

9. ACCOUNTANTS' REPORT



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The Board of Directors
Major Team Holdings Berhad
2nd Floor, Union Commercial Centre
433 Jalan Temiang
70200 Seremban
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Dear Sir,

1. INTRODUCTION

This report has been prepared by Messrs Anuarul Azizan Chew & Co., an approved company auditors, for inclusion in the Prospectus of Major Team Holdings Berhad ("MTHB") dated 28 August 2003, in connection with the special issue of 13,000,000 new ordinary shares ("SI Share") of RM1.00 each at an issue price of RM1.00 per SI Share and restricted issue of 7,999,999 new ordinary shares ("RI Shares") at an issue price of RM1.00 per RI Share and the listing of and quotation for the entire issued and paid-up share capital of MTHB on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

2. GENERAL INFORMATION

2.1 Background

MTHB was incorporated in Malaysia under the Companies Act, 1965, on 28 December 2001 as a private limited company under the name of Major Team Holdings Sdn. Bhd to facilitate the restructuring of Kiara Emas Asia Industries Berhad ("Kiara Emas"). On 7 August 2003, it was converted into a public limited company and assumed its present name.

Pursuant to the Restructuring Scheme, MTHB will acquire the entire issued and paid up share capital of Kiara Emas and subsequently, the listing status of Kiara Emas on the Second Board of the KLSE will be transferred to MTHB.

2.2 Principal Activities

The principal activity of the Company is that of an investment holding. The details of its subsidiary companies are set out in section 2.5 of this report.



2.3 Changes in Share Capital

At the date of incorporation, the authorised share capital of MTHB was 100,000 ordinary shares of RM1.00 each. The Company increased its authorised share capital from 100,000 ordinary shares of RM1.00 each to 150,000,000 ordinary shares of RM1.00 each on 31 July 2003.

The changes in MTHB's issued and paid-up share capital since its incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Cumulative RM
28.12.2001	2	Subscriber shares	2
18.08.2003	7,999,999	Share exchange with ordinary shares in Kiara Emas on the basis of one (1) new MTHB share for every five (5) Kiara Emas shares held	8,000,001
15.08.2003	50,000,000	Settlement for the acquisition of Stone World Group	58,000,001
*	13,000,000	Special Issue	71,000,001
*	7,999,999	Restricted Issue	79,000,000
*	5,002,460	Mandatory Offer	84,002,460

* To be completed before the listing of MTHB on the Second Board of KLSE.

2.4 Restructuring Scheme

The Restructuring Scheme of Kiara Emas involved the following:-

2.4.1 Shareholders' Scheme

Kiara Emas entered into a scheme of arrangement with its shareholders and MTHB under Section 176 of the Companies Act, 1965, whereby the shareholders of Kiara Emas will exchange five (5) ordinary shares of RM1.00 each in Kiara Emas for one (1) new ordinary share of RM1.00 each to be issued by MTHB. Upon the completion of the Shareholders' Scheme, the shareholders of Kiara Emas will receive 7,999,999 new ordinary shares of RM1.00 each in MTHB in exchange for the 39,999,999 ordinary shares of RM1.00 each in Kiara Emas previously held by them.



2.4.2 Creditors' Scheme

The terms of the Creditors' Scheme are as follows:-

- (a) Bank Creditors
 - (i) The claims of the Bank Creditors are determined on the basis of a cut-off date of 31 March 2001, being the date of the latest audited accounts of Kiara Emas at the time of the announcement of the Restructuring Scheme;
 - (ii) The total amount owing to the Bank Creditors as at 31 March 2001, net of assets charged, shall be settled in the following manner:-
 - (A) 70% shall be waived; and
 - (B) 30% shall be settled by the issuance of 2% 5-year redeemable convertible unsecured loan stocks ("**RCULS**") by MTHB, on the basis of RM1.00 nominal value of RCULS for every RM1.00 of debt;
 - (iii) 50% of the interest accruing on the total amount owing to the Bank Creditors as at 31 March 2001, for the period commencing on 1 April 2001 and ending on the date of issuance of the RCULS, inclusive of both dates, shall be payable by Kiara Emas in cash on the date of issuance of the RCULS. The remaining 50% of the interest shall be waived; and
 - (iv) All corporate guarantees given by Kiara Emas for the benefit of its subsidiaries shall be discharged and released upon the issuance of the RCULS and the payment of the accrued interest.
- (b) Other Creditors
 - (i) The claims of the Other Creditors are determined on the basis of a cut-off date of 31 March 2001, being the date of the latest audited accounts of Kiara Emas at the time of the announcement of the Restructuring Scheme;
 - (ii) The total amount owing to the Other Creditors as at 31 March 2001 shall be settled in the following manner:-
 - (A) 70% shall be waived; and
 - (B) 30% shall be settled by the issuance of the RCULS by MTHB, on the basis of RM1.00 nominal value of RCULS for every RM1.00 of debt; and



- (iii) The total amount owing to the Other Creditors as at 31 March 2001 is non-interest bearing. Other Creditors incurred after 31 March 2001 which are not included as part of the Creditors' Scheme will be paid in cash in the normal course of events.
- (c) The RCULS shall not be rated by any rating agency, as they are to be issued pursuant to a debt conversion and do not constitute an offer or invitation to subscribe for or purchase the RCULS for the purpose of raising fresh proceeds.
- (d) Upon the implementation of the Creditors' Scheme, all claims by the Scheme Creditors shall be deemed to have been fully satisfied and the Scheme Creditors shall have no further claims against Kiara Emas.

2.4.3 Disposal

As an integral part of the Restructuring Scheme, Kiara Emas has disposed of all of its subsidiaries to Spring Magnate Sdn. Bhd. ("SPV"), a special purpose vehicle set up for that purpose, on 15 August 2003, for a nominal cash consideration of RM1.00. This nominal consideration takes into account the audited net liabilities position of the said subsidiaries as at 30 June 2002 and their respective losses for the period ended 30 June 2002.

The Board, after taking into consideration the audited financial position of the subsidiaries with an aggregate amount of RM152.2 million in net liabilities as at 30 June 2002, is of the opinion that the disposal consideration of RM1.00 is fair and reasonable. Furthermore, all corporate guarantees given by Kiara Emas to the Bank Creditors for the benefit of its subsidiaries shall be discharged and released upon the issuance of the RCULS and the payment of accrued interest pursuant to the Creditors' Scheme.

A sale and purchase agreement in respect of the Disposal was entered into between Kiara Emas and the SPV on 12 August 2003 and the Disposal was completed on 15 August 2003. Based on the net book value of Kiara Emas' investment in its subsidiaries of RM1.00 as per its audited financial statement as at 30 June 2002, the Disposal did not generate any gain or loss to Kiara Emas and the MTHB Group, as the original cost of investment in the Kiara Emas subsidiaries has been written down to RM1.00.

2.4.4 Acquisition

On 15 August 2003, MTHB had acquired 90.91% of the issued and paid-up capital of Stone World Sdn. Bhd. ("Stone World") comprising 50,192,602 Shares from Excellent Avenue for a total consideration of RM50,000,000 satisfied by the issuance of 50,000,000 new Shares in MTHB at an issue price of RM1.00 per Share. The Acquisition was made pursuant to a conditional Sale and Purchase Agreement entered into between Kiara Emas, Excellent Avenue (M) Sdn. Bhd. ("Excellent Avenue") and MTHB on 17 January 2002, a Supplemental Agreement dated 1 August 2002 and a Second Supplemental Agreement dated 5 August 2003.



2.4.5 Special Issue and Restricted Issue

Following the completion of the Shareholders' Scheme and the Acquisition, the former minority shareholders of Kiara Emas currently hold 3,490,199 Shares in MTHB representing approximately 6.02% of the enlarged issued and paid-up capital of MTHB. The SC's Policies and Guidelines on Issue/Offer of Securities require at least 25% of a listed company's issued and paid-up capital to be held by public shareholders. The SC has, in its approval letter on the Restructuring Scheme dated 24 December 2002, stated that MTHB shall be required to comply with the public shareholding spread requirement within six (6) months from the date of its listing on the KLSE.

In order to achieve the public shareholding spread requirement, to increase its Bumiputra equity participation, to further strengthen its NTA and cash flow position, and to give the former shareholders of Kiara Emas an opportunity to increase their shareholding following the completion of the Shareholders' Scheme, MTHB is now undertaking the following Share issues:-

- (a) A special issue of 13,000,000 new Shares ("**SI Shares**"), for placement to selected Bumiputra/non-Bumiputra investors, at an issue price of RM1.00 per SI Share; and
- (b) A renounceable restricted issue of 7,999,999 new Shares ("**RI Shares**") to shareholders of MTHB who were the former shareholders of Kiara Emas, on a rights basis of one (1) RI Share for each Share held upon the completion of the Shareholders' Scheme, at an issue price of RM1.00 per RI Share.

2.4.6 Mandatory Offer

As the shareholding of MTHB in Stone World exceeds 33% of Stone World's issued and paid-up capital following the completion of the Acquisition, MTHB is obliged to extend an unconditional mandatory offer to the two (2) remaining shareholders of Stone World, namely Mr. Teo Yong Sai and Mr. Wong Thiam Loy, to acquire from them the remaining 5,021,541 Shares in Stone World not already owned by MTHB ("**Offer Shares**"). The offer letter in respect of the Mandatory Offer will be dispatched to the offeree shareholders of Stone World within fourteen (14) days after 15 August 2003, being the completion date of the Acquisition.

On 7 July 2003, the SC had approved MTHB's application for an exemption from Section 9 of the Code, which requires the provision of a cash consideration in respect of the Mandatory Offer, on the basis that the offeree shareholders of Stone World had given written irrevocable undertakings that they would only accept a share consideration for the Mandatory Offer.



In view of the above, the consideration for the Mandatory Offer shall be satisfied through the issuance of new Shares in MTHB at an issue price of RM1.00 per Share on the basis of 0.9962 new MTHB Shares for each Offer Share. The price payable for each Offer Share, being RM0.9962, is similar to the price paid for Stone World Shares under the Acquisition. The consideration payable to each offeree shareholder of Stone World shall be rounded up to the nearest whole number of MTHB Shares.

Assuming full acceptance of the Mandatory Offer, 5,002,460 new MTHB Shares will be issued as consideration for the Mandatory Offer, and Ample Potential and/or Excellent Avenue will undertake a placement of 1,200,000 MTHB Shares to investors in order for MTHB to comply with the public shareholding spread requirement.

The new MTHB Shares to be issued pursuant to the Mandatory Offer will rank *pari passu* in all respects with the existing Shares of MTHB, save as regards any dividends, rights, allotments and/or any other distributions that may be declared, made or paid prior to the date of allotment of such new Shares.

MTHB will not assume any liabilities arising from the Mandatory Offer.

2.4.7 Transfer of Listing Status

Upon the completion of the Shareholders' Scheme, the Acquisition, the Special Issue and the Restricted Issue, the listing status of Kiara Emas on the Second Board of the KLSE will be transferred to MTHB.

2.4.8 Exemption

Upon the completion of the Shareholders' Scheme and the Acquisition, Excellent Avenue, Ample Potential, Mr. Wong Thiam Loy, Exclusive Vest Holdings Sdn. Bhd. ("**EVHSB**") and Madam Kong See Kuan (collectively "**Concert Parties**") collectively own, directly and indirectly, 54,509,800 MTHB Shares representing approximately 93.98% of the enlarged issued and paid-up capital of MTHB. Pursuant to Part II of the Code, the Concert Parties are required to extend a mandatory offer to the rest of the shareholders of MTHB to acquire all the remaining Shares in MTHB not owned by them.

An application was made to the SC on 4 September 2002 by AmMerchant Bank on behalf of the Concert Parties under Practice Note 2.9.3 of the Code to seek an exemption from the obligation to undertake a mandatory offer. Practice Note 2.9.3 allows an application for an exemption to be made where the objective of a transaction is to save the financial position of a company whose voting shares are being acquired by an urgent rescue operation. The SC had approved the application on 24 December 2002.



2.5 Subsidiary Companies

The subsidiary companies (excluding Kiara Emas) of MTHB ("Stone World group") at the date of this report and their principal activities are as follows:-

Name of company	Date/Place of incorporation	Percentage of shareholding in subsidiary companies	Principal activities
Stone World	06.09.1991 Malaysia	100%	Manufacturing, supply and installation of stone products.
Subsidiary companies of Stone World:-			
Stone World Marketing Sdn. Bhd. ("SWMSB")	11.05.1994 Malaysia	100%	Provision of management services and trading of stone products.
Stone Export Sdn. Bhd. ("Stone Export")	19.01.1995 Malaysia	100%	Pre-operating
Industrial Art Resource Sdn. Bhd. ("Industrial Art")	29.10.1997 Malaysia	100%	Pre-operating
Stone World (Hong Kong) Limited ("SWHK")	06.09.1994 Hong Kong	100%	Pre-operating

3. AUDITORS AND AUDITED FINANCIAL STATEMENTS

The financial statements of MTHB and the Stone World Group (Collectively known as "MTHB Group" or "the Group") for the relevant financial years/period under review were audited by Messrs Anuarul Azizan Chew & Co, a firm of Chartered Accountants except for SWHK which was audited by another firm of Chartered Accountants.

The audited financial statements of MTHB and the Stone World Group for the relevant financial years/period under review were not subject to any qualification except for emphasis of matter, as regard to going concern referred to in the auditors' reports for the companies as follows:-

MTHB

For the financial periods ended 31 December 2002 and 31 May 2003, MTHB had a deficit in its shareholders' funds of RM2,798 and RM16,647 and its current liabilities exceeded its current assets by RM2,798 and RM16,647 respectively.

The financial statements have been prepared on the basis that MTHB continues as a going concern, which is dependent upon its ability to attain future profitable operations and the continuous financial support from its shareholders and creditors.



SWMSB

For the financial years/period ended 31 December 1998, 1999, 2000, 2001, 2002 and 31 May 2003, SWMSB had a deficit in its shareholders' funds of RM338,210, RM638,587, RM1,054,656, RM1,414,205, RM1,853,079 and RM2,062,092 and from 1998 to 2001 its current liabilities exceeded its current assets by RM598,162, RM870,280, RM1,240,689 and RM3,722 respectively.

The financial statements have been prepared on the basis that SWMSB continues as a going concern, which is dependent upon the financial support of its holding company. Stone World, the holding company, has indicated its willingness to continue financing the operations of SWMSB and not to request repayment of the amount due to it until such time as SWMSB is in a position to repay the amount without impairing its liquidity position and trading capability.

Stone Export

For the financial years/period ended 31 December 2000, 2001, 2002 and 31 May 2003, Stone Export had a deficit in its shareholders' funds of RM4,874, RM5,859, RM6,919 and RM7,419 and its current liabilities exceeded its current assets by RM4,874, RM598, RM498 and RM998 respectively.

The financial statements have been prepared on the basis that Stone Export continues as a going concern, which is dependent upon the financial support of its holding company. Stone World, the holding company, has indicated its willingness to continue financing the operations of Stone Export and not to request repayment of the amount due to it until such time as Stone Export is in a position to repay the amount without impairing its liquidity position and trading capability.

SWHK

For the financial years/period ended 31 December 1999, 2000, 2001, 2002 and 31 May 2003, SWHK had a deficit in its shareholders' funds of HK\$82,469, HK\$89,119, HK\$104,979, HK\$124,489 and HK\$130,839 and its current liabilities exceeded its current assets by HK\$82,469, HK\$89,119, HK\$104,979, HK\$124,489 and HK\$130,839 respectively.

The financial statements have been prepared on the basis that SWHK continues as a going concern, which is dependent upon the financial support of its holding company. Stone World, the holding company, has indicated its willingness to continue financing the operations of SWHK and not to request repayment of the amount due to it until such time as SWHK is in a position to repay the amount without impairing its liquidity position and trading capability.



4. SUMMARISED INCOME STATEMENTS

4.1 MTHB Group

MTHB was incorporated on 28 December 2001 and has been dormant prior to the Acquisition, as such, it does not have any profit/dividend records. The summarised proforma consolidated income statements of MTHB for the financial years/period ended 31 December 1998 to 31 May 2003 are provided for illustrative purpose only, on the assumption that MTHB Group had been in existence throughout the period under review, is as follows:

	←———— Year ended 31 December —————→					5 months ended 31 May
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	16,278	20,091	35,806	31,997	24,250	15,731
Profit before depreciation, amortisation of goodwill	4,453	5,074	8,702	12,045	13,368	6,820
Depreciation	(3,441)	(3,829)	(3,581)	(3,985)	(3,987)	(1,866)
Amortisation of goodwill	(11)	(11)	(11)	(11)	(11)	(5)
Interest expense	(3,882)	(2,895)	(2,997)	(2,041)	(2,261)	(852)
Interest income	3	-	15	-	-	-
(Loss)/Profit before taxation	(2,878)	(1,661)	2,128	6,008	7,109	4,097
Taxation	-	-	-	-	-	-
(Loss)/Profit after taxation	(2,878)	(1,661)	2,128	6,008	7,109	4,097
No. of ordinary shares in issue ('000 Shares)	84,002	84,002	84,002	84,002	84,002	84,002
Gross (Loss)/earnings per share (RM)	(0.03)	(0.02)	0.03	0.07	0.08	++ 0.12
Net (Loss)/earnings per share (RM)	(0.03)	(0.02)	0.03	0.07	0.08	++ 0.12
++	<i>Annualised</i>					

Notes to the proforma consolidated income statements of MTHB

- (a) The proforma consolidated income statements for the financial years/period ended 31 December 1998 to 31 May 2003 have been prepared on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the MTHB Group, and in accordance with applicable approved accounting standards issued and adopted in Malaysia in the relevant financial years/period under review.



- (b) The proforma consolidated income statements of MTHB are prepared for illustrative purposes only and are based on the audited financial statements of MTHB and Stone World Group after making a prior year adjustment whereby the deferred expenditure charged to income statements is restated retrospectively as a result of the change in accounting policies in compliance with the Malaysian Accounting Standards Board ("MASB") Standard No. 1.

The results of Kiara Emas have not been included as Kiara Emas will eventually be disposed of or liquidated after the completion of the restructuring exercise.

The financial statements of Stone Export, Industrial Art and SWHK have not been consolidated as, in the opinion of the director, they do not materially affect the financial statements of the Group.

- (c) The gross and net (loss)/earnings per share are calculated based on the (loss)/profit before taxation and (loss)/profit after taxation of the MTHB Group for the financial years/period respectively divided by the enlarged number of Shares of MTHB of 84,002,460 Shares before the conversion of the RCULS.
- (d) There was no exceptional or extraordinary item in respect of the financial years/period under review.



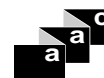
4.2 The summarised income statements of MTHB and its subsidiary companies for the financial years/period ended 31 December 1998 to 31 May 2003 are as follows:-

4.2.1 MTHB

	13 months ended 31 December 2002 RM'000	5 months ended 31 May 2003 RM'000
Turnover	-	-
Loss before depreciation and interest	(3)	(14)
Depreciation	-	-
Interest expense	-	-
Loss before taxation	(3)	(14)
Taxation	-	-
Loss after taxation	(3)	(14)
Weighted average number of ordinary shares of RM1.00 each in issue during the year ('000)	*	*
Gross Loss per share (RM)	(1,500)	++ (16,800)
Net Loss per share (RM)	(1,500)	++ (16,800)
* <i>RM 2.00</i>		
++ <i>Annualised</i>		

Notes to the income statements of MTHB

- (a) The gross and net Loss per share are calculated based on the Loss before taxation and Loss after taxation attributable to shareholders of MTHB for the financial periods respectively divided by the weighted average number of ordinary shares in issue for each financial period under review.
- (b) There was no exceptional or extraordinary item in respect of the financial periods under review.



4.2.2 Stone World

	← Year ended 31 December →					5 months ended 31 May 2003
	1998 RM1000	1999 RM1000	2000 RM1000	2001 RM1000	2002 RM1000	RM1000
Turnover	16,278	20,091	35,806	31,997	24,250	15,731
Profit before depreciation and interest	4,660	5,251	8,977	12,296	13,729	7,031
Depreciation	(3,352)	(3,728)	(3,479)	(3,884)	(3,906)	(1,854)
Interest expense	(3,862)	(2,872)	(2,958)	(2,034)	(2,261)	(852)
Interest income	3	-	15	-	-	-
(Loss)/Profit before taxation	(2,551)	(1,349)	2,555	6,378	7,562	4,325
Taxation	-	-	-	-	-	-
(Loss)/Profit after taxation	(2,551)	(1,349)	2,555	6,378	7,562	4,325
Weighted average number of ordinary shares of RM1.00 each in issue during the year ('000)	55,214	55,214	55,214	55,214	55,214	55,214
Gross (Loss)/earnings per share (RM)	(0.05)	(0.02)	0.05	0.12	0.14	++0.19
Net (Loss)/earnings per share (RM)	(0.05)	(0.02)	0.05	0.12	0.14	++0.19

++ *Annualised*

Notes to the income statements of Stone World

- (a) Deferred expenditure charged to income statements is restated retrospectively as a result of the change in accounting policies in compliance with MASB Standard No. 1.
- (b) The gross and net (Loss)/earnings per share are calculated based on the (Loss)/profit before taxation and (Loss)/profit after taxation attributable to shareholders of Stone World for the financial years/period respectively divided by the weighted average number of ordinary shares in issue for each financial year/period under review.
- (c) There was no exceptional or extraordinary item in respect of the financial years/period under review.



4.2.3 SWMSB

	← Year ended 31 December →					5 months ended 31 May
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	96	96	96	96	96	40
Loss before depreciation and interest	(219)	(177)	(276)	(252)	(357)	(196)
Depreciation	(88)	(101)	(101)	(101)	(82)	(13)
Interest expense	(20)	(23)	(39)	(6)	-	-
Loss before taxation	(327)	(301)	(416)	(359)	(439)	(209)
Taxation	-	-	-	-	-	-
Loss after taxation	(327)	(301)	(416)	(359)	(439)	(209)
Weighted average number of ordinary shares of RM1.00 each in issue during the year ('000)	100	100	100	100	100	100
Gross Loss per share (RM)	(3.27)	(3.01)	(4.16)	(3.59)	(4.39)	++ (5.02)
Net Loss per share (RM)	(3.27)	(3.01)	(4.16)	(3.59)	(4.39)	++ (5.02)
++	<i>Annualised</i>					

Notes to the income statements of SWMSB

- (a) Deferred expenditure charged to income statements is restated retrospectively as a result of the change in accounting policies in compliance with MASB Standard No. 1.
- (b) The gross and net loss per share are calculated based on the Loss before taxation and Loss after taxation attributable to shareholders of SWMSB for the financial years/period respectively divided by the weighted average number of ordinary shares in issue for each financial year/period under review.
- (c) There was no exceptional or extraordinary item in respect of the financial years/period under review.



4.2.4 Stone Export

	← Year ended 31 December →					5 months ended 31 May
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Turnover	-	-	-	-	-	-
Loss before depreciation and interest	(1)	-	(1)	(1)	(1)	(1)
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Loss before taxation	(1)	-	(1)	(1)	(1)	(1)
Taxation	-	-	-	-	-	-
Loss after taxation	(1)	-	(1)	(1)	(1)	(1)
Number of ordinary shares in issue ('000)	*	*	*	*	*	*
Gross Loss per share (RM)	(500)	-	(500)	(500)	(500)	++ (1,200)
Net Loss per share (RM)	(500)	-	(500)	(500)	(500)	++ (1,200)
* <i>RM2.00</i>						
++ <i>Annualised</i>						

Notes to the income statements of Stone Export

- (a) Deferred expenditure charged to income statements is restated retrospectively as a result of the change in accounting policies in compliance with MASB Standard No. 1.
- (b) The gross and net Loss per share are calculated based on the Loss before taxation and Loss after taxation attributable to shareholders of Stone Export for the financial years/period respectively divided by the number of ordinary shares in issue for each financial year/period under review.
- (c) There was no exceptional or extraordinary item in respect of the financial years/period under review.
- (d) Stone Export has not commenced its business operations since its incorporation on 19 January 1995.



4.2.5 Industrial Art

	15 months	← Year ended 31 December →				5 months
	ended					ended
	31.12.1998	1999	2000	2001	2002	31 May
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	-	-	-	-	-	-
Loss before depreciation and interest	(1)	-	(1)	(2)	(1)	(1)
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Loss before taxation	(1)	-	(1)	(2)	(1)	(1)
Taxation	-	-	-	-	-	-
Loss after taxation	(1)	-	(1)	(2)	(1)	(1)
Weighted average number of ordinary shares of RM1.00 each in issue during the year ('000)	41	50	50	50	50	50
Gross Loss per share (RM)	(0.02)	-	(0.02)	(0.04)	(0.02)	++ (0.05)
Net Loss per share (RM)	(0.02)	-	(0.02)	(0.04)	(0.02)	++ (0.05)

++ *Annualised*

Notes to the income statements of Industrial Art

- (a) Deferred expenditure charged to income statements is restated retrospectively as a result of the change in accounting policies in compliance with MASB Standard No. 1.
- (b) The gross and net Loss per share are calculated based on the Loss before taxation and Loss after taxation attributable to shareholders of Industrial Art for the financial years/period respectively divided by the weighted average number of ordinary shares in issue for each financial year/period under review.
- (c) There was no exceptional or extraordinary item in respect of the financial years/period under review.
- (d) Industrial Art has not commenced its business operations since its incorporation on 29 October 1997.



4.2.6 SWHK

	← Year 31 December →					5 months ended 31 May 2003
	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	HK\$'000
Turnover	-	-	-	-	-	-
Loss before depreciation and interest	(8)	(28)	(7)	(16)	(20)	(6)
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Loss before taxation	(8)	(28)	(7)	(16)	(20)	(6)
Taxation	-	-	-	-	-	-
Loss after taxation	(8)	(28)	(7)	(16)	(20)	(6)
Number of ordinary shares in issue ('000)	10	10	10	10	10	10
Gross Loss per share (HK\$)	(0.80)	(2.80)	(0.70)	(1.60)	(2.00)	++ (1.44)
Net Loss per share (HK\$)	(0.80)	(2.80)	(0.70)	(1.60)	(2.00)	++ (1.44)

++ *Annualised***Notes to the results of SWHK**

- (a) The gross and net loss per share are calculated based on the Loss before taxation and Loss after taxation attributable to shareholders of SWHK for the financial years/period respectively divided by the number of ordinary shares in issue for each financial year/period under review.
- (b) There was no exceptional or extraordinary item in respect of the financial years/period under review.
- (c) SWHK has not commenced its business operations since its incorporation on 6 September 1994.



5 SUMMARISED BALANCE SHEETS

5.1 MTHB Group – Consolidated Balance Sheets

As the group was in placed in August 2003, it is therefore impractical to present consolidated balance sheets of the MTHB Group throughout the period under review. Accordingly, we set out below the summarised audited balance sheets of MTHB and its subsidiary companies for the financial years/period ended 31 December 1998 to 31 May 2003.

5.1.1 MTHB

There was no balance sheet for MTHB prior to financial period ended 31 December 2002 as the Company was incorporated on 28 December 2001.

	As at 31 December 2002 RM'000	As at 31 May 2003 RM'000
ASSETS EMPLOYED		
Current assets	*	*
Current liabilities	(3)	(17)
Net current liabilities	(3)	(17)
	<u>(3)</u>	<u>(17)</u>
FINANCED BY		
Share capital	*	*
Accumulated losses	(3)	(17)
	<u>(3)</u>	<u>(17)</u>
Net liabilities (NL) per share (RM)	(1,500)	(8,500)

* RM2.00



5.1.2 Stone World

	<-----As at 31 December----->					As at
	1998	1999	2000	2001	2002	31 May
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS EMPLOYED						
Property, plant and equipment	50,074	63,782	61,731	58,747	56,644	54,820
Investment in subsidiaries	153	153	153	153	153	153
Current assets	42,700	44,725	53,093	45,236	46,684	54,810
Current liabilities	(34,625)	(36,470)	(42,232)	(27,368)	(22,132)	(27,133)
Net current assets	8,075	8,255	10,861	17,868	24,552	27,677
	58,302	72,190	72,745	76,768	81,349	82,650
FINANCED BY						
Share capital	55,214	55,214	55,214	55,214	55,214	55,214
Revaluation reserve	-	16,737	16,737	16,737	16,737	16,737
Accumulated losses	(17,912)	(19,261)	(16,706)	(10,328)	(2,766)	1,559
	37,302	52,690	55,245	61,623	69,185	73,510
Long term liabilities	21,000	19,500	17,500	15,145	12,164	9,140
	58,302	72,190	72,745	76,768	81,349	82,650
Net Tangible Assets (NTA) per share (RM)	0.68	0.95	1.00	1.12	1.25	1.33

Note:- *Deferred expenditure charged to income statements is restated retrospectively as a result of the change in accounting policies in compliance with MASB Standard No. 1*



5.1.3 SWMSB

	<-----As at 31 December----->					As at
	1998	1999	2000	2001	2002	31 May 2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS EMPLOYED						
Property, plant and equipment	398	297	198	97	15	3
Current assets	13	9	6	2	3	2
Current liabilities	(611)	(879)	(1,247)	(6)	(1)	(1)
Net current liabilities	(598)	(870)	(1,241)	(4)	2	1
	<u>(200)</u>	<u>(573)</u>	<u>(1,043)</u>	<u>93</u>	<u>17</u>	<u>4</u>
FINANCED BY						
Share capital	100	100	100	100	100	100
Accumulated losses	(438)	(739)	(1,155)	(1,514)	(1,953)	(2,162)
	<u>(338)</u>	<u>(639)</u>	<u>(1,055)</u>	<u>(1,414)</u>	<u>(1,853)</u>	<u>(2,062)</u>
Long term liabilities	138	66	12	1,507	1,870	2,066
	<u>(200)</u>	<u>(573)</u>	<u>(1,043)</u>	<u>93</u>	<u>17</u>	<u>4</u>
NL per share (RM)	(3.38)	(6.39)	(10.55)	(14.14)	(18.53)	(20.62)

* RM2.00

Note:- Deferred expenditure charged to income statements is restated retrospectively as a result of the change in accounting policies in compliance with MASB Standard No.1



5.1.4 Stone Export

	←----- As at 31 December ----->					As at 31 May
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS EMPLOYED						
Current assets	*	*	*	*	*	*
Current liabilities	(4)	(4)	(5)	(1)	(1)	(1)
Net current liabilities	(4)	(4)	(5)	(1)	(1)	(1)
	(4)	(4)	(5)	(1)	(1)	(1)
FINANCED BY						
Share capital	*	*	*	*	*	*
Accumulated losses	(4)	(4)	(5)	(6)	(7)	(7)
	(4)	(4)	(5)	(6)	(7)	(7)
Long term liabilities	-	-	-	5	6	6
	(4)	(4)	(5)	(1)	(1)	(1)
NL per share (RM)	(2,000)	(2,000)	(2,500)	(3,000)	(3,500)	(3,500)
* RM2.00						

Note:- *Deferred expenditure charged to income statements is restated retrospectively as a result of the change in accounting policies in compliance with MASB Standard No. 1*



5.1.5 Industrial Art

	<-----As at 31 December----->					As at
	1998	1999	2000	2001	2002	31 May 2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS EMPLOYED						
Current assets	50	50	50	50	50	50
Current liabilities	(1)	(1)	(2)	(3)	(4)	(5)
Net current assets	49	49	48	47	46	45
	49	49	48	47	46	45
FINANCED BY						
Share capital	50	50	50	50	50	50
Accumulated losses	(1)	(1)	(2)	(3)	(4)	(5)
	49	49	48	47	46	45
NTA per share (RM)	0.98	0.98	0.96	0.94	0.92	0.90

Note:- Deferred expenditure charged to income statements is restated retrospectively as a result of the change in accounting policies in compliance with MASB Standard No.1



5.1.6 SWHK

	←-----As at 31 December----->					As at 31 May
	1998	1999	2000	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS EMPLOYED						
Current assets	2	2	6	10	6	2
Current liabilities	(56)	(84)	(95)	(115)	(130)	(133)
Net current liabilities	(54)	(82)	(89)	(105)	(124)	(131)
	<u>(54)</u>	<u>(82)</u>	<u>(89)</u>	<u>(105)</u>	<u>(124)</u>	<u>(131)</u>
FINANCED BY						
Share capital	10	10	10	10	10	10
Accumulated losses	(64)	(92)	(99)	(115)	(134)	(141)
	<u>(54)</u>	<u>(82)</u>	<u>(89)</u>	<u>(105)</u>	<u>(124)</u>	<u>(131)</u>
NL per share (RM)	(5.40)	(8.20)	(8.90)	(10.50)	(12.40)	(13.10)



6 PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The proforma consolidated cash flow statement of MTHB has been prepared for illustrative purposes only and is based on the audited financial statements of MTHB and Stone World Group for the financial period ended 31 May 2003 and on the assumption that the MTHB Group has been in existence throughout the period under review and the restructuring scheme as mentioned under paragraph 2.4 of this report had been effected on 31 May 2003.

	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	4,097
Adjustment for:-	
Depreciation of property, plant and equipment	1,866
Interest expense	852
Amortisation on goodwill	5
	<u>2,723</u>
Operating profit before working capital changes	6,820
(Increase)/Decrease in working capital	
Inventories	(1,335)
Trade receivables	(5,703)
Other receivables	(754)
Amount owing by related companies	(2)
Amount owing by/to customers on contracts	(747)
Trade payables	2,554
Other payables	(5,135)
Amount owing to related companies	617
	<u>(10,505)</u>
Cash used in operations	(3,685)
Interest paid	(852)
Net cash used in operating activities	<u>(4,537)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(30)
Net cash used in investing activities	<u>(30)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issued of shares	21,000
Repayment of term loan	(4,500)
Bills payable	(352)
Repayment of hire purchase payables	(21)
Net cash from financing activities	<u>16,127</u>
Net increase in cash and cash equivalents	11,560
Cash and cash equivalents at beginning of period	(6,265)
Cash and cash equivalents at end of period	<u>5,295</u>
Cash and cash equivalents comprises the following:-	
Cash and bank balances	14,279
Bank overdraft	(8,984)
	<u>5,295</u>



7 PROFORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

The following proforma consolidated statements of assets and liabilities of the MTHB Group and the Company is prepared for illustrative purposes only based on the audited financial statements of MTHB and the Stone World Group as at 31 May 2003 and are on the assumption that the Group had been in existence throughout the period under review. The proforma consolidated statements of assets and liabilities are to be read in conjunction with the notes thereto.

	Note	MTHB Group RM	Company RM
ASSETS EMPLOYED			
PROPERTY, PLANT AND EQUIPMENT	7.2	54,822,925	-
INVESTMENT IN SUBSIDIARY COMPANIES	7.3	53,372	-
CURRENT ASSETS			
Inventories	7.4	31,078,803	-
Trade receivables		18,158,251	-
Amount owing by customers on contracts	7.5	1,395,201	-
Other receivables, deposits and prepayment	7.6	1,971,542	-
Amount owing by related companies	7.7	67,498	-
Cash and bank balances		14,279,223	2
		66,950,518	2
CURRENT LIABILITIES			
Trade payables		4,250,244	-
Amount owing to customers on contracts	7.5	1,599,966	-
Other payables and accruals	7.8	5,627,898	16,649
Amount owing to a director	7.9	50,000	-
Hire purchase payables	7.10	54,665	-
Bank borrowings	7.11	15,568,658	-
		27,151,431	16,649
NET CURRENT ASSETS/(LIABILITIES)		39,799,087	(16,647)
GOODWILL ON CONSOLIDATION		6,796,000	-
		<u>101,471,384</u>	<u>(16,647)</u>
FINANCED BY			
SHARE CAPITAL	7.12	84,002,460	2
RESERVE ON CONSOLIDATION		16,345,423	-
ACCUMULATED LOSSES		(26,016,649)	(16,649)
		74,331,234	(16,647)
LONG TERM LIABILITIES			
RCULS		18,000,000	-
Hire purchase payables	7.10	140,150	-
Bank borrowings	7.11	9,000,000	-
		27,140,150	-
		<u>101,471,384</u>	<u>(16,647)</u>



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

7.1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Group are prepared under the historical cost convention and modified by the revaluation of certain property, plant and equipment and comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

(b) Basis of consolidation

The proforma consolidated financial statements of MTHB are prepared for illustrative purposes only and are based on the audited financial statements of MTHB and Stone World Group after making such adjustments as we considered appropriate. The results of Kiara Emas have not been included as Kiara Emas will eventually be disposed of or liquidated after the completion of the restructuring exercise.

The financial statements of Stone Export, Industrial Art and SWHK have not been consolidated as, in the opinion of the director, they do not materially affect the financial statements of the Group.

Inter-company transactions are eliminated upon consolidation and the consolidated financial statements reflect external transactions only.

(c) Goodwill on consolidation

The difference between the costs of acquisition and the underlying net asset value of the subsidiary companies at the date of acquisition are included in the Group financial statements as goodwill or reserve on consolidation. Goodwill arising on consolidation is amortised over the estimated useful life of 20 years.

(d) Investment in subsidiary companies

A subsidiary is a company in which the Group controls the composition of its board of directors or more than half of its voting power, or holds more than half of its issued ordinary share capital.

Investment in subsidiary companies are stated at cost and provision for diminution in value of investments is only made when the directors consider that there is a permanent diminution in the value of such investment.



(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. Leasehold land is amortised over the period of the lease. All other property, plant and equipment are depreciated on a straight line method at rates calculated to write off the cost of the assets over their estimated useful lives.

The principal annual rates used are as follows:-

Factory and buildings	2%
Plant and machinery	6 2/3%
Tools and equipment	10%
Computer and software	20%
Furniture and fittings	10%
Office equipment	10%
Motor vehicles	20%
Renovations	33 1/3%

Leasehold land and factory buildings of the Group have not been revalued since they were revalued in 1999. The directors have not adopted a policy of regular revaluation of such assets and these assets continue to be stated at their 1999 valuation.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

(f) Inventories

Inventories of raw materials and finished goods are valued at the lower of cost and net realisable value.

Cost of raw materials and consumables are valued at actual purchase cost plus the cost of bringing the inventories to their present location and condition determined on a first-in-first-out basis.

Cost of finished goods and work-in-progress comprises materials, direct labour and factory overheads determined on a first-in-first-out basis.

(g) Revenue recognition

Profit from work done on contracted projects is recognised based on the percentage of completion method. The stage of completion is determined based on the survey of work done. Foreseeable losses, if any, are recognised immediately in the income statement.

Sales are recognised upon delivery of products and customer acceptance net of discounts.



(h) Assets under hire purchase

Assets under hire purchase which in substance transfer the risks and benefits of ownership of the assets to the Group are capitalised under property, plant and equipment. The assets and the corresponding hire purchase obligations are recorded at the lower of present value of the minimum hire purchase payments or the fair value of the assets at the beginning of the hire purchase terms. Such hire purchase assets are subject to depreciation consistent with that for depreciable assets which are owned.

(i) Construction contracts

Construction contracts are stated at cost plus the attributable profits less applicable progress billings and provision for foreseeable losses, if any. Cost includes direct material and general expenses which can be allocated to specific contract.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount owing by customers on contracts. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount owing to customers on contracts.

(j) Foreign currencies

Foreign currency transactions are converted into Malaysia Ringgit at the rate of exchange ruling on the transaction dates or where settlement has not yet been made at the end of the financial period, at the approximate exchange rates prevailing at that date. All exchange gains and losses are dealt with in the income statement.

The closing exchange rate used for the main foreign currency in the Group is USD1 = RM3.80 (31.12.2002 : USD1 = RM3.80).

(k) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term highly liquid investments that are readily convertible to cash and are subject to insignificant risk of changes in value.



(l) Taxation

Provision is made on the liability method for taxation deferred by capital allowances and other timing differences, except where the effects of such timing differences are expected to be deferred indefinitely.

Future income tax benefits in respect of tax losses and other timing differences are not recognised except to the extent of net credits in the deferred tax balance, and to the extent it is reasonably probable that these benefits can be realised in the foreseeable future.

(m) Impairment of assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(n) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.



7.2 PROPERTY, PLANT AND EQUIPMENT

Group	←----- Cost/Valuation -----→			As at 31.5.2003 RM	
	As at 1.1.2003 RM	Addition RM	Disposal RM		
At valuation:					
Long term leasehold land	21,911,729	-	-	21,911,729	
Factory buildings	20,917,843	-	-	20,917,843	
At cost:					
Freehold land and building	738,413	-	-	738,413	
Plant and machinery	35,861,658	14,900	-	35,876,558	
Tools and equipment	375,628	10,015	-	385,643	
Computer and software	408,617	1,452	-	410,069	
Furniture and fittings	624,119	540	-	624,659	
Office equipment	517,248	2,980	-	520,228	
Motor vehicles	2,364,456	-	-	2,364,456	
Renovations	3,112,111	-	-	3,112,111	
	86,831,822	29,887	-	86,861,709	
Group	←----- Accumulated depreciation -----→			As at 31.5.2003 RM	Net book value at 31.5.2003 RM
	As at 1.1.2003 RM	Charge for the period RM	Disposal RM		
At valuation:					
Long term leasehold land	2,377,768	162,722	-	2,540,490	19,371,239
Factory buildings	3,181,552	174,315	-	3,355,867	17,561,976
At cost:					
Freehold land and building	56,032	4,120	-	60,152	678,261
Plant and machinery	20,185,092	996,904	-	21,181,996	14,694,562
Tools and equipment	117,783	15,897	-	133,680	251,963
Computer and software	324,076	12,018	-	336,094	73,975
Furniture and fittings	394,311	24,259	-	418,570	206,089
Office equipment	387,615	19,565	-	407,180	113,048
Motor vehicles	2,039,506	49,083	-	2,088,589	275,867
Renovations	1,108,950	407,216	-	1,516,166	1,595,945
	30,172,685	1,866,099	-	32,038,784	54,822,925

The long term leasehold land and building has been pledged to a financial institution to secure for credit facilities granted to Stone World.

The leasehold land and factory building were revalued by the directors in 1999 based on independent professional valuations using the comparison method.

Had the revalued leasehold land and factory buildings been included in the financial statements at historical cost, the net book value of the revalued leasehold land and factory buildings would have been RM4,394,419 and RM17,168,307 (2002 : RM4,430,617 and RM17,339,024) respectively.

Included in the property, plant and equipment of the Group are motor vehicles under hire purchase with net book values of RM274,006 (31.12.2002: RM310,390).



7.3 INVESTMENT IN SUBSIDIARY COMPANIES

	Group RM
Unquoted shares, at cost	<u>53,372</u>

The subsidiary companies and shareholdings therein are as follows:-

Name of company	Country of incorporation	Equity interest %	Principal activity
Stone World	Malaysia	100	Manufacturing, supply and installation of stone products.
<i>Subsidiary companies of Stone World:-</i>			
SWMSB	Malaysia	100	Provision of management services and trading of stone products
Industrial Art	Malaysia	100	Pre-operating
Stone Export	Malaysia	100	Pre-operating
SWHK *	Hong Kong	100	Pre-operating

* Not audited by Messrs Anuarul Azizan Chew & Co.

The financial statements of Industrial Art, Stone Export and SWHK are not consolidated as, in the opinion of the directors, they do not materially affect the financial statements of the Group.

7.4 INVENTORIES

	Group RM
Raw materials	9,817,358
Work-in-progress	15,859,029
Finished goods	1,899,074
Consumables	3,503,342
	<u>31,078,803</u>



7.5 AMOUNT OWING (BY)/TO CUSTOMERS ON CONTRACTS

	Group RM
Aggregate cost incurred to date	13,082,213
Attributable profit	7,154,527
	<u>20,236,740</u>
Less : Progress billings	(20,441,505)
	<u>(204,765)</u>
Represented by :	
Amount owing by customers	1,395,201
Amount owing to customers	(1,599,966)
	<u>(204,765)</u>
Retention sum included in progress billings	<u>895,840</u>

7.6 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

	Group RM
Other receivables	1,678,045
Deposits	287,670
Prepayments	5,827
	<u>1,971,542</u>

7.7 AMOUNT OWING BY RELATED COMPANIES

This represents unsecured interest free advances with no fixed term of repayment.

7.8 OTHER PAYABLES

	Group RM	Company RM
Other payables	5,174,957	15,381
Accruals	452,941	1,268
	<u>5,627,898</u>	<u>16,649</u>



7.9 AMOUNT OWING TO A DIRECTOR

This represents unsecured interest free advances with no fixed term of repayment.

7.10 HIRE PURCHASE PAYABLES

	Group RM
a) Future minimum payments	
Payable within one year	69,924
Payable between one and five years	154,477
	<hr/> 224,401
Less : finance charges	(29,586)
	<hr/> 194,815
b) Present value representing hire purchase liabilities	
Repayable within one year	54,665
Repayable between one and five years	140,150
	<hr/> 194,815

7.11 BANK BORROWINGS

	Group RM
Bills payable	2,584,467
Bank overdraft	8,984,191
Term loan	13,000,000
	<hr/> 24,568,658
Repayable within 12 months	15,568,658
Repayable after 12 months	9,000,000
	<hr/> 24,568,658

The above credit facilities were obtained from a licensed bank and are secured on the following:-

- (a) a first and second legal charge over Stone World's leasehold land and buildings;



- (b) a first and second fixed and floating charge over the assets of the Company; and
- (c) personal guarantee by a director of Stone World.

The term loan bears interest at 1.5% above the bank's base lending rate per annum. It is repayable by eight (8) yearly instalments commencing January 2000 at a predetermined amount agreed by the bank.

The interest on the remaining credit facilities is charged at between 1% and 2% above the bank's base lending rate per annum.

7.12 SHARE CAPITAL

The present authorised share capital of MTHB is RM150,000,000 comprising 150,000,000 Shares, whilst its issued and paid-up share capital is RM58,000,001 comprising 58,000,001 Shares.

	Group RM
Ordinary share of RM1.00 each Authorised	<u>150,000,000</u>
Issued and fully paid:-	
At the date of incorporation	2
Issue of new Shares pursuant to the Shareholders' Scheme	7,999,999
Issue of new Shares pursuant to the Acquisition of Stone World	<u>50,000,000</u>
	58,000,001
Issue of new Shares pursuant to the Special Issue *	13,000,000
Issue of new Shares pursuant to the Restricted Issue *	7,999,999
Issue of new Shares pursuant to the Mandatory Offer *	5,002,460
	<u>84,002,460</u>

To be issued before the listing of MTHB on the Second Board of KLSE.

7.13 TAXATION

No provision for taxation has been made for the Group for the current financial period due to utilisation of unabsorbed tax losses and unutilised reinvestment allowance brought forward from previous years.



Stone World has unabsorbed business losses and unutilised reinvestment allowance amounting to approximately RM4,743,860 and Nil (31.12.2002: RM7,123,530 and RM3,465,760) respectively available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

SWMSB has unabsorbed business losses and unutilised capital allowance amounting to approximately RM1,052,000 and RM506,000 (31.12.2002: RM880,000 and RM506,000) respectively available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

7.14 CONTINGENT LIABILITIES

Description	Group RM	Expiry Date
Bank Guarantee in favour of third parties to secure the following :-		
a) Contract work	863,471	From 31/07/03 to 30/09/04
b) Utility	259,325	Form 06/11/03 to 12/05/04
c) Payment of tax liability	100,000	23/04/04
d) Other bank guarantees below RM50,000 each	48,554	15/06/05
	<u>1,271,350</u>	

7.15 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk.



(b) Foreign currency exchange risk

The Group is exposed to foreign currency risk on sales and purchases that are primarily denominated in US dollars. As Ringgit Malaysia is pegged at RM3.80 per USD, the foreign exchange risk is minimal.

(c) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings. The Group does not hedge the interest rate risk.

(d) Credit risk

The Group's exposure to credit risk arises mainly from receivables. Receivables are monitored on an ongoing basis via Group management reporting procedure and action will be taken for long outstanding debts.

The maximum exposure to credit risk associated with recognised financial assets is the carrying amount shown in the consolidated statement of assets and liabilities.

(e) Liquidity and cash flow risk

The Group seeks to achieve a flexible borrowing structure to ensure that the projected net borrowing needs are covered by available committed facilities.

(f) Fair values

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings approximate fair value due to the relatively short term nature of these financial instruments.

The aggregate fair values of the other financial liabilities carried on the balance sheet as at 31 May 2003 are as follows:-

	Group	
	Carrying value	Fair value
	RM	RM
Financial liabilities		
Hire purchase payables	140,150	140,150
Bank borrowings	9,000,000	9,000,000

The fair value of long term borrowing is estimate based on the quoted market prices for the same or similar issues or on the current rates available for borrowings with the same maturity profile.



8 PROFORMA NET TANGIBLE ASSETS COVER

Based on the proforma consolidated statement of assets and liabilities of the MTHB as at 31 May 2003, the NTA cover per share is as follows:-

NTA (RM'000)	<u>67,535</u>
Number of ordinary shares of RM1.00 each assumed in issue ('000)	<u>84,002</u>
NTA per share (RM)	<u>0.80</u>

9 AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 May 2003.

Yours faithfully,

ANUARUL AZIZAN CHEW & CO.
Firm Number : AF0791
Chartered Accountants

TEE GUAN PIAN
Approved Number: 1886/05/04 (J/PH)
Partner of Firm

10. DIRECTORS' REPORT

MAJOR TEAM HOLDINGS BERHAD

Registered Office:
2nd Floor, Union Commercial Centre
433 Jalan Temiang
70200 Seremban
Negeri Sembilan



25 August 2003

The Shareholders

Major Team Holdings Berhad ("MTHB" or "Company")

Dear Sir / Madam,

On behalf of the Board of Directors of MTHB, I wish to report that after making due enquiries in relation to the interval between 31 May 2003, being the date to which the last pro-forma audited consolidated financial statements of the Company and its subsidiaries except for Kiara Emas Asia Industries Berhad (hereinafter collectively referred to as the "Group Companies") have been made up, and 14 August 2003, being a date not earlier than fourteen (14) days before the issue of this Prospectus:-

- (a) The business of the Group Companies has, in the opinion of the Board of Directors of the Company ("**Board**"), been satisfactorily maintained;
- (b) In the opinion of the Board, no circumstances have arisen since the last audited financial statements of the Group Companies which have adversely affected the trading or the value of the assets of any of the Group Companies;
- (c) The current assets of the Group Companies appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) Save as disclosed in Section 8.5 "Working Capital, Borrowings, Contingent Liabilities and Material Capital Commitments" of this Prospectus, no contingent liabilities have arisen by reason of any guarantees or indemnities given by any of the Group Companies;
- (e) Since the last audited financial statements of the Group Companies, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and / or principal sums in relation to any borrowings which the Board is aware of; and
- (f) Save as disclosed in Section 8.8 "Pro-forma Consolidated Balance Sheets of the MTHB Group as at 31 May 2003 together with the Reporting Accountants' Letter Thereon" of this Prospectus, there have been no changes to the published reserves of the MTHB Group, or any unusual factors affecting the profits of the Group Companies since the last audited financial statements of the Group Companies.

Yours faithfully,
For and on behalf of the Board of Directors of
MAJOR TEAM HOLDINGS BERHAD


YAP CHEE KEONG
Group Managing Director