

• Build value  
for shareholders

• Participate in the  
development  
of the country

• Total  
customer  
satisfaction

• Enhancement  
of existing core  
business to  
position for growth

• One stop  
steel centre

• Continuously  
develop human  
asset

# To Be The Leading Steel Company



The Benchmark of Excellence  
in Manufacture Steel

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## Contents

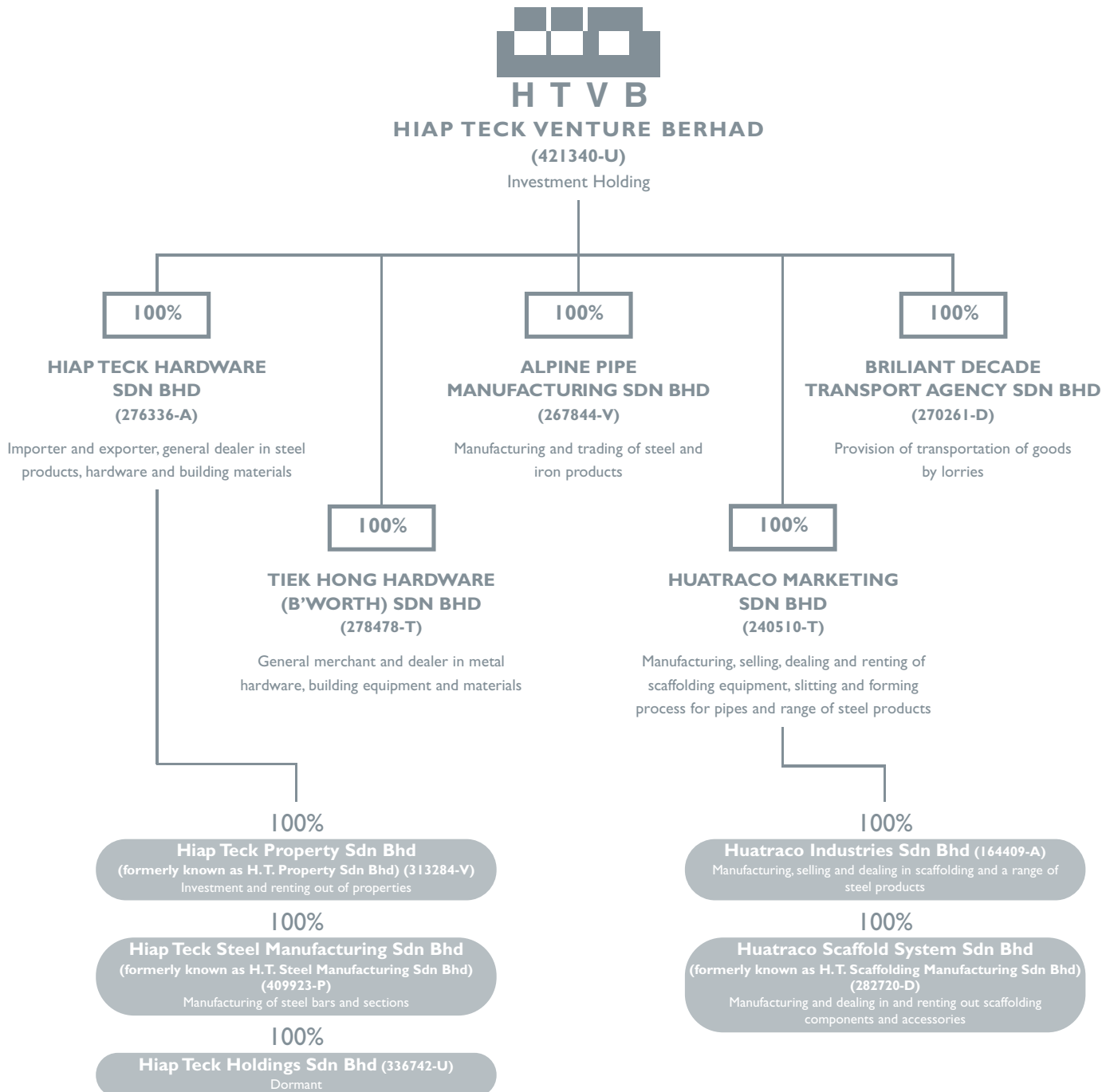
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# 02

## CORPORATE STRUCTURE



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Chairman

Tan Sri Dato' Alwi Bin Jantan

#### Managing Director

Mr. Kua Hock Lai

#### Independent Non-Executive Directors

Dato' Mohamed Nizam Bin Abdul Razak

Mr. Ong Eng Choon

Mr. Yeoh Chong Keat

Mr. Yoong Kah Yin

#### Non-Independent Non-Executive Director

Mr. Cheah Shu Boon

#### Alternate Director

Ms. Toh Su Lin

(alternate Director to Mr. Cheah Shu Boon)

#### Executive Directors

Mr. Kua Swee Leong

Ms. Law Sook Teng

Mr. Tan Yuen Hong

### AUDIT COMMITTEE

#### Chairman

Mr. Yeoh Chong Keat

#### Members

Mr. Kua Hock Lai

Mr. Ong Eng Choon

### REMUNERATION COMMITTEE

#### Chairman

Tan Sri Dato' Alwi Bin Jantan

#### Members

Mr. Kua Hock Lai

Mr. Yeoh Chong Keat

Mr. Cheah Shu Boon

### NOMINATION COMMITTEE

#### Chairman

Tan Sri Dato' Alwi Bin Jantan

#### Members

Mr. Cheah Shu Boon

Dato' Mohamed Nizam Bin Abdul Razak

### COMPANY SECRETARY

Mr. Ng Yim Kong (LS 0008343)

### HEAD OFFICE & REGISTERED OFFICE

Lot 6096, Jalan Haji Abdul Manan

Batu 5 1/2, Off Jalan Meru

41050 Klang

Selangor Darul Ehsan

Tel No. : 03-3392-8888

Fax No. : 03-3392-9135

E-mail address : admin@htgrp.com.my

### REGISTRAR

Symphony Share Registrars Sdn Bhd (378993-D)

Level 26, Menara Multi Purpose, Capital Square

No.8, Jalan Munshi Abdullah

50100 Kuala Lumpur

Tel No. : 03-2721-2222

Fax No. : 03-2721-2530

E-mail address : ssrs@symphony.com.my

### PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad (88103-W)

Hong Leong Bank Berhad (97141-X)

RHB Bank Berhad (6171-M)

### AUDITORS

Ernst & Young (AF : 0039)

Chartered Accountants

Level 23A, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

50490 Kuala Lumpur

### SOLICITORS

S.B. Cheah & Associates

Unit 8-16-2

Menara Mutiara Bangsar

Jalan Liku, Off Jalan Riong

Bangsar, 59100 Kuala Lumpur

### STOCK EXCHANGE

Bursa Malaysia Securities Berhad (Main Board)

# 04

## PROFILE OF THE BOARD OF DIRECTORS

### Tan Sri Dato' Alwi Bin Jantan

Aged 70, a Malaysian, is the Independent Non-Executive Chairman of Hiap Teck Venture Berhad ("HTVB"). He was appointed to the Board of HTVB on 6 June 2003.

He obtained his Bachelor of Arts (Honours) degree from the University of Malaya in Singapore in 1958 and also attended the Advanced Management Program at Harvard University in 1980. He held various positions in the Malayan Civil Service and was the Director General of Public Service, Malaysia prior to his retirement in April 1990.

Tan Sri Dato' Alwi currently serves as the Chairman of the Remuneration Committee and Nomination Committee of HTVB. He currently sits on the boards of Genting Golf Course Bhd, Genting Highlands Berhad, Resorts World Berhad, Guinness Anchor Berhad, Fal Bhd, United Overseas Australia Ltd and several other private companies.

Tan Sri Dato' Alwi attended all the Board meetings of HTVB held during the financial year ended 31 July 2005.

Tan Sri Dato' Alwi has no family relationship with any Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past 10 years.

### Kua Hock Lai

Aged 57, a Malaysian, is the Managing Director of HTVB. He was appointed to the Board of HTVB on 6 June 2003.

Mr. Kua Hock Lai is a businessman by profession and has more than 30 years of experience in the steel and building materials industry. With his long and in-depth experience, he plays an important role in guiding the Group's direction and future growth.

Mr. Kua is currently a member of the Audit Committee and Remuneration Committee of HTVB. He also sits on the boards of several subsidiary companies of HTVB and other private limited companies.

Mr. Kua attended all the Board meetings of HTVB held during the financial year ended 31 July 2005.

Mr. Kua is the father of Mr. Kua Swee Leong, an Executive Director of HTVB and the spouse of Madam Lim Ah Eng, a substantial shareholder of HTVB. Mr. Kua Hock Lai has no conflict of interest with the Company. He has no conviction for offences within the past 10 years.

### Dato' Mohamed Nizam Bin Abdul Razak

Aged 47, a Malaysian, is an Independent Non-Executive Director of HTVB. He was appointed to the Board of HTVB on 6 June 2003.

Dato' Mohamed Nizam Bin Abdul Razak graduated in Politics, Philosophy and Economics from Oxford University, United Kingdom, in 1980. He began his career in 1981 when he joined the Corporate Finance Department in Bumiputera Merchant Bankers Berhad. In 1984, he joined GP Securities Sdn Bhd (now known as PB Securities Sdn Bhd) as General Manager. He became the Chief Executive Officer in 1992 and held the position until his retirement in 1998.

Dato' Nizam is a member of the Nomination Committee of HTVB. He currently sits on the boards of Mamee Double-Decker (Malaysia) Berhad, Delloyd Ventures Berhad, Yeo Hiap Seng (Malaysia) Berhad, Synergy Track Berhad, Kamdar Group (M) Bhd and several private companies. He is also a trustee on several charitable foundations such as the Noah Foundation, the Hong Leong Foundation and the National Children Welfare Foundation.

Dato' Nizam attended 4 out of the 5 Board meetings of HTVB held during the financial year ended 31 July 2005.

Dato' Nizam has no family relationship with any Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past 10 years.

## PROFILE OF THE BOARD OF DIRECTORS

### Ong Eng Choon

Aged 53, a Malaysian, is an Independent Non-Executive Director of HTVB. He was appointed to the Board of HTVB on 6 June 2003.

He graduated from the Tunku Abdul Rahman College, Kuala Lumpur with the Diploma of Business Administration and has 24 years of tax experience of which 3 years were spent with the Inland Revenue Board, 10 years with one of the top four international accounting firms before becoming Managing Director of Taxnet Consultants Sdn Bhd. He is a Chartered Accountant (Malaysia), a Fellow of the Chartered Association of Certified Accountants (FCCA), an Associate member of the Institute of Chartered Secretaries and Administrators (ICSA) and an Associate Member of the Malaysian Institute of Taxation.

Mr. Ong currently serves as an Independent Non-Executive Member of the Audit Committee of HTVB. He is also a Director of Chinwell Holdings Berhad, Elsoft Research Berhad, Tek Seng Holdings Berhad and Wimems Corporation Berhad.

Mr. Ong attended all the Board meetings of HTVB held during the financial year ended 31 July 2005.

Mr. Ong has no family relationship with any Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past 10 years.

### Yeoh Chong Keat

Aged 47, a Malaysian, is an Independent Non-Executive Director of HTVB. He was appointed to the Board of HTVB on 6 June 2003.

He did his foundation course in accountancy in Birmingham Polytechnic, UK and is a Fellow of the Institute of Chartered Accountants in England and Wales, Chartered Accountant (Malaysia), Fellow of the Malaysian Institute of Taxation and Member of the Malaysian Institute of Certified Public Accountants.

Mr. Yeoh trained and qualified as a Chartered Accountant with the firm now known as PricewaterhouseCoopers, UK. He was also formerly the Head of the Corporate Secretarial Division of a 'Big Four' accounting firm in Kuala Lumpur.

Currently, Mr Yeoh also sits on the board of directors of Lien Hoe Corporation Berhad.

Mr.Yeoh is the Chairman of the Audit Committee and a Member of the Remuneration Committee of HTVB.

Mr.Yeoh attended all the Board meetings of HTVB held during the financial year ended 31 July 2005.

Mr.Yeoh has no family relationship with any Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past 10 years.

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## PROFILE OF THE BOARD OF DIRECTORS

### **Cheah Shu Boon**

Aged 45, a Malaysian, is a Non-Independent and Non-Executive Director of HTVB. He was appointed to the Board of HTVB on 20 March 1997.

He holds a Bachelor of Arts in Law (Honours) and a Master of Laws from the London School of Economics, University of London. He is also a Barrister-at-Law from Gray's Inn, England. He is a practising advocate and solicitor of the High Court of Malaya.

He is well experienced in a wide scope of legal work which include civil litigation, conveyancing, corporate matters and joint ventures. He has provided extensive advice in the negotiation and finalisation of various joint ventures and privatisation projects. In addition, he has undertaken property development projects and currently sits on the boards of several private limited companies.

Mr. Cheah is also a Member of the Nomination Committee and Remuneration Committee of HTVB.

Mr. Cheah attended 4 out of the 5 Board meetings of HTVB held during the financial year ended 31 July 2005.

Mr. Cheah has no family relationship with any Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past 10 years.

### **Toh Su Lin**

Aged 34, a Malaysian, is the alternate Director to Mr. Cheah Shu Boon in HTVB. She was appointed to the Board of HTVB on 20 March 1997 and subsequently resigned and was appointed as the alternate Director to Mr. Cheah Shu Boon on 12 June 2003.

Ms. Toh holds a Bachelor of Laws (Honours) degree from the University of Leeds, England and holds the Certificate of Legal Practice. She is a practising advocate and solicitor of the High Court of Malaya.

Ms. Toh has no family relationship with any Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company. She has no conviction for offences within the past 10 years.

### **Law Sook Teng**

Aged 37, a Malaysian, is an Executive Director of HTVB. She was appointed to the Board of HTVB on 6 June 2003.

She graduated with a Bachelor of Economics degree from Universiti Malaya in 1992. Prior to joining Alpine Pipe Manufacturing Sdn Bhd ("APM"), presently a wholly owned subsidiary of HTVB, in 1994 as the Sales Manager, she was the Assistant Sales Manager of Wing Tiek Steel Pipes Sdn Bhd from 1992 to 1994. She is involved in the management, sales and marketing of APM.

Ms. Law does not sit on any committee of HTVB. She is also a director of APM.

Ms Law attended 4 out of the 5 Board meetings of HTVB held during the financial year ended 31 July 2005.

Ms. Law has no family relationship with any Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company. She has no conviction for offences within the past 10 years.

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## PROFILE OF THE BOARD OF DIRECTORS

### **Kua Swee Leong**

Aged 31, a Malaysian, is an Executive Director of HTVB. He was appointed to the board of HTVB on 12 November 2003.

Mr. Kua graduated with a Bachelor of Business Administration and Management degree from University of Kansas, U.S.A. in 1995. He has been with the Company since graduating from university. Currently, he is responsible for the management and the daily operations of the Group.

Mr. Kua does not sit on any committee of HTVB. He also sits on the boards of several subsidiary companies of HTVB and other private limited companies.

Mr. Kua attended all the Board meetings of HTVB held during the financial year ended 31 July 2005.

Mr. Kua Swee Leong is the son of Mr. Kua Hock Lai, the Managing Director and substantial shareholder and Madam Lim Ah Eng, a substantial shareholder of the Company. He has no conviction for offences within the past 10 years and he has no conflict of interest with the Company.

### **Yoong Kah Yin**

Aged 46, a Malaysian, is an Independent Non-Executive Director of HTVB. He was appointed to the board of HTVB on 9 June 2004.

Mr. Yoong has an MBA from City University, London. He worked in the corporate banking division of a foreign bank in 1984. In 1990, he joined SJ Securities as Manager. He moved on to PB Securities as Senior Manager, institutional sales in 1993. He was co-head of institutional sales at SBB Securities from 1997 to 1998. Mr. Yoong currently co-heads one of the three teams in CIMB Securities that specialises in structured equity products and placements.

Mr. Yoong does not sit on any committee of HTVB.

Mr. Yoong attended all the Board meeting of HTVB held during the financial year ended 31 July 2005.

Mr. Yoong has no family relationship with any Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past 10 years.

### **Tan Yuen Hong**

Aged 39, a Malaysian, is an Executive Director of HTVB. He was appointed to the Board of HTVB on 1 January 2005.

Mr. Tan started his career in 1985 when he joined the sales department of Wing Tiek Holdings Bhd. He has spent 8 years in Wing Tiek Holdings Bhd before he joined Hiap Teck Hardware Sdn Bhd ("HTH"), presently a wholly owned subsidiary of HTVB, in 1993. His experience in the marketing capacity has accorded him familiarity with the hardware trading business.

Mr. Tan does not sit on any committee of HTVB. He also sits on the boards of several subsidiary companies of HTVB.

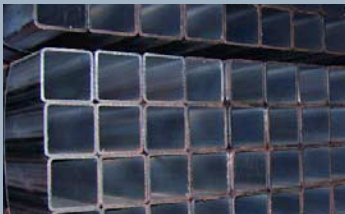
Mr. Tan attended all the 2 Board meetings of HTVB held during his office as Director for the financial year ended 31 July 2005.

Mr. Tan has no family relationship with any Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past 10 years.

# 08

## CHAIRMAN'S STATEMENT

ON BEHALF OF THE BOARD OF DIRECTORS OF HIAP TECK VENTURE BERHAD ("HTVB"), I AM PLEASED TO PRESENT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> JULY 2005.



# 09

## CHAIRMAN'S STATEMENT

### FINANCIAL PERFORMANCE

Financial Year 2005 was a challenging year for HTVB. Despite an increase of 10.23% in revenue from the previous year of RM685.85 million to RM755.99 million, the Group recorded a decrease of RM3.432 million in net profit to RM37.914 million for the financial year ended 31 July 2005.

International Hot Rolled Coil prices dropped from the highest of USD700 per mt at the beginning of the financial year to less than USD500 per mt during the final quarter of the financial year. Margin has been squeezed due to more challenging and competitive business environment. Despite the drastic decrease in steel prices during the financial year, profit of the Group trimmed by only 8% from previous year.

### DIVIDENDS

The Board of Directors is pleased to recommend a final dividend of 3% less Malaysian Tax at 28% for the financial year 2005, subject to shareholders' approval at the forthcoming Annual General Meeting.

During the year, an interim dividend of 2% less Malaysian Tax at 28% has been declared and paid on 22 August 2005.

### CORPORATE DEVELOPMENT

HTVB's wholly owned subsidiary, Alpine Pipe Manufacturing Sdn Bhd ("APM") has been granted a ten year full tax relief on its income derived from the new plant by Malaysian Industrial Development Authority ("MIDA"), subject to the terms and conditions as per MIDA's approval letter. This is positive for the Group, as with the saving in tax expense, it will strengthen the Group's competitiveness.

### OPERATIONS REVIEW

Manufacturing division continued to be the main contributor to the Group's revenue and profit for financial year 2005 with steel pipes and related products being the dominant contributors. Trading division experienced a tough and challenging year. The downturn in the steel industry compressed the trading margins.

Overall operations in Financial Year 2005 were driven by a relatively active market during the first half of the financial year. However, the Group did not do well on the final quarter of the financial year, a reflection of the soft activities in the quarter. The domestic market is getting increasingly tough with intense competition. Fortunately, the Group has developed mature network in the existing export market and also able to venture into new export market. This has helped to mitigate the slowdown in domestic sales.



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## CHAIRMAN'S STATEMENT

### PROSPECT

Going forward, the Group still focuses on the manufacturing division that can add on more value on the products and give higher margin. On the other hand, trading division will not be left out as its products will complement our own manufactured products, making the Group a "One Stop Steel Centre".

As part of the Group's plan to expand its manufacturing division, the Group has invested approximately RM45 Million to set up a new pipe mill to produce a wider range of steel products with bigger diameter that can be used in a wide spectrum of industries. The new plant has the first mover advantage as it is the first in the region to produce structural hollow sections with diameter up to 18 inches and 16mm in thickness using Electric Resistant Welding (ERW) technology. The new plant has started its commercial production since November 2005.

In addition, the Group has also decided to venture into the manufacturing of line pipes for the oil and gas industry. The Group is preparing to apply for the American Petroleum Institution's certification (API) for its line pipes. Additional capital expenditure of approximately RM40 Million will be spent for setting up the line pipes facilities. This will signify HTVB's entry into the oil & gas industry.

### ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank our valued customers, suppliers, bankers, business partners and shareholders for their continuing support and confidence in us, without which, our success would not be achievable. We look forward to strengthening our relationships and upholding your faith in us.

I would like to take this opportunity also to extend my sincere appreciation to the Board of Directors, the management and all staff for their dedication and contribution in making the year a successful one.

I would like also to extend a warm welcome to Mr. Tan Yuen Hong as a new member of the Board.

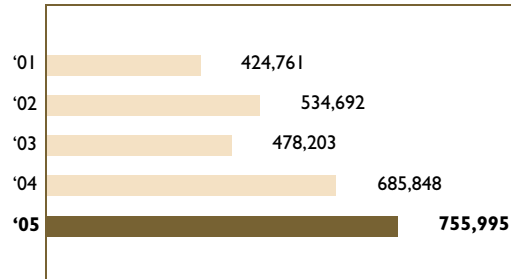
**Tan Sri Dato' Alwi Bin Jantan**

*Chairman*

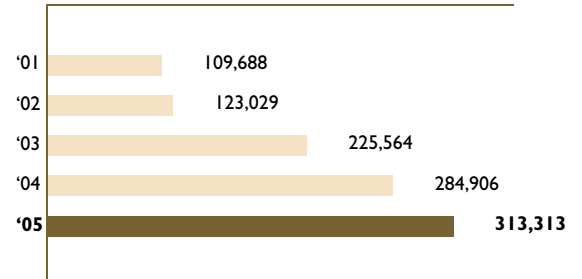
Value  
Creation

## FINANCIAL HIGHLIGHTS

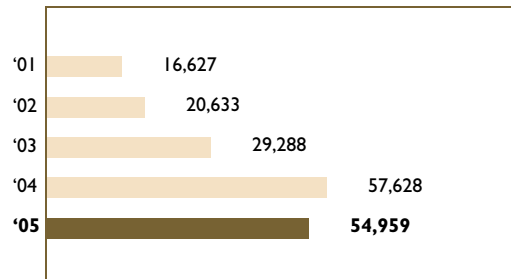
Revenue (RM'000)



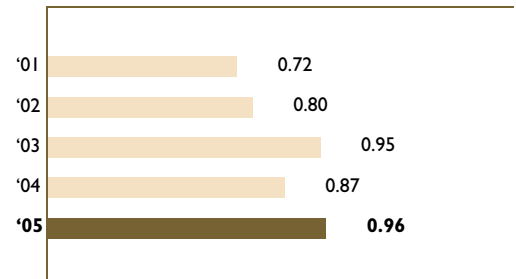
Shareholders' Funds (RM'000)



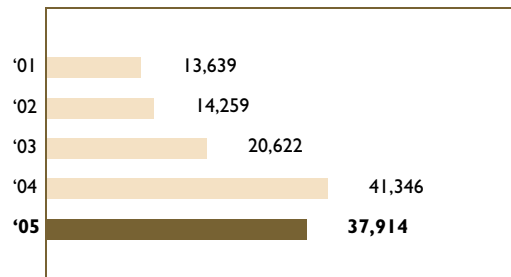
Profit Before Taxation (RM'000)



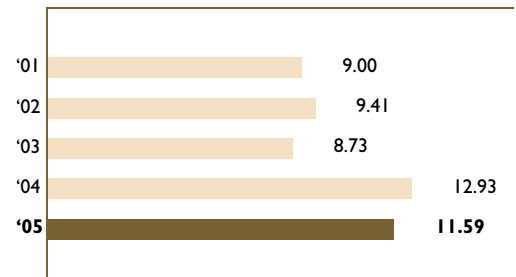
NTA Per Share (RM'000)



Profit After Taxation (RM'000)



Earnings Per Share (Sen)



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**CORPORATE GOVERNANCE STATEMENT**

The Board of Hiap Teck Venture Berhad recognizes the importance of maintaining good corporate governance in the Group. The Board is committed to apply the principles and best practices recommended by the Malaysian Code on Corporate Governance (“the Code”) to ensure that the highest standards of corporate governance is practised. During the year under review, the Board has complied with most of the best practices as set out under Part 2 of the Code and is pleased to present its report on the extent of its compliance with the Code.

**THE BOARD OF DIRECTORS**

The Company is led and controlled by an effective board comprising a balanced mix of directors with both professional and business experience. The Board comprises 4 Executive Directors, 5 Independent Non-Executive Directors, a Non-Independent Non-Executive Director and an alternate Director.

The role of the Chairman and the Managing Director is separate to ensure a balance of power. Currently, the Board is chaired by Tan Sri Dato' Alwi Bin Jantan, an Independent Non-Executive Director whereas Mr. Kua Hock Lai, the Managing Director, leads the management in the operation and implementation of Board policies and decisions.

The Board is provided with sufficient and timely information to enable it to discharge its duties effectively. This information includes both verbal and written details. Senior management would be invited to be present at the Board and Audit Committee meetings, as and when required, to provide further explanation and representation to the Board. Strategic issues such as acquisition and disposal of Group's investments or assets; announcement to regulators; corporate and restructuring exercises are presented to the Board for its decision to ensure that the direction and control of the Group is firmly in the Board's control.

All Directors have access to further information which they may require in discharging their duties including seeking independent professional advice, if necessary, at the Company's expense. They also have access to the advice and services of the Company Secretary, whose removal may only be made with the approval of the Board.

There were 5 Board of Directors' Meetings held during the financial year ended 31 July 2005.

Details of the Board of Directors' Meetings and their attendance at these meetings are shown in page 79 of this report.

**DIRECTORS' TRAINING**

Orientation will be provided to new Directors and training needs for each Director are identified to enable Directors to attain the appropriate skills and knowledge to contribute effectively for the achievement of the aims and aspiration of the Company. As at the date of this statement, all Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by Bursa Malaysia Training Sdn Bhd. The Directors will also undergo other relevant training programmes like the Continuing Education Programme, amongst others to further enhance their skills and knowledge, as appropriate.

## CORPORATE GOVERNANCE STATEMENT

### APPOINTMENT TO THE BOARD

The Board formed a Nomination Committee on 24 September 2003 comprising exclusively of Non-Executive Directors. The members of the Nomination Committee are:

Name	Designation	Directorship
Tan Sri Dato' Alwi Bin Jantan	Chairman	Independent Non-Executive Director
Dato' Mohamed Nizam Bin Abdul Razak	Member	Independent Non-Executive Director
Mr. Cheah Shu Boon	Member	Non-Independent Non-Executive Director

The Nomination Committee is responsible for proposing new nominees for the Board and for assessing Directors as an on-going basis. Nevertheless, the actual decision as to who shall be nominated remains the responsibility of the full Board after considering the recommendation of the Nomination Committee. The Nomination Committee ensures an assessment on the effectiveness of the Board, Committee and the contribution of each Director will be carried out once a year.

The Company's Articles of Association provides that all Directors are required to submit themselves for re-election at least once every three years.

The Company is entitled to the service of the Company Secretary to ensure the appointment of each of its Director is properly made.

Mr. Yeoh Chong Keat has been appointed the Senior Independent Non-Executive Director of the Board to whom concerns from the shareholders relating to the Company may be conveyed.

### DIRECTORS' REMUNERATION

The Board formed a Remuneration Committee on 24 September 2003. The members of the Remuneration Committee are:

Name	Designation	Directorship
Tan Sri Dato' Alwi Bin Jantan	Chairman	Independent Non-Executive Director
Mr. Cheah Shu Boon	Member	Non-Independent Non-Executive Director
Mr. Kua Hock Lai	Member	Managing Director
Mr. Yeoh Chong Keat	Member	Independent Non-Executive Director

The Remuneration Committee is responsible for recommending to the Board the remuneration packages of the Executive Directors, whilst the Board as a whole determines the remuneration of the Non-Executive Directors. The individual Director concerned does not participate in the discussion of his or her own remuneration.

It is the policy of the Committee to structure the remuneration of the Executive Directors so as to link his rewards to the Group's performance whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience and the level of responsibilities assumed. Fees payable to all Directors are proposed at the Annual General Meeting for the shareholders' approval.

The members of the Remuneration Committee have met four times during the financial year to review and discuss on the remuneration of the Directors. The Committee, having determined the respective remuneration of the Executive and Non-Executive Directors, recommended its proposals to the Board for approval.

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## CORPORATE GOVERNANCE STATEMENT

The following are the remuneration bands of the Directors:

Remuneration Bands	Executive Directors	Non-Executive Directors
RM50,000 and below	-	6
RM50,001 – RM100,000	1 *	-
RM150,001 – RM200,000	1	-
RM200,001 – RM250,000	2	-
RM2,150,001 – RM2,200,000	1	-

\*The Executive Director has resigned on 14 December 2004

The aggregate remuneration paid/payable to all Directors of the Company are further categorized into the following components:

	Fees (RM)	Salaries & Other Emoluments (RM)	Benefits In-Kind (RM)	Total (RM)
Executive Directors	-	2,909,099	58,000	2,967,099
Non-Executive Directors	200,000	-	-	200,000

## CORPORATE GOVERNANCE STATEMENT

### SHAREHOLDERS

The Board provides timely and accurate disclosure of all material information of the Group to the shareholders and investors. Information is disseminated through various disclosures and announcements made to the Bursa Malaysia Securities Berhad which includes the quarterly reports, annual report and press releases. In addition, the Company conducts briefing and dialogues with financial analysts locally and abroad to give them an overview of the Group's performance and operations and at the same time to promote the Group to potential investor.

The Annual General Meeting ("AGM") is used as a principal forum for dialogue with all shareholders. It has been the Company's practice to send the Notice of AGM and related papers to shareholders at least twenty-one (21) working days before the meeting. At the General Meetings, the Board provides opportunities for shareholders to raise questions on the business activities of the Group, agenda of the meetings and its proposed resolutions. Extraordinary General Meetings are held as and when required. The Chairman of the meeting will facilitate the discussion with the shareholders and provide further information in response to shareholders' queries.

### ACCOUNTABILITY AND AUDIT

The Board through the review of the Audit Committee and in consultation with the external Auditors, presents a balanced and understandable assessment of the Group's financial position and prospect to the public in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

The Audit Committee of the Company consists of two Independent Non-Executive Directors (one of whom is the Chairman) and the Managing Director.

The current composition of the Audit Committee is in compliance with the requirement of paragraph 15.10 (b) of the Listing Requirements that a majority of the members should be Independent Directors. The Audit Committee Report is set out in pages 19 to 22 of this report.

An internal audit function was established on 1 November 2003 to assist the Audit Committee in reviewing the state of internal control of the Group and to highlight areas for management improvement. The state of internal control of the Group is explained in greater details in the enclosed Statement on Internal Control.

The Board maintains formal and transparent relationships with its external Auditors through the review of their audit plans, scope of audit and audit report as well as their professional fees and appointment by the Audit Committee. The external Auditors are expected to report their findings to the Audit Committee and to discuss with the Board of Directors on matters that necessitate the Board's attention.

### RELATIONSHIP OF THE BOARD TO THE MANAGEMENT

The Board recognizes the importance for the Company to maintain a dynamic relationship between the Board and the management. The Board as a whole is dedicated to practise clear demarcation of duties, responsibilities and authority within the Company.

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## STATEMENT ON INTERNAL CONTROL

The Board of Directors of Hiap Teck Venture Berhad acknowledges the importance of the systems of internal control and affirms that it is their responsibility to maintain a sound system of internal control including review of its adequacy and integrity in order to safeguard the shareholders' investment and the Group's assets. In this respect, the Board assumes its responsibility for identifying principal risks, ensuring the implementation of appropriate systems to manage these risks and reviewing the adequacy and integrity of the Group's internal control system. However, it should be noted that such system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. Therefore these systems can only provide reasonable and not absolute assurance against material misstatements or losses.

The key controls of the Group and the measures for reviewing the effectiveness of the system of internal control are as follows:

- Annual budget is used as a yardstick of measurement of the Group performance and monthly management accounts are prepared for performance measurement;
- Credit collections meetings are conducted bi-weekly and operation review meetings are held monthly to assess the operation performance of the Group;
- ISO 9001:2000 Quality Management System is implemented in ensuring the quality of control and service in one of the principal manufacturing subsidiaries.
- Insurance is used as part of risk management measures when appropriate to mitigate financial exposures of the Group;
- Annual management risk awareness briefing is held to discuss the operational risks at the functional and departmental levels. Operational risks are reviewed and updated in the management's risk register;
- Reviews of system of internal controls of the subsidiaries are conducted by the internal Auditors. Findings and recommendations are discussed with management for improvement and corrective action plan and internal audit reports are presented to the Audit Committee meetings; and
- Audit and control issues are reviewed by the Audit Committee with the assistance of statutory and internal Auditors. Key matters are reported to the Board by the Audit Committee for further deliberation.

Overall the Board recognizes that the system of internal control must continuously improve in line with the growth of the Group and evolving business environment. The Board is committed to put in place action plans to continuously improve the Group's system of internal control with reference to the principles of the guidelines of **The Statement on Internal Control: Guidance for Directors of Public Listed Companies**.

## STATEMENT ON DIRECTORS' RESPONSIBILITY

Pursuant to paragraph 15.27(a) of the Listing Requirements of the Bursa Malaysia Securities Berhad, the Board is required to issue a statement explaining its responsibility for preparing the annual audited financial statements.

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of Company and of the Group as at the financial year end and of the results and cash flows of the Company and of the Group for that financial year.

In preparing the financial statements, the Directors have adopted and applied consistently appropriate accounting policies which are in compliance with the provision of the Companies Act, 1965 and applicable approved accounting standards in Malaysia, supported by reasonable and prudent judgements and estimates. The Directors also confirmed that the financial statements have been prepared on a going concern basis.

The Directors have a general responsibility for ensuring that the Company and the Group keeps accounting records and financial statements, which disclose with reasonable accuracy the financial position of the Company and the Group.

The Directors are also responsible for taking such steps that are reasonable to safeguard the assets of the Company and the Group, and for the prevention and detection of fraud and other irregularities.

### ADDITIONAL COMPLIANCE STATEMENT

The following information is provided in compliance with the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements:

#### 1. Share Buy-Backs

Detail of shares buy-back during the financial year ended 31 July 2005 are as follows:

Month	No. of Shares Buy-Back	Lowest Price (RM)	Highest Price (RM)	Average Price (RM)	Total Consideration (RM)
March '05	43,000	1.43	1.43	1.43	61,945.54
April '05	256,600	1.38	1.40	1.39	357,924.17
May '05	235,800	1.33	1.33	1.33	314,880.29
June '05	1,233,000	1.21	1.27	1.23	1,515,967.93
Total	1,768,400				2,250,717.93

As at the end of the financial year:

- A total of 1,768,400 buy-back shares are being held as treasury shares and carried at cost; and
- No shares have been cancelled

#### 2. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities exercised during the financial year ended 31 July 2005.

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**STATEMENT ON DIRECTORS' RESPONSIBILITY****3. American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme**

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 July 2005.

**4. Imposition of Sanctions / Penalties**

There were no public sanctions and/or public penalties imposed on the Company and its subsidiaries, directors or management by relevant regulatory bodies during the financial year ended 31 July 2005.

**5. Material Contracts Involving Directors' and Major Shareholders' Interests**

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors and major shareholders' interests as at 31 July 2005 except for those disclosed as recurrent related party transactions of revenue or trading nature or related party transactions.

**6. Revaluation Policy**

The Group's revaluation policy is stated in the summary of significant Accounting Policies in the financial statement.

**7. Related Party Transactions and Recurrent Related Party Transactions of Revenue or Trading Nature**

The Company proposes to seek shareholders' mandate in respect of recurrent related party transactions of revenue or trading nature during the forthcoming Annual General Meeting.

## AUDIT COMMITTEE REPORT

The Audit Committee was established on 17 July 2003.

### MEMBERSHIP

The members of the Committee are:

Name	Designation	Directorship
Mr. Yeoh Chong Keat	Chairman	Independent Non-Executive Director
Mr. Kua Hock Lai	Member	Managing Director
Mr. Ong Eng Choon	Member	Independent Non-Executive Director

### TERMS OF REFERENCE OF THE COMMITTEE

#### I. Appointment / Composition :

- I.1 The members of the Committee shall be appointed by the Board.
- I.2 The Audit Committee shall consist of not less than three (3) members of whom:
  - a) a majority shall be Independent Directors;
  - b) at least one (1) member of the Committee:
    - (i) must be a member of the Malaysian Institute of Accountants; or
    - (ii) if he is not a member of the Malaysian Institute of Accountants,
      - a) he must have at least three (3) years' working experience; and
        - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
        - he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
      - b) he must have a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or
      - c) he must have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- I.3 No alternate Director shall be appointed as a member of the Committee.
- I.4 A quorum shall be two (2) members and composed of a majority of Independent Directors.
- I.5 The Chairman of the Committee shall be appointed by the members of the Committee among their number who is an Independent Director.

## AUDIT COMMITTEE REPORT

- 1.6 The Board must review the term of office and performance of the Committee and each of its members at least once every three (3) years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.
- 1.7 The Board shall, within three (3) months of a vacancy occurring in the Audit Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

### 2. Meetings:

- 2.1 Meetings shall be held not less than four (4) times in a year. In addition, the Chairman may call a meeting of the Committee if a request is made by any Committee member, the Company's Chairman or the internal or external Auditors if they consider it necessary.
- 2.2 Meetings will be attended by the members of the Committee and the Company Secretary or his/her representative who shall act as the Secretary.
- 2.3 Participants may be invited from time to time to attend the meeting depending on the nature of the subject under review. These participants may include the Directors, General Managers, Division Heads, representatives from the Finance and Internal Audit Departments and external Auditors.

### 3. Authority:

- 3.1 The Committee is authorised by the Board to carry out the duties mentioned below and the Board and Management shall give all assistance that is necessary to enable the Committee to discharge its duties.
- 3.2 The Committee shall, whenever necessary and reasonable for the performance of its duties and in accordance with a procedure to be determined by the Board and at the Company's cost:
  - (a) have authority to investigate any matter within its terms of reference;
  - (b) have the resources which are required to perform its duties;
  - (c) have full and unrestricted access to any information pertaining to the Company;
  - (d) have direct communication channels with the external Auditors and person(s) carrying out the internal audit function or activity (if any);
  - (e) be able to obtain independent professional or other advice; and
  - (f) be able to convene meetings with the external Auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

### 4. Functions and Responsibilities:

The functions and responsibilities of the Committee shall include the following:

- (a) to discuss and liaise with the external Auditors to ensure the smooth implementation of the audit plan, review and forward the evaluation of the system of internal controls and audit report to the Board;

## AUDIT COMMITTEE REPORT

- (b) to review the assistance given by employees of the Group to the external Auditors;
- (c) to review the external Auditor's management letter and management's response;
- (d) to do the following where an internal audit function exists:
  - to review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - to review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
- (e) to review quarterly reports and annual financial statements prior to the approval of the Board, focusing particularly on:
  - (i) changes in or implementation of major accounting policy changes;
  - (ii) significant and unusual events; and
  - (iii) compliance with accounting standards and other legal requirements;
- (f) to review any related party transactions and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (g) to review and report the same to the Board any letter of resignation from the external Auditors of the Company as well as whether there is any reason (supported by grounds) to believe that the Company's external Auditors are not suitable for re-appointment;
- (h) to make recommendations concerning the appointment of the external Auditors and their remuneration to the Board;

The reports of the Committee and the external and internal Auditors and corrective action taken shall be tabled for discussion by the Board of Directors.

### 5. Minutes:

The Secretary shall maintain minutes of the proceedings of the meetings and circulate such minutes to all members of the Committee and the Board of Directors.

### 6. Audit Committee Report:

The Committee shall ensure that an audit committee report is prepared at the end of each financial year that complies with subparagraph (7.1) and (7.2) below:

- 6.1 The audit committee report shall be clearly set out in the Annual Report of the Company;

## AUDIT COMMITTEE REPORT

6.2 The audit committee report shall include the following:

- (a) the composition of the Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
- (b) the terms of reference of the Committee;
- (c) the number of Committee meetings held during the financial year end and details of attendance of each member;
- (d) a summary of activities of the Committee in the discharge of its functions and duties for that financial year of the Company; and
- (e) the existence of an internal audit function or activity and where there is such a function or activity, a summary of the activities of the function or activity. Where such a function or activity does not exist, an explanation of the mechanism that exist to enable the Committee to discharge its functions effectively.

### SUMMARY OF ACTIVITIES

The Audit Committee carried out its duties in accordance with its terms of reference during the year.

During the financial year ended 31 July 2005, the Audit Committee convened a total of five (5) meetings. All members of the Audit Committee attended the meetings.

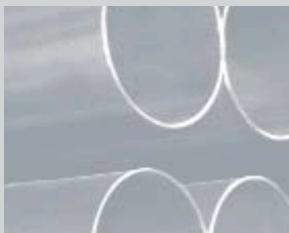
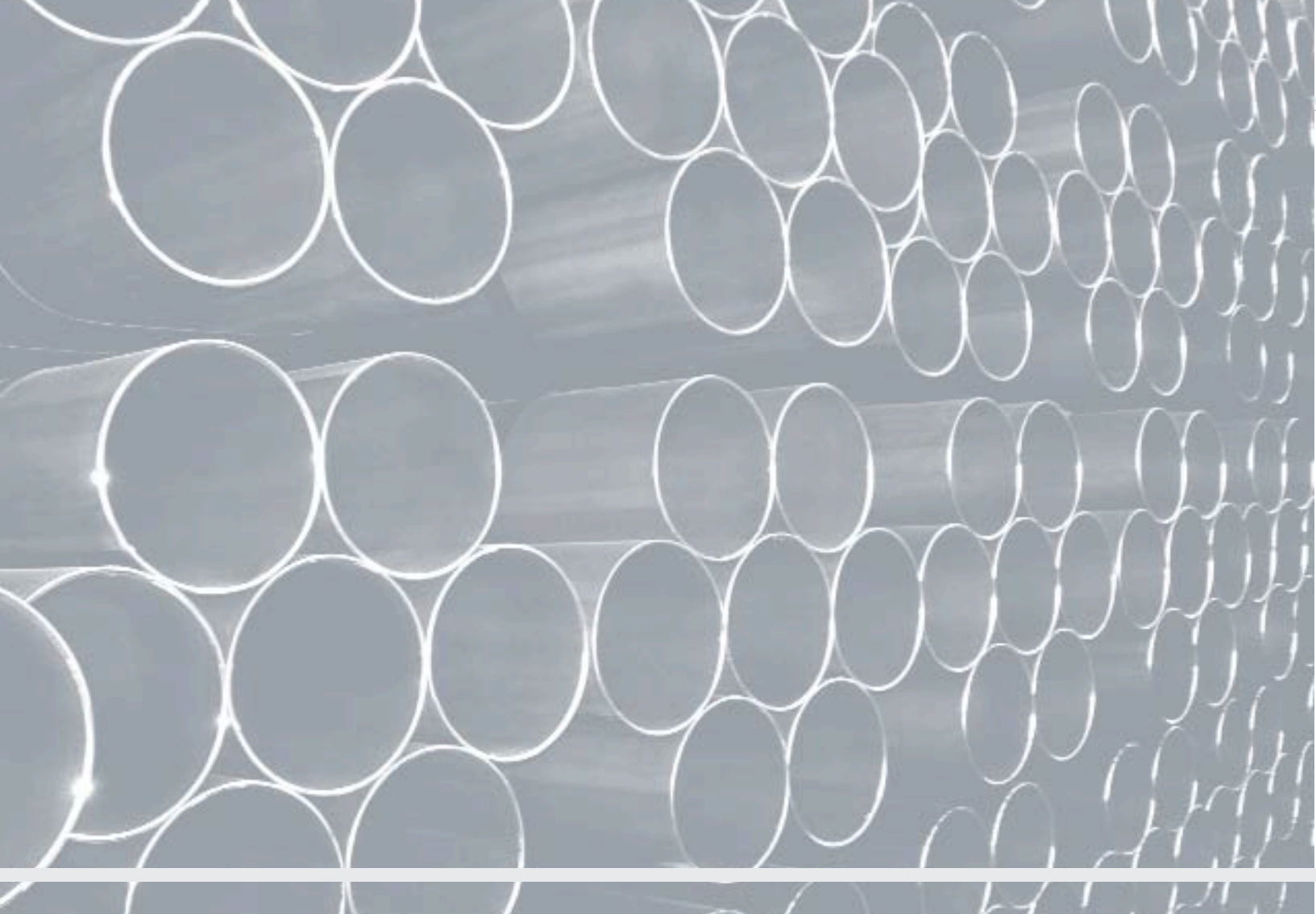
The main activities undertaken by the Committee during the financial year were as follows:

- Review of the quarterly reports and annual financial statements of the Company and the Group prior to submission to the Board of Directors for their consideration and approval.
- Review of the internal audit reports and consideration of the findings and management's responses thereto.
- Review and discussion with external Auditors the issues arising from the statutory audit, the audit report and the management letters including management's responses.
- Review of the Related Party Transactions of the Group.

### INTERNAL AUDIT FUNCTION

The Board acknowledges its responsibility and the importance of maintaining a sound system of internal controls.

The Company engaged a professional service firm to carry out the internal audit function of the Group to assist the Committee in discharging its duties and responsibilities. The internal audit function is independent of the activities or operations of other operating units. The principal role of the internal audit function is to undertake independent, regular and systematic reviews of the internal control systems of the Group in order to provide a reasonable assurance that such systems continue to operate satisfactorily and effectively. It is the responsibility of the internal audit function to provide the Audit Committee with independent and objectives reports on the state of internal control of the various operating units of the Group. The internal audit reports are reviewed by the Audit Committee and the Management is responsible for ensuring that corrective actions on reported weaknesses are taken within the required time frame. In this regard, the Audit Committee would report that there were no significant adverse findings by the internal Auditors during the financial year ended 31 July 2005 that affect the Group's reputation or financial position.



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## Financial Statement

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## DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 July 2005.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are investment and property holdings and the provision of management services.

The principal activities of the subsidiaries are disclosed in Note 4 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

### RESULTS

	Group RM'000	Company RM'000
Net profit for the year	37,914	8,564

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

### DIVIDENDS

The amount of dividends paid by the Company since 31 July 2004 were as follows:

	RM'000
Final dividend of 3% tax-exempt, on 327,400,000 ordinary shares, in respect of the financial year ended 31 July 2004 as dealt with in the directors' report for that year	4,911
Interim dividend of 2% less 28% taxation, on 325,631,600 ordinary shares, in respect of the current financial year	2,345

At the forthcoming Annual General Meeting, a final dividend of 3% less 28% taxation in respect of the current financial year amounting to RM3,517,000 (1.08sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 July 2006.

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## DIRECTORS' REPORT

## DIRECTORS

The directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Alwi Bin Jantan  
 Kua Hock Lai  
 Dato' Mohamed Nizam Bin Abdul Razak  
 Ong Eng Choon  
 Yeoh Chong Keat  
 Cheah Shu Boon  
 Law Sook Teng (f)  
 Kua Swee Leong  
 Yoong Kah Yin  
 Toh Su Lin (f)  
 Tan Yuen Hong  
 Tee Tuang Siong

(alternate Director to Cheah Shu Boon)  
 (appointed on 1 January 2005)  
 (resigned on 14 December 2004)

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 23 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	◀ Number of Ordinary Shares of RM0.50 Each ▶			
	As at 1.8.2004	Acquired	Sold	As at 31.7.2005
<b>The Company</b>				
Direct interest:				
Tan Sri Dato' Alwi Bin Jantan	1,395,000	-	-	1,395,000
Kua Hock Lai	13,984,570	-	(13,984,570)	-
Dato' Mohamed Nizam Bin Abdul Razak	9,526,247	-	(1,705,100)	7,821,147
Ong Eng Choon	40,000	-	-	40,000
Yeoh Chong Keat	62,000	-	(50,000)	12,000
Cheah Shu Boon	80,000	-	-	80,000
Law Sook Teng (f)	1,504,615	-	(1,054,600)	450,015
Kua Swee Leong	625,757	-	(625,000)	757
Toh Su Lin (f)	80,000	-	(25,000)	55,000
Tan Yuen Hong	788,015	89,500	(527,500)	350,015

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## DIRECTORS' REPORT

## DIRECTORS' INTERESTS (cont'd)

The Company	◀ Number of Ordinary Shares of RM0.50 Each ▶			
	As at 1.8.2004	Acquired	Sold	As at 31.7.2005
Indirect interest: Kua Hock Lai	135,099,485	-	-	135,099,485

By virtue of his shareholdings in the Company, Mr. Kua Hock Lai is also deemed to be interested in shares in all the subsidiaries of the Company.

The other director, Mr. Yoong Kah Yin, in office at the end of the financial year did not have any interest in shares in the Company or its related corporations during the financial year.

## TREASURY SHARES

During the financial year, the Company repurchased 1,768,400 of its issued ordinary shares from the open market at an average price of RM1.27 per share. The total consideration paid for the repurchase including transaction costs was RM2,250,718. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965 and further relevant details are disclosed in Note 16 to the financial statements.

## OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in these financial statements inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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## DIRECTORS' REPORT

### OTHER STATUTORY INFORMATION *(cont'd)*

- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.

Kua Hock Lai

Law Sook Teng

Selangor Darul Ehsan, Malaysia  
25 October 2005

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## STATEMENT BY DIRECTORS

*PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965*

We, Kua Hock Lai and Law Sook Teng, being two of the directors of Hiap Teck Venture Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 30 to 69 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.

Kua Hock Lai

Law Sook Teng

Selangor Darul Ehsan, Malaysia  
25 October 2005

## STATUTORY DECLARATION

*PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965*

I, Ooi Ai Leng, being the officer primarily responsible for the financial management of Hiap Teck Venture Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 30 to 69 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  
by the abovenamed Ooi Ai Leng  
at Kuala Lumpur in the Federal  
Territory on 25 October 2005

Ooi Ai Leng

Before me,

Soh Ah Kau (W315)  
Commissioner for Oaths

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## REPORT OF THE AUDITORS

TO THE MEMBERS OF HIAP TECK VENTURE BERHAD (Incorporated in Malaysia)

We have audited the financial statements set out on pages 30 to 69. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 July 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young  
AF: 0039  
Chartered Accountants

See Huey Beng  
No. 1495/03/07(J)  
Partner

Kuala Lumpur, Malaysia  
25 October 2005

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**BALANCE SHEETS**

AS AT 31 JULY 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	3	<b>198,321</b>	151,569	<b>63,296</b>	63,346
Investment in subsidiaries	4	-	-	<b>81,570</b>	81,570
Other investments	5	<b>432</b>	472	-	35
Goodwill on consolidation	6	<b>787</b>	839	-	-
Deferred tax assets	18	<b>1</b>	1,056	-	370
		<b>199,541</b>	153,936	<b>144,866</b>	145,321
<b>CURRENT ASSETS</b>					
Inventories	7	<b>214,026</b>	196,932	-	-
Trade receivables	8	<b>150,539</b>	143,005	-	-
Other receivables	9	<b>25,486</b>	21,289	<b>22</b>	22
Due from subsidiaries	10	-	-	<b>42,511</b>	41,520
Tax recoverable		<b>1,417</b>	948	<b>585</b>	-
Cash and cash equivalents	11	<b>13,113</b>	11,577	<b>736</b>	1,384
		<b>404,581</b>	373,751	<b>43,854</b>	42,926
<b>CURRENT LIABILITIES</b>					
Borrowings	12	<b>233,169</b>	186,720	-	-
Trade payables	14	<b>17,050</b>	30,609	-	-
Other payables	15	<b>10,493</b>	10,366	<b>517</b>	1,448
Tax payable		<b>3,056</b>	6,777	-	63
Dividend payable		<b>2,345</b>	-	<b>2,345</b>	-
		<b>266,113</b>	234,472	<b>2,862</b>	1,511
<b>NET CURRENT ASSETS</b>					
		<b>138,468</b>	139,279	<b>40,992</b>	41,415
		<b>338,009</b>	293,215	<b>185,858</b>	186,736

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**BALANCE SHEETS**

AS AT 31 JULY 2005 (cont'd)

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>FINANCED BY:</b>					
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	16	<b>163,700</b>	163,700	<b>163,700</b>	163,700
Treasury shares	16	<b>(2,251)</b>	-	<b>(2,251)</b>	-
Share premium		<b>21,853</b>	21,853	<b>21,853</b>	21,853
Revaluation reserve	17 (a)	<b>14,667</b>	14,667	-	-
Retained profits	17 (b)	<b>115,344</b>	84,686	<b>2,491</b>	1,183
		<b>313,313</b>	284,906	<b>185,793</b>	186,736
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	12	<b>17,555</b>	-	-	-
Deferred tax liabilities	18	<b>7,141</b>	8,309	<b>65</b>	-
		<b>24,696</b>	8,309	<b>65</b>	-
		<b>338,009</b>	293,215	<b>185,858</b>	186,736

The accompanying notes form an integral part of the financial statements.

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## INCOME STATEMENTS

FOR THE YEAR ENDED 31 JULY 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue	19	<b>755,995</b>	685,848	<b>15,079</b>	16,346
Cost of sales	20	<b>(667,143)</b>	(595,355)	-	-
Gross profit		<b>88,852</b>	90,493	<b>15,079</b>	16,346
Other operating income		<b>5,816</b>	6,952	<b>32</b>	164
Property operating cost		<b>(1,977)</b>	(2,015)	<b>(1,176)</b>	(1,209)
Administrative expenses		<b>(16,242)</b>	(17,781)	<b>(3,562)</b>	(4,448)
Selling and marketing expenses		<b>(12,334)</b>	(10,752)	-	-
Other operating expenses		<b>(32)</b>	(1,555)	-	-
Profit from operations	21	<b>64,083</b>	65,342	<b>10,373</b>	10,853
Finance costs	24	<b>(9,124)</b>	(7,714)	-	-
Profit before taxation		<b>54,959</b>	57,628	<b>10,373</b>	10,853
Taxation	25	<b>(17,045)</b>	(16,282)	<b>(1,809)</b>	(3,316)
Net profit for the year		<b>37,914</b>	41,346	<b>8,564</b>	7,537
Earnings per share (sen):					
Basic	26	<b>11.59</b>	12.93		
Net dividends per ordinary share (sen):	27	<b>2.22</b>	1.80	<b>2.22</b>	1.80

The accompanying notes form an integral part of the financial statements.

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2005

	Note	← Non-Distributable →		Distributable		Total RM'000		
		Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Share Application RM'000		Revaluation Reserve RM'000	Retained Profits RM'000
At 1 August 2003		118,100	-	20,574	22,990	14,667	49,233	225,564
Issuance of ordinary shares:								
Issued for cash		45,600	-	4,560	(22,990)	-	-	27,170
Less: Share issue costs		-	-	(3,281)	-	-	-	(3,281)
		45,600	-	1,279	(22,990)	-	-	23,889
Dividends	27	-	-	-	-	-	(5,893)	(5,893)
Net profit for the year		-	-	-	-	-	41,346	41,346
At 31 July 2004		163,700	-	21,853	-	14,667	84,686	284,906
Acquisition of treasury shares	16	-	(2,251)	-	-	-	-	(2,251)
Dividends	27	-	-	-	-	-	(7,256)	(7,256)
Net profit for the year		-	-	-	-	-	37,914	37,914
At 31 July 2005		163,700	(2,251)	21,853	-	14,667	115,344	313,313

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2005

Note	Share Capital RM'000	Non-Distributable		Share Revaluation Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
		Treasury Shares RM'000	Share Premium RM'000			
<b>At 1 August 2003</b>	118,100	-	20,574	22,990	(461)	161,203
Issuance of ordinary shares:						
Issued for cash	45,600	-	4,560	(22,990)	-	27,170
Less: Share issue costs	-	-	(3,281)	-	-	(3,281)
	45,600	-	1,279	(22,990)	-	23,889
Dividends	27	-	-	-	(5,893)	(5,893)
Net profit for the year	-	-	-	-	7,537	7,537
<b>At 31 July 2004</b>	163,700	-	21,853	-	1,183	186,736
Acquisition of treasury shares	16	(2,251)	-	-	-	(2,251)
Dividends	27	-	-	-	(7,256)	(7,256)
Net profit for the year	-	-	-	-	8,564	8,564
<b>At 31 July 2005</b>	163,700	(2,251)	21,853	-	2,491	185,793

The accompanying notes form an integral part of the financial statements.

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## CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 JULY 2005

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
<b>Cash Flows From Operating Activities</b>				
Profit before taxation	54,959	57,628	10,373	10,853
Adjustments for:				
(Gain)/loss on disposal of other investments	(55)	537	-	-
Provision for impairment in value of other investments	-	531	-	-
Property, plant and equipment written off	-	183	-	-
Other payables written off	-	(70)	-	-
Amortisation of goodwill	52	52	-	-
Unrealised foreign exchange gain	(69)	(100)	-	-
Other investments written off	120	-	35	-
Provision for doubtful debts	180	64	-	-
Write back of provision for doubtful debts	(1,010)	(3,964)	-	-
Depreciation of property, plant and equipment	11,431	13,362	960	778
Interest expense	8,712	7,303	-	-
Fixed deposits interest income	(165)	(310)	(32)	(164)
Net overdue interest (income)/written off	(125)	81	-	-
Dividends income	-	-	(8,000)	(9,176)
Gain on disposal of property, plant and equipment	(3,301)	(1,200)	-	-
Operating profit before working capital changes	70,729	74,097	3,336	2,291
Inventories	(17,094)	(50,637)	-	-
Receivables	(10,871)	(48,457)	-	(13)
Payables	(13,432)	18,845	(931)	778
Net change in intercompanies indebtedness	-	-	1,169	(49,759)
Cash generated from/(used in) operations	29,332	(6,152)	3,574	(46,703)
Interest paid	(8,712)	(7,303)	-	-
Net overdue interest income received/(written off)	125	(81)	-	-
Taxes paid, net of taxes refunded	(21,348)	(14,513)	(1,182)	(1,046)
Net cash (used in)/generated from operating activities	(603)	(28,049)	2,392	(47,749)
<b>Cash Flows From Investing Activities</b>				
Refund of incidental cost on property	-	22	-	1
Proceeds from disposal of other investments	234	254	-	-
Refund of deposit for club membership	4	-	-	-
Acquisition of quoted shares	(224)	-	-	-
Net dividends received	-	-	5,000	6,607
Proceeds from disposal of property, plant and equipment	4,789	1,276	-	-
Fixed deposits interest received	165	310	32	164
Purchase of property, plant and equipment	(59,671)	(7,731)	(910)	-
Net cash (used in)/generated from investing activities	(54,703)	(5,869)	4,122	6,772

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**CASH FLOW STATEMENTS**

FOR THE YEAR ENDED 31 JULY 2005 (cont'd)

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From Financing Activities</b>				
Net proceeds from ordinary shares issued	-	25,227	-	25,227
Drawdown of term loan	<b>23,099</b>	-	-	-
Repayment of term loan	-	(19,825)	-	-
Repayment of hire purchase financing	<b>(132)</b>	(558)	-	-
Drawdown of other short term borrowings, net of repayment	<b>41,037</b>	30,926	-	-
Acquisition of treasury shares	<b>(2,251)</b>	-	<b>(2,251)</b>	-
Dividends paid	<b>(4,911)</b>	(5,893)	<b>(4,911)</b>	(5,893)
Net cash generated from/(used in) financing activities	<b>56,842</b>	29,877	<b>(7,162)</b>	19,334
 <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 <b>1,536</b>	 (4,041)	 <b>(648)</b>	 (21,643)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>11,577</b>	15,618	<b>1,384</b>	23,027
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 11)</b>	 <b>13,113</b>	 11,577	 <b>736</b>	 1,384

The accompanying notes form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

### I. CORPORATE INFORMATION

The principal activities of the Company are investment and property holdings and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 4. There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 6096, Jalan Haji Abdul Manan, Batu 5 1/2, off Jalan Meru, 41050 Klang, Selangor Darul Ehsan.

The Group and the Company employs 528 (2004: 529) and 4 (2004: 4) employees respectively at the end of the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 October 2005.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention modified to include revaluation of land and buildings included in property, plant and equipment.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

#### (b) Basis of Consolidation

##### Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated either using the acquisition method or the merger method of accounting. Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed off during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. In the consolidated financial statements, the cost of the merger is cancelled with the nominal values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)**(b) Basis of Consolidation** (cont'd)

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill.

**(c) Goodwill**

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary acquired at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. Goodwill is amortised on a straight-line basis over its estimated useful life of 20 years.

**(d) Investment in Subsidiaries**

The Company's investment in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

**(e) Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

Freehold land, leasehold land and buildings are stated at cost or valuation less impairment losses. Revaluations are made at least once in every five years based on a valuation by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation decrease is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

Freehold land are not depreciated while leasehold land are depreciated over the period of respective leases. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to their residual value over the estimated useful life, at the following annual rates:

Buildings	2%
Plant and machinery	10 - 20%
Motor vehicles	20%
Other assets	10 - 20%

With effect from the current financial year, a subsidiary changed the annual depreciation rate for equipment for hire from 40% to 20% so as to better reflect their estimated useful lives. The effect on the financial statements of this change in accounting estimates is a decrease in depreciation charge for the year for the Group by RM1,690,000 and an increase in the Group's current year profit by the same amount.

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (e) Property, Plant and Equipment and Depreciation (cont'd)

Upon the disposal of an asset, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

#### (f) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined on the weighted average basis. The cost of raw materials comprises costs of purchase plus costs incurred in bringing the inventories to their present locations and conditions. The costs of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to complete the sale.

#### (g) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks and deposits at call.

#### (h) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

#### (i) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (i) Income Tax (cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

#### (j) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

##### (i) Finance leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(e).

##### (ii) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

#### (k) Employee Benefits

##### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

## (l) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

## (i) Sales of goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

## (ii) Transport charges

Revenue from transport charges is recognised when the services have been performed.

## (iii) Rental income

Rental income relates to rental of properties and scaffoldings are recognised over the period of tenancy, as appropriate.

## (iv) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

## (v) Dividend income

Dividend income is recognised when the right to receive payment is established.

## (vi) Slitting and forming charges

Revenue from slitting and forming charges is recognised when the services have been performed.

## (vii) Management fee

Management fee is recognised upon performance of service.

## (m) Foreign Currencies

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2005 RM	2004 RM
United States Dollars	3.80	3.80
Singapore Dollars	2.28	2.20

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (n) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

#### (o) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

##### (i) Other non-current investments

Non-current investments are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

##### (ii) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

##### (iii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

##### (iv) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

##### (v) Interest-bearing borrowings

Interest-bearing bank loans are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS**

31 JULY 2005

**2. SIGNIFICANT ACCOUNTING POLICIES** *(cont'd)***(o) Financial Instruments** *(cont'd)***(vi) Equity instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The consideration paid, including attributable transaction costs on repurchase ordinary shares of the Company are classified as treasury shares and presented as a deduction from equity. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

**(vii) Derivative financial instruments**

Derivative financial instruments are not recognised in the financial statements on inception.

**Forward foreign exchange contracts:**

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 3. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Capital in progress RM'000	Motor vehicles RM'000	Other assets RM'000	Total RM'000
<b>Group</b>								
<b>Cost/Valuation</b>								
At 1 August 2004	44,520	2,720	65,791	80,873	379	5,542	22,139	221,964
Additions	-	-	1	1,108	48,751	1,337	8,474	59,671
Disposals	-	-	-	(579)	-	(953)	(3,681)	(5,213)
Written off	-	-	-	-	-	-	(14)	(14)
Transfer	-	-	-	379	(379)	-	-	-
At 31 July 2005	44,520	2,720	65,792	81,781	48,751	5,926	26,918	276,408
<b>Representing:</b>								
At cost	26,002	-	39,160	81,781	48,751	5,926	26,918	228,538
At valuation	18,518	2,720	26,632	-	-	-	-	47,870
	44,520	2,720	65,792	81,781	48,751	5,926	26,918	276,408
<b>Accumulated Depreciation</b>								
At 1 August 2004	-	-	3,174	47,999	-	3,909	15,313	70,395
Charge for the year	-	92	1,311	6,742	-	650	2,636	11,431
Disposals	-	-	-	(428)	-	(532)	(2,765)	(3,725)
Written off	-	-	-	-	-	-	(14)	(14)
At 31 July 2005	-	92	4,485	54,313	-	4,027	15,170	78,087
<b>Net Book Value</b>								
At 31 July 2005:								
At cost	26,002	-	36,826	27,468	48,751	1,899	11,748	152,694
At valuation	18,518	2,628	24,481	-	-	-	-	45,627
	44,520	2,628	61,307	27,468	48,751	1,899	11,748	198,321
At 31 July 2004:								
At cost	26,002	-	37,603	32,874	379	1,633	6,826	105,317
At valuation	18,518	2,720	25,014	-	-	-	-	46,252
	44,520	2,720	62,617	32,874	379	1,633	6,826	151,569
<b>Details at 1 August 2003</b>								
Cost	26,003	-	39,159	79,257	-	5,730	18,549	168,698
Valuation	18,518	2,720	26,632	-	-	-	-	47,870
Accumulated depreciation	-	-	1,864	40,450	-	3,759	13,014	59,087
<b>Depreciation charge for 2004</b>	-	-	1,310	7,551	-	644	3,857	13,362

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Total RM'000
<b>Company</b>				
<b>Cost</b>				
At 1 August 2004	26,002	38,900	-	64,902
Additions	-	-	910	910
At 31 July 2005	26,002	38,900	910	65,812
<b>Accumulated Depreciation</b>				
At 1 August 2004	-	1,556	-	1,556
Charge for the year	-	778	182	960
At 31 July 2005	-	2,334	182	2,516
<b>Net Book Value</b>				
At 31 July 2005	26,002	36,566	728	63,296
At 31 July 2004	26,002	37,344	-	63,346
<b>Details at 1 August 2003</b>				
Cost	26,002	38,901	-	64,903
Accumulated depreciation	-	778	-	778
<b>Depreciation charge for 2004</b>	-	778	-	778

- (a) Other assets comprise equipment for hire, office renovations, furniture and fittings, heavy equipment, office equipment, tools and equipment, carpet, computer software, electrical installation, forklift, dies and jigs, containers and signboard.
- (b) As at 31 July 2005, had the revalued properties of the Group been carried at historical cost less accumulated depreciation, the net book values of the properties would have been as follows:

	Group	
	2005 RM'000	2004 RM'000
Freehold land	12,698	12,698
Leasehold land	2,794	2,886
Buildings	11,610	11,886
	<b>27,102</b>	<b>27,470</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

**3. PROPERTY, PLANT AND EQUIPMENT** (cont'd)

- (c) Included in prior year's property, plant and equipment of the Group was motor vehicle with net book value of RM384,000 held under hire purchase arrangements.
- (d) The Group's capital in progress with net book value of RM41,814,000 (2004: RMNil) is pledged as security for borrowings obtained as disclosed in Note 12.

**4. INVESTMENT IN SUBSIDIARIES**

	Company	
	2005	2004
	RM'000	RM'000
Unquoted shares at cost	81,570	81,570

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2005	2004	
Hiap Teck Hardware Sdn Bhd	Malaysia	100	100	Importers, exporters and general dealer of steel products, hardware and building materials
Tiek Hong Hardware (B'worth) Sdn Bhd	Malaysia	100	100	General merchant and dealer in metal hardware, building equipment and materials
Alpine Pipe Manufacturing Sdn Bhd	Malaysia	100	100	Manufacturing and trading of steel and iron products
Briliant Decade Transport Agency Sdn Bhd	Malaysia	100	100	Provision of transportation service
Huatraco Marketing Sdn Bhd	Malaysia	100	100	Manufacturing, selling, dealing and renting of scaffolding equipment, slitting and forming process for pipes and range of steel products

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 4. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2005	2004	
Subsidiaries of Huatraco Marketing Sdn Bhd				
Huatraco Scaffold System Sdn Bhd (formerly known as H.T. Scaffolding Manufacturing Sdn Bhd)	Malaysia	100	100	Manufacturer and distributor of multi-directional crab system scaffolding, metal form and framework accessories
Huatraco Industries Sdn Bhd	Malaysia	100	100	Manufacturing, selling and dealing in scaffolding and range of steel products
Subsidiaries of Hiap Teck Hardware Sdn Bhd				
Hiap Teck Property Sdn Bhd (formerly known as H.T. Property Sdn Bhd)	Malaysia	100	100	Property investment
Hiap Teck Steel Manufacturing Sdn Bhd (formerly known as H.T. Steel Manufacturing Sdn Bhd)	Malaysia	100	100	Manufacturing of steel bars and sections
Hiap Teck Holdings Sdn Bhd	Malaysia	100	100	Dormant

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 5. OTHER INVESTMENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Cost:</b>				
Quoted shares, outside Malaysia	-	671	-	-
Less: Accumulated impairment losses	-	(531)	-	-
	-	140	-	-
Quoted shares, within Malaysia	224	-	-	-
Unquoted shares, within Malaysia	22	22	-	-
Club memberships	186	310	-	35
	432	472	-	35
Market value of quoted shares	202	144	-	-

The movements in investment in quoted shares, outside Malaysia is as follows:

	Group	
	2005 RM'000	2004 RM'000
At 1 August	671	-
Shares assigned from a trade receivable	39	1,462
Less: Disposals	(710)	(791)
At 31 July	-	671

## 6. GOODWILL ON CONSOLIDATION

	Group	
	2005 RM'000	2004 RM'000
Goodwill, at cost	1,048	1,048
Less: Accumulated amortisation		
At 1 August	209	157
Amortisation for the year	52	52
At 31 July	261	209
	787	839

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 7. INVENTORIES

	Group	
	2005	2004
	RM'000	RM'000
<b>Cost:</b>		
Raw materials	84,381	87,156
Work-in-progress	12,555	12,143
Finished goods	72,069	60,723
Merchandise goods	42,983	36,910
Goods in transit	2,038	-
	<b>214,026</b>	<b>196,932</b>

## 8. TRADE RECEIVABLES

	Group	
	2005	2004
	RM'000	RM'000
Trade receivables	156,068	149,364
Less: Provision for doubtful debts	(5,529)	(6,359)
	<b>150,539</b>	<b>143,005</b>

The Group's normal trade credit term ranges from 14 to 90 (2004: 14 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

The movements in provision for doubtful debts is as follows:

	Group	
	2005	2004
	RM'000	RM'000
At 1 August	6,359	10,440
Provision for doubtful debts	180	64
Doubtful debts recovered, via:		
- Cash	(982)	(2,502)
- Shares assignment, classified as other investments	(28)	(1,462)
	<b>(1,010)</b>	<b>(3,964)</b>
Doubtful debts written off	-	(181)
At 31 July	<b>5,529</b>	<b>6,359</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 JULY 2005

**9. OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits	<b>12,501</b>	19,860	<b>22</b>	22
Prepayments	<b>1,671</b>	1,210	-	-
Sundry receivables	<b>11,314</b>	219	-	-
	<b>25,486</b>	21,289	<b>22</b>	22

Included in the deposits of the Group are amounts of RM12,076,000 (2004: RM19,649,000) being deposits placed with major suppliers of a subsidiary.

Included in sundry receivables is an amount of RM10,830,000 (2004: RMNil) being rebate receivable from a major supplier of a subsidiary.

The Group has concentration of credit risk in the form of deposits and sundry receivables due from major suppliers of a subsidiary representing 90% (2004: 92%) of total other receivables.

**10. DUE FROM SUBSIDIARIES**

Included in the amount due from subsidiaries of the Company is an amount of RM21,130,000 (2004: RM18,610,000) in respect of a subsidiary with shareholder's deficit position. In assessing the recoverability of the amount, the directors have given due consideration to all pertinent information and have assessed the amount as fully recoverable. Accordingly, no provision has been made in respect of this amount.

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

**11. CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash on hand and at banks	<b>5,832</b>	9,108	<b>736</b>	1,384
Deposits with licensed banks	<b>7,281</b>	2,469	-	-
Cash and bank balances	<b>13,113</b>	11,577	<b>736</b>	1,384

**NOTES TO THE FINANCIAL STATEMENTS**

31 JULY 2005

**11. CASH AND CASH EQUIVALENTS** (cont'd)

The weighted average effective interest rates of deposits at the balance sheet date were as follows:

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>%</b>	<b>%</b>
Deposits with licensed banks	<b>2.58</b>	2.52

The average maturities of deposits as at the end of the financial year were 30 (2004: 30) days.

**12. BORROWINGS**

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short Term Borrowings</b>		
Secured:		
Term loan	<b>5,544</b>	-
Hire purchase payables (Note 13)	-	132
	<b>5,544</b>	132
Unsecured:		
Bankers' acceptances	<b>227,625</b>	181,843
On shore foreign currency loan	-	4,745
	<b>227,625</b>	186,588
	<b>233,169</b>	186,720
<b>Long Term Borrowings</b>		
Secured:		
Term loan	<b>17,555</b>	-

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 12. BORROWINGS (cont'd)

	Group	
	2005	2004
	RM'000	RM'000
<b>Total Borrowings</b>		
Bankers' acceptances	227,625	181,843
On shore foreign currency loan	-	4,745
Term loan	23,099	-
Hire purchase payables (Note 13)	-	132
	<b>250,724</b>	<b>186,720</b>
 Maturity of borrowings (excluding hire purchase):		
Within one year	233,169	186,588
More than 1 year and less than 2 years	5,544	-
More than 2 years and less than 5 years	11,088	-
5 years or more	923	-
	<b>250,724</b>	<b>186,588</b>

The average interest rates during the financial year for borrowings, excluding hire purchase payables, were as follows:

	Group	
	2005	2004
	%	%
Bankers' acceptances	3.10 to 4.30	3.48 to 5.32
Term loans	5.50	8.00 to 8.90
Overdrafts	6.50 to 7.00	6.75 to 8.00
On shore foreign currency loan	3.10	3.10 to 3.20
Trust receipts	-	6.75 to 8.00
Revolving credits	-	5.30 to 8.00

The overdrafts, trusts receipts and revolving credits were not utilised as at 31 July 2005.

The term loan is secured by the following:

- First legal charge over the 18" Pipe Mill of a subsidiary as disclosed in Note 3(d); and
- Corporate guarantees by the Company.

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 13. HIRE PURCHASE PAYABLES

	Group	
	2005 RM'000	2004 RM'000
<b>Minimum lease payments:</b>		
Within one year	-	134
Less: Future finance charges	-	(2)
Present value of finance lease liabilities (Note 12)	-	132

The hire purchase bore interest rate of 3.80% (2004: 3.80%) per annum.

## 14. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 5 to 90 (2004: 5 to 90) days.

## 15. OTHER PAYABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Sundry payables	3,961	5,020	-	-
Accruals	5,933	5,040	517	1,448
Deposits	599	306	-	-
	<b>10,493</b>	<b>10,366</b>	<b>517</b>	<b>1,448</b>

## 16. SHARE CAPITAL

	Number of Ordinary Shares of RM0.50 Each		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
<b>Authorised:</b>				
At 1 August/31 July	<b>400,000</b>	<b>400,000</b>	<b>200,000</b>	<b>200,000</b>
<b>Issued and fully paid:</b>				
At 1 August	<b>327,400</b>	236,200	<b>163,700</b>	118,100
Issued for cash	-	91,200	-	45,600
At 31 July	<b>327,400</b>	<b>327,400</b>	<b>163,700</b>	<b>163,700</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 16. SHARE CAPITAL (cont'd)

	Number of Ordinary Shares of RM0.50 Each		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
<b>Treasury shares:</b>				
At 1 August	-	-	-	-
Acquisition of treasury shares	1,768	-	2,251	-
At 31 July	1,768	-	2,251	-

The shareholders of the Company, by a special resolution passed in a general meeting held on 14 December 2004, approved the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 1,768,400 of its issued ordinary shares from the open market at an average price of RM1.27 per share. The total consideration paid for the repurchase including transaction costs was RM2,250,718. The repurchase transactions were financed by internally generated funds. The shares are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total of 327,400,000 issued and fully paid ordinary shares as at 31 July 2005, 1,768,400 are held as treasury shares by the Company. As at 31 July 2005, the number of outstanding ordinary shares in issue and fully paid is therefore 325,631,600 ordinary shares of RM0.50 each.

## 17. RESERVES

## (a) Revaluation reserve

This reserve includes the cumulative net change, net of deferred tax effects, arising from the revaluation of freehold land, leasehold land and buildings above their cost.

## (b) Retained profits

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 to frank the payment of dividends out of its entire retained profits as at 31 July 2005.

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 18. DEFERRED TAX

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At 1 August	7,253	9,339	(370)	(19)
Recognised in income statement (Note 25)	(113)	(2,086)	435	(351)
At 31 July	7,140	7,253	65	(370)
Presented after appropriate offsetting as follows:				
Deferred tax assets	(1)	(1,056)	-	(370)
Deferred tax liabilities:				
Subject to income tax	3,286	4,239	65	-
Subject to capital gain tax	3,855	4,070	-	-
	7,141	8,309	65	-
	7,140	7,253	65	(370)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

## Deferred Tax Assets of the Group:

	Other Investment RM'000	Other Payables RM'000	Unused Tax Losses/ Unabsorbed Capital Allowances RM'000	Total RM'000
At 1 August 2003	-	(69)	(109)	(178)
Recognised in income statement	(149)	(778)	(1,935)	(2,862)
At 31 July 2004	(149)	(847)	(2,044)	(3,040)
Recognised in income statement	149	476	(342)	283
At 31 July 2005	-	(371)	(2,386)	(2,757)

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 18. DEFERRED TAX (cont'd)

## Deferred Tax Liabilities of the Group:

	Trade Receivables RM'000	Revaluation Reserve RM'000	Property, Plant and Equipment RM'000	Total RM'000
At 1 August 2003	-	4,070	5,447	9,517
Recognised in income statement	-	-	776	776
At 31 July 2004	-	4,070	6,223	10,293
Recognised in income statement	31	(215)	(212)	(396)
At 31 July 2005	31	3,855	6,011	9,897

## Deferred Tax Assets of the Company:

	Other Payables RM'000	Unabsorbed Capital Allowances RM'000	Total RM'000
At 1 August 2003	-	-	-
Recognised in income statement	(329)	(123)	(452)
At 31 July 2004	(329)	(123)	(452)
Recognised in income statement	269	123	392
At 31 July 2005	(60)	-	(60)

## Deferred Tax Liability of the Company:

	Property, Plant and Equipment RM'000
At 1 August 2003	(19)
Recognised in income statement	101
At 31 July 2004	82
Recognised in income statement	43
At 31 July 2005	125

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 18. DEFERRED TAX (cont'd)

Deferred tax asset has not been recognised in respect of the following item:

	Group	
	2005	2004
	RM'000	RM'000
Unabsorbed capital allowances	5,034	-

The unabsorbed capital allowances are available indefinitely for offset against future taxable profits of a subsidiary.

## 19. REVENUE

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Sale of goods	750,061	681,214	-	-
Rental of scaffolding	5,391	4,076	-	-
Transport charges	535	462	-	-
Slitting and forming charges	8	96	-	-
Dividend income	-	-	8,000	9,176
Rental of properties	-	-	4,710	4,710
Management fee	-	-	2,369	2,460
	755,995	685,848	15,079	16,346

## 20. COST OF SALES

	Group	
	2005	2004
	RM'000	RM'000
Cost of inventories sold	663,100	589,959
Cost of equipment for hire	1,873	3,290
Cost of services rendered	2,170	2,106
	667,143	595,355

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 21. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Staff costs (Note 22)	15,085	15,033	24	-
Executive directors' remuneration (Note 23)	3,943	5,331	2,746	3,985
Non-executive directors' remuneration (Note 23)	202	218	200	189
Auditors' remuneration:				
Statutory audits				
- current year	85	85	15	15
- prior year	-	(6)	-	-
Other services				
- current year	5	5	5	5
- prior year	-	1	-	1
Rent expense	86	71	-	-
Depreciation of property, plant and equipment (Note 3)	11,431	13,362	960	778
Amortisation of goodwill	52	52	-	-
Provision for doubtful debts	180	64	-	-
Write back of provision for doubtful debts	(1,010)	(3,964)	-	-
Bad debts recovered	-	(2)	-	-
(Gain)/loss on disposal of other investments	(55)	537	-	-
Provision for impairment in value of other investments	-	531	-	-
Gain on disposal of property, plant and equipment	(3,301)	(1,200)	-	-
Rental income	(90)	(180)	-	-
Net foreign exchange gains:				
Realised	(926)	(808)	-	-
Unrealised	(69)	(100)	-	-
Property, plant and equipment written off	-	183	-	-
Other payables written off	-	(70)	-	-
Fixed deposits interest income	(165)	(310)	(32)	(164)
Net overdue interest income/(written off)	(125)	81	-	-
Other investments written off	120	-	35	-

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 22. STAFF COSTS

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	12,718	11,493	18	-
Bonus	823	2,167	3	-
Social security costs	146	121	-	-
Short term accumulating compensated absences	191	10	-	-
Pension costs - defined contribution plans	1,207	1,242	3	-
	15,085	15,033	24	-

## 23. DIRECTORS' REMUNERATION

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	2,085	1,464	1,946	1,256
Bonus	417	1,695	437	1,700
Social security costs	1	1	1	1
Pension costs - defined contribution plans	235	242	217	229
Short term accumulating compensated absences	126	799	125	799
Benefits-in-kind	58	51	32	-
	2,922	4,252	2,758	3,985
Non-Executive:				
Fees	200	189	200	189
	3,122	4,441	2,958	4,174
<b>Directors of Subsidiaries</b>				
Executive:				
Salaries and other emoluments	758	716	57	-
Bonus	187	287	(33)	-
Social security costs	2	2	-	-
Pension costs - defined contribution plans	108	117	3	-
Short term accumulating compensated absences	24	8	(7)	-
Benefits-in-kind	35	49	-	-
	1,114	1,179	20	-

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 23. DIRECTORS' REMUNERATION (cont'd)

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Non-Executive: Fees	2	29	-	-
	<b>1,116</b>	1,208	<b>20</b>	-
Total	<b>4,238</b>	5,649	<b>2,978</b>	4,174

## Analysis excluding benefits-in-kind:

Total executive directors' remuneration excluding benefits-in-kind (Note 21)	<b>3,943</b>	5,331	<b>2,746</b>	3,985
Total non-executive directors' remuneration (Note 21)	<b>202</b>	218	<b>200</b>	189
Total directors' remuneration excluding benefits-in-kind	<b>4,145</b>	5,549	<b>2,946</b>	4,174

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2005	2004
Executive directors:		
RM50,001 - RM100,000	*1	-
RM150,001 - RM200,000	1	-
RM200,001 - RM250,000	2	3
RM2,150,001 - RM2,200,000	1	-
RM3,450,001 - RM3,500,000	-	1
Non-executive directors:		
RMNil - RM50,000	<b>6</b>	<b>7</b>

\*Resigned during the year

**NOTES TO THE FINANCIAL STATEMENTS**

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**24. FINANCE COSTS**

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest expense on:		
- hire purchase	3	23
- bankers' acceptances	7,751	6,754
- trust receipts	-	84
- term loan	802	160
- overdraft	156	221
- on shore foreign currency loan	-	30
- revolving credit	-	31
Finance and administration charges	412	411
	<b>9,124</b>	<b>7,714</b>

**25. TAXATION**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax:				
Malaysian income tax	17,428	18,242	1,473	3,588
(Over)/under provision in prior years	(270)	126	(99)	79
	<b>17,158</b>	<b>18,368</b>	<b>1,374</b>	<b>3,667</b>
Deferred tax (Note 18):				
Relating to origination and reversal of temporary differences	(366)	(1,905)	291	(411)
Under/(over) provision in prior years	253	(181)	144	60
	<b>(113)</b>	<b>(2,086)</b>	<b>435</b>	<b>(351)</b>
	<b>17,045</b>	<b>16,282</b>	<b>1,809</b>	<b>3,316</b>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year.

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## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 25. TAXATION (cont'd)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2005 RM'000	2004 RM'000
<b>Group</b>		
Profit before taxation	54,959	57,628
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	15,388	16,136
Effect of different tax rate for small and medium scale companies	(182)	(141)
Effect of double deduction expenses	(35)	(66)
Effect of income not subject to tax	(9)	(25)
Effect of expenses not deductible for tax purposes	641	724
Effect of deferred tax on assets previously not qualify for capital allowances	-	(146)
Effect of utilisation of reinvestment allowance	(151)	(145)
Deferred tax assets not recognised in respect of unabsorbed capital allowances	1,410	-
Under/(over) provision of deferred tax in prior years:		
Company and subsidiaries	253	(181)
(Over)/under provision of income tax expense in prior years:		
Company and subsidiaries	(270)	126
Tax expense for the year	17,045	16,282
<b>Company</b>		
Profit before taxation	10,373	10,853
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	2,904	3,039
Effect of income not subject to tax	(1,409)	-
Effect of expenses not deductible for tax purposes	269	138
Under provision of deferred tax in prior years	144	60
(Over)/under provision of income tax expense in prior years	(99)	79
Tax expense for the year	1,809	3,316

## 26. EARNINGS PER SHARE

## Basic

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue (net of treasury shares) during the financial year, held by the Company:

	2005	2004
Net profit for the year (RM'000)	37,914	41,346
Weighted average number of ordinary shares in issue ('000)	327,055	319,800
Basic earnings per share (sen)	11.59	12.93

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 27. DIVIDENDS

	Amount		Net Dividends per Ordinary Share	
	2005 RM'000	2004 RM'000	2005 Sen	2004 Sen
<b>Final</b>				
3% less 28% taxation, in respect of the year ended 31 July 2003	-	3,536	-	1.08
3% tax-exempt, in respect of the year ended 31 July 2004	4,911	-	1.50	-
<b>Interim</b>				
2% less 28% taxation, in respect of the year ended 31 July 2004	-	2,357	-	0.72
2% less 28% taxation, in respect of the year ended 31 July 2005	2,345	-	0.72	-
	<b>7,256</b>	<b>5,893</b>	<b>2.22</b>	<b>1.80</b>

At the forthcoming Annual General Meeting, a final dividend of 3% less 28% taxation in respect of the current financial year amounting to RM3,517,000 (1.08sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 July 2006.

## 28. CONTINGENT LIABILITIES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Unsecured:</b>				
In respect of indemnity provided for bank guarantee issued	1,549	1,003	-	-
Corporate guarantees provided to secure banking facilities granted to subsidiaries	-	-	251,000	187,000
	<b>1,549</b>	<b>1,003</b>	<b>251,000</b>	<b>187,000</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2005 RM'000	2004 RM'000
<b>Group</b>		
Sales of steel products to companies in which certain directors of the Company have significant interests:		
Hiap Wing Marketing Sdn Bhd	135	334
Hiap Wing Building Materials Sdn Bhd	778	764
Power Concord Sdn Bhd	1,415	1,142
Purchases of steel products from companies in which certain directors of the Company have significant interests:		
Hiap Wing Marketing Sdn Bhd	96	116
Hiap Wing Building Materials Sdn Bhd	339	14
Rental income from companies in which certain directors of the Company have significant interests:		
Power Concord Sdn Bhd	90	180
Legal fee paid to companies in which certain directors of the Company have significant interests:		
S.B. Cheah & Associates	59	10
<b>Company</b>		
Rental income from subsidiaries:		
Alpine Pipe Manufacturing Sdn Bhd	3,120	3,120
Huatraco Marketing Sdn Bhd	1,590	1,590
Management fees from subsidiaries:		
Hiap Teck Hardware Sdn Bhd	864	864
Alpine Pipe Manufacturing Sdn Bhd	984	984
Huatraco Marketing Sdn Bhd	456	456
Tiek Hong Hardware (B'worth) Sdn Bhd	65	156
Gross dividend income from subsidiaries:		
Hiap Teck Hardware Sdn Bhd	1,200	3,000
Alpine Pipe Manufacturing Sdn Bhd	2,000	1,976
Huatraco Marketing Sdn Bhd	4,800	3,300
Tiek Hong Hardware (B'worth) Sdn Bhd	-	600
Briliant Decade Transport Agency Sdn Bhd	-	300

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

### 29. SIGNIFICANT RELATED PARTY TRANSACTIONS *(cont'd)*

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties. The relationships of the related parties are disclosed below:

- Mr. Kua Lai Shon @ Kuah Ah Kok is a director and substantial shareholder of K.A.K. Sdn Bhd, which is a substantial shareholder of Hiap Wing Marketing Sdn Bhd and Hiap Wing Building Materials Sdn Bhd. He is an elder brother of Mr. Kua Hock Lai. Mr. Kua Lai Shon ceased to be the director and substantial shareholder of K.A.K. Sdn Bhd during the financial year
- Power Concord Sdn Bhd is a company in which Mr. Kua Hock Lai's children have substantial financial interests
- Messrs S.B. Cheah & Associates is a firm in which a director of the Company, Mr. Cheah Shu Boon is a partner

### 30. SUBSEQUENT EVENTS

On 18 August 2005, freehold land of a subsidiary which is described as plot No. 169, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim was compulsorily acquired by the State Government of Johor, for a cash consideration of RM4,610,000.

On 15 September 2005, a subsidiary entered into a Sale and Purchase Agreement with Chuan Heng Import & Export (M) Sdn Bhd to sell all that parcel of leasehold land which is described as plot No. 216 measuring approximately 2.50 acres comprised within the development known as "Senai Industrial Estate, Phase 4, Senai, Johor Darul Takzim", for a cash consideration of RM1,634,000.

### 31. FINANCIAL INSTRUMENTS

#### (a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity, credit and foreign exchange risks. It is the Group's policy not to engage in speculative transactions.

#### (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debts. The investment in financial assets are mainly short term in nature and they are not held for a speculative purposes.

The Group manages its interest rate exposure by maintaining a fixed and floating rate borrowings. The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets.

#### (c) Liquidity Risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 31. FINANCIAL INSTRUMENTS (cont'd)

## (d) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness.

The Group has concentration of credit risk in the form of deposits and sundry receivables due from major suppliers of a subsidiary representing 90% (2004: 92%) of total other receivables.

## (e) Foreign Exchange Risk

The Group is mainly exposed to United State Dollars and Singapore Dollars. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

Functional Currency of Group Companies	United State Dollars RM'000	Singapore Dollars RM'000	Total RM'000
<b>At 31 July 2005:</b>			
Trade receivables	5,197	8,191	13,388
Cash and cash equivalents	-	576	576
	<hr/> 5,197	<hr/> 8,767	<hr/> 13,964
<b>At 31 July 2004:</b>			
Trade receivables	7,353	17,814	25,167
Cash and cash equivalents	-	824	824
	<hr/> 7,353	<hr/> 18,638	<hr/> 25,991

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 31. FINANCIAL INSTRUMENTS (cont'd)

## (e) Foreign Exchange Risk (cont'd)

As at balance sheet date, the Group had entered into forward foreign exchange contracts with the following notional amounts and maturities:

	Currency	Mature within 1 year RM'000
<b>At 31 July 2005:</b>		
Forward used to hedge trade receivables	United States Dollars	11,332
	Singapore Dollars	10,343
		<hr/> 21,675
<b>At 31 July 2004:</b>		
Forward used to hedge trade receivables	United States Dollars	<hr/> 3,967

## (f) Fair Value

It is not practicable to determine the fair value of amounts due from subsidiaries due to principally lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

The fair value of all other financial assets and financial liabilities approximate their carrying value due to the relatively short term nature of these financial instruments.

## 32. CAPITAL COMMITMENT

	Group	
	2005 RM'000	2004 RM'000
Capital expenditure:		
Approved and contracted for:		
Property, plant and equipment	<hr/> 53,000	36,000

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 33. COMPARATIVES

The following comparative figures of financial statements and notes thereto as at 31 July 2004 have been restated to conform with current year's presentation:

	As Restated RM'000	Adjustment RM'000	As Previously Stated RM'000
<b>Group</b>			
<b>Balance Sheet</b>			
Other receivables	21,289	1,704	19,585
Trade payables	(30,609)	(1,695)	(28,914)
Other payables	(10,366)	(9)	(10,357)
<b>Income Statement</b>			
Other operating income	6,952	(95)	7,047
Pre-operating cost	-	242	(242)
Administrative expenses	(17,781)	(228)	(17,553)
Selling and marketing expenses	(10,752)	223	(10,975)
Other operating expenses	(1,555)	(142)	(1,413)

## 34. SEGMENTAL INFORMATION

## (a) Business Segments

The Group is organised on a worldwide basis into four major business segments:

- (i) Trading - Importers, exporters and general dealers in steel products, hardware and building materials;
- (ii) Manufacturing - Manufacturers and distributors of steel pipes, hollow sections, scaffolding equipments and accessories and other steel products;
- (iii) Property and investment - Investment in and renting out property and investment holding; and
- (iv) Transportation - Provision of transportation of goods by lorries.

## (b) Geographical Segments

No segmental information is provided on a geographical basis as the activities of the Group are carried out predominantly in Malaysia.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 34. SEGMENTAL INFORMATION (cont'd)

	Trading RM'000	Manu- facturing RM'000	Property and in- vestment RM'000	Trans- portation RM'000	Others RM'000	Elimi- nation RM'000	Con- solidated RM'000
<b>31 July 2005</b>							
<b>Business segment</b>							
Revenue from external customers	340,197	415,263	-	535	-	-	755,995
Inter-segment revenue	30,891	38,146	16,279	2,452	-	(87,768)	-
Total revenue	371,088	453,409	16,279	2,987	-	(87,768)	755,995
<b>Segment results</b>							
Operating profit	15,914	47,454	10,763	570	-	(10,618)	64,083
Finance costs							(9,124)
Profit before taxation							54,959
Taxation							(17,045)
Net profit for the year							37,914
Segment assets	164,692	384,005	151,246	2,914	-	(100,940)	601,917
Unallocated assets							2,205
Total assets							604,122
Segment liabilities	114,563	239,548	27,212	229	-	(100,940)	280,612
Unallocated liabilities							10,197
Total liabilities							290,809
Capital expenditure	1,238	57,532	910	255	-	-	59,935
Depreciation	499	9,325	1,499	108	-	-	11,431
Non-cash expenses other than depreciation	47	218	35	-	-	-	300

## NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 34. SEGMENTAL INFORMATION (cont'd)

	Trading RM'000	Manu- facturing RM'000	Property and in- vestment RM'000	Trans- portation RM'000	Others RM'000	Elimi- nation RM'000	Con- solidated RM'000
<b>31 July 2004</b>							
<b>Business segment</b>							
Revenue from external customers	293,026	392,360	-	462	-	-	685,848
Inter-segment revenue	19,391	41,519	17,546	2,421	-	(80,877)	-
Total revenue	312,417	433,879	17,546	2,883	-	(80,877)	685,848
<b>Segment results</b>							
Operating profit	21,813	40,898	11,292	484	83	(9,228)	65,342
Finance cost							(7,714)
Profit before taxation							57,628
Taxation							(16,282)
Net profit for the year							41,346
Segment assets	135,332	315,932	151,525	2,502	-	(80,447)	524,844
Unallocated assets							2,843
Total assets							527,687
Segment liabilities	90,402	190,940	26,525	275	-	(80,447)	227,695
Unallocated liabilities							15,086
Total liabilities							242,781
Capital expenditure	1,884	7,309	-	-	-	-	9,193
Depreciation	372	11,544	1,318	128	-	-	13,362
Non-cash expenses other than depreciation	595	180	-	3	-	-	778

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# **PROPERTIES OF THE GROUP**

*as at 31 JULY 2005*

Location	Description and existing usage	Tenure	Approximate age of building (years)	Approximate land area (acres)	Build up area (sq. metres)	Net book value as at 31 July 2005 (RM)	Date of acquisition	Date of last revaluation
Lot 6085, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory with a 2 storey office and a guard house	Freehold	7.5	9	19,005	20,978,750	29 May 2003	-
Lot 6088, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory with a 2 storey office and a guard house	Freehold	7.5	9	18,732	19,720,386	29 May 2003	-
Lot 6089, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory / warehouse and a guard house	Freehold	6.5	9	18,516	21,868,773	29 May 2003	-
Lot 6095, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory & warehouse	Freehold	6	10.013	22,341	24,806,267	5 July 1996	24 March 2003
Lot 6096, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory & warehouse with 4 storey office building	Freehold	6	9.483	12,179	17,342,950	5 January 1995	24 March 2003
Lot 169, Mukim of Plentong District of Johor Bahru Johor Darul Takzim	Vacant agricultural land	Freehold	-	6.531	-	850,000	9 June 1995	24 March 2003
Lot 216, Mukim of Senai-Kulai, District of Johor Bahru Johor Darul Takzim	Vacant industrial land	Leasehold (60 years) (title not issued yet)	-	2.5	-	1,650,000	6 March 1997	24 March 2003
Lot 296, Mukim 13 District of Seberang Perai Tengah, Pulau Pinang	Vacant industrial land	Leasehold (66 years) (expiring 10 March 2058)	-	2.241	-	979,563	6 July 1996	24 March 2003
28635C, Block D, Phase 7E Jalan BRP 6/10 Bukit Rahman Putra Seksyen U20 40160 Shah Alam	Shop office	Freehold	5	-	144.929	157,288	20 August 1999	-
Lot 14175 (1st Floor) Putri Town Ctr Kulai Taman Putri Kulai Johor	Shop office apartment	Freehold	7	-	143.07	101,226	2 August 1999	-

## ANALYSIS OF SHAREHOLDINGS

AS AT 12 OCTOBER 2005

Class of Shares : Ordinary Shares of RM0.50 Each  
Voting Rights : One Vote per Ordinary Share held

### ANALYSIS BY SIZE OF SHAREHOLDINGS as at 12 October 2005

Size of Holdings	No. of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
1 - 99	6	0.16	350	0.00
100 - 1,000	775	20.45	734,422	0.22
1,001 - 10,000	2,150	56.71	10,216,300	3.14
10,001 - 100,000	663	17.49	22,893,083	7.03
100,001-16,281,579 (*)	195	5.14	161,156,705	49.49
16,281,580 and above (**)	2	0.05	130,630,740	40.12
<b>Total</b>	<b>3,791</b>	<b>100.00</b>	<b>325,631,600</b>	<b>100.00</b>

Notes:

\* Less than 5% of the issued and paid-up share capital

\*\* 5% and above of the issued and paid-up share capital

### THIRTY (30) LARGEST SHAREHOLDERS as at 12 October 2005

Names	No. of Shares of RM0.50 Each	Percentage (%)
1. K.H.L. Sdn Bhd	84,457,096	25.94
2. United Coconut Fibre Products Sdn Bhd	46,173,644	14.18
3. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Prudential Dynamic Fund	9,449,500	2.90
4. Alliancegroup Nominees (Tempatan) Sdn Bhd PHEIM Asset Management Sdn Bhd For Employees Provident Fund	8,886,900	2.73
5. Lembaga Tabung Haji	7,438,500	2.29
6. BHLB Trustee Berhad Prugrowth Fund	6,984,200	2.14
7. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Prudential Dana Dinamik	5,729,000	1.76
8. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Dato' Mohamed Nizam Bin Abdul Razak (PB)	4,644,165	1.43

**ANALYSIS OF SHAREHOLDINGS**

AS AT 12 OCTOBER 2005

**THIRTY (30) LARGEST SHAREHOLDERS** as at 12 October 2005 (cont'd)

<b>Names</b>	<b>No. of Shares of RM0.50 Each</b>	<b>Percentage (%)</b>
9. Lim Ah Eng	4,468,745	1.37
10. Cartaban Nominees (Asing) Sdn Bhd SSBT Fund AHY8 For AIG Global Emerging Markets Fund PLC	3,815,500	1.17
11. Amanah Raya Berhad SBB Dana Al- Ikhlas	3,300,000	1.01
12. Dato' Mohamed Nizam Bin Abdul Razak	3,096,982	0.95
13. AMSEC Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd For Ang De Yu	3,066,100	0.94
14. Cartaban Nominees (Asing) Sdn Bhd State Street Australia Fund Q3VD For Fullerton (Private) Limited	3,000,000	0.92
15. Citigroup Nominees (Asing) Sdn Bhd American International Assurance Company Limited	3,000,000	0.92
16. EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Mary Ang Poh Chan	2,769,000	0.85
17. HLG Nominee (Tempatan) Sdn Bhd PB Trustee Services Berhad For HLG Growth Fund	2,724,100	0.84
18. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For OSK - UOB Growth and Income Focus Trust	2,559,100	0.79
19. HSBC Nominees (Asing) Sdn Bhd DZ Bank Intl For Uni EM Fernost Treuhandkonto, Luxembourg	2,500,000	0.77
20. Citigroup Nominees (Asing) Sdn Bhd American International Assurance Company Limited (AIA Equity FD)	2,389,600	0.73
21. Tee Tuang Siong	2,104,609	0.65
22. Ang Thiam Chye	2,090,100	0.64
23. KAK Sdn Bhd	2,085,027	0.64
24. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For OSK - UOB Emerging Opportunity Unit Trust	2,066,000	0.63
25. BHLB Trustee Berhad Prusmall - Cap Fund	1,980,700	0.61

## ANALYSIS OF SHAREHOLDINGS

AS AT 12 OCTOBER 2005

## THIRTY (30) LARGEST SHAREHOLDERS as at 12 October 2005 (cont'd)

Names	No. of Shares of RM0.50 Each	Percentage (%)
26. AM Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	1,890,800	0.58
27. HSBC Nominees (Asing) Sdn Bhd TNTC For Government of Singapore Investment Corporation Pte Ltd	1,670,000	0.51
28. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For OSK - UOB Smart Treasure Fund	1,586,700	0.49
29. Tan Sri Dato' Alwi Bin Jantan	1,405,000	0.43
30. Lu Kang Eing	1,360,361	0.42
<b>Total</b>	<b>228,691,429</b>	<b>70.23</b>

## DIRECTORS' SHAREHOLDINGS as at 12 October 2005

Names	Direct No. of Shares	Percentage (%)	Indirect No. of Shares	Percentage (%)
Tan Sri Dato' Alwi Bin Jantan	1,405,000	0.43	-	-
Dato' Mohamed Nizam Bin Abdul Razak	*7,821,147	2.40	-	-
Kua Hock Lai	-	-	**135,099,485	41.49
Cheah Shu Boon	80,000	0.02	-	-
Kua Swee Leong	757	0.00	-	-
Law Sook Teng	450,015	0.14	-	-
Tan Yuen Hong	250,015	0.08	-	-
Ong Eng Choon	40,000	0.01	-	-
Yeoh Chong Keat	12,000	0.00	-	-
Yoong Kah Yin	-	-	-	-
Toh Su Lin (alternate Director to Cheah Shu Boon)	55,000	0.02	-	-

Notes :

\* Out of this block of shares, 4,644,165 ordinary shares of RM0.50 each are held by Cimsec Nominees (Tempatan) Sdn Bhd as bare trustees for Dato' Mohamed Nizam Bin Abdul Razak.

\*\* Deemed interest through his substantial shareholdings in KHL Sdn Bhd, United Coconut Fibre Products Sdn Bhd and his spouse, Madam Lim Ah Eng.

## ANALYSIS OF SHAREHOLDINGS

AS AT 12 OCTOBER 2005

**SUBSTANTIAL SHAREHOLDERS** as at 12 October 2005

Substantial Shareholders	Direct No. of Shares	Percentage (%)	Indirect No. of Shares	Percentage (%)
1. K.H.L Sdn Bhd	84,457,096	25.94	#46,173,644	14.18
2. United Coconut Fibre Products Sdn Bhd	46,173,644	14.18	-	-
3. Prudential Unit Trusts Berhad	25,867,900	7.94	-	-
4. HSBC Holdings plc	25,628,100	7.87	-	-
5. Lim Ah Eng	4,468,745	1.37	**130,630,740	40.12
6. Kua Hock Lai	-	-	*135,099,485	41.49

## Notes:

# Deemed interest through its substantial shareholdings in United Coconut Fibre Products Sdn Bhd.

\* Deemed interest through his substantial shareholdings in KHL Sdn Bhd, United Coconut Fibre Products Sdn Bhd and his spouse, Madam Lim Ah Eng.

\*\* Deemed interest through her substantial shareholdings in KHL Sdn Bhd and United Coconut Fibre Products Sdn Bhd.

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Ninth Annual General Meeting of the Company will be held at Wisma Hiap Teck, Lot 6096, Jalan Haji Abdul Manan, Batu 5 1/2, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan on Monday, 12 December 2005 at 2.30 p.m. for the following purposes:

### AGENDA

1. To receive the Audited Financial Statements for the year ended 31 July 2005 together with the Directors' and Auditors' Reports attached thereon. **Resolution 1**
2. To approve a Final Dividend of 3% less Malaysian Income Tax at 28% for the year ended 31 July 2005. **Resolution 2**
3. To re-elect the following Directors who are retiring in accordance with Article 79 of the Company's Articles of Association:
  - (a) Dato' Mohamed Nizam Bin Abdul Razak **Resolution 3**
  - (b) Ms. Law Sook Teng **Resolution 4**
4. To re-elect Mr. Tan Yuen Hong who is retiring in accordance with Article 84 of the Company's Articles of Association. **Resolution 5**
5. To re-appoint Messrs Ernst & Young, as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board of Directors. **Resolution 6**
6. As Special Business:

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

#### ORDINARY RESOLUTION 1

- **Re-appointment of Director over 70 Years of Age**

**"THAT** pursuant to Section 129 of the Companies Act, 1965, Tan Sri Dato' Alwi Bin Jantan who is over 70 years of age, be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."

**Resolution 7**

#### ORDINARY RESOLUTION 2

- **Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965**

**"THAT** subject always to the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued capital of the Company at the time of issue and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares to be issued on the Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

**Resolution 8**

## NOTICE OF ANNUAL GENERAL MEETING

### ORDINARY RESOLUTION 3

- **Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

**"THAT** the Company and its subsidiaries be and are hereby authorised to enter into recurrent related party transactions of a revenue or trading nature as specified in Section 2.3 of the Circular to the shareholders dated 18 November 2005, provided that such arrangements and/or transactions which are necessary for the Group's day-to-day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders of the Company **AND THAT** such authority shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the said AGM, the authority is renewed;
- (ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

**AND THAT** disclosure will be made in the Annual Report 2006 of the Company of the breakdown of the aggregate value of transactions contemplated pursuant to the Proposed Shareholders' Mandate during the financial year, amongst others, on the type of transactions made and the names of the Related Parties involved in each type of the transactions made and their relationship with the Company.

**AND FURTHER THAT** the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Shareholders' Mandate."

**Resolution 9**

### ORDINARY RESOLUTION 4

- **Proposed Renewal of Shareholders' Mandate for Share Buy-Back**

**"THAT** subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company, Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other prevailing laws, rules, regulations and orders issued and/or amended from time to time by the relevant regulatory authorities, the Company be and is hereby authorised to purchase and/or hold up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") as may be determined by the Directors of HTVB from time to time through Bursa Securities upon such terms and conditions as the Directors of HTVB may deem fit and expedient in the interest of the Company and an amount not exceeding the retained profits and share premium reserves of the Company as at 31 July 2005 of RM2,490,778.00 and RM21,853,395.00 respectively be allocated by the Company for the Proposed Share Buy-Back.

**AND THAT** upon completion of the purchase by the Company of its own shares, the Directors of HTVB be and are hereby authorised to cancel such shares or retain such shares as the treasury shares or a combination of both. The Directors of HTVB are further authorised to resell the treasury shares on Bursa Securities or distribute the treasury shares as dividends to the shareholders of HTVB or subsequently cancel the treasury shares or any combination of the three.

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## NOTICE OF ANNUAL GENERAL MEETING

**AND FURTHER THAT** the Directors of HTVB be and are hereby authorised to carry out the Proposed Share Buy-Back immediately upon the passing of this resolution until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next AGM is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occur first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors of HTVB deem fit and expedient in the interest of the Company to give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, amendments and/or variations as may be imposed by the relevant authorities."

**Resolution 10**

### NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS HEREBY GIVEN THAT** the Final Dividend of 3% less Malaysian Income Tax at 28% in respect of the financial year ended 31 July 2005 will be payable on 7 February 2006 to depositors registered in the Record of Depositors at the close of business on 10 January 2006.

A Depositor shall qualify for entitlement only in respect of:

- a. Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 10 January 2006 in respect of ordinary transfers;
- b. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD  
**HIAP TECK VENTURE BERHAD**

Ng Yim Kong  
Company Secretary

18 November 2005

## NOTICE OF ANNUAL GENERAL MEETING

### Notes:

1. A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a Proxy or Proxies to attend and vote on his (her) behalf. 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.
2. Where a member appoints two (2) or more Proxies, the appointment shall be invalid unless he (she) specifies the proportion of his (her) holdings to be represented by each Proxy.
3. The Form of Proxy shall be signed by the appointer or of his (her) attorney duly authorised in writing or, if the appointor is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.
4. The instrument appointing a Proxy must be deposited at the Company's registered office at Lot 6096, Jalan Haji Abdul Manan, Batu 5 1/2, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for the meeting or any adjournment thereof.

### EXPLANATORY NOTES ON SPECIAL BUSINESS

#### (a) Re-appointment of Director over 70 Years of Age

The Proposed Ordinary Resolution No.1 under Special Business above, is in accordance with Section 129(6) of the Companies Act, 1965 which requires that a separate resolution be passed to re-appoint Tan Sri Dato' Alwi Bin Jantan who is over 70 years of age as Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company. This Resolution must be passed by a majority of not less than three-fourths (3/4) of such members of the Company as being entitled to vote in person or where Proxies are allowed, by Proxy at the Annual General Meeting of the Company.

#### (b) Resolution Pursuant to the Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution No. 2 under Special Business above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, authority to allot and issue shares in the Company up to an aggregate amount not exceeding in total 10% of the issued capital of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority unless revoked or varied at a General Meeting shall expire at the next Annual General Meeting.

#### (c) Resolution Pursuant to the Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution No. 3 under Special Business above, if passed, will enable the Company and its subsidiaries ("the Group") to continue entering into the specified Recurrent Related Party Transactions as set out in Section 2.3 of the Circular to shareholders dated 18 November 2005 with the specified classes of the Related Parties mentioned therein which are necessary for the Group's day to day operations.

#### (d) Resolution Pursuant to the Proposed Renewal of Share Buy-Back

The proposed Ordinary Resolution No. 4 under Special Business above, is to seek the renewal of authority for the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company on the Bursa Malaysia Securities Berhad. For further information on the Proposed Share Buy-Back, please refer to the Circulars to shareholders dated 18 November 2005 enclosed together with the Company's 2005 Annual Report.

## STATEMENT ACCOMPANYING NOTICE OF NINTH ANNUAL GENERAL MEETING

### I. Directors who are standing for re-election at the Ninth Annual General Meeting of the Company.

In accordance with Article 79 of the Company's Articles of Association:

- |     |                                     |                |
|-----|-------------------------------------|----------------|
| i.  | Dato' Mohamed Nizam Bin Abdul Razak | (Resolution 3) |
| ii. | Ms. Law Sook Teng                   | (Resolution 4) |

In accordance with Article 84 of the Company's Articles of Association:

- |    |                   |                |
|----|-------------------|----------------|
| i. | Mr. Tan Yuen Hong | (Resolution 5) |
|----|-------------------|----------------|

Director who is standing for re-appointment in accordance with Section 129 of the Companies Act, 1965 at the Ninth Annual General Meeting of the Company:

- |    |                               |                |
|----|-------------------------------|----------------|
| i. | Tan Sri Dato' Alwi Bin Jantan | (Resolution 7) |
|----|-------------------------------|----------------|

*Further details of the above Directors who are standing for re-election as Directors are presented in pages 4 to 7.*

### 2. Details of attendance of Directors at the Board of Directors' Meetings.

There were five (5) Board of Directors' Meetings held during the financial year ended 31 July 2005.

Details of the Board of Directors' Meetings and Attendance of each Director in the Board of Directors' Meetings held during the financial year ended 31 July 2005 are shown below:

- |                               |   |
|-------------------------------|---|
| Board of Directors' Meetings: | <ul style="list-style-type: none"> <li>• 14 September 2004</li> <li>• 21 October 2004</li> <li>• 14 December 2004</li> <li>• 22 March 2005</li> <li>• 21 June 2005</li> </ul> |
|-------------------------------|---|

Name of Directors	Attendance
(i) Tan Sri Dato' Alwi Bin Jantan	5/5
(ii) Mr. Kua Hock Lai	5/5
(iii) Dato' Mohamed Nizam Bin Abdul Razak	4/5
(iv) Mr. Ong Eng Choon	5/5
(v) Mr. Yeoh Chong Keat	5/5
(vi) Mr. Yoong Kah Yin	5/5
(vii) Ms. Law Sook Teng	4/5
(viii) Mr. Tan Yuen Hong*	2/2
(ix) Mr. Tee Tuang Siong**	2/2
(x) Mr. Cheah Shu Boon	4/5
(xi) Ms. Toh Su Lin (alternate Director to Mr. Cheah Shu Boon)	N/A

\* Mr. Tan Yuen Hong appointed as Director on 1 January 2005

\*\* Mr. Tee Tuang Siong has resigned on 14 December 2004

### 3. Place, date and time of the Ninth Annual General Meeting.

Date of Meeting	Time of Meeting	Place of Meeting
12 December 2005	2.30 p.m.	Wisma HiapTeck

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HIAP TECK VENTURE BERHAD  
(421340-U)  
(Incorporated in Malaysia)

## FORM OF PROXY

I/We, \_\_\_\_\_ (NRIC No./Company No. \_\_\_\_\_ )  
(FULL NAME IN CAPITAL LETTERS)  
of \_\_\_\_\_  
(FULL ADDRESS)  
being a member of **HIAP TECK VENTURE BERHAD** hereby appoint \* the Chairman of the meeting or  
\_\_\_\_\_ (NRIC No. \_\_\_\_\_ ) of  
(FULL NAME)  
\_\_\_\_\_ or  
(FULL ADDRESS)  
failing whom \_\_\_\_\_ (NRIC No. \_\_\_\_\_ ) of  
(FULL NAME)  
\_\_\_\_\_ as  
(FULL ADDRESS)

my/our Proxy to vote for me/us and on my/our behalf at the Ninth Annual General Meeting of the Company to be held at Wisma Hiap Teck, Lot 6096, Jalan Haji Abdul Manan, Batu 5 1/2, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan on Monday, 12 December 2005 at 2.30 p.m. and at any adjournment thereof, in the manner indicated below:

No.	Resolution	For	Against
1.	Resolution 1		
2.	Resolution 2		
3.	Resolution 3		
4.	Resolution 4		
5.	Resolution 5		
6.	Resolution 6		
7.	Resolution 7		
8.	Resolution 8		
9.	Resolution 9		
10.	Resolution 10		

[Please indicate with (X) in the spaces provided above as to how you wish your vote to be casted. If no specific direction as to voting is given, the Proxy will vote or abstain at his(her) discretion]

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005

Number of shares held: \_\_\_\_\_

\_\_\_\_\_  
[Signature of Member/Common Seal]

[\* Delete if not applicable]

Notes:

1. A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a Proxy or Proxies to attend and vote on his (her) behalf. 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.
2. Where a member appoints two (2) or more Proxies, the appointment shall be invalid unless he (she) specifies the proportion of his (her) holdings to be represented by each Proxy.
3. The Form of Proxy shall be signed by the appointer or of his (her) attorney duly authorised in writing or, if the appointor is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.
4. The instrument appointing a Proxy must be deposited at the Company's registered office at Lot 6096, Jalan Haji Abdul Manan, Batu 5 1/2, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for the meeting or any adjournment thereof.

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Affix  
Stamp

Company Secretary  
**HIAPTECK VENTURE BERHAD**  
(Company No : 421340-U)  
Lot 6096, Jalan Haji Abdul Manan  
Batu 5 1/2, Off Jalan Meru  
41050 Klang  
Selangor Darul Ehsan

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