

9. ACCOUNTANTS' REPORT
(Prepared for inclusion in this Prospectus)

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Date: **25 JUL 2003**

HIAP TECK VENTURE BERHAD
ACCOUNTANTS' REPORT

The Board of Directors
HIAP TECK VENTURE BERHAD
Lot 6096, Jalan Haji Abdul Manan
Batu 5 ½, Off Jalan Meru
41050 Klang
Selangor Darul Ehsan

Dear Sirs

1. Introduction

This report has been prepared by Messrs. Wong Yow Seng & Co., an approved company auditor for inclusion in the prospectus of Hiap Teck Venture Berhad to be dated **29 JUL 2003** in connection with the Public Issue of 10,000,000 new ordinary shares of RM0.50 each and the Private Placement of 66,400,000 ordinary shares of RM0.50 each and the Restricted Issue of 14,800,000 ordinary shares of RM0.50 each in Hiap Teck Venture Berhad (hereafter referred to as "Hiap Teck Venture" or the "Company") at a price of RM0.55 per share and the listing of and quotation for the entire issued and paid-up share capital of 327,400,000 Ordinary shares of RM0.50 each on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE").

2. General information

2.1 Background

Hiap Teck Venture was incorporated in Malaysia under the Companies Act, 1965 on 1 March 1997 and was converted to a public limited company on 2 April 1997. The principal activity of Hiap Teck Venture is that of investment holding.

2.1.1 Authorised share capital

The authorised share capital of Hiap Teck Venture as at the date of this report is as follows:-

	<i>No. of ordinary shares of RM0.50 each</i>	<i>Total share capital RM</i>
Authorised	400,000,000	200,000,000

9. ACCOUNTANTS' REPORT..... cont'd

(Prepared for inclusion in this Prospectus)

2.1.2 Issued and Paid-up Share Capital

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

<i>Date of allotment</i>	<i>No. of ordinary shares</i>	<i>Par value RM</i>	<i>Purpose</i>	<i>Total issued and fully paid-up share capital (RM)</i>
1.03.1997	2	1.00	Subscribers' shares	2
8.12.1999	300,000	1.00	Working capital	300,002
31.12.2001	600,004	0.50	Sub-division of par value of each RM1.00 share to 2 shares of 50 sen each	300,002
27.03.2003	150,947,808	0.50	New shares issued for the acquisition of the entire issued and paid-up share capital of HTH, THH, APM, HMSB and BDSB	75,773,906
29.5.2003	84,652,188	0.50	New shares issued for the acquisition of three properties	118,100,000

The issued and fully paid-up share capital of Hiap Teck Venture after the Public Issue, Private Placement and Restricted Issue would be RM163,700,000 comprising 327,400,000 ordinary share of RM0.50 each.

2.2 Restructuring Scheme

Prior to the public issue, private placement and the restricted issue, the following restructuring scheme which was approved by the Foreign Investment Committee ("FIC") on 24 April, 2000, 16 October, 2000, 11 December, 2001 and 18 November, 2002, the Ministry of International Trade and Industry on ("MITI") on 5 April, 2000, 23 December, 2000, 24 November, 2001 and 3 December, 2002 and the Securities Commission ("SC") on 6 September, 2001 and 29 January, 2003, was undertaken by Hiap Teck Venture as follows:-

(a) Revaluation of landed properties of HTP and THH

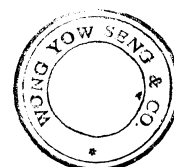
Revaluation of landed properties of HTP and THH based on valuation carried out by Khong & Jaafar Sdn. Bhd. and the incorporation of the revaluation surplus of RM17,480,069 and RM11,152 respectively into each company's books

(b) Acquisitions of Subsidiary companies

Acquisition by Hiap Teck Venture of the following:-

i. HTH

The entire issued and paid-up share capital of HTH comprising 12,000,000 ordinary shares of RM1.00 each for a total consideration of RM43,211,494 satisfied by the issuance of 65,490,890 new ordinary shares of 50 sen each in Hiap Teck Venture at an issue price of 65.98092 sen per share. The purchase consideration is based on the audited net tangible assets of HTH Group as at 31st July, 2000 after adjusting for the revaluation surplus of the landed properties of its subsidiary, HTP.



9. ACCOUNTANTS' REPORT..... *cont'd*

(Prepared for inclusion in this Prospectus)

ii. THH

The entire issued and paid-up share capital of THH comprising 2,400,002 ordinary shares of RM1.00 each for a total consideration of RM4,784,514 satisfied by the issuance of 7,251,359 new ordinary shares of 50 sen each in Hiap Teck Venture at an issue price of 65.98092 sen per share. The purchase consideration is based on the audited net tangible assets of THH as at 31st July, 2000 after adjusting for the revaluation surplus of its landed properties.

iii. APM

The entire issued and paid-up share capital of APM comprising 3,904,002 ordinary shares of RM1.00 each for a total consideration of RM29,509,489 satisfied by the issuance of 44,724,273 new ordinary shares of 50 sen each in Hiap Teck Venture at an issue price of 65.98092 sen per share. The purchase consideration is based on the audited net tangible assets of APM as at 31st July, 2000.

iv. HMSB

The entire issued and paid-up share capital of HMSB comprising 6,000,012 ordinary shares of RM1.00 each for a total consideration of RM20,537,252 satisfied by the issuance of 31,126,045 new ordinary shares of 50 sen each in Hiap Teck Venture at an issue price of 65.98092 sen per share. The purchase consideration is based on the audited net tangible assets of HMSB Group as at 31st July, 2000.

v. BDSB

The entire issued and paid-up share capital of BDSB comprising 1,200,000 ordinary shares of RM1.00 each for a total consideration of RM1,554,010 satisfied by the issuance of 2,355,241 new ordinary shares of 50 sen each in Hiap Teck Venture at an issue price of 65.98092 sen per share. The purchase consideration is based on the audited net tangible assets of BDSB as at 31st July, 2000.

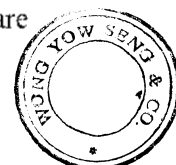
(c) Acquisitions of properties

The acquisitions of three pieces of freehold land and buildings by the Company from United Coconut Fibre Products Sdn Bhd ("UCF") and K.H.L. Sdn Bhd ("KHL") for a consideration of RM62.9 million satisfied by an issue of 84,652,188 new ordinary shares of 50 sen each in the Hiap Teck Venture at an issue price of 74.30405 sen per ordinary share.

2.3 Subsidiary companies

The details of subsidiary companies of Hiap Teck Venture, all of which are incorporated in Malaysia, are as follows:-

<i>Name</i>	<i>Date of Incorporation</i>	<i>Issued and Paid-up Share Capital</i> RM	<i>Percentage Shareholding</i> %	<i>Principal Activities</i>
Hiap Teck Hardware Sdn. Bhd. ("HTH")	16.09.93	12,000,000	100	Importers & exporters, & general dealer of steel products, hardware & building materials

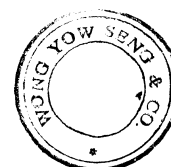


9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

Name	Date of Incorporation	Issued and	Percentage Shareholding	Principal Activities
		Paid-up Share Capital		
		RM	%	
# H. T. Scaffolding Manufacturing Sdn. Bhd. ("HTSM")	26.11.93	2,500,000	100	Manufacturing, dealing in & renting out scaffolding components and accessories and metal stamping.
# H. T. Property Sdn. Bhd. ("HTP")	26.08.94	100,000	100	Renting out & investing in properties
# H. T. Steel Manufacturing Sdn. Bhd. ("HT Steel")	14.11.96	2,400,000	100	Rerolling steel mill (pre-production)
# Hiap Teck Holdings Sdn. Bhd. ("HT Holdings")	21.03.95	2	100	Dormant
Tiek Hong Hardware (B'worth) Sdn. Bhd. ("THH")	11.10.93	2,400,002	100	General merchant & dealer in metal hardware, building equipment & materials
Alpine Pipe Manufacturing Sdn. Bhd. ("APM")	24.06.93	3,904,002	100	Manufacturing & trading of steel & iron products
Huatraco Marketing Sdn. Bhd. ("HMSB")	20.05.92	6,000,012	100	Manufacturing, selling & dealing & renting of scaffolding equipment, slitting & forming process for pipes & range of steel products
# # Huatraco Industries Sdn. Bhd. ("HISB")	16.09.87	570,000	100	Manufacturing, selling & dealing in scaffolding & a range of steel products
Briliant Decade Transport Agency Sdn. Bhd. ("BDSB")	17.07.93	1,200,000	100	Provision of transportation of goods by lorries
#	Wholly-owned subsidiary of HTH			
##	Wholly-owned subsidiary of HMSB			

3. Dividends

The Company and its subsidiary companies have not paid any other dividends during the period in this report except for the following:-



9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

	<i>Financial year ended</i>	<i>Issued and Paid-up Share Capital RM</i>	<i>Gross rate of dividend %</i>	<i>Net dividends RM</i>
HTH	31 July 1999	12,000,000	7 TE	840,000
	31 July 2000	12,000,000	7	604,800
	31 July 2001	12,000,000	5	432,000
	31 July 2002	12,000,000	5	432,000
THH	31 July 1999	2,400,002	7 TE	168,000
	31 July 2000	2,400,002	7	120,960
	31 July 2001	2,400,002	5	86,400
	31 July 2002	2,400,002	5	86,400
APM	31 July 1999	3,904,002	7 TE	273,280
	31 July 2000	3,904,002	7	196,762
	31 July 2001	3,904,002	5	140,544
	31 July 2002	3,904,002	5	140,544
HMSB	31 July 1999	6,000,012	7 TE	420,001
	31 July 2000	6,000,012	7	302,401
	31 July 2001	6,000,012	5	216,000
	31 July 2002	6,000,012	5	216,000
BDSB	31 July 1999	1,200,000	7	60,480
	31 July 2000	1,200,000	-	-
	31 July 2001	1,200,000	5	43,200
	31 July 2002	1,200,000	5	43,200
HISB	31 July 2002	570,000	526.32	2,160,000

Note: TE - Tax exempt

4. Financial statements and auditors

The financial year end of all the companies within the Hiap Teck Venture Group is 31 July.

We have been the auditors of Hiap Teck Venture, HTH, APM, BDSB, THH, HTP, HTSM, HT Steel and HT Holdings since their incorporation and have acted as auditors of HMSB and HISB since the financial year ended 31 July 1994.

All the financial statements of the companies within Hiap Teck Venture Group for all the financial years/period relevant to this report were audited and reported without any qualification.

5. Accounting policies and standards

This report is based on audited financial statements which have been prepared in accordance with applicable approved accounting standards issued by the Malaysian



9. ACCOUNTANTS' REPORT..... *cont'd*

(Prepared for inclusion in this Prospectus)

Accounting Standards Board ("MASB") and is presented on a basis consistent with the accounting policies normally adopted by the Group.

6. Summarised income statements

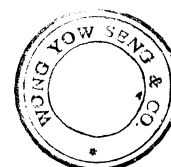
The proforma Group results were prepared on the assumption that the acquisition of the subsidiary companies had been effective since 1 August 1997 and the audited results of Hiap Teck Venture, HTH, APM, HMSB, BDSB, THH, HTSM, HTP, HT Holdings, HT Steel and HISB are set out below:-

6.1 Proforma Group

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	362,785	295,773	428,819	424,761	534,692	243,326
Profit before charging amortisation, depreciation & interest	47,315	44,432	44,875	43,435	45,637	26,246
Amortisation of goodwill	-	-	-	(52)	(52)	(26)
Depreciation	(8,227)	(10,244)	(11,548)	(11,217)	(10,250)	(4,722)
Operating profit	39,088	34,188	33,327	32,166	35,335	21,498
Interest expense	(29,600)	(23,226)	(16,265)	(16,751)	(14,103)	(6,053)
Profit before exceptional item & taxation	9,488	10,962	17,062	15,415	21,232	15,445
Exceptional item	-	-	-	1,212	(599)	-
Profit after exceptional item but before taxation	9,488	10,962	17,062	16,627	20,633	15,445
Taxation	(1,894)	(120)	(4,050)	(2,988)	(6,374)	(5,202)
Profit after exceptional item & taxation	7,594	10,842	13,012	13,639	14,259	10,243
No. of ordinary shares assumed in issue then ('000) ⁺	151,548	151,548	151,548	151,548	151,548	151,548
Gross earnings per share (sen)	6.26	7.23	11.26	10.97	13.61	20.38
Net earnings per share (sen)	5.01	7.15	8.59	9.00	9.41	13.52

* Annualised

+ Assumed issued and paid-up share capital pursuant to the Acquisitions of the subsidiary companies but before the acquisition of three properties, public issue, private placement and restricted issue – 151,547,812 ordinary shares of 50 sen each.



9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

Notes

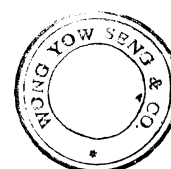
- i. Economic crisis affected trading sector badly in FYE 1998, resulting in manufacturing and servicing sectors contributing to 95% of the profit before taxation. The trading sector, however, recovered by 93% in FYE 1999. Group revenue increased by 44.98% from FYE 1999 to FYE 2000 with the recovery of the economy, mainly from the manufacturing and servicing sectors but it showed a slight drop of 0.95% in FYE 2001 due to lower demand for scaffolding (HMSB). Revenue for FYE 2002 improved by 25.88% mainly from higher sales by HTH and APM. For the 6 month period to 31 January 2003, the implementation of stricter credit control resulted in a 8.98% decline (on annualised basis) in the Group's revenue from the previous year.

The Group's recovery was led by APM, doubling its contribution to 42.78% of the profit before taxation in FYE 1998 from FYE 1997 and increasing to almost 55% in FYE 1999. For FYE 2000, HTH nearly doubled its profit before taxation whilst APM's increased by 73.8%, improving the Group's profit before taxation for FYE 2000 by 55.65% over FYE 1999's. For FYE 2001, the decline in contribution by HMSB of 9% resulted in a 2.55% decline on the Group's profit before taxation. For FYE 2002, the Group achieved an increase of 24.09% pre-tax profit over the previous year's with most contribution coming from APM - its contribution to the Group pre-tax profit increased from 64.9% to 65.8%. However, for the 6 month period to 31 January 2003, notwithstanding the decline in revenue, the Group managed to increase the profit before taxation by 49.72% (on annualised basis) over the previous year's, mainly through APM's performance.

- ii. The acquisitions of HTH, APM, HMSB, THH and BDSB have been consolidated using the method of merger accounting.
- iii. Except for the exceptional items in FYEs 2001 and 2002 which were in respect of the gain and the loss upon disposal of freehold & leasehold land and buildings respectively, there is no other exceptional item.

The exceptional item for FYE 2002 has been restated to include overprovision in RPG tax of RM2,826 upon the disposal of leasehold land in HTP.

- iv. There were no extraordinary items in all the financial years/period under review.
- v. The taxation charge of the subsidiaries have been adjusted to reallocate the under/overprovision to their various respective years and is as follows:-



9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As per audited Income Statement	3,919	(1,720)	3,514	4,814	6,493	4,970
Adjustment to reallocate taxation under/(over)provided to respective years	18	(203)	536	(1,826)	(119)	232
Adjustment for overprovision for deferred taxation	(2,043)	2,043	-	-	-	-
Adjusted taxation	1,894	120	4,050	2,988	6,374	5,202

- vi. The effective tax rates for FYE 1998 to FYE 2001 (excluding FYE 1999) are lower than the statutory rate due to APM, HMSB and HTSM's entitlement to claim reinvestment allowances. The effective tax rates for FYE 2002 and the 6 month period to 31 January 2003 were much higher than the statutory rate due to certain expenses being disallowed for tax purpose. For FYE 1999, there was no provision for Malaysian income tax as any tax payable would have been waived in accordance with the provisions of the Income Tax (Amendment) Act, 1999 except for the deferred tax provided for in subsidiary companies.
- vii. The gross earnings per share is calculated based on the profit before taxation but after exceptional item over the number of ordinary shares assumed in issue during the year/period. The net earnings per share is calculated based on the net profit after exceptional item & taxation over the number of ordinary shares assumed in issue during the year/period.
- viii. No adjustment has been made to the above proforma consolidated income statements for rental savings resulting from the acquisition of Lots 6085, 6088 and 6089 pursuant to the listing of HTVB. The rental paid for the lease of these lots from United Coconut Fibre Products Sdn. Bhd. and KHL Sdn. Bhd. for the years/period under review is set out as follows:-

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Lot 6085	2,160	2,160	2,160	2,160	1,610	780
Lot 6088	2,160	2,220	2,190	2,190	1,610	825
Lot 6089	1,260	2,160	2,160	2,160	1,610	780
	5,580	6,540	6,510	6,510	4,830	2,385

- ix. The entire number of shares assumed to be issued is based on that as disclosed in Note 7.1(a).4 (Proforma Group Balance Sheet) of this Accountants' Report for the sole purpose of co-relating past earnings with future earnings by using the same denominator.
- x. The summarised proforma consolidated income statements have been prepared for illustrative purpose only and are based on the audited financial statements of the subsidiary companies of the Proforma Group.



9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

- xi. All significant inter-company transactions have been eliminated upon consolidation.

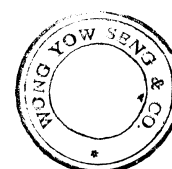
6.2 Hiap Teck Venture

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-	-
Loss before charging depreciation & interest	(306)	(5)	(65)	(4)	(34)	(26)
Depreciation	-	-	-	-	-	-
Operating loss	(306)	(5)	(65)	(4)	(34)	(26)
Interest expense	-	-	-	-	-	-
Loss before taxation	(306)	(5)	(65)	(4)	(34)	(26)
Taxation	-	-	-	-	-	-
Loss after taxation	(306)	(5)	(65)	(4)	(34)	(26)
Weighted average number of ordinary shares of RM0.50 each in issue	4	4	388,528	600,004	600,004	600,004*
Net loss per share (RM)	(76,385)	(1,178)	(0.17)	(0.01)	(0.06)	(0.09)
Gross dividend per ordinary share (%)	Nil	Nil	Nil	Nil	Nil	Nil

* Annualised

Notes:

- i. There were no exceptional and extraordinary items in all the financial years/period under review.
- ii. The substantial loss in FYE 1998 was due to professional charges for the proposed acquisition and subsequent listing exercise on the KLSE Second Board which could not proceed as planned in view of the regional economic downturn which had adversely affected the financial markets in the country.
- iii. The loss incurred in FYE 2000 was mainly due to the stamp duty on the new authorised share capital upon its increase from RM100,000 to RM100 million.
- iv. The net loss per share is calculated based on the loss after taxation over the weighted average number of ordinary shares in issue during the year/period.
- v. The weighted average number of ordinary shares in issue in all the financial years/period under review have been adjusted to reflect the sub-division of the par value of a RM1.00 share to 2 shares of 50 sen each.



9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

6.3 **HTH**

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	201,598	127,699	156,290	179,390	230,250	115,016
Profit before charging depreciation & interest	16,182	14,694	13,067	13,489	12,672	5,846
Depreciation	(1,028)	(869)	(680)	(597)	(423)	(136)
Operating profit	15,154	13,825	12,387	12,892	12,249	5,710
Interest expense	(14,149)	(11,636)	(8,265)	(8,947)	(7,444)	(3,216)
Profit before exceptional item & taxation	1,005	2,189	4,122	3,945	4,805	2,494
Exceptional item	-	-	-	-	(164)	-
Profit after exceptional item but before taxation	1,005	2,189	4,122	3,945	4,641	2,494
Taxation	(821)	15	(1,633)	(1,271)	(1,619)	(772)
Profit after exceptional item & taxation	184	2,204	2,489	2,674	3,022	1,722
Weighted average number of ordinary shares of RM1.00 each in issue	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Gross earnings per share (sen)	8.37	18.24	34.36	32.88	38.68	41.56 *
Net earnings per share (sen)	1.53	18.36	20.75	22.28	25.18	28.70 *
Gross dividend per ordinary share (%)	Nil	7 TE	7	5	5	Nil

* Annualised
TE Tax exempt

Notes:

- i. The economic downturn in the second half of 1997 saw substantial reduction in revenue due to poor demand and thinner margin as certain players become weaker. Coupled with the very high interest rates prevailing then, these resulted in the significant decline in profit before taxation for FYE 1998. However, FYE 1999 improved when the interest rates stabilised at a reasonable level and the profit before taxation increased significantly by 117.8% over the preceding year due to lower interest rate, the resultant lower expenses and improved margin despite the decrease in revenue. From FYE 1999 to FYE 2000, revenue increased by 22.4% with improved market demand and by pursuing sales on cash terms to improve cash inflow and reduce BA interest resulting in pre-tax profit growing by 88.4%. The improvement in revenue for FYE 2001 and FYE 2002 was due to the increase in selling price and the increase in steel bars sales though FYE 2001 recorded a decline in profit before taxation from the preceding



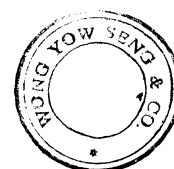
9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

year mainly due to the high provision for bad and doubtful debts. But for FYE 2002 lower interest charge and the decrease in provision for bad and doubtful debts improved the profit before taxation by RM 0.7 million to RM 4.64 million compared to the preceding year. For the 6 month period to 31 January 2003, the Company not only managed to maintain the level of revenue of the preceding year (on annualised basis) even with the implementation of tighter credit control and concentration on products with better margin. These and the increase in selling prices resulted even in a slight increase in pre-tax profit margin.

- ii. The taxation charge has been adjusted to reflect the under/overprovision to their various respective years and is as follows:-

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As per audited Income Statement	191	434	1,182	2,917	1,570	748
Adjustment to reallocate taxation under/(over)provided to respective years	630	(449)	451	(1,646)	49	24
Adjusted taxation	821	(15)	1,633	1,271	1,619	772

- iii. The effective tax rates for FYEs 1998 to 2002 (excluding FYE 1999) and the 6 month period to 31 January 2003 are much higher than the statutory rate due to the adding back of certain expenses disallowed for tax purposes. The high rate for FYE 1998 is a result of the adding back of the high depreciation charge of RM1.028 million (1997 – RM0.68 million) mainly due to the inclusion of the computer hardware and software acquired in that year and certain expenses disallowed for tax purposes. No provision has been made for taxation for FYE 1999 as any tax payable would have been waived in accordance with the provisions of the Income Tax (Amendment) Act, 1999. The negative effective tax rate for FYE 1999 is due to the reversal of provision for deferred taxation made in previous years no longer required.
- iv. Except for the exceptional item in FYE 2002 which is in respect of the loss on disposal of buildings, there is no other exceptional item.
- v. There were no extraordinary items in all the financial years/period under review.
- vi. The gross and net earnings per share are calculated based on the profit before taxation but after exceptional item and the profit after exceptional item & taxation over the weighted average number of ordinary shares in issue during the year/period.



9. ACCOUNTANTS' REPORT..... cont'd
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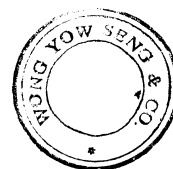
6.4 HTP

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	1,200	1,200	1,200	1,200	1,200	600
Profit before charging depreciation & interest	1,083	1,052	1,027	904	1,005	531
Depreciation	(270)	(283)	(282)	(283)	(283)	(142)
Operating profit	813	769	745	621	722	389
Interest expense	(1,277)	(1,047)	(696)	(496)	(243)	(62)
(Loss)/Profit before exceptional item & taxation	(464)	(278)	49	125	479	327
Exceptional item	-	-	-	1,212	(356)	-
(Loss)/Profit after exceptional item but before taxation	(464)	(278)	49	1,337	123	327
Taxation	-	-	(36)	(139)	(216)	(130)
(Loss)/Profit after exceptional item & taxation	(464)	(278)	13	1,198	(93)	197
Weighted average number of ordinary shares of RM1.00 each in issue	100,000	100,000	100,000	100,000	100,000	100,000
Gross (loss)/earnings per share (sen)	(464.50)	(277.58)	48.96	1,336.63	123.28	655.28 *
Net (loss)/earnings per share (sen)	(464.50)	(277.58)	13.10	1,197.64	(92.49)	394.98 *
Gross dividend per ordinary share (%)	Nil	Nil	Nil	Nil	Nil	Nil

* Annualised

Notes:

- i. The Company started to generate rental income from August 1996 onwards by letting out its land and building in Meru, Klang to its holding company (HTH) as stock yard and office premise.
- ii. In FYEs 1998 and 1999, the Company incurred losses due to prevailing higher interest rate then but subsequently in FYE 2000, it recorded a profit when interest rate became lower. The significant increase in profit before taxation in FYE 2001 is due to the gain upon disposal of freehold land while the significant lower profit before taxation in FYE 2002 is attributed to the loss upon disposal of leasehold land. Lower loan interest charge in the 6 month period to 31 January 2003 improved profit before taxation and exceptional item by 36.65% (on annualised basis) over the preceding year's.



9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

- iii. There were no extraordinary items in all the financial years/period under review.
- iv. Except for the exceptional items in FYE 2001 and FYE 2002 which were in respect of the gain and the loss upon disposal of freehold & leasehold land and buildings respectively, there is no other exceptional item.

The exceptional item for FYE 2002 has been restated to include the overprovision of RPG tax upon the disposal of leasehold land from the accounts for 6 month period to 31 January 2003.

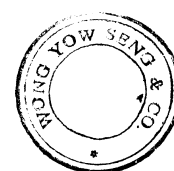
- v. The taxation charge has been adjusted to reflect the under/overprovision to their various respective years and is as follows:-

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As per audited Income Statement	-	-	10	186	204	131
Adjustment to reallocate taxation under/ (over)provided to respective years	-	-	26	(47)	12	(1)
Adjusted taxation	-	-	36	139	216	130

- vi. The effective tax rates for FYE 2000 and the 6 month period to 31 January 2003 are higher than the statutory tax rate due to the non-manufacturing use of factory buildings being rented out and this disqualifies them from claiming for industrial building allowance. The low effective tax rate for FYE 2001 and the higher effective tax rate for FYE 2002 were due to both the gain and loss upon disposals of freehold and leasehold land in the respective years being non-taxable items.
- vii. The gross and net earnings/(loss) per share are calculated based on the profit/(loss) before taxation but after exceptional item and the profit/(loss) after exceptional item & taxation over the weighted average number of ordinary shares in issue during the year/period.

6.5 HTSM

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	14,238	9,527	13,372	8,354	5,862	2,278
Profit before charging depreciation & interest	1,997	4,891	6,197	4,750	3,574	2,336
Depreciation	(1,443)	(3,606)	(5,146)	(4,239)	(3,238)	(1,245)
Operating profit	554	1,285	1,051	511	336	1,091
Interest expense	(43)	(38)	(18)	(2)	-	(2)
Profit before taxation	511	1,247	1,033	509	336	1,089
Taxation	-	-	(261)	(122)	8	(411)
Profit after taxation	511	1,247	772	387	344	678



9. ACCOUNTANTS' REPORT..... cont'd
 (Prepared for inclusion in this Prospectus)

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Weighted average number of ordinary shares of RM1.00 each in issue	1,828,192	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Gross earnings per share (sen)	27.92	49.90	41.32	20.35	13.44	87.15*
Net earnings per share (sen)	27.92	49.90	30.88	15.49	13.76	54.27*
Gross dividend per ordinary share (%)	Nil	Nil	Nil	Nil	Nil	Nil

* Annualised

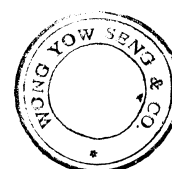
Notes:

- i. For FYE 1998, the Company achieved a growth in sales of 46.85% to RM 14.2 million through a wider acceptance in the building industry of the Crab system scaffolding and the start of renting out of scaffolding besides outright sales. Revenue for FYE 1999 declined by 33.09% to RM9.5 million from the previous year due to the steep reduced demand from the construction industry as a result of the economic downturn. However, the Company managed to achieve a two fold increase in the profit before taxation, due to a reduction of RM896,611 in depreciation charge when it changed the accounting estimate of the life span of the scaffoldings rented out from 24 months to 30 months and the inclusion of the supply of Crab system scaffolding to SP Setia Bhd's Putra Jaya project.

For FYE 2000, the supply of seating system for the Sepang Formula 1 race track and a Sydney Olympic stadium totalling about RM5.5 million managed to boost revenue by 40.36% but the loss of RM356,940 from the disposal of equipment for hire caused the profit before taxation to decline by 17.19% from FYE 1999. Without any special on going projects, revenue dropped by 37.53% in FYE 2001 (although the inclusion of the gain from the disposal of used scaffolding which were previously rented out and most having been fully depreciated improved the gross profit margin by 8.07% to 29.58%) and by 29.82% in FYE 2002. Lower demand for the Company's products arising from the reduced high rise projects coming on stream and cost cutting measures adopted by construction companies resulted in lower profit before taxation for FYEs 2001 and 2002.

For the 6 month period to 31 January 2003, the Company experienced a decline of 22.27% (on annualised basis) in sales due to the implementation of tighter credit control and the reduction in rental rates in order to compete during the slow down in construction activity. However, the inclusion of the gain upon disposal of used scaffoldings resulted in the 97.09% increase in profit after taxation over FYE 2002.

- ii. The taxation charge has been adjusted to reflect the under/overprovision to their various respective years and is as follows:-



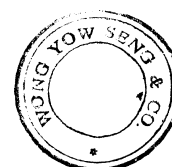
9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As per audited						
Income Statement	10	(10)	242	144	78	318
Adjustment to reallocate taxation under/(over)provided to respective years	(10)	10	19	(22)	(86)	93
Adjusted taxation	-	-	261	122	(8)	411

- iii. The quantum of reinvestment allowance claimed resulted in there being no income chargeable to taxation for FYE 1998. No provision is required for FYE 1999 as any tax payable would have been waived in accordance with the provisions of the Income Tax (Amendment) Act, 1999. For FYEs 2000 and 2001, the lower effective tax rates were due to the higher balancing allowances enjoyed against the lower financial loss upon disposal of equipment for hire being added back. The negative taxation for FYE 2002 is a result of the additional deferred tax benefit recognised. This deferred tax benefit brought forward was, however, reversed during the 6 month period to 31 January 2003, resulting in the higher effective tax rate.
- iv. Meanwhile, the Company had appealed to the Inland Revenue Board to reconsider the computation for YA 2000 (current year basis) by explaining the inherent nature of business namely the nature of plant employed and their disposal. This also has bearing on subsequent assessment years and the additional tax payable by the Company to date if the appeal is not agreed to by the Inland Revenue Board will amount to approximately RM907,000. No provision has been made in the financial statements for this sum.
- v. There were no exceptional and extraordinary items in all the financial years/period under review.
- vi. The gross and net earnings per share are calculated based on the profit before taxation and the profit after taxation over the weighted average number of ordinary shares in issue during the year/period.

6.6 HT Steel

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-	-
Loss before charging depreciation & interest	(61)	(586)	(867)	(824)	(569)	(325)
Deprcciation	(1)	(1)	(1)	(39)	(39)	(19)
Operating loss	(62)	(587)	(868)	(863)	(608)	(344)
Interest expense	(57)	(611)	(331)	(231)	(138)	-



9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Loss before taxation	(119)	(1,198)	(1,199)	(1,094)	(746)	(344)
Taxation	-	-	-	-	(1)	-
Loss after taxation	(119)	(1,198)	(1,199)	(1,094)	(747)	(344)
Weighted average number of ordinary shares of RM1.00 each in issue	1,255,947	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000*
Gross loss per share (sen)	(9.44)	(49.91)	(49.96)	(45.59)	(31.10)	(28.70)
Net loss per share (sen)	(9.44)	(49.91)	(49.96)	(45.59)	(31.15)	(28.70)
Gross dividend per ordinary share(%)	Nil	Nil	Nil	Nil	Nil	Nil

* Annualised

Notes:

- i. The Company's intended principal activity is the operation of a rerolling steel mill producing bars (round, flat and angle) and sections from billets. It continued to incur minimal factory overheads, staff and financial costs pending commercial production to take off which is expected to commence in the 2nd half of FYE 2004.
- ii. The taxation charge has been adjusted to reflect the under/overprovision to their various respective years and is as follows:-

	-----Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As per audited Income Statement	-	-	-	-	-	1
Adjustment to reallocate taxation under/(over) provided to respective years	-	-	-	-	1	(1)
Adjusted taxation	-	-	-	-	1	-

- iii. The taxation provided in FYE 2002 is in respect of sundry income received from disposal of scrap metal.
- iv. The prior year's adjustment item of RM46,828 in the FYE 1998 is made up of RM16,117 in pre-operating expenses and RM30,711 in improvements to building and they were adjusted retrospectively to FYE 1997.
- v. There were no exceptional and extraordinary items in all the financial years/period under review.
- vi. The gross and net loss per share are calculated based on the loss before taxation and the loss after taxation over the weighted average number of ordinary shares in issue during the year/period.



9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

6.7 HT Holdings

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-	-
Loss before charging depreciation & interest	(5)	(8)	(9)	(2)	(5)	(2)
Depreciation	-	-	-	-	-	-
Operating loss	(5)	(8)	(9)	(2)	(5)	(2)
Interest expense	-	-	-	-	-	-
Loss before taxation	(5)	(8)	(9)	(2)	(5)	(2)
Taxation	-	-	-	-	-	-
Loss after taxation	(5)	(8)	(9)	(2)	(5)	(2)
Weighted average number of ordinary shares of RM1.00 each in issue	2	2	2	2	2	2
Gross loss per share (RM)	(2,605)	(4,219)	(4,556)	(1,210)	(2,571)	(1,863)
Net loss per share (RM)	(2,605)	(4,219)	(4,556)	(1,210)	(2,571)	(1,863)
Gross dividend per ordinary share (%)	Nil	Nil	Nil	Nil	Nil	Nil

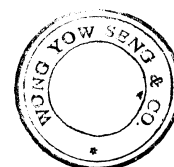
* Annualised

Notes:

- i. The Company was dormant during the years/period under review.
- ii. There were no exceptional and extraordinary items in all the financial years/period under review.

6.8 THH

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	19,348	9,216	15,351	15,410	11,476	7,270
Profit before charging depreciation & interest	557	495	687	611	869	236
Depreciation	(81)	(56)	(8)	(13)	(21)	(10)
Operating profit	476	439	679	598	848	226
Interest expense	(175)	(104)	(57)	(64)	(57)	(14)



9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before exceptional item & taxation	301	335	622	534	791	212
Exceptional item	-	-	-	-	(79)	-
Profit after exceptional item but before taxation	301	335	622	534	712	212
Taxation	(99)	-	(204)	(142)	(223)	(51)
Profit after exceptional item & taxation	202	335	418	392	489	161
Weighted average number of ordinary shares of RM1.00 each in issue	2,400,002	2,400,002	2,400,002	2,400,002	2,400,002	2,400,002
Gross earnings per share (sen)	12.54	13.97	25.93	22.27	29.68	17.66
Net earnings per share (sen)	8.4	13.97	17.44	16.34	20.40	13.40
Gross dividend per ordinary share (%)	Nil	7 TE ^	7	5	5	Nil

* Annualised

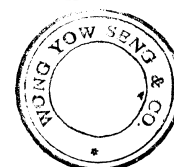
^ TE - Tax exempt

Notes:

- i. As there were no more big on-going projects due to the economic downturn, FYEs 1998 and 1999 experienced steep decline in revenue. Strict credit control was implemented to minimise exposure to risks. The high interest rate that prevailed in FYE 1998 saw a much reduced profit before taxation but, nevertheless, lower interest charges and tighter cost control by management enabled the Company to increase the profit before taxation for FYE 1999.

Riding on the economic recovery, sales for FYE 2000 increased by 66.58% over FYE 1999's, allowing the gross profit margin to improve slightly. The profit before taxation also improved due to the lower interest costs and the reduction in depreciation charge as certain motor vehicles have been fully depreciated. The increase in demand from customers enabled the Company to continue marginally increase its sales for FYE 2001 but the increasingly competitive market saw thinner gross profit margin from the lower selling prices, resulting in the lower pre-tax profit. FYE 2002 saw improvement in the significant increase of 5.1% in the gross profit margin notwithstanding the decline in sales of 25.52% over the preceding year's by benefitting from the increase in steel prices in both international and domestic markets through hedging purchases at the right time to achieve the higher margin earned.

For the 6 month period to 31 January 2003, the Company maintained competitive prices though there was an upward price adjustment (partly brought about by material price increase) and was able to achieve a higher turnover – an increase of 26.70% on annualised basis over the preceding year. This minimised the fall in gross profit margin and profit before exceptional item & taxation margin to 3.10% and 3.99% respectively despite intensified competition.



9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

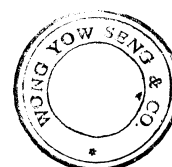
- ii. The taxation charge has been adjusted to reflect the under/overprovision to their various respective years and is as follows:-

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As per audited Income Statement	72	-	181	186	222	49
Adjustment to reallocate taxation under/ (over)provided to respective years	27	-	23	(44)	1	2
Adjusted taxation	99	-	204	142	223	51

- iii. The effective tax rates for FYEs 1998, 2000 and 2002 and the 6 month period to 31 January 2003 are higher than the statutory tax rate due to the adding back of certain non-tax deductible expenses such as depreciation, entertainment, provision for certain expenses, loss on disposal of building etc. No provision has been made for taxation for FYE 1999 as any tax payable would have been waived in accordance with the provisions of the Income Tax (Amendment) Act, 1999. The reversal of consultation fee payable previously disallowed for tax purposes for FYE 2001 and the reversal of deferred tax liability brought forward during the 6 month period to 31 January 2003 have resulted in the lower effective tax rate.
- iv. There were no extraordinary items in all the financial years/period under review.
- v. Except for the exceptional item in FYE 2002 which is in respect of the loss on disposal of buildings on leasehold land, there is no other exceptional item.
- vi. The gross and net earnings per share are calculated based on the profit before taxation but after exceptional item and the profit after exceptional item & taxation over the weighted average number of ordinary shares in issue during the year/period.

6.9 APM

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	174,919	172,074	254,069	263,916	322,266	153,664
Profit before charging depreciation & interest	18,960	18,288	20,277	21,897	24,282	16,150
Depreciation	(3,546)	(3,739)	(3,844)	(4,556)	(4,798)	(2,447)
Operating profit	15,414	14,549	16,433	17,341	19,484	13,703
Interest expense	(11,355)	(8,553)	(6,014)	(6,547)	(5,917)	(2,747)
Profit before taxation	4,059	5,996	10,419	10,794	13,567	10,956
Taxation	(13)	-	(1,352)	(1,207)	(3,765)	(3,617)
Profit after taxation	4,046	5,996	9,067	9,587	9,802	7,339



9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Weighted average number of ordinary shares of RM1.00 each in issue	3,904,002	3,904,002	3,904,002	3,904,002	3,904,002	3,904,002
Gross earnings per share (sen)	103.98	153.58	266.88	276.50	347.51	561.25
Net earnings per share (sen)	103.65	153.58	232.23	245.57	251.09	375.95
Gross dividend per ordinary share (%)	Nil	7 TE	7	5	5	Nil

* Annualised
TE Tax exempt

Notes:

- i. The Company commenced pipe making operations in October, 1995 and the sales grew rapidly from FYE 1996 to FYE 1998 with plant capacity added along the way to increase its market share. Sales increased by 47.65% from FYE 1999 to FYE 2000 due to improved market demand following the economic recovery. However, it would have dipped by 3.13% in FYE 2001 but for the receipt of export rebate of RM17.79 million from Megasteel Sdn. Bhd. which helped to give it a slight marginal increase of 3.88%. This negative growth in sales is attributed to the slowing down in market demand as anticipated in view of the current economic slow down. Nevertheless, aggressive sales and marketing strategies adopted by the management resulted in a significant increase of 22.11% in sales for FYE 2002. The implementation of tighter credit control for the 6 month period to 31 January 2003 improved cash flow and ensured minimal provision for bad and doubtful debts although it resulted in a drop in turnover of only 4.64% (on annualised basis) over the preceding year's.

The regional economic turmoil affected the Company's results for FYE 1998 where sales increased over FYE 1997 by 23.94% to RM175 million but the currency turmoil had raised the costs of imported raw materials substantially and together with the high interest rates had instead caused the profit before taxation for FYE 1998 to fall by 15.5% from previous year's to only RM4 million and affected the first half of FYE 1999's performance as well. The second half of FYE 1999 only improved after the pegging of the ringgit to the US dollar and the clearing of the large stock overhanging. Pegging of the ringgit enabled exports to improve by 49% in FYE 1999 over FYE 1998. Lower interest charge enabled the Company's pre-tax profit to improve, albeit only marginally by 0.62% to 4.10% in FYE 2000. For FYE 2002, the marginal increase in pre-tax margin by 0.12% to 4.21% is due to purchase incentives and export rebates granted by Megasteel Sdn. Bhd. However, for the 6 month period to 31 January 2003, though revenue declined, the Company increased the profit before taxation by 35.82% to 61.51% (on annualised basis) over the previous year by tuning the production towards higher margin products and the ability of the management to maintain overheads and expenses coupled with the lower allowance for doubtful debts due to implementation of tighter credit control.

- ii. There was a material effect in respect of the change in the depreciation rate for plant & machinery from 20% to 10% in FYE 1998. As a result of this change in accounting estimate, the depreciation charge for that year was reduced and the profit before taxation correspondingly increased by RM3,817,509 respectively.

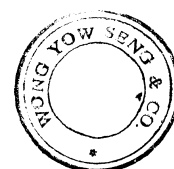


9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

- iii. The taxation charge has been adjusted to reflect the under/overprovision to their various respective years and is as follows:-

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As per audited						
Income Statement	2,251	(2,097)	1,343	1,208	3,789	3,591
Adjustments to reallocate						
- taxation under/(over)provision to respective years	(195)	54	9	(1)	(24)	26
- deferred taxation under/(over) provision to respective years	(2,043)	2,043	-	-	-	-
Adjusted taxation	13	-	1,352	1,207	3,765	3,617

- iv. The effective tax rate has been lower than the statutory rate due to the Company's claiming reinvestment allowance for FYEs 1998 to 2001. For the 6 month period to 31 January 2003, the additional deferred tax provision resulted in the higher effective tax rate compared to previous years. No provision has been made for taxation for FYE 1999 as any tax payable would have been waived in accordance with the provisions of the Income Tax (Amendment) Act, 1999.
- v. There were no exceptional and extraordinary items in all the financial years/period under review.
- vi. The gross and net earnings per share are calculated based on the profit before taxation and the profit after taxation over the weighted average number of ordinary shares in issue during the year/period.



9. ACCOUNTANTS' REPORT..... cont'd
(Prepared for inclusion in this Prospectus)

6.10 HMSB

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	52,551	38,861	39,856	26,301	27,408	11,621
Profit before charging depreciation & interest	8,089	4,958	3,941	2,070	4,610	2,466
Depreciation	(1,234)	(1,197)	(1,159)	(1,124)	(1,114)	(558)
Operating profit	6,855	3,761	2,782	946	3,496	1,908
Interest expense	(2,509)	(1,178)	(859)	(458)	(303)	(10)
Profit before taxation	4,346	2,583	1,923	488	3,193	1,898
Taxation	(867)	(145)	(528)	(69)	(891)	(561)
Profit after taxation	3,479	2,438	1,395	419	2,302	1,337
Weighted average number of ordinary shares of RM1.00 each in issue	6,000,012	6,000,012	6,000,012	6,000,012	6,000,012	6,000,012
Gross earnings per share (sen)	72.44	43.05	32.05	8.13	53.21	63.28
Net earnings per share (sen)	57.98	40.63	23.24	6.99	38.37	44.58
Gross dividend per ordinary share(%)	Nil	7 TE	7	5	5	Nil

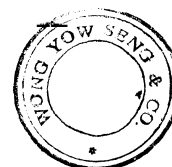
* Annualised

TE Tax exempt

Notes:

- i. The construction industry contracted in FYE 1998 due to the regional economic problem, resulting in sales for FYE 1998 declining by 31.15% from FYE1997 to RM52.6 million and then to RM38.9 million in FYE 1999, a drop of 26.05% as there were ample supplies and demand had fallen with many on-going projects slowing down and others being scrapped. Many construction companies went out of business and those that stayed adopted cost-cutting measures by opting for used scaffolding equipment or renting them instead of outright purchase. The marginal increase in revenue of 2.56% for FYE 2000 from FYE 1999 is attributed to the increase in demand by the slowly recovering construction industry. Revenue declined substantially in FYE 2001 due to the lower demand for the Company's products as there were less high rise projects being carried on coupled by the cost cutting measures adopted by construction companies like buying second hand scaffoldings rather than new ones.

FYE 2002 saw marginal increase in sales with demand for new scaffoldings picking up after the supply of second hand scaffoldings in the market had been exhausted and there was steady recovery in the construction sector. For the 6 month period to 31 January 2003, the sales, however, declined by 15.2% from FYE 2002 on annualised basis, reeling after the effects of the softening property market and lower demand for the Company's products due to the reduced



9. ACCOUNTANTS' REPORT..... cont'd

(Prepared for inclusion in this Prospectus)

number of new mega projects coming on stream that can sustain the level of demand for scaffoldings.

The reduction of selling prices in FYE 1998 so as to remain competitive and to liquidate the large stock built up caused by the drop in sales resulted in the gross profit margin dropping by 5.82% from the preceding year.

For FYE 1999, the move to acquire cheaper materials available after certain countries' currency realignment e.g. Russia, the gross profit margin improved by 4.31% over FYE 1998 although revenue declined by 26.05%. Such improvement in gross profit margin was also brought about by the increase in the service income, namely the rental of scaffolding equipment and the provision of steel coil slitting and pipe forming processes. But rising staff cost and factory maintenance and consumables brought down the pre-tax profit margin from 6.65% to 1.86% during the period from FYEs 1999 to 2001.

The export sales to Singapore being billed in Singapore dollar helped to maintain the pre-tax profit margin for FYE 1998 although sales declined by 31% from the previous year's level. The gross profit margin declined by 2.6% in FYE 2000 from previous year's level due to material cost increase, mainly in mother coil cost as the Company is prohibited from importing (except when "approved permit" is obtained) such raw material whose prices are lower. The higher fabrication cost of 51% has contributed considerably to the decline in gross profit margin as the Company had embarked on the refurbishment of used scaffoldings due to the increase in demand for them under the prevailing weaker economic background. The slight improvement in gross profit margin of 1.07% and 1.2% in FYEs 2001 and 2002 respectively was attributed to the increase in the rate charged from RM120 to RM180 per metric ton for slitting and forming services and higher selling price for scaffoldings. For FYE 2002, the increase in pre-tax margin from 1.86% to 11.65% was due to the inclusion of dividend income from subsidiary company and the lower marketing and distribution costs incurred. Despite turnover declining in the 6 month period to 31 January 2003 (on annualised basis), the Company managed to achieve a gross profit margin and the profit before taxation margin of 18.47% and 16.34% respectively from the slight increase in selling prices, the cost benefit of having own pipe mill and drawing upon existing stock of raw materials sourced at prices lower than current replacement prices.

- ii. The taxation charge has been adjusted to reflect the under/overprovision to their various respective years and is as follows:-

	----- Year ended 31 July -----					6 mths to
	1998	1999	2000	2001	2002	31.1.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As per audited Income Statement	1,304	(36)	528	140	935	495
Adjustment to reallocate taxation under/ (over)provided to respective years	(437)	181	-	(71)	(44)	66
Adjusted taxation	867	145	528	69	891	561

- iii. No provision other than that for deferred taxation has been made for FYE 1999 as any tax payable would have been waived in accordance with the provisions of the Income Tax (Amendment) Act, 1999. Significant reversal of deferred taxation provision no longer required in FYE 2001 resulted in a significantly

