. Many of the other sub-sectors recorded slower growth rates and even negative growth, as was the case with the knitting sub-sector for the period from 1992 to 1993. In the 5 year period from 1994-1999, the entire textiles sector recorded a slower growth rate due to competition from the neighbouring countries, cutbacks in production due to the rising cost of imported cotton in RM terms, as well as a shift towards the production of mixed products (synthetics and cotton).

(Source: Executive Summary Report by ACNielsen dated 24 September 2002)

5.5 The Apparels Sector

The apparels sector experienced below average growth rates of 4.8% for the period from 1990 to 1997 due to shortage in labour and competition from the low-cost producing countries. However in 1998, industry growth surged by 31.0% owing to the depreciation of the RM, resulting in substantial rise in output value. This sector comprises of 3 components i.e. clothing factories, custom tailoring and dress making and miscellaneous wearing apparel, including gloves, neckties, etc. While in previous years the clothing factories subsector provided the impetus for impressive growth in the apparels sector, the average growth slowed down significantly to 8.5% for the period from 1990 to 1995 and improved to an average of 9.4% for the period from 1996 to 2000. Within this sector, 86.5% of total value output and production output is contributed by the clothing factories sub-sector. Again, similar to the textiles sector, the larger output growth in terms of value was due to higher prices fetched in RM terms, with production increase only playing a minor part. The overall industry growth for the textiles and apparels industry remains positive, albeit slower than pre-1998, as reflected in the government efforts to spur growth for the manufacturing industry, particularly the export sectors.

Malaysia's major export destinations for textiles include Hong Kong, Taiwan, Singapore, US, Japan, while apparels include Japan, United Kingdom, Germany, France and US. A comparison with total exports for Malaysia reveals that in the year 2001, this industry contributed approximately 2.3% of the country's overall exports. In 2001, Malaysia exported RM11.87 billion worth of textile and apparel products, representing a decrease from the previous year, which recorded a total value of RM13.36 billion. The average annual increase for the period from 1996 to 2001 is about 6.0%, with 1998 being the peak of demand. This is due to the devaluation of the RM, causing total export value to rise. Major export customers for Malaysia's textile and apparels manufacturing industry include the US absorbing 28.7% of the export value, followed by the European Union at 17.7%, Hong Kong at 9.9%, Singapore at 7.3% and Japan at 6.9%. It is estimated that 52.0% of these exports are dependent on business from quota countries. It is expected that with the slowing down of the global economy, competition for reduced market share will intensify, and businesses will need to focus on service, product quality and innovation to keep their customers.

In the case of the HIB Group, a major export destination would be Japan. Other countries with which the Group conducts international trade include Korea, Taiwan, Singapore, Hong Kong, New Zealand and Australia, all of which are non-quota countries under the Multi-Fibre Agreement. As a contract manufacturer for Nike, the HIB Group supplies the majority of their round-neck printed t-shirts on a non-quota basis for the Asia-Pacific region. This has helped "insulate" the Group from an extremely drastic decline in business due to the global economic slowdown. Moving forward, as the Group deals with premium brands and produces high quality products for reasonable prices, the Group is not expecting a drastic impact on their turnover performance, due to the current economic conditions.

(Source: Executive Summary Report by ACNielsen dated 24 September 2002)

As further verification, none of the Group's export customers have cancelled any orders and the Group is already working with some export customers on the Autumn/Winter collection for 2002.

5.6 Competitive Environment Within the Textiles and Apparels Industry

There are many knitted fabric and knitted garment manufacturers in Malaysia producing knitwear for sale both in the local and export markets. At present, there are approximately 1,316 textile and apparel factories in Malaysia, of which 1,000 (76%) are in apparels manufacturing. Another 226 (17%) are involved in the primary textiles industry. There is a high concentration of textile factories in the southern region of Batu Pahat, Johor, which is known as the textile city of Malaysia. Approximately 40% of the textile factories are located there, especially the wet processing plants.

However, not many can claim to be a fully integrated manufacturer with both local and export businesses like the HIB Group. A typical manufacturer's history begins in the knitting of fabrics business and this eventually expands into production of ready made apparels either for export or for local consumption, with some even venturing into retail via the opening of their own retail outlets / concept stores. Many current players, as can be seen from the statistics shown in the paragraph above, contribute to only one or two parts of the entire production process e.g. spinning and weaving, or cutting and sewing or dyeing and garment wash, and so on. The competitiveness of companies within this industry is highly dependent on their ability to deliver products on time, with good quality and with competitive pricing. This is then translated into the ability of the senior management team within the company to craft winning business strategies, taking into account the various economic influences within and out of the country.

The HIB Group's competitors include Hing Yiap Knitting Industries Bhd, Teo Guan Lee Corporation Bhd, PCCS Group Bhd and Ramatex Bhd. In terms of market share for comparison purposes (based on the ranking of turnover), the HIB Group would rank 3rd overall for the integrated garment manufacturer category that had both local and export production after Ramatex Bhd and PCCS Group Bhd. The Group's diversification strategy is to have export sales and local sales of which approximately 60% of their local revenue is from consignment goods, 40% of their revenue is from the Group's own boutiques locally. Exporting to non-quota countries have become very competitive, thus, the Group is also considering expanding their own brands (via franchising) into other countries for example, Singapore and Brunei.

(Source: Executive Summary Report by ACNielsen 24 September 2002)

5.7 Government Regulations, Policies and Incentives

As the textiles and apparels industry has been recording a surge in growth rates for exports in the past 5 years, the Malaysian Government would like to ensure that the industry is able to continue this growth and compete in the global market. Albeit the temporary setback of 2001, due to global economic slowdown, the Government has encouraged textile and apparel manufacturers to embrace technology, improve operational efficiency and productivity. Increased emphasis should also be placed on research and development and quality enhancements in preparation for AFTA and the abolishment of the Multi-Fibre Arrangement ("MFA"). Safe for the normal laws applicable to the conduct of business in Malaysia, there are currently no specific regulatory requirements that are applicable to the textiles and apparels manufacturing industry. However, as a sub-sector of the larger manufacturing industry umbrella, the Government does outline incentives and general guidelines for the entire industry.

(Source: Executive Summary Report by ACNielsen 24 September 2002)

Some examples of the tax exemptions applicable to the HIB Group are in relation to the exemption of statutory income equivalent to 10% of the value of increased exports, if the goods exported attain at least a 30% value-added increase and the exemption of statutory income equivalent to 15% of the value of increased exports, if the goods exported attain at least a 50% value-added increase. Other major tax incentives available to the HIB Group are pioneer status, investment tax allowance and reinvestment allowance.

6. MAJOR CUSTOMERS

The HIB Group has a wide and diversified range of customers, ranging from overseas contract customers to local retail outlets and consumers. The nature of the garment industry is seasonal in nature and usually performs better in the second half of any year, due to the festive season. However, the demand for infant and adult garments seem to be more consistent than children garments.

The HIB Group only has one major customer which contributes to more than 10% of the Group's turnover that is Nike Japan Incorporation ("Nike Japan") which has been a customer of HASB since 1991. Being a supplier of Nike apparels, HASB is required to adhere to a strict set of quality rules called the "Nike's Code of Conduct". The successful business ties between Nike and HASB has caused Nike to "promote" HASB to become their business partner in the Asia Pacific region. In addition, HASB strives to be competitive by providing innovative products of high quality, competitive prices and good customer service. For the financial year ended 31 March 2002, Nike Japan contributed to RM13.141 million or approximately 11.80% of the Group's turnover. Save for Nike Japan, none of the Group's customers contribute to more than 10% of the Group's turnover. 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.

While the sales to Nike Japan appear high, sales to other customers are on the uptrend. HIB is also actively seeking new international buyers for their products, through overseas buying trips. The HIB Group has been exporting mostly to non-quota countries, which means that AFTA and MFA (or any other tariff reducing measures) will not have a significant impact on the Group's business as they are already competing on a level playing field. In addition, the Group has plans to expand their OBM business to further reducing this risk. The Group's strategies discussed above, mitigates any risk that is associated with high dependence on a single/limited customer or long term contracts.

7. MAJOR SUPPLIERS

The HIB Group sources its raw materials both locally as well as from overseas. The major raw material used in the textile and apparel industry would be yarn. Due to the nature of the business, most of the yarn is purchased overseas from India. However, in the event that India stops supplying yarn to the HIB Group, the Group can easily order yarn of the same quality from Australia, Korea, Pakistan and even locally. Currently, the HIB Group also uses suppliers from these other countries.

The HIB Group has made continuous efforts to source its other accessories requirement from a wider base of suppliers, both local and foreign, to reduce its dependence on any supplier. Should any suppliers fail to deliver items ordered in a timely manner, the HIB Group is then able to tap on other suppliers to provide the same raw materials for production. This provides the Group with better market knowledge of material suppliers and price trends. In addition, by having a wider base of suppliers, the HIB Group is able to reduce the risks of raw material shortages and is able to negotiate for better pricing.

Due to their large supplier base, the HIB Group only has one major supplier that contribute to more than 10% of the Group's total purchases for the financial year ended 31 March 2002. The major supplier is Nike Sales (M) Sdn Bhd ("Nike Sales") which supplies Nike shoes, apparels and accessories for the HIB Group's retails outlets i.e. Hytex Studios. Nike Sales has been a supplier of the HIB Group for 2 years and the value of purchases for the financial year ended 31 March 2002 amounted to RM6.312 million or approximately 18% of the Group's total purchases.

8. FUTURE PLANS, STRATEGIES AND PROSPECTS

To date, the HIB Group has a healthy year-on-year growth, due to their sound management policies and extensive overseas business presence. The HIB Group's business strategies are aligned to the growth policies set forth by the government and in this manner, the HIB Group's business contributes to the social-economic development of the country by assisting the government to unemployment and skill transfer issues. The HIB Group actively ensures that the people in their organisation have the relevant skills and qualifications via training programmes and on the job experience. In addition, to reduce dependence on labour, the HIB Group encourages increased automation in all their plants in Malaysia, which in turn increases the skill level and knowledge level of the employees of the Group. Therefore, the HIB Group's business plays an important role in shaping the economy of Malaysia.

The management of the HIB Group believe that in the near to medium term, the Group can expect strong growth and profitability. The HIB Group has remained focused on their core businesses as an integrated garment manufacturer, rather than diversifying during the 1993 property sector boom, therefore remaining profitable even during the Asian financial crisis between 1997 to 1998. The Group's focus on new product-development, continuous production process improvement and consumer market research will enable the Group to respond quickly to any changes in consumer tastes. The Group's investments in new technology machinery and information systems will alleviate the dependence of labour and increase production efficiency. The flexibility to switch between the local and export markets based on their portfolio of about 55% local and about 45% export is also an added insurance against economic volatility. In addition, this prepares the Group for the onslaught of globalisation and liberalisation.

In preparation for the trade liberalisation in the new millennium, the HIB Group has expanded its manufacturing plant to Cambodia in order to tap the country's lower labour costs and non-quota restriction export to Europe, Canada and US. Besides expanding the Group also plans to increase its presence in Cambodia through acquisitions. Meanwhile, the HIB Group has incorporated HGBSB in Brunei, to cater for future orders to US and Canada. The Group also has plans to venture into South Africa and China in order to tap these two countries non-quota system and its mass pool of cheap labour, thus reducing further operating costs. Barring unforeseen circumstances, the Group plans to venture into China by 2004 and South Africa by 2006.

In Malaysia, the HIB Group has already opened 5 Hytex Studios in Kuala Lumpur Plaza (Kuala Lumpur), Sunway Pyramid (Petaling Jaya), Island Plaza (Penang), City Square (Johor Bahru) and First World Plaza (Genting Highlands). An additional 8,000 sq.ft. of retail space was added for WOC, ISSUE and American Athletics in July 2001 at Gurney Plaza, one of the newer and more popular shopping areas in Penang. Another 7 concept stores were opened in November 2001 at the Genting Indoor Theme Park, First World Plaza, Genting Highlands. These will house the HIB Group's WOC, American Athletics, ISSUE, Nike, Levi's, Dockers and Timberland stores increasing the total retail space of the Group by 6,773 sq. ft..

In Singapore, HIPL will increase its retail presence by signing another 3 brands with The Walt Disney Company (Singapore) Pte Ltd namely Mickey for Kids, Pooh for Kids and Pooh for Adults. The marketing dates for the above brands commenced in September 2001. The expansion for the above brands augurs well for the Group as it is already marketing these brands in Malaysia and will benefit from economies of scale and other cost savings in R&D and product design.

The HIB Group is regarded by The Walt Disney Company (Singapore) Pte Ltd as one of their key licensees. As mentioned earlier, the Malaysian Book of Records has also awarded the HIB Group's WOC Boutiques with "Largest Children Apparel Chain in Malaysia" award in March 2001. As at 31 March 2002, the total retail space operated by the HIB Group was 120,000 sq. ft.. Apart from wholly owned retail outlets and consignment counters in department stores, the Group is also looking at potential business partners to grow the retail business via franchising. Barring unforeseen circumstances, the Group plans to expand its network of franchises by 2004.

In summary, the extensive investment that the Group has undertaken to be at the technical vanguard of the textiles and apparels industry, and the accreditation both as a supplier and retailer of Disney and Nike has placed the Group one step ahead of their competitors. This good reputation has also allowed the Group to be a premier player in the local retailing scene. Lastly, with the onslaught of newer emerging technologies like the Internet and wireless application protocol (also known as WAP), the HIB Group is considering exploring alternative distribution channels that are not physical in nature. Barring unforeseen circumstances, the Group intends to implement these alternative distribution channels by mid-2004. Economic stability and the government's continued support in expanding the manufacturing sector, particularly export based manufacturing augurs well for the HIB Group, as this will make the Group a stable supplier to overseas companies. Overall, progressive country leads to increase development, disposable income and expansion, which will help companies like the HIB Group, expand their market share both locally as well as abroad.

9. LANDED PROPERTIES

Details of landed properties of the HIB Group are as follows:

Registered owner/ Location	Description/ Existing use	Approximate age of building years/Tenure	Land area/ built-up area sq. ft.	*Audited net book value as at 31.03.2002 RM 000
HGSB Lot P.T. No. 8419 H.S. (M) No. 6644 Mukim of Batu District of Gombak State of Selangor	4-storey office building cum factory	16/99 years leasehold expiring in 2078	26,372/ 51,447	1,990
HHSB Lot P.T. Nos. 31829 and 16422 H.S. (M) Nos. 18855 and 18856 Mukim of Batu District of Gombak State of Selangor	7-storey office/factory building with 1 sub-basement	5/99 years leasehold expiring in 2093	^53,112/ 420,772	**31,114
HASB Lot P.T. No. 8415 H.S. (M) No. 6640 Mukim of Batu, District of Gombak State of Selangor	Single storey factory with 2 storey office Annexe	16/99 years leasehold expiring in 2078	38,154/ 12,640	1,861
HASB Lot P.T. No. 8416 H.S. (M) No. 6641 Mukim of Batu District of Gombak State of Selangor	Factory building with 2 storey office	16/99 years leasehold expiring in 2078	34,355/ 18,800	3,398
WBSB H.S. (D) 18592 P.T. No. 20213 Mukim of Batu District of Gombak State of Selangor	Apartment/ Hostel	2/99 years leasehold expiring in 2099	N/A/ 841	96
WBSB H.S. (D) 18592 P.T. No. 20213 Mukim of Batu District of Gombak State of Selangor	Apartment/ Hostel	2/99 years leasehold expiring in 2099	N/A/ 841	96

Notes:

* *No revaluation was done on the aforesaid properties.*

** *The cost of land and building of the property located at Lot P.T. Nos. 31829 and 16422, H.S. (M) Nos. 18855 and 18856, Mukim of Batu, District of Gombak, State of Selangor has been segregated and incorporated in the accounts of HHSB and HASB respectively. The total net book value as at 31 March 2002 of RM31.114 million comprise the cumulative net book value of the land of RM1.439 million from the accounts of HHSB and the net book value of the building of approximately RM29.675 million from the accounts of HASB.*

^ *The total land area of 53,112 sq. ft. comprised Lot P.T. No. 31829 with land area of 13,808 sq. ft. and Lot P.T. No. 16422 with land area of 39,304 sq. ft.*

10. OTHER INFORMATION

As at the date of this Prospectus, there are no other approvals, major licences and permits obtained by HIB and its subsidiaries except for the details of such approvals, licences and permits, the conditions imposed and the status of compliance as disclosed below:

Company	Authorities	Date of Issuance/ Expiry	Type of business/ transaction approved	Main conditions imposed	Status of compliance
HASB	MITI	15.10.93/ Not applicable ("N/a")	Manufacturing licence for the manufacturing of 'made-up garments e.g. T-shirts, track suits, sport shorts etc, knitted fabrics and to operate commission bleaching, dyeing and finishing of fabrics'	If the shareholders' fund of HASB reaches RM2.5 million, written notification has to be given to MITI	Complied
HASB	Royal Malaysian Customs	01.03.02/ 29.02.04	Warehouse licence to warehouse raw materials, partly manufactured and finished goods	No conditions imposed	Not applicable
HASB	Royal Malaysian Customs	01.03.02/ 29.02.04	Manufacturing warehouse licence to manufacture garments, T-shirts and knitting fabrics	No conditions imposed	Not applicable
HASB	Majlis Perbandaran Johor Bahru ("MPJB")	01.01.02/ 31.12.02	Trading licences to sell souvenirs	No conditions imposed	Not applicable
HASB	Majlis Perbandaran Selayang	01.01.02/ 31.12.02	Trading licence for production of garments /t-shirts and to have lighted advertisements	No conditions imposed	Not applicable
HGSB	Majlis Perbandaran Subang Jaya ("MPSJ")	01.01.02/ 31.12.02	Trading licence to trade as a boutique outlet, to have lighted advertisement in various locations	Licence is required to be exhibited at the licensed premises and to be renewed before the expiry date	Complied
HGSB	Majlis Daerah Langkawi	16.01.02/ 31.12.02	Trading licence for the sale of clothing and children toys	No conditions imposed	Not applicable
HGSB	Majlis Perbandaran Pulau Pinang ("MPPP")	01.01.02/ 31.12.02	Trading licence for trading garments	No conditions imposed	Not applicable
HGSB	Majlis Perbandaran Seremban	01.01.02/ 31.12.02	Trading licence to trade as a boutique outlet, to have advertisement board and 'Patil Lesen'	No conditions imposed	Not applicable

Company	Authorities	Date of Issuance/ Expiry	Type of business/ transaction approved	Main conditions imposed	Status of compliance
HGSB	Majlis Perbandaran Melaka	01.01.02/ 31.12.02	Trading licence for retailing garments, to have lighted and non-lighted advertisement and 'Patil Lesen'	No conditions imposed	Not applicable
WBSB	MPSJ	01.01.02/ 31.12.02	Trading licences to trade as a boutique outlet, to have lighted advertisement in various locations	Licence is required to be exhibited at the licensed premises and to be renewed before the expiry date	Complied
WBSB	MPPP	01.01.02/ 31.12.02	Trading licences for trading garments at various locations	No conditions imposed	Not applicable
WBSB	MPJB	01.01.02/ 31.12.02	Trading licence to trade as a boutique outlet	No conditions imposed	Not applicable
WBSB	MPJB	01.01.02/ 31.12.02	Trading licence to trade as a sports equipment outlet	No conditions imposed	Not applicable
WBSB	MPJB	01.01.02/ 31.12.02	Trading licence to trade as a boutique outlet	No conditions imposed	Not applicable
LTSB	MITI	30.09.96/ N/a	Manufacturing licence for the manufacturing of 'made-up garments e.g. T-shirts, track suits, sport short, trousers, shirts etc'	If the shareholders' fund of LTSB reaches RM2.5 million, written notification has to be given to MITI	Complied
LTSB	Royal Customs and Excise Malaysia	23.05.02/ N/a	Manufacturing licence under the Sales Tax Act, 1972 for LTSB to act as Licenced Manufacturer commencing 1 September 1994	Note (a)	Complied
HGCL	Municipality of Phnom Penh ("MPP")	05.03.99/ N/a	Operating location licence	No conditions imposed	Not applicable
	Ministry of Commerce ("MOC")	04.06.96/ 03.06.2095	Trading licence. The company is allowed to provide cutting and sewing services to garment manufacturers for a period of 99 years	No conditions imposed	Not applicable
	Council for Development of Cambodia ("CDC")	07.03.00/ N/a	Investment licence	No conditions imposed	Complied

V. INFORMATION ON THE HIB GROUP *(CONT'D)*

Company	Authorities	Date of Issuance/ Expiry	Type of business/ transaction approved	Main Conditions imposed	Status of compliance
HGCL *(cont'd)*	MOC	20.01.99/ N/a	Investment licence	The Company is required to obtain Investment Licence from CDC	Complied
	MOC	08.11.01/ 08.11.02	Generalised System of Preferences licence (for export to the US)	No conditions imposed	Not applicable

Notes:

(a) *(i)* *Specific goods are required to be manufactured at specific location.*

(ii) *New licence is required if:*

(a) *a partner withdraws or a new partner is added to a partnership; or*

(b) *a registered company takes over a Licenced business or company which is not a registered company; or*

(c) *the business is leased.*

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