

HIAP TECK VENTURE BERHAD  
(Company No:421340-U)  
(Incorporated in Malaysia)

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for 3rd quarter from 1 February 2017 to 30 April 2017

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/04/2017	30/04/2016	30/04/2017	30/04/2016
	RM'000	RM'000	RM'000	RM'000
Revenue	297,125	285,053	845,377	877,520
Cost of Sales	(238,318)	(253,311)	(695,888)	(793,645)
Gross Profit	58,807	31,742	149,489	83,875
Other Income	9,824	3,503	39,482	13,547
Operating Expenses	(12,075)	(13,108)	(36,498)	(40,732)
Other Expenses	(2,347)	(4,596)	(2,692)	(3,635)
Profit from Operations	54,209	17,541	149,781	53,055
Finance Costs	(7,561)	(8,166)	(24,848)	(23,406)
Share of loss of equity accounted investees, net of tax	(4,920)	3,166	(60,337)	(72,063)
<b>Profit/(Loss) Before Tax</b>	<b>41,728</b>	<b>12,541</b>	<b>64,596</b>	<b>(42,414)</b>
Income tax	(9,786)	(2,015)	(29,888)	(7,455)
<b>Profit/(Loss) for the Period</b>	<b>31,942</b>	<b>10,526</b>	<b>34,708</b>	<b>(49,869)</b>
<b>Other Comprehensive Income</b>				
Net loss on available-for-sale financial assets - fair value changes	218	(163)	664	(544)
Foreign currency translation	11	(506)	(38)	(737)
	229	(669)	626	(1,281)
<b>Total Comprehensive Income</b>	<b>32,171</b>	<b>9,857</b>	<b>35,334</b>	<b>(51,150)</b>
<b>Profit/(Loss) Attributable to:</b>				
Owners of the parent	31,944	10,589	34,890	(49,436)
Minority Interest	(2)	(63)	(182)	(433)
	31,942	10,526	34,708	(49,869)
<b>Total Comprehensive Income Attributable to:</b>				
Owners of the parent	32,173	9,920	35,516	(50,717)
Minority Interest	(2)	(63)	(182)	(433)
	32,171	9,857	35,334	(51,150)
<b>Earnings / (Loss) Per Share (EPS)</b>				
(a) Basic (sen)	2.48	1.49	2.71	(6.93)
(b) Diluted (sen)	N/A	N/A	N/A	N/A

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 July 2016 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD  
(Company No:421340-U)  
(Incorporated in Malaysia)

Condensed Consolidated Statements of Financial Position as at 30 April 2017

	30/04/2017 (Unaudited)	31/7/2016 (Audited)
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	251,167	256,486
Mining exploration & evaluation asset	20,075	19,597
Investment properties	7,358	7,476
Investment in jointly controlled entity	-	55,157
Investment in associate	-	475
Available-for-sale - financial assets	1,572	909
Deferred tax assets	302	302
Trade and other receivables (Amount due from jointly controlled entity)	277,164	279,612
	<u>557,638</u>	<u>620,014</u>
<b>Current assets</b>		
Inventories	290,744	254,993
Trade and other receivables	574,717	528,071
Tax recoverable	2,120	2,235
Available-for-sale - financial assets	18,891	5,189
Cash and cash equivalents	89,161	241,492
	<u>975,633</u>	<u>1,031,980</u>
<b>Total assets</b>	<u>1,533,271</u>	<u>1,651,994</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	648,475	644,358
Share premium	-	-
Treasury shares	(7,499)	(7,496)
Warrant reserve	30,341	48,800
Foreign reserve	(320)	(282)
Share option reserve	4,526	4,190
Fair value adjustment reserve	(1,037)	(1,701)
Equity component of redeemable convertible secured bonds, net of tax	-	(353)
Equity component of RCUIDS, net of tax	50,848	54,965
Retained profits	216,394	170,383
	<u>941,728</u>	<u>912,864</u>
Minority Interest	(2)	180
<b>Total equity</b>	<u>941,726</u>	<u>913,044</u>
<b>Non-current liabilities</b>		
Borrowings	28,267	165,537
Deferred tax liabilities	35,007	41,080
	<u>63,274</u>	<u>206,617</u>
<b>Current liabilities</b>		
Borrowings	467,310	451,360
Trade and other payables	39,286	75,883
Tax payable	21,675	5,090
	<u>528,271</u>	<u>532,333</u>
<b>Total liabilities</b>	<u>591,545</u>	<u>738,950</u>
<b>Total equity and liabilities</b>	<u>1,533,271</u>	<u>1,651,994</u>
Net assets per share attributable to owners of the parent (RM)	0.73	0.71

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 July 2016 and the accompanying explanatory notes attached to the interim financial statement.

HIAP TECK VENTURE BERHAD  
(Company No:421340-U)  
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Condensed Consolidated Statements of Cash Flows for the period ended 30 April 2017

	Current Year To-date 30/04/2017 RM'000	Preceding Year Corresponding Period 30/04/2016 RM'000
<b><u>Operating Activities</u></b>		
Profit/(Loss) Before Tax	64,596	(42,414)
Adjustments for:		
Depreciation of investment property	119	119
Depreciation of property, plant and equipment	11,062	16,693
Equity-settled share based payments	336	336
Gain on disposal of property, plant and equipment	(6,615)	(2,432)
Loss on disposal of an associate company	2	-
Interest expense	24,848	23,406
Finance income:		
Available-for-sale financial assets	(955)	(544)
Deposits	(2,781)	(1,009)
Jointly controlled entity	(21,634)	-
Net overdue interest income	(448)	(302)
Net unrealised foreign exchange (gain) / loss	(2,597)	2,348
Property, plant and equipment written off	44	95
Provision for slow moving inventories	7,785	-
Provision for doubtful debts	2,235	-
Share of loss of equity accounted investees, net of tax	60,337	72,063
Operating profit before changes in working capital	136,334	68,359
Net change in current assets	(46,907)	49,977
Net change in current liabilities	(36,279)	1,073
Cash (used in) / from operations	53,148	119,409
Interest paid	(26,848)	(19,037)
Net overdue interest income received	448	302
Taxes paid, net of taxes refunded	(13,290)	(6,775)
<b>Net cash (used in) / from operating activities</b>	<b>13,458</b>	<b>93,899</b>
<b><u>Investing Activities</u></b>		
Finance income:		
Available-for-sale financial assets	955	544
Deposits	2,781	1,009
Jointly controlled entity	21,634	-
Investment in available-for-sale financial assets	(13,702)	(15,535)
Proceeds from disposal of property, plant and equipment	9,747	2,954
Purchase of property, plant and equipment	(8,931)	(1,509)
Proceeds from disposal of an associate company	473	-
Additions to mining exploration and evaluation asset	(478)	(711)
Advances to jointly controlled entity	(47,273)	(97,218)
<b>Net cash used in investing activities</b>	<b>(34,794)</b>	<b>(110,466)</b>
<b><u>Financing Activities</u></b>		
Dividends paid	(3,853)	(2,139)
Convertible secured bonds redeemed	(147,000)	-
Purchase of treasury shares	(3)	-
Drawdown/(repayment) of borrowings	19,031	47,399
<b>Net cash from financing activities</b>	<b>(131,825)</b>	<b>45,260</b>
Net Change in Cash and Cash Equivalents	(153,161)	28,693
Effect of exchange rate changes	830	(884)
Cash and Cash Equivalents at beginning of period	241,492	65,484
Cash and Cash Equivalents at end of period	<b>89,161</b>	<b>93,293</b>

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2016 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Changes in Equity for the period ended 30 April 2017

	Attributable to equity holders of the parent										Total Equity RM'000		
	Non-distributable					<-Distributable->							
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Warrant Reserve RM'000	Foreign Reserve RM'000	Share Option Reserve RM'000	Fair Value Adjustment Reserve RM'000	Equity Component of Redeemable Convertible Secured Bonds, net of tax RM'000	Equity Component of RCUIDS, net of tax RM'000	Retained Profits RM'000	Total RM'000	Minority Interests RM'000	
As at end of current quarter ended 30 April 2017	644,358	(7,496)	-	48,800	(282)	4,190	(1,701)	(353)	54,965	170,383	912,864	180	913,044
Opening balance as at 1 August 2016	-	-	-	-	(36)	-	664	-	-	34,890	35,516	(182)	35,334
<b>Total comprehensive income</b>													
<b>Transactions with owners</b>													
Issue of ordinary shares pursuant to right issue	4,117	-	-	-	-	-	-	-	(4,117)	-	-	-	-
- Conversion of RCUIDS	-	(3)	-	-	-	-	-	-	-	-	(3)	-	(3)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Convertible secured bonds redeemed	-	-	-	-	-	-	-	353	-	(3,485)	(3,132)	-	(3,132)
Warrants expired	-	-	-	(18,459)	-	-	-	-	-	18,459	-	-	-
Equity-settled share based payments	-	-	-	-	-	336	-	-	-	-	336	-	336
Final dividend for the financial year ended 31 July 2016 (Single tier of 0.6%)	-	-	-	-	-	-	-	-	-	(3,853)	(3,853)	-	(3,853)
<b>Transactions with owners</b>	4,117	(3)	-	(18,459)	-	336	-	353	(4,117)	11,121	(6,652)	-	(6,652)
<b>Closing balance as at 30 April 2017</b>	<b>648,475</b>	<b>(7,496)</b>	<b>-</b>	<b>30,341</b>	<b>(320)</b>	<b>4,526</b>	<b>(1,037)</b>	<b>-</b>	<b>50,848</b>	<b>216,394</b>	<b>941,728</b>	<b>(2)</b>	<b>941,726</b>
As at preceding year corresponding quarter ended 30 April 2016	359,195	(7,496)	38,160	18,459	(140)	3,742	(504)	(353)	-	461,086	872,149	792	872,941
Opening balance as at 1 August 2015	-	-	-	-	(737)	-	(544)	-	-	(49,436)	(50,717)	(433)	(51,150)
<b>Total comprehensive income</b>													
<b>Transactions with owners</b>													
Equity-settled share based payment	-	-	-	-	-	336	-	-	-	-	336	-	336
Final dividend for the financial year ended 31 July 2016 (Single tier of 0.6%)	-	-	-	-	-	-	-	-	-	(2,139)	(2,139)	-	(2,139)
<b>Transactions with owners</b>	-	-	-	-	-	336	-	-	-	(2,139)	(1,803)	-	(1,803)
<b>Closing balance as at 30 April 2016</b>	<b>359,195</b>	<b>(7,496)</b>	<b>38,160</b>	<b>18,459</b>	<b>(877)</b>	<b>4,078</b>	<b>(1,048)</b>	<b>(353)</b>	<b>-</b>	<b>409,511</b>	<b>819,629</b>	<b>359</b>	<b>819,988</b>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2016 and the accompanying explanatory notes attached to the interim financial statements.

**HIAP TECK VENTURE BERHAD**  
(Company No: 421340-U)

Notes to the Quarterly Report – 30 April 2017

**PART A : EXPLANATORY NOTES AS PER MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING**

**1. Basis of preparation**

These interim financial statements are unaudited and have been prepared in accordance with MFRS 134 “Interim Financial Reporting” issued by Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Company’s annual audited financial statements for the year ended 31 July 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 July 2016.

**2. Significant Accounting Policies**

This interim financial report has been prepared based on accounting policies and methods of computation which are consistent with those adopted in the annual audited financial statements for the year ended 31 July 2016.

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016**

- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 5, Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception

## 2. Significant Accounting Policies (cont'd)

- Amendments to MFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101, Presentation of Financial Statements – Disclosure Initiative
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants
- Amendments to MFRS 119, Employee Benefits (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, Separate Financial Statements – Equity Method in Separate Financial Statements
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)

### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017**

- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers

### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019**

- MFRS 16, *Leases*

### **MFRSs, Interpretations and amendments effective for a date yet to be confirmed**

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material impacts to the financial statements of the Group and the Company.

**3. Audit qualification**

There were no audit qualifications on the annual financial statements of the Group for the year ended 31 July 2016.

**4. Seasonal or cyclical factors**

The Group's business operations are not materially affected by any major seasonal factors except during Hari Raya, Christmas and Chinese New Year festive seasons where business activities generally slow down.

**5. Material unusual items**

There were no items of an unusual nature or amount affecting assets, liabilities, equity, net income or cash flows during the quarter.

**6. Material changes in estimates**

There were no material changes in estimates of amount reported in prior interim period that have material impact in the current quarter under review.

**7. Issuances, cancellation, repurchase, resale and repayment of debt and equity securities**

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter under review except the following:

- a) Issuance of 6,979,500 new ordinary shares at par of RM0.50 each arising from the conversion of RCUIDS for the current quarter under review.
- b) As at quarter ended 30 April 2017, a total of 5,492,000 buy-back shares were held as treasury shares and carried at cost.
- c) The 7-year RM147 million nominal 4.5% redeemable convertible secured bonds were fully redeemed on 4 April 2017.

**8. Dividend paid**

No dividend has been paid during the quarter under review.

## 9. Segment information

The Group's activities are identified into the following business segments:

	9 months ended 30 April 2017						
	Trading	Manufac- turing	Property and Investment	Transport- ation	Mining explor- ation	Elimina- tion	Group
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>SALES</b>							
- External sales	400,576	444,656	144	1	-	-	845,377
- Intersegment sales	-	13,077	14,454	2,519	-	(30,050)	-
<b>Total sales</b>	<b>400,576</b>	<b>457,733</b>	<b>14,598</b>	<b>2,520</b>	<b>-</b>	<b>(30,050)</b>	<b>845,377</b>
<b>RESULTS</b>							
Finance income	631	753	23,961	25	-	-	25,370
Finance costs	6,051	7,227	11,570	-	-	-	24,848
Depreciation & amortisation	1,871	6,640	2,359	312	172	-	11,354
Share of loss of jointly controlled entity	-	-	-	-	-	-	(60,337)
<b>Segment profit/(loss)</b>	<b>26,524</b>	<b>83,997</b>	<b>14,696</b>	<b>120</b>	<b>(404)</b>	<b>(60,337)</b>	<b>64,596</b>

## 10. Valuation of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendments from the previous annual report.

## 11. Significant events

There were no material events subsequent to the end of the interim period up to the date of this report.

## 12. Changes in the composition of the Group

There were no significant changes in the composition of the Group as at the date of this report.

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### 13. Changes in contingent liabilities and assets

The contingent liabilities as at 30 April 2017 are as follow:

Unsecured Contingent Liabilities :-	Group	
	30.04.2017 RM'000	30.04.2016 RM'000
In respect of indemnity provided for bank guarantees issued	6,530	6,520
In respect of guarantees issued in favour of Royal Custom and Excise Department	-	3,000
In respect of corporate guarantees issued to a jointly controlled entity	8,829	42,659
<b>Total</b>	<b>15,359</b>	<b>52,179</b>

### 14. Capital commitments

Share of capital commitments of the jointly controlled entity as at 30 April 2017 are as follow:

	RM'000
<u>Capital expenditure:</u>	
Approved and contracted for	23,320
	23,320

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**15. Related party transactions**

Related party transactions for the quarter under review in which certain Directors have direct/indirect interest are as follows:

	<b>Group</b>	
	<b>Current year quarter</b>	<b>Current year-to- date</b>
	<b>30.04.2017</b>	<b>30.04.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Sales of steel products by certain wholly owned subsidiaries of the Group to 55% owned jointly controlled entity, Eastern Steel Sdn. Bhd. ("ES")	-	-
Purchases of steel products by certain wholly owned subsidiaries of the Group from JK Ji Seng Sdn.Bhd.	62,085	173,877
Sales of steel products from trial production by ES to JK Ji Seng Sdn.Bhd.	-	-
Purchases of equipment, products, services and raw materials by ES from Shougang Corporation	-	-

These transactions have been entered into in the normal course of business and at arm's length basis and on terms no more favourable to the related party than those generally available to the public and are not detrimental to minority shareholders.

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**PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA  
MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

**16. Review of performance**

The Group reported revenue of RM297.13 million for the 3<sup>rd</sup> quarter of FY 2017, representing an increase of 4.24% over the preceding year corresponding quarter's revenue of RM285.05 million. The increase in revenue was primarily due to higher selling prices as a result of the improvement in steel prices.

Trading division reported lower revenue of RM135.41 million as compared to RM144.54 million in the preceding year corresponding quarter. However, the manufacturing divisions reported slightly higher revenues as compared to the preceding year corresponding quarter. Manufacturing divisions reported revenues of RM169.16 million as compared to RM141.12 million in the preceding year corresponding quarter.

The Group registered a profit before tax of RM41.73 million in Q3FY2017 as compared to a profit before tax of RM12.54 million in Q3FY2016. This was mainly due to improved margins for the quarter. The jointly controlled entity's losses for the 9 months period ended Q3FY2017 were substantially due to unrealised foreign exchange loss arising from USD denominated shareholders' loan.

**17. Comparison with immediate preceding quarter's results**

For the quarter under review, the Group's revenue increased by 10.40% from RM269.13 million in the immediate preceding quarter to RM297.13 million, mainly due to higher selling price.

The Group has achieved a significant improvement in profit before tax of RM41.73 million in Q3FY2017 as compared to RM17.49 million in Q2FY2017, representing an increase of 138.53%. The improved margin was mainly attributed by higher selling prices for the quarter under review.

**18. Prospects**

ASEAN's apparent steel consumption in 2016 increased 12% y-o-y to 77.37 million tonnes. Malaysia continued its moderate growth rate momentum at 2.3% y-o-y and recorded an apparent steel consumption (ASC) of 10.34 million tonnes in 2016. The Malaysian economy is projected to register a sustained growth of 4.3% - 4.8% in 2017.

Domestic demand continues to be the principal driver of growth, underpinned by private sector activity and public sector infrastructure projects. Malaysia's external sector is expected to remain resilient despite continued uncertainties in the global environment. Both imports and exports expected to strengthen in 2017.

## 18. Prospects (cont'd)

The outlook of the steel industry in Malaysia in 2017 remain positive if China remains committed and steadfast in cutting its steel output capacity and other proactive actions which will prevent the dumping of cheap steel exports to Malaysia.

Majority of steel products produced locally is destined for infrastructure and construction sector applications. Hence, the outlook for the steel industry in Malaysia is very much depends on the growth and performance of this sector. The construction sector is expected to maintain its robust performance with a targeted double-digit growth of 10.3% through new construction works valued at RM 138 billion in 2017.

The realisation or implementation of projects especially high impact mega infrastructure and government social and development projects announced by the Federal Government will undeniably boost the demand for local steel products. This will generate a positive outlook for the local steel industry and the multiplier effect on the national economy when supported by the enforcement of the Government's policy on procurement of the locally produced products.

The group will continue to strive for a positive performance for the financial year.

## 19. Variance of actual and forecast profit

Not applicable.

## 20. Tax

	Group	
	Current year quarter	Current year-to- date
	30.04.2017	30.04.2017
	RM'000	RM'000
Income tax	10,076	29,989
Deferred tax	(290)	(101)
	9,786	29,888

The Group's effective tax rate was higher than the statutory income tax rate of 24% mainly due to share of loss of jointly controlled entity which resulted in lower profit before tax at Group level. The Group's effective tax rate was approximate the statutory income tax rate should the calculation exclude the share of loss of the jointly controlled entity.

## 21. Status of corporate proposal

### 21.1 Rights Issue

The Company received proceeds of RM142.58 million from the Rights Issue and have been utilised in the following manner as at 30 April 2017.

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Amount Unutilised RM'000
a) Working Capital Requirement	140,082	140,082	-
b) Expenses incidental to the right issue	2,500	2,500	-
<b>Total</b>	<b>142,582</b>	<b>142,582</b>	<b>-</b>

### 21.2 Memorandum of Understanding ("MOU")

HTVB had on 15 June 2016 announced that its 55% owned jointly controlled entity, Eastern Steel Sdn Bhd ("ESSB") has entered into a MOU with Angang Group Hong Kong Company Limited ("Angang-HK), to explore, discuss and negotiate areas of cooperation between ESSB and Angang-HK including the resumption of production of ESSB, future expansion of ESSB's production capacity and product range, and Angang-HK's participation in the equity of ESSB. Both parties shall negotiate in good faith with a view to enter into a Formal Agreement within a period of 60 days from 1<sup>st</sup> July 2016.

On 1 September 2016, HTVB had announced that both parties have agreed that the Exclusivity Period shall be extended up to 30 September 2016 to negotiate in good faith with a view to enter into a Formal Agreement within the Exclusivity Period.

On 29 September 2016, HTVB had announced that both parties have agreed that the Exclusivity Period shall be extended from 30 September 2016 to 31 October 2016 to negotiate in good faith with a view to enter into a Formal Agreement within the Exclusivity Period.

## **21. Status of corporate proposal (cont'd)**

### **21.2 Memorandum of Understanding ("MOU") (cont'd)**

On 31 October 2016, HTVB announced that the Company had on 31 October 2016 entered into a Cooperation Agreement ("COOP Agreement") with (1) An Steel International Co., Limited ("Ansteel"); (2) Orient Steel Investment Pte. Ltd. ("Orient Steel"); (3) Chinaco Investment Pte. Ltd. ("Chinaco"); and (4) Eastern Steel Sdn. Bhd. ("ESSB") (collectively referred to as "Parties" and individually referred to as "Party") whereby the Parties intend to carry out a series of transaction as set out below ("Proposed Transactions"):

- (a) Orient Steel – Ansteel Transaction;
- (b) ESSB Additional Shares Issuance; and
- (c) ESSB Shareholders' Agreement.

The Parties shall use their best endeavors to negotiate and finalize the details of the Proposed Transactions such that the definitive agreements shall be entered into by 31 December 2016 and the conditions precedents as set out therein to be fulfilled before 28 February 2017.

On 30 December 2016, HTVB had announced that all parties have agreed that the Cooperation Agreement ("COOP Agreement") shall be extended from 31 December 2016 to 28 February 2017 for the parties to negotiate and finalize the details of the Proposed Transactions such that the definitive agreements shall be entered into within the extended period.

On 28 February 2017, HTVB had announced that all parties have agreed that the Cooperation Agreement ("COOP Agreement") shall be further extended from 28 February 2017 to 31 March 2017 for the parties to negotiate and finalize the details of the Proposed Transactions such that the definitive agreements shall be entered into within the extended period.

On 3 April 2017, HTVB had announced that the extended period ending 31st March 2017 for the parties to enter into the definitive agreements for the Proposed Transaction envisaged under the Cooperation Agreement has passed, and that the Board of Directors of Eastern Steel Sdn Bhd has decided not to extend the deadline.

Moving forward, Eastern Steel Sdn Bhd will commence planning for the resumption of production.

On 6 April 2017, HTVB had added that the decision by the Board of Directors' of Eastern Steel Sdn Bhd ("ESSB's Board") not to extend the deadline was because the parties failed to agree, finalize and enter into definitive agreements for the Proposed Transaction despite the extended period of up to 31 March 2017. ESSB's Board felt that the negotiations, which have taken more than nine months, was too long and the continued suspension of ESSB's operations is not in the best interest of the company. ESSB will commence planning for the resumption of production.

## 22. Borrowings

The Group's borrowings as at 30 April 2017 are as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured:</u>			
Bankers' Acceptances	-	372,602	372,602
Revolving credit	-	60,000	60,000
<u>Unsecured:</u>			
RCUIDS	28,267	-	28,267
Term Loan	-	34,708	34,708
	<u>28,267</u>	<u>467,310</u>	<u>495,577</u>

Bankers' Acceptances and revolving credit are secured by corporate guarantees of the Company.

As at 30 April 2017, the Company has extended corporate guarantees amounting to RM432.60 million to financial institutions for banking facilities granted to certain subsidiaries. The financial impact of the guarantees is not material as the subsidiaries concerned are in positive financial standings to meet their obligations as and when they fall due.

On 5 April 2012 ("Issue Date"), the Company issued a 7-year RM147 million nominal 4.5% redeemable convertible secured bonds. The redeemable convertible secured bonds are constituted by a Trust Deed entered into between the Company and the trustee on 21 March 2012.

HTVB had announced that the Bonds were fully redeemed on 4 April 2017.

The redeemable convertible unsecured Islamic debt securities ("RCUIDS") are constituted by a Trust Deed entered into between the Company and the trustee on 10 May 2016.

## 23. Material litigation

There is no material litigation for the quarter under review.

## 24. Dividend

The Board of Directors does not recommend any dividend for the period under review.

## 25. Earnings per share (“EPS”)

### a) Basic EPS

The basic earnings per share is calculated by dividing the Group’s net profit attributable to ordinary equity holders for the period by the weighted average number of ordinary shares in issue.

	Current Year Quarter 30.04.2017	Current Year to-date 30.04.2017
Profit attributable to owners of the parent (RM'000)	31,944	34,890
Weighted average number of ordinary shares in issue ('000)	1,288,809	1,285,167
<b>Basic earnings per share (sen)</b>	<b>2.48</b>	<b>2.71</b>

### b) Diluted EPS

The diluted earnings per share is calculated by dividing the Group’s net profit attributable to ordinary equity holders for the period by the weighted average number of ordinary shares that would have been in issue upon full exercise of the remaining options under ESOS, warrants and redeemable convertible secured bonds, adjusted for the number of such ordinary shares that would have been issued at fair value.

No diluted earnings per share is disclosed as there was no effect on earnings per share for the current period as the exercise price for option under ESOS and warrants and conversion price of redeemable convertible secured bonds were higher than the average market price.

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26. Realised and unrealised profit disclosure

	Current Year Quarter 30.04.2017 RM'000	Immediate Preceding Quarter 31.01.2017 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	458,912	411,729
- Unrealised	28,255	23,524
	487,167	435,253
Total share of accumulated losses of the joint venture		
- Realised	(204,440)	(192,839)
- Unrealised	(41,627)	(48,306)
Less: Consolidation adjustments	(24,706)	(24,632)
Total retained profits	216,394	169,476

27. Profit from operations

	Current Year Quarter 30.04.2017 RM'000	Current Year-to-date 30.04.2017 RM'000
<i>Profit for the year is arrived at after charging:</i>		
Depreciation of property, plant and equipment	3,427	11,062
Depreciation of investment property	39	119
Provision for slow moving inventories	-	7,785
Provision for doubtful debts	2,235	2,235
Equity-settled share based payments	112	336
Finance costs	7,561	24,848
<i>and after crediting/(charging):</i>		
Gain on disposal of property, plant and equipment	2,522	6,615
Finance income:		
Available-for-sale financial assets	18	955
Deposits	1,141	2,781
Jointly controlled entity	7,106	21,634
Net foreign exchange gain/(loss)		
Realised	1,323	3,048
Unrealised	(2,938)	2,597
Rental income	198	601

28. Authorisation for Issue

The Interim Financial Statements were authorised for issue by the Board of Directors on 29<sup>th</sup> June 2017.

