



HIAP TECK VENTURE BERHAD

(421340-U)
GST REG. No.: 001660665856

17 December 2020

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Attention: Mr. Devanesan Evanson
Chief Executive Officer

Dear Sirs,

Re: 24th Annual General Meeting of Hiap Teck Venture Berhad (“HTVB” or the “Company”)

We refer to your letter dated 7 December 2020 and are pleased to answer the points you have raised in the interest of minority shareholders and all other stakeholders of the Group.

Operational & Financial Matters

1) Covid-19 Pandemic

To what extent has the pandemic impacted HTVB’s operations and financial position in FY2021?

HTVB’s operations have progressively improved since the lifting of the MCO in May 2020 with sales in recent months returning to the pre-Covid-19 levels. Barring a resurgence of the virus and a further nation-wide lockdown, we are optimistic that the country economic recovery will continue to drive the Group’s performance and the Covid-19 pandemic will not have a material adverse impact on the Group’s operations and financial position in FY2021.

2) Financial Performance

Item	2015	2016	2017	2018	2019	2020
Profit from Operations (RM’000)	25,315	106,328	170,757	119,740	77,928	25,791

(Page 14 of the Annual Report 2020)

In FY2020, HTVB recorded the lowest profit from operations since FY2016. How does the Board plan to address the Group’s deteriorating profit from operations, moving forward?

The sharp drop in profit from operations in FY2020 was principally due to the Covid-19 pandemic and the unexpected imposition of the MCO on 18 March 2020. During the MCO period, Group sales were close to nil and despite the partial reopening of the economy on 4 May, most construction sites were slow to restart due to adjustments and compliance with the strict COVID-19 Standard Operating Procedures (SOPs).

The Group's strategy during this challenging period is to contain costs while remaining focused on our sales effort to expand market share. And once international borders are opened, the Group will continue to drive exports to supplement our local sales. As described above, through these efforts, the Group has achieved sales equivalent to the pre-Covid-19 levels, in recent months, and we are confident of delivering an improved performance in FY2021.

- 3) The trading segment recorded a Loss before Tax of RM10.34 million as compared to Profit before Tax of RM1.99 million in the previous financial year due principally to margin erosion to soft demand and increased volatility in steel process during MCO/CMCO/RMCO periods as most major projects from both the Government and private sectors were delayed (Page 13 of the Annual Report 2020).

- a) What is the outlook for trading segment in FY2021?
b) What is the prospect of the segment achieving a turnaround in FY2021?

The Group has an improved outlook for the trading segment in FY2021 given the projected recovery of the economy and improvement in steel prices, and we are optimistic of the segment achieving a turnaround in the current year.

- 4) What is the latest capacity utilisation rates for the Group's plants? What are the planned optimal utilisation rates that the Group expects for the plants in FY2021?

The recent capacity utilization rates for the plants in the manufacturing segment are approximately 45% - 50%, the optimal utilization rates that the Group planned for the plants in FY2021 are between 55% - 60%.

- 5) The Group expands its business into East Malaysia with the incorporation of Huatraco Scaffold (Sabah) Sdn. Bhd. and shares subscription (49% equity interest) in Jetama Alpine Pipe (Sabah) Sdn. Bhd. for the manufacturing, selling, renting scaffolding equipment and a range of steel products as well as to trade in and supply of steel pipes, hollow sections and related products (Page 137 of the Annual Report 2020)

- a) What is the prospect and market size for such businesses in East Malaysia?
b) What is the Group's current and targeted market share in East Malaysia in the next two financial years?

The objective of setting up these companies is to establish a physical presence in the East Malaysia to better position the Group to capture a larger share of the market for steel pipes, hollow sections and scaffold equipment. We are targeting to achieve a 20% share of the East Malaysian market, estimated at 60,000 MT annually, within the next two years.

Corporate Governance & Sustainability Matters

- 1) The Company in its Corporate Governance Report (Page 17) states that it has adopted Step Up 4.3 of Malaysian Code on Corporate Governance (MCCG).

However, under item 2.4 of the Board Charter, it states that "the Board may, in exceptional cases and subject to the assessment of the Nomination Committee on an annual basis, recommend for an Independent Director who has served for a consecutive or cumulative term of nine (9) years to remain as an Independent Director subject to Shareholders' approval with justification given".

This is contrary to Step Up 4.3 which does not provide for any extension of tenure beyond the 9-year tenure of Independent Directors.

Please take note of this.

We note your comment. The Nominating Committee will review the applicability of the Step Up 4.3 and make necessary recommendations to the Board.

- 2) Practice 5.1 of MCGG states that the board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

The Company in its Corporate Governance Report (Page 22) has stated that it has applied Practice 5.1 of MCGG.

Based on the Company's explanation on the application of Practice 5.1, the Company has not applied the Practice as the Board has not disclosed how the assessment was carried out and its outcome.

We note your comment. The Nominating Committee will review the applicability of the Practice Note 5.1 and make recommendations to the Board for necessary disclosure on Directors assessment in Corporate Governance Report.

- 3) On sustainability, how is the Company intending to manage the environmental aspect, especially in relation to its manufacturing activities?

The Group pays special attention to Environmental Sustainability and takes proactive steps in its treatment of scheduled waste, recycling, energy saving, carbon control, and a pleasant, clean and safe working environment. These activities are described in Page 48 of the Annual Report 2020. In addition, the Internal Auditor also conducts audit and review of the Group's Safety, Health and Environment for the manufacturing segment to ensure compliance.

We thank Minority Shareholder Watch Group ("MSWG") for its continuing interests in our Company and we take this opportunity to highlight that the Board of Directors of HTVB fully supports the work of MSWG in promoting good corporate governance best practices in PLCs.

Thank you.

Yours sincerely,
For and on behalf of
HIAP TECK VENTURE BERHAD



Foo Kok Siew
Executive Director
c.c. Company Secretary