
2. DETAILS OF THE IPO

This Prospectus is dated 29 July 2003.

A copy of this Prospectus has been registered by the SC and lodged with the CCM who take no responsibility for its contents.

The approval of the SC shall not be taken to indicate that the SC recommends the IPO, and that investors should rely on their own evaluation to assess the merits and risks of the IPO.

Application will be made to the KLSE within three(3) market days of the issuance of this Prospectus for the admission of HTVB to the Official List and for the listing of and quotation for the enlarged issued and fully paid-up share capital of HTVB on the Main Board of the KLSE. These Shares will be admitted to the Official List on the Main Board of the KLSE and official quotation will commence upon receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Acceptance of applications for the IPO Shares will be conditional upon permission being granted by the KLSE to deal in and for the quotation of the entire enlarged issued and fully paid-up Shares of HTVB on the Main Board of the KLSE. Accordingly, monies paid in respect of any application accepted from the IPO will be returned without interest if the said permission for listing is not granted within six(6) weeks from the date of issue of this Prospectus *(or such longer period as may be specified by the SC)* provided that the Company is notified by, or on behalf of the KLSE, within the aforesaid timeframe. If the above application is not made or if permission is not granted, any allotment made on an application to subscribe for HTVB Shares shall be void.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39(1)(j) of the Companies Act, 1965, the KLSE has prescribed HTVB as a prescribed security. In consequence thereof, the IPO Shares issued/placed through this Prospectus will be deposited directly with the MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Acts and the Rules of the MCD.

An applicant should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code.

The KLSE assumes no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Admission to the Official List of the Main Board of the KLSE is not to be taken as an indication of the merits of the Company or of its Shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by HTVB. Neither the delivery of this Prospectus or any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the HTVB Group since the date hereof.

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

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

2. DETAILS OF THE IPO ... cont'd**2.1 Share Capital**

SHARE CAPITAL	RM
Authorised	
— 400,000,000 Shares	200,000,000
Issued and fully paid-up	
— 236,200,000 Shares	118,100,000
To be issued pursuant to the Private Placement	
— 66,400,000 new Shares	33,200,000
To be issued pursuant to the Restricted Issue	
— 14,800,000 new Shares	7,400,000
To be issued pursuant to the Public Issue	
— 10,000,000 new Shares	5,000,000
	163,700,000
IPO PRICE PER SHARE	RM0.55

The IPO price of RM0.55 per Share is payable in full on application.

There is only one(1) class of shares in the Company, namely the ordinary shares of RM0.50 each. The IPO Shares to be issued pursuant to this Prospectus will rank pari passu with one another in all respect with the existing Shares of the Company including voting rights and rights to all dividends that may be declared, subsequent to the date of allotment of the IPO Shares.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of the Shares in the Company shall, in proportion to the amount paid up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in respect of the whole of any surplus in the event of the liquidation of the Company, such surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with its Articles of Association.

Each shareholder shall be entitled to vote at any general meeting of the Company, in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company and the provisions of section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

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2. DETAILS OF THE IPO ... *cont'd*

2.2 Particulars of the IPO

The Public Issue of 10,000,000 new Shares at an issue price of RM0.55 per Share, the Private Placement of 66,400,000 new Shares and the Restricted Issue of 14,800,000 new Shares at an IPO price of RM0.55 per Share are payable in full on application upon such terms and conditions as set out in this Prospectus.

The Public Issue Shares, Placement Shares and Restricted Issue Shares represent 3.05%, 20.28% and 4.52% respectively of the enlarged issued and paid-up share capital of HTVB comprising 327,400,000 Shares.

The IPO Shares totalling 91,200,000 Shares will be allocated in the following manner:-

- (a) 26,400,000 Shares have been placed out to Bumiputera investors approved by MITI pursuant to the Private Placement;
- (b) 14,800,000 Shares have been placed out to Bumiputera investors nominated by HTVB approved by MITI pursuant to the Restricted Issue;
- (c) 40,000,000 Shares have been/will be placed out to other selected investors which include business associates (*comprising customers and suppliers*) of the HTVB Group;
- (d) 5,000,000 Shares have been reserved for eligible employees, Directors and business associates (*comprising customers and suppliers*) of HTVB Group; and
- (e) 5,000,000 Shares will be made available for application to the Malaysian Public, of which at least 30% is to be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

Any Shares not taken up in respect of paragraph (d) above will be made available for subscription by the Malaysian Public. Any further Shares not subscribed for will be made available for subscription by way of placement under paragraph (c) above. Similarly, any Shares not taken up in respect of paragraph (c) above will be made available for subscription by the Malaysian Public.

The Shares in respect of paragraphs (d) and (e) have been fully underwritten by the Underwriters set out in the "Corporate Information" of this Prospectus. The Shares in respect of paragraphs (a), (b) and (c) are not underwritten as they have been/will be placed out to identified investors pursuant to the Private Placement.

2.3 Basis of arriving at the IPO price

The IPO price of RM0.55 per Share was entirely determined and agreed upon by AmMerchant Bank as Adviser, Managing Underwriter and Placement Agent and HTVB after taking into account, *inter-alia*, the following factors:-

- (a) Based on the proforma Group NTA per Share as at 31 January 2003 of RM0.74, the IPO price of RM0.55 per Share represents a discount of RM0.19 or 25.68% to the proforma Group NTA per Share;
- (b) The estimate and forecast net PE multiples of 7.97 and 6.58 times are based on the estimate and forecast consolidated net EPS of approximately 6.90 and 8.36 sen for the financial years ending 31 July 2003 and 2004 respectively;

2. DETAILS OF THE IPO ... cont'd

- (c) The estimate and forecast gross dividend yields of 2.73% each for the financial years ending 31 July 2003 and 2004; and
- (d) The prospects and future plans of the HTVB Group as set out in Sections 4.7 and 4.10 respectively of this Prospectus.

The Directors/Promoters of HTVB and AmMerchant Bank are of the opinion that the IPO price is fair and reasonable after careful consideration of the abovementioned factors.

However, investors should also note that the market price of HTVB Shares upon listing on the KLSE are subject to the vagaries of the market forces and other uncertainties which may affect the price of HTVB Shares being traded.

2.4 Details on the Pink Forms Allocation

As at 30 June 2003, the total number of persons eligible for the pink form allocations is 325. The allocation of the pink form Shares to the Directors and employees of the HTVB Group are based on seniority, position, length of service and contribution to HTVB. The number of Shares that will be allotted to the Directors are as follows:-

Name of Directors	No. of Shares
Tan Sri Dato' Alwi bin Jantan	80,000
Kua Hock Lai	80,000
Mohamed Nizam bin Abdul Razak	80,000
Tee Tuang Siong	80,000
Law Sook Teng	80,000
Lu Kang Eing	80,000
Cheah Shu Boon	80,000
Toh Su Lin	80,000
Ong Eng Choon	80,000
Yeoh Chong Keat	80,000
Total	800,000

2.5 Critical dates of the IPO

Events	Tentative Date
Date of the Prospectus	29 July 2003
Opening and Closing of Application List for the IPO Shares	12 August 2003
Balloting of Applications	15 August 2003
Despatch of Notices of Allotment of the IPO Shares to successful applicants	20 August 2003
Listing of the Company's entire issued and paid-up share capital on the Main Board of the KLSE	28 August 2003

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2. DETAILS OF THE IPO ... cont'd

2.6 Purposes of the IPO

The purposes of the IPO are as follows:-

- (a) to enable HTVB to comply with the National Development Policy by providing an opportunity for Bumiputera investors and institutions approved by MITI to participate in the equity of HTVB;
- (b) to provide an opportunity for the eligible employees and business associates (*comprising customers and suppliers*) of the HTVB Group and the Malaysian Public to participate in the equity and continuing growth of the Group;
- (c) to enable HTVB to gain access to the capital market and to obtain funds for future expansion and growth of the HTVB Group; and
- (d) to facilitate the listing of and quotation for HTVB's entire issued and paid-up share capital of 327,400,000 Shares on the Main Board of the KLSE and to comply with the listing requirement of the KLSE and SC in respect of the minimum spread requirement.

2.7 Proceeds of the IPO and their Utilisation

All proceeds of the IPO of RM50,160,000 will accrue to HTVB. The estimated total gross proceeds of the Public Issue, Private Placement and Restricted Issue is RM5.50 million, RM36.52 million and RM8.14 million respectively. HTVB will bear all other expenses incidental to the listing and quotation of HTVB's Shares on the Main Board of the KLSE which include placement fees, underwriting commission, brokerage, registration fee, professional fees, SC perusal fee, advertising and listing expenses and other fees which are estimated to be RM3,000,000.

HTVB intends to use these proceeds in the following manner:-

	Note	RM'000
Repayment of bank borrowings	1	16,600
Working Capital (<i>including repayment of trade bills</i>)	2	30,560
Estimated listing expenses	3	3,000
TOTAL		50,160

Notes:-

1. *Repayment of Bank Borrowings*

As at 17 July 2003, the total loan facilities utilised (*including trust receipts, bankers' acceptances*) of the HTVB Group amount to approximately RM193.716 million.

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2. DETAILS OF THE IPO ... cont'd

HTVB will partially repay the total outstanding loan amount of RM0.552 million from Allied Bank (Malaysia) Bhd (now known as Malayan Banking Berhad) and RM1.569 million from RHB Bank Berhad. Details of the borrowings to be repaid is as follows:-

Bank	Allied Bank (Malaysia) Bhd (now known as Malayan Banking Berhad)	RHB Bank Berhad
Name of company	Hiap Teck Hardware Sdn Bhd	Alpine Pipe Manufacturing Sdn Bhd
Type of facility	Term Loan	Term Loan
Limit of facility	RM5.5 million	RM6.75 million
Amount outstanding (as at 17 July 2003)	RM0.552 million	RM1.569 million
Interest rate	2.5% + BLR	2% + BLR
Terms of repayment	7 years @ RM1.112 million per year (inclusive of interest) with final instalment due in December 2003	3 years @ RM2.197 million per year (inclusive of interest) with up to 1 year remaining
Purpose	To on-lend to H.T. Property Sdn Bhd to part finance the purchase of a piece of industrial land held under title no. 20819 for Lot no. 6095, measuring approximately 10 acres	To part finance the purchase of a new pipe mill comprising a pipe mill machine, Thermatool welder, end facing machine and cut-to-length line machine costing RM3.6 million, RM0.8 million, RM0.3 million and RM2.7 million respectively
Amount to be repaid from proceeds	RM0.370 million	RM1.225 million
Total estimated interest savings	RM7,000	RM36,000

The Company intends to utilise RM15.0 million from the proceeds of the listing exercise to repay the term loan facility from Alliance Bank Malaysia Berhad in financial year ending 2004. The details of this term loan is as follows:-

Bank	:Alliance Bank Malaysia Berhad
Name of company	:Hiap Teck Hardware Sdn Bhd
Type of facility	:Term loan
Limit of facility	:RM20.0 million
Amount outstanding (as at 17 July 2003)	:RM18.0 million
Interest rate	:2.5% + BLR
Terms of repayment	:5 years @ RM4.0 million per year
Purpose	:To part finance the Group's working capital requirements
Amount to be repaid from proceeds	:RM15.0 million in 2004
Total estimated interest savings	:RM2.362 million

2. Working Capital

An amount of RM30.56 million of the proceeds from the IPO will be utilised to finance the day to day operations of the Group and repay the short term borrowings in the form of trade bills comprising trade receipts and bankers' acceptances which finances the Group's purchases of trading goods and raw materials.

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2. DETAILS OF THE IPO ... cont'd**Notes:- (cont'd)****3. Estimated listing expenses**

Details of the estimated expenses amounting to approximately RM3 million to be paid out of the proceeds from the IPO are as follows:-

	RM
Estimated Professional fees	700,000
Underwriting Commission and Placement Fee	835,000
Brokerage	200,000
Printing of Prospectus, Application Forms and envelopes	350,000
Issuing House fees	100,000
Advertising of Prospectus	100,000
Public relations	100,000
SC fees	100,000
KLSE fees	50,000
Registration of Prospectus	10,000
Miscellaneous	455,000
TOTAL	*3,000,000

Note:-

* Any unutilised amounts/excess costs to be incurred shall be used for working capital purposes/drawn from proceeds earmarked for working capital purposes

The utilisation of the proceeds is expected to be completed within nine(9) months from the date of receipt.

The utilisation of the proceeds by the Group is expected to give a financial impact as follows:-

Financial Year Ending 31 July 2003	Without Proceeds from the IPO (RM'000)	With Proceeds from the IPO * (RM'000)
PBT	31,923	31,840
PAT	22,762	22,602
Net cashflow inflow	14,070	12,061

Financial Year Ending 31 July 2004	Without Proceeds from the IPO (RM'000)	With Proceeds from the IPO (RM'000)
PBT	34,275	38,667
PAT	24,313	27,366
Net cashflow inflow	4,841	10,870

Note:-

* The reduction of the PBT, PAT and net cash inflow are due to expenses incurred for the Acquisition of Properties which was completed in May 2003

2.8 Underwriting Commission, Placement Fee and Brokerage

The Underwriters mentioned earlier in the "Corporate Information" Section of this Prospectus have agreed to underwrite 10,000,000 Public Issue Shares to be issued to eligible employees, Directors and business associates (*comprising customers and suppliers*) of the HTVB Group and to the Malaysian Public.

An underwriting commission of 3% of the IPO price of RM0.55 per Share is payable by the Company to the Underwriters. A placement fee is payable by the Company in respect of all the Placement Shares successfully placed out by the Placement Agent and Co-Placement Agent.

Brokerage is payable by HTVB at the rate of 1.0% of the IPO Price of RM0.55 per Share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

2. DETAILS OF THE IPO ... cont'd

2.9 Salient Terms of the Underwriting Agreement

The following are extracts of some of the salient clauses contained in the Underwriting Agreement dated 18 July 2003 ("**Underwriting Agreement**") between the Company and the Underwriters namely AmMerchant Bank, AmSecurities Sdn Bhd, PM Securities Sdn Bhd, JF Apex Securities Berhad, MIDF SISMA Securities Sdn Bhd, M&A Securities Sdn Bhd and Hwang-DBS Securities Berhad whereby the Underwriters agreed to underwrite the Public Issue Shares ("**Underwritten Shares**"):-

WARRANTIES AND UNDERTAKINGS (CLAUSE 1 OF THE UNDERWRITING AGREEMENT)

- 1.1 *In consideration of the Underwriters agreeing at the request of the Company to underwrite the Underwritten Shares, the Company hereby represents warranties and undertakes to the Underwriters as follows:-*
- (a) *that the said Prospectus by which the IPO Shares are to be issued shall be in form and substance satisfactory and acceptable to and approved by the SC and the Companies Commission of Malaysia (hereinafter referred to as "**the CCM**"), and shall not contain any untrue statement or omit to state a material fact required or necessary to be stated therein so as to ensure that the statements therein are true and accurate in all material respects and not misleading in any respect and that every statement of forecast, opinion, intention and expectation (including the profit forecast) made in the said Prospectus and the documents (if any) attached thereto are truly, fairly, reasonably, and honestly held by the directors of the Company to be complete, accurate and with no material omissions therefrom and have been or will be made after due and careful enquiries and consideration and represent or will represent reasonable expectations based on facts known to the Company as at the date of such disclosure, and to the extent it is based on assumptions those assumptions are reasonable.*
 - (b) *that the Company shall comply with all the requirements and provisions of the Companies Act, 1965 of Malaysia and the listing requirements of the KLSE and the Securities Commission Act, 1993 and the Policies and Guidelines on Issues and Offer of Securities issued by the SC in relation to the listing of and quotation for the Issued Shares and all other relevant authorities and all the conditions imposed, if any;*
 - (c) *that the Company shall make an application to the KLSE and obtain its approval-in-principal for the listing and quotation on the Main Board of the KLSE for all the Issued Shares before the date on which the application list for purchase/subscription of the IPO Shares including the Underwritten Shares will be closed (hereinafter referred to as "**the Closing Date**") and the Company shall at all times promptly furnish and deliver all documents, instruments, information, certificates and undertakings as may be necessary or advisable in order to obtain such permissions and quotations;*

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2. DETAILS OF THE IPO ... cont'd

- (d) *that all consents, approvals, corporate actions, authorisations, or other orders required by the Company under the laws of Malaysia for or in connection with the execution of the Underwriting Agreement and issue of the IPO Shares and the listing of and quotation for all the issued and paid up share capital of the Company, including but not limited to the approval of the shareholders of the Company in general meeting (if and to the extent it is required), will (if not already obtained as at the date hereof) be obtained and any conditions attached thereto have been or will be have been complied with to the satisfaction of the Underwriters and such consents, approvals, corporate actions, authorisations, or other orders required by the Company are and shall remain in full force and effect, and all other actions will be taken by the Company to comply with all legal and other requirements necessary to ensure that the Listing will not infringe any existing laws or the terms of any such consent, approval or authorisation;*
- (e) *that the authorisation of the Underwritten Shares and the IPO Shares on the terms and conditions of the said Prospectus and the compliance by the Company with their terms and the terms of the Underwriting Agreement:-*
- (i) *are in accordance, where applicable, and do not and will not conflict with the Memorandum and Articles of Association of the Company or any of its subsidiaries or any existing laws, regulation or listing requirements applicable to or affecting the Company or any of its subsidiaries or the Listing; and*
- (ii) *do not and will not infringe the terms of, or constitute a default under any judgment, order, license, permit, approval, consent or trust deed, agreement or other instrument or obligation to which the Company or any of its subsidiaries or any part of the undertakings, assets, properties or revenues of the Company or any of its subsidiaries is bound or affected;*

and the execution and issue or delivery by the Company of the Underwriting Agreement and the said Prospectus and the Underwritten Shares and the performance of the obligations to be assumed thereunder will constitute valid and legally binding obligations on the Company so that upon due execution or issue, as the case may be, the same will constitute valid and legally binding obligations of such of the Company in accordance with its/their terms;

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2. DETAILS OF THE IPO ... cont'd

- (f) *that save as disclosed in the said Prospectus, the Group is not in default under or breach of any agreement to which it is bound or any licence, permit, directive, legislation or regulation of any relevant authority (including the KLSE and/or the SC) applicable to or affecting it, the effect of which would materially and adversely affect the financial condition of the Group or the success of the issue of the IPO Shares, and no litigation, arbitration, administrative or winding-up proceedings (including investigations or inquiries by the KLSE and/or the SC) or criminal charge or investigation is presently current or pending or to the knowledge of the Company threatened against any of the companies in the Group, the effect of which would materially and adversely affect the financial condition of the Company or the Group or the success of the issue of the IPO Shares, and after making due and careful enquiries, the Company is not aware of any facts or circumstances likely to give rise thereto, and no circumstances have arisen under which any person is now or will with the lapse of time, the giving of notice or the issuing of a certificate, be entitled to require or demand payment of any indebtedness or guarantee of any of the companies in the Group by reason of default by any of them or other person the effect of which would materially and adversely affect the financial condition of the Group or the success of the issue of the IPO Shares;*
- (g) *that no other circumstances or situations which have not been disclosed in the said Prospectus have arisen which is or are likely to materially and adversely affect the financial condition of any of the companies in the Group, financial or otherwise, or the earnings, affairs or business prospects of any of the companies in the Group or to so affect the success of the issue of the IPO Shares and that no information has been withheld from the Underwriters which may in any way affect its decision to underwrite the Underwritten Shares;*
- (h) *that the Group has not entered into any contracts or commitments of an unusual and onerous nature which would materially and adversely affect the results or financial position of the Group except as has been disclosed in the said Prospectus, and neither the Company nor its subsidiaries are in default under any agreement which it is bound save as disclosed in the said Prospectus;*
- (i) *that, save and except as disclosed in the Prospectus, as at the date of the Underwriting Agreement, as regards the Company and each of its subsidiaries:-*
- (i) *its business has been carried on in the ordinary course and with diligence and efficiency in accordance with sound financial and commercial standards and practices and in accordance with its Memorandum and Articles of Association so as to maintain the same as a going concern;*
 - (ii) *save and except as disclosed in the said Prospectus, it has not otherwise disposed of any material assets otherwise than in the ordinary course of business or any material fixed assets;*
 - (iii) *its business has not been adversely affected in a material way by any abnormal factor not affecting similar businesses to a like extent and after making due and careful enquiries, the Company is not aware of any facts or circumstances which are likely to give rise to any such effects and there has been no material adverse change in its financial condition;*

2. DETAILS OF THE IPO ... cont'd

- (iv) *no dividend or other distribution has been declared made or paid to its members except as provided for in the relevant balance sheet; and*
- (v) *save and except as disclosed in the said Prospectus, there are no material obligation or liability whether contingent, actual or otherwise has been incurred, assumed or agreed to be assumed by it otherwise than in the ordinary course of business;*
- (j) *that all information supplied or to be supplied to the Managing Underwriter for the purpose of or in connection with the IPO Shares is true, complete and accurate in all material respects and nothing has been furnished or supplied or omitted from such information which would or may make any of the information untrue, incomplete, inaccurate or misleading, or which would or may reasonably be expected to affect the willingness of the Underwriters to underwrite the Underwritten Shares, and where such information relates to opinions or expectations, the basis and assumptions of such opinions, expectations or intention (including any profit or other forecast) have been considered by the directors of the Company after reasonable consideration of the relevant facts then made known to them;*
- (k) *the Company and each of its subsidiaries are duly incorporated under the laws of Malaysia and validly existing with full power and authority to enter into, execute, deliver and perform its obligations under the Underwriting Agreement and to conduct its business and is not in liquidation, and no steps have been taken by any person for or with a view to the appointment of a liquidator, receiver and/or manager or judicial manager of the Company or any of its subsidiaries or of any of their respective assets or undertakings;*
- (l) *the accounts of the Group have been prepared in accordance with accounting principles, standards and practices generally accepted in Malaysia so as to give a true and fair view of the financial results and state of affairs of the Company and the Group as a whole for the financial years ended 31 July 1998 to 31 July 2002 and the audited results for the six(6)-month period ended 31 January 2003 and (so far as are material for disclosure for the purposes of the accounts) have made adequate provision for appropriate disclosures for all known liabilities whether actual or contingent, of the Company and the Group as a whole as at such date and have complied in all material aspects with the requirements of all relevant laws and accounting principles and practices then in force and generally accepted in Malaysia and since 31 January 2003, there has been no material adverse change in the financial position of the Company, any of its subsidiary companies or the Group taken as a whole, save as may be disclosed in the Prospectus and the documents (if any) attached thereto, or prior to the Closing Date, in any public announcement or publicly available document or has been disclosed to the Managing Underwriter prior to the date of the Underwriting Agreement, which may materially and adversely affect the success of the Listing and/or the issue of the IPO Shares;*
- (m) *that the Prospectus is to be registered with the SC (and a certificate of such registration obtained) and lodged with the CCM within thirty (30) business days after the date hereof or such extended period of time as the Company and the Underwriters may mutually agree in writing;*

2. DETAILS OF THE IPO ... cont'd

- (n) *other than indebtedness contested in good faith by the Company or any of its subsidiaries as disclosed in the said Prospectus and the documents (if any) attached thereto and to the best of the knowledge and belief of the Company, no outstanding indebtedness of the Company or any of its subsidiaries has become or is likely to become payable by reason of default by the Company or any such subsidiary and no event has occurred or is, so far as the Company is aware, impending which with the lapse of time, or the fulfillment of any condition, or the giving of any notice, may result in any such indebtedness becoming so payable;*
- (o) *all statutory payments (whether income tax, property tax, employee provident fund contributions or otherwise) of the Company and the Group, in particular but not limited to all taxes which are material in the context of the Issue, for which the Company and/or the Group is liable or which ought to have been paid, have been duly paid or adequately provided for in the accounts; all the returns, notices or information which are required to be made or given by the Company or the Group for taxation, have been so made, are up to date, correct and on a proper basis, and are not subject to any dispute with any relevant or appropriate authorities and there are no present circumstances (of which the Company is or ought reasonably to be aware) which are likely to give rise to any such dispute;*
- (p) *the records, statutory books and books of accounts of the Company and the Group are duly entered and maintained in accordance with all legal requirements applicable thereto and contain true, full and accurate records of all matters required to be dealt with therein and all such books and records and documents (including documents of title) are in their possession or under their control and all accounts, documents and returns required to be delivered or made to the CCM or the Registrar of Companies (as the case may be) or other relevant authorities have been duly and correctly delivered or made;*
- (q) *all the assets of the Company and the Group which are of an insurable nature have at all material times been and are at the date hereof, adequately insured against fire and other risks normally insured against by companies carrying on similar businesses or owning property of a similar nature. In respect of such insurances, all premiums have been duly paid to date and all the policies are in force and are not voidable on account of any act, omission or non-disclosure on the part of the insured party;*
- (r) *the directors of the Company have made all reasonable enquiries to ensure that all facts material for the Prospectus have been disclosed, and have verified the completeness and accuracy of all such information and to the best of their knowledge and belief, no material fact has been omitted therefrom.*

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2. DETAILS OF THE IPO ... cont'd**INDEMNITY (CLAUSE 3 OF THE UNDERWRITING AGREEMENT)**

- 3.1 *The commitment of the Underwriters to underwrite the Underwritten Shares is being made on the basis of the representations, warranties and undertakings of the Company in Clause 1 above and with the intention that such representations, warranties and undertakings shall remain true and accurate in all respects up to and including the date of listing of all the Issued Shares on the Main Board of the KLSE, and in consideration of such commitment to underwrite, the Company irrevocably and unconditionally undertakes with the Underwriters that it shall:-*
- (a) hold and keep the Underwriters fully and effectively indemnified and shall save them harmless against any and all damages, losses, liabilities, costs, claims, charges, proceedings, expenses, actions or demands (including but not limited to all costs, charges and expenses, and legal fees, paid or incurred in disputing or defending any such claim or action) which the Underwriters may incur or suffer or which may be brought against the Underwriters as a result of any misrepresentation by the Company or any breach on its part of such representations, warranties or undertakings or any failure by the Company to perform its obligations under the Underwriting Agreement, in particular but not limited to the Company's failure to deposit the Underwritten Shares allotted to the Underwriters or its nominees pursuant to Clause 15 into the securities accounts of the Underwriters (unless the Underwriters shall have been advised in writing of a change or termination of any of such representations, warranties or undertakings prior to the Closing Date, pursuant to sub-paragraph (b) below and the Underwriters shall have elected not to terminate the Underwriting Agreement notwithstanding such advice) or any failure by the Company to perform its obligations herein which entitles the Underwriters to terminate the Underwriting Agreement pursuant to the provisions of Clause 6;*
 - (b) not publish any amendment or supplement to the Prospectus which the Underwriters have not previously been notified in writing of or to which the Underwriters or their legal advisers shall reasonably object but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters hereunder;*
 - (c) notify in writing and discuss with the Underwriters any announcement proposed to be made to the public which would conflict in any material respect with any statement in the Prospectus but the giving of any such notice and any such discussion shall not affect or prejudice any of the rights of the Underwriters hereunder;*
 - (d) to the extent permitted by law, not make public any information which will or is likely to adversely affect the market price of the IPO Shares without prior written notice to and the prior written consent of the Underwriters unless required to do so by law.*

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2. DETAILS OF THE IPO ... cont'd**RIGHTS AND REMEDIES TO CONTINUE AFTER COMPLETION (CLAUSE 4 OF THE UNDERWRITING AGREEMENT)**

- 4.1 *The representations, warranties and undertakings set out in the Underwriting Agreement shall survive the execution of the Underwriting Agreement and shall be deemed to be repeated on each day up to the date of delivery of the notice of allotment in respect of the Underwritten Shares subscribed for by the Underwriters as if made on each such day with reference to the facts and circumstances existing on each such day and the rights and remedies conferred upon the Underwriters by the aforesaid representations, warranties, agreements and indemnities shall continue in full force and effect notwithstanding completion of the Listing and subscription of the Underwritten Shares and notwithstanding any investigations made by or on behalf of the Underwriters.*

CONDITIONS PRECEDENT (CLAUSE 5 OF THE UNDERWRITING AGREEMENT)

- 5.1 *The several obligations of the Underwriters under the Underwriting Agreement shall further be conditional upon:-*
- (a) *the Listing having been approved by the Foreign Investment Committee, MITI, the SC and/or any other relevant authority or authorities, and the members of the Company at an extraordinary general meeting;*
 - (b) *the KLSE having agreed in-principle on or prior to the Closing Date of the listing and quotation for all the Issued Shares on the Main Board of the KLSE (and if such approvals shall be conditional, all conditions thereto being in terms acceptable to the Underwriters);*
 - (c) *there not having been on or prior to the Closing Date, any adverse change or any development reasonably likely to involve a prospective adverse change in the financial position, business operations or condition (financial or otherwise) of the Company, from that set forth in the said Prospectus which is material in the context of the issuance of the Underwritten Shares nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representations or warranties contained in Clause 1.1 hereof as though they had been given or made on such date;*
 - (d) *the SC for the approval and registration for the contents of the Prospectus, in any event within two (2) months from the date of the Underwriting Agreement;*
 - (e) *the lodgement with the CCM of the said Prospectus in accordance with the requirements of the Securities Commission Act, 1993 and the Companies Act, 1965 of Malaysia together with copies of all documents required by the Companies Act, 1965 and the acknowledgement by the CCM of the said Prospectus; and*
 - (f) *the completion of the Bumiputera Issue Shares I, Bumiputera Issue Shares II and the Private Investor Shares.*

If any of the foregoing conditions is not satisfied on or before the Closing Date, the Underwriters shall thereupon be entitled subject as mentioned below, to terminate the Underwriting Agreement and in that event (except for the liability of the Company for the Underwriting Commission (hereinafter defined) pursuant to Clause 13 and payment of costs and expenses as provided in Clause 16.4 hereof incurred prior to or in connection with such termination), the parties hereto shall be released and discharged from their obligations hereunder PROVIDED THAT any of the Underwriters may at their discretion waive compliance with any of the provisions of this Clause.

2. DETAILS OF THE IPO ... cont'd**TERMINATION BY THE UNDERWRITERS (CLAUSE 6 OF THE UNDERWRITING AGREEMENT)**

6.1 Notwithstanding anything herein contained, each of the Underwriters, acting through the Managing Underwriter, may, at any time be entitled to terminate cancel and withdraw their respective obligations under this Agreement, provided that the majority in number of the Underwriters have agreed to and consented in writing, by delivering a notice in writing to the Company on the occurrence of all or any of the matters stated in this Clause 6.1 below on or before the Closing Date and the remittance of the payments to be made pursuant to Clause 10.1 hereof (as the case may be), terminate, cancel and withdraw their respective obligations to underwrite the Underwritten Shares under the Underwriting Agreement if:-

- (a) there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 1, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or
- (b) there is failure on the part of the Company to perform any of its obligations herein contained; or
- (c) there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Listing, or the distribution or sale of the IPO Shares; or
- (d) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group; or
- (e) there shall have occurred, or happened any of the following circumstances:-
 - (i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
 - (ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriters (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

which in the opinion of the majority of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Listing, or the distribution or sale of the IPO Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

2. DETAILS OF THE IPO ... cont'd

- 6.2 *Upon any such notice(s) being given by the Underwriters pursuant to Clause 6.1 hereof, the Underwriters shall be released and discharged from their obligations hereunder whereupon the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of the Underwriting Agreement, save and except that the Company shall remain liable in respect of its obligations and liabilities hereunder including the payment of the Underwriting Commission (hereinafter defined) pursuant to Clause 13 and the payment of costs and expenses as provided in Clause 16.4 which has already incurred prior to or in connection with such termination, and for any antecedent breach under the Underwriting Agreement.*
- 6.3 *The Underwriters shall also have the right to terminate the Underwriting Agreement by notice in writing upon the expiry of three (3) months from the date of the Underwriting Agreement in the event that the Company shall not have been granted permission by the KLSE for listing and quotation of the Issued Shares on the Main Board of the KLSE and upon such termination, the liabilities hereof of both the Company (except for the liability of the Company in the payment of the Underwriting Commission (hereinafter defined) pursuant to Clause 13 and costs and expenses referred to in Clause 16.4 hereof incurred prior to or in connection with such termination) and the Underwriting Agreement shall become null and void and neither party shall have a claim against the other save for any antecedent breach under the Underwriting Agreement.*

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2. DETAILS OF THE IPO ... cont'd**2.10 Approvals and Conditions from Authorities**

The Restructuring and Listing Scheme was approved by the following authorities of which the details are, *inter-alia*, as follows:-

Authorities	Date
SC	6 September 2001, 29 January 2003
MITI	5 April 2000, 23 December 2000, 24 November 2001, 3 December 2002
FIC	24 April 2000, 16 October 2000, 11 December 2001, 18 November 2002

The details of the conditions of the authorities' approvals and status of compliance are set out below:-

Conditions Imposed by the SC	Status of compliance		
The conditions to be complied with, for the utilisation of proceeds are as follows:-			
i) Approval from the SC is required for any revisions to the utilisation of proceeds other than for the core business purposes of the HTVB Group;	Will be complied with by the Company, if necessary.		
ii) Adequate disclosure is required in the prospectus of HTVB about the purpose and period for utilisation of the proceeds. Further to this, the approval of the shareholders of HTVB is required for any revision of 25% or more of the original utilisation of the proceeds. In the event that the revision is less than 25%, an appropriate disclosure must be made to the shareholders of HTVB;	Will be complied with by the Company, if necessary. <i>(The disclosure of the purpose and period of utilisation of the proceeds is set out in Section 2.7 of this Prospectus.)</i>		
iii) Any extension of time from the timing as determined by HTVB and disclosed in the prospectus for the utilisation of the said proceeds must be approved by way of a final resolution by the Board of Directors of HTVB and fully disclosed to the KLSE; and	Will be complied with by the Company, if necessary.		
iv) Appropriate disclosure on the status of utilisation of proceeds from the public issue, restricted issue and placement must be made in HTVB's quarterly results and annual reports until all the proceeds have been fully utilised.	Will be complied with by the Company.		
Other listing conditions :-			
i) As proposed by HTVB, the following properties (acquired by the HTVB Group as repayment of the debt by several debtors) is to be disposed of before HTVB's prospectus is issued;	The properties has been disposed of as follows:-		
Owner	Ownership/Location	Type of property	
HTH	B-01-05 K1 Park Damansara, Mukim Batu, Daerah Gombak, Selangor	Apartment	Disposed of on 4 March 2002
HTH	B5-G-4 Evergreen Park, Bandar Sungai Long, Mukim Cheras, Daerah Ulu Langat, Selangor	Condominium	Disposed of on 20 June 2000
HTH	A-1008 Storey No.10, Blok A MPAJ Square	Shop Lot	Disposed of on 21 May 2002

2. DETAILS OF THE IPO ... cont'd

Conditions imposed by the SC (cont')		Status of compliance
THH	308-12-1 Apartmen Jade View, Jalan Bukit Gambir, Taman Jade View, 11700 Pulau Pinang	Disposed of on 11 December 2001
THH	No. 13, Tingkat 2, Desa Permata, Air Itam, Pulau Pinang	Disposed of on 28 November 2001
	The proceeds from the sale of the said properties must be used to reduce the bank borrowings of the HTVB Group;	Complied with by the Company. <i>(Please refer to Section 3.6 of this Prospectus for further details.)</i>
ii)	HTVB is to ensure that the term loan facility amounting to RM20.0 million currently applied for is approved by the lending bank and is ready for use before HTVB's prospectus is issued;	Complied with by the Company. The term loan facility has been granted by Alliance Bank Malaysia Berhad and accepted by HTH on 10 October 2001. The company has since commenced utilisation of this facility.
iii)	Full disclosure on the amount of borrowings and gearing ratio of the HTVB Group, usage of the said borrowings and steps that will be taken to reduce the negative effects with regards to the said gearing ratio, must be made in HTVB's prospectus.	Complied with by the Company. <i>(Please refer to Sections 3.6 and 7.5(ii) of this Prospectus for further details.)</i>
iv)	In relation to the trade debts of the HTVB Group,	
(a)	Full disclosure in relation to the trade debts of the HTVB Group, ageing analysis of these trade debts and debts exceeding the credit period in HTVB's prospectus. Further, the Directors of HTVB are required to comment on the recoverability of those trade debts exceeding the credit period;	Complied with by the Company. <i>(Please refer to Section 7.6 of this Prospectus for further details.)</i>
(b)	Full provision is to be made for those trade debts for which;- <ul style="list-style-type: none"> • The amount(s) is(are) in dispute; • Legal action has commenced or are being instituted; and • The trade debts has been outstanding for more than six(6) months; and 	Complied with by the Company save for those waived by the SC vide its letter dated 22 July 2003. <i>(Please refer to condition no. (v) below.)</i>
(c)	the Directors of HTVB are to provide a written confirmation that the trade debts which exceeds the credit period is recoverable and that those bad/doubtful debts as mentioned in (b) above has been provided for in the financial statements/forecast of the HTVB Group;	Complied with by the Company.

2. DETAILS OF THE IPO ... cont'd

Conditions imposed by the SC <i>(cont'd)</i>	Status of compliance
v) The waiver granted by the SC vide its letter dated 22 July 2003 for the Company not to make full provisions for those trade debts exceeding six(6) months amounting to RM4.112 million (as at 31 May 2003) is subject to the following:-	
(a) The Directors of HTVB are to give a written confirmation to the SC that the abovementioned trade debts exceeding six(6) months for which no provision is made can be collected in full; and	Complied with by the Company. <i>(A letter dated 24 July 2003 on the confirmation has been submitted to the SC.)</i>
(b) The Directors are to give a written undertaking that in the event the abovementioned trade debts cannot be collected, the major shareholders of HTVB will compensate the Company with an equivalent amount;	Complied with by the Company. <i>(A letter dated 24 July 2003 on the written undertaking has been submitted to the SC.)</i>
vi) The Promoters and main shareholders of HTVB is not allowed to be involved in new businesses which will cause a conflict of interest with the business of the HTVB Group. The promoters and directors of HTVB must make disclosures on their current involvement, if any in similar or competing businesses with HTVB in HTVB's prospectus;	Complied with by the Company. <i>(Please refer to Section 6.2 of this Prospectus for further details on the required disclosure.)</i>
vii) AmMerchant Bank is required to obtain the approval of the Foreign Investment Committee and MITI for the proposed listing of HTVB as proposed, before the publishing of HTVB's prospectus; and	MITI's approval was obtained on 5 April 2000, 23 December 2000, 24 November 2001 and 3 December 2002. FIC's approval was obtained on 24 April 2000, 16 October 2000, 11 December 2001 and 18 November 2002.

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2. DETAILS OF THE IPO ... cont'd

Conditions imposed by the FIC	Status of compliance
i) HTVB is to have at least 30% direct Bumiputera equity interest upon listing and quotation of the HTVB Shares on the Main Board of the KLSE;	Will be complied with by the Company upon listing.
ii) HTVB is to obtain the approval of MITI for the Bumiputera shareholding portion; and	MITI's approval was obtained on 5 April 2000, 23 December 2000, 24 November 2001, 3 December 2002, 11 March 2003, 27 June 2003 and 4 July 2003.
iii) HTVB is to obtain the approval of the SC.	Approval was obtained on 6 September 2001 and 29 January 2003.

Conditions imposed by the MITI	Status of compliance
i) HTVB is to have at least 30% direct Bumiputera equity interest upon listing and quotation of the HTVB Shares on the Main board of the KLSE	Will be complied with by the Company upon listing.
ii) HTVB is to list its entire enlarged share capital amounting to 327,400,000 units on the Main Board of the KLSE, subject to	
(a) Allocation of 41,200,000 units subject to the approval of MITI where the distribution will be determined after the listing of the company is approved by the SC;	Approval was obtained on 11 March 2003, 27 June 2003 and 4 July 2003.
(b) Approval of the SC;	Approval was obtained on 6 September 2001 and 29 January 2003.
(c) Approval of the FIC.	Approval was obtained on 24 April 2000, 16 October 2000, 11 December 2001 and 18 November 2002.

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3. RISK FACTORS

Applicants for the IPO Shares should carefully consider the following risk factors (*which is not exhaustive*) in addition to the other information contained elsewhere in this Prospectus before applying for the IPO Shares:-

3.1 Sensitivity to Economic Factors

The performance of the iron and steel industry is dependent not only on the performance of other industries which place their own individual demands on iron and steel products but also the general economic condition as a whole. Empirical evidence suggest that a healthy economy with a strong GDP growth coupled with a boom in the construction sector coincides with a robust iron and steel industry, and vice versa.

Notwithstanding the above, the Group remained healthy and continued to show strong and profitable performance in the face of the economic downturn between 1998 and 2002.

3.2 Business Risks

The Group is subject to inherent risks in the manufacturing industry such as volatility in the supply and price of raw materials, labour supply shortage, increases in labour and overhead costs and foreign exchange rate fluctuations. Although the Group does not presently experience any adverse effects from such factors, no assurance can be given that they will not have a material effect on the Group's business in the future.

In order to mitigate such risks, the management of the Group has implemented various strategies such as purchasing from reputable international suppliers and trading houses, optimising diversification of suppliers and distributors and increasing automation to reduce reliance on manual labour.

3.3 Dependency on Key Management

The continued performance of HTVB will largely depend on the abilities and continued efforts of its existing Directors and senior management as well as the ability to attract and/or retain qualified personnel. However, based on the long and dedicated service of many of its Directors and staff, the Group is confident that they will continue serving the Group for the years to come.

3.4 Delay in or Abortion of the Listing of HTVB

The occurrence of any one or more of the following events may cause a delay or an abortion of the listing HTVB:-

- (i) the identified investors fail to subscribe for the portion of the Restricted Issue Shares and Placement Shares;
- (ii) the Underwriter(s) exercising its(their) rights pursuant to the underwriting agreement to discharge itself(themselves) from its(their) obligations thereunder;
- (iii) the Company is unable to meet the public spread requirement, that is, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon completion of the IPO at the point of listing of the Company's Shares on the KLSE.

3. RISK FACTORS..... cont'd

Although the Directors will endeavour to ensure compliance by HTVB of the various listing requirements including *inter-alia* the public spread requirements imposed by the SC and KLSE, for the successful listing of the HTVB, no assurance can be given that the abovementioned factors will not cause a delay in or abortion of the IPO.

3.5 Termination of the Licence and Technical Assistance Agreement

HTSM is granted the rights to manufacture and distribute the Crab System scaffolding under the Licence and Technical Assistance Agreement with Entrepose dated 3 July 1996. The agreement was further extended on 5 February 1998 to 31 December 2004, thereafter to be extended by mutual agreement.

Under the Licence and Technical Assistance Agreement ("LTA"), Entrepose shall be entitled to terminate the agreement should the sale of Crab System scaffolding not reach the sale commercial objectives of Entrepose and HTSM. The termination of the LTA would cause the Group to cease production and distribution of the Crab System.

Notwithstanding the above, the possible termination of this agreement is unlikely to have a significant impact on the overall performance of the HTVB Group as the selling and renting of the Crab System scaffolding accounted for only approximately RM5.8 million or 1.10 % of the total turnover of the Group for the financial year ended 31 July 2002. The contribution from the Crab System scaffolding is expected to only be about 4% of PAT for the financial year ending 31 July 2003. This risk is also mitigated as it is also envisaged that the Group may research and develop new products in the future.

3.6 Gearing

As at 17 July 2003, total loan facilities utilised by the HTVB Group amounted to approximately RM193.716 million. Based on the audited proforma shareholders' funds of RM242.414 million as at 31 January 2003, this represents a gearing ratio of 0.80 times. A substantial portion of these facilities are Bankers' Acceptances and Trust Receipts which are essentially trading lines which the Group relies on to carry on with its ordinary business operations e.g. purchase of trading stock and raw materials. In addition, HTVB has also secured a RM20 million term loan which has since been utilised to part finance the Groups' working capital requirements.

However, the Directors are of the opinion that such borrowings are considered an industry norm. Notwithstanding this, the Company may continue to reduce its gearing by disposing certain non-core properties with the proceeds used to repay the Group's borrowings. The following are such properties which have since been disposed of by the Group to reduce its borrowings:-

Owner/Title/Location	Description / Existing Use	Approximate land / built-up area	Net Book Value @ 31.07.2001 (RM'000)	Disposal date	Disposal price (RM'000)
HTP					
Lot 4 (1267), Mukim and District of Klang Selangor	Vacant Land	17,073 square metres	3,266 @03.12.2000	03.12.2001	4,594
Lot 5, Section 7, Phase 1A, Pulau Indah Industrial Park, West Port, Klang, Selangor	Vacant Land	2,116 hectares	3,820	20.9.2001	3,417
Subtotal					8,011

3. RISK FACTORS..... cont'd

Owner/Title/Location	Description / Existing Use	Approximate land / built-up area	Net Book Value @ 31.07.2001 (RM'000)	Disposal date	Disposal price (RM'000)
HTH					
B-01-05 K1 Park Damansara, Mukim Batu, Daerah Gombak, Selangor	Apartment (under construction)	948 square feet	138	04.3.2002	100
B5-G-4 Evergreen Park, Bandar Sungai Long, Mukim of Cheras, Daerah Ulu Langat, Selangor	Condominium Vacant	N/A 1,123 square feet	148 @31.07.2000	20.6.2000	142
A-1008 Storey No 10, Block A MPAJ Square	Shop Lot Vacant	N/A 1,085 square feet	321	21.5.2002	200
THH					
308-12-1 Jade View Apartment, Jalan Bukit Gambir, Taman Jade View 11700 Penang	Apartment Vacant	N/A 700 square feet	126	11.12.2001	95
No 13, 2 nd Floor, Desa Permata Air Itam, Penang	Shop Lot Vacant	N/A 1,900 square feet	223	28.11.2001	175
Subtotal					712
TOTAL					8,723

3.7 Foreign Exchange Risk

The Group sources some of its trading goods such as building materials from overseas and these goods are payable in foreign currencies thereby subjecting the Group to foreign exchange risk. This risk is mitigated in the medium term due to the current Ringgit being pegged against the USD. However there can be no assurance that the peg of the Ringgit against the USD will remain and that future foreign exchange fluctuations arising from the lifting of the adjustment of the Ringgit peg or currency controls will not adversely impact the HTVB Group. In view of this, the management of HTVB Group is constantly monitoring the Group's USD exposure and taking the necessary measures to hedge against foreign exchange risks, whenever deemed appropriate.

Notwithstanding the above, the Group sources a substantial portion of its raw materials for its manufacturing division locally from Megasteel Sdn Bhd which will also help mitigate the Group's exposure to this risk.

3.8 Pricing of Raw Materials

The price of iron and steel is dependent upon the world demand and supply and is a commodity traded based on the rates quoted on the London Metal Exchange. A shortage of supply may increase the pricing of raw materials. The Group has, however, maintained a long term relationship with the foreign suppliers as well as the local dealers and is able to source the raw materials at competitive prices.

3. RISK FACTORS..... cont'd

3.9 Import Tariffs on Steel Products Imposed by the United States

In March 2002, the United States imposed tariffs on certain types of imported steel products by approximately 30%. Arising from the tariffs, steel products from countries outside the United States would become more costly and less attractive and discourage US importers of steel products. This may lead to a situation of an excess supply in the global steel market depressing the price of steel products.

There is no assurance that the imposition of the tariffs will not affect the level of exports of steel products of the Company to the United States and hence affect its revenue. However, the Directors are of the view that this will bring minimal effect, if at all, on the Company as the level of exports to the United States by the Company is negligible if any, while other markets namely those in the South East Asian and Asian regions are more attractive for the Company to export to. Direct exports to the United States account for only an average of 3.62% of the total Group revenue from export for the six(6)-month period ended 31 January 2003.

3.10 No Prior Market for HTVB Shares

Prior to this IPO, there has been no public market for HTVB Shares and there can be no assurance regarding the future development of the market for HTVB Shares. There is no assurance that the IPO price will correspond to the price at which HTVB's Shares will trade on the Main Board of the KLSE upon or subsequent to its listing, that an active market for HTVB's Shares will develop and continue upon or subsequent to its listing.

The IPO price of RM0.55 per Share has been determined after taking into consideration a number of factors, including but not limiting to the Group's financial and operating history and standing, the future plans and prospects of the Group and the industry in which the Group is involved, the NTA of the Group, the market prices for shares of companies engaged in business similar to that of the Group and the market condition prevailing at the time of the issue of this Prospectus.

3.11 Competition

In view that the iron and steel industry is an established one, the Group faces competition from other iron and steel producers who are both local and foreign-based. No assurance is given that the Group will be able to maintain its market share for all its products in the future. However, it is the firm commitment of the Group to expand both the domestic and overseas markets in order to strengthen its competitive position.

3.12 Political, Economic and Regulatory Considerations

Adverse developments in political, economic and regulatory conditions in Malaysia and other countries where the Group is currently marketing its products or may undertake projects or market its products in the future could materially and adversely affect the financial prospects of the Group. Other political, economic and regulatory uncertainties include risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, changes in interest rates and methods of taxation and currency exchange controls.

3. RISK FACTORS..... cont'd

The Iraq war and the spread of the Severe Acute Respiratory Syndrome (SARS) virus are examples of such events that have an impact on the political and economic arena of global proportions. While the Iraq war has officially ended, uncertainties from its repercussions continue to persist.

Notwithstanding its adverse impact on the retail, travel and tourism-related sectors of the economy, the continuing reduction in the number of new SARS cases worldwide, coupled with the Government's efforts via the recently-announced stimulus package have contributed positively to the local economy.

3.13 Profit Estimate and Forecast

This Prospectus contains the profit estimate and forecast of the Group that are based on assumptions that are deemed reasonable by the Directors, but which nevertheless are subject to uncertainties and contingencies. Because of the subjective judgements and inherent uncertainties of the estimate and forecast and because events and circumstances frequently do not occur as expected, there can be no assurance that the estimate and forecasts contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the estimate and forecast as contained herein.

3.14 Forward Looking Statements

This Prospectus contains several forward looking statements i.e. those other than statements of historical facts. Although the Directors believe that the expectations reflected in such forward looking statements are reasonable at this time, there can be no assurance that such expectations will prove to be correct. Any differences in the expectations of the Group from its actual performance may result in the Group's financial and business performances and plans to be materially different from those anticipated.

3.15 Control by Substantial Shareholder

After the IPO, Mr Kua Hock Lai will effectively control directly 4.25% and indirectly 41.24% of the Company's issued and paid-up share capital. As a result, Mr Kua Hock Lai will be able to exercise some extent of influence on the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

3.16 Licensing risks

Manufacturing licences in relation to the operation of steel business are issued by the MITI and other regulatory authorities which may be subject to certain conditions. Any non-compliance with such conditions may result in such licences being revoked by the MITI. Notwithstanding this, the Directors are confident of maintaining these licences as the Group's compliance with the conditions are in good standing with MITI and the other regulatory authorities.

3. RISK FACTORS..... cont'd

3.17 Impact of AFTA

At the fourth ASEAN Summit in Singapore in January 1992, ASEAN initiated the AFTA agreement which was signed between Malaysia, Thailand, Singapore, Indonesia, Philippines and Brunei to promote regional economic integration and increase competitiveness by reducing inter-regional tariffs between member countries. AFTA will result in a gradual reduction of trade barriers in the ASEAN countries by the year 2003. Traditional protection in the form of import tariffs will be virtually abolished and under AFTA, member countries will have to commence lowering tariffs, export subsidies and tax relief from the year 2000 and are to be abolished by 2003. With the initiation of the Common Effective Preferential Tariff scheme under AFTA, tariff on goods traded within the region, which meet a 40% Asean content requirement, will be reduced to 0-5% by the year 2003. This would result in a liberalised market and intensify competition among steel producers in the region.

With AFTA, steel and steel-related product manufacturers will have access to a much wider integrated domestic market. It will also open up the local market to a greater degree of foreign direct investment. As with the recent trade agreement between ASEAN and China, local producers will have access to an even bigger market. Notwithstanding the above, the industry will also have to face intense competition from its regional counterparts and this will force manufacturers to improve their efficiency and productivity levels.

Although every effort has been taken by the Group to maintain its competitiveness, there is no assurance that AFTA will not have any adverse effect on the Group's business and financial conditions.

3.18 Valuation

Prospective investors should note that valuation is subjective in nature and subject to inherent uncertainties, including but not limited to the economic environment, the property sector and the share market conditions. Some of these sectors are experiencing volatility amidst economic slowdown and this situation, if continues to prevail, will adversely affect the short term values of the assets.

There is no assurance that the fair value of the properties of the HTVB Group (*including investment properties*) will not be duly reflected. The market prices of the assets will depend, *inter-alia*, on the economic condition, both locally and externally and the prevailing property market conditions.

The Board has considered the valuation of the properties of the HTVB Group and views that the valuation of these properties as detailed in Section 6.3 of this Prospectus reflects their realisable value to the Group.

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3. RISK FACTORS..... cont'd

3.19 Vulnerability to Imports

The iron and steel industry in Malaysia is feeling the impact of the recent war in the Middle East with producers finding it difficult to obtain raw materials for their products including delays in getting supply, higher sea transport and insurance as well as difficulty in looking for ships to ship iron and steel from Ukraine and Russia via the Suez Canal near the Gulf area. Depending on the type of product, producers are forced to source their supply of raw materials from other countries such as Australia, the United States and Africa.

Currently, the Group sources most of its raw materials for its manufacturing division locally from Megasteel Sdn Bhd and only imports various steel products for its trading division from Japan, Taiwan, Russia, Indonesia and Thailand. Notwithstanding this, there can be no assurance that HTVB Group's operations will not be adversely affected if the Group is unable to continue to obtain adequate supply of raw materials locally in a timely manner or on viable commercial terms or should the Group become dependent on its supply from countries other than Indonesia and Thailand.

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