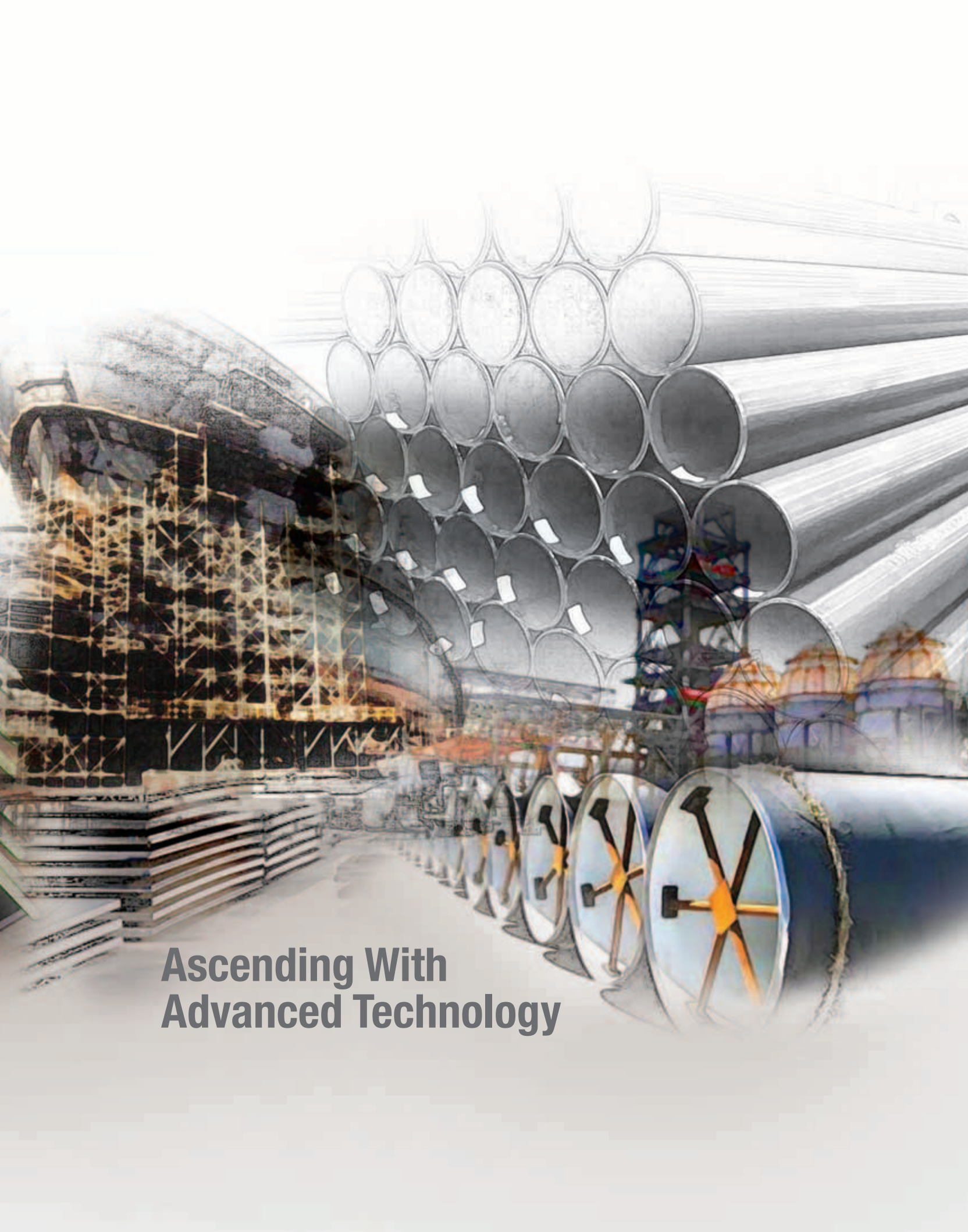


HTVB

HIAP TECK VENTURE BERHAD

421340-U

ANNUAL REPORT 2014



Ascending With Advanced Technology

VISION

- To be the leading steel company in the region

MISSION

- 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

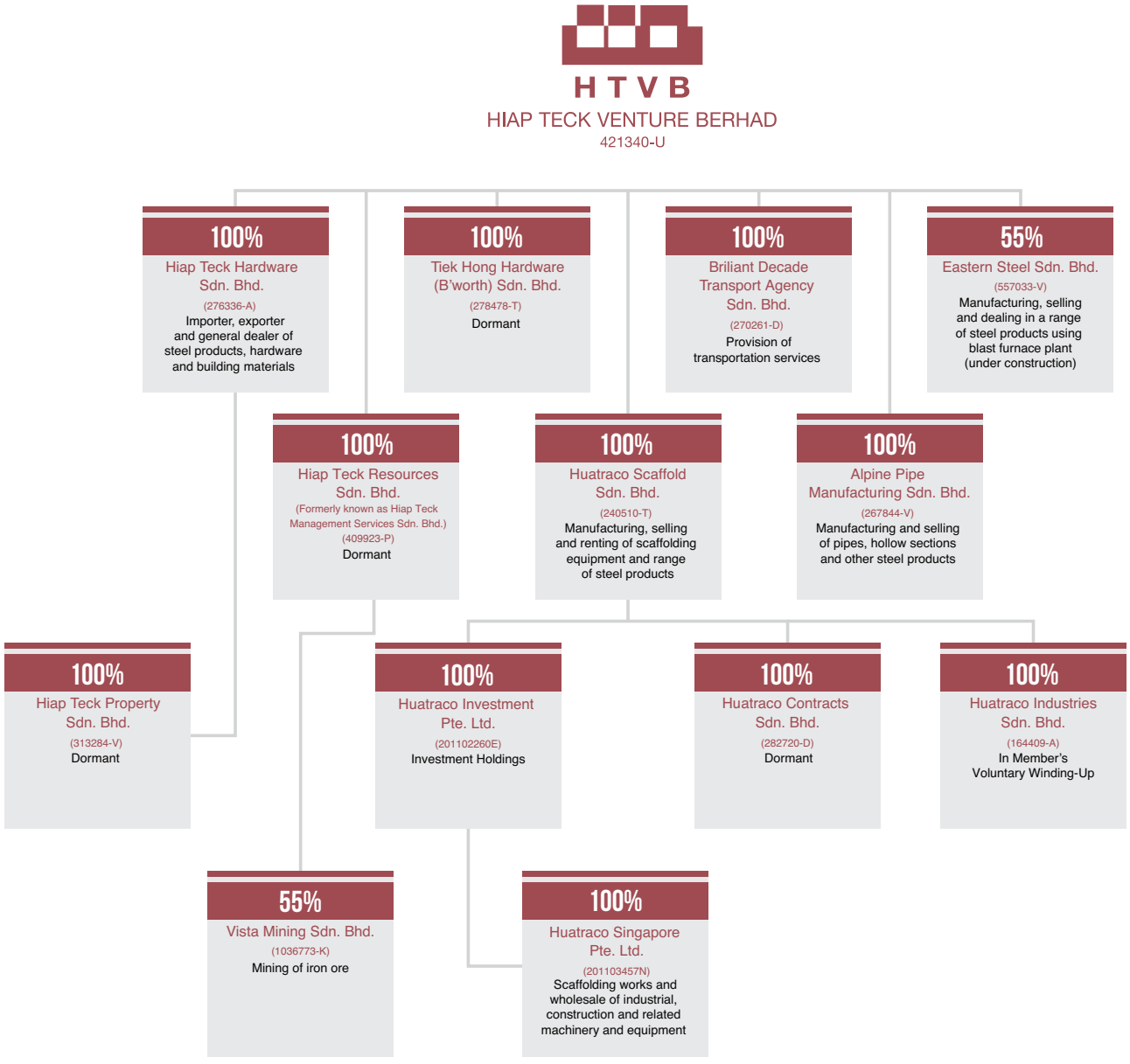
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Form of Proxy



CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN
Tan Sri Abdul Rahman Bin Mamat

EXECUTIVE DEPUTY CHAIRMAN
Tan Sri Dato' Law Tien Seng

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Ng Soon Lai @ Ng Siek Chuan
Mr. Leow Hoi Loong @ Liow Hoi Loong
Mr. Lee Ching Kion

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
Mr. Lu Zongyu

EXECUTIVE DIRECTORS
Mr. Foo Kok Siew
Mr. Low Choong Sing
Mr. Tan Shau Ming

SENIOR INDEPENDENT DIRECTOR
Mr. Ng Soon Lai @ Ng Siek Chuan

AUDIT COMMITTEE

CHAIRMAN
Mr. Ng Soon Lai @ Ng Siek Chuan

MEMBERS
Tan Sri Abdul Rahman Bin Mamat
Mr. Leow Hoi Loong @ Liow Hoi Loong
Mr. Lee Ching Kion

REMUNERATION COMMITTEE

CHAIRMAN
Tan Sri Abdul Rahman Bin Mamat

MEMBERS
Mr. Leow Hoi Loong @ Liow Hoi Loong
Mr. Foo Kok Siew

NOMINATION COMMITTEE

CHAIRMAN
Tan Sri Abdul Rahman Bin Mamat

MEMBERS
Mr. Leow Hoi Loong @ Liow Hoi Loong
Mr. Lee Ching Kion

RISK MANAGEMENT COMMITTEE

CHAIRMAN
Mr. Leow Hoi Loong @ Liow Hoi Loong

MEMBERS
Mr. Lee Ching Kion
Mr. Foo Kok Siew

ESOS COMMITTEE

CHAIRMAN
Tan Sri Abdul Rahman Bin Mamat

MEMBERS
Mr. Leow Hoi Loong @ Liow Hoi Loong
Mr. Foo Kok Siew

COMPANY SECRETARY

Ng Yim Kong (LS 0009297)
c/o Strategy Corporate Secretariat Sdn. Bhd.
Unit 07-02, Level 7, Persoft Tower
6B, Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel No. : (6)03-78045929
Fax No. : (6)03-78052559

REGISTRAR

Symphony Share Registrars Sdn. Bhd. (378993-D)
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel No. : (6)03-78418000
Fax No. : (6)03-78418008

HEAD OFFICE & REGISTERED OFFICE

Lot 6096, Jalan Haji Abdul Manan
Batu 5½, Off Jalan Meru
41050 Klang
Selangor Darul Ehsan, Malaysia
Tel No. : (6)03-33778888
Fax No. : (6)03-33929198
Website : www.htgrp.com.my

AUDITORS

KPMG (AF : 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad (88103-W)
AmBank (M) Berhad (8515-D)
Hong Leong Bank Berhad (97141-X)
Kuwait Finance House (Malaysia) Berhad (672174-T)
Malayan Banking Berhad (3813-K)
OCBC Bank (Malaysia) Berhad (295400-W)

STOCK EXCHANGE

Bursa Malaysia Securities Berhad
(Main Market)
Stock code: 5072

DIRECTORS' PROFILE

TAN SRI ABDUL RAHMAN BIN MAMAT
Malaysian, age 62
Chairman / Independent Non-Executive Director
Chairman of the Remuneration Committee
Chairman of the Nomination Committee
Chairman of the ESOS Committee
Member of the Audit Committee

Y. Bhg. Tan Sri Abdul Rahman Bin Mamat was appointed as Independent Non-Executive Director of Hiap Teck Venture Berhad ("HTVB") on 28 January 2011. He was then appointed as Chairman of the Company on 12 December 2012.

Tan Sri Abdul Rahman graduated with a Bachelor of Economics (Honours) from University Malaya, Malaysia and has an Advanced Management Programme qualifications from Harvard Business School, Boston, the United States of America.

Tan Sri Abdul Rahman joined the Ministry of International Trade and Industry ("MITI") as an Assistant Director on April 18, 1975 and served in various capacities in MITI for 35 years before retiring in December 2010. The positions held were : (1) Deputy Trade Commissioner, Malaysian Trade Office, New York, the United States of America; (2) Director of Trade, Malaysian Trade Centre, Taipei, Taiwan; (3) Economic Counsellor/Trade Commissioner and Deputy Permanent Representative to the United Nations Economic and Social Commission (ESCAP), Malaysian Trade Office, Bangkok, Thailand; (4) Special Assistant to the Minister of International Trade and Industry; (5) Director, Export Promotion Bureau, Malaysia External Trade Development Corporation (MATRADE); (6) Director of Industries; (7) Senior Director, Policy and Industry, Services Division; (8) Deputy Secretary-General (Industry); and (9) Secretary-General.

During his tenure in MITI, he also served as MITI's representative on the board of various companies and corporations including Malaysian Industrial Development Authority (MIDA), MATRADE, Johor Corporation, Regional Economic Development Authority (RECODA) and Lembaga Kenaf dan Tembakau Negara. Tan Sri Abdul Rahman has represented Malaysia in a number of international meetings, bilateral, regional and multilateral negotiations, conferences and symposiums. He had also contributed towards formulating, implementing and monitoring policies and programs on international trade, industrial growth and entrepreneurship development. He is an honorary member of the ASEAN Federation of Engineering Organisations and a Malaysian Leader for the High Level Task Force on ASEAN Economic Integration.

Tan Sri Abdul Rahman is also a Director of Parkson Holdings Berhad and Dagang Nexchange Berhad (formerly known as Time Engineering Berhad.)

Tan Sri Rahman has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

He has attended all of the 5 board meetings of HTVB held during the financial year ended 31 July 2014.

TAN SRI DATO' LAW TIEN SENG
Malaysian, age 61
Executive Deputy Chairman

Tan Sri Dato' Law Tien Seng was appointed as the Deputy Chairman and Non-Independent Non-Executive Director of HTVB on 1 June 2010. He was re-designated as Executive Deputy Chairman on 3 August 2011.

Tan Sri Dato' Law is a businessman and owns a group of companies which are diversified in various industries engaged in mining, manufacturing of steel products, property development and investment.

He currently serves on the board of several private limited companies in Malaysia.

Tan Sri Dato' Law has no family relationship with any Directors of the Company. He is deemed to have interest in HTVB via his indirect interest in TS Law Investments Limited, a major shareholder of HTVB. He has no conflict of interest with the Company and has no convictions for any offences over the past ten years.

He has attended all of the 5 board meetings of HTVB held during the financial year ended 31 July 2014.

NG SOON LAI @ NG SIEK CHUAN
Malaysian, age 60
Independent Non-Executive Director
Chairman of the Audit Committee

Mr. Ng Soon Lai was appointed as Independent Non-Executive Director of HTVB on 18 August 2009.

He is a member of the Institute of Chartered Accountants in England & Wales since 1977. He gained his audit and accounting experience with Coopers & Lybrand in London and Kuala Lumpur before embarking on his career path in the financial sector in 1980.

Mr. Ng had served in various positions in a leading local merchant bank and a finance company before joining Alliance Bank Malaysia Berhad in 1991. He was appointed as the Chief Executive Director of Alliance Bank Malaysia Berhad in 1994 and to the Board of Alliance Merchant Bank Berhad in 2002 until his resignation in 2005. Since then, he has held the post of Independent Director in several public listed companies.

Mr. Ng is presently a Director of Deutsche Bank (Malaysia) Berhad, S P Setia Berhad, Tune Insurance Malaysia Berhad, Tune Ins Holdings Berhad and ELK Desa Resources Berhad.

Mr. Ng has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2014.

DIRECTORS' PROFILE
(Cont'd)

LEOW HOI LOONG @ LIOW HOI LOONG
Malaysian, age 60
Independent Non-Executive Director
Chairman of the Risk Management Committee
Member of the Audit Committee
Member of the Remuneration Committee
Member of the Nomination Committee
Member of the ESOS Committee

Mr. Leow Hoi Loong @ Liow Hoi Loong was appointed as Independent Non-Executive Director of HTVB on 13 December 2012.

Mr. Leow is a Fellow Member of the Chartered Association of Certified Accountants, United Kingdom. Mr. Leow started his career with American International Assurance Co. Ltd. in 1977 as Marketing Executive in marketing of financial services. In 1979, he joined Pacific Bank Berhad as Regional Credit Officer and was later made the Accountant at the Bank's Head Office until 1982. He then joined the Low Yat Group and AP Land Bhd as Group Financial Controller and Company Secretary and served the position for six years (1982 – 1988). He was a Corporate and Institutional Dealer with TA Securities Berhad from 1988 to 2002.

Currently, he is holding a dealer's representative licence from M&A Securities Berhad. Mr. Leow also owns and manages several private companies involved in property investment, retailing business and industrial property development locally and abroad and he is also an Independent Non-Executive Director of Perduren (M) Bhd.

Mr. Leow has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2014.

LEE CHING KION
Malaysian, age 60
Independent Non-Executive Director
Member of the Audit Committee
Member of the Risk Management Committee
Member of the Nomination Committee

Mr. Lee Ching Kion was appointed as the Executive Director and Group Chief Operating Officer of HTVB on 1 June 2010. Mr. Lee was re-designated as Non-Independent Non-Executive Director on 29 March 2012 and on 26 September 2014, he was re-designated as Independent Non-Executive Director.

Mr. Lee obtained his Bachelor of Science with Honours Degree in Metallurgy and Materials Science from the University of Nottingham, England. He started his career in 1979 as an Engineer. He was with Yodoshi Malleable (M) Sdn Bhd and Jebsen-Jessen Engineering Sdn Bhd before he joined Amsteel Mills Sdn Bhd. He was the Sales Engineer of Amsteel Mills Sdn Bhd and later became the Head of Research & Development and Quality Control Department. He spent seven (7) years in Amsteel Mills Sdn Bhd and left in 1990. Mr. Lee then joined Wuthelam Holding (M) Group of Companies as General Manager in 1990 and he was appointed as a Director in 1991 and held the position until he left in 1997.

Mr. Lee Ching Kion was the Head of Property/Business Division of DNP Holdings Berhad from 1997 to 2001. He was concurrently the Managing Director of Posim Berhad, the Chief Executive Officer of Bright Steel Sdn Bhd and the Commercial Director of Steel Division of Lion Group from 2001 - 2003. He resigned from all his positions within the Lion Group in June 2003. Mr. Lee was the Director of Midwest Corporation Ltd, an Australian company from 2003 - 2005. He was also the Director of Malayawata Steel Berhad, Magna Prima Berhad and Melewar Industrial Group Berhad.

He currently serves on the board of several private limited companies and he is also a Director of Hua Joo Seng Enterprise Berhad.

Mr. Lee has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2014.

DIRECTORS' PROFILE
(Cont'd)

LU ZONGYOU
Chinese, age 50
Non-Independent Non-Executive Director

Mr. Lu Zongyou was appointed as Executive Director of HTVB on 17 January 2012. He was re-designated to Non-Independent Non-Executive Director on 12 December 2012. He is also the Chief Executive Officer of Eastern Steel Sdn Bhd, a 55% owned jointly controlled entity of HTVB.

Mr. Lu, a Senior Mechanical Engineer and Senior Economist, holds a Bachelor of Engineering degree from Anhui University of Technology, China and MBA from Tsinghua University, China. His working relationship with Shougang started in 1988. He was involved in Shougang's ferroalloy works, Shougang Group general office secretariat, Shougang overseas headquarters and China Shougang International Trade & Engineering Corporation. Mr Lu was then appointed as Vice President in International Project Contract with China Shougang International Trade & Engineering Corporation from 1997 to 2011.

Mr. Lu has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2014.

FOO KOK SIEW
Malaysian, age 53
Executive Director
Member of the Risk Management Committee
Member of the Remuneration Committee
Member of the ESOS Committee

Mr. Foo Kok Siew was appointed as Independent Non-Executive Director of HTVB on 24 February 2010. He was re-designated as Executive Director on 1 January 2013.

Mr. Foo holds a Bachelor of Economics Degree from Monash University, Melbourne. He started his career at the Chase Manhattan Bank, Kuala Lumpur in 1985 and since then, he has held senior positions with various corporations including Carr Indosuez Asia Limited, Hong Kong, Insas Berhad, HLG Capital Berhad and Kejora Harta Berhad. He was the Chief Executive Director of Alliance Investment Bank Berhad (2004 to 2006).

He is currently an Independent Non-Executive Director of Inari Amertron Berhad and he also sits on the board of several other private limited companies.

Mr. Foo has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

He has attended all of the 5 board meetings of HTVB held during the financial year ended 31 July 2014.

LOW CHOONG SING
Malaysian, age 55
Executive Director

Mr. Low Choong Sing was appointed as Non-Independent Non-Executive Director of HTVB on 24 February 2010 and was re-designated to Executive Director on 24 May 2010.

Mr. Low holds a Bachelor of Economics, majoring in Accounting from La Trobe University, Melbourne in 1982. He is a Fellow Member of Certified Practicing Accountant, Australia and a Chartered Accountant of the Malaysian Institute of Accountants. He has more than 25 years of financial and operation management experience in the steel industry. He was attached to Maruichi Malaysia Steel Tube Berhad from 1983 to 2002 and his last position held was Group Finance Manager. From 2003 to 2009, he was with Melewar Industrial Group Berhad and his last position held was Group Chief Financial Officer.

Mr. Low has no family relationship with any Directors and/or Major Shareholders of the Company nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2014.

TAN SHAU MING
Malaysian, age 51
Executive Director

Mr. Tan Shau Ming was appointed as Executive Director of HTVB on 26 September 2014.

Mr. Tan joined the HSBC Group upon completion of his A-level examinations in 1982. During his career at HSBC, Mr. Tan has been honored with the "Top Marketing and Retainer Achiever for Personal Banking" and also the "Top Sales Performer" awards. Mr. Tan held the position of Project Liaison Officer for Regional East Coast until his resignation from HSBC in 1999.

Mr. Tan was an Executive Director at TAP Resources Berhad from 1999 until 2004, and he was also a member of its Remuneration Committee. His responsibilities in the company included Properties Developments, Human Resources and Administration.

Thereafter, Mr. Tan joined Ji Kang Dimensi Sdn Bhd, a Hot Rolled Steel Plates manufacturing company based in Gebeng, Kuantan as its Executive Director until 2012. His responsibilities in the company included Factory Operations, Logistic and Transportations.

In March 2012, Mr. Tan joined Alpine Pipe Manufacturing Sdn Bhd, a wholly owned subsidiary of HTVB as the Chief Production Officer. His scope of responsibilities has since been expanded to include oversight of all the Group's Manufacturing Operations, Human Resource, Warehousing, Transportation Services and Administration. Mr. Tan also holds the position of Personal Assistant to the Executive Deputy Chairman.

Mr. Tan has no family relationship with any Directors and/or Major Shareholders of the Company nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

He has not attended any of the 5 board meetings of HTVB held during the financial year ended 31 July 2014. All the 5 board meetings that he did not attend were held prior to his appointment.

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors of Hiap Teck Venture Berhad ("HTVB"), I am pleased to present the annual results of the Company and its subsidiaries for the financial year ended 31 July 2014.

OPERATING ENVIRONMENT

In the past two years, the continuing Euro-zone difficulties, slow growth in developed economies and a cooling of emerging economies took a toll on the steel industry. Despite economic conditions, the global steel industry remains uncertain and challenging, steel demand recovery continues but growth is stabilizing at a lower rate. Steel prices in most regions, remained low and are likely to be price-elastic.

In the local front, the influx of imports remains the greatest challenge for the Malaysian steel industry. The strong growth of 6.2% of the Malaysian economy for the first quarter of 2014 and a 4.7% growth in 2013, coupled with the government spending on projects under the 10th Malaysia Plan and other private projects, had eased the challenges faced by the industry. However, the Government's national policies on steel industry, volatility in foreign exchange market and the development of the steel industry in the region are impacting the performance of the local steel industry.

FINANCIAL PERFORMANCE

Despite such a challenging business environment, once again, the Group posted an improved performance compared to the previous financial year.

The Group's revenue of RM1.110 billion for FY 2014 was comparable to the RM1.107 billion revenue registered in the preceding financial year. However, profit before tax of the Group improved from RM34.2 million in FY 2013 to RM49.9 million for the financial year ended 31 July 2014. Profit after tax rose from RM24.3 million previously to RM45.6 million.

The performance improvement was the result of operational efficiency. The Group has taken various measures to achieve operational excellence, enhancing inventory and receivable management, increase productivity and efficiency while keeping a tight control on cost and expenses.

Manufacturing Division remained the key contributor to the Group's profit. Pipe making division contributed RM28.5 million, representing 63% of the Group's net profit (FY 2013 : 43%). Higher production volume coupled with tighter cost control and increased efficiency, resulted in a lower production cost and better margin. Both Scaffolding and Trading Division accounted for 12% & 11% respectively of the Group's net profit (FY 2013 : 34% and 19% respectively).

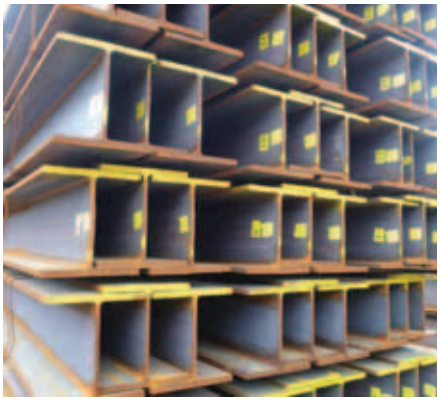
DIVIDENDS

The Board of Directors is pleased to recommend for shareholders' approval at the forthcoming Annual General Meeting ("AGM"), a single tier final dividend of 0.6 sen per share for the financial year ended 31 July 2014. If approved by the shareholders at the AGM on 17 December 2014, the final dividend will be paid on 13 February 2015.

CORPORATE DEVELOPMENT

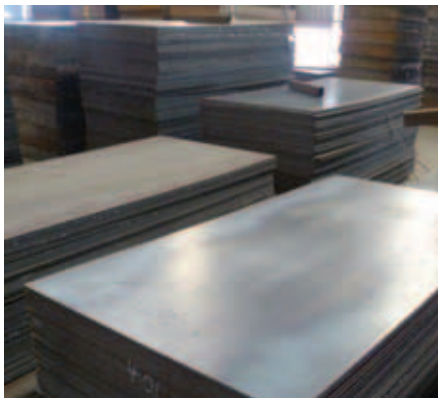
In recognising the role of the employees in the development of the company and to inculcate a sense of belonging amongst the employees, the Company has in FY 2013 offered a total number of 48,800,000 options to its eligible directors and employees under its Employees' Share Options Scheme at an Exercise Price of RM0.50 per HTVB share. In Jan 2014, a second offer of options for a total of 11,020,000 options has been offered to new eligible directors and employees and additional offers to members of the Senior Management based on their performance and level of responsibilities. The Exercise Price for the second tranche of options is RM0.67 per HTVB shares.





CHAIRMAN'S STATEMENT
(Cont'd)





The Company's investment in an integrated steel mill in Teluk Kalung Industrial Estate, Kemaman, Terengganu, a joint-venture project with China Shougang International Trade and Engineering Corporation is progressing and is expected to complete before the end of 2014.

The Company's wholly-owned subsidiaries, Hiap Teck Resources Sdn. Bhd. (formerly known as Hiap Teck Management Services Sdn. Bhd.) had on 18 September 2014 entered into a Subscription Agreement with Vista Mining Sdn. Bhd. for the subscription of 550,000 new ordinary shares representing 55% of the enlarged issued and paid up share capital of Vista Mining Sdn. Bhd.. Vista Mining Sdn. Bhd. is principally engaged in the mining practices particularly in iron ore exploration, mining and processing operations, and is presently the Approved Contractor by Jabatan Mineral Dan Geosains Malaysia, Terengganu for Lot 110549 Mukim Jerangau, Dungun and Lot 60020 Mukim Besul, Dungun. The subscription of shares in Vista Mining Sdn. Bhd. marked the Group's foray into mining business aimed at transforming the Group into a fully integrated Steel Player in the country with mining, upstream and downstream activities.

PROSPECTS

The recovery in Europe is still mild and constrained by high debt and unemployment. Structural problems in the emerging economies are less likely to be resolved in the short term leaving them fragile and susceptible to external shocks. China's steel usage is expected to lose steam due to the government's ongoing attempt to restructure the economy to a services and consumers-driven economic. These factors will prevent the broad recovery momentum from registering a higher global steel demand growth rate. In short, the global steel demand is expected to recover at a slower pace with continued volatility and uncertainty leading to a challenging environment for steel companies.

At our home base, Malaysia, the Government continues to review policies and regulations in order to promote the local steel industry. Together with Government's spending under the Economic Transformation Programme, Tenth Malaysia Plan (2011-2015) and robust demand for properties in key growth areas, we do however foresee that the local steel industry will see modest improvement.

Nonetheless, the Group's key focus will be to continuously review our core strategies to improve the cost, quality and delivery of our products as well as overall operational efficiencies in pushing the Group to the fore front of the industry.

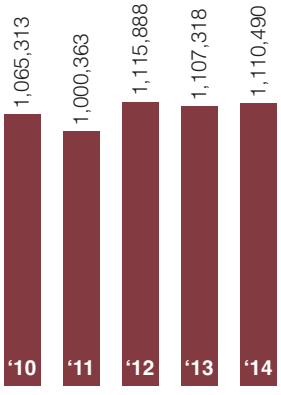
ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my appreciation to our valued shareholders, customers, suppliers and business associates for their unwavering support over the years. My sincere gratitude also goes to my fellow colleagues on the Board, management and staff whose commitment and hard work continue to strengthen the Group's businesses.

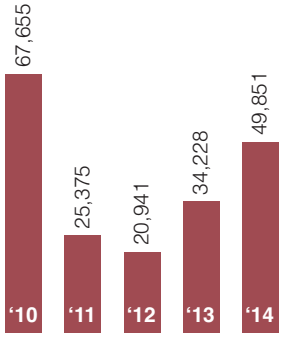
TAN SRI ABDUL RAHMAN BIN MAMAT
Chairman

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

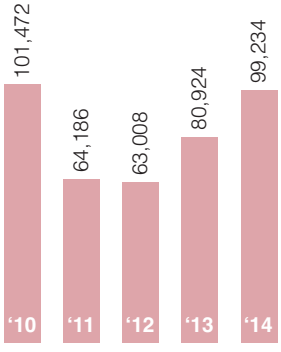
	2010	2011	2012	2013	2014
Revenue (RM'000)	1,065,313	1,000,363	1,115,888	1,107,318	1,110,490
Profit Before Taxation (RM'000)	67,655	25,375	20,941	34,228	49,851
EBITDA (RM'000)	101,472	64,186	63,008	80,924	99,234
Profit After Taxation (RM'000)	50,508	25,538	15,625	24,292	45,565
Shareholders' Funds (RM'000)	695,425	716,747	886,837	909,013	952,633
NTA Per Share (RM)	2.16	2.23	1.25	1.28	1.34
Earnings Per Share (sen)	15.74	8.52	3.10	3.43	6.42
Dividend (sen)	1.50	1.50	0.60	0.60	0.60



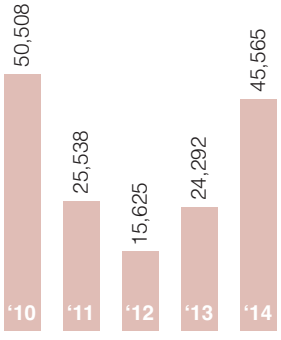
REVENUE (RM'000)



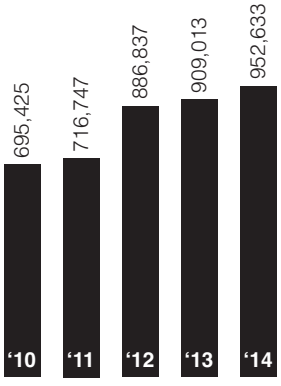
PROFIT BEFORE TAXATION (RM'000)



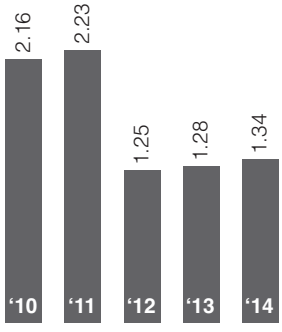
EBITDA (RM'000)



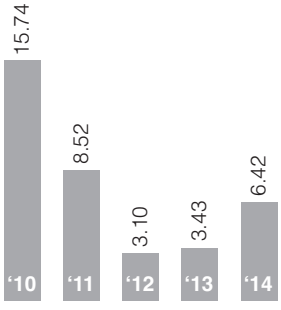
PROFIT AFTER TAXATION (RM'000)



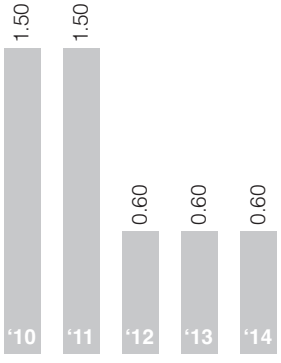
SHAREHOLDERS' FUNDS (RM'000)



NTA PER SHARE (RM)



EARNINGS PER SHARE (SEN)



DIVIDEND (SEN)

STATEMENT ON CORPORATE GOVERNANCE

The Board of Hiap Teck Venture Berhad ("HTVB") fully supports the recommendations of the Malaysian Code on Corporate Governance 2012 ("Code") issued by the Securities Commission and Bursa Malaysia Securities Berhad ("BMSB") which sets out the broad principles and recommendations for good corporate governance and best practices for listed companies.

The Board is committed to apply the recommendations of the Code in ensuring and maintaining that good corporate governance is practised throughout the Group to effectively discharge its responsibilities to protect and enhance shareholders' value and those of the other stakeholders.

The Board of Directors is, therefore, pleased to report that this statement sets out the extent of the Group's compliance with the recommendations of the Code for the financial year ended 31 July 2014. Where there are gaps in the Company's observation of any of the recommendations of the Code, these are disclosed with explanations.

A. BOARD OF DIRECTORS

Board Charter and Board Responsibilities

Emphasising its commitment to good corporate governance practices of the Code, the Board has during the financial year formalised and adopted a Board Charter that sets out, amongst others, the responsibilities, authorities, procedures, evaluations and structures of the Board and Board Committees, as well as the relationship between the Board with management and the shareholders of the Company. During the financial year, the Board has also formalised and adopted a Code of Ethics and Conduct for Directors in line with the recommendation of the Code.

The Board Charter and Code of Ethics and Conduct for Directors may be viewed at the Company's website at www.htgrp.com.my.

The Board is primarily responsible for determining the strategic direction of the Group, monitoring and overseeing the performance of the Group's business. The Board members meet regularly to review corporate strategies, operations and the performance of business segments and bring to bear independent judgment on issues of strategy, performance, resources, governance and code of conduct and ethics to ensure that decisions made and actions taken will promote sustainability of the Group. The Board as a whole is dedicated to practise clear demarcation of duties, responsibilities and authority within the Company.

Sustainability

The Board recognises the importance of sustainability and its increasing significance in the business. The Board is committed to understanding and implementing sustainable practices and to exploring the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success.

In transition to implement the Code, the Company will consider formalising a Sustainability Policy which aims to endeavour to integrate the principles of sustainability into the Company's strategies, policies and procedures and ensure that the Board and senior management are involved in implementation of this policy, review the sustainability performance and create a culture of sustainability within the Company, and the community, with an emphasis on integrating the environmental, social and governance considerations into decision making and the delivery of outcomes.

Board Balance

The Board comprises nine (9) Directors of whom one (1) is Independent Non-Executive Chairman, one (1) is Executive Deputy Chairman, three (3) are Executive Directors, one (1) is Non-Independent Non-Executive Director and three (3) are Independent Non-Executive Directors. Therefore, the Board is in compliance with Paragraph 15.02 of the Main Market Listing Requirements ("MMLR") of BMSB, which requires that at least one-third (1/3) of the Board comprises Independent Directors. A brief profile of the Board members are set out in pages 4 to 9 of this Annual Report.

The Company is led and managed by an experienced Board comprising members with a wide range of qualifications, knowledge and experience in the relevant fields such as finance, accounting, metallurgy, material science, management, economics, corporate affairs, entrepreneurship and management. Collectively, the Directors bring a broad range of skills, expertise, knowledge and independent judgment to successfully direct and supervise the attainment of the Group's corporate strategy and business.

Separation of positions of Independent Non-Executive Chairman and Executive Deputy Chairman

There is a clear demarcation of responsibilities and roles between the Independent Non-Executive Chairman and the Executive Deputy Chairman to ensure the balance of power and authority. The positions of Non-Executive Chairman and Executive Deputy Chairman are held by different individuals. The Chairman's main responsibility is to ensure effective conduct of the Board and Board meetings and unrestricted and timely access by all Directors to all relevant information necessary for decision making. The Chairman leads the oversight of the management to ensure integrity and effectiveness of the governance process and leads the discussion on strategies and policies recommended by the Management. The Executive Deputy Chairman provides executive leadership and is assisted by the three (3) Executive Directors who are responsible for the implementation of the Board's policies and decisions as well as supervising the operation of the Group and the development and implementation of business strategies.

The Independent Directors as defined under Paragraph 1.01 of BMSB's MMLR are independent of management and are free from any business or other relationships that could interfere with the exercise of their independent judgment or the ability to act in the best interests of the Company. The roles of Independent Directors are particularly important in bringing independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

Annual Assessment of Independent Directors

The Independent Directors play a key role in corporate accountability and provide unbiased views and impartiality to the Board's deliberation and decision making process. In addition, the Independent Directors ensure that matters and issues brought to the Board are given due consideration, fully discussed and examined, taking into account the interest of all stakeholders in the Group.

The assessment on independence of the Directors based on the provisions of the MMLR covers a series of objective tests and is carried out before the appointment of the Independent Directors. Further, the Board with assistance from the Nomination Committee will undertake to carry out annual assessment of the effectiveness of the Board as a whole, including Independent Non-Executive Directors and consider whether the Independent Director can continue to bring independent and objective judgment to the Board deliberations.

Any Director who considers that he has or may have a conflict of interest or a material personal interest or a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Director's decisions in any matter concerning to the Company is required to immediately disclose to the Board and to abstain from participating in any discussion or voting on the respective matter.

For the financial year ended 31 July 2014, the Board assessed the independence of its Independent Non-Executive Directors based on the criteria set out in the MMLR of BMSB. The Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company. All the Independent Directors have given written confirmation declaring their independence to the Board.

Tenure of Independent Directors

The Board in its Board Charter provided that the tenure of an Independent Director should not exceed a consecutive or cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. However, 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.

None of the Independent Directors have served for a cumulative term of more than nine (9) years for the financial year ended 31 July 2014.

Board Meetings

The Board of Directors meets on a quarterly basis with additional meetings convened as and when necessary, to inter-alia approve quarterly financial results, business plans, budgets, governance matters and other business development activities. Special Board meetings may be convened to consider urgent proposal or matters which require the expeditious review or consideration by the Board. Senior Management is invited to attend and speak at the Board meetings on matters relating to their sphere of responsibility and to advise on relevant agenda items to enable the Board to arrive at a considered decision. Strategic issues such as acquisition and disposal of the Group's investments or assets; announcements 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. Besides Board Meetings, the Board also exercises control on matters that require Board's approval through circulation of Directors' resolutions.

Board meetings for the ensuing financial year are scheduled in advance to facilitate the Directors to plan ahead. All meetings are furnished with proper agendas with due notice issued and board papers and reports prepared by the Management which provide updates on financial, operational, legal matters and circulated prior to the meetings to all Directors with sufficient time to review them to ensure for effective discussions and decision making during the meetings.

During the financial year ended 31 July 2014, five (5) board meetings were held. Details of the Board Meetings and their attendances at these meetings are set out below. All Directors in office during the said period have attended all the Board Meetings held and therefore, have complied with the minimum 50% meeting attendance's requirement under the MMLR of BMSB.

Name of Directors	Total Meetings Attended by Directors	Percentage of Attendance
Tan Sri Abdul Rahman Bin Mamat (Independent Non-Executive Director)	5/5	100
Tan Sri Dato' Law Tien Seng (Executive Deputy Chairman)	5/5	100
Mr. Ng Soon Lai @ Ng Siek Chuan (Independent Non-Executive Director)	5/5	100
Mr. Leow Hoi Loong @ Liow Hoi Loong (Independent Non-Executive Director)	5/5	100
Mr. Lee Ching Kion (Independent Non-Executive Director)	5/5	100
Mr. Lu Zongyou (Non-Independent Non-Executive Director)	5/5	100
Mr. Low Choong Sing (Executive Director)	5/5	100

Name of Directors	Total Meetings Attended by Directors	Percentage of Attendance
Mr. Foo Kok Siew (Executive Director)	5/5	100
Mr. Tan Shau Ming (Executive Director) (appointed on 26 September 2014)	N/A	N/A

Level of Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board Meetings as set out in the table above.

Appointment to the Board

There is a formal and transparent procedure which has been endorsed by the Board for the appointment of new Directors. To facilitate appointments to the Board, the Company had set up the Nomination Committee to provide a formal and transparent procedure for appointment of new Directors to the Board.

The Nomination Committee shall be primarily responsible for identifying and recommending to the Board new candidates to be appointed as Directors to the Board and also recommending Directors to fill the seats on Board Committees.

For the financial year ended 31 July 2014, the Board through the Nomination Committee, had sent out evaluation forms to assess the effectiveness of the Board as a whole and the Board Committees; contribution and performance of each individual Director; independence of independent Directors, training courses required by the Directors on an ongoing basis and the required mix of skills, experiences and other qualities; including core competencies, which Non-Executive Directors should bring to the Board.

The Board has no immediate plan to implement a gender diversity or target as it is of the view that the Board memberships is dependent on each candidate's skills, experience, core competencies and other qualities regardless of gender.

Retirement and Re-election

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors or if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) shall retire from office and be eligible for re-election provided always that all Directors shall retire from office once at least in every three (3) years, but shall be eligible for re-election. Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the next Annual General Meeting and shall then be eligible for re-election.

Any Director who is retiring, and is eligible for re-election, is required to confirm in writing to the Board if he is or is not offering himself for re-election at the Annual General Meeting where he is due for retirement. The following Directors who are retiring at this Annual General Meeting have individually confirm in writing to the Board offering themselves for re-election except Mr. Low Choong Sing who has confirmed in writing that he will not offer himself for re-election:-

- Tan Sri Abdul Rahman Bin Mamat
- Mr. Ng Soon Lai @ Ng Siek Chuan
- Mr. Low Choong Sing
- Mr. Tan Shau Ming

Pursuant to Section 129(2) of the Companies Act, 1965, Directors over seventy (70) years of age shall hold office until the next Annual General Meeting but shall be eligible for re-appointment.

Details of the Directors who submitted themselves for re-election this year are available in pages 4, 5 and 9 of this Annual Report.

Company Secretary

The Company Secretary provides support to the Chairman of the Company to ensure the effective functioning of the Board. The Company Secretary and/or his representatives also organises and attends all Board Meetings and Board Committees' Meetings ensuring that the accurate and proper record of deliberation of issues discussed, decisions made and conclusions taken.

The Company Secretary maintains all secretarial and statutory records of the Company.

The Board has unrestricted access to the advice and services of the Company Secretary who is responsible for providing Directors with the Board papers and related matters.

The Company Secretary also updates the Board of Directors regularly on amendments to the MMLR, practices and guidance notes or circulars issued by BMSB from time to time and on the development of or amendments to the Companies Act, 1965 and provides guidance to the Board on matters pertaining to the Board's responsibilities in order to ensure that they are effectively discharged within relevant legal and regulatory requirements.

The Company Secretary is appointed and can be removed by the Board of Directors, and should be suitably qualified and capable of carrying out the duties required.

Supply and Access to Information

The Directors are supplied with and have unrestricted access to information pertaining to the Group's business and affairs to enable them to discharge their duties effectively. This information includes both verbal and written details.

All scheduled meetings held during the year were preceded by a formal agenda issued by the Company Secretary in consultation with the Chairman. Prior to meetings, appropriate documents which include the agenda and reports relevant to the issues of the meetings are circulated to all members. All Directors have full and timely access to information with Board papers distributed in advance of meetings. This ensures that Directors have sufficient time to appreciate issues deliberated at meetings which in turn enhances the decision making process.

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 appointment and removal may only be made with the approval of the Board.

Directors' Training

Directors are encouraged to attend seminars and/or conferences to keep abreast with development in the industry and market place. All members of the Board have attended the Mandatory Accreditation Programme conducted by Bursa Malaysia Training Sdn. Bhd.

The Directors had during the financial year ended 31 July 2014, evaluated their own training needs and attended seminars, conferences and forums which they considered as relevant and useful and would strengthen their contribution to the Group. Append below are some of the trainings/seminars attended by the Directors:-

1. Advocacy Sessions on Corporate Disclosure for Directors
2. Common Breaches on Listing Requirements & Recent Changes to Listing Requirements & Statement on Risk Management & Internal Control
3. Nominating Committee Programme
4. Islamic Finance for Public Listed Companies. The Global University of Islamic Finance & Shariah Compliance for Listed Companies & Bursa Suq Al-Sila

In addition to the above, the Company Secretary circulates the relevant guidelines on statutory and regulatory requirements from time to time to the Board's reference and brief the Board quarterly on these updates, where applicable, at Board Meetings. The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year. Throughout their period in office, the Directors are continually updated on the Group's business and the regulatory requirements. Talks were also given by the Company Secretary to the Directors on the following topics:-

- The latest amendments to MMLR relating to shortening of timeframe for issuance of Annual Report and other amendments.
- Proposed Legal Frameworks of the Companies Amendment Bills.
- Corporate Governance Principles and Recommendations Compliance.

Board Committees

The Board reserves the right to establish Committees from time to time in its discharge of its duties and responsibilities. The Board delegates certain functions and responsibilities to the respective committees of the Board which operate with clearly defined terms of reference. These committees have the authority to examine particular issues and report to the Board with their proceedings and deliberations.

The following Board Committees have acted within the framework of the remit specified by the Board. These committees have sporadically made proposals to improve and enhance the role of the Board in governance processes. The Chairman of each of these Board Commitees will report to the Board on the outcome of the Committee Meetings.

The Company has five (5) principal Board Committees. Below is a general description of some of the basic functions of the respective Board Committees.

a. Audit Committee

The Audit Committee which comprises exclusively of Independent Non-Executive Directors, is responsible for reviewing and monitoring the Group's internal audit processes, its external auditors and of the integrity of the Group's financial statements. It is also responsible for reviewing the effectiveness of internal controls system. Further details of the Audit Committee are contained in the Audit Committee's Report on pages 34 to 39 of this Annual Report.

b. Nomination Committee

All members of the Nomination Committee are Independent Non-Executive Directors.

The members of the Nomination Committee are:

Name	Designation	Directorship
Tan Sri Abdul Rahman Bin Mamat	Chairman	Independent Non-Executive Director
Mr. Leow Hoi Loong @ Liow Hoi Loong	Member	Independent Non-Executive Director
Mr. Lee Ching Kion	Member	Independent Non-Executive Director

The Nomination Committee has been entrusted with the responsibility of proposing and recommending new nominees to the Board and of assessing Directors on an on-going basis. However, the actual decision as to who shall be appointed remains the responsibility of the full Board after considering the recommendation of the Nomination Committee.

The Nomination Committee serves to ensure that the Company has an effective Board comprising Directors of required mix of skills, experience and other qualities including core competencies which Non-Executive Directors should bring to the Board. The Nomination Committee assesses annually the effectiveness of the Board, its Committees and the contribution of each individual Director including Independent Non-Executive Directors via a self evaluation process moderated by the Chairman of the Nomination Committee.

The Company engages the service of the Company Secretary to ensure the appointment of each of its Directors is properly made. The Nomination Committee has met during the financial year in which all members have attended the meeting.

The Terms of Reference of the Nomination Committee are as follows:-

1. Composition

The Committee shall be appointed by the Board from amongst the Directors of the Company and shall comprise exclusively of Non-Executive Directors, majority of whom are independent.

The Committee shall consist of at least three (3) members.

2. Quorum

Two (2) members shall form a quorum for meetings provided that the two (2) are independent Directors.

3. Chairman

The members of the Committee shall elect a Chairman from among their members who shall be an Independent Director. In the absence of the Chairman of the Nomination Committee, the remaining members present shall elect one of their members as the Chairman of the meeting.

4. Secretary

The Secretary to the Nomination Committee shall be the Company Secretary.

5. Meetings and Minutes

a) The Nomination Committee shall meet at least once a year or at such other times as the Chairman of the Committee deems necessary.

b) Minutes of meeting shall be recorded and kept.

c) Question arising shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote provided that where two (2) members form a quorum, the Chairman of the meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue, shall not have a casting vote.

d) Other Directors or persons may attend a Nomination Committee Meeting only at the invitation of the Committee.

6. Scope of Duties and Responsibilities

a) To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board. In making its recommendations, the Committee should assess and consider the candidates' :-

- skills, knowledge, expertise and experience;
- professionalism;
- commitment (including time commitment) to effectively discharge his/her role as Director;
- contribution and performance;
- boardroom diversity including gender;
- background, character, integrity and competence; and
- in the case of candidates for the position of Independent Non-Executive Directors, the Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

b) To review and assess annually the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary.

c) To identify and propose new nominees for appointment to the Board of Directors.

d) To assess annually the contribution of each individual Director including his time commitment, character, experience and integrity. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions shall be properly documented.

e) To assess annually the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director, including Independent Non-Executive Directors, as well as the Chief Executive Officer. All assessments and evaluations carried out by the Committee in the discharge of all its functions should be properly documented.

f) To recommend to the Board, the Directors to fill the seats on Board Committees.

g) To review annually the Board's required mix of skills, knowledge and experience and other qualities including core competencies which Non-Executive Directors should bring to the Board. This should be disclosed in the Annual Report.

h) To determine annually whether or not a Director is Executive, Non-Executive or Independent.

i) To recommend to the Board for continuation (or not) in service of Executive Director(s) and Directors who are due for retirement by rotation.

j) To consider candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other Senior Executive or any Director or shareholder.

k) To carry out annually a process for assessing the effectiveness of the Board.

l) To develop and review the criteria used for the selection process of a new Directors and annual assessment of the board, board committees and individual Directors. The nomination and election process shall be disclosed in the Annual Report.

m) To formulate a policy on Board composition including mix of skills, independence and diversity (including gender, ethnicity and age).

n) To assess annually the independence of the Directors who have served on the Board for a consecutive or cumulative term of more than nine (9) years for appointment or otherwise. This activity shall be disclosed in the Annual Report of the Company and in any notice of a general meeting for the appointment and re-appointment of Independent Directors.

o) To review annually the training and professional development programmes for the Board.

p) To develop succession plans in order for the Board to maintain appropriate experience, expertise and diversity (including gender diversity).

7. Reporting Procedures

a) The actual decision as to who shall be appointed to the Board shall be the responsibility of the full Board after considering the recommendation of the Committee.

b) The Nomination Committee should report to the full Board for its consideration and implementation.

c. Remuneration Committee

The members of the Remuneration Committee are:

Name	Designation	Directorship
Tan Sri Abdul Rahman Bin Mamat	Chairman	Independent Non-Executive Director
Mr. Leow Hoi Loong @ Liow Hoi Loong	Member	Independent Non-Executive Director
Mr. Foo Kok Siew	Member	Executive Director

The Remuneration Committee is responsible for recommending to the Board the remuneration packages of the Executive Directors and Senior Management, whilst the Board as a whole determines the remuneration of the Non-Executive Directors. The individual Directors concerned abstain from decision in respect of their individual remuneration.

The remuneration of Directors is determined based on the responsibility, contribution and performance of each Director. It is the Company's policy to link the Executive Directors' rewards to individual and corporate performance whilst the remuneration of the Non-Executive Directors including the Non-Executive Chairman is determined in accordance with their experience and the level of responsibilities assumed. Fees payable to all Non-Executive Directors are proposed at the Annual General Meeting for the shareholders' approval.

There were two (2) Remuneration Committee Meetings held during the financial year i.e. on 17 December 2013 and 30 June 2014 and were attended by all the Remuneration Committee members.

The Terms of Reference of the Remuneration Committee are as follows:-

1. Composition

The Committee shall be appointed by the Board from amongst the Directors of the Company consisting wholly or mainly of Non-Executive Directors.

It shall consist of not less than three (3) members.

2. Quorum

Two (2) members shall form a quorum for meetings.

3. Chairman

The members of the Committee shall elect a Chairman from among their members who shall be an Independent Non-Executive Director. In the absence of the Chairman of the Remuneration Committee, the remaining members present shall elect one of their members as Chairman of the meeting.

4. Secretary

The Secretary to the Remuneration Committee shall be the Company Secretary or his representative(s).

5. Meetings and Minutes

a) The Remuneration Committee shall meet at least once a year or at such other times as the Chairman of the Committee deems necessary.

b) Minutes of meetings should be recorded and kept.

c) Question arising shall be decided by a majority of votes. Determination by a majority of members shall for all purposes be deemed a determination of the Remuneration Committee.

d) In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote provided that where two (2) members form a quorum, the Chairman of the meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue, shall not have a casting vote.

6. Scope of Responsibilities

a) To recommend to the Board the framework of Executive Directors' remuneration and the remuneration package for each Executive Director, drawing from outside advice as necessary.

b) To recommend to the Board, guidelines for determining remuneration of Non-Executive Directors.

c) To recommend to the Board any performance related pay schemes for Executive Directors.

d) To review Executive Directors' scope of service contracts.

e) To consider the appointment of the service of such advisers or consultants as it deems necessary to fulfil its functions.

7. Reporting Procedures

a) The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendation of the Committee.

b) Executive Directors do not participate in discussion on their own remunerations.

c) The determination of remuneration packages of Non-Executive Directors should be a matter for the Board as a whole.

d) Level of remuneration should be sufficient to attract and retain the Directors needed to run the Company successfully.

e) Membership of the Remuneration Committee.

f) Decisions and recommendations of the Committee shall be reported to the Board.

d. Risk Management Committee

The Risk Management Committee ("RMC") has been delegated by the Board to assume responsibility for the Group's risk oversight. The RMC provides oversight, direction and counsel to the Group risk management process and shall consider any matter relating to the identification, assessment, monitoring and management of any risk associated with the Group that it deems appropriate.

The RMC meets quarterly with additional meetings convened to attend to urgent matters that require its deliberation. There were four (4) RMC Meetings held during the financial year, i.e. on 25 September 2013, 17 December 2013, 27 March 2014 and 30 June 2014 and were attended by all the members of RMC.

The members of the RMC are as follows:

Name	Designation	Directorship
Mr. Leow Hoi Loong @ Liow Hooi Long	Chairman	Independent Non-Executive Director
Mr. Lee Ching Kion	Member	Independent Non-Executive Director
Mr. Foo Kok Siew	Member	Executive Director

e. Employees' Share Option Scheme ("ESOS") Committee

At an extraordinary general meeting held on 23 November 2011, the Company's shareholders approved the establishment of ESOS to eligible Directors and employees of the Group. An ESOS Committee is set up to administer the ESOS Scheme which is governed by ESOS By-Laws.

The members of the ESOS Committee are:-

Name	Designation	Directorship
Tan Sri Abdul Rahman Bin Mamat	Chairman	Independent Non-Executive Director
Mr. Leow Hoi Loong @ Liow Hoi Loong	Member	Independent Non-Executive Director
Mr. Foo Kok Siew	Member	Executive Director

The ESOS Committee has met once (1) during the financial year ended 31 July 2014 i.e. on 17 December 2013 for the following purposes and attended by all the members:-

- to adopt a revised Term of Reference of the ESOS Committee.
- to note the result of the performance target for Tranche 1 of the First Offer of Options.
- to propose to the Second Offer of Options to the Board of Directors for approval.
- to recommend the Option Price to the Board of Directors for approval.
- to propose the offer of Options to members of ESOS Committee to the Board of Directors for approval.

B. DIRECTORS' REMUNERATION

The remuneration policy of the Company for the Executive Directors are structured to link rewards to corporate and individual performance in order to retain Directors with the relevant skills and experience to meet the challenges of the Group.

The Non-Executive Directors' remuneration comprises only annual fees and meeting allowances that reflect their expected roles and level of responsibilities, including any additional work and contributions required.

The following are the remuneration bands of the Directors:

Remuneration Bands	Executive Directors	Non-Executive Directors
RM50,001 – RM100,000	-	3
RM100,001 – RM150,000	-	1**
RM500,000 – RM550,000	1*	-
RM600,000 – RM650,000	-	1*
RM950,001 – RM1,000,000	1	-
RM2,200,001 – RM2,250,000	1**	-

Remarks:-
* *Remuneration was paid by the jointly controlled entity, Eastern Steel Sdn. Bhd. ("ESSB").*
** *These Directors also sit on the Board of ESSB and received Directors' fees.*

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	27,000	3,685,550	-	3,712,550
Non-Executive Directors	382,000	637,682	-	1,019,682

* *Fees paid by ESSB was RM94,000, salaries and other emoluments paid by ESSB was RM1,092,542.*

C. SHAREHOLDERS COMMUNICATION AND INVESTORS RELATIONS

The Board recognises the importance of effective communication with shareholders and investors.

Information is disseminated through various disclosures and announcements made to BMSB which includes financial results and corporate developments. The Company's website at www.htgrp.com.my provides shareholders and investors the overview information of the Group's business, the latest updates of the Company and the announcement and the quarterly financial results made via Bursa Link. Shareholders and investors may contact the persons identified in the website to enquire more about the Company and the Group.

The Company meets financial analysts, as and when requested, to give them an overview of the Group's performance and operations. Through these channels, the Company has the opportunity to directly address, explain or clarify issues that investors and analysts may have regarding the business, operations and prospects of the Group.

The Annual General Meeting is the principal forum for dialogue with all shareholders. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report before the meeting. The Notice of the Annual General Meeting will be circulated at least twenty-one (21) days before the date of the meeting to enable shareholders sufficient time to peruse the Annual Report and papers supporting the resolutions proposed.

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. The Chairman of the meeting will facilitate the discussion with the shareholders and provide further information in response to shareholders' queries. The Board encourages participation at general meetings and will generally carry out resolutions by show of hand, except for Related Party Transaction if any (wherein poll will be conducted) and unless otherwise demanded by shareholders in accordance with the Articles of Association of the Company. The Chairman of the Board will inform the shareholders of their right to demand a poll vote at the commencement of the general meeting.

The Audit Committee is available at the Annual General Meeting to answer questions and consider suggestions received. The External Auditors are also present to provide their professional and independent clarification on issues of concern raised by the shareholders regarding the Audited Financial Statements of the Company, if any.

The Board has identified Mr Ng Soon Lai @ Ng Siek Chuan as the Senior Independent Director to whom concerns may be conveyed. The Senior Independent Director provides a secure and confidential channel to address any concerns conveyed to him directly on matters relating to the Company through e-mail (ngsiekchuan@htgrp.com.my).

D. ACCOUNTABILITY AND AUDIT

i. Financial Reporting

The Board upholds integrity in financial reporting by ensuring that shareholders are provided with reliable information of the Company's financial performance, its position and future prospects, in the Annual Audited Financial Statements and quarterly financial reports.

The Board is also responsible for ensuring that the financial statements of the Company and of the Group are made out in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The Board also ensures that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period. The Board through the review by the Audit Committee and in consultation with the External Auditors, presents a clear and balanced assessment of the Group's financial position and prospect to the shareholders, investors and regulatory authorities.

ii. Statement of Directors' Responsibility for Preparing the Financial Statements

The Board of Directors is required under Paragraph 15.26(a) of BMSB's MMLR to issue a statement explaining their responsibility in the preparation of the annual financial statements. The Directors are also required by the Companies Act, 1965 to prepare financial statements for each financial year, which have been made out in accordance with the approved accounting standards and to give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year.

The Directors are responsible for keeping proper accounting records, which are disclosed with reasonable accuracy at any time the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

In preparing these financial statements, the Directors have:-

- selected appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries that the Group has adequate resources to continue in operational existence for the foreseeable future.

iii. Internal Control

The Board acknowledges the importance of maintaining a sound system of internal control to safeguard shareholders' interest and the Group's assets. An internal audit function was established to assist the Audit Committee in reviewing the state of risk management and internal control of the Group and to highlight areas for Management's improvement. The state of internal control of the Group is explained in greater detail in the enclosed Statement on Risk Management and Internal Control.

iv. Relationship with Auditors

The Group has established a formal, transparent and professional relationship with its External Auditors. The Audit Committee reviews the audit plans, scope of audit and audit report as well as their professional fees, performance and appointment. The appointment of the External Auditors is subject to the approval of the shareholders at the General Meeting of the Company.

The External Auditors are invited to attend Audit Committee meetings when necessary. The External Auditors present their audit plans, report their findings (including Management Letters points) to the Audit Committee and discuss with the Board of Directors on matters that necessitate the Board's attention.

The Audit Committee had met with the External Auditors on 25 September 2013 and 30 June 2014 without the presence of the Executive Directors and the Management.

The External Auditors have also confirmed that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

ADDITIONAL INFORMATION

1. SHARE BUY-BACK

Detail of shares buy-back during the financial year ended 31 July 2014 are as follows:

Month	No. of Shares Buy-Back	Lowest Price (RM)	Highest Price (RM)	Average Price (RM)	Total Consideration (RM)
December 2013	1,000	0.755	0.755	0.755	755
Total	**1,000**			**0.755**	**755**

As at end of the financial year:

a. A total of 5,481,000 buy-back shares were held as treasury shares and carried at cost; and

b. No shares had been cancelled.

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the current financial year ended 31 July 2014, a total of 4,212,000 and 2,733 new ordinary shares were issued and allotted pursuant to the exercise of the Employees' Share Option Scheme ("ESOS") and Warrants respectively. The details of the issued and paid-up share capital of the Company as at 31 July 2014 are as follows:-

	No. of Shares	RM
As at 1 August 2013	713,742,075	356,871,037.50
Ordinary shares of RM0.50 each issued pursuant to the ESOS	4,212,000	2,106,000.00
Ordinary shares of RM0.50 each issued pursuant to the Warrant	2,733	1,366.50
As at 31 July 2014	**717,956,808**	**358,978,404.00**

Other than the above, there was no issuance of convertible securities during the financial year.

3. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any Depository Receipt Programme during the financial year ended 31 July 2014.

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 2014.

5. NON-AUDIT FEES

A non-audit fees of RM20,000 was incurred for services rendered to HTVB for the financial year ended 31 July 2014 by the External Auditors or a firm or company affiliated to the External Auditors.

6. VARIATION IN RESULTS

There was no material variance between the results for the financial year ended 31 July 2014 and the unaudited quarterly results previously announced.

7. PROFIT GUARANTEE

There was no profit guarantee given by the Company during the financial year.

8. UTILISATION OF PROCEEDS

There were no proceeds raised by the Group from any corporate proposals during the financial year.

9. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts by the Company and/or its subsidiaries involving Directors' and major shareholders' interest.

10. REVALUATON POLICY

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

11. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

The Company has on its Seventeenth Annual General Meeting held on 17 December 2013 sought approval for a shareholders' mandate for the Group to enter into recurrent related party transactions of revenue or trading nature.

The aggregate value of recurrent related party transactions conducted during the financial year ended 31 July 2014 in accordance with the shareholders' mandate obtained in the last Annual General Meeting were as follows:

Related Parties involved with HTVB and/or its Subsidiaries	Nature of Transaction	Relationship and Nature of Interest	Value of Transaction (RM'000)
JK Ji Seng Sdn. Bhd. ("JKJS")	Purchase of prime Hot Rolled Steel Plates	Tan Sri Dato' Law Tien Seng is deemed interested in JKJS by virtue of him being a Director and Shareholder of T.S. Law Holdings Sdn. Bhd. ("TS Law") which in turn is the major shareholder of JKJS.	89,870
Eastern Steel Sdn. Bhd. ("ES")	Sales of steel products	HTVB owned 55% of ES, a jointly-controlled entity with Orient Steel Investment Pte. Ltd. and Chinaco Investment Pte. Ltd. Tan Sri Dato' Law Tien Seng is deemed interested in ES by virtue of him being a Director of ES, major Shareholder and Director of HTVB. Mr. Lu Zongyou is deemed interested in ES by virtue of him being a Director of HTVB, a Director and Chief Executive Director of ES. Shougang International (Singapore) Pte. Ltd. is a substantial shareholder of HTVB, is deemed interested in ES by virtue of it being a major shareholder of Orient Steel Investment Pte. Ltd.	1,981

This statement was approved by the Board on 26 September 2014.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

The Board of Directors is required to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flow of the Group and of the Company for the year then ended.

The Directors, in preparing the financial statements, have adopted and applied consistently suitable accounting policies and made judgments and estimates that are reasonable and prudent. The Directors also ensured that all applicable financial reporting standards have been followed and the financial statements are prepared on a going concern basis as the Directors have reasonable expectation, having made enquiries that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors have a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board of Directors dated 31 October 2014.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 July 2014. This Statement is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements and guided by the latest "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" ("the Guideline") endorsed by the Bursa Malaysia Securities Berhad.

Board's Responsibility

The Board acknowledges that risk management and systems of internal control are integral parts of corporate governance and believes that Board's risk oversight is critical to set the right tone and culture towards effective risk management and internal control in the Group.

Principally, the responsibilities of the Board as provided in the Guideline for risk governance are:

- To embed risk management in all aspects of the Group's activities, which also encompasses subsidiaries of the Company; and
- To review risk management framework, processes, responsibilities and assessing whether the present policies and systems provide reasonable assurance that risk is managed appropriately.

The Board understands the principal risks of the business that the Group is engaged in and accepts that business decisions require the balancing of risk and return in order to reward the shareholders.

The Board has established its Risk Management Committee ("RMC"). The key function of RMC is to review and report to the Board the risks faced by the Group and the effectiveness of management measures in identification and assessment of risks as well as the design, management and monitoring of internal controls to mitigate risks.

The present composition of the RMC is as follows:

(i) Mr. Leow Hoi Loong @ Liow Hoi Loong - Independent Non-Executive Director/Chairman of RMC

(ii) Mr. Lee Ching Kion - Independent Non-Executive Director

(iii) Mr. Foo Kok Siew - Executive Director

The RMC meets at least once every quarter and on other occasions, as and when necessary.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(Cont'd)

Risk Management

The risk profiles of the Group and industry are similar with the previous year. The key macro and micro risks of steel industry are fluctuation of steel prices and foreign currency, changes in global and local economic conditions, changes in local and overseas government policies, anti-dumping pressures as well as trade competitions, supply of labour, credit risk or risk of default by customers, high working capital holding cost, risk of funding and financing, plant interruption and monopoly of raw material supply.

In addition, the Group faces contemporary risks arising from its expansion plan. Primarily, these contemporary risks come from the challenges of funding and managing the cost of construction and deadline for completion. The incidental risks of these challenges are changes of availability of sources of fund, interest rates, construction material costs, weather condition, labour supply, site and safety conditions, machinery deployment, contractors performance and natural disaster.

Functionally, RMC is assisted by the Risk Management Working Committee ("RMWC"). The objectives of RMWC are to identify, measure and prioritise risks and to ensure that adequate attention and focus for risk management are placed appropriately and timely in accordance with the perceived and anticipated risk magnitude. Quarterly, the RMWC re-assesses, summarises and reports the emerging risks and its profiles to the RMC for review and deliberation. The status of key risks and management actions are further presented to the Board for review and deliberation by RMC.

Board and Management Review Mechanism

Whilst the risk management is overseen by the RMC and RMWC, at the operational level, various management review meetings are held. Presently, the management organizes weekly Senior Management Meeting, monthly Group Management Committee Meeting and monthly operation meetings at the respective key subsidiaries. The objective of these meetings is to ensure policies, decisions and expected operational performance targets and objectives set by the top executives are communicated, understood and executed by line management. At the same time, these meetings re-enforce the monitoring and supervision controls at the line management levels.

In order to ensure the objectivity of the review of the systems of internal control in the Group, the Audit Committee is instituted by the Board to undertake this role. In conducting its review, the Audit Committee is assisted by the Internal Auditors who report to the Audit Committee quarterly on the state of control of the audited functions. Additionally, the Audit Committee obtains feedback from the External Auditors on the risk and control issues highlighted by them in the course of their statutory audit.

Management supplements the Audit Committee review on risk issues when presenting their quarterly financial performance and results to the Audit Committee. In addition, with the management consultation, the Audit Committee deliberates the integrity of the financial results, annual report and audited financial statements before recommending to the Board to be presented to the shareholders and public investors.

Key Elements of Internal Control

Apart from the above, the other key internal controls processes practised in the Group presently are as follows:

i. The Purchasing Committee that reviews, monitor and approves purchases;

ii. Budgetary control involving the review and approval of annual budget for the new financial year;

iii. Organisation structure that defines the management responsibilities and its hierarchy structure of reporting lines and accountability;

iv. Authority limits and approval processes that facilitate the delegation of authority and management succession;

v. Centralized enterprise resource planning information system that provides on-line information and produces periodic performance reports to management for monitoring purposes; and

vi. ISO 9001:2008 Quality Management System, EC Certification on Factory Production Control and American Petroleum Institutes ("API") manufacturing procedures in the manufacturing operations of the Group. Internal quality audits are carried out and annual surveillance audits are conducted by external certification body to provide assurance of compliance with the ISO requirements.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance to the Bursa's Guidelines, management is responsible to the Board for:

- identifying risks relevant to the business of the Group's objectives and strategies implementation;
- designing, implementing and monitoring the risk management framework in accordance with the Group's strategic vision and overall risk appetite; and
- identifying changes to risk or emerging risks, taking action as appropriate and promptly bringing these to the attention of the Board.

Before producing this Statement, the Board has received assurance from Executive Director and Chief Financial Officer that, to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

BOARD ASSURANCE AND LIMITATION

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. For the financial year under review, the Board is satisfied that the existing level of systems of internal control and risk management are effective to enable the Group to achieve its business objectives and there were no material losses resulted from significant control weaknesses.

While, the Board wishes to reiterate that risk management and systems of internal control would be continuously improved in line with the evolving business development, it should be noted that all risk management systems and systems of internal control could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems of internal control and risk management in the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

AUDIT COMMITTEE **REPORT**

The Board of Directors of Hiap Teck Venture Berhad is pleased to present the Audit Committee Report for the financial year ended 31 July 2014 in compliance with Paragraph 15.15 of the Main Market Listing Requirements.

COMPOSITION OF AUDIT COMMITTEE

The Audit Committee was established on 17 July 2003 to fulfill the principles of accountability, integrity and good corporate governance in assisting the Board in discharging its responsibilities of reviewing and monitoring the Group's financial process, audit process, statutory and regulatory compliance.

All members of the Audit Committee are Independent Non-Executive Directors.

Members of the Audit Committee	Designation	Directorship
Mr. Ng Soon Lai @ Ng Siek Chuan	Chairman	Independent Non-Executive Director
Tan Sri Abdul Rahman Bin Mamat	Member	Independent Non-Executive Chairman
Mr. Lee Ching Kion (re-designated as Independent Non-Executive Director on 26 September 2014)	Member	Independent Non-Executive Director
Mr. Leow Hoi Loong @ Liow Hoi Loong	Member	Independent Non-Executive Director

TERMS OF REFERENCE OF THE COMMITTEE

1. Appointment/Composition:

   1.1 The members of the Audit Committee shall be appointed by the Board.

   1.2 The Audit Committee shall consist of not less than three (3) members of whom:

   a) all the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors;

   b) at least one (1) member of the Audit 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, 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

   (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

1.3 No Alternate Director shall be appointed as a member of the Audit Committee.

1.4 A quorum shall be two (2) members and composed of a majority of Independent Directors.

1.5 The Chairman of the Audit Committee shall be appointed by the members of the Audit Committee among their number who shall be an Independent Director.

1.6 The Board must review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such Audit 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. Procedures of Audit Committee

An Audit Committee may regulate its own procedure, in particular:-

(a) the calling of meetings;
(b) the notice to be given of such meetings;
(c) the proper agenda of meeting;
(d) the voting and proceedings of such meetings;
(e) the keeping of minutes; and
(f) the custody, production and inspection of such minutes.

3. Meetings:

3.1 Meetings shall be held not less than four (4) times in a year. In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any Audit Committee member, the Company's Chairman or the Internal or External Auditors, where necessary.

3.2 Meetings will be attended by the members of the Audit Committee and the Company Secretary or his/her representative who shall act as the Secretary.

3.3 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 Departments, Internal Auditors and External Auditors.

4. Authority:

4.1 The Audit 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 Audit Committee to discharge its duties.

4.2 The Audit 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 Internal Auditors and person(s) carrying out the internal audit function or activity;

(e) be able to obtain independent professional or other advice; and

(f) be able to convene meetings at least two times a year with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

5. Functions and Responsibilities:

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

5.1 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;

5.2 to review the assistance given by employees of the Group to the External Auditors;

5.3 to review the External Auditor's management letter and management's response;

5.4 to do the following in relation to the internal audit function:-

- to review the adequacy of the scope, functions, competency 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, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- to review any appraisal or assessment of the performance of the outsourced internal audit function;
- to approve any appointment or termination of the outsourced internal audit function; and
- to take cognizance of resignations of the outsourced internal auditors and provide an opportunity to submit the reasons for resigning.

5.5 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;

5.6 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 code of conduct that raises questions of management integrity;

5.7 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;

5.8 to review and monitor the independence and suitability of External Auditors;

5.9 to obtain at least once a year written assurance from the External Auditors confirming that they are and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

5.10 to make recommendations concerning the appointment of the External Auditors and their remuneration to the Board;

5.11 prompt reporting to Bursa Securities on any matter reported by the Audit Committee to the Board which has not been satisfactorily resolved resulting in a breach of the Bursa Securities' Listing Requirements.

5.12 to table the reports of the Audit Committee and the External and Internal Auditors and corrective action taken shall be tabled for discussion by the Board of Directors.

5.13 to review and note the allocation of options granted under Employees Share Option Scheme.

6 Minutes:

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

7 Audit Committee Report:

The Audit 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:

7.1 The Audit Committee Report shall be clearly set out in the Annual Report of the Company;

7.2 The Audit Committee Report shall include the following:

(a) the composition of the Audit 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 Audit Committee;

(c) the number of Audit Committee meetings held during the financial year end and details of attendance of each member;

(d) a summary of activities of the Audit 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 Audit Committee to discharge its functions effectively.

AUDIT COMMITTEE REPORT
(Cont'd)

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 2014, the Audit Committee convened a total of five (5) meetings. The details of the attendance of the meetings are as follows:-

Members	Total Meetings Attended	Percentage of Attendance
Mr. Ng Soon Lai @ Ng Siek Chuan	5/5	100%
Tan Sri Abdul Rahman Bin Mamat	5/5	100%
Mr. Lee Ching Kion	5/5	100%
Mr. Leow Hoi Loong @ Liow Hoi Loong	5/5	100%

There is a total of five (5) Audit Committee Meetings held during the financial year ended 31 July 2014 and these were held on: 25 September 2013, 24 October 2013, 17 December 2013, 27 March 2014 and 30 June 2014.

The Group Chief Financial Officer attended all the Audit Committee meetings during the financial year ended 31 July 2014. The Internal Auditors attended all the scheduled quarterly Audit Committee meetings. Representatives of the External Auditors attended meetings where matters relating to the audit of the statutory accounts were discussed. Other Board members may attend meeting upon the invitation of the Audit Committee. The Company Secretary and/or his representatives attended all the Audit Committee meetings.

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

- Reviewed and recommended the unaudited quarterly financial results of the Company and the Group to the Board of Directors for their consideration and approval prior to its release to Bursa Securities.
- Reviewed and recommended to the Board for approval, the Group's audited financial statements and the audit report on the financial statements.
- Reviewed and approved the internal audit plan, strategy and scope of work.
- Reviewed the internal audit reports and consideration of the findings and recommendations and management's responses thereto.
- Reviewed the Recurrent Related Party Transactions of the Group.
- Reviewed the external audit planning memorandum which covers the scope of the statutory audit and the audit plan prior to the commencement of audit of the Group's financial statements.
- Reviewed and discussed with External Auditors the issues arising from the statutory audit, the audit report and the management letters including management's responses.
- Reviewed the Statement on Risk Management and Internal Control prior to its inclusion in the Annual Report.
- Met with the External Auditors on 25 September 2013 and 30 June 2014 without the presence of the Executive Directors and Management

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional services firm with an annual fees of RM70,000. The internal audit function is independent of the operations of the Group. The outsourced Internal Auditors report directly to the Audit Committee and the Audit Committee has full and direct access to the Internal Auditors.

The internal audit function is established to assist the Audit Committee in discharging its duties and responsibilities. The principal role of the internal audit function is to undertake independent regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively and to minimise risks area. The internal audit function is carried out with impartiality, proficiently and due professional care. It provides the Audit Committee with independent and objective reports on the state of internal control of the various operating units of the Group and the extent of compliance of the units with the policies and procedures. 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.

During the financial year, the internal auditors undertook audit review based on the annual internal audit plan which was approved by the Audit Committee. A summary of activities carried out included :

- Performed internal audit review on the Group's operating units especially transportation & scaffolding division.
- Reviewed the control procedures taken by the management on recurrent related party transactions.
- Issued reports on the results of the internal review, identifying weaknesses with suggested recommendations for improvements to management for further action to improve the system of internal control.
- Followed-up on the implementation of corrective action plans agreed by management.
- Attended Audit Committee meetings to table and discuss the internal audit findings and issues.

During the year, the Audit Committee has met the Internal Auditors four (4) times to carry out its responsibility in reviewing the internal audit function and to assure itself on the soundness of internal control system.

This statement was approved by the Board on 26 September 2014.

CORPORATE SOCIAL **RESPONSIBILITY STATEMENT**

At Hiap Teck Venture Berhad ("HTVB"), we regard corporate social responsibility ("CSR") and sustainability to be important measures of our success in business. We strive to be a responsible corporate citizen in our business ventures and in our dealings with our stakeholders. With this comes, our desire to contribute and add value to the communities and the environment in which we operate by upholding high standard of conduct, ethics and integrity in whatever we do.

We endeavor to comply with all applicable laws, regulations and rules, and conduct our business in accordance with established best practices.

The Workplace

The Group believes that its employees are the greatest assets, and as such, places great emphasis on providing a healthy, safe, conducive working environment for its employees.

The Occupational Safety and Health Committee plays a vital role in developing policies and guidelines to provide and maintain a safe and healthy workplace. Safety gears are provided to relevant employees to reduce the consequences of serious accidents. Cigarette smoking is actively discouraged in the Group. Cigarette smoking is prohibited in the office, factory and warehouse. Designated smoking areas are, however, provided.

Developing employees' passion in work is one area which the Group places great emphasis on. The Group is committed to helping its employees develop themselves to their fullest potential. Various training courses and programmes on leadership, management and technical skills were conducted during the year which include in-house trainings and attendance in external trainings and seminars.

The Group's jointly-controlled entity, Eastern Steel Sdn. Bhd. has signed a Memorandum of Understanding with Shougang Institute of Technology (SGIT), China and TATI University College (TATIUC), Malaysia to provide aspiring young Malaysians with an international standard Metallurgical Science and Technology course. The course is taught by SGIT China lecturers who are specially flown-in to lecture on the topic of global iron and steel making technology, whereas lecturers from TATIUC will focus on local industry knowledge, standards and requirements.

The Group practises equal opportunity and treats all employees fairly regardless of race, religion, ability, gender, age and marital status.

The Community

The Group takes pride in advocating lifelong learning by encouraging employees to continuously pursue training and education to improve their knowledge, profession, skill set and overall personal development. For this purpose, study loans, scholarships and awards are given to its employees and their family members. Education award is given to the employees' children to encourage them to strive for excellent results in their studies. Our staff's children are also given a yearly allowance to enable them to buy books and other education aids to assist them in their studies.

The Group acknowledges a good work-life balance will lead to a more productive workforce. In order to cultivate a balanced work-life and create a caring, harmonious and cohesive working environment, employees are encouraged to participate in sports and recreational activities. A wellness event "Fight that Office Bulge; Bring Your Life into Balance" was organized during the year. This was aimed at creating a greater awareness of the importance of personal physical wellness and healthy lifestyle for the employees in the Group.

Employees are also encouraged to participate in the various social events and sports activities. The Group's futsal team had participated in the annual futsal competition organized by the local community. To foster camaraderie amongst the employees, the Group organizes social gatherings such as Festive Celebrations and Annual Dinner.

The Tourism and Culture Ministry has signed a Memorandum of Understanding with the Group on the "Voluntourism Adoption Initiative 2014 – Cleaning and Beautifying Bagan Lalang Beach in Sepang". The cleaning program is carried out on a quarterly basis. The program is an effort to beautify Malaysian beaches and maintain its cleanliness. Participation by our employees in the "Save our Environment, Save our Earth" program was encouraging.

Ultimately, the Group believes that a healthy employee of both mind and body is a happy and productive employee.

The Market Place

The Group promotes good ethical business morals. Honesty, credibility and integrity in all our business dealings, and respect for the interest of the relevant stakeholders are essential business culture practiced throughout the Group.

We ensure timely information of the Group reaches the stakeholders. Hence, all material activities and event, key developments of our business and financial performance of the Group are announced timely to Bursa Securities. The Group's website at www.htgrp.com.my is updated regularly so as to provide the public with the latest information and development of the Group.

Moving forward, the Group will continue to step up our efforts in the CSR activities and are committed to continue our contributions to the society at large.





STEADFAST IN UPLOADING

STANDARDS



Hiap Teck Venture Berhad (HTVB), one of Malaysia's leading steel group began operation in 1987 and listed in Malaysia's Stock Exchange (Bursa Malaysia) since 2003.

We strive to enhance our core businesses by continuously developing our human resources and building values to our shareholders.

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 July 2014.

Principal activities

The Company is principally engaged in investment and property holdings and the provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	45,565	11,157

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid a single tier final dividend of 0.6 sen per ordinary share totalling RM4,249,566 in respect of financial year ended 31 July 2013 on 22 January 2014.

The single tier final dividend recommended by the Directors in respect of the financial year ended 31 July 2014 is 0.6 sen per ordinary share totalling RM4,274,855. The dividend will be recognised in subsequent financial period upon approval by the shareholders of the Company at the forthcoming Annual General Meeting.

Directors of the Company

Directors who served since the date of the last report are:

Tan Sri Abdul Rahman Bin Mamat
Tan Sri Dato' Law Tien Seng
Ng Soon Lai @ Ng Siek Chuan
Low Choong Sing
Lu Zongyou
Foo Kok Siew
Leow Hoi Loong @ Liow Hoi Loong
Lee Ching Kion (Redesignated as Independent Non-Executive Director on 26 September 2014)
Tan Shau Ming (Appointed as Executive Director on 26 September 2014)

Directors' interests in shares

The interests and deemed interests in the ordinary shares and options over ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interest of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.8.2013	Bought	Sold	At 31.7.2014
Deemed interests in the Company:				
Tan Sri Dato' Law Tien Seng	187,582,048	-	-	187,582,048
Lee Ching Kion	41,864	-	-	41,864

	Number of options over ordinary shares of RM0.50 each			
	At 1.8.2013	Granted	Exercised	At 31.7.2014
Interest in the Company:				
Tan Sri Abdul Rahman Mamat				
– own	800,000	-	-	800,000
Tan Sri Dato' Law Tien Seng				
– own	5,000,000	2,000,000	-	7,000,000
Ng Soon Lai @ Ng Siek Chuan				
– own	500,000	-	-	500,000
Lee Ching Kion				
– own	500,000	-	-	500,000
Foo Kok Siew				
– own	3,000,000	1,000,000	-	4,000,000
Low Choong Sing				
– own	1,500,000	500,000	-	2,000,000
Leow Hoi Loong @ Liow Hoi Loong				
– own	-	500,000	-	500,000
Lu Zongyou				
– own	-	500,000	-	500,000

By virtue of his shareholdings in the Company, Tan Sri Dato' Law Tien Seng is also deemed to be interested in shares in all the subsidiaries of the Company.

None of the other Directors holding office at 31 July 2014 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in Note 18 to the financial statements or the fixed salary of a full time employee of the Company or of the related corporations) by reason of a contract made by the Company or a related corporation with the 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.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

During the financial year, the Company issued:

a) 4,212,000 new ordinary shares of RM0.50 each for cash arising from the exercise of the employees' shares options at a weighted average price of RM0.50 per ordinary share; and

b) 2,733 new ordinary shares of RM0.50 each for cash arising from the exercise of the warrants at a weighted average price of RM0.69 per ordinary share.

There were no other changes in the authorised, issued, and paid-up capital of the Company during the financial year.

Treasury shares

During the financial year, the Company repurchased 1,000 of its issued ordinary shares from the open market at an average price of approximately RM0.80 per share. The total consideration paid for the repurchases including transaction costs was RM796.

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 12 to the financial statements.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees Share Option Scheme ("ESOS") which governed by ESOS By-Laws.

At an extraordinary general meeting held on 23 November 2011, the Company's shareholders approved the establishment of ESOS to eligible Directors and employees of the Group.

The salient terms of the ESOS are disclosed in Note 30 to the financial statements.

The options offered to take up unissued ordinary shares of RM0.50 each and the exercise prices are as follows:

Date of offer	Exercise price	No. of share options over ordinary shares of RM0.50 each				
		At 1.8.2013	Granted	Exercised	Forfeited	At 31.7.2014
19 April 2013	RM0.50	46,530,000	-	(4,212,000)	(1,825,000)	40,493,000
10 January 2014	RM0.67	-	11,020,000	-	(990,000)	10,030,000
		46,530,000	11,020,000	(4,212,000)	(2,815,000)	50,523,000

The Company has been granted an exemption by the Companies Commission of Malaysia from having to disclose in this report the names and details of holdings of persons to whom have been granted not more than 1,300,000 options as required by Section 169(11) of the Companies Act, 1965. This information has been separately filed with the Companies Commission of Malaysia.

The names of the persons who were granted options over ordinary shares of RM0.50 each of 1,300,000 or more are as follows:

	Number of options over odinary shares of RM0.50 each			
	At 1.8.2013	Granted	Exercised	At 31.7.2014
Interests in the Company:				
Tan Sri Dato' Law Tien Seng	5,000,000	2,000,000	-	7,000,000
Foo Kok Siew	3,000,000	1,000,000	-	4,000,000
Teh Swee See	2,000,000	500,000	(200,000)	2,300,000
Ooi Ai Leng	1,500,000	500,000	-	2,000,000
Low Choong Sing	1,500,000	500,000	-	2,000,000
Phang Chin Khiong	1,200,000	500,000	-	1,700,000
Seh Kwang Weoi	1,200,000	300,000	-	1,500,000
Tan Shau Ming	1,200,000	300,000	-	1,500,000
Teoh Peir Song	1,200,000	300,000	(240,000)	1,260,000
Tan Yuen Hong	1,200,000	100,000	(216,000)	1,084,000

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

Other statutory information *(Cont'd)*

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for those disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 July 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent event

The details of the subsequent event are disclosed in Note 31 to the financial statements.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....	.....
Tan Sri Dato' Law Tien Seng	**Foo Kok Siew**

Kuala Lumpur,

Date: 31 October 2014

STATEMENTS OF FINANCIAL POSITION

as at 31 July 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Assets					
Property, plant and equipment	3	288,188	307,627	551	843
Investment properties	4	7,794	7,952	102,050	103,365
Investment in subsidiaries	5	-	-	93,970	93,970
Investment in joint venture	6	132,869	132,385	139,618	139,618
Available-for-sale financial assets	7	2,451	3,247	-	-
Deferred tax assets	8	2,670	2,677	-	-
Trade and other receivables	9	466,678	367,562	497,002	401,693
Total non-current assets		900,650	821,450	833,191	739,489
Inventories	10	354,840	406,983	-	-
Trade and other receivables	9	276,502	264,781	114	105
Tax recoverable		1,056	1,902	-	-
Available-for-sale financial assets	7	27,879	56,759	1,006	2,808
Cash and cash equivalents	11	56,677	51,449	4,459	3,639
Total current assets		716,954	781,874	5,579	6,552
Total assets		1,617,604	1,603,324	838,770	746,041
Equity					
Share capital		358,978	356,871	358,978	356,871
Share premium		38,143	37,973	38,143	37,973
Reserves		555,512	514,169	138,621	130,171
Total equity attributable to owners of the Company	12	952,633	909,013	535,742	525,015
Liabilities					
Deferred tax liabilities	8	11,750	12,772	4,810	5,637
Loans and borrowings	13	127,758	124,451	127,758	124,451
Total non-current liability		139,508	137,223	132,568	130,088
Loans and borrowings	13	449,974	509,440	32,199	2,235
Trade and other payables	14	75,489	47,648	136,759	87,605
Current tax payable		-	-	1,502	1,098
Total current liabilities		525,463	557,088	170,460	90,938
Total liabilities		664,971	694,311	303,028	221,026
Total equity and liabilities		1,617,604	1,603,324	838,770	746,041

The notes set out on pages 56 to 116 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 July 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	15	1,110,490	1,107,318	17,880	99,360
Cost of sales	16	(1,013,868)	(1,016,920)	-	-
Gross profit		96,622	90,398	17,880	99,360
Other operating income		34,021	25,933	19,762	14,984
Operating costs in respect of income generating investment properties		(180)	(157)	(1,315)	(1,315)
Administrative expenses		(30,610)	(26,940)	(10,309)	(4,105)
Selling and marketing expenses		(21,333)	(21,443)	-	-
Other operating expenses		(2,765)	(4,999)	(1,712)	(1,134)
Results from operating activities		75,755	62,792	24,306	107,790
Finance cost	19	(26,388)	(24,792)	(9,936)	(9,679)
Share of profit/(loss) of equity accounted investee, net of tax		484	(3,772)	-	-
Profit before tax		49,851	34,228	14,370	98,111
Income tax expense	20	(4,286)	(9,936)	(3,213)	(1,355)
Profit for the year attributable to owners of the Company	17	45,565	24,292	11,157	96,756
Other comprehensive (expense)/ income, net of tax					
Foreign currency translation differences for foreign operation		(670)	500	-	-
Fair value of available-for-sale financial assets		(845)	610	-	-
Total other comprehensive (expense)/income for the year		(1,515)	1,110	-	-
Total comprehensive income for the year attributable to owners of the Company		44,050	25,402	11,157	96,756
Earnings per share (sen):					
Basic	21	6.42	3.43		

The notes set out on pages 56 to 116 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 July 2014

		← Attributable to shareholders of the Group →							
		← Non distributable →						Distributable	
	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserves RM'000	Other reserves RM'000	Share option reserves RM'000	Retained earnings RM'000	Total equity RM'000
At 1 August 2012		356,871	37,986	(7,484)	18,459	(91)	-	481,096	886,837
Foreign currency translation differences for foreign operations		-	-	-	-	500	-	-	500
Net change in fair value of available-for-sale financial assets		-	-	-	-	610	-	-	610
Total other comprehensive income		-	-	-	-	1,110	-	-	1,110
Profit for the year		-	-	-	-	-	-	24,292	24,292
Total comprehensive income for the year		-	-	-	-	1,110	-	24,292	25,402
Purchase of treasury shares		-	-	(10)	-	-	-	-	(10)
Expenses incurred on issuance of equity securities		-	(13)	-	-	-	-	-	(13)
Equity-settled share based payments		-	-	-	-	-	1,047	-	1,047
Dividends to owners of the Company	22	-	-	-	-	-	-	(4,250)	(4,250)
Total (distribution to)/contribution from owners		-	(13)	(10)	-	-	1,047	(4,250)	(3,226)
At 31 July 2013/1 August 2013		356,871	37,973	(7,494)	18,459	1,019	1,047	501,138	909,013
		← Note 12 →							

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 July 2014 (Cont'd)

		← Attributable to shareholders of the Group →							
		← Non distributable →						Distributable	
	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserves RM'000	Other reserves RM'000	Share option reserves RM'000	Retained earnings RM'000	Total equity RM'000
At 31 July 2013/1 August 2013		356,871	37,973	(7,494)	18,459	1,019	1,047	501,138	909,013
Foreign currency translation differences for foreign operations		-	-	-	-	(670)	-	-	(670)
Net change in fair value of available-for-sale financial assets		-	-	-	-	(845)	-	-	(845)
Total other comprehensive expense		-	-	-	-	(1,515)	-	-	(1,515)
Profit for the year		-	-	-	-	-	-	45,565	45,565
Total comprehensive income for the year		-	-	-	-	(1,515)	-	45,565	44,050
Purchase of treasury shares		-	-	(1)	-	-	-	-	(1)
Share options exercised		2,106	-	-	-	-	-	-	2,106
Warrants exercised		1	1	-	-	-	-	-	2
Equity-settled share based payments		-	-	-	-	-	1,713	-	1,713
Transfer to share premium for share option exercised		-	169	-	-	-	(169)	-	-
Dividends to owners of the Company	22	-	-	-	-	-	-	(4,250)	(4,250)
Total contribution from/(distribution to) owners		2,107	170	(1)	-	-	1,544	(4,250)	(430)
At 31 July 2014		358,978	38,143	(7,495)	18,459	(496)	2,591	542,453	952,633
		← Note 12 →							

The notes set out on pages 56 to 116 are an integral part of these financial statements.

COMPANY STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 July 2014

		← Attributable to shareholders of the Group →							
		← Non distributable →						Distributable	
	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserves RM'000	Other reserves RM'000	Share option reserves RM'000	Retained earnings RM'000	Total equity RM'000
At 1 August 2012		356,871	37,986	(7,484)	18,459	(353)	-	26,006	431,485
Profit and total comprehensive income for the year		-	-	-	-	-	-	96,756	96,756
Purchase of treasury shares		-	-	(10)	-	-	-	-	(10)
Expenses incurred on issuance of equity securities		-	(13)	-	-	-	-	-	(13)
Equity-settled share based payments		-	-	-	-	-	1,047	-	1,047
Dividends to owners of the Company	22	-	-	-	-	-	-	(4,250)	(4,250)
Total (distribution to)/contribution from owners		-	(13)	(10)	-	-	1,047	(4,250)	(3,226)
At 31 July 2013/1 August 2013		356,871	37,973	(7,494)	18,459	(353)	1,047	118,512	525,015
Profit and total comprehensive income for the year		-	-	-	-	-	-	11,157	11,157
Purchase of treasury shares		-	-	(1)	-	-	-	-	(1)
Share options exercised		2,106	-	-	-	-	-	-	2,106
Warrants exercised		1	1	-	-	-	-	-	2
Equity-settled share based payments		-	-	-	-	-	1,713	-	1,713
Transfer to share premium for share option exercised		-	169	-	-	-	(169)	-	-
Dividends to owners of the Company	22	-	-	-	-	-	-	(4,250)	(4,250)
Total contribution from/ (distribution to) owners		2,107	170	(1)	-	-	1,544	(4,250)	(430)
At 31 July 2014		358,978	38,143	(7,495)	18,459	(353)	2,591	125,419	535,742
		← Note 12 →							

The notes set out on pages 56 to 116 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 July 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from operating activities				
Profit before tax	49,851	34,228	14,370	98,111
Adjustments for:				
Net unrealised foreign exchange (gain)/loss	(1,698)	3,856	-	-
Reversal of impairment loss of trade receivables	(2)	(23)	-	-
Depreciation of property, plant and equipment	23,638	21,747	241	206
Depreciation of investment properties	158	157	1,315	1,315
Property, plant and equipment written off	57	2	-	-
Interest expense	26,388	24,792	9,936	9,679
Finance income:				
Deposits	(329)	(248)	(99)	(72)
Available-for-sale financial assets	(1,008)	(2,177)	(25)	(1,282)
Joint venture	(18,031)	(8,822)	(18,031)	(8,822)
Subsidiary	-	-	(1,606)	(2,008)
Net overdue interest income	(175)	(101)	-	-
Change in fair value of derivatives	-	(156)	-	-
Dividends income	(100)	(330)	(6,240)	(91,440)
(Gain)/Loss on disposal of property, plant and equipment	(2,272)	(680)	-	87
Gain on disposals of available-for-sale financial assets	(255)	-	-	-
Equity-settled share based payments	1,713	1,047	1,713	1,047
Write-down of inventories	916	-	-	-
Share of (profit)/loss of equity accounted investee, net of tax	(484)	3,772	-	-
Operating profit before changes in working capital	78,367	77,064	1,574	6,821
Changes in working capital:				
Inventories	51,227	14,995	-	-
Trade and other receivables	(8,960)	(34,941)	51,833	(1,111)
Trade and other payables	27,187	(1,534)	1,170	(348)
Cash generated from operations	147,821	55,584	54,577	5,362
Interest paid	(26,444)	(25,045)	(6,665)	(6,614)
Net overdue interest income	175	101	-	-
Income tax paid	(4,476)	(3,132)	(3,636)	(1,183)
Net cash from/(used in) operating activities	117,076	27,508	44,276	(2,435)

STATEMENTS OF CASH FLOWS

for the year ended 31 July 2014 (Cont'd)

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash flows from investing activities					
Proceeds from withdrawal of available-for-sale financial assets		29,135	116,404	1,802	122,115
Dividend received		100	330	6,240	91,440
Proceeds from disposal of property, plantand equipment		3,327	4,152	-	334
Finance income:					
Deposits		329	248	99	72
Available-for-sale financial assets		1,008	2,177	25	1,282
Joint venture		18,031	8,822	18,031	8,822
Subsidiary		-	-	1,606	2,008
Purchase of property, plant and equipment		(5,304)	(20,736)	-	(589)
Advances to joint venture		(99,116)	(218,579)	(99,116)	(218,579)
Investment in available-for-sale financial assets		(49)	-	-	-
Net cash (used in)/from investing activities		(52,539)	(107,182)	(71,313)	6,905
Cash flows from financing activities					
Issuance of ordinary shares		2,108	-	2,108	-
Expenses incurred on issuance of equity securities		-	(13)	-	(13)
(Repayment)/drawdown of borrowing		(58,074)	71,703	30,000	-
Purchase of treasury shares		(1)	(10)	(1)	(10)
Dividends paid to owners of the Company		(4,250)	(4,250)	(4,250)	(4,250)
Net cash (used in)/from financing activities		(60,217)	67,430	27,857	(4,273)
Net increase/(decrease) in cash and cash equivalents		4,320	(12,244)	820	197
Effect of exchange rate changes		(828)	1,119	-	-
Cash and cash equivalents at beginning of year		51,449	62,574	3,639	3,442
Cash and cash equivalents at end of year		54,941	51,449	4,459	3,639

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

Deposits placed with licensed banks	11	3,497	17,742	3,497	3,453
Cash and bank balances	11	53,180	33,707	962	186
Less: Bank overdraft	13	(1,736)	-	-	-
		54,941	51,449	4,459	3,639

The notes set out on pages 56 to 116 are an integral part of these financial statements.

Hiap Teck Venture Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

Registered office and principal place of business
Lot 6096, Jalan Haji Abdul Manan
Batu 5½, Off Jalan Meru
41050 Klang
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 July 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in joint venture. The financial statements of the Company as at and for the financial year ended 31 July 2014 do not include other entities.

The Company is principally engaged in investment and property holdings and the provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of the principal activities during the financial year.

These financial statements were authorised for issue by the Board of Directors on 31 October 2014.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014
- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Properties (Annual Improvements 2011-2013 Cycle)*

1. Basis of preparation *(Cont'd)*

(a) Statement of compliance *(Cont'd)*

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

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 116, *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment – Agriculture: Bearer Plants*
- Amendments to MFRS 141, *Agriculture: Bearer Plants*

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

- MFRS 15, *Revenue from Contracts with Customers*

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

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to FRS 9, FRS 7 and FRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Company plans to apply the abovementioned standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 August 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014 and 1 July 2014;

- from the annual period beginning on 1 August 2016 for those accounting standards, amendments or interpretation that are effective for annual periods beginning on or after 1 January 2016; and

- from the annual period beginning on 1 August 2017 for those accounting standards, amendments or interpretation that are effective for annual periods beginning on or after 1 January 2017.

The initial application of the above standards, amendments and interpretations is not expected to have any material financial impacts to the current and prior periods financial statements upon their first adoption.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1. Basis of preparation *(Cont'd)*

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 8 - Recognition of deferred tax assets
- Note 28 - Contingent liabilities

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

2. Significant accounting policies *(Cont'd)*

(a) Basis of consolidation *(Cont'd)*

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisition, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(iii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

The Group adopted MFRS 11, *Joint Arrangements* in the current financial year. As a result, joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

2. Significant accounting policies *(Cont'd)*

(a) Basis of consolidation *(Cont'd)*

(iv) Joint arrangements *(Cont'd)*

In the previous financial years, joint arrangements were classified and accounted for as follows:

- For jointly controlled entity, the Group accounted for its interest using the equity method.
- For jointly controlled asset or jointly controlled operation, the Group and the Company accounted for each its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 11. The adoption of MFRS 11 has no significant impact to the financial statements of the Group. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Joint ventures are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted joint venture, the carrying amount of that interest (including any long-term investments) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

Investments in joint ventures are stated in the Company's statement of financial position at cost less impairment losses.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted investees and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Significant accounting policies *(Cont'd)*

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies *(Cont'd)*

(c) Financial instruments *(Cont'd)*

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(i)(i)).

2. Significant accounting policies *(Cont'd)*

(c) Financial instruments *(Cont'd)*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. Significant accounting policies *(Cont'd)*

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed. If a component has a useful life that is different from the remainder of the asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

2. Significant accounting policies *(Cont'd)*

(d) Property, plant and equipment *(Cont'd)*

(iii) Depreciation *(Cont'd)*

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	60 years
• Buildings	50 years
• Plant and machinery	5 - 12 years
• Motor vehicles	5 years
• Other assets	3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition of the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. Significant accounting policies *(Cont'd)*

(f) Investment properties

Investment properties at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land is depreciated over the lease term and their useful lives of 60 years.

Depreciation of buildings is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life of 50 years.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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 make the sale.

In the current financial year, the Group adopted the amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)* and classified spare parts as inventories unless the item of spare part is held for own use and expected to be used during more than one period in which it is classified as property, plant and equipment. In the previous financial years, all spare parts were classified as inventories. The change in accounting policy has been applied retrospectively. Nevertheless, there is no significant impact to the financial statements.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

2. Significant accounting policies *(Cont'd)*

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in joint venture) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

2. Significant accounting policies *(Cont'd)*

(i) Impairment *(Cont'd)*

(ii) Other assets *(Cont'd)*

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or the group of cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Repurchase, disposal and reissue of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(k) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

Compound financial instruments issued by the Group comprise redeemable convertible secured bonds that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

2. Significant accounting policies *(Cont'd)*

(k) Compound financial instruments *(Cont'd)*

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(l) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2. Significant accounting policies *(Cont'd)*

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount, volume rebates and sales taxes. Revenue is recognised when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Service income

Revenue is recognised when the services have been performed.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(v) Rental income

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

(vi) Management fees

Management fees are recognised when services are rendered.

2. Significant accounting policies *(Cont'd)*

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

2. Significant accounting policies *(Cont'd)*

(q) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise warrants, ESOS and redeemable convertible secured bonds.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Director and Group Operation Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(s) Fair value measurement

From 1 August 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

3. Property, plant and equipment

Group	Freehold land RM'000	Buildings RM'000	Leasehold land RM'000	Plant and machinery RM'000	Capital-in progress RM'000	Motor vehicles RM'000	Others assets RM'000	Total RM'000
Cost								
At 1 August 2012	76,417	139,260	5,020	211,545	2,578	8,473	41,272	484,565
Additions	-	-	-	1,198	1,276	790	17,472	20,736
Disposals	-	-	-	(9,823)	-	(1,694)	(3,546)	(15,063)
Written off	-	-	-	-	-	-	(8)	(8)
Transfers	-	-	-	2,447	(2,805)	-	358	-
Effect of movement in exchange rates	-	-	-	1	-	1	2	4
Reclassification to investment property	-	-	(3,950)	-	-	-	-	(3,950)
At 31 July 2013/ 1 August 2013	76,417	139,260	1,070	205,368	1,049	7,570	55,550	486,284
Additions	-	106	-	500	1,661	232	2,805	5,304
Disposals	-	-	-	-	-	(1,977)	(2,176)	(4,153)
Written off	-	-	-	(1,775)	-	(15)	(177)	(1,967)
Adjustment	-	-	-	-	-	-	(51)	(51)
Effect of movement in exchange rates	-	-	-	-	-	-	63	63
At 31 July 2014	76,417	139,366	1,070	204,093	2,710	5,810	56,014	485,480
Accumulated depreciation								
At 1 August 2012	-	18,415	1,600	119,919	-	5,856	24,095	169,885
Charge for the year	-	2,810	18	12,556	-	669	5,694	21,747
Disposals	-	-	-	(8,854)	-	(1,143)	(1,594)	(11,591)
Written off	-	-	-	-	-	-	(6)	(6)
Reclassification to investment property	-	-	(1,378)	-	-	-	-	(1,378)
At 31 July 2013/ 1 August 2013	-	21,225	240	123,621	-	5,382	28,189	178,657
Charge for the year	-	2,828	18	12,715	-	581	7,496	23,638
Disposals	-	-	-	-	-	(1,676)	(1,422)	(3,098)
Written off	-	-	-	(1,775)	-	(10)	(125)	(1,910)
Effect of movement in exchange rates	-	-	-	-	-	-	5	5
At 31 July 2014	-	24,053	258	134,561	-	4,277	34,143	197,292
Carrying amounts								
At 1 August 2012	76,417	120,845	3,420	91,626	2,578	2,617	17,177	314,680
At 31 July 2013/ 1 August 2013	76,417	118,035	830	81,747	1,049	2,188	27,361	307,627
At 31 July 2014	76,417	115,313	812	69,532	2,710	1,533	21,871	288,188

3. Property, plant and equipment *(Cont'd)*

Company	Motor vehicles RM'000	Renovation RM'000	Office equipment RM'000	Capital-in progress RM'000	Total RM'000
Cost					
At 1 August 2012	1,190	242	-	-	1,432
Addition	-	109	123	357	589
Disposal	(766)	-	-	-	(766)
Transfer	-	350	7	(357)	-
At 31 July 2013/1 August 2013	424	701	130	-	1,255
Adjustment	-	(51)	-	-	(51)
At 31 July 2014	424	650	130	-	1,204
Accumulated depreciation					
At 1 August 2012	471	80	-	-	551
Charge for the year	136	57	13	-	206
Disposal	(345)	-	-	-	(345)
At 31 July 2013/1 August 2013	262	137	13	-	412
Charge for the year	85	130	26	-	241
At 31 July 2014	347	267	39	-	653
Carrying amounts					
At 1 August 2012	719	162	-	-	881
At 31 July 2013/1 August 2013	162	564	117	-	843
At 31 July 2014	77	383	91	-	551

Other assets of the Group comprise equipment for hire, office renovations, furniture and fittings, heavy equipment, office equipment, tools, computer software, electrical installation, forklift, dies and jigs and container.

Security

At 31 July 2014, the redeemable convertible bonds (see Note 13) are secured by the first legal charge over property of a subsidiary with carrying amount of RM67,804,000 (2013: RM68,858,000) and the land and buildings of the Company with carrying amount of RM102,050,000 (2013: RM103,365,000).

4. Investment properties

Group	Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost				
At 1 August 2012	-	485	6,429	6,914
Reclassification from property, plant and equipment	3,950	-	-	3,950
At 31 July 2013/1 August 2013/31 July 2014	3,950	485	6,429	10,864
Accumulated depreciation				
At 1 August 2012	-	-	1,377	1,377
Charge for the year	54	-	103	157
Reclassification from property, plant and equipment	1,378	-	-	1,378
At 31 July 2013/1 August 2013	1,432	-	1,480	2,912
Charge for the year	54	-	104	158
At 31 July 2014	1,486	-	1,584	3,070
Carrying amounts				
At 1 August 2012	-	485	5,052	5,537
At 31 July 2013/1 August 2013	2,518	485	4,949	7,952
At 31 July 2014	2,464	485	4,845	7,794

Company	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 August 2012/31 July 2013/1 August 2013/31 July 2014	48,062	65,740	113,802
Accumulated depreciation			
At 1 August 2012	-	9,122	9,122
Charge for the year	-	1,315	1,315
At 31 July 2013/1 August 2013	-	10,437	10,437
Charge for the year	-	1,315	1,315
At 31 July 2014	-	11,752	11,752

4. Investment properties *(Cont'd)*

Company	Freehold land RM'000	Buildings RM'000	Total RM'000
Carrying amounts			
At 1 August 2012	48,062	56,618	104,680
At 31 July 2013/1 August 2013	48,062	55,303	103,365
At 31 July 2014	48,062	53,988	102,050

In the previous financial year, a leasehold land was transferred from property, plant and equipment to investment property, since the building attached to the land was no longer used by the Group and leased to third party. The estimated fair value of investment properties of the Group and of the Company are RM10,600,000 and RM144,240,000 (2013: RM10,600,000 and RM144,240,000) respectively. Investment properties are stated at cost and are not revalued.

The following are recognised in profit or loss in respect of investment properties:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Rental income	862	878	7,920	7,920
Direct operating expenses:				
- income generating investment properties	(180)	(157)	(1,315)	(1,315)

Fair value information

Fair value of investment properties are categorised as follows:

2014 Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Land	-	-	2,880	2,880
Buildings	-	-	7,720	7,720
	-	-	10,600	10,600
Company				
Land	-	-	68,870	68,870
Buildings	-	-	75,370	75,370
	-	-	144,240	144,240

4. Investment properties *(Cont'd)*

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair values of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

5. Investment in subsidiaries

	Company	
	2014 RM'000	2013 RM'000
At cost:		
Unquoted shares in Malaysia	93,970	93,970

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2014 %	2013 %
Hiap Teck Hardware Sdn. Bhd.	Malaysia	Importer, exporter and general dealer of steel products, hardware and building materials	100	100
Tiek Hong Hardware (B'worth) Sdn. Bhd.	Malaysia	Dormant	100	100

5. Investment in subsidiaries *(Cont'd)*

Details of the subsidiaries are as follows *(Cont'd)* :

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2014 %	Effective ownership interest 2013 %
Alpine Pipe Manufacturing Sdn. Bhd.	Malaysia	Manufacturing and selling of pipes, hollow sections and other steel products	100	100
Briliant Decade Transport Agency Sdn. Bhd.	Malaysia	Provision of Transportation services	100	100
Huatraco Scaffold Sdn. Bhd.	Malaysia	Manufacturing, selling and renting of scaffolding equipment and range of steel products	100	100
Hiap Teck Resources Sdn. Bhd. (Formerly known as Hiap Teck Management Services Sdn. Bhd.)	Malaysia	Dormant	100	100
Subsidiary of Hiap Teck Hardware Sdn. Bhd.				
Hiap Teck Property Sdn. Bhd.	Malaysia	Dormant	100	100
Subsidiaries of Huatraco Scaffold Sdn. Bhd.				
Huatraco Contracts Sdn. Bhd.	Malaysia	Dormant	100	100
Huatraco Industries Sdn. Bhd.*	Malaysia	Dormant	-*	100
Huatraco Investment Pte. Ltd.#	Singapore	Investment holding	100	100
Subsidiary of Huatraco Investment Pte. Ltd.				
Huatraco Singapore Pte. Ltd.#	Singapore	Scaffolding works and wholesale of industrial, construction and related machinery and equipment	100	100

* In the process of Members' Voluntary Winding-up
\# Audited by a firm other than KPMG

6. Investment in joint venture

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Unquoted shares in Malaysia, at cost	139,618	139,618	139,618	139,618
Share of post-acquisition reserves	(6,749)	(7,233)	-	-
	132,869	132,385	139,618	139,618

6. Investment in joint venture *(Cont'd)*

Details of the joint venture are as follows:

Name of entity	Country of incorporation	Principal activities	Effective ownership interest 2014 %	Effective ownership interest 2013 %
Eastern Steel Sdn. Bhd.	Malaysia	Manufacturing, selling and dealing in a range of steel products using blast furnace plant (under construction)	55	55

On 15 March 2012, the Company entered into the Shareholders' Agreement with the shareholders of a joint venture, Eastern Steel Sdn. Bhd. ("ESSB"), namely Orient Steel Investment Pte. Ltd. ("Orient Steel") and Chinaco Investment Pte. Ltd. ("Chinaco"). The agreement set out the rights and obligations and to regulate the shareholders' relationship of the three parties in respect of dealing with ESSB.

The agreement gives the Company and Orient Steel joint control over ESSB and hence, ESSB is considered as a joint venture of the Company.

The following tables summarise the financial information of Eastern Steel Sdn. Bhd. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in Eastern Steel Sdn. Bhd., which is accounted for using the equity method.

	2014 RM'000	2013 RM'000
Group		
Summarised financial information		
As at 31 July		
Non-current assets	1,036,727	746,660
Current assets	28,681	120,339
Non-current liabilities	(837,327)	(701,637)
Current liabilities	(78,421)	(16,583)
Net assets	149,660	148,779
Year ended 31 July		
Profit/(Loss) and total comprehensive income/(expense) for the year	880	(6,859)
Included in the total comprehensive income/(expense):		
Interest income	1,113	1,379
Interest expense	(371)	(62)
Income tax expense	(131)	(87)

6. Investment in joint venture *(Cont'd)*

	2014 RM'000	2013 RM'000
Reconciliation of net assets to carrying amount		
As at 31 July		
Group's share of net assets	82,313	81,828
Goodwill	50,556	50,556
Carrying amount in the statement of financial position	132,869	132,385
Group's share of results		
Year ended 31 July		
Group's share of profit/(loss) and total comprehensive income/(expense) for the year	484	(3,772)

7. Available-for-sale financial assets

	2014		2013	
	Carrying amount RM'000	Market value of quoted investments RM'000	Carrying amount RM'000	Market value of quoted investments RM'000
Group				
Non-current				
Club membership, unquoted	140	-	140	-
Equity instruments, quoted in Malaysia	2,311	2,311	3,107	3,107
	2,451		3,247	
Current				
Unit trust fund of licensed financial institution within Malaysia	27,879	27,879	56,759	56,759
	30,330		60,006	
Company				
Current				
Unit trust fund of licensed financial institution within Malaysia	1,006	1,006	2,808	2,808

8. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Group						
Property, plant and equipment	1	5	(24,168)	(27,196)	(24,167)	(27,191)
Investment properties	-	-	(96)	(75)	(96)	(75)
Loans and borrowings	1,834	1,007	(6,644)	(6,644)	(4,810)	(5,637)
Other payables	8,197	10,210	-	-	8,197	10,210
Tax loss carry-forwards	6	1	-	-	6	1
Reinvestment allowance	6,342	11,633	-	-	6,342	11,633
Allowance for increased export	5,448	-	-	-	5,448	-
Other items	-	964	-	-	-	964
Tax assets/(liabilities)	21,828	23,820	(30,908)	(33,915)	(9,080)	(10,095)
Set off of tax	(19,158)	(21,143)	19,158	21,143	-	-
Net tax assets/(liabilities)	2,670	2,677	(11,750)	(12,772)	(9,080)	(10,095)
Company						
Loans and borrowings	1,834	1,007	(6,644)	(6,644)	(4,810)	(5,637)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unabsorbed capital allowances	6,152	6,123	-	-
Tax loss carry-forwards	1,499	872	-	-
Other deductible temporary differences	33	910	-	-
	7,684	7,905	-	-
At 25%	1,921	1,976	-	-

Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

8. Deferred tax assets/(liabilities) *(Cont'd)*

Movement in temporary differences during the year

	At 1.8.2012 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.7.2013/ 1.8.2013 RM'000	Recognised in profit or loss (Note 20) RM'000	Recognised in other comprehensive income RM'000	At 31.7.2014 RM'000
Group						
Property, plant and equipment	(22,943)	(4,248)	(27,191)	3,045	(21)	(24,167)
Investment properties	(55)	(20)	(75)	(21)	-	(96)
Loan and borrowings	(6,397)	760	(5,637)	827	-	(4,810)
Other payables	6,947	3,263	10,210	(2,013)	-	8,197
Tax loss carry-forward	9	(8)	1	5	-	6
Reinvestment allowance	15,095	(3,462)	11,633	(5,291)	-	6,342
Allowance for increased export	-	-	-	5,448	-	5,448
Others	(333)	1,297	964	(964)	-	-
	(7,677)	(2,418)	(10,095)	1,036	(21)	(9,080)
Company						
Loan and borrowings	(6,397)	760	(5,637)	827	-	(4,810)

9. Trade and other receivables

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current				
Non-trade				
Amount due from subsidiary	-	-	30,324	34,131
Amount due from joint venture	466,678	367,562	466,678	367,562
	466,678	367,562	497,002	401,693
Current				
Trade				
Trade receivables	260,060	252,114	-	-
Less: Allowance for impairment loss	(689)	(691)	-	-
	259,371	251,423	-	-

9. Trade and other receivables *(Cont'd)*

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-trade				
Other receivables	34,453	28,221	8	-
Less: Allowance for impairment loss	(22,014)	(22,014)	-	-
	12,439	6,207	8	-
Advance payment to suppliers	-	2,946	-	-
Deposits	1,072	569	30	30
Prepayments	3,620	3,636	76	75
	17,131	13,358	114	105
	276,502	264,781	114	105
	743,180	632,343	497,116	401,798

The Group's normal trade credit term ranges from 14 to 90 (2013: 14 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

The allowance for impairment loss in other receivables of the Group relate to the quantity discounts receivable from a supplier in prior years. In assessing the recoverability of these debts, the management has given due consideration to all pertinent information and development of the claims, including assessing the outcomes of the various discussions and negotiations with the supplier in the previous financial year. Management is of the opinion that the recoverability of quantity discounts receivable is uncertain and accordingly provided for impairment loss on the amounts.

Amount due from subsidiary and joint venture (non-current)

The amount due from subsidiary is unsecured and subject to interest rate of 5% (2013: 5%) per annum. The amount due from joint venture is unsecured and subject to interest rates of 4.6% to 9.2% (2013: 4.6% to 9.2%) per annum. Both amounts due from subsidiary and joint venture are repayable in 2017.

10. Inventories

	Group	
	2014 RM'000	2013 RM'000
Raw materials	99,649	98,326
Work-in-progress	21,851	20,572
Finished goods	100,941	95,326
Merchandise goods	130,047	190,728
Spare parts	2,352	2,031
At 31 July	354,840	406,983

11. Cash and cash equivalents

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits placed with licensed banks	3,497	17,742	3,497	3,453
Cash and bank balances	53,180	33,707	962	186
	56,677	51,449	4,459	3,639

12. Capital and reserves

Share capital

	Group and Company			
	Amount 2014 RM'000	Number of shares 2014 '000	Amount 2013 RM'000	Number of shares 2013 '000
Authorised:				
Ordinary shares of RM0.50 each	1,000,000	2,000,000	1,000,000	2,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each				
At 1 August	356,871	713,742	356,871	713,742
Share options exercised	2,106	4,212	-	-
Warrants exercised	1	3	-	-
At 31 July	358,978	717,957	356,871	713,742

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

12. Capital and reserves *(Cont'd)*

Reserves

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Non-distributable:					
Share premium		38,143	37,973	38,143	37,973
Warrant reserves	12.1	18,459	18,459	18,459	18,459
Other reserves					
Translation reserves	12.2.1	(107)	563	-	-
Fair value reserves	12.2.2	(36)	809	-	-
Capital reserves	12.2.3	(353)	(353)	(353)	(353)
Share option reserves	12.3	2,591	1,047	2,591	1,047
Treasury shares	12.4	(7,495)	(7,494)	(7,495)	(7,494)
		51,202	51,004	51,345	49,632
Distributable:					
Retained earnings		542,453	501,138	125,419	118,512
		593,655	552,142	176,764	168,144

12.1 Warrant reserves

The warrant reserves arose from the allocation of the proceeds received from the issuance of the warrants by reference to the fair value of the warrants and net of expenses incurred in relation to the rights issue in the previous financial year.

Warrants 2012/2017
In the previous financial year, the number of outstanding warrants issued pursuant to the rights issue of new ordinary shares was 88,536,425. During the financial year, 2,733 warrants were exercised and the number of warrants outstanding as at 31 July 2014 was 88,533,692.

The salient terms of the Warrants 2012/2017 are as follows:
(a) The Warrants can be exercised any time during the tenure of 5 years commencing from the date of issue of 10 January 2012 to 9 January 2017 ("Exercise Period"). Warrants not exercised during the Exercise Period will lapse and cease to be valid; and
(b) Each warrant entitles holder to subscribe for one new ordinary share in the Company at the exercise price of RM0.69 at any time during the Exercise Period.

12.2 Other reserves

12.2.1 Translation reserves

The translation reserves comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

12.2.2 Fair value reserves

The fair value reserves comprise the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

12. Capital and reserves *(Cont'd)*

12.2 Other reserves *(Cont'd)*

12.2.3 Capital reserves

The capital reserves comprise the equity component of redeemable convertible secured bonds. It represents the residual amount of the convertible bonds after deducting the fair value of the liability component. The amount is presented net of transaction costs and deferred tax liabilities.

12.3 Share option reserves

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

12.4 Treasury shares

During the financial year, the Company repurchased 1,000 of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.80 per share including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares. As at 31 July 2014, a total of 5,481,000 buy-back shares were held as treasury shares and carried at cost.

13. Loans and borrowings

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current				
Secured:				
Redeemable convertible bonds	127,758	124,451	127,758	124,451
Current				
Secured:				
Redeemable convertible bonds	2,199	2,235	2,199	2,235
Bankers' acceptances	386,039	375,121	-	-
Bank overdrafts	1,736	-	-	-
Revolving credit	60,000	30,000	30,000	-
Onshore foreign currency loan	-	102,084	-	-
	449,974	509,440	32,199	2,235
	577,732	633,891	159,957	126,686

13. Loans and borrowings *(Cont'd)*

Security

(a) The redeemable convertible bonds are secured by the first legal charge over property of a subsidiary with carrying amount of RM67,804,000 (2013: RM68,858,000) and the land and buildings of the Company with carrying amount of RM102,050,000 (2013: RM103,365,000).

(b) The Company has extended corporate guarantees amounting to RM447,775,000 (2013: RM507,205,000) as at the reporting date to financial institutions for banking facilities granted to certain subsidiaries. The Directors have assessed the financial guarantee contracts and concluded that 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.

Redeemable convertible secured bonds ("the Bonds")

On 5 April 2012 ("Issue date"), the Company issued a 7-year RM147 million nominal value of 4.5% redeemable convertible secured bonds. The liability component of the Bonds is recognised in statements of financial position as follows:

	Group and Company	
	2014	2013
	RM'000	RM'000
At 1 August	126,686	123,623
Accreted interest	3,271	3,063
At 31 July	129,957	126,686

The holder of the Bonds may on 5th anniversary of the Issue date (ie. 5 April 2017) require the Company to redeem all or part of the Bonds by giving no less than 90 days irrevocable prior written notice to the Company.

Unless previously redeemed, converted, purchased and cancelled, the Bonds shall be redeemed by the Company at its nominal value on the 7th anniversary of the Issue date (ie. 5 April 2019) ("Maturity date").

The Bonds are convertible into ordinary shares of RM0.50 each at the option of the holder at conversion price of RM0.70 at any time between issuance up to Maturity date.

The Bonds carry a coupon rate of 4.5% per annum on the nominal value payable semi-annually in arrears.

14. Trade and other payables

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current				
Trade				
Trade payables	43,936	13,366	-	-
Amount due to a related party	3,771	-	-	-
	47,707	13,366	-	-
Non-trade				
Other payables	6,538	10,499	8	95
Accruals	14,598	16,325	2,373	1,168
Deposits received	2,630	3,769	-	-
Advances from customers	4,016	3,689	-	-
Amount due to subsidiaries	-	-	134,378	86,342
	27,782	34,282	136,759	87,605
	75,489	47,648	136,759	87,605

Amount due to a related party

The amount due to a related party is subject to normal trade terms.

Amount due to subsidiaries

The amount due to subsidiaries are non-trade in nature, unsecured, non-interest bearing and repayable upon demand. The amount due to subsidiaries will be offset against future dividends and rental receivable from these subsidiaries.

15. Revenue

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sale of goods and services	1,098,550	1,095,309	-	-
Rental of scaffolding equipment	11,820	11,889	-	-
Dividend income	-	-	6,240	91,440
Rental of properties	120	120	7,920	7,920
Management fee	-	-	3,720	-
	1,110,490	1,107,318	17,880	99,360

16. Cost of sales

	Group	
	2014 RM'000	2013 RM'000
Cost of inventories sold	1,008,347	1,013,171
Depreciation of scaffolding equipment for hire	5,521	3,749
	1,013,868	1,016,920

Included in the cost of inventories sold are the following:

Direct and indirect labour costs	11,393	11,603
Upkeep of property, plant and equipment	5,487	4,187
Depreciation of property, plant and equipment	14,717	14,557

17. Profit for the year

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the year is arrived after charging/(crediting):				
Personnel expenses:				
Salaries, wages and others	33,305	31,606	6,727	1,612
Defined contribution plan	3,298	2,984	832	160
Auditors' remuneration:				
Statutory audit	296	306	83	80
Other services	20	48	20	48
Reversal of impairment loss of trade receivables	(2)	(23)	-	-
Depreciation of property, plant and equipment	23,638	21,747	241	206
Depreciation of investment properties	158	157	1,315	1,315
Equity-settled share based payments	1,713	1,047	1,713	1,047
Fair value gain on derivatives	-	(156)	-	-
Minimum lease payments recognised as operating lease expense for:				
- Land and buildings	1,096	677	-	-
- Office equipment	9	9	-	-
- Gas tank	10	11	-	-
Property, plant and equipment written off	57	2	-	-
(Gain)/Loss on disposals of property, plant and equipment	(2,272)	(680)	-	87
Gain on disposals of available-for-sale financial assets	(255)	-	-	-
Compensation from lawsuit	-	(2,800)	-	(2,800)
Rental income from investment properties	(862)	(878)	(7,920)	(7,920)
Gross dividend income	(100)	(330)	(6,240)	(91,440)

17. Profit for the year *(Cont'd)*

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the year is arrived after charging/(crediting) *(Cont'd)*:				
Net foreign exchange (gain)/loss:				
- Realised	(3,341)	(4,586)	-	-
- Unrealised	(1,698)	3,856	-	-
Net overdue interest income	(175)	(101)	-	-
Finance income:				
- Deposits	(329)	(248)	(99)	(72)
- Available-for-sale financial assets	(1,008)	(2,177)	(25)	(1,282)
- Joint venture	(18,031)	(8,822)	(18,031)	(8,822)
- Subsidiary	-	-	(1,606)	(2,008)
Write down of inventories	916	-	-	-

18. Key management personnel compensation

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Executive directors				
- Remuneration	3,919	3,694	3,207	1,771
- Other short term employee benefits	20	69	-	-
	3,939	3,763	3,207	1,771
Non-executive directors:				
- Fees	352	382	315	353
- Other emoluments	24	30	24	30
	376	412	339	383
	4,315	4,175	3,546	2,154

19. Finance costs

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest expense on:				
Bank overdrafts	142	104	-	-
Bankers' acceptances	14,515	13,329	-	-
Invoice financing	84	-	-	-
Revolving credit	1,216	1,119	14	-
Onshore foreign currency loan	509	561	-	-
Redeemable convertible secured bonds	9,922	9,679	9,922	9,679
	26,388	24,792	9,936	9,679

20. Income tax expense

Recognised in profit or loss

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current tax				
Malaysian - current	9,612	7,971	3,929	2,146
- prior year	(4,290)	(453)	111	(31)
	5,322	7,518	4,040	2,115
Deferred tax				
Origination and reversal of temporary differences	3,010	1,476	(827)	(760)
(Over)/Under provision in prior year	(4,046)	942	-	-
	(1,036)	2,418	(827)	(760)
Total income tax expense	4,286	9,936	3,213	1,355

Reconciliation of tax expense

Profit before tax	49,851	34,228	14,370	98,111
Income tax calculated using Malaysian tax rate of 25%	12,462	8,557	3,593	24,528
Effect of tax rate in foreign jurisdictions	153	-	-	-
Income not subject to tax	(1,269)	(1,058)	(1,563)	(23,180)
Non-deductible expenses	1,370	1,858	1,072	38
Double deduction expenses	(39)	(31)	-	-
Temporary difference for which no deferred tax assets was recognised	(55)	121	-	-
(Over)/Under provision of deferred tax in prior years	(4,046)	942	-	-
(Over)/Under provision of current tax in prior years	(4,290)	(453)	111	(31)
Income tax expense	4,286	9,936	3,213	1,355

21. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 July 2014 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2014	**2013**
Profit attributable to ordinary shareholders (RM'000)	45,565	24,292
Weighted average number of ordinary shares ('000)		
Issued ordinary shares at 1 August	713,742	713,742
Effect of treasury shares held	(5,481)	(5,467)
Effect of ordinary shares issued	1,115	-
Weighted average number of ordinary shares at 31 July	709,376	708,275
Basic earnings per share (sen)	6.42	3.43

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 July 2014 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential ordinary shares.

No diluted earnings per share is disclosed as there are no dilutive potential ordinary shares.

22. Dividends

Dividends recognised by the Company:

	Sen per share	**Total amount RM'000**	**Date of payment**
2014			
Final 2013 ordinary (single tier)	0.60	4,250	22 January 2014
2013			
Final 2012 ordinary (single tier)	0.60	4,250	18 January 2013

22. Dividends *(Cont'd)*

After the reporting period, the following dividends were proposed by the Directors. This dividend will be recognised in subsequent financial period upon approval by the shareholders of the Company at the forthcoming Annual General Meeting.

	Group	
	Sen amount	Total per share RM'000
Final 2014 ordinary (single tier)	0.60	4,275

23. Operating segments

(a) Business Segments

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(i) The trading segment is importers, exporters and general dealers in steel products, hardware and building materials;

(ii) The manufacturing segment involved in manufacturing, renting and distributing of steel pipes, hollow sections, scaffolding equipment, accessories and other steel products;

(iii) The property and investment segment involved in investment in and renting out property and investment holding; and

(iv) The transportation segment involved in provision of transportation of goods by lorries.

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segments.

Group income taxes are managed on a group basis and are not allocated to operating segments.

(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.

Performance is measured based on segment profit before tax, interest and depreciation as included in the internal management reports that are reviewed by the Executive Director and Group Operation Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Executive Director and Group Operation Director. Segment total asset is used to measure the return of assets of each segment.

23. Operating segments *(Cont'd)*

Segment liabilities

Segment liabilities information is included in the internal management reports and provided regularly to the Executive Director and Group Operation Director. Hence disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

2014	Trading RM'000	Manufacturing RM'000	Property and investment RM'000	Transportation RM'000	Eliminations RM'000	Total RM'000
Revenue						
External customers	535,818	574,552	120	-	-	1,110,490
Inter-segment	2,308	23,924	17,760	3,939	(47,931)	-
Total segment revenue	538,126	598,476	17,880	3,939	(47,931)	1,110,490
Results						
Segment profit	4,837	37,277	6,809	444	484	49,851
Included in the measure of segment profit are:						
Finance income	669	517	18,617	15	-	19,368
Dividend income	-	-	100	-	-	100
Finance cost	6,926	9,526	9,936	-	-	26,388
Depreciation	3,341	18,140	1,961	354	-	23,796
Share of profit of joint venture	-	-	-	-	-	484
Assets						
Segment assets	411,559	614,441	725,072	3,755	(143,401)	1,611,426
Unallocated assets						6,178
Total assets						1,617,604
Liabilities						
Segment liabilities	286,459	272,976	236,758	448	(143,420)	653,221
Unallocated liabilities						11,750
Total liabilities						664,971
Other information						
Addition to non-current assets other than financial instruments and deferred tax assets	854	4,218	-	232	-	5,304
Property, plant and equipment written off	-	52	-	5	-	57
Reversal of impairment loss of trade receivables	2	-	-	-	-	2
Write-down of inventories	916	-	-	-	-	916

23. Operating segments *(Cont'd)*

Segment capital expenditure *(Cont'd)*

2013	Trading RM'000	Manufacturing RM'000	Property and investment RM'000	Transportation RM'000	Eliminations RM'000	Total RM'000
Revenue						
External customers	566,538	540,654	120	6	-	1,107,318
Inter-segment	5,459	58,703	102,840	4,047	(171,049)	-
Total segment revenue	571,997	599,357	102,960	4,053	(171,049)	1,107,318
Results						
Segment profit	6,600	25,677	5,046	677	(3,772)	34,228
Included in the measure of segment profit are:						
Finance income	529	506	12,205	15	(2,008)	11,247
Dividend income	-	-	330	-	-	330
Finance cost	7,115	10,006	9,679	-	(2,008)	24,792
Depreciation	1,962	17,856	1,908	178	-	21,904
Share of loss of joint venture	-	-	-	-	-	(3,772)
Assets						
Segment assets	426,967	676,674	693,355	3,678	(205,176)	1,595,498
Unallocated assets						7,826
Total assets						1,603,324
Liabilities						
Segment liabilities	304,700	366,236	215,940	497	(205,834)	681,539
Unallocated liabilities						12,772
Total liabilities						694,311
Other information						
Addition to non-current assets other than financial instruments and deferred tax assets	13,014	6,379	589	754	-	20,736
Property, plant and equipment written off	-	2	-	-	-	2
Reversal of impairment loss of trade receivables	23	-	-	-	-	23

24. Financial instruments

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Available-for-sale financial assets ("AFS"); and
(c) Other financial liabilities measured at amortised cost ("OL").

2014	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000
Financial assets			
Group			
Available-for-sale financial assets	30,330	-	30,330
Trade and other receivables (excluding prepayments)	739,560	739,560	-
Cash and cash equivalents	56,677	56,677	-
	826,567	796,237	30,330
Company			
Available-for-sale financial assets	1,006	-	1,006
Trade and other receivables (excluding prepayments)	497,040	497,040	-
Cash and cash equivalents	4,459	4,459	-
	502,505	501,499	1,006
Financial liabilities			
Group			
Loans and borrowings	(577,732)	(577,732)	-
Trade and other payables	(75,489)	(75,489)	-
	(653,221)	(653,221)	-
Company			
Loans and borrowings	(159,957)	(159,957)	-
Trade and other payables	(136,759)	(136,759)	-
	(296,716)	(296,716)	-

24. Financial instruments *(Cont'd)*

24.1 Categories of financial instruments *(Cont'd)*

2013	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000
Financial assets			
Group			
Available-for-sale financial assets	60,006	-	60,006
Trade and other receivables (excluding prepayments)	628,707	628,707	-
Cash and cash equivalents	51,449	51,449	-
	740,162	680,156	60,006
Company			
Available-for-sale financial assets	2,808	-	2,808
Trade and other receivables (excluding prepayments)	401,723	401,723	-
Cash and cash equivalents	3,639	3,639	-
	408,170	405,362	2,808
Financial liabilities			
Group			
Loans and borrowings	(633,891)	(633,891)	-
Trade and other payables	(47,648)	(47,648)	-
	(681,539)	(681,539)	-
Company			
Loans and borrowings	(126,686)	(126,686)	-
Trade and other payables	(87,605)	(87,605)	-
	(214,291)	(214,291)	-

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net gains/(losses) on:				
Fair value through profit or loss	-	156	-	-
Available-for-sale financial assets	518	3,117	25	1,282
Loans and receivables	23,576	13,016	19,736	8,894
Financial liabilities measured at amortised cost	(26,388)	(27,883)	(9,936)	(9,679)
	(2,294)	(11,594)	9,825	497

24. Financial instruments *(Cont'd)*

24.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

24.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and joint venture and corporate guarantees given to banks for credit facilities granted to subsidiaries and joint venture.

Receivables

Risk management objectives, policies and processes for managing the risk

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Domestic	230,716	221,931
Asia	28,549	28,054
Australia/New Zealand	106	267
United States	-	862
Canada	-	309
	259,371	251,423

24. Financial instruments *(Cont'd)*

24.4 Credit risk *(Cont'd)*

Receivables *(Cont'd)*

Impairment losses
The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2014			
Not past due	200,011	-	200,011
Past due 1 - 30 days	53,945	-	53,945
Past due 31 - 60 days	1,327	-	1,327
Past due 61 - 90 days	2,603	-	2,603
Past due more than 90 days	2,174	(689)	1,485
	260,060	(689)	259,371
2013			
Not past due	192,526	-	192,526
Past due 1 - 30 days	49,658	-	49,658
Past due 31 - 60 days	5,490	-	5,490
Past due 61 - 90 days	1,154	-	1,154
Past due more than 90 days	3,286	(691)	2,595
	252,114	(691)	251,423

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2014 RM'000	2013 RM'000
At 1 August	691	4,300
Impairment loss reversed	(2)	(23)
Impairment loss written off	-	(3,586)
At 31 July	689	691

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

24. Financial instruments *(Cont'd)*

24.4 Credit risk *(Cont'd)*

Available-for-sale financial assets

Risk management objectives, policies and processes for managing the risk

Investments in available-for-sale financial assets are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Group does not have overdue investments that have not been impaired.

The available-for-sale financial assets are unsecured.

Impairment losses

As at the end of the reporting period, there was no indication that the investments and other financial assets are not recoverable.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured corporate guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM447,775,000 (2013: RM507,205,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

24. Financial instruments *(Cont'd)*

24.4 Credit risk *(Cont'd)*

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries and joint venture. The Company monitors the results of these entities regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries and joint venture are not recoverable.

24.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate coupon	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2014							
Non-derivative financial liabilities							
Secured bank loans and facilities	447,775	3.63% - 7.60%	447,775	447,775	-	-	-
Redeemable convertible secured bonds	129,957	4.50%	180,057	6,597	6,615	166,845	-
Trade and other payables*	75,489	-	75,489	75,489	-	-	-
	653,221		703,321	529,861	6,615	166,845	-

24. Financial instruments *(Cont'd)*

24.5 Liquidity risk *(Cont'd)*

Maturity analysis (Cont'd)

Group	Carrying amount RM'000	Contractual interest rate coupon	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2013							
Non-derivative financial liabilities							
Secured bank loans and facilities	507,205	3.40% - 4.10%	507,992	507,992	-	-	-
Redeemable convertible secured bonds	126,686	4.50%	186,708	6,651	6,597	19,845	153,615
Trade and other payables*	47,648	-	47,648	47,648	-	-	-
	681,539		742,348	562,291	6,597	19,845	153,615
Company							
2014							
Non-derivative financial liabilities							
Redeemable convertible secured bonds	129,957	4.50%	180,057	6,597	6,615	166,845	-
Revolving credit	30,000	5.10% - 5.30%	30,000	30,000	-	-	-
Trade and other payables*	136,759	-	136,759	136,759	-	-	-
	296,716		346,816	173,356	6,615	166,845	-
2013							
Non-derivative financial liabilities							
Redeemable convertible secured bonds	126,686	4.50%	186,708	6,651	6,597	19,845	153,615
Trade and other payables*	87,605	-	87,605	87,605	-	-	-
	214,291		274,313	94,256	6,597	19,845	153,615

* *The contractual cash flows of trade and other payables exclude derivatives, and where applicable, accruals for interest on borrowings have been included in the contractual cash flows of the respective financial liabilities.*

24. Financial instruments *(Cont'd)*

24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

24.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and cash and cash equivalents that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD) and Singapore Dollar (SGD).

Risk management objectives, policies and processes for managing the risk

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. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in	
	USD	***SGD***
Group	**RM'000**	**RM'000**
2014		
Trade receivables	4,917	20,825
Cash and cash equivalents	19,586	7,442
Total exposure	24,503	28,267
2013		
Trade receivables	3,200	23,302
Cash and cash equivalents	9,421	7,033
Onshore foreign currency loan	(102,084)	-
Total exposure	(89,463)	30,335

24. Financial instruments *(Cont'd)*

24.6 Market risk *(Cont'd)*

24.6.1 Currency risk *(Cont'd)*

Currency risk sensitivity analysis

Foreign currency risk of the Group entities mainly arises from transactions dealing in SGD and USD. The exposure to other currency is not material and hence sensitivity analysis is not presented for other currency.

A 5% and 5% (2013: 5% and 5%) strengthening of the SGD and USD respectively against the functional currencies of the Group entities at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2014	2013
Group	**RM'000**	**RM'000**
SGD	1,060	1,138
USD	918	(3,355)

A 5% and 5% (2013: 5% and 5%) weakening of the SGD and USD respectively against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

24.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities, available-for sale financial assets and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

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

24. Financial instruments *(Cont'd)*

24.6 Market risk *(Cont'd)*

24.6.2 Interest rate risk *(Cont'd)*

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fixed rate instruments				
Financial liabilities				
Revolving credit	60,000	30,000	30,000	-
Bankers' acceptances	386,039	375,121	-	-
Onshore foreign currency loan	-	102,084	-	-
Redeemable convertible secured bonds	129,957	126,686	129,957	126,686
	575,996	633,891	159,957	126,686
Floating rate instruments				
Bank overdrafts	1,736	-	-	-
	577,732	633,891	159,957	126,686

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

The exposure to interest rate risk arising from floating rate instruments is not material, and hence, sensitivity analysis is not presented.

24. Financial instruments *(Cont'd)*

24.6 Market risk *(Cont'd)*

24.6.3 Other price risk

Equity price risk arises from the Group's investments in quoted equity securities. The quoted equity securities is listed on the Bursa Malaysia Securities Berhad. The instrument is classified as available-for-sale investments.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on an individual basis and all buy and sell decisions are approved by the management.

Equity price risk sensitivity analysis

At the reporting date, if the share price had been 5% (2013: 5%) higher/lower, with all other variables held constant, the Group's other reserve in equity would have been RM115,200 (2013: RM155,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

Investment in unit trust funds

The Group's investment in unit trust funds in licensed financial institution within Malaysia is a fixed income fund which provides regular income stream and stable investment returns. The Group invested in the fund for cash management purpose. The exposure to the equity risk is not material and hence sensitivity analysis is not presented.

24.7 Fair value information

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

It was not practicable to estimate the fair value of the Group's and the Company's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

24. Financial instruments *(Cont'd)*

24.7 Fair value information *(Cont'd)*

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair	Carrying
2014 Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	value RM'000	amount RM'000
Financial assets										
Investment in quoted shares	2,311	-	-	2,311	-	-	-	-	2,311	2,311
Investment in unit trust funds	-	27,879	-	27,879	-	-	-	-	27,879	27,879
Amount due from joint venture	-	-	-	-	-	-	466,678	466,678	466,678	466,678
	2,311	27,879	-	30,190	-	-	466,678	466,678	496,868	496,868
Financial liabilities										
Redeemable convertible secured bonds	-	-	-	-	-	-	(129,957)	(129,957)	(129,957)	(129,957)
Company										
Financial assets										
Investment in unit trust funds	-	1,006	-	1,006	-	-	-	-	1,006	1,006
Amount due from subsidiaries	-	-	-	-	-	-	30,324	30,324	30,324	30,324
Amount due from joint venture	-	-	-	-	-	-	466,678	466,678	466,678	466,678
	-	1,006	-	1,006	-	-	497,002	497,002	498,008	498,008
Financial liabilities										
Redeemable convertible secured bonds	-	-	-	-	-	-	(129,957)	(129,957)	(129,957)	(129,957)

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

24. Financial instruments *(Cont'd)*

24.7 Fair value information *(Cont'd)*

2013	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value*	Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total RM'000	RM'000	RM'000
Group							
Financial assets							
Investment in quoted shares	3,107	-	-	3,107	-	3,107	3,107
Investment in unit trust funds	-	56,759	-	56,759	-	56,759	56,759
Amount due from joint venture	-	-	-	-	367,562	367,562	367,562
	3,107	56,759	-	59,866	367,562	427,428	427,428
Financial liabilities							
Redeemable convertible secured bonds	-	-	-	-	(126,686)	(126,686)	(126,686)
Company							
Financial assets							
Investment in unit trust funds	-	2,808	-	2,808	-	2,808	2,808
Amount due from subsidiaries	-	-	-	-	34,131	34,131	34,131
Amount due from joint venture	-	-	-	-	367,562	367,562	367,562
	-	2,808	-	2,808	401,693	404,501	404,501
Financial liabilities							
Redeemable convertible secured bonds	-	-	-	-	(126,686)	(126,686)	(126,686)

* Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13.

24. Financial instruments *(Cont'd)*

24.7 Fair value information *(Cont'd)*

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2013: no transfer in either directions)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

25. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with bond covenants and regulatory requirements.

25. Capital management *(Cont'd)*

During 2014, the Group's strategy, which was unchanged from 2013, was to maintain the debt-to-equity ratio of less than 1.0. The debt-to-equity ratios were as follows:

	Note	Group 2014 RM'000	Group 2013 RM'000
Loans and borrowings	13	577,732	633,891
Less: Cash and cash equivalents	11	(56,677)	(51,449)
Less: Available-for-sale financial assets - current	7	(27,879)	(56,759)
Net debt		493,176	525,683
Total equity		952,633	909,013
Debt-to-equity ratios		0.52	0.58

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group is also required to maintain minimum debt service cover ratio of 1.5 and debt-to-equity ratio of less than 1.0 to comply with bond covenant, failing which, the bank may call it an event of default. The Group has complied with the requirement.

26. Operating leases

Leases as lessee

Non-cancellable operating lease rental are payable as follows:

	Group 2014 RM'000	Group 2013 RM'000
Less than one year	130	135
Between one and five years	122	56
	252	191

Operating lease payments represent rental payable by the Group for use of buildings and gas tank.

26. Operating leases *(Cont'd)*

Leases as lessor

The Group lease out their investment properties under operating leases (see Note 4). The future minimum lease receivables under non-cancellable leases are as follows:

	Group	
	2014 RM'000	2013 RM'000
Less than one year	692	588
Between one and five years	-	37
	692	625

27. Capital commitment

	Group	
	2014 RM'000	2013 RM'000
Share of capital commitments of joint venture:		
Approved and contracted for	49,940	135,339
Approved but not contracted for	3,402	15,688
	53,342	151,027

28. Contingent liabilities

	Group	
	2014 RM'000	2013 RM'000
In respect of indemnity provided for bank guarantees issued	6,751	27,331
In respect of guarantees issued in favour of Royal Customs and Excise Department	3,000	3,000
In respect of corporate guarantees issued to a joint venture	35,329	-

29. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

29. Related parties *(Cont'd)*

Identity of related parties *(Cont'd)*

The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 18), are as follows:

Transaction with related parties

Group	2014 RM'000	2013 RM'000
Purchases of steel products from a company in which certain directors of the Company have significant interests:		
JK Ji Seng Sdn. Bhd.	89,870	153,105
Sales of steel products to joint venture		
Eastern Steel Sdn. Bhd.	(1,981)	(35)
Rental income from joint venture		
Eastern Steel Sdn. Bhd.	(120)	(120)

Company

Rental income from subsidiaries:		
Alpine Pipe Manufacturing Sdn. Bhd.	(3,120)	(3,120)
Huatraco Scaffold Sdn. Bhd.	(1,560)	(1,560)
Hiap Teck Hardware Sdn. Bhd.	(3,120)	(3,120)
Gross dividends income from subsidiaries:		
Hiap Teck Hardware Sdn. Bhd.	(1,800)	(44,400)
Alpine Pipe Manufacturing Sdn. Bhd.	(3,000)	(12,000)
Huatraco Scaffold Sdn. Bhd.	(900)	(34,200)
Briliant Decade Transport Agency Sdn. Bhd.	(180)	(840)
Hiap Teck Resources Sdn. Bhd. (formerly known as Hiap Teck Management Services Sdn. Bhd.)	(360)	-

The Directors of the Group and the Company are of the opinion that the above transactions have been entered into in the normal course of business and the terms have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Intercompany balances with the related parties

	Group	
	2014 RM'000	2013 RM'000
Amount due to a related party		
JK Ji Seng Sdn. Bhd.	3,771	-
Amount due from joint venture		
Eastern Steel Sdn. Bhd.	(466,678)	(367,562)

29. Related parties *(Cont'd)*

Identity of related parties *(Cont'd)*

Intercompany balances with the related parties *(Cont'd)*

	Company	
	2014 RM'000	2013 RM'000
Amount due to/(from) subsidiaries		
Alpine Pipe Manufacturing Sdn. Bhd.	17,819	(17,776)
Huatraco Scaffold Sdn. Bhd.	4,432	4,434
Hiap Teck Hardware Sdn. Bhd.	80,232	65,258
Briliant Decade Transport Agency Sdn. Bhd.	295	295
Hiap Teck Resources Sdn. Bhd. (formerly known as Hiap Teck Management Services Sdn. Bhd.)	1,276	-
Amount due from joint venture		
Eastern Steel Sdn. Bhd.	(466,678)	(367,562)

30. Employee benefit

Share option programme (equity-settled)

(a) On 19 April 2013, the Company has granted 48,800,000 of share options to eligible Directors and employees under Employee Share Option Scheme ("ESOS"), approved by the shareholders of the Company on 23 November 2011. On 10 January 2014, the Company further granted 11,020,000 of share options on similar term (except for exercise price) to eligible Directors and employees.

The salient terms of the ESOS are as follows:

(i) Eligible Director named in the register of directors of the Group or an employee who is a confirmed full time employee of the Group and must attained the age of eighteen (18) years;

(ii) For employee other than Directors, he must have been confirmed and must have served the Group on a continuous basis for a period of not less than one year on the 12 April 2012 ("Effective Date").

(iii) The aggregate number of shares to be issued under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company;

(iv) The Scheme shall be in force for a period of five (5) years from the Effective Date and may be extended or renewed (as the case may be) for a further period of five years, at the sole and absolute discretion of the Board upon the recommendation by the ESOS Committee, provided always that the initial Scheme period stipulated above and such extension of the Scheme made pursuant to these ESOS By-laws shall not in aggregate exceed a duration of ten (10) years from the Effective Date;

(v) The option price shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than par value of the shares of the Company of RM0.50;

(vi) An option holder may, in a particular year, exercise up to such maximum number of shares in the offer letter at vesting date at 2 January 2014, 2015, 2016 and 2017 subject to the yearly performance targets set by the Board of Directors of the Company;

(vii) The option granted to eligible Director/employee will lapse when they are no longer in employment of the Group.

30. Employee benefit *(Cont'd)*

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2014	Number of options ('000) 2014	Weighted average exercise price 2013	Number of options ('000) 2013
Outstanding at 1 Aug	RM0.50	46,530	RM0.50	48,800
Granted during the year	RM0.67	11,020	-	-
Forfeited during the year	RM0.54	(2,305)	RM0.50	(1,480)
Rejected during the year	RM0.67	(510)	RM0.50	(790)
Exercised during the year	RM0.50	(4,212)	-	-
Outstanding at 31 July	RM0.53	50,523	RM0.50	46,530
Exercisable at 31 July	RM0.50	40,493		-

The options outstanding at 31 July 2014 have an exercise price in range of RM0.50 to RM0.67 (2013: RM0.50) and a weighted average contractual life of 3 years (2013: 4 years).

During the financial year, 4,212,000 share options have been exercised. The weighted average share price at the date of exercise for the year was RM0.50. (2013: no options exercised)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model, with the following inputs:

	2014	2013
Fair value of share options and assumptions		
Fair value at grant date	RM0.21	RM0.04
Weighted average share price	RM0.71	RM0.48
Share price at grant date	RM0.73	RM0.41
Option life (expected weighted average life)	3 years	4 years
Risk-free interest rate	3.0%	3.0%

Value of employee services received for issue of share options

	Group and Company 2014 RM'000	2013 RM'000
Share options granted in 2013	607	1,047
Share options granted in 2014	1,106	-
Total expense recognised as share based payments	1,713	1,047

The share options expense is recognised in the profit or loss.

31. Subsequent event

On 18 September 2014, Hiap Teck Resources Sdn. Bhd. (formerly known as Hiap Teck Management Services Sdn. Bhd.) ("HTRSB"), a wholly-owned subsidiary of the Company has entered into a Subscription Agreement with Vista Mining Sdn. Bhd. ("Vista") for subscription of 550,000 new ordinary shares of RM1 each in Vista at an issue price of RM1 per share, representing 55% of the issued and paid-up share capital in Vista for a total consideration of RM550,000. The acquisition is completed on 9 October 2014.

32. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 July, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	589,703	550,621	125,544	117,752
- unrealised	4,998	3,974	(125)	760
	594,701	554,595	125,419	118,512
Total share of accumulated losses of the joint venture				
- realised	(9,654)	(6,043)	-	-
- unrealised	(18,033)	(22,128)	-	-
Less: Consolidation adjustments	(24,561)	(25,286)	-	-
Total retained earnings	542,453	501,138	125,419	118,512

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

Hiap Teck Venture Berhad
(Company No. 421340-U) (Incorporated in Malaysia)
and its subsidiaries

In the opinion of the Directors, the financial statements set out on pages 49 to 115 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 32 on page 116 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……..
Tan Sri Dato' Law Tien Seng

……..
Foo Kok Siew

Kuala Lumpur,

Date: 31 October 2014

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

Hiap Teck Venture Berhad
(Company No. 421340-U) (Incorporated in Malaysia)
and its subsidiaries

I, **Ooi Ai Leng**, the officer primarily responsible for the financial management of Hiap Teck Venture Berhad, do solemnly and sincerely declare that the financial statements set out on pages 49 to 116 are, to the best of my knowledge and belief, 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 above named in Kuala Lumpur in the Federal Territory on 31 October 2014.

……..
Ooi Ai Leng

Before me:

Manoharan A/L Sellamuthu
Commissioner for Oaths
(No.W656)

INDEPENDENT AUDITORS' REPORT

to the members of Hiap Teck Venture Berhad

(Company No. 421340-U)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Hiap Teck Venture Berhad, which comprise the statements of financial position as at 31 July 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 49 to 115.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 July 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

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

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 32 on page 116 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Lam Shuh Siang
Approval Number: 3045/02/15(J)
Chartered Accountant

Petaling Jaya,

Date: 31 October 2014

PROPERTIES OF THE GROUP

As at 31 July 2014

Location	Description and Existing Usage	Tenure	Approximate Age of Building (years)	Approximate Land Area (acres)	Build Up Area (sq. metres)	Net Carrying Amount as at 31 July 2014 (RM)	Date of Acquisition	Date of Last Revaluation
Company and its subsidiaries								
Lot 6085 Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory with a 2 storey office	Freehold	16.5	9	19,005	27,509,200	29-May-03	30-Dec-11
Lot 6088 Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory with a 2 storey office	Freehold	16.5	9	18,732	27,413,200	29-May-03	30-Dec-11
Lot 6089 Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse	Freehold	15.5	9	18,516	28,757,200	29-May-03	30-Dec-11
Lot 6095 Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse	Freehold	15	10.013	22,341	32,753,200	5-Jul-96	30-Dec-11
Lot 6096 Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse with 4 storey office building	Freehold	15	9.483	12,179	24,792,400	5-Jan-95	30-Dec-11
Lot 6097 Mukim of Kapar District of Klang Selangor Darul Ehsan	Agricultural Land	Freehold	-	5.0	-	6,858,961	14-Jan-12	-
Lot 54959 (formerly PT40530) Mukim of Kapar District of Klang Selangor	Single storey detached factory with a double storey office building	Freehold	8	18.0	53,243	70,318,000	23-Oct-08	30-Dec-11
51-C, Tingkat Dua Jalan BRP 6/10 Bukit Rahman Putra Seksyen U20 40160 Shah Alam	Shop office	Freehold	14	-	144.929	160,000	20-Aug-99	30-Dec-11

PROPERTIES OF THE GROUP

As at 31 July 2014 (Cont'd)

Location	Description and Existing Usage	Tenure	Approximate Age of Building (years)	Approximate Land Area (acres)	Build Up Area (sq. metres)	Net Carrying Amount as at 31 July 2014 (RM)	Date of Acquisition	Date of Last Revaluation
Company and its subsidiaries *(Cont'd)*								
4727-01 Jalan Sri Putri 5/7 Taman Putri Kulai 81000 Kulai Johor Darul Takzim	Shop office apartment	Freehold	16	-	143.07	90,000	2-Aug-99	30-Nov-11
No.8, Jalan Firma 3 Tebrau IV Industrial Estate 81100 Johor Bahru Johor Darul Takzim	Single storey detached factory building	Leasehold (60 years) expiring 31 Jan 2060	11	1	2,536.30	3,357,621	27-Feb-07	28-Dec-11
No. 6, Jalan Firma 3 Tebrau IV Industrial Estate 81100 Johor Bahru Johor Darul Takzim	Single storey factory with a 2 storey office	Leasehold (60 years) expiring 31 Jan 2060	12	1.554	3,995.76	5,516,316	6-Jun-07	22-Dec-11
Lot 169 Mukim of Plentong District of Johor Bahru Johor Darul Takzim	Vacant agricultural land	Freehold	-	5.1	-	1,100,000	9-Jun-95	6-Jan-12
Lot 296, Mukim 13 District of Seberang Perai Tengah, Pulau Pinang	Single storey warehouse with 2 storey office	Leasehold (60 years) expiring 10 March 2058	8	2.241	2,453	3,830,891	6-Jul-96	29-Nov-11
Jointly controlled entity								
Lot 6293 & Lot 6294 Mukim Teluk Kalung Kemaman Terengganu	Industrial land (Under construction for blast furnace plant)	Leasehold (60 years) expiring 1 April 2068	-	608.62	-	131,077,941	2-Apr-08	20-Oct-11
Lot 60129 Lot 60130, Lot 60131 Mukim Teluk Kalung Kemaman Terengganu	Vacant industrial land	Leasehold (60 years) expiring 14 April 2073	-	600	-	5,227,658	3-Apr-13	-
Lot 50497 Mukim Teluk Kalung Kemaman Terengganu	Staff housing (under construction)	Leasehold (99 years) expiring 29 July 2111	-	50	-	515,374	28-May-12	-

ANALYSIS OF SHAREHOLDINGS

As at 30 October 2014

Authorised Share Capital	: RM1,000,000,000.00
Issued and Fully Paid-Up Share Capital	: RM359,158,404.00 (718,316,808 Ordinary Shares of RM0.50 each) *
Class of shares	: Ordinary shares of RM0.50 each
Voting right	: One vote per Ordinary Share held

* Includes treasury shares of 5,481,000 Ordinary Shares of RM0.50 each

Analysis By Size Of Shareholdings As At 30 October 2014

Size of shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	121	2.13	4,255	0.00
100 - 1,000	439	7.72	384,223	0.05
1,001 - 10,000	2,779	48.87	16,163,441	2.27
10,001 - 100,000	1,904	33.49	66,719,338	9.36
100,001 to less than 5% of issued shares	439	7.72	279,536,303	39.22
5% and above of issued shares	4	0.07	350,028,248	49.10
Total	**5,686**	**100.00**	**712,835,808**	**100.00**

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 30 OCTOBER 2014

No.	Names	No. of Shares	Percentage (%)
1.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-ASING)	149,290,800	20.94
2.	Cartaban Nominees (Asing) Sdn Bhd Exempt An for Standard Chartered Bank Singapore Branch (SG PVB CL AC)	87,582,048	12.29
3.	HLIB Nominees (Asing) Sdn Bhd Shougang International (Singapore) Pte Ltd	64,392,000	9.03
4.	Lembaga Tabung Haji	48,763,400	6.84
5.	Sim Ah Seng	29,492,700	4.14
6.	K.H.L. Sdn Bhd	26,760,500	3.75
7.	Sheng Hsia Wei	11,237,300	1.58
8.	Lim Wan Loo	11,056,800	1.55
9.	AMSEC Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Pacific Pearl Fund (UT-PM-PPF)	4,237,800	0.59
10.	Phuah Quk Shue @ Pua Guk Shue	4,200,000	0.59
11.	Yap Kim Foong	3,890,000	0.55
12.	Ng Soon Tong	3,500,000	0.49

No.	Names	No. of Shares	Percentage (%)
13.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	3,500,000	0.49
14.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Chin Seong	3,160,000	0.44
15.	HSBC Nominees (Asing) Sdn Bhd Exempt An for BNP Paribas Wealth Management Singapore Branch (A/C Clients-FGN)	3,060,000	0.43
16.	Universal Trustee (Malaysia) Berhad Pacific Premier Fund	2,511,700	0.35
17.	Chin Chin Seong	2,200,000	0.31
18.	Loo Chee Lain	2,180,000	0.31
19.	Amanahraya Trustees Berhad Amanah Saham Sarawak	2,000,000	0.28
20.	CIMB Islamic Trustee Berhad For TR1061	2,000,000	0.28
21.	Mary Ang Poh Chan	2,000,000	0.28
22.	Maybank Securities Nominees (Asing) Sdn Bhd Maybank KimEng Securities Pte Ltd for Ng Aik Cheng	2,000,000	0.28
23.	Lee See Leong	1,900,001	0.27
24.	Kong Sai Keong	1,873,500	0.26
25.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Lee Har	1,800,000	0.25
26.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (PACIFIC6939-407)	1,777,200	0.25
27.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Ah Wah (471917)	1,770,900	0.25
28.	Teoh Peir Song	1,733,030	0.24
29.	Lim Cheow Bee	1,727,900	0.24
30.	Pacific Strike Sdn Bhd	1,702,638	0.24
	Total:	**483,300,217**	**67.80**

ANALYSIS OF SHAREHOLDINGS

As at 30 October 2014 (Cont'd)

Directors' Shareholdings as at 30 October 2014
(As per the Register of Directors' Shareholdings of the Company)

Names	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Tan Sri Abdul Rahman Bin Mamat	-	-	-	-
2. Tan Sri Dato' Law Tien Seng	-	-	187,582,048[a]	26.31
3. Lee Ching Kion	-	-	41,864[b]	0.01
4. Ng Soon Lai @ Ng Siek Chuan	-	-	-	-
5. Leow Hoi Loong @ Liow Hoi Long	-	-	-	-
6. Foo Kok Siew	-	-	-	-
7. Low Choong Sing	-	-	-	-
8. Lu Zongyou	-	-	-	-
9. Tan Shau Ming	-	-	330[c]	0.00

Notes:

(a) Deemed interest pursuant to Section 6A(4) of the Companies Act, 1965 by virtue of his shareholdings in Amardale Offshore Inc. which has a controlling interest in TS Law Investments Limited, a substantial shareholder the Company.
(b) Deemed interest by virtue of his spouse, Madam Mok Quee Hwa's direct shareholdings in the Company.
(c) Deemed interest by virtue of his spouse, Madam Ng Siew Cho's direct shareholdings in the Company.

Substantial Shareholdings as at 30 October 2014
(As per the Register of Substantial Shareholders of the Company)

Names	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Tan Sri Dato' Law Tien Seng	-	-	187,582,048 [a]	26.31
Puan Sri Datin Saw Geok Ngor	-	-	187,582,048 [b]	26.31
TS Law Investments Limited	187,582,048	26.31	-	-
Amardale Offshore Inc.	-	-	187,582,048 [c]	26.31
Lembaga Tabung Haji	48,763,400	6.84	-	-
Shougang International (Singapore) Pte Ltd	64,392,000	9.03	-	-
China Shougang International Trade & Engineering Corporation	-	-	64,392,000 [d]	9.03
Shougang Corporation	-	-	64,392,000 [d]	9.03

Notes:

(a) Deemed interest pursuant to Section 6A(4) of the Companies Act, 1965 ("the Act") by virtue of his shareholdings in Amardale Offshore Inc. which has a controlling interest in TS Law Investments Limited, a substantial shareholder the Company.
(b) Deemed interest by virtue of her spouse, Tan Sri Dato' Law Tien Seng's indirect shareholdings in the Company vide his shareholdings in Amardale Offshore Inc. which has a controlling interest in TS Law Investments Limited, a substantial shareholder the Company.
(c) Deemed interest by virtue of its shareholdings in TS Law Investments Limited which is a substantial shareholder the Company.
(d) Deemed interest pursuant to Section 6A(4) of the Act by virtue of Shougang Corporation being the holding company of China Shougang International Trade & Engineering Corporation which in turn controls Shougang International (Singapore) Pte Ltd.

ANALYSIS OF WARRANT HOLDINGS

As at 30 October 2014

No. of Warrants in Issue	: 88,533,692	
No. of Warrant Holders	: 2,302	
Exercise Price of Warrants	: RM0.69 per share	
Voting Rights	: One (1) Vote per warrant holder on show of hands	} in the meeting
	One (1) Vote per warrant holder on a poll of warrant holders	} of warrant holders

Analysis By Size Of Warrant Holdings As At 30 October 2014

Size of Warrant Holdings	No. of Warrant Holders	%	No. of Warrants	%
Less than 100	182	7.90	7,895	0.01
100 - 1,000	655	28.45	342,040	0.38
1,001 - 10,000	909	39.49	3,343,730	3.78
10,001 - 100,000	453	19.68	15,193,266	17.16
100,001 to less than 5% of issued shares	101	4.39	30,576,965	34.54
5% and above of issued shares	2	0.09	39,069,796	44.13
Total	**2,302**	**100.00**	**88,533,692**	**100.00**

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS AS AT 30 OCTOBER 2014

No.	Names	No. of Shares	Percentage (%)
1.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-ASING)	31,020,796	35.04
2.	HLIB Nominees (Asing) Sdn Bhd Shougang International (Singapore) Pte Ltd	8,049,000	9.09
3.	Biovector Capital Sdn Bhd	1,503,400	1.70
4.	Sim Ah Seng	1,500,000	1.69
5.	Lim Wan Keong	1,427,100	1.61
6.	George Lee Sang Kian	1,347,500	1.52
7.	Lim Wan Loo	1,063,950	1.20
8.	Tan Chin Teong	1,000,700	1.13
9.	H'ng Bok Chuan	1,000,000	1.13
10.	Chin Chin Seong	737,900	0.83
11.	Lee Hai Guan	638,600	0.72
12.	George Lee Sang Kian	616,200	0.70
13.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Chin Seong	578,200	0.65

ANALYSIS OF WARRANT HOLDINGS

As at 30 October 2014 (Cont'd)

No.	Names	No. of Shares	Percentage (%)
14.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Yeh May (REM 166)	564,250	0.64
15.	Lee Tze Nei	560,000	0.63
16.	Lim Mooi Fong	522,000	0.59
17.	Kuan Eng Lai	466,000	0.53
18.	Lim Chooi Heok	450,500	0.51
19.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Peng Seng (CCTS)	450,000	0.51
20.	Ng Soon Tong	442,000	0.50
21.	Siau Kau San @ Siow Koi Shian	408,800	0.46
22.	HSBC Nominees (Asing) Sdn Bhd Exempt An for BNP Paribas Wealth Management Singapore Branch (A/C Clients – FGN)	400,000	0.45
23.	Chor Kin Keong	393,117	0.44
24.	Ter Leong Swee	390,000	0.44
25.	Phuah Guk Shue @ Pua Guk Shue	375,000	0.42
26.	Chong Pei Thin	372,000	0.42
27.	Lim Seng Hock	350,000	0.40
28.	Yap Kim Foong	348,750	0.39
29.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheah Pak Foo (002)	300,000	0.34
30.	Hoo Wan Fatt	295,700	0.33
	Total:	**57,571,463**	**65.03**

Directors' Warrant Holdings as at 30 October 2014
(As per the Register of Directors' Warrant Holdings of the Company)

Names	Direct		Indirect	
	No. of Warrants	%	No. of Warrants	%
1. Tan Sri Abdul Rahman Bin Mamat	-	-	-	-
2. Tan Sri Dato' Law Tien Seng	-	-	31,020,796[(a)]	35.04
3. Lee Ching Kion	-	-	-	-
4. Ng Soon Lai @ Ng Siek Chuan	-	-	-	-
5. Leow Hoi Loong @ Liow Hoi Loong	-	-	-	-
6. Foo Kok Siew	-	-	-	-
7. Low Choong Sing	-	-	-	-
8. Lu Zongyou	-	-	-	-
9. Tan Shau Ming	-	-	-	-

Notes:

(a) Deemed interest pursuant to Section 6A(4) of the Companies Act, 1965 by virtue of his interest in Amardale Offshore Inc. which has a controlling interest in TS Law Investments Limited, a substantial shareholder of the Company.

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of the Company will be held at Setia City Convention Centre, Function Room 8, 1st Floor, No. 1, Jalan Setia Dagang AG U13/AG, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan on Wednesday, 17 December 2014 at 2.30 p.m. for the following purposes:-

A G E N D A

ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements of the Company for the year ended 31 July 2014 together with the Directors' and Auditors' Reports attached thereon. — **Please refer to Note B on this Agenda**

2. To approve the increase of Directors' fees to RM315,000.00 for the financial year ended 31 July 2014. — **Ordinary Resolution 1**

3. To approve a Single Tier Final Dividend of 0.6 sen per share for the financial year ended 31 July 2014. — **Ordinary Resolution 2**

4. To re-elect the following Directors who are retiring in accordance with Article 79 of the Company's Articles of Association:-

   4.1 Tan Sri Abdul Rahman Bin Mamat — **Ordinary Resolution 3**
   4.2 Mr. Ng Soon Lai @ Ng Siek Chuan — **Ordinary Resolution 4**
   4.3 Mr. Low Choong Sing — **Ordinary Resolution 5**

5. To re-elect Mr. Tan Shau Ming who is retiring in accordance with Article 84 of the Company's Articles of Association. — **Ordinary Resolution 6**

6. To re-appoint Messrs KPMG as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 7**

7. **AS SPECIAL BUSINESS:-**

   To consider and, if thought fit, to pass with or without modifications, the following Resolutions:-

   7.1 **Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965** — **Ordinary Resolution 8**

   "**THAT** subject always to the approvals of the relevant authorities, the Directors be 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 10% of the total issued capital of the Company (excluding treasury shares) at the time of issue **AND THAT** the Directors be hereby also empowered to obtain the approval for the listing of and quotation for the additional shares to be issued on Bursa Malaysia Securities Berhad **AND FURTHER THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7.2 **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")** **Ordinary Resolution 9**

"**THAT** the Company and/or its subsidiaries be hereby authorised to enter into recurrent related party transactions of a revenue or trading nature as specified in Section 2.3.2 of the Circular to Shareholders dated 25 November 2014, 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 and on 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 the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Renewal of Shareholders' Mandate.

AND FURTHER THAT such authority shall continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such Proposed Renewal of Shareholders' Mandate was passed, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed either unconditionally or subject to conditions;

(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 Companies Act, 1965 ("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 ordinary resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier."

7.3 **Proposed Renewal of Shareholders' Mandate for Share Buy-Back** **Ordinary Resolution 10**

"**THAT** subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the 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 renew the approval granted by the shareholders of the Company at Seventeenth Annual General Meeting of the Company held on 17 December 2013, authorising the Company 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 the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company 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, be allocated by the Company for the Proposed Share Buy-Back. The retained profits and share premium reserves of the Company stood at RM125,419,262 and RM38,142,677 respectively for the financial year ended 31 July 2014.

AND THAT upon completion of the purchase by the Company of its own shares, the Directors of the Company be hereby authorised to cancel such shares or retain such shares as the Treasury Shares or a combination of both. The Directors of the Company are further authorised to resell the Treasury Shares on Bursa Securities or distribute the Treasury Shares as dividends to the shareholders of the Company or subsequently cancel the Treasury Shares or any combination of the three (3).

AND FURTHER THAT the Directors of the Company be 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 at which time the authority shall lapse, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(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 in 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 the Company 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."

8. To transact any other business of the Company of which due notice shall have be given in accordance with the Company's Articles of Association and the Companies Act, 1965.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a Single Tier Final Dividend of 0.6 sen per share in respect of the financial year ended 31 July 2014 will be payable on 13 February 2015 to depositors registered in the Record of Depositors at the close of business on 28 January 2015.

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 28 January 2015 in respect of transfers;

b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
HIAP TECK VENTURE BERHAD

NG YIM KONG (LS 0009297)
Company Secretary

Selangor Darul Ehsan

25 November 2014

Notes:

A. Appointment of Proxy

1. A member entitled to attend and vote at the 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 appointer 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 Registered Office of the Company at Lot 6096, Jalan Haji Abdul Manan, Batu 5½, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for the Meeting or at any adjournment thereof.

5. A proxy appointed to attend and vote at a meeting of a company shall have the same right as the member to speak at the meeting.

6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

B. Audited Financial Statements for the Financial Year ended 31 July 2014

The Audited Financial Statements in Agenda 1 are meant for discussion only as the approval of shareholders is not required pursuant to the provision of Section 169(1) of the Companies Act, 1965. Hence, this Agenda is not put forward for voting by the shareholders of the Company.

EXPLANATORY NOTES ON SPECIAL BUSINESS OF THE AGENDA

(a) Resolution pursuant to the Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965

The proposed Resolution 8 under item 7.1 of the Agenda, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, with the authority to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued capital of the Company (excluding treasury shares) 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, will expire at the next Annual General Meeting.

The general mandate which seeks to grant authority to Directors to allot and issue shares is a renewal of the mandate that was approved by the shareholders at the Seventeenth Annual General Meeting held on 17 December 2013. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to placement of shares for the purpose of funding current and/or future investment projects, working capital and/or acquisitions.

(b) Resolution pursuant to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Proposed Ordinary Resolution 9 under item 7.2 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 2.3.2 of the Circular to Shareholders dated 25 November 2014 with the specified classes of the Related Parties mentioned therein which are necessary for the Group's day-to-day operations. For further information on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, please refer to the Circular to Shareholders dated 25 November 2014 enclosed together with the Company's 2014 Annual Report.

(c) Resolution pursuant to the Proposed Renewal of Shareholders' Mandate for Share Buy-Back

The Proposed Ordinary Resolution 10 under item 7.3 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 Bursa Malaysia Securities Berhad. For further information on the Proposed Renewal of Shareholders' Mandate for Share Buy-Back, please refer to the Circular to Shareholders dated 25 November 2014 enclosed together with the Company's 2014 Annual Report.

GENERAL MEETING RECORD OF DEPOSITORS

For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 55(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 9 December 2014. Only a depositor whose name appears on the Record of Depositors as at 9 December 2014 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

FORM OF PROXY

HTVB
HIAP TECK VENTURE BERHAD
421340-U

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(ies) to vote for *me/*us and on *my/*our behalf at the Eighteenth Annual General Meeting of the Company to be held at the Setia City Convention Centre, Function Room 8, 1st Floor, No. 1, Jalan Setia Dagang AG U13/AG, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan on Wednesday, 17 December 2014 at 2.30 p.m. and at any adjournment thereof for or against the resolution(s) to be proposed thereat.

*My/*Our proxy(ies) *is/*are to vote on the Resolutions as indicated below:-

NO.	RESOLUTIONS	FOR	AGAINST
1	To approve the increase of Directors' fees to RM315,000.00 for the year ended 31 July 2014.		
2	To approve a Single Tier Final Dividend of 0.6 sen per share for the financial year ended 31 July 2014.		
3	To re-elect Tan Sri Abdul Rahman Bin Mamat who is retiring in accordance with Article 79 of the Company's Articles of Association.		
4	To re-elect Mr. Ng Soon Lai @ Ng Siek Chuan who is retiring in accordance with Article 79 of the Company's Articles of Association.		
5	To re-elect Mr. Low Choong Sing who is retiring in accordance with Article 79 of the Company's Articles of Association.		
6	To re-elect Mr. Tan Shau Ming who is retiring in accordance with Article 84 of the Company's Articles of Association.		
7	To re-appoint Messrs KPMG as the Company's Auditors for the ensuring year and to authorise the Directors to fix their remuneration.		
8	To grant authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965		
9	To approve the proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
10	To approve the Proposed Renewal of Shareholders' Mandate for Share Buy-Back.		

[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. _____ 2014

Number of Ordinary shares held :	

_____
[Signature/Common Seal of Member]
* Delete if not applicable

Notes:

1. A member entitled to attend and vote at the 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 appointer 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 Registered Office of the Company at Lot 6096, Jalan Haji Abdul Manan, Batu 5½, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for the Meeting or at any adjournment thereof.

5. A proxy appointed to attend and vote at a meeting of a company shall have the same right as the member to speak at the meeting.

6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

Fold here

Affix
STAMP

The Company Secretary
HIAP TECK VENTURE BERHAD (421340-U)
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