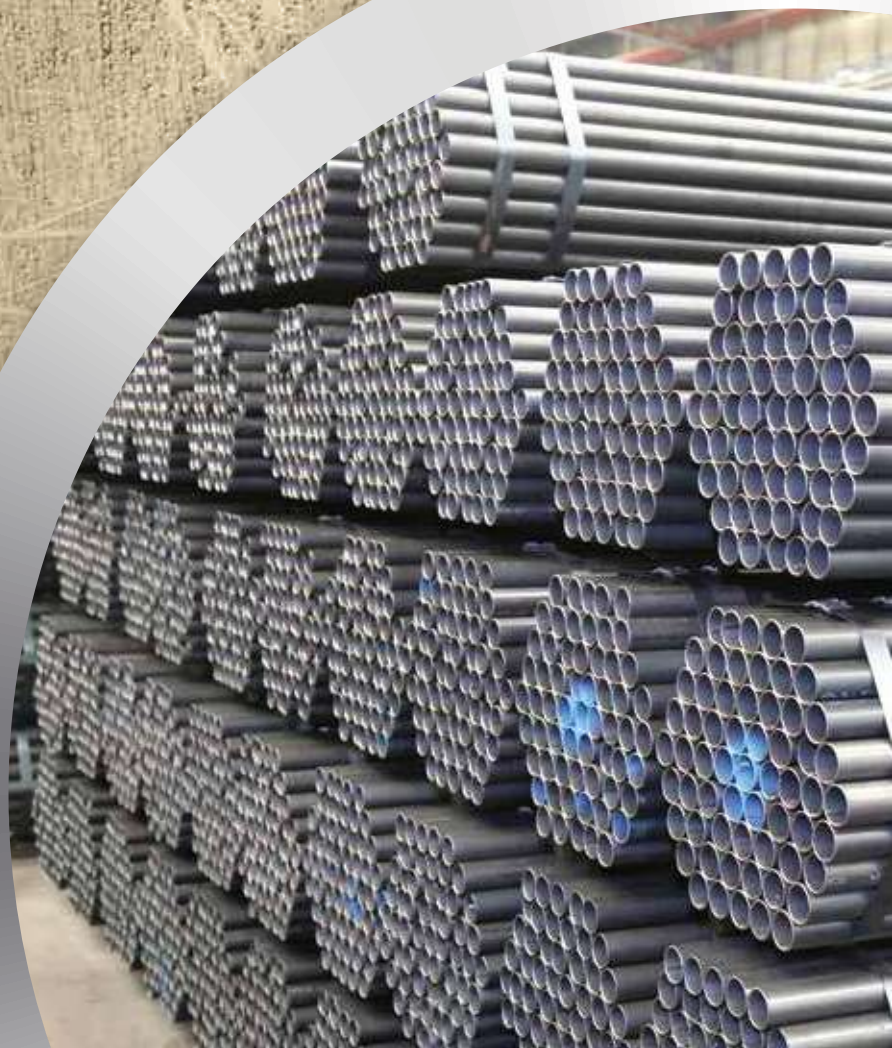


HTVB

HIAP TECK VENTURE BERHAD

421340-U

2018 ANNUAL REPORT



OUR

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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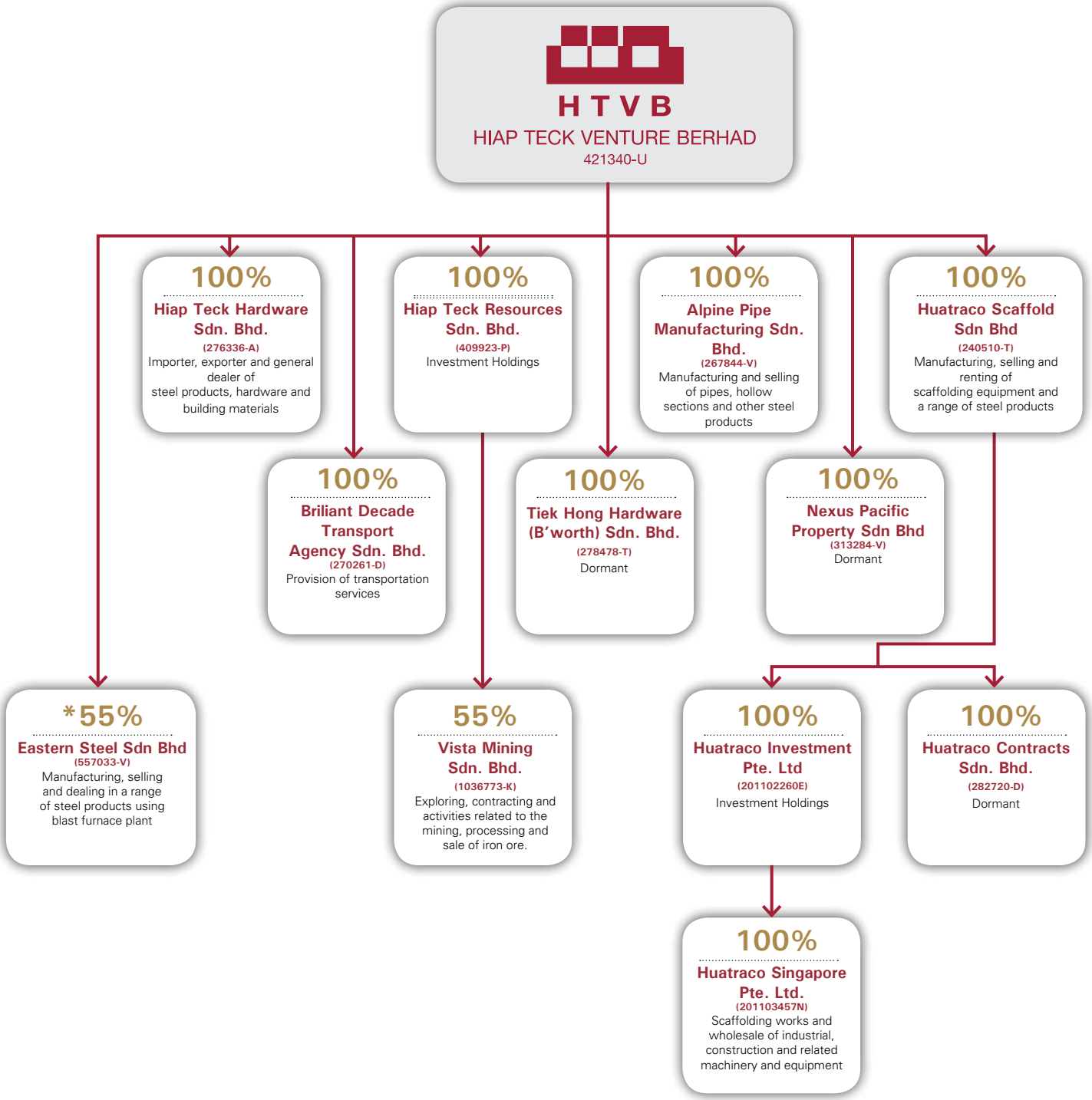
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CORPORATE STRUCTURE



* Note : With effect from 1 November 2018, HTVB's equity stake in Eastern Steel Sdn. Bhd. has been reduced to 35% following the completion of the Equity and Debt Transfer Agreement signed on 3 April 2018 between HTVB and Shanxi Jianlong Industry Company Limited.

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN/ INDEPENDENT NON-EXECUTIVE DIRECTOR
Tan Sri Abd Rahman Bin Mamat

EXECUTIVE DEPUTY CHAIRMAN
Tan Sri Dato' Law Tien Seng

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Leow Hoi Loong @ Liow Hoi Loong
Mr. Lee Ching Kion

EXECUTIVE DIRECTORS
Mr. Foo Kok Siew
Mr. Tan Shau Ming
Mr. Law Wai Cheong

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
Mr. Lee Ching Kion

AUDIT COMMITTEE

CHAIRMAN
Mr. Leow Hoi Loong @ Liow Hoi Loong

MEMBERS
Tan Sri Abd Rahman Bin Mamat
Mr. Lee Ching Kion

REMUNERATION COMMITTEE

CHAIRMAN
Tan Sri Abd Rahman Bin Mamat

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

NOMINATING COMMITTEE

CHAIRMAN
Tan Sri Abd Rahman Bin Mamat

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

RISK MANAGEMENT COMMITTEE

CHAIRMAN
Mr. Lee Ching Kion

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

ESOS COMMITTEE

CHAIRMAN
Tan Sri Abd 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)03-7804 5929
Fax No.: (6)03-7805 2559

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)03-7841 8000
Fax No.: (6)03-7841 8008

AUDITORS

KPMG PLT (LLP0010081 - LCA & AF: 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

HEAD OFFICE & REGISTERED OFFICE

Lot 6096, Jalan Haji Abdul Manan
Batu 5-1/2, Off Jalan Meru
41050 Klang
Selangor Darul Ehsan, Malaysia
Tel No.: (6)03-3377 8888
Fax No.: (6)03-3392 9198
Website: www.htgrp.com.my

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)
Maybank Islamic Berhad (787435-M)
Industrial and Commercial Bank of China (Malaysia) Berhad (839839-M)

STOCK EXCHANGE

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

Y.BHG. TAN SRI ABD RAHMAN BIN MAMAT

Chairman / Independent Non-Executive Director
Malaysian, age 66
Chairman of the Remuneration Committee
Chairman of the Nominating Committee
Chairman of the ESOS Committee
Member of the Audit Committee

Y. Bhg. Tan Sri Abd Rahman Bin Mamat was appointed to our Board as Independent Non-Executive Director on 28 January 2011. He was then appointed as Chairman of the Company on 12 December 2012.

He joined MITI as Assistant Director in April 1975 and served in various capacities in MITI for 35 years before retiring in December 2010 which included (a) Deputy Trade Commissioner, Malaysian Trade Office, New York, the USA; (b) Director of Trade, Malaysian Trade Centre, Taipei, Taiwan; (c) Economic Counsellor/Trade Commissioner and Deputy Permanent Representative to the United Nations Economic and Social Commission, Malaysian Trade Office, Bangkok, Thailand; (d) Special Assistant to the Minister of MITI, Tan Sri Rafidah Aziz; (e) Board of Director, Malaysian Industry-Government Group for High Technology (MIGHT); (f) Director of Industries; (g) Senior Director, Policy and Industry, Services Division; (h) Chairman of Malaysia External Trade Development Corporation ("MATRADE"); (i) Deputy Secretary-General (Industry); and (j) Secretary General of MITI.

During his tenure in MITI, he also served as MITI's representative on the board of various government-linked companies and corporations including Malaysian Investment Development Authority (MIDA), Johor Corporation, Regional Economic Development Authority (RECODA), Sarawak and Small and Medium Corporation Malaysia, Pahang State Economic Development Corporation, Malaysian Technology Development Corporation and MATRADE.

He had represented Malaysia in numerous international meetings, negotiations, conferences and symposiums and had involved in formulating, implementing and monitoring policies and strategies on international trade and industries as well as entrepreneurship development.

He was an honorary member of the ASEAN Federation of Engineering Organisations, a Malaysian Leader for the High Level Task Force on ASEAN Economic Integration and is the Chairman of the Advisory Board of the International Council for SME & Entrepreneurship Malaysia, and Board of Trustee of Enactus Malaysia Foundation, a non-profit organisation aimed at grooming university students into future business leaders.

He sits on boards of directors of several public listed companies in Malaysia including Lotte Chemical Titan Holding Berhad, BioAlpha Holdings Berhad, Malaysian Industrial Development Finance Berhad, Dagang NeXchange Berhad and Parkson Holdings Berhad as well as several private limited companies in Malaysia which are involved in finance, manufacturing, retail and services sectors covering global logistics, healthcare and oil, gas and energy.

Tan Sri Abd 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 4 out of the 5 board meetings of HTVB held during the financial year ended 31 July 2018.





Y. BHG. TAN SRI DATO' LAW TIEN SENG

Executive Deputy Chairman
Malaysian, age 65

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

He 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 is the father of Mr. Law Wai Cheong, an Executive Director of Hiap Teck Venture Berhad. Tan Sri Dato' Law 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 the 5 board meetings of HTVB held during the financial year ended 31 July 2018.





LEOW HOI LOONG @ LIOW HOI LOONG

Independent Non-Executive Director
Malaysian, age 64
Chairman of the Audit Committee
Member of the Risk Management Committee
Member of the Remuneration Committee
Member of the Nominating Committee
Member of the ESOS Committee

Mr. Leow Hoi Loong @ Liow Hoi Loong was appointed to our Board as Independent Non-Executive Director on 13 December 2012.

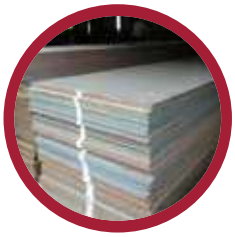
He is a Fellow Member of the Chartered Association of Certified Accountants, United Kingdom. He started his career with American International Assurance Co. Ltd. in 1977 as Marketing Executive in marketing of financial services. In 1979, he joined Pacific Bank Berhad as Regional Credit Officer and was 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.

Mr. Leow owns and manages several private companies involved in property investment, retailing business and industrial property development. He holds a dealer's representative license from M&A Securities Berhad.

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 2018.





LEE CHING KION

Senior Independent Non-Executive Director
Malaysian, age 64
Chairman of the Risk Management Committee
Member of the Audit Committee
Member of the Nominating Committee

Mr. Lee Ching Kion was appointed to our Board as the Executive Director and Group Chief Operating Officer 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 again as Independent Non-Executive Director.

Mr Lee obtained his Bachelor of Science with Honours degree in Metallurgy and Materials Science from University of Nottingham, England. He was with Yodoshi Malleble (M) Sdn. Bhd. from 1979 to 1981. He then joined Jebsen-Jessen Engineering Sdn. Bhd. as Degussa Sales Engineer in 1981. In 1983, he left to join Amsteel Mills Sdn. Bhd. as Sales Engineer and later as Head of Research & Development and Quality Control Department. He was there for seven (7) years. He joined Wuthelam Holding (M) Group of Companies as General Manager in 1990 and was later appointed as a Director in 1991 until he left in 1997.

Subsequently, he was with DNP Holdings Berhad as Head of Property/Business Division from 1997 to 2001. From 2001 to 2003, 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, all within the Lion Group. He resigned from all his positions within the Lion Group in June 2003. He was also the Director of Malayawata Steel Berhad, Magna Prima Berhad, Melewar Industrial Group Berhad, Hua Joo Seng Enterprise Berhad and Mid West Ltd, an Australian company.

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

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 4 out of the 5 board meetings of HTVB held during the financial year ended 31 July 2018.





FOO KOK SIEW

Executive Director
Malaysian, age 57
Member of the Risk Management Committee
Member of the Remuneration Committee
Member of the ESOS Committee

Mr. Foo Kok Siew was appointed to our Board as Independent Non-Executive Director 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 the 5 board meetings of HTVB held during the financial year ended 31 July 2018.







TAN SHAU MING

Executive Director
Malaysian, age 55

Mr. Tan Shau Ming joined Alpine Pipe Manufacturing Sdn. Bhd., a wholly-owned subsidiary of our Company, as Chief Production Officer in March 2012 and was subsequently appointed to our Board as Executive Director on 26 September 2014.

Prior to that, Mr. Tan worked at the HSBC Group upon completion of his "A" level examinations in 1982. During his career at HSBC, he has been honored with the "Top Marketing and Retainer Achiever for Personal Banking" and also the "Top Sales Performer" awards 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, he joined Ji Kang Dimensi Sdn. Bhd., a Hot Rolled Steel Plates manufacturing company based in Gebeng, Kuantan as Executive Director until 2012. His responsibilities in the company included Factory Operations, Logistic and Transportations.

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 attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2018.

LAW WAI CHEONG

Executive Director
Malaysian, age 32

Mr. Law Wai Cheong was appointed as Executive Director of Hiap Teck Venture Berhad ("HTVB") on 3 January 2017.

Mr. Law holds a LLB (Hons) Cardiff, U.K; Barrister-at-law, Lincoln's Inn; and Msc in Management (Merit) London, U.K. Mr Law started his career with Hong Leong Investment Bank Berhad (HLIB). While in HLIB, he focused on areas of corporate finance and corporate advisory. Subsequently, Mr Law chambered at the Law Office of KK Chong for 9 months.

Mr. Law is a Director of TS Law Group, a diversified group of companies engaged in steel production, mining and property development and investments in Malaysia, China, Australia and the United Kingdom.

Mr. Law is a son of Tan Sri Dato' Law Tien Seng, a major shareholder and the Executive Deputy Chairman of Hiap Teck Venture Berhad. He has no convictions for any offences over the past ten years.

He has attended all 5 board meetings of HTVB held during the financial year ended 31 July 2018.

PHANG CHIN KHIONG
Chief Operating Officer ("COO")
Malaysian, age 49

Mr. Phang Chin Khiong was appointed as the Group's COO in August 2017. Prior to that, Mr. Phang was the Chief Commercial Officer of Alpine Pipe Manufacturing Sdn. Bhd. and Hiap Teck Hardware Sdn. Bhd.

Mr. Phang was with Wing Tiek Steel Pipes Sdn. Bhd. as Assistant Sales Manager before he left to pursue a career in the steel industry with Alpine Pipe Manufacturing Sdn. Bhd. He was appointed as Executive Director of HTVB in June 2007, after serving the Board for more than 2 years he then resigned from his Director position in August 2009 to fully focus on his sales and marketing role. With more than 20 years of experience in the industry, he has accumulated invaluable experience and knowledge in the sale and marketing of iron and steel products.

Mr. Phang 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.

YEO BEE HWAN
Group Chief Financial Officer ("CFO")
Malaysian, age 50

Ms. Yeo Bee Hwan was appointed as Acting CFO on 10 August 2016 and was confirmed and re-designated as Group CFO in January 2017.

Ms. Yeo is an associate member of the Chartered Institute of Management Accountants (CIMA), United Kingdom; Chartered Global Management Accountant (CGMA), powered by CIMA & American Institute of Chartered Public Accountants (AICPA) and a member of the Malaysia Institute of Accountants.

She started her career as external auditor before joining Hume Industries Division under Hong Leong Group in 1994. She then joined Tuan Sing Holding Limited Group in 2000 and since then, she has held senior positions with various corporations including Wah Seong Corporation Berhad Group; Bumi Armada Berhad Group and Oriental Sheet Piling Group (JV with Steel Division under Arcelor Mittal Group).

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

TAN YUEN HONG, ALEX
Chief Commercial Officer
Malaysian, male, age 52

Mr. Tan Yuen Hong was appointed as Chief Commercial Officer of Huatraco Scaffold Sdn. Bhd. in July 2017. Prior to that, Mr. Tan was the Chief Commercial Officer for the Project Division of Hiap Teck Hardware Sdn. Bhd. ("HTH") since 2011.

Mr. Tan started his career in 1985 when he joined the sales department of Wing Tiek Holdings Bhd. He spent 8 years in Wing Tiek Holdings Berhad. before joining HTH, a wholly owned subsidiary of HTVB in 1993. His more than 20 years of experience in marketing has accorded him familiarity with the hardware trading business.

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.

SEH KWANG WEOI, MICHAEL
Chief Commercial Officer
Malaysian, age 50

Mr. Seh Kwang Weoi was appointed as Chief Procurement Officer for both the Manufacturing and Trading divisions of the Group in 2011. In August 2017, his role was expanded to include the position of Chief Commercial Officer for Hiap Teck Hardware Sdn. Bhd.

Mr. Seh holds a Bachelor of Commerce Degree from the Pittsburgh State University, United States of America and a Master of Business Administration from Pittsburgh State University, United States of America.

He started his career in 1994 as Personal Assistant to General Manager of Bright Steel Sdn. Bhd., a company under Lion Group acting as steel service centre supplying hot-rolled and cold rolled steel sheets and other related steel products. Mr. Seh was delegated to be in charge of purchasing steel material as well as marketing of the company's steel products. In 1998, he was transferred to Megasteel Sdn. Bhd. as Senior Marketing Officer.

In 2001, he joined Solid Hope Sdn. Bhd. as the Marketing Manager overseeing the operation of the Company as well as the marketing of the Company's steel products. He was with Solid Hope Sdn. Bhd. from 2001 to 2004. With more than 20 years of experience in the industry, he has accumulated invaluable experience and knowledge in iron and steel products.

Mr. Seh 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.

Dear Shareholders,

On behalf of the Board of Directors, I present the Annual Report and Audited Financial Statements of Hiap Teck Venture Berhad ("HTVB" or "the Company") and its subsidiaries ("the Group") for the financial year ended 31 July 2018.

2018 financial year was a challenging period for the Group. While China continued its efforts to reduce its domestic steel production capacity and the closure of induction furnaces have a positive impact of stabilising steel prices across the world, however steel demand in ASEAN declined since 2017 due to slowdown in the construction sector and destocking activities in the region. The on-going trade war between US and China has also created global economic uncertainties which may disrupt the steel supply-demand chain especially in the export markets.

For Malaysia, total steel consumption dipped to only 9.4 million MT in 2017 after a 7.9% year-on-year decline. The construction sector is expected to come under pressure in line with the over-supply in the property sector and the review of some of the mega infrastructure projects by the Government. Steel demand in Malaysia for 2018 is expected to remain soft and challenging with subdued growth.

CORPORATE DEVELOPMENT

Eastern Steel Sdn Bhd ("ESSB"), 55%-owned joint-venture company of HTVB for the year under review, is a producer of steel slabs using blast furnace with an annual production capacity of 700,000 MT. ESSB had in October 2015 suspended operations due to the then difficult market conditions.

On 28 March 2018, Orient Steel Investment Pte. Ltd. ("Orient Steel" or the "Vendor") informed HTVB that it has entered into a conditional Equity and Debt Transfer Agreement with Shanxi Jianlong Industry Company Limited ("Jianlong" or the "Purchaser") for the sale by the Vendor to the Purchaser of the Vendor's (i) 179,040,000 ordinary shares in ESSB, representing 40% equity interest in the share capital of ESSB, and (ii) all of the Vendor's indebtedness claim against ESSB. The Equity and Debt Transfer Agreement is conditional upon, amongst others, the relevant governmental approvals for overseas investments. The Company had also announced on 28 March 2018 that Jianlong is in discussion with HTVB with a view to acquire additional interest in ESSB from the Company.

On 3 April 2018, HTVB entered into an Equity and Debt Transfer Agreement with Jianlong for the disposal by HTVB of (i) 89,520,000 ordinary shares in ESSB, representing 20% equity interest in the share capital of ESSB, and (ii) the Company's proportionate indebtedness claim against ESSB, for a total cash consideration of Renminbi 225.6 million, equivalent to approximately RM 139.3 million (based on the exchange rate of Renminbi 1.00 : RM0.6174 as at the latest practicable date of 21 March 2018 ("LPD")).

I am pleased to inform you that with the strong support and technical assistance from our new partner, Jianlong, ESSB has successfully re-ignited its blast furnace and resumed production on 16 July 2018; and the Equity and Debt Transfer Agreement entered into between Orient Steel and Jianlong was completed on 23 August 2018. Further, the Equity and Debt Transfer Agreement signed on 3 April 2018 between HTVB and Jianlong was completed on 1 November 2018, and HTVB's equity stake in ESSB has been reduced to 35% accordingly.

ESSB is currently operating at full production capacity and has since been successfully selling its outputs in both the domestic and export markets.



FINANCIAL PERFORMANCE

Despite a challenging year, the Group managed to achieve higher revenue of RM1.13 billion in FY2018 as compared to RM1.07 billion in the preceding financial year due to higher sales volume that can be attributable to greater stability in steel prices.

Despite the higher revenue achieved, the Group recorded a lower gross profit of RM143.95 million for FY2018, representing a 19% decrease over the RM178.24 million recorded in the previous financial year. The stable steel prices led to the normalization of margins recorded for FY 2018. For the full financial year, the Group, after three consecutive years of losses, managed to turn around to report a Profit Before Tax of RM48.37 million as compared to a Loss Before Tax of RM74.82 million in the preceding financial year. This was mainly due to lower share of losses of JV entity of RM49.07 million for FY 2018 as compared to RM215.32 million in the preceding year.

The Group's total borrowings as at the end of FY 2018 increased by 35% to RM612.09 million from RM453.67 million in the previous financial year. The increase was mainly due to the shipment arrival of lumpy import of raw materials purchased towards the end of financial year 2018. The Group's current borrowings comprise principally of short term trade facilities to support its working capital requirements on material purchases.

Going forward, with the resumption of operations, I am confident that, ESSB, which has been a drag on earnings over the past few years, will reverse its fortunes and instead contribute positively to the performance of the Group, and also drive the Group's growth to the next level.

DIVIDENDS

The Board of Directors is pleased to recommend for shareholders' approval at the forthcoming Annual General Meeting ("AGM") a first and final single tier dividend of 0.5 sen per share for the financial year ended 31 July 2018. If approved by shareholders at the AGM to be held on 17 December 2018, the dividend will be paid on 25 January 2019.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to thank Mr. Ng Siek Chuan, who has served us as Senior Independent Non-Executive Director, for his valuable contributions for the past 9 years since 2009. I would also like to take this opportunity to express my gratitude to all our management team and employees for their commitment and support to the Group and to my fellow Board members for their guidance, perspective and dedication in carrying out their roles over the year.

My sincere gratitude to our valued customers, suppliers, business associates, financiers and relevant regulatory authorities for their continuous support, invaluable guidance, cooperation and trust in the Group over the years.

TAN SRI ABD RAHMAN BIN MAMAT
Chairman





THE MALAYSIAN ECONOMY IN 2017

2017 marked a year of strong economic rebound with broad-based recovery across the advanced and emerging market economies, Malaysia recorded robust growth of 5.9% in 2017 (2016: 4.2%) backed by faster expansion in both private and public spending.

The construction sector in Malaysia, however, only registered modest growth of 6.7% (2016: 7.4%) sustained mainly by the civil engineering sub-sector which saw a steady progress of large petrochemical, transportation, and utility projects. Growth in the residential and commercial sub-sectors moderated due to record-high number of unsold residential properties and an oversupply of office space and shopping complexes.

Apparent Steel Consumption ("ASC") in Malaysia has remained flattish at marginally above the 10.0 million MT level since 2013. However, in 2016, ASC briefly spiked to 10.3 million MT but thereafter, declined by 7.9% to dip below the 10 million MT mark to 9.4 million MT in 2017.

China's continuous efforts since 2016 to rationalise its steel industry by cutting production capacities and shutting down of outmoded induction furnaces have the positive impact of stabilising steel prices across the world leading to a gradual return to a normalised market for the global iron and steel industry.

REVIEW OF BUSINESS OPERATIONS

Hiap Teck Venture Berhad ("HTVB" or "the Company") is a holding company engaged in investment and property holdings, and the provision of management services to its subsidiaries. HTVB and its subsidiaries (collectively referred to as "the Group") are primarily involved in the manufacturing and trading of steel and steel-related products with a transportation arm that solely supports internal requirements.

The mining and exploration segment is engaged in exploring, contracting and activities related to mining, processing and sale of iron ore while the Group's joint venture ("JV"), Eastern Steel Sdn. Bhd. ("ESSB") operates a 600 m3 blast furnace with an initial slab-making capacity of 700,000 MT per annum. ESSB is the sole producer of steel slabs in Malaysia.

Collectively, the Group is one of the leading steel companies in Malaysia with over twenty years of extensive industry experience committed to offering one-stop solution for steel applications to a diverse customer base in both domestic and export markets and for various sectors including building & construction, manufacturing, engineering and oil & gas.

During the year, the Group rationalised its operations by shutting down its loss-making subsidiary in Singapore. Furthermore, in May 2018, the Group commenced its mining activities to support the iron ore requirements of ESSB, which successfully re-ignited its blast furnace and resumed production on 16 July 2018.

Against the background of the construction sector's moderate growth and a decline in the country's ASC, FY2018 was a challenging year for the Group. Nonetheless, the Group was focused on driving volume sales with disciplined cost control to achieve its targets. Supported by stable steel prices, normalised margins and a lower share of loss of JV, the Group managed to turnaround, after 3 consecutive years of losses, to record a Profit after Tax of RM27.19 million.

PERFORMANCE REVIEW BY SEGMENT

The Group segments' contribution are summarised below. The detailed segmental performance is disclosed in Note 24 of the financial statements.

SEGMENTS' PERFORMANCE

FY 2018 Segmental Analysis	Trading RM'000	Manufacturing RM'000	Property & Investment RM'000	Transportation RM'000	Mining exploration RM'000	Group RM'000
SALES	529,426	598,351	30	2	50	1,127,859
RESULTS						
Segment profit/(loss) before tax & share of loss of JV	20,899	55,234	21,363	344	(405)	97,435

For the year under review, the Group registered higher revenue of RM1.13 billion, a 5.6% increase compared to RM1.07 billion reported in the preceding financial year due to higher sales volume achieved. Despite the higher revenue, the Group recorded a lower Profit from Operations of RM119.74 million in FY2018, a 30% decrease over the RM170.76 million in the previous year. Profit before Tax and before share of loss of JV was RM97.44 million (FY 2017: RM140.50 million). However, with a lower share of loss of JV, the Group managed to turnaround with a Profit before Tax of RM48.37 million in FY2018 as compared to a Loss before Tax of RM74.82 million in the preceding financial year.

As at the end of FY2018, inventories were at RM394.84 million, a 19% increase over the previous year due to lumpy purchases from imports, timing of shipment arrivals and higher steel prices. Trade receivables increased by 27% to RM270.11 million during the year mainly due to, amongst others, significantly higher sales towards the end of the financial year.

The Group's total borrowings as at end of FY2018 increased by 35% to RM612.09 million from RM453.67 million in the previous financial year to support the increase in working capital. The Group's current borrowings comprise principally short term trade facilities to support its working capital requirements on material purchases.

Manufacturing Segment

The manufacturing segment is engaged in the manufacturing and distribution of steel pipes, hollow sections, scaffolding equipment and accessories, and other steel products. Its pipe manufacturing activities under Alpine Pipe Manufacturing Sdn. Bhd. is regarded as the largest structural pipe and hollow sections manufacturer in Malaysia and Southeast Asia. The scaffold manufacturing business under Huatraco Scaffold Sdn. Bhd., has been engaged in the scaffolding business for more than twenty years. Its wealth of experience and expertise has led to its existing position as one of the most reliable and best quality scaffolding equipment providers in both the domestic and regional markets.

For the financial year under review, the manufacturing segment recorded revenue of RM598.35 million and contributed RM55.23 million in segment profit. This remarkable achievement can be attributable to a combination of disciplined cost control, continuous quality improvements and strategic procurement.

Other initiatives taken by the Group are:

- Capital expenditure in technology and automation, and outsourcing to improve efficiency, productivity and to lower costs
- Further enhancement of product quality and certification for the export markets
- Explore new market segments and expand presence in Southeast Asia

Trading Segment

The Group's trading business is one of the largest in Malaysia and is involved in the importation and sales of various types of steel products to both hardware companies and project end users in multiple sectors. It has also synergistically combined with the manufacturing segment to become a one-stop steel solution provider for major infrastructure projects.

The trading segment registered revenue of RM529.43 million FY2018 as compared to RM500.01 million in the previous financial year, representing an increase of 5.88%. As the market normalises from the sharp spike in steel prices in 2016/2017, the trading segment recorded a lower Profit before Tax of RM20.90 million as compared to RM29.20 million in the previous financial year.

Property and Investment Segment

The property and investment segment solely supports the Group's wholly owned subsidiaries as all the factory buildings, warehouses, offices and lands are housed under property holdings.

Transport Segment

The transportation segment is engaged in the provision of transport services by trucks and trailers that solely support the transportation requirements within the Group. This ensures timely delivery of materials to customers with the objective of serving our customers better.

Mining & Exploration Segment

The mining and exploration segment is engaged in exploring, contracting and activities related to mining, processing and sale of iron ore. This segment has commenced activities in May 2018 primarily to support the iron ore requirements of ESSB.

Eastern Steel Sdn. Bhd.

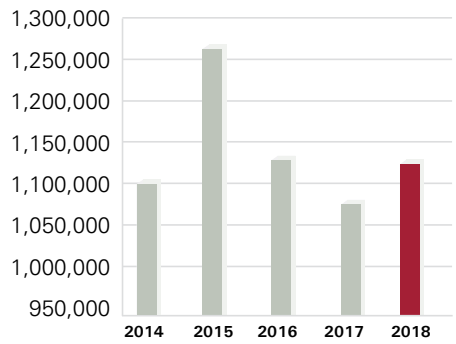
The Group's JV, ESSB, has successfully resumed production on 16 July 2018 and is currently operating at full production capacity.

FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

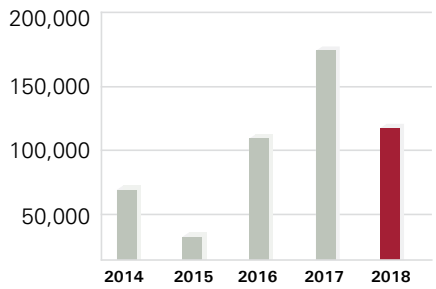
	2014	2015	2016	2017	2018
Revenue (RM'000)	1,110,490	1,257,619	1,138,061	1,073,657	**1,127,859**
Profit From Operation (RM'000)	75,755	25,315	106,328	170,756	**119,740**
Profit / (Loss) Before Tax (RM'000)	49,851	(66,460)	(24,617)	(74,821)	**48,366**
EBITDA (RM'000)	99,234	(10,358)	28,970	(29,817)	**83,261**
Profit / (Loss) After Tax (RM'000)	45,565	(76,806)	(42,173)	(103,161)	**27,189**
Shareholders' Funds (RM'000)	952,633	872,941	913,044	807,371	**836,473**
NTA Per Share (sen)	0.74	0.67	0.70	0.60	**0.61**
Basic Earnings Per Share (sen)	3.56	(6.03)	(3.24)	(8.00)	**2.12**
Dividend (sen)	0.60	0.30	0.30	-	**0.50**
Borrowings	577,732	526,726	616,897	453,672	**612,092**

FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

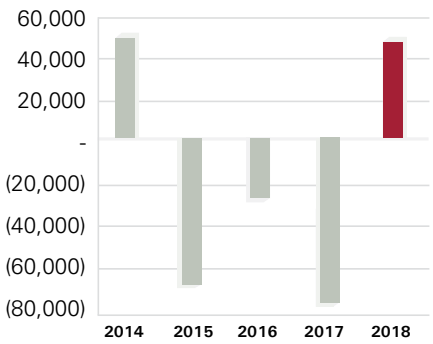
REVENUE
(RM'000)



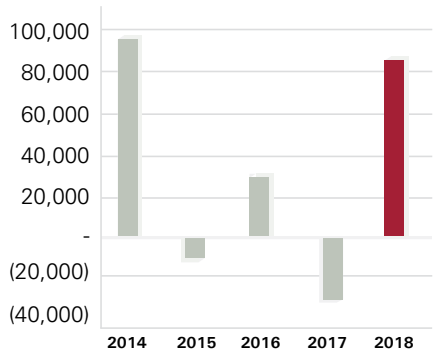
PROFIT FROM OPERATION
(RM'000)



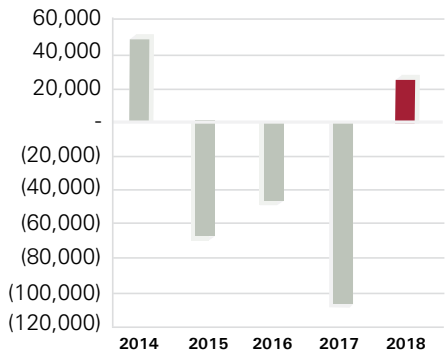
PROFIT/(LOSS) BEFORE TAX
(RM'000)



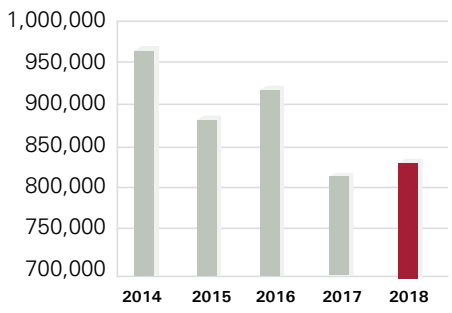
EBITDA
(RM'000)



PROFIT/(LOSS) AFTER TAX
(RM'000)

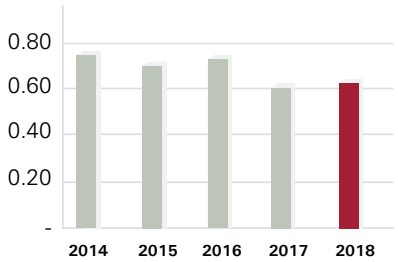


SHAREHOLDERS' FUNDS
(RM'000)

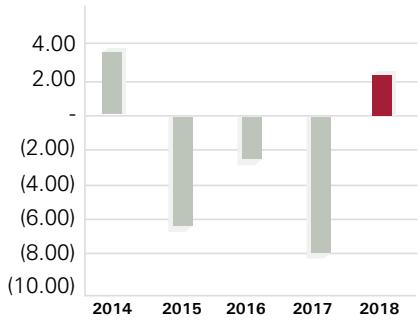


FIVE YEAR GROUP FINANCIAL HIGHLIGHTS (Cont'd)

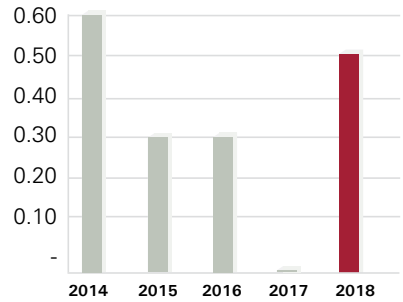
NTA PER SHARE
(RM)



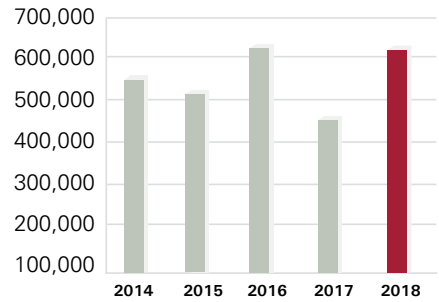
BASIC EARNINGS PER SHARE
(SEN)



DIVIDEND
(SEN)



BORROWINGS
(RM'000)



*Note :

The comparative figures for Net Tangible Assets per share (NTA) and Earnings per share (EPS) have been restated to reflect the adjustments arising from bonus issue completed during the financial year 2016.

MARKET REVIEW

World - Steel Demand

The demand outlook for the global iron and steel industry in 2018 and 2019 is cautiously optimistic. The World Steel Association (Worldsteel) forecasts global steel demand will reach 1,616.1 million MT in 2018, an increase of 1.8% over 2017. In 2019, it is forecasted that global steel demand will grow by 0.7% to reach 1,626.7 million MT. World steel demand growth is benefitting from the favorable global economic momentum, but facing risks from rising global trade tensions.

ASEAN-6 - Steel Demand

Among the ASEAN-6 countries which represent a key market for future iron and steel demand growth, namely, Vietnam, Indonesia and Philippines have attracted increased foreign direct investments from large global steel companies. In 2017, as a percentage of global steel consumption, ASEAN-6 consumed 73.8 million MT, which represents 4.6% of the world's steel consumption. It is forecasted that the steel demand for the ASEAN-6 will reach 80 million MT in 2019.

BUSINESS OUTLOOK

The outlook for steel industry in Malaysia remains challenging in light of the oversupply in both the residential and commercial property sub-sectors and the review of the mega projects by the Government. Steel demand growth is expected to remain subdued and improvements would be gradual and very much impacted by construction progress and the outcome of the review of the mega projects.

Moving forward, the Group will remain focused in its efforts to increase efficiency by continuously improving on manufacturing costs, procurement strategies, sales and working capital management to stay competitive in the challenging market. The Group will further enhance its technical and technology capabilities for higher value added products and continuously expand products range to remain in the forefront of the steel industry in Malaysia as well as Southeast Asia.

The successful resumption of ESSB's operations is transformative. It is expected to provide the Group with a new leg of growth and contribute positively to its future performance.

The Board of Hiap Teck Venture Berhad ("HTVB") fully supports the recommendations of the Malaysian Code on Corporate Governance 2017 ("the Code") issued by the Securities Commission and the corporate governance requirements of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") which sets out the broad principles and recommendations for good corporate governance and best practices for listed companies.

The Board is committed to apply to the best of its ability the recommendations and principles of the Code in ensuring and maintaining that good corporate governance is practised throughout the Group to effectively discharge its responsibilities to protect the Group assets, promote sustainable results 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 2018. The detailed disclosure on how the Group has applied the principles and practices as laid out in the Code throughout the current financial year can be found in the Corporate Governance Report at the Company's website: www.htgrp.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Company is led by a proactive Board which is primarily responsible for determining the strategic direction and sustainable goals of the Company and its subsidiaries ("the Group"), maintaining effective control over management oversight, and monitoring the overall conduct and performance of the Group's business and promoting ethical business throughout the Group. It also reviews corporate strategies, budgets, risk management, operations and the performance of the business segments and brings to bear independent judgement on issues relating to conflict of interest, strategy, risk management, performance, resources, governance and code of conduct and ethics to ensure that decisions made and actions taken will promote transparency, accountability and sustainability of the Group. The Board as a whole is dedicated to practise clear demarcation of duties, responsibilities and authority within the Company. The Board recognises the importance of good corporate governance and applies the Practices as set out in the Code and the MMLR to enhance business prosperity and maximize shareholders' wealth.

The Board is therefore, committed to ensure and maintain that a high standard of corporate governance is practised throughout the Group to effectively discharge its responsibilities with integrity, transparency and professionalism to protect and ultimately to enhance the shareholders' value and those of the other stakeholders.

Hence, the Board will continue to play a critical role in setting the appropriate tone at the top, providing leadership and promoting good governance and ethical conduct and practices throughout the Group.

Key Responsibilities of the Chairman

The Board is led by a competent Chairman, Tan Sri Abd Rahman Bin Mamat who is an Independent Non-Executive Director and is primarily responsible for effective operation and performance of the Board.

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Company, the Board has amongst others adopted the following measures from Guidance 1.1 of the Code:

- together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;
- review, challenge and decide on management's proposals for the Company, and monitor its implementation by management;
- ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- supervise and assess management performance to determine whether the business is being properly managed;
- ensure there is a sound framework for internal controls and risk management;
- understand the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks;

- set the risk appetite within which the board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of board and senior management;
- ensure that the Company has in place procedures to enable effective communication with stakeholders; and
- ensure the integrity of the Company's financial and non-financial reporting.

Key responsibilities of the Chairman as set out in Guidance 1.2 of the Code have been adopted by the Company to be the duties and responsibilities of the Chairman of the Company:

- provides leadership for the board so that the board may perform its responsibilities effectively;
- sets the board agenda and ensures that board members receive complete and accurate information in a timely manner;
- leads board meetings and discussions;
- encourages active participation and allows different views to be freely expressed;
- manages the interface between board and management;
- ensures appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the board as a whole; and
- leads the board in establishing and monitoring good corporate governance practices in the Company.

Separation of Positions of the Chairman and Executive Deputy Chairman

In order to promote accountability, transparency and to ensure the balance of power and authority, there is a clear demarcation of responsibility and roles between the Independent Non-Executive Chairman and the Executive Deputy Chairman. The positions of Independent Non-Executive Chairman and Executive Deputy Chairman are held by different individuals. In this regard, no one individual can influence Board's discussions and decision making.

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 discussion on strategies and policies recommended by the Management and leads the Board on its collective oversight of management.

The Executive Deputy Chairman who is assisted by the three (3) Executive Directors who focuses on the day-to-day management of the Company and is responsible for the implementation of the Board's policies and decisions as well as supervising the operation of the Group and developing and implementing business strategies.

Company Secretary

The Board is supported by an experienced and competent Company Secretary who is qualified to act as secretary under Section 235(2) of the Companies Act 2016.

The Company Secretary of HTVB, Mr Ng Yim Kong is a secretary licensed by the Registrar of Companies by virtue of Section 235(2) of the Companies Act 2016. 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 accurate and proper recording of issues discussed, decisions made and conclusions taken, and facilitate Board communication. He also manages the processes of the annual general meeting and extraordinary general meeting (if any). All scheduled meetings held during the year were preceded by formal agenda issued by the Company Secretary in consultation with the Chairman. Prior to the meetings, appropriate documents which include agenda and reports relevant to the issues of the meetings are circulated to all the directors. All the Directors have sufficient time to appreciate the issues to be deliberated at meetings which in turn enhances the decision-making process. Further details or supplementary information may be provided at the request of the Directors.

The Company Secretary maintains all secretarial and statutory records of the Company. The Board has unrestricted access to the advice and service of the Company Secretary who is responsible to provide the Directors with the Board papers and related matters required for the Board and Committees' meetings.

The Company Secretary updates the Board of Directors regularly on amendments to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), practice and guidance notes or circulars issued by Bursa Securities from time to time and on the development of or amendments to the Companies Act 2016. Overall, the Company Secretary advises the Board on the corporate disclosures and compliances with the company and securities regulations and listing requirements. In addition, the Company Secretary serves notices to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares in accordance with Chapter 14 of the MMLR. He also ensures that all appointments and resignations of Directors are in accordance with the relevant legislation and the Performance Assessment of the Board, Board Committee and individual Directors are properly executed.

The Board of Directors is supplied with and has 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.

Board Charter

The Board Charter was adopted by the Board to emphasize its commitment to good corporate governance practices of the Code. The Board Charter sets out, amongst others, the responsibilities, authorities, procedures, evaluations and structures of the Board and Board Committees, the relationship between the Board and management and the shareholders of the Company as well as issues and decisions reserved for the Board. More importantly, the Board Charter sets out the key values, principles and ethos of the Company as policies, and strategy development are based on these considerations.

The Board Charter is periodically reviewed and updated by the Board to ensure that it remains consistent with the Board's objectives and responsibilities. The Board Charter is available at the Group's website www.htgrp.com.my.

Code of Ethics and Conduct for Directors

The Company has adopted a Code of Ethics and Conduct for Directors to focus on areas of ethical risk, managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering, and to provide guidance to Directors to assist them to recognize and deal with unethical conduct and help to foster a culture of honesty, trust, and responsibility. The Code of Ethics and Conduct is a part of the Company's commitment to integrity, accountability, transparency and self-regulation. It is a set of acceptable practices to guide the behaviour of the Directors.

The Code of Ethics and Conduct is available at the Group's website www.htgrp.com.my.

Whistleblowing

Although the Company has not established a formal and written policy and procedure on whistleblowing, the Company's culture encourages open communication, constructive feedback and suggestions across all levels of functionalities and positions. Employees have access to and can bring their matters and issues of concern to immediate superiors, or to any directors, Human Resource department, regulators or any member of management for appropriate action. The Board will undertake to develop and adopt a formal and written policy and procedure on whistleblowing for the Group.

II. BOARD COMPOSITION

Board Balance

The Board comprises seven (7) members; four (4) of whom are Executive Directors and three (3) are Independent Non-Executive Directors. The Board is therefore, in compliance with Paragraph 15.02 of the MMLR of Bursa Securities, which requires that at least 2 directors or 1/3 of the board of directors of a listed issuer, whichever is the higher, are independent directors but does not comply with Practice 4.1 of the Code which recommended at least half the Board to comprise independent directors. The reduction from 4 Independent Non-Executive Directors to 3 Independent Non-Executive Directors was due to the resignation of Mr. Ng Soon Lai @ Ng Siek Chuan who had exceeded nine (9) years in his terms of office as an Independent Non-Executive Director.

The number of independent directors can be increased from the present three to four upon the identification of a suitable candidate for the post. A brief profile of the Board members are set out on pages 4 to 7 of this Annual Report.

Tenure of Independent Director

It is the present policy of the Company that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, the Independent Director will have to resign unless he is retained by the Board as a non-independent director. This is in compliance with practice 4.2 of the Code. However, the Board may, in exceptional cases and subject to the assessment of the Nominating Committee on an annual basis, recommend for an Independent Director who had 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 of the Company have served for a cumulative term of more than nine (9) years up to the financial year ended 31 July 2018 except for Mr. Ng Soon Lai @ Ng Siek Chuan who had resigned on 26 June 2018 after completing a cumulative term of 9 years in office.

Diversity

The Company is led and managed by an experienced Board comprising members with the appropriate mix of skill, diversity, qualification, knowledge and experience in the relevant fields such as finance, law, accounting, metallurgy, material sciences, economics, corporate affairs, entrepreneurship and management. Collectively, the Directors bring a broad range of skills, expertise, knowledge and independent judgement to effectively direct and supervise the attainment of the Group's corporate strategy, business and financial oversight.

Although the Company has no specific policy or target on gender diversity, the Board acknowledges the importance of gender diversity in the Group's workforce and on the Board, and the positive impact gender diversity can have on the Board's decision-making process and Group's performance. However, it is of the view that Board membership is dependent on the potential candidate's skills, experience, core competencies and other qualities regardless of gender, age and ethnicity.

Presently, the selection of candidates is solely based on recommendations made by existing Board members, management or major shareholder but may include sourcing from a directors' registry and open advertisement or the use of independent search given in future if suitable candidates are not readily available.

Board Meetings

The Board of Directors meets on a quarterly basis with additional meetings convened as and when necessary, to inter-alia review and approve quarterly financial results, business plans, budgets, governance matters and other business development activities. Special Board meetings may be convened to consider urgent proposals or matters which require the expeditious review or consideration by the Board. Senior Management is invited to attend the Board meetings 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 agenda 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 and to ensure effective discussions and decision making during the meetings.

During the financial year ended 31 July 2018, 5 board meetings were held. Details of the Board of Directors' Meetings and their attendances at these meetings are set out below. All Directors in office during the said period have attended at least 50% of all the Board meetings held and therefore, have complied with the minimum 50% meeting attendance's requirement under the MMLR of Bursa Securities.

Details of the Board of Directors' Meeting held during the financial year ended 31 July 2018

Name of Directors	Date of Board Meeting					Total Meetings Attended by Directors	Percentage of Attendance
	28.09.2017	15.12.2017	18.12.2017	29.03.2018	25.06.2018		
Tan Sri Abd Rahman Bin Mamat (Independent Non-Executive Director)	✓	X	✓	✓	✓	4/5	80%
Tan Sri Dato' Law Tien Seng (Executive Deputy Chairman)	✓	✓	✓	✓	✓	5/5	100%
Mr. Foo Kok Siew (Executive Director)	✓	✓	✓	✓	✓	5/5	100%
Mr. Tan Shau Ming (Executive Director)	✓	✓	✓	✓	✓	5/5	100%
Mr. Law Wai Cheong (Executive Director)	✓	✓	✓	✓	✓	5/5	100%
Mr. Ng Soon Lai @ Ng Siek Chuan (Independent Non-Executive Director) (Resigned on 26 June 2018)	✓	✓	X	✓	✓	4/5	80%
Mr. Leow Hoi Loong @ Liow Hoi Loong (Independent Non-Executive Director)	✓	✓	✓	✓	✓	5/5	100%
Mr. Lee Ching Kion (Independent Non-Executive Director)	✓	X	✓	✓	✓	4/5	80%

Appointment to the Board

There is a formal and transparent procedure which had been endorsed by the Board for the appointment of new Directors. To facilitate appointments to the Board, the Company had set up the Nominating Committee to provide a formal and transparent procedure for appointment of new Directors to the Board. The Nominating 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 2018, the Board through the Nominating Committee, had assessed the effectiveness of the Board as a whole and the Board Committees; contribution and performance of each individual Director; independence of Independent Directors and training courses required by the Directors on an ongoing basis. The Board also reviewed the required mix of skills, experiences and other qualities including core competencies, which Non-Executive Directors should bring to the Board.

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 confirmed in writing to the Board offering themselves for re-election:-

	Article No.
• Mr. Leow Hoi Loong @ Liow Hoi Loong	79
• Mr. Foo Kok Siew	79

Details of the Directors who submitted themselves for re-election this year are available on pages 4 to 7 of this Annual Report.

Board Committees

Article 111 of the Company's Article of Association provides the Board with discretion to delegate their powers to committees consisting of such member or members of their body as they think fit. Any committee so formed in the exercise of the powers so delegated shall conform to any regulations that may be imposed on it by the Board and by the Listing Requirements.

The Company had formed five (5) main Board Committees, namely Audit Committee, Nominating Committee, Remuneration Committee, Risk Management Committee and Employees' Share Option ("ESOS") Committee.

Audit Committee

Audit Committee is positioned to assist the Board to rigorously challenge and ask probing questions on the Company's financial reporting process, internal controls, risk management and governance. The Internal Audit function reports directly to the Audit Committee.

The composition, summary of activities and attendance of members at the Audit Committee Meetings can be found in the Audit Committee Report on pages 35 to 37 of this Annual Report. The details of the Internal Audit function and activities are set out in the Statement on Risk Management and Internal Control on pages 32 to 34 of this Annual Report.

Nominating Committee

The Nominating Committee of the Company was set up with written terms of reference approved by the Board, dealing with its authority and duties which include the selection and assessment of directors. The terms of reference of the Nominating Committee is made available on the Company's website at www.htgrp.com.my.

Members of the Nominating Committee

The Nominating Committee comprises three (3) Independent Non-Executive Directors. The members of the Nominating Committee are as follows:

Name	Designation	Directorship
Tan Sri Abd 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 Chairman of the Nominating Committee will:

- lead the succession planning and appointment of Board members including future Chairman and Chief Executive Officer; and
- lead the annual review of Board effectiveness ensuring that the performance of each individual director is independently assessed.

Annual Assessment of Directors

The assessment of 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 Nominating Committee will 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 judgement to the Board deliberations.

Any Director who considers that he has or may have a conflict 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 decision in any matter concerning the Company is required to immediately disclose to the Board of such an interest and to abstain from participating in any discussion or voting on the matter concerned.

For the financial year ended 31 July 2018, the Board assessed the independence of its Independent Non-Executive Directors based on the criteria set out in the MMLR of Bursa Securities. The Board is satisfied with the level of independence and time commitment 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.

Nominating Committee Meetings

Details of the Nominating Committee Meeting held during the financial year ended 31 July 2018

Name of Directors	Date of Meeting			Total Meetings Attended by Directors	Percentage of Attendance
	28.09.2017	18.12.2017	25.06.2018		
Tan Sri Abd Rahman Bin Mamat (Independent Non-Executive Director)	✓	✓	✓	3/3	100%
Mr. Leow Hoi Loong @ Liow Hoi Loong (Independent Non-Executive Director)	✓	✓	✓	3/3	100%
Mr. Lee Ching Kion (Independent Non-Executive Director)	✓	✓	✓	3/3	100%

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 as required by Bursa Securities.

The Directors had during the financial year ended 31 July 2018, 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 training/seminars attended by the Directors:-

Name of Directors	Training or Seminars Attended	Dates of Attendance
Tan Sri Abd Rahman Bin Mamat	ICAAP Workshop	10 January 2018
	Forum Dialogue on Managing Cyber Risks in Financial Institutions	22 January 2018
	Breakfast Talk on Industrial Revolution 4.0	6 February 2018
	Knowledge Sharing on Islamic Stockbroking Window	22 February 2018
	Briefing Session on Malaysian Code on Corporate Governance 2017	29 March 2018
	1.5 Days In-House Training Programme on Corporate Governance	9 & 10 April 2018
	4.0 Next Gen Manufacturer Conference 2018	12 April 2018
	In-House Training for Directors	16 April 2018
	Emerging Risk, the Future Board and Return on Compliance	19 July 2018
Tan Sri Dato' Law Tien Seng	Briefing Session on Malaysian Code on Corporate Governance 2017	29 March 2018
Mr. Foo Kok Siew	Corporate Governance Briefing Session on MCCG Reporting and CG Guide	2 March 2018
	Briefing Session on Malaysian Code on Corporate Governance 2017	29 March 2018
Mr. Leow Hoi Loong @ Liow Hoi Loong	Corporate Governance and Ethics on Strengthening Professionalism Through Ethics	30 September 2017
	Money Laundering and Data Protection in the Digital Economy	10 March 2018
	Briefing Session on Malaysian Code on Corporate Governance 2017	29 March 2018
Mr. Ng Soon Lai @ Ng Siek Chuan	Cryptocurrency and Blockchain Technology by FIDE	10 August 2017
	Malaysia Institute of Accountants Conference	7-8 November 2017
	Bursa Talk on Corporate Governance	2 March 2018
	Key Changes to Malaysian Code on Corporate Governance and Overview of CG Guide 3rd Edition	6 February 2018
	In-House workshop on MFRS 9	26 February 2018
	Briefing Session on Malaysian Code on Corporate Governance 2017	29 March 2018
Mr. Law Wai Cheong	Pakatan Strategik Demi Harapan Gemilang on Malaysia-China Business Conference 2018	28 July 2018
	Briefing Session on Malaysian Code on Corporate Governance 2017	29 March 2018
Mr. Tan Shau Ming	Introduction to Steel Making	13-14 August 2018
	Briefing Session on Malaysian Code on Corporate Governance 2017	29 March 2018
Mr. Lee Ching Kion	Briefing Session on Malaysian Code on Corporate Governance 2017	29 March 2018

Employees' Share Option Scheme ("ESOS") Committee

An ESOS Committee was set up to administer the ESOS Scheme which is governed by the ESOS By-Laws. The members of the ESOS Committee are:-

Name	Designation	Directorship
Tan Sri Abd 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

During the financial year ended 31 July 2018, the ESOS Committee held one meeting on 15 December 2017 for the following purposes:-

- To note the total number of options or shares granted, exercised, vested, and outstanding up to date;
- To note options or shares granted to directors and chief executive (if any);
- To note options or shares granted to directors and senior management; and
- To note the options offered to and exercised by, or shares granted to and vested in non-executive directors pursuant to the Company's ESOS to date.

III. REMUNERATION

Remuneration Committee

The Company has a Remuneration Committee that assists the Board by recommending the remuneration packages of each individual Executive Director, Independent Non-Executive Director and Senior Management. The Remuneration Committee is entrusted with the following responsibilities:

- To recommend to the Board the framework of Executive Directors' and Senior Management's remuneration and the remuneration package for each Executive Director, drawing from outside advice as necessary taking into account the Company's desire to attract and retain the right talent in the Board and senior management to achieve the Company's long term objectives.
- To recommend to the Board, guidelines for determining remuneration of Independent Non-Executive Directors.
- To recommend to the Board any performance related pay schemes for Executive Directors.
- To review and where appropriate, to recommend revision of Executive Directors' scope and terms of service contracts.
- To consider the appointment of the service of such advisers or consultants as it deems necessary to fulfil its functions.
- To review periodically the policies and procedures to determine the remuneration of directors and senior management which takes into account the demands, complexity and performance of the Company as well as skill and experience required.

The terms of reference of the Remuneration Committee are made available on the Company's website at www.htgrp.com.my

The members of the Remuneration Committee are as follows:

Name	Designation	Directorship
Tan Sri Abd 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

During the financial Year ended 31 July 2018, the Remuneration Committee held two meetings on 18 December 2017 and 25 June 2018 for the following purposes:

- To review the annual bonus for Executive Directors and Senior Management
- To recommend the annual increment for the Group and the Executive Directors and Senior Management

III. REMUNERATION (Cont'd)

DIRECTORS' REMUNERATION

The Company has specific remuneration policies and procedures to determine the remuneration of Directors and Senior Management. For the financial year ended 31 July 2018, the Remuneration Committee recommended to the Board the remuneration packages of the Executive Directors and Senior Management, whilst the Board as a whole determines the remuneration of the Independent 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 Independent Non-Executive Directors including the Non-Executive Chairman is determined in accordance with their experience and the level of responsibilities assumed.

The details of the remuneration of Directors of the Company in respect of the financial year ended 31 July 2018 are set out as follows:

Name	Director Fee RM'000	Director Emoluments RM'000	Allowances RM'000	Total RM'000
Group				
Independent Non-Executive Directors:				
Tan Sri Abd Rahman Bin Mamat	100	-	4	104
Ng Soon Lai @ Ng Siek Chuan	90	-	4	94
Leow Hoi Loong @ Liow Hoi Loong	85	-	5	90
Lee Ching Kion	85	-	4	89
	360	**-**	**17**	**377**
Executive Directors:				
Tan Sri Dato' Law Tien Seng	-	3,481	198	3,679
Foo Kok Siew	-	1,274	73	1,347
Tan Shau Ming	-	610	43	653
Law Wai Cheong	-	526	42	568
Total	**360**	**5,891**	**373**	**6,624**
Company				
Independent Non-Executive Directors:				
Tan Sri Abd Rahman Bin Mamat	100	-	4	104
Ng Soon Lai @ Ng Siek Chuan	90	-	4	94
Leow Hoi Loong @ Liow Hoi Loong	85	-	5	90
Lee Ching Kion	85	-	4	89
	360	**-**	**17**	**377**
Executive Directors:				
Tan Sri Dato' Law Tien Seng	-	3,481	198	3,679
Foo Kok Siew	-	1,274	73	1,347
Law Wai Cheong	-	526	42	568
Tan Shau Ming	-	-	-	-
Total	**360**	**5,281**	**330**	**5,971**

Remuneration of the Top Five Senior Management

The Board is of the opinion that the disclosure on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 would not be beneficial to the individual Senior Management's staff's interest due to the following reasons:-

1. Confidentiality and sensitivity of personal information of Senior Management.
2. Will give rise to breach of personal data protection.
3. Security concerns for the staff including their family members.
4. Can potentially create friction among the staff.
5. Encourage staff pinching or poaching of executives in the industry.

The Board ensures that the remuneration of Senior Management commensurates with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully.

The Company will review and consider disclosing the top 5 senior management's remuneration component in bands of RM50,000 on a named basis in future.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

The Audit Committee which comprises Directors; all of whom are 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.

All the Audit Committee members who are financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting policies, carried out their duties in accordance with the terms of reference of the Audit Committee which are made available on the Company's website at www.htgrp.com.my. All the Audit Committee members undertake continuous professional development and training to ensure that they keep abreast of the relevant development in accounting and auditing standards, practices and rules.

The Audit Committee has the policy that requires a former key audit partner of the Group audit to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee. Currently, no former key audit partner is appointed as a member of the Audit Committee.

The Audit Committee also has the policy that no alternate director shall be appointed as a member of the Audit Committee. The status of Audit Committee of the Company is explained in greater detail in the enclosed Audit Committee Report.

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 financial 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 2016. 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 balanced and understandable assessment of the Group's financial position and prospect to the shareholders, investors and regulatory authorities.

Independence of External Auditors

The Audit Committee is responsible for approving audit and non-audit services provided by the external auditors. In the process, the Audit Committee will ensure that the independence and objectivity of the external auditors are not compromised.

Moreover, the Engagement Partner of the External Auditors will retire every five (5) years as a matter of the External Auditors' internal policy. 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.

Statement of Directors' Responsibility in Relation to the Financial Statements

The Board of Directors is required under Paragraph 15.26(a) of Bursa Securities' 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 2016 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 2016 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.

Relationship with External 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 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 as and when necessary. The External Auditors present their audit plans, report their findings to the Audit Committee and discuss with the Board of Directors on matters that necessitate the Board's attention.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Group's systems of risk management, identifying principal risks and opportunities and establishing an appropriate control environment and framework to manage risks and take advantage of opportunities. The key risk categories of the Group are financial risk associated to corporate funding and gearing, foreign exchange risk, supply chain risk, regulatory risk, market risk, credit risk and inventory risk.

The Board also acknowledges the importance of maintaining a sound system of internal control to safeguard shareholders' interest and the Group's assets. An outsourced 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 details of the Company's risk management and internal control framework are contained in the Statement on Risk Management and Internal Control on pages 32 to 34.

Risk Management Committee

The Company established a Risk Management Committee on 30 March 2010 and has been delegated by the Board to assume responsibility for the Group's risk oversight. The Risk Management Committee provides oversight, direction and counsel to the Group risk management process and considers any matter relating to the identification, assessment, monitoring and management of any risk associated with the Group that it deems appropriate.

The terms of reference of the Risk Management Committee are available on the Company's website at www.htgrp.com.my.

The members of the Risk Management Committee are as follows:

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

Internal Audit Function

The internal audit function of the Company is currently outsourced and reports directly to the Audit Committee. To the best of the Board's knowledge, the outsourced internal audit personnel are free from any relationship or conflict of interest which could impair their objectivity and independence.

The internal audit function is responsible to assist the Audit Committee in discharging its duties and responsibilities. Further details of the internal audit function are contained in the Audit Committee Report on pages 35 to 37.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of effective ongoing engagement communication with its stakeholders to facilitate mutual understanding of each other's objectives and expectations and to enable the stakeholders to make informed decisions with respect to the business of the Company and commitment to governance, environmental and social responsibility matters.

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

II. CONDUCT OF GENERAL MEETINGS

According to Article 54 of Company's Articles of Association, notice of 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. The 21 days' notice is within the requirement stipulated by the Companies Act 2016 under Section 316 and Paragraph 9.19 of the MMLR of Bursa Securities. The Board is aware that Practice 12.1 of the Code which encourages the Company to send out Notice for its Annual General Meeting to the shareholders at least 28 days prior to the meeting. Since the Notice of the Annual General Meeting will be sent on 19 November 2018 while its AGM will only be held on 17 December 2018, i.e. more than 28 days prior to Annual General Meeting, the Company complies with Practice 12.1 of the Code.

At the General Meetings, the Board encourages shareholders' participation by providing opportunities for shareholders to raise questions on the business activities of the Group, agenda of the meetings and its proposed resolutions. The Directors and the Chair of Board Committees are present at the Annual General Meeting to answer questions and consider suggestions. The External Auditors are also present to provide their professional and independent clarification on issues of concern raised by the shareholders, if any.

At the start of the last year's Annual General Meeting held on 18 December 2017, the Board's reply to the Minority Shareholders' Working Group's ("MSWG") query Letter dated 14 December 2017 was read out to the Shareholders present at the Meeting. A copy of this reply to MSWG can be found at the Company's website at www.htgrp.com.my.

The Board has subsequently at its Board of Directors' Meeting held on 27 September 2018 identified Mr. Lee Ching Kion as the Senior Independent Non-Executive Director to whom concerns may be conveyed. The Senior Independent Non-Executive Director provides a secure and confidential channel to address any concerns conveyed to him directly on matters relating to the Company through e-mail (cklee@htgrp.com.my).

ADDITIONAL INFORMATION

1. SHARE BUY-BACK

A total number of shares purchased and retained as treasury shares during the financial year ended 31 July 2018 was Nil.

As at the end of the financial year:

a. A total of 5,492,000 shares bought back were held as treasury shares and carried at cost; and

b. No shares had been cancelled.

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

Other than as disclosed below, there were no options, warrants or convertible securities exercised during the financial year ended 31 July 2018.

	No. of Shares	RM
As at 1 August 2017	1,309,728,434	654,864,217
(+) Ordinary shares issued pursuant conversion of RCUID	27,326,100	13,663,050
As at 31 July 2018	1,337,054,534	668,527,267

3. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any Depository Receipt Programme during the financial year ended 31 July 2018.

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 2018.

5. NON-AUDIT FEES

Non-audit fees of RM15,000.00 were incurred for services rendered to HTVB or its subsidiaries for the financial year ended 31 July 2018 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 2018 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 Annual General Meeting held on 18 December 2017 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 2018 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 Transactions (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.	244,117

This statement was approved by the Board on 27 September 2018.

The Malaysian Code on Corporate Governance 2017 specify that the Board of Directors of public listed companies should establish a sound risk management framework and internal control system to safeguard shareholders' investment and Group's assets. 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 2018. 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 Guidelines") endorsed by Bursa Malaysia Securities Berhad ("BMSB").

BOARD'S COMMITMENT AND RESPONSIBILITY

As the Group operates in a dynamic business environment, a sound risk management and internal control system must be in place to help the Group to achieve its business objectives. Therefore, the Board remains committed towards maintaining a sound system of risk management and internal control and believes that a balanced achievement of its business objectives and operational efficiency can be attained.

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

- Embedding risk management in all aspects of the Group's activities, which also encompasses subsidiaries of the Company;
- Assessing the Group's acceptable risk appetite; and
- Reviewing risk management framework, processes, responsibilities and assessing whether the present policies and systems provide reasonable assurance that risks are 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 delegates the responsibility of reviewing the effectiveness of risk management to the Risk Management Committee ("RMC"). The key function of the RMC is to review and report to the Board on 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. Lee Ching Kion	-	Independent Non-Executive Director (Chairman)
(ii)	Mr. Foo Kok Siew	-	Executive Director
(iii)	Mr. Leow Hoi Loong @ Liow Hoi Loong	-	Independent Non-Executive Director

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Group's systems of risk management and internal control, identifying principal risks and establishing an appropriate control environment and framework to manage risks. The key risk categories of the Group are financial risk associated to corporate funding and gearing, foreign exchange risk, supply chain risk, regulatory risk, market risk, credit risk and inventory risk.

The RMC is assisted by the Risk Management Working Committee ("RMWC"), which is represented by the heads of the various departments of the Group. The roles of the RMWC is to identify, measure, prioritise and re-assess the 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 their profiles to the RMC for review and deliberation. The status of key risks and management actions are further presented by the RMC to the Board for review and deliberation.

In term of the key controls for the business processes, the Group has implemented the following control measures and procedures in its operations:

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

ii. Budgetary control involving the review and approval of annual budget as well as monitoring and analysing variances of actual results against budget in the monthly Group Management Committee Meetings;

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

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

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

vi. ISO 9001:2015 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.

BOARD AND MANAGEMENT REVIEW MECHANISM

Whilst the RMC oversees risk management and is assisted by the RMWC at the operational level, various management review meetings are held throughout the year. Presently, the management organizes weekly Senior Management Meetings, weekly Credit Committee Meetings, monthly Group Management Committee Meetings 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. The Internal Auditors have identified implementation lapses in internal control and process improvement opportunities during the course of its work for the financial year under review, which were duly addressed by the Management. 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 Committees 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 quarterly financial results, annual report and audited financial statements before recommending to the Board to be presented to the shareholders and public investors.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

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

- continuously identifying, evaluating and managing risks relevant to the business in achieving 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.

The Board has received assurance from the Executive Director and Chief Financial Officer that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group.

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 and up to the date of approval of this Statement for inclusion in the Annual Report. The Board is satisfied that the existing systems of internal control and risk management are adequate and effective to enable the Group to achieve its business objectives and there were no material losses resulted from significant control weaknesses for the financial year under review.

While the Board wishes to reiterate that system of risk management and internal control would be continuously improved in line with the evolving business development, it should be noted that all risk management and internal control system could only manage to mitigate 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.

REVIEW OF STATEMENT ON INTERNAL CONTROL BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report for the financial year ended 31 July 2018. Their review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants.

AAPG 3 does not require the External Auditors to consider whether this statement covers all risks and controls or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system.

The Board of Directors of Hiap Teck Venture Berhad is pleased to present the Audit Committee report for the financial year ended 31 July 2018 in compliance with Paragraph 15.15 of the Main Market Listing Requirement.

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.

The Terms of Reference of the Audit Committee may be viewed at the Company's website at www.htgrp.com.my.

The members of the Audit Committee are appointed from amongst the Directors. All the three members of the Audit Committee are Independent Non-Executive Directors and the Chairman Mr. Leow Hoi Loong @ Liow Hoi Loong is a Fellow Member of the Chartered Association of Certified Accountants, United Kingdom.

Members of the Audit Committee	Designation	Directorship
Mr. Leow Hoi Loong @ Liow Hoi Loong (Appointed as Chairman of the Audit Committee effective 26 June 2018)	Chairman	Independent Non-Executive Director
Mr. Ng Soon Lai @ Ng Siek Chuan (Resigned as Chairman and Member effective 26 June 2018)	Chairman	Independent Non-Executive Director
Tan Sri Abd Rahman Bin Mamat	Member	Independent Non-Executive Director
Mr. Lee Ching Kion	Member	Independent Non-Executive Director

MEETING AND ATTENDANCE

During the financial year ended 31 July 2018, the Audit Committee convened a total of four (4) meetings.

The details of the attendance of the meetings are as follows:-

Members	Date of Meeting				Total Meetings Attended	Percentage of Attendance
	28.09.2017	15.12.2017	29.03.2018	25.06.2018		
Mr. Leow Hoi Loong @ Liow Hoi Loong	✓	✓	✓	✓	4/4	100%
Mr. Ng Soon Lai @ Ng Siek Chuan	✓	✓	✓	✓	4/4	100%
Tan Sri Abd Rahman Mamat	✓	X	✓	✓	3/4	75%
Mr. Lee Ching Kion	✓	X	✓	✓	3/4	75%

SUMMARY OF ACTIVITIES

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

The Executive Director, Mr. Foo Kok Siew and the Group Chief Financial Officer, Miss Yeo Bee Hwan attended the Audit Committee meetings by invitation during the financial year ended 31 July 2018. The Internal Auditors attended all the scheduled quarterly Audit Committee meetings. Representatives of the External Auditors were invited to present the Audit Planning Memorandum to the Audit Committee and attended meetings where matters relating to the audit of the statutory accounts were discussed. Other Board members may attend Audit Committee meetings 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 ended 31 July 2018 were as follows:

- Reviewed and recommended the unaudited quarterly financial results of 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 follow-up audits reports and consider 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 28 September 2017 and 25 June 2018 without the presence of the Executive Directors and Management.

REVIEW OF OPTIONS

- The Audit Committee had reviewed at its meeting held on 27 September 2018 the allocation of the options for the financial year ended 31 July 2018 pursuant to the Employees' Share Option Scheme ("ESOS") which was extended for another 5 years from 12 April 2017 to 11 April 2022. The following allocation of the share options was in compliance with the By-Laws of the ESOS.
- Share Options granted to the Directors and Senior Management as at 27 September 2018:

(i)	Aggregate maximum allocation applicable to directors and senior management in percentage	50%
(ii)	Total number of shares options granted	44,107,177
(iii)	The actual percentage granted	42%

- Breakdown of share options granted to and vested on Independent Non-Executive Directors as at 27 September 2018:

Name of director	Amount of share options granted	Amount of share options vested	Amount of share options exercised
Tan Sri Abd Rahman Mamat	1,439,999	1,439,999	-
Mr. Leow Hoi Loong @ Liow Hoi Loong	899,999	899,999	-
Mr. Lee Ching Kion	899,999	899,999	-
Total	**3,239,997**	**3,239,997**	**-**

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to NGL Tricor Governance Sdn. Bhd., an independent professional services firm with an annual fee of RM175,000. Independence is essential to the effectiveness of the internal audit function. 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 review the Group's operations, evaluating their efficiency, effectiveness and compliance with corporate policies, procedures, laws and regulations.

The internal audit function is carried out with impartiality, proficiently and due professional care. It provides the Audit Committee with information, appraisals, recommendations and counsel regarding the activities examined and other significant issues. 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 ended 31 July 2018, the internal auditors executed the approved audit plan and performed the following tasks in accordance with its overall strategy:

- Performed internal control review of Inventory Quantity Management for Hiap Teck Hardware Sdn. Bhd., Alpine Pipe Manufacturing Sdn. Bhd. and Huatraco Scaffold Sdn. Bhd..
- Performed internal control review of Recurrent Related Party Transactions ("RRPT") for Hiap Teck Venture Berhad ("HTVB") and Production Management for Alpine Pipe Manufacturing Sdn. Bhd..
- Performed internal control review of Sales Function of Hiap Teck Hardware Sdn. Bhd., Alpine Pipe Manufacturing Sdn. Bhd. and Huatraco Scaffold Sdn. Bhd..
- Performed internal control review of Human Resource ("HR") function and follow-up review on previous audit findings of Hiap Teck Venture Berhad, Alpine Pipe Manufacturing Sdn. Bhd., Huatraco Scaffold Sdn. Bhd., Hiap Teck Hardware Sdn. Bhd..
- Performed internal control review of Supply Chain-Logistic & Maintenance of Briliant Decade Transport Agency Sdn. Bhd. and follow-up on previous audit findings of Hiap Teck Hardware Sdn. Bhd., Alpine Pipe Manufacturing Sdn. Bhd., Huatraco Scaffold Sdn. Bhd..
- Attended Audit Committee meetings to table, discuss and answer any queries from the Audit Committee regarding the internal audit findings and issues.

During the year under review, 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 27 September 2018.

NOMINATING COMMITTEE REPORT

The Nominating Committee of the Company was set up on 16 October 2003 with written terms of reference approved by the Board, dealing with its authority and duties which include the selection and assessment of directors.
The terms of reference of the Nominating Committee are made available on the Company's website at www.htgrp.com.my.

COMPOSITION OF NOMINATING COMMITTEE

The Nominating Committee ("NC") comprises three (3) Non-Executive Directors, all of whom are Independent Directors. The members of NC are as follows:

Nominating Committee Members	Designation	Directorship
Tan Sri Abd 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

MEETING AND ATTENDANCE

The NC met on 28 September 2017, 18 December 2017 and 25 June 2018 during the financial year under review with full attendance of the NC members.

SUMMARY OF ACTIVITIES

The NC had carried out the following:-

(a) Conducted an evaluation of the performance of the Directors for the financial year ended 31 July 2018 at its meeting held on 27 September 2018, and reviewed and assessed the effectiveness of the Board as a whole and the Board Committees; contribution and performance of each individual Director; independence of independent Directors, the mix of skills, experience and other qualities of Directors including but not limited to core competences and time commitment which the Independent Non-Executive Directors should bring to the Board. For this purpose, an evaluation questionnaire was circulated to each Director for his completion. Upon the return of the completed questionnaires, the Company Secretary compiled the results of the evaluation and tabled the summary of the results for the Nominating Committee's deliberation. The overall results of the evaluation showed that the Directors, the Board and the Board Committees are in compliance with good corporate governance practices and adhere to existing laws and regulations.

(b) Reviewed and assessed the character, experience, integrity, competency and time commitment of Ms. Yeo Bee Hwan, the Group Chief Financial Officer and found her to be suitable for the position of Group Chief Financial Officer.

(c) Reviewed the terms of reference of the Nominating Committee annually.

(d) Reviewed the Diversity of the Board and noted that the Board does not presently have a specific Diversity Policy. Nevertheless, the Board acknowledges the importance of a diversity policy that can contribute to the improved decision-making process and performance of the Group. In this respect, the Nominating Committee will help to monitor the diversity of the Board through the evaluation and selection process of new candidates especially female candidates to the Board.

SUMMARY OF ACTIVITIES (Cont'd)

(e) Looked at the succession planning of the Group which is presently subject to further changes and study by the Board and Management.

(f) Reviewed the retirement by rotation at the forthcoming Twenty-Second Annual General Meeting of the Company in accordance with Article 79 of the Company's Articles of Association, and recommended the re-election of Mr. Leow Hoi Loong @ Liow Hoi Loong and Mr. Foo Kok Siew who being eligible to be re-elected, have all consented to be re-elected.

(g) Reviewed the tenure of office of Mr. Ng Soon Lai @ Ng Siek Chuan ("Mr. Ng") who had been an Independent Non-Executive Director since 18 August 2009, i.e. more than 9 years, and had recommended that Mr. Ng shall resign at the end of the Board Meeting held on 25 June 2018 so as to comply with the Company's policy that the tenure of Independent Non-Executive Directors should not exceed 9 years in total. In connection to this, the Nominating Committee also looked at the need to appoint a new Audit Committee Chairman.

(h) Conducted on 27 September 2018 an evaluation of the term of office and performance of the Audit Committee ("AC") for the financial year ended 31 July 2018, and reviewed and assessed the composition and quality; understanding of the business including risks; process and procedures; oversight of the financial reporting process, including internal controls; oversight of audit functions; ethics and compliance; and monitoring activities. Following the evaluation, the Nominating Committee concluded that the AC and its Members had been effective in discharging their responsibilities to ensure the quality, integrity and appropriateness in financial accounting and reporting, and have carried out their duties in accordance with their terms of reference.

Sustainability is core to the Group's strategy and operations as we strive to build sustainable businesses to deliver value and long-term growth to our stakeholders. We integrate sustainability in our decision making process in order to care for our **PEOPLE**; nurture our **COMMUNITY** and to support a sustainable **MARKET PLACE.**

Our People

We recognise that our employees are the Group's most important asset. We trust that an engaged workforce will contribute positively and would motivate one another to bring the Group to new heights. In view of this, we endeavor to provide our employees with a safe working environment and ensure them of continuous learning and career advancement opportunities.

Employee development

As the businesses continue to grow and expand, it is important to ensure that our employees have the knowledge and skills to stay relevant amid changing workplace demands. We develop and promote talents by providing training and career development opportunities, and enabling our employees to act with integrity and high morale. We strive to continuously groom and retain a diverse talent pool to ensure our employees are ready for the future succession planning and development as well as being adaptable to change.

Employee Relations

It is the Group's priority in cultivating teamwork, and a respectful and harmonious working environment. To this end, the Group organises social gatherings for all festivals, annual dinner, birthday parties, etc.

The Group places great attention on the well-being and benefits of the employees. In order to develop a balanced work life and create a caring, harmonious and cohesive working atmosphere; employees are encouraged to participate in various sports and recreational activities organised by the Group.

Health and safety

In this respect, we promote and nurture a healthy and safe workplace for our employees. During the year numerous trainings have been conducted by Health & Safety Officer to improve knowledge on safety in order to achieve an accident-free work place. The Occupational Safety and Health Committee play a critical role to promote an accident free mindset to all levels of employees. Safety measures briefing, training and roadshow were held to instill correct safety procedures and help accomplish the goal of a zero accident working environment.

The Group monitors work-related accidents and manages all incidents with the relevant corrective actions. The Occupational Safety and Health leaders will present and discuss the safety improvement plan during our monthly management meetings. We also have monthly audits in safety issues and regular inspections to identify unsafe activities and conditions.

The table below shows number of accident cases recorded over the years:

Financial Year	2014	2015	2016	2017	2018
Accident cases	15	17	14	13	13

Through our efforts, we have managed to bring down the number of accident cases in the recent two years. Nevertheless, continuous efforts such as daily morning briefing and regular trainings have been put in place to further reduce the accident cases and ensure a sustainable and safe workplace.









OUR COMMUNITY

As a good corporate citizen, we are determined to serving and contributing to the community in which we live and work through our volunteerism. We trust the value of volunteerism to our community will help develop caring character and empathy among our employees and community.

Education

The Group views education and life-long learning as an important pillar of human resources and community development. Our employees and their family members are encouraged to continue to improve and uplift themselves through continuing education. The Group provides annual allowances for our employees' children to enable them to buy books and other educational aids. This helps to inculcate reading habits and learning amongst the young who are the future of our Country.

Caring

The Group organises annual blood donation events that provide a reminder to the importance of a caring community and also help to stock up the blood bank for National Blood Centre.

This year the blood donation was held on 26 October 2017 at Alpine Pipe training room. As always, we received overwhelming response from our employees and the local communities.







Gotong Royong is also one of the Group's annual events that foster a clean environment for workplace and surrounding areas and community.

Going Green

The Group undertakes initiatives to reduce waste and create a more eco-friendly environment. Efforts implemented are as follows:

- Install eco-friendly hand dryers in wash rooms, thus eliminating the use paper towels.
- Change the existing fluorescent light tubes to LED tubes in offices.
- Change the existing High Pressure Sodium down lights to LED down lights in factory floors.
- Change the existing High Pressure Sodium flood lights to LED street lights.
- Reduce unnecessary printing and increase paper recycling.
- Reduce the usage of disposable plates, cutlery and bowls by encouraging staff to use reusable items.
- Install filtered water system in pantry to eliminate purchase of bottled water.
- Waste separation at factory floor.

OUR MARKET PLACE

Through maintaining a high standard of corporate governance, the Group emphasises on an ethical business culture amongst our people for the benefit of our stakeholders. We conduct with responsibility, transparency and fairness in all our business dealings, and we hold respect for the interests of the relevant stakeholders, adhering to the Group's long-standing business philosophy.

To ensure sustainable growth and performance, our Business Development team will continue to explore for potential new markets in the region and new steel-related businesses.

Seminars

Over the years, the Group has spearheaded various donation and sponsorship initiatives which have benefited a number of community services and organisations. During the year, we have organised and funded various seminars on the potential usage of our products, to educate and enhance knowledge for engineers and project teams, existing and potential customers, business partners and various Government Authorities from the project design stage, right up to the completion of the projects.

During the year, we have conducted seminars on Kejuruteraan Paip & Perancah in collaboration with Kementerian Kerja Raya Malaysia in three states on the following dates.

On 17 August 2017, the seminar was held at Ixora Hotel, Penang with a total of 250 participants.
Speaker : Ir Ghazali Bin Abd. Aziz







On 5 April 2018, the seminar was held at Vistana Hotel Kuantan, Pahang with a total of 250 participants.

Speaker : Ir Ghazali Bin Abd. Aziz







On 11 November 2017, the seminar was held at Le Meridian Hotel, Kota Kinabalu, Sabah with a total of 250 participants.
Speaker : Ir Ghazali Bin Abd. Aziz

To acknowledge that we are an integral part of the communities in which we operate, the Group is committed to be an active member and supporter of these communities in every way we can strategically, financially and socially.

The Group's corporate website, www.htgrp.com.my, provides up-to-date and reliable information about the Group's business activities. We are updating our website regularly with the latest information and development of the Group.

Moving forward, the Group will continue to boost our efforts to ensure sustainable growth and performance while maintaining a high standard of corporate governance.

OUR

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

FINANCIAL STATEMENTS

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The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2018.

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 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	27,946	79,988
Non-controlling interests	(757)	-
	27,189	79,988

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

No dividend was paid during the financial year.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 July 2018 is 0.5 sen per ordinary share totalling RM6,658,000. This 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 during the financial year until the date of this report are:

Tan Sri Abd Rahman Bin Mamat
Tan Sri Dato' Law Tien Seng
Leow Hoi Loong @ Liow Hoi Loong
Lee Ching Kion
Foo Kok Siew
Tan Shau Ming
Law Wai Cheong
Ng Soon Lai @ Ng Siek Chuan (resigned on 26 June 2018)

Directors of the Company's subsidiaries

Directors who served in the Company's subsidiaries that are not Directors in the Company during the financial year until the date of this report are:

Seh Kwang Weoi
Yeo Bee Hwan
Chew Sow Yong

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 financial year end (including the interests 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			
	At 1.8.2017	Bought	Sold	At 31.7.2018
Deemed interests in the Company:				
Tan Sri Dato' Law Tien Seng – own	337,647,686	-	-	337,647,686
Lee Ching Kion – other*	45,354	-	-	45,354
Tan Shau Ming – other*	792,000	-	-	792,000

	Number of options over ordinary shares			
	At 1.8.2017	Granted	Exercised	At 31.7.2018
Interests in the Company:				
Tan Sri Abd Rahman Bin Mamat – own	1,439,999	-	-	1,439,999
Tan Sri Dato' Law Tien Seng – own	12,599,995	-	-	12,599,995
Leow Hoi Loong @ Liow Hoi Loong – own	899,999	-	-	899,999
Lee Ching Kion – own	899,999	-	-	899,999
Foo Kok Siew – own	7,199,997	-	-	7,199,997
Tan Shau Ming – own	3,599,997	-	-	3,599,997

	Number of Warrants 2016			
	At 1.8.2017	Bought	Sold	At 31.7.2018
Deemed interests in the Company:				
Tan Sri Dato' Law Tien Seng – own	75,032,819	-	-	75,032,819
Tan Shau Ming – other*	176,000	-	-	176,000

Directors' interests in shares (Cont'd)

	Number of Redeemable Convertible Unsecured Islamic Debt Securities ("RCUIDS")			
	At 1.8.2017	Bought	Sold	At 31.7.2018
Deemed interests in the Company:				
Tan Sri Dato' Law Tien Seng				
– own	75,032,819	-	-	75,032,819
Tan Shau Ming				
– other*	176,000	-	-	176,000

** Interest in shares held by Director's spouse pursuant to Section 59(11)(c) of the Companies Act 2016.*

By virtue of his interests in the shares of the Company, Tan Sri Dato' Law Tien Seng is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Hiap Teck Venture Berhad has an interest.

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 those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in 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 30 to the financial statements.

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 apart from the options pursuant to the Employees Share Option Scheme ("ESOS") granted to eligible Directors and employees of the Group.

Issue of shares and debentures

During the financial year, there were conversion of 5-year 5% RCUIDS to 27,326,100 ordinary shares.

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

Treasury shares

As at 31 July 2018, a total of 5,492,000 buy-back shares were held as treasury shares and carried at cost.

The shares repurchased are being held as treasury shares in accordance with Section 127 (4)(b) of the Companies Act 2016 and further relevant details are disclosed in Note 13 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 ESOS which are governed by ESOS By-Laws and RCUIDS with free detachable warrants.

Employees Share Option Scheme ("ESOS")

At an extraordinary general meeting held on 23 November 2011, the Company's shareholders approved the establishment of an ESOS to eligible Directors and employees of the Group. On 10 January 2017, the Board of Directors extended the ESOS which is expiring on 11 April 2017 for another five years from 11 April 2017 to 11 April 2022.

The salient terms of the ESOS are disclosed in Note 31 to the financial statements.

The options offered eligible Directors and employees of the Group to take up unissued ordinary shares and the exercise prices are as follows:

		No. of share options over ordinary shares				
Date of offer	**Exercise price**	**At 1.8.2017**	**Granted**	**Exercised**	**Forfeited**	**At 31.7.2018**
19 April 2013	RM0.50	56,373,914	-	-	(3,931,179)	52,442,735
10 January 2014	RM0.67	12,509,969	-	-	(1,745,994)	10,763,975
12 January 2015	RM0.53	10,205,938	-	-	(1,637,992)	8,567,946
1 January 2018	RM0.40	-	35,752,484	-	(2,608,000)	33,144,484
		79,089,821	35,752,484	-	(9,923,165)	104,919,140

Indemnity and insurance costs

During the financial year, Directors and Officers of Hiap Teck Venture Berhad, together with its subsidiaries are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM20 million. The total amount of premium paid for the Directors' and Officers' Liability Insurance by the Group and the Company was RM19,090.

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, the financial performance of the Group and of the Company for the financial year ended 31 July 2018 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.

Significant events

Significant events during the financial year are disclosed in Note 32 to the financial statements.

Subsequent events

Subsequent events are disclosed in Note 33 to the financial statements.

Auditors

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

The auditors' remuneration is disclosed in Note 20 to the financial statements.

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

.....
Tan Sri Dato' Law Tien Seng
Director

.....
Foo Kok Siew
Director

Kuala Lumpur

Date: 26 October 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	3	253,694	252,358	360	92
Mining exploration and evaluation assets	4	21,332	20,484	-	-
Investment properties	5	9,162	7,318	98,212	98,105
Investments in subsidiaries	6	-	-	94,070	94,070
Investment in joint venture	7	-	-	-	-
Available-for-sale financial assets	8	1,366	1,507	-	-
Deferred tax assets	9	434	554	-	-
Trade and other receivables	10	427,228	90,935	580,759	167,526
Total non-current assets		713,216	373,156	773,401	359,793
Inventories	11	394,836	331,705	-	-
Current tax assets		2,671	2,348	-	-
Trade and other receivables	10	357,374	556,544	41,228	352,879
Available-for-sale financial assets	8	10,718	4,691	7,005	-
Cash and cash equivalents	12	59,635	83,350	227	4,476
Total current assets		825,234	978,638	48,460	357,355
Total assets		1,538,450	1,351,794	821,861	717,148
Equity					
Share capital	13	668,527	654,864	668,527	654,864
Reserves	13	168,707	152,511	(104,996)	(173,244)
Total equity attributable to owners of the Company		837,234	807,375	563,531	481,620
Non-controlling interests		(761)	(4)	-	-
Total equity		836,473	807,371	563,531	481,620
Liabilities					
Loans and borrowings	14	20,543	25,245	20,543	25,245
Deferred tax liabilities	9	37,281	36,527	22,251	25,195
Total non-current liabilities		57,824	61,772	42,794	50,440
Loans and borrowings	14	591,549	428,427	86,984	47,110
Trade and other payables	15	45,702	40,607	127,655	136,229
Current tax payable		6,902	13,617	897	1,749
Total current liabilities		644,153	482,651	215,536	185,088
Total liabilities		701,977	544,423	258,330	235,528
Total equity and liabilities		1,538,450	1,351,794	821,861	717,148

The notes set out on pages 58 to 120 are an integral part of these financial statements.

	Note	Group		Company	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Revenue	16	1,127,859	1,073,657	75,629	17,534
Cost of sales	17	(983,908)	(895,420)	-	-
Gross profit		143,951	178,237	75,629	17,534
Other operating income		36,605	55,419	31,188	34,364
Operating costs in respect of income generating investment properties		(246)	(392)	(1,328)	(1,315)
Administrative expenses		(23,635)	(22,011)	(11,542)	(11,053)
Selling and marketing expenses		(27,744)	(28,253)	-	-
Other operating expenses		(9,191)	(12,244)	(4,482)	(314,351)
Results from operating activities		119,740	170,756	89,465	(274,821)
Finance costs	18	(22,305)	(30,255)	(9,835)	(12,868)
Share of loss of equity-accounted investees, net of tax	7	(49,069)	(215,322)	-	-
Profit/(Loss) before tax		48,366	(74,821)	79,630	(287,689)
Tax (expense)/income	19	(21,177)	(28,340)	358	(588)
Profit/(Loss) for the year	20	27,189	(103,161)	79,988	(288,277)
Other comprehensive income/ (expense), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		131	(55)	-	-
Fair value of available-for-sale financial assets		(141)	598	-	-
Other comprehensive (expense)/ income for the year, net of tax		(10)	543	-	-
Total comprehensive income/ (expense) for the year		27,179	(102,618)	79,988	(288,277)
Profit/(Loss) attributable to:					
Owners of the Company		27,946	(102,977)	79,988	(288,277)
Non-controlling interests		(757)	(184)	-	-
Profit/(Loss) for the year		27,189	(103,161)	79,988	(288,277)
Total comprehensive income/ (expense) attributable to:					
Owners of the Company		27,936	(102,434)	79,988	(288,277)
Non-controlling interests		(757)	(184)	-	-
Total comprehensive income/ (expense) for the year		27,179	(102,618)	79,988	(288,277)
Earnings/(Loss) per ordinary share (sen):					
Basic	22	2.12	(8.00)		
Diluted	22	1.83	(6.45)		

The notes set out on pages 58 to 120 are an integral part of these financial statements.

	Note	Attributable to owners of the Company								
		Non - distributable					Distributable			
		Share capital RM'000	Treasury shares RM'000	Warrant reserves RM'000	Other reserves RM'000	Share option reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 August 2016		644,358	(7,496)	48,800	52,629	4,190	170,383	912,864	180	913,044
Foreign currency translation differences for foreign operations		-	-	-	(55)	-	-	(55)	-	(55)
Fair value of available-for-sale financial assets		-	-	-	598	-	-	598	-	598
Total other comprehensive income		-	-	-	543	-	-	543	-	543
Loss for the year		-	-	-	-	-	(102,977)	(102,977)	(184)	(103,161)
Total comprehensive expense for the year		-	-	-	543	-	(102,977)	(102,434)	(184)	(102,618)
Purchase of treasury shares		-	(3)	-	-	-	-	(3)	-	(3)
Conversion of RCUIDS	13	10,506	-	-	(10,506)	-	-	-	-	-
Equity settled share-based payments		-	-	-	-	449	-	449	-	449
Redemption of convertible bonds		-	-	-	353	-	-	353	-	353
Expiry of Warrants 2012/2017		-	-	(18,459)	-	-	18,459	-	-	-
Dividends to owners of the Company	23	-	-	-	-	-	(3,854)	(3,854)	-	(3,854)
Total transactions with owners of the Company		10,506	(3)	(18,459)	(10,153)	449	14,605	(3,055)	-	(3,055)
At 31 July 2017		654,864	(7,499)	30,341	43,019	4,639	82,011	807,375	(4)	807,371

Note 13

		Attributable to owners of the Company								
		Non - distributable					Distributable			
	Note	Share capital RM'000	Treasury shares RM'000	Warrant reserves RM'000	Other reserves RM'000	Share option reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 August 2017		654,864	(7,499)	30,341	43,019	4,639	82,011	807,375	(4)	807,371
Foreign currency translation differences for foreign operations		-	-	-	131	-	-	131	-	131
Fair value of available-for-sale financial assets		-	-	-	(141)	-	-	(141)	-	(141)
Total other comprehensive expense		-	-	-	(10)	-	-	(10)	-	(10)
Profit for the year		-	-	-	-	-	27,946	27,946	(757)	27,189
Total comprehensive income for the year		-	-	-	(10)	-	27,946	27,936	(757)	27,179
Conversion of RCUIDS	13	13,663	-	-	(13,663)	-	-	-	-	-
Equity settled share-based payments		-	-	-	-	1,923	-	1,923	-	1,923
Share options forfeited		-	-	-	-	(1,215)	1,215	-	-	-
Total transactions with owners of the Company		13,663	-	-	(13,663)	708	1,215	1,923	-	1,923
At 31 July 2018		668,527	(7,499)	30,341	29,346	5,347	111,172	837,234	(761)	836,473

Note 13

The notes set out on pages 58 to 120 are an integral part of these financial statements

	Note	Attributable to the owners of the Company						
		Non - distributable					Distributable	
		Share capital RM'000	Treasury shares RM'000	Warrant reserves RM'000	Other reserves RM'000	Share option reserves RM'000	Retained earnings/ (Accumulated losses) RM'000	Total equity RM'000
At 1 August 2016		644,358	(7,496)	48,800	54,612	4,190	28,488	772,952
Profit and total comprehensive income for the year		-	-	-	-	-	(288,277)	(288,277)
Purchase of treasury shares		-	(3)	-	-	-	-	(3)
Conversion of RCUIDS		10,506	-	-	(10,506)	-	-	-
Equity settled share-based payments		-	-	-	-	449	-	449
Redemption of convertible bonds		-	-	-	353	-	-	353
Expiry of Warrants 2012/2017		-	-	(18,459)	-	-	18,459	-
Dividends to owners of the Company	23	-	-	-	-	-	(3,854)	(3,854)
Total transactions with owners of the Company		10,506	(3)	(18,459)	(10,153)	449	14,605	(3,055)
At 31 July 2017/1 August 2017		654,864	(7,499)	30,341	44,459	4,639	(245,184)	481,620
Profit and total comprehensive income for the year		-	-	-	-	-	79,988	79,988
Conversion of RCUIDS	13	13,663	-	-	(13,663)	-	-	-
Equity settled share-based payments		-	-	-	-	1,923	-	1,923
Share options forfeited		-	-	-	-	(1,215)	1,215	-
Total transactions with owners of the Company		13,663	-	-	(13,663)	708	1,215	1,923
At 31 July 2018		668,527	(7,499)	30,341	30,796	5,347	(163,981)	563,531

Note 13

The notes set out on pages 58 to 120 are an integral part of these financial statements.

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax		48,366	(74,821)	79,630	(287,689)
Adjustments for:					
Amortisation of mining exploration and evaluation assets	4	56	-	-	-
Charge arising from early redemption of convertible secured bonds		-	9,457	-	9,457
Depreciation of investment properties	5	208	158	1,328	1,315
Depreciation of property, plant and equipment	3	12,326	14,590	171	110
Dividend income		(54)	(33)	(63,240)	(6,360)
Equity settled share-based payments	31	1,923	449	1,923	449
Finance costs	18	22,305	30,255	9,835	12,868
Finance income:					
Amount due from joint venture		(29,564)	(28,997)	(29,564)	(28,997)
Amount due from subsidiaries		-	-	(1,278)	(1,205)
Available-for-sale financial assets		(363)	(1,084)	-	-
Deposits with licensed banks		(1,137)	(2,939)	(38)	(2,335)
Gain on disposal of property, plant and equipment		(2,068)	(6,803)	(43)	-
Impairment loss on investment in joint venture		-	-	-	304,372
Loss on disposal of an associate		-	2	-	-
Loss on disposal of available-for-sale financial assets		-	2	-	-
Net overdue interest income		(760)	(485)	-	-
Net unrealised foreign exchange loss/(gain)		4,178	(1,744)	2,538	(1,558)
Property, plant and equipment written off	3	7	47	-	-
(Reversal of)/Allowance for impairment loss on trade receivables		(110)	2,194	-	-
Share of loss of equity-accounted investees, net of tax	7	49,069	215,322	-	-
Write-down of inventories to net realisable value	11	5,404	7,483	-	-
Operating profit before changes in working capital		109,786	163,053	1,262	427
Changes in working capital:					
Inventories		(68,535)	(84,195)	-	-
Trade and other receivables		(91,343)	52,598	249	(434)
Trade and other payables		5,095	(34,971)	(151)	1,292
Cash (used in)/ generated from operations		(44,997)	96,485	1,360	1,285
Interest paid		(27,007)	(34,867)	(14,537)	(17,962)
Net overdue interest income		760	485	-	-
Net income tax paid		(27,341)	(24,731)	(3,438)	(4,000)
Net cash (used in)/generated from operating activities		(98,585)	37,372	(16,615)	(20,677)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from investing activities					
Advances to joint venture – net of repayment		(68,312)	(25,659)	(68,312)	(25,705)
Dividend received		-	33	-	6,360
Finance income:					
Amount due from subsidiaries		-	-	1,278	1,205
Available-for-sale financial assets		363	1,084	-	-
Deposits with licensed banks		1,137	2,939	38	2,335
Investment in a subsidiary		-	-	-	(100)
Investment in available-for-sale financial assets		(6,027)	-	(7,005)	-
Proceeds from disposal of an associate		-	473	-	-
Proceeds from disposal of property, plant and equipment		4,902	10,940	43	-
Proceeds from withdrawal of available-for-sale financial assets		-	498	-	-
Purchase to mining exploration and evaluation assets	4	(904)	(887)	-	-
Purchase of investment properties	5	-	-	(1,435)	-
Purchase of property, plant and equipment	3	(18,566)	(14,419)	(439)	-
Net cash used in investing activities		(87,407)	(24,998)	(75,832)	(15,905)
Cash flows from financing activities					
Advances from subsidiaries		-	-	48,376	106,608
Dividends paid to owners of the Company	23	-	(3,854)	-	(3,854)
Drawdown/(Repayment) of borrowings	14.5	163,070	(19,413)	39,822	(41,892)
Purchase of treasury shares		-	(3)	-	(3)
Redemption of convertible secured bonds		-	(147,000)	-	(147,000)
Net cash generated from/(used in) financing activities		163,070	(170,270)	88,198	(86,141)
Net decrease in cash and cash equivalents		(22,922)	(157,896)	(4,249)	(122,723)
Effect of exchange rate changes		(793)	(246)	-	-
Cash and cash equivalents at beginning of year		83,350	241,492	4,476	127,199
Cash and cash equivalents at end of year		59,635	83,350	227	4,476

Cash and cash equivalents

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

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Deposits placed with licensed banks	12	16,142	34,319	30	3,651
Cash and bank balances	12	43,493	49,031	197	825
		59,635	83,350	227	4,476

Dividend income from subsidiaries

During the financial year, the dividend income from subsidiaries amounting to RM63,240,007 were settled against balances due to the subsidiaries.

The notes set out on pages 58 to 120 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:

Principal place of business and registered office
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 2018 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 and associate. The financial statements of the Company as at and for the financial year ended 31 July 2018 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 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 26 October 2018.

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 requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations 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 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee benefits (Plan Amendment, Curtailment or Settlement)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

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

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 August 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018; and

- from the annual period beginning on 1 August 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019.

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes,* IC Interpretation 15, *Agreements for Construction of Real Estate,* IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

Currently, the Group recognises revenue from contracts with customers on the basis as prescribed in Note 2(o). Upon adoption of MFRS 15, the Group will recognise the revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

The Group's contracts with customers contain both the sale of goods and transportation charges classified as revenue. With the adoption of MFRS 15, there will be a change in the financial statements presentation whereby the revenue from transportation charges should be split out to a separate revenue sub-caption.

The costs relating to the transportation are currently reported under the selling and marketing expenses in the statement of profit or loss and other comprehensive income. This need to be reclassified to cost of sales. Cost of sales is expected to increase and gross profit is expected to be reduced, no impact to profit before tax.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

Based on management's preliminary assessment, the initial application of MFRS 9 is expected to reduce the opening retained earnings on 1 August 2018 by RM379,000 due to additional impairment loss on the receivables to be recognised.

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

(ii) MFRS 9, *Financial Instruments (Cont'd)*

The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change because:

- the Group has not finalised the testing and assessment of controls over its new accounting system; and
- the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases,* IC Interpretation 4, *Determining whether an Arrangement contains a Lease,* IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(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.

(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:

- Notes 7, 10 - Impairment loss on investment in joint venture and amount due from joint venture
- Note 9 - Recognition of deferred tax assets

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, 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 controls an entity when it 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also 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.

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 or distribution. The cost of investment includes transaction costs.

(ii) 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 acquisitions, 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.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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.

(iii) Acquisition of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(iv) 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.

(v) 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.

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 or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investment in joint venture is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the owners of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) 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 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 end of 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 are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that 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, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur 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 foreign currency translation reserve ("FCTR") in equity.

(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 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, 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.

2. Significant accounting policies (Cont'd)

(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.

(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 debt instruments that are not quoted in an active market.

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(j)(i)).

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (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 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 values arising from financial guarantee contracts are classified as deferred income and are 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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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, 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.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component 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, and 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 component of an item of property, plant and equipment from the date that they are available to use. 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. Capital-in-progress are not depreciated until the assets are ready for their intended use.

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.

2. Significant accounting policies (Cont'd)

(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. Upon initial recognition, 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 for 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.

(f) Exploration and evaluation of mineral resources

Exploration and evaluation costs, including the costs of acquiring licenses, are initially capitalised as intangible exploration and evaluation assets ("E&E assets") according to the nature of the assets acquired. The costs are accumulated in cost centres by field or exploration area pending determination of technical feasibility and commercial viability.

E&E assets that are available for use are amortised over their estimated useful lives based on the unit of production method and recognised in profit or loss upon the commencement of commercial production.

E&E assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist. A review of each exploration license or field is carried out, to ascertain whether proven reserves have been discovered. Upon determination of proven reserves, intangible E&E assets attributable to those reserves are tested for impairment and then reclassified from E&E assets to a separate category within tangible assets.

Expenditure deemed to be unsuccessful is recognised in profit or loss immediately.

2. Significant accounting policies (Cont'd)

(g) Investment property

Investment property at cost

Investment properties are properties which are owned or held under leasehold interest 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 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.

(h) Inventories

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

The cost of inventories is calculated using the weighted average method, 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.

(i) 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 fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) Impairment

(i) Financial assets

All financial assets (except for investments 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 investment in 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.

2. Significant accounting policies (Cont'd)

(j) Impairment (Cont'd)

(i) Financial assets (Cont'd)

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 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 assets) 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 or cash-generating units. 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.

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 a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. 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.

2. Significant accounting policies (Cont'd)

(k) 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 the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

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.

(l) 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 and RCUIDS 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 proceeds are first allocated to the liability component, determined based on the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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.

(m) 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.

2. Significant accounting policies (Cont'd)

(m) Employee benefits (Cont'd)

(ii) State 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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(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.

(n) 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.

(o) 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, usually in the form of an executed sales agreement, 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) Services rendered

Revenue from services rendered is recognised when the performance obligations have been satisfied.

2. Significant accounting policies (Cont'd)

(o) Revenue and other income (Cont'd)

(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) Finance income

Finance 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. Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

(vi) Management fees

Management fees are recognised when services are rendered.

(p) 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.

(q) 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 and 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.

2. Significant accounting policies (Cont'd)

(q) Income tax (Cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, 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 assets and liabilities 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 incentive 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 which the unutilised tax incentive can be utilised.

(r) 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, share options granted to employees and RCUIDS.

(s) 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. Operating segment 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.

(t) Contingencies

(i) 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 not recognised in the statements of financial position and 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.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

2. Significant accounting policies (Cont'd)

(u) Fair value measurement

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.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the assets or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

Group	Note	Freehold land RM'000	Buildings RM'000	Leasehold land RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Others assets RM'000	Capital-in-progress RM'000	Total RM'000
Cost									
At 1 August 2016		76,417	139,857	1,070	208,169	6,398	59,024	2,220	493,155
Additions		-	784	-	6,699	-	4,781	2,155	14,419
Disposals		-	-	-	-	(199)	(18,931)	-	(19,130)
Written off		-	-	-	-	-	(306)	-	(306)
Transfers		-	420	-	1,143	-	-	(1,573)	(10)
Effect of movements in exchange rates		-	-	-	8	6	591	-	605
At 31 July 2017/1 August 2017		76,417	141,061	1,070	216,019	6,205	45,159	2,802	488,733
Additions		-	602	-	976	5,409	11,055	524	18,566
Disposals		-	-	-	(87)	(1,924)	(9,097)	-	(11,108)
Written off		-	-	-	-	(158)	(80)	-	(238)
Transfers		-	-	-	-	-	370	(370)	-
Transfer to investment properties	5	-	(2,103)	(1,070)	-	-	-	-	(3,173)
Effect of movements in exchange rates		-	-	-	(4)	-	(16)	-	(20)
At 31 July 2018		76,417	139,560	-	216,904	9,532	47,391	2,956	492,760

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

Group	Note	Freehold land RM'000	Buildings RM'000	Leasehold land RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Others assets RM'000	Capital-in-progress RM'000	Total RM'000
Accumulated depreciation									
At 1 August 2016		-	29,732	295	156,425	5,125	45,092	-	236,669
Charge for the year		-	2,853	18	5,417	577	5,725	-	14,590
Disposals		-	-	-	-	(199)	(14,794)	-	(14,993)
Written off		-	-	-	-	-	(259)	-	(259)
Effect of movements in exchange rates		-	-	-	5	6	357	-	368
At 31 July 2017/1 August 2017		-	32,585	313	161,847	5,509	36,121	-	236,375
Charge for the year		-	3,421	-	4,458	705	3,742	-	12,326
Disposals		-	-	-	-	(1,801)	(6,473)	-	(8,274)
Written off		-	-	-	-	(158)	(73)	-	(231)
Transfer to investment properties	5	-	(808)	(313)	-	-	-	-	(1,121)
Effect of movements in exchange rates		-	-	-	1	-	(10)	-	(9)
At 31 July 2018		-	35,198	-	166,306	4,255	33,307	-	239,066
Carrying amounts									
At 1 August 2016		76,417	110,125	775	51,744	1,273	13,932	2,220	256,486
At 31 July 2017/1 August 2017		76,417	108,476	757	54,172	696	9,038	2,802	252,358
At 31 July 2018		76,417	104,362	-	50,598	5,277	14,084	2,956	253,694

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

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

Company	Motor vehicles RM'000	Office renovations RM'000	Office equipment RM'000	Total RM'000
Cost				
At 1 August 2016/31 July 2017/ 1 August 2017	424	657	134	1,215
Additions	407	-	32	439
Disposals	(424)	-	-	(424)
At 31 July 2018	407	657	166	1,230
Accumulated depreciation				
At 1 August 2016	424	497	92	1,013
Charge for the year	-	83	27	110
At 31 July 2017/1 August 2017	424	580	119	1,123
Charge for the year	81	75	15	171
Disposals	(424)	-	-	(424)
At 31 July 2018	81	655	134	870
Carrying amounts				
At 1 August 2016	-	160	42	202
At 31 July 2017/1 August 2017	-	77	15	92
At 31 July 2018	326	2	32	360

4. Mining exploration and evaluation assets

	Group RM'000
Cost	
At 1 August 2016	19,597
Additions	887
At 31 July 2017/1 August 2017	20,484
Additions	904
At 31 July 2018	21,388
Accumulated depreciation	
At 1 August 2016/31 July 2017/1 August 2017	-
Charge for the year	56
At 31 July 2018	56
Carrying amount	
At 1 August 2016	19,597
At 31 July 2017/1 August 2017	20,484
At 31 July 2018	21,332

5. Investment properties

Group		Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost					
At 1 August 2016/31 July 2017/ 1 August 2017		3,950	485	6,429	10,864
Transfer from property, plant and equipment	3	1,070	-	2,103	3,173
At 31 July 2018		5,020	485	8,532	14,037
Accumulated depreciation					
At 1 August 2016		1,594	-	1,794	3,388
Charge for the year		54	-	104	158
At 31 July 2017/1 August 2017		1,648	-	1,898	3,546
Transfer from property, plant and equipment	3	313	-	808	1,121
Charge for the year		72	-	136	208
At 31 July 2018		2,033	-	2,842	4,875
Carrying amounts					
At 1 August 2016		2,356	485	4,635	7,476
At 31 July 2017/1 August 2017		2,302	485	4,531	7,318
At 31 July 2018		2,987	485	5,690	9,162

Company	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 August 2016/31 July 2017/1 August 2017	48,062	65,740	113,802
Additions	-	1,435	1,435
At 31 August 2018	48,062	67,175	115,237
Accumulated depreciation			
At 1 August 2016	-	14,382	14,382
Charge for the year	-	1,315	1,315
At 31 July 2017/1 August 2017	-	15,697	15,697
Charge for the year	-	1,328	1,328
At 31 July 2018	-	17,025	17,025
Carrying amounts			
At 1 August 2016	48,062	51,358	99,420
At 31 July 2017/1 August 2017	48,062	50,043	98,105
At 31 July 2018	48,062	50,150	98,212

Investment properties of the Group comprise a leasehold land which is being leased to third party. The estimated fair value of investment properties of the Group and of the Company are RM14,150,000 and RM196,500,000 (2017: RM14,150,000 and RM196,500,000) respectively. Investment properties are stated at cost and are not revalued.

5. Investment properties (Cont'd)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Rental income	609	774	8,483	7,268
Direct operating expenses:				
- income generating investment properties	(246)	(392)	(1,328)	(1,315)

Fair value of investment properties are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2018				
Group				
Land	-	7,600	-	7,600
Buildings	-	6,550	-	6,550
	-	14,150	-	14,150
Company				
Land	-	121,500	-	121,500
Buildings	-	75,000	-	75,000
	-	196,500	-	196,500

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2017				
Group				
Land	-	7,600	-	7,600
Buildings	-	6,550	-	6,550
	-	14,150	-	14,150
Company				
Land	-	121,500	-	121,500
Buildings	-	75,000	-	75,000
	-	196,500	-	196,500

5. 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 prices (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 has been no transfer between Level 1 and 2 fair values during the financial year (2017: no transfer in either directions).

Level 3 fair value

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

6. Investment in subsidiaries

	Company	
	2018 RM'000	2017 RM'000
At cost:		
Unquoted shares in Malaysia	94,070	94,070

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2018 %	2017 %
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
Alpine Pipe Manufacturing Sdn. Bhd.	Malaysia	Manufacturing and selling of pipes, hollow sections and other steel products	100	100

6. 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 2018 %	Effective ownership interest 2017 %
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 a range of steel products	100	100
Hiap Teck Resources Sdn. Bhd.	Malaysia	Dormant	100	100
Nexus Pacific Property Sdn. Bhd.	Malaysia	Dormant	100	100
Subsidiary of Hiap Teck Resources Sdn. Bhd.				
Vista Mining Sdn. Bhd.	Malaysia	Exploring, contracting and activities related to the mining, processing and sale of iron ore	55	55
Subsidiaries of Huatraco Scaffold Sdn. Bhd.				
Huatraco Contracts Sdn. Bhd.	Malaysia	Dormant	100	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

Audited by a firm other than KPMG PLT

7. Investment in joint venture

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares in Malaysia at cost		283,853	275,798	283,853	275,798
Share of post-acquisition reserves		(228,853)	(220,798)	-	-
Less: Impairment loss	7.1	(55,000)	(55,000)	(283,853)	(275,798)
		-	-	-	-

Details of the joint venture are as follows:

Name of entity	Country of incorporation	Principal activities	Effective ownership interest 2018 %	Effective ownership interest 2017 %
Eastern Steel Sdn. Bhd.	Malaysia	Manufacturing, selling and dealing in a range of steel products using blast furnace plant	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 ESSB. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in ESSB, which is accounted for using the equity method.

	2018 RM'000	2017 RM'000
Summarised financial information		
As at 31 July		
Non-current assets	1,118,481	1,049,066
Current assets	197,377	48,662
Non-current liabilities	(675,024)	(487,419)
Current liabilities	(997,020)	(877,278)
Net liabilities	(356,186)	(266,969)
Year ended 31 July		
Loss and total comprehensive expense for the year	(89,217)	(391,494)
Included in the total comprehensive expense:		
Interest income	-	48
Interest expense	(66,227)	(64,894)
Income tax credit	76	410
Group's share of results for year ended 31 July		
Group's share of loss and total comprehensive expense for the year	(49,069)	(215,322)

7. Investment in joint venture (Cont'd)

7.1 Impairment loss

Impairment loss recognised by the joint venture

In the financial year 2016, in view of the depressed market prices and soft demand of steel slabs and the increased volatility of foreign exchange rates, ESSB had ceased its trial operation to minimise losses. Accordingly, the management of ESSB had prepared discounted cash flow projections to assess the recoverable amount of the capital-in-progress in the financial year 2017.

The recoverable amount was based on the value in use of the capital-in-progress, determined by discounting the future cash flows expected to be generated from the capital-in-progress. The carrying amount of the capital-in-progress amounting to RM1,310 million was determined to be higher than its recoverable amount of RM1,044 million. Hence, impairment loss of RM266 million was recognised in capital-in-progress in the financial year 2017.

The impairment loss was subsequently recognised in the Group through the share of loss in the joint venture using the equity method and recognised in the investment in the joint venture and amount due from the joint venture (see Note 10).

On 16 July 2018, ESSB resumed production and the management of ESSB carried out a reassessment on the recoverable amount of the property, plant and equipment. The cash flow projections used in this reassessment were based on two-year projections with the estimated production volume at 96% of the capacity in the first year and 100% in the second year. A further 23 years (i.e. financial years 2021 to 2043) were projected with zero growth from the second year projections.

Key assumptions used in the value in use calculation for the property, plant and equipment during the current financial year include post-tax discount rates of 9.0%-11.0% (2017: 9.0%) based on an industry average weighted average cost of capital.

The values assigned to the key assumptions represent management's assessment of future trends in the steel industry and are based on both external and internal sources (ie. historical data).

Based on the reassessment, no additional impairment loss is considered necessary for the current financial year.

The above estimates are particularly sensitive in the following area:
- A 5% decrease in sales price would have increased the impairment loss by RM284 million in the joint venture.

Impairment loss recognised at Group level

As the recoverable amount of the investment in and amount due from the joint venture based on the fair value less costs of disposal estimated using the income approach is higher than their carrying amount in the Group level after applying the equity method, additional impairment loss was therefore not necessary in the financial year 2017.

Based on the reassessment, no additional impairment loss is considered necessary for the current financial year.

Impairment loss recognised at Company level

The recoverable amount was based on the fair value less costs of disposal estimated using the income approach. The carrying amount of the long term interests in the joint venture amounting to RM802.51 million as at 31 July 2017 was determined to be higher than its recoverable amount of RM498.14 million, and impairment losses of RM220.80 million and RM83.57 million (see Note 10.2) were recognised in the investment in the joint venture and amount due from the joint venture respectively in the separate financial statements of the Company in the financial year 2017.

Based on the reassessment, no additional impairment loss is considered necessary for the current financial year.

8. Available-for-sale financial assets

	2018		2017	
	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	1,226	1,226	1,367	1,367
	1,366		1,507	
Current				
Unit trust funds of licensed financial institution within Malaysia	10,718	10,718	4,691	4,691
	12,084		6,198	
Company				
Current				
Unit trust funds of licensed financial institutions within Malaysia	7,005	7,005	-	-
	7,005		-	

9. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group						
Property, plant and equipment	-	-	(20,071)	(18,763)	(20,071)	(18,763)
Investment properties	-	-	(154)	(131)	(154)	(131)
Other payables	4,516	8,116	-	-	4,516	8,116
RCUIDS	-	-	(21,138)	(25,195)	(21,138)	(25,195)
Tax assets/(liabilities)	4,516	8,116	(41,363)	(44,089)	(36,847)	(35,973)
Set off of tax	(4,082)	(7,562)	4,082	7,562	-	-
Net tax assets/ (liabilities)	434	554	(37,281)	(36,527)	(36,847)	(35,973)
Company						
Property, plant and equipment	-	-	(1,808)	-	(1,808)	-
Other payables	695	-	-	-	695	-
RCUIDS	-	-	(21,138)	(25,195)	(21,138)	(25,195)
Tax assets/(liabilities)	695	-	(22,946)	(25,195)	(22,251)	(25,195)
Set off of tax	(695)	-	695	-	-	-
Net tax liabilities	-	-	(22,251)	(25,195)	(22,251)	(25,195)

9. Deferred tax assets/(liabilities) (Cont'd)

Unrecognised deferred tax assets

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment	(1,674)	-	-	-
Unabsorbed capital allowances	8,542	6,163	-	-
Tax loss carry-forwards	3,306	2,213	-	-
Other taxable temporary differences	(2,037)	(1,649)	-	-
	8,137	6,727	-	-

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. The deductible temporary differences do not expire under the current tax legislation.

	At 1.8.2016 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31.7.2017/ 1.8.2017 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31.7.2018 RM'000
Group					
Property, plant and equipment	(19,179)	416	(18,763)	(1,308)	(20,071)
Investment properties	(133)	2	(131)	(23)	(154)
Other payables	6,770	1,346	8,116	(3,600)	4,516
Reinvestment allowance	1,530	(1,530)	-	-	-
RCUIDS	(26,939)	1,744	(25,195)	4,057	(21,138)
Other borrowings	(2,827)	2,827	-	-	-
	(40,778)	4,805	(35,973)	(874)	(36,847)
Company					
Property, plant and equipment	-	-	-	(1,808)	(1,808)
Other payables	-	-	-	695	695
RCUIDS	(26,939)	1,744	(25,195)	4,057	(21,138)
Other borrowings	(2,944)	2,944	-	-	-
	(29,883)	4,688	(25,195)	2,944	(22,251)

The deferred tax portion of the RCUIDS amounting to RM26,939,000 was charged to the equity component of the RCUIDS and recognised in equity in the financial year 2016.

10. Trade and other receivables

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current					
Non-trade					
Amount due from a subsidiary	10.1	-	-	27,871	-
Amount due from joint venture	10.2	628,407	251,100	628,407	251,100
Less: Share of post-acquisition reserves	10.2	(201,179)	(160,165)	-	-
Less: Allowance for impairment loss	10.2	-	-	(75,519)	(83,574)
		427,228	90,935	580,759	167,526
Current					
Trade					
Trade receivables		272,826	214,707	-	-
Less: Allowance for impairment loss		(2,718)	(2,828)	-	-
		270,108	211,879	-	-
Amount due from joint venture	10.3	27,940	295	-	-
Amount due from a related party	10.3	740	-	-	-
		298,788	212,174	-	-
Non-trade					
Other receivables		10,522	7,261	36	28
Amount due from joint venture	10.4	40,642	330,614	40,642	330,614
Amounts due from subsidiaries	10.5	-	-	238	21,668
		51,164	337,875	40,916	352,310
Deposits		612	1,043	173	437
Prepayments		6,810	5,452	139	132
		58,586	344,370	41,228	352,879
		357,374	556,544	41,228	352,879
		784,602	647,479	621,987	520,405

The Group's normal trade credit term ranges from 14 to 90 (2017: 14 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

10.1 Non-current non-trade amount due from a subsidiary

The non-trade amount due from a subsidiary is unsecured and subject to interest at 5% per annum. The amount is not expected to be repayable over the next 12 months.

10.2 Non-current non-trade amount due from joint venture

The non-trade amount due from joint venture is unsecured and subject to interest rates at 4.6% to 9.2% (2017: 4.6% to 9.2%) per annum. The amount is not expected to be repayable over the next 12 months (2017: repayable in 2019).

Share of loss recognised using the equity method in excess of the Group's investment in joint venture was applied to the amount due from joint venture which in substance, forms part of the Group's long term investment in the joint venture.

In the separate financial statements of the Company, the impairment loss recognised was based on the fair value less costs of disposal estimated using the income approach (see Note 7.1).

10. Trade and other receivables (Cont'd)

10.3 Current trade amounts due from joint venture and a related party

The trade amounts due from joint venture and a related party are subject to normal trade terms.

10.4 Current non-trade amount due from joint venture

The non-trade amount due from joint venture is unsecured and interest-free (2017: 4.6% to 9.2% per annum). The current balance is repayable in 2019.

10.5 Current non-trade amount due from subsidiaries

The non-trade amounts due from subsidiaries are unsecured and subject to interest at 5% (2017: 5%) per annum and repayable on demand.

11. Inventories

	Group	
	2018	**2017**
	RM'000	**RM'000**
Raw materials	115,292	105,583
Work-in-progress	23,500	18,443
Finished goods	125,602	106,261
Merchandise goods	104,719	90,985
Goods in transit	23,597	7,858
Spare parts	2,126	2,575
At 31 July	394,836	331,705
Recognised in profit or loss:		
Inventories recognised as cost of sales	973,317	887,629
Write-down to net realisable value	5,404	7,483

12. Cash and cash equivalents

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits placed with licensed banks	16,142	34,319	30	3,651
Cash and bank balances	43,493	49,031	197	825
	59,635	83,350	227	4,476

13. Capital and reserves

Share capital

	Group and Company			
	Amount 2018 RM'000	Number of shares 2018 RM'000	Amount 2017 RM'000	Number of shares 2017 RM'000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares				
At 1 August	654,864	1,309,728	644,358	1,288,717
Conversion of RCUIDS	13,663	27,326	10,506	21,011
At 31 July	668,527	1,337,054	654,864	1,309,728

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. All ordinary shares 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 Note 13.4), all rights are suspended until those shares are reissued.

The shares issued during the financial year were related to RCUIDS which were converted into ordinary shares by the holders.

Reserves

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-distributable:					
Warrant reserves	13.1	30,341	30,341	30,341	30,341
Other reserves					
Translation reserves	13.2.1	(206)	(337)	-	-
Fair value reserves	13.2.2	(1,244)	(1,103)	-	-
Capital reserves	13.2.3	-	-	-	-
RCUIDS reserves	13.2.4	30,796	44,459	30,796	44,459
Share option reserves	13.3	5,347	4,639	5,347	4,639
Treasury shares	13.4	(7,499)	(7,499)	(7,499)	(7,499)
		57,535	70,500	58,985	71,940
Distributable:					
Retained earnings/ (Accumulated losses)		111,172	82,011	(163,981)	(245,184)
		168,707	152,511	(104,996)	(173,244)

13. Capital and reserves (Cont'd)

Reserves (Cont'd)

13.1 Warrant reserves

The warrants were issued free to the subscribers for the RCUIDS in the financial year 2016.

The warrant reserves arose from the allocation of the proceeds received from the issuance of the RCUIDS by reference to the fair value of the warrants and net of expenses incurred in the financial year 2016.

Issuance of 285,163,313 Warrants 2016 arose from the subscription of the RCUIDS in the financial year 2016. No warrants were exercised during the financial year (2017: nil) and the number of warrants outstanding as at 31 July 2018 was 285,163,313 (2017: 285,163,313).

The salient terms of the Warrants 2016 are as follows:

(a) The warrants can be exercised any time during the tenure of 5 years commencing from the date of issue of 24 June 2016 to 23 June 2021 ("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 RM0.50 at any time during the Exercise Period.

13.2 Other reserves

13.2.1 Translation reserves

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

13.2.2 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.

13.2.3 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.

During the previous financial year, the Company had redeemed the redeemable convertible secured bonds after the holder of the Bonds exercised the put option (see Note 14.1).

13.2.4 RCUIDS reserves

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

During the year, 27,326,100 of RCUIDS (2017: 21,011,000) were converted into ordinary shares resulted in the decrease in the reserves. The number of RCUIDS outstanding as at 31 July 2018 was 236,826,213 (2017: 264,152,313).

13. Capital and reserves (Cont'd)

13.3 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 capital. When the share options expire, the amount from the share option reserve is transferred to retained earnings. No share options were exercised by the employees during the year (2017: nil).

13.4 Treasury shares

During the previous financial year, the Company repurchased 10,000 of its issued share capital from the open market at an average price of RM0.30 per share including transaction costs financed by internally generated funds. The shares repurchased were held as treasury shares.

As at 31 July 2018, a total of 5,492,000 (2017: 5,492,000) buy-back shares were held as treasury shares and carried at cost.

14. Loans and borrowings

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current					
Secured:					
Redeemable convertible secured bonds	14.1	-	-	-	-
Unsecured:					
RCUIDS	14.2	20,543	25,245	20,543	25,245
		20,543	25,245	20,543	25,245
Current					
Secured:					
Redeemable convertible secured bonds	14.1	-	-	-	-
Bankers' acceptances	14.3	474,565	351,317	-	-
Revolving credit	14.3	60,102	60,000	30,102	30,000
Unsecured:					
Term loans	14.4	56,882	17,110	56,882	17,110
		591,549	428,427	86,984	47,110
		612,092	453,672	107,527	72,355

14. Loans and borrowings (Cont'd)

14.1 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 the statements of financial position as follows:

	Group and Company	
	2018	2017
	RM'000	RM'000
At 1 August	-	137,399
Accreted interest	-	497
Redemption	-	(137,896)
At 31 July	-	-

The Bonds are convertible into ordinary shares at the option of the holder at conversion price of RM0.50 at any time between issuance up to the maturity date on 5 April 2019.

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

During the previous financial year, the holder of the Bonds exercised the put option on 5 April 2017, being the 5th anniversary of the Issue date, and the Company had subsequently redeemed the redeemable convertible secured bonds.

14.2 RCUIDS

On 24 June 2016 ("Issue date"), the Company issued a 5-year RCUIDS with free detachable warrants for cash consideration of RM142,581,657. The RCUIDS and warrants are convertible into ordinary shares at the conversion ratio of one share for each RCUIDS and for each warrant from the issue date of the RCUIDS up to 23 June 2021 at the option of the holder, unconverted RCUIDS will be entitled to receive a coupon of 5% per annum based on the nominal value of RCUIDS held.

The liability component of the RCUIDS is recognised in the statements of financial position as follows:

	Group and Company	
	2018	2017
	RM'000	RM'000
Carrying amount as at 1 August	25,245	30,337
Interest expense recognised (see Note 18)	1,451	1,916
Interest paid	(6,153)	(7,008)
Carrying amount as at 31 July	20,543	25,245

14.3 Security

The Company has extended corporate guarantees amounting to RM534,667,000 (2017: RM411,317,000) 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 obligation as and when they fall due.

14.4 Term loans

Included in the term loans is an interest-free loan of approximately RM40.63 million (2017: Nil).

14. Loans and borrowings (Cont'd)

14.5 Reconciliation of movement of liabilities to cash flows arising from financing activities

The movement of borrowings in the statement of cash flows is as follows:

	At 1.8.2017 RM'000	Net changes from financing cash flows RM'000	Other changes RM'000	Foreign exchange movement RM'000	At 31.7.2018 RM'000
Group					
RCUIDS	25,245	-	(4,702)	-	20,543
Bankers' acceptances	351,317	123,248	-	-	474,565
Revolving credit	60,000	102	-	-	60,102
Term loans	17,110	39,720	-	52	56,882
	453,672	163,070	(4,702)	52	612,092
Company					
RCUIDS	25,245	-	(4,702)	-	20,543
Revolving credit	30,000	102	-	-	30,102
Term loans	17,110	39,720	-	52	56,882
	72,355	39,822	(4,702)	52	107,527

15. Trade and other payables

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current					
Trade					
Trade payables		9,119	4,713	-	-
Amount due to a related party	15.1	6,122	5,718	-	-
		15,241	10,431	-	-
Non-trade					
Other payables		9,485	9,365	129	218
Accruals		17,252	18,938	4,021	4,068
Deposits received		3,724	1,873	8	23
Amounts due to subsidiaries	15.2	-	-	123,497	131,920
		30,461	30,176	127,655	136,229
		45,702	40,607	127,655	136,229

15. Trade and other payables (Cont'd)

15.1 Trade amount due to a related party

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

15.2 Non-trade amounts due to subsidiaries

The non-trade amounts due to subsidiaries are unsecured, subject to interest at 5% per annum and repayable in 2019 (2017: non-interest bearing and repayable upon demand). The amounts due to subsidiaries will be offset against future dividends and rental receivable from these subsidiaries.

16. Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of goods	1,116,253	1,065,354	-	-
Rental of scaffolding equipment	11,576	8,101	-	-
Dividend income	-	-	63,240	6,360
Rental of properties	30	202	8,483	7,268
Management fees	-	-	3,906	3,906
	1,127,859	1,073,657	75,629	17,534

17. Cost of sales

	Group	
	2018 RM'000	2017 RM'000
Cost of inventories sold	980,979	890,397
Depreciation of scaffolding equipment for hire	2,929	5,023
	983,908	895,420
Included in the cost of inventories sold are the following:		
Direct and indirect labour costs	22,505	24,624
Upkeep of property, plant and equipment	2,850	8,743
Depreciation of property, plant and equipment	5,745	6,574

18. Finance costs

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense on:				
Bank overdrafts	30	76	-	-
Bankers' acceptances	16,946	15,881	-	-
Term loan	845	2,252	845	2,252
Revolving credit	3,033	3,018	1,614	1,588
Redeemable convertible secured bonds	-	7,112	-	7,112
RCUIDS	1,451	1,916	1,451	1,916
Amounts due to subsidiaries	-	-	5,925	-
	22,305	30,255	9,835	12,868

19. Tax expense/(income)

Recognised in profit or loss

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax expense				
Malaysian - current	27,057	34,463	4,567	5,364
- prior years	(6,754)	(1,318)	(1,981)	(88)
Total current tax recognised in profit or loss	20,303	33,145	2,586	5,276
Deferred tax expense				
Origination and reversal of temporary differences	(4,687)	(5,260)	(3,105)	(5,084)
Under provision in prior years	5,561	455	161	396
Total deferred tax recognised in profit or loss	874	(4,805)	(2,944)	(4,688)
Total income tax expense/(income)	21,177	28,340	(358)	588

Reconciliation of tax expense

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) before tax	48,366	(74,821)	79,630	(287,689)
Share of loss after tax of equity accounted investees	49,069	215,322	-	-
	97,435	140,501	79,630	(287,689)

19. Tax expense/(income) (Cont'd)

Reconciliation of tax expense (Cont'd)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income tax calculated using Malaysian tax rate of 24%	23,385	33,720	19,111	(69,045)
Effect of tax rate in foreign jurisdictions	105	-	-	-
Non-taxable income	(3,629)	(5,441)	(18,476)	(2,511)
Non-deductible expenses	2,171	906	827	71,836
Temporary difference for which no deferred tax asset was recognised	338	18	-	-
Under provision of deferred tax in prior years	5,561	455	161	396
Over provision of current tax in prior years	(6,754)	(1,318)	(1,981)	(88)
	21,177	28,340	(358)	588

20. Profit/(Loss) for the year

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Profit/(Loss) for the year is arrived after charging/(crediting):					
Amortisation of mining exploration and evaluation assets	4	56	-	-	-
Auditors' remuneration:					
- Audit fees					
KPMG PLT		369	334	135	100
Other auditors		20	20	-	-
- Non audit fees					
KPMG PLT		15	20	15	20
Charge arising from early redemption of convertible secured bonds		-	9,457	-	9,457
Depreciation of investment properties	5	208	158	1,328	1,315
Depreciation of property, plant and equipment	3	12,326	14,590	171	110
Dividend income		(54)	(33)	(63,240)	(6,360)
Equity-settled share based payments	31	1,923	449	1,923	449
Finance income:					
- Amount due from joint venture		(29,564)	(28,997)	(29,564)	(28,997)
- Amount due from subsidiaries		-	-	(1,278)	(1,205)
- Available-for-sale financial assets		(363)	(1,084)	-	-
- Deposits with licensed banks		(1,137)	(2,939)	(38)	(2,335)
Gain on disposal of property, plant and equipment		(2,068)	(6,803)	(43)	-
Impairment loss on investment in and amount due from joint venture		-	-	-	304,372
Loss on disposal of an associate		-	2	-	-
Loss on disposal of available - for-sale financial assets		-	2	-	-
Minimum lease payments recognised as operating lease expense for:					
- Gas tank		12	10	-	-
- Land and buildings		419	718	-	-
- Office equipment		351	23	-	-
Net foreign exchange loss/(gain)					
- Realised		2,756	(3,173)	21	-
- Unrealised		4,178	(1,744)	2,538	(1,558)
Net overdue interest income		(760)	(485)	-	-
Property, plant and equipment written off		7	47	-	-

20. Profit/(Loss) for the year (Cont'd)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Profit/(Loss) for this year is arrived after charging /(crediting) (Cont'd) :					
Personnel expenses (including key management personnel):					
- Contributions to state plan		4,350	4,079	899	889
- Salaries, wages and others		44,699	42,485	7,568	7,180
Rental income from investment properties		(609)	(774)	(8,483)	(7,268)
(Reversal of)/Allowance for impairment loss on trade receivables		(110)	2,194	-	-
Write-down of inventories to net realisable value	11	5,404	7,483	-	-

21. Key management personnel compensation

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Executive directors				
- Remuneration	5,579	5,114	4,995	4,583
- Other short-term employee benefits	669	613	599	550
	6,248	5,727	5,594	5,133
Non-executive directors:				
- Fees	393	427	360	360
- Other emoluments	17	16	17	16
	410	443	377	376
	6,658	6,170	5,971	5,509

22. Earnings/(Loss) per ordinary share

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 31 July 2018 was based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2018 RM'000	Group 2017 RM'000
Profit/(Loss) attributable to ordinary shareholders (RM'000)	27,946	(102,977)
Weighted average number of ordinary shares ('000)		
Issued ordinary shares at 1 August	1,309,728	1,288,717
Effect of treasury shares held	(5,492)	(5,492)
Effect of ordinary shares issued	16,826	4,423
Weighted average number of ordinary shares at 31 July	1,321,062	1,287,648
Basic earnings/(loss) per ordinary share (sen)	2.12	(8.00)

22. Earnings/(Loss) per ordinary share (Cont'd)

Diluted earnings/(loss) per ordinary share

The calculation of diluted earnings/(loss) per ordinary share at 31 July 2018 was based on profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Profit/(Loss) attributable to ordinary shareholders (diluted)

Group	2018 RM'000	2017 RM'000
Profit/(Loss) attributable to ordinary shareholders (basic)	27,946	(102,977)
Interest expense on RCUIDS, net of tax	1,103	1,456
Profit/(Loss) attributable to ordinary shareholders (diluted)	29,049	(101,521)

	Group	
	2018 RM'000	2017 RM'000
Weighted average number of ordinary shares at 31 July (basic)	1,321,062	1,287,648
Effect of conversion of RCUIDS	264,152	285,163
Weighted average number of ordinary shares at 31 July (diluted)	1,585,214	1,572,811
Diluted earnings/(loss) per ordinary share (sen)	1.83	(6.45)

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

23. Dividends

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2017			
Final 2016 ordinary (single tier)	0.30	3,854	25 January 2017

After the end of the reporting period, the following dividend was 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.

	Sen per share	Total amount RM'000
Final 2018 ordinary	0.50	6,658

24. Operating segments

(a) Business Segments

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

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

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

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

(iv) The transportation segment is involved in provision of transportation of goods by lorries; and

(v) The mining exploration segment is involved in exploring, contracting and activities related to the mining, processing and sale of iron ore.

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 assets 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 assets is used to measure the return of assets of each segment.

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 liabilities.

Segment capital expenditure

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

Major customers

There is no major customer with revenue equal or more than 10% of the Group's total revenue during the financial year.

24. Operating segments (Cont'd)

2018	Trading RM'000	Manufacturing RM'000	Property and investment RM'000	Transportation RM'000	Mining exploration RM'000	Eliminations RM'000	Total RM'000
Revenue							
External customers	529,426	598,351	30	2	50	-	1,127,859
Inter-segment	-	20,933	75,600	2,665	-	(99,198)	-
Total segment revenue	529,426	619,284	75,630	2,667	50	(99,198)	1,127,859
Results							
Segment profit	20,899	55,234	21,363	344	(405)	(49,069)	48,366
Included in the measure of segment profit are:							
Finance income	511	903	29,602	48	-	-	31,064
Dividend income	-	-	54	-	-	-	54
Finance costs	(8,636)	(9,725)	(3,955)	11	-	-	(22,305)
Depreciation	(995)	(8,906)	(1,905)	(263)	(521)	-	(12,590)
Share of loss of joint venture	-	-	-	-	-	-	(49,069)
Assets							
Segment assets	283,792	640,827	795,853	2,600	27,742	(216,835)	1,533,979
Unallocated assets	-	-	-	-	-	-	4,471
Total assets	283,792	640,827	795,853	2,600	27,742	(216,835)	1,538,450
Liabilities							
Segment liabilities	216,593	342,634	134,861	442	1,562	(38,536)	657,556
Unallocated liabilities	-	-	-	-	-	-	44,421
Total liabilities	216,593	342,634	134,861	442	1,562	(38,536)	701,977
Other information							
Addition to non-current assets other than financial instruments and deferred tax assets	454	11,884	438	889	5,804	-	19,469
Reversal of allowance for impairment loss on trade receivables	110	-	-	-	-	-	110
Property, plant and equipment written off	-	(7)	-	-	-	-	(7)

24. Operating segments (Cont'd)

2017	Trading RM'000	Manufacturing RM'000	Property and investment RM'000	Transportation RM'000	Mining exploration RM'000	Eliminations RM'000	Total RM'000
Revenue							
External customers	500,011	573,472	172	2	-	-	1,073,657
Inter-segment	-	19,822	17,362	3,161	-	(40,345)	-
Total segment revenue	500,011	593,294	17,534	3,163	-	(40,345)	1,073,657
Results							
Segment profit	29,201	102,992	8,678	38	(408)	(215,322)	(74,821)
Included in the measure of segment profit are:							
Finance income	697	954	31,332	37	-	-	33,020
Dividend income	-	-	33	-	-	-	33
Finance costs	(7,955)	(9,431)	(12,869)	-	-	-	(30,255)
Depreciation	(2,080)	(8,882)	(3,145)	(411)	(230)	-	(14,748)
Share of loss of joint venture	-	-	-	-	-	-	(215,322)
Assets							
Segment assets	316,377	630,829	624,382	3,257	21,798	(249,259)	1,347,384
Unallocated assets	-	-	-	-	-	-	4,410
Total assets	316,377	630,829	624,382	3,257	21,798	(249,259)	1,351,794
Liabilities							
Segment liabilities	210,284	235,182	209,513	384	21,806	(182,891)	494,278
Unallocated liabilities	-	-	-	-	-	-	50,145
Total liabilities	210,284	235,182	209,513	384	21,806	(182,891)	544,423
Other information							
Addition to non-current assets other than financial instruments and deferred tax assets	841	13,571	-	4	891	-	15,307
Property, plant and equipment written off	-	(47)	-	-	-	-	(47)
Allowance for impairment loss on trade receivables	(1,437)	(757)	-	-	-	-	(2,194)

25. Financial instruments

25.1 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) Financial liabilities measured at amortised cost ("FL").

2018	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000
Financial assets			
Group			
Available-for-sale financial assets	12,084	-	12,084
Trade and other receivables (excluding prepayments)	777,792	777,792	-
Cash and cash equivalents	59,635	59,635	-
	849,511	837,427	12,084
Company			
Available-for-sale financial assets	7,005	-	7,005
Trade and other receivables (excluding prepayments)	621,848	621,848	-
Cash and cash equivalents	227	227	-
	629,080	622,075	7,005
Financial liabilities			
Group			
Loans and borrowings	(612,092)	(612,092)	-
Trade and other payables	(45,702)	(45,702)	-
	(657,794)	(657,794)	-
Company			
Loans and borrowings	(107,527)	(107,527)	-
Trade and other payables	(127,655)	(127,655)	-
	(235,182)	(235,182)	-

25. Financial instruments (Cont'd)

25.1 Categories of financial instruments (Cont'd)

2017	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000
Financial assets			
Group			
Available-for-sale financial assets	6,198	-	6,198
Trade and other receivables (excluding prepayments)	642,027	642,027	-
Cash and cash equivalents	83,350	83,350	-
	731,575	725,377	6,198
Company			
Trade and other receivables (excluding prepayments)	520,273	520,273	-
Cash and cash equivalents	4,476	4,476	-
	524,749	524,749	-
Financial liabilities			
Group			
Loans and borrowings	(453,672)	(453,672)	-
Trade and other payables	(40,607)	(40,607)	-
	(494,279)	(494,279)	-
Company			
Loans and borrowings	(72,355)	(72,355)	-
Trade and other payables	(136,229)	(136,229)	-
	(208,584)	(208,584)	-

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gains/(losses) on:				
Available-for-sale financial assets	266	1,715	-	-
Loans and receivables	24,647	32,204	28,322	(272,613)
Financial liabilities measured at amortised cost	(22,305)	(39,711)	(9,835)	(22,325)
	2,608	(5,792)	18,487	(294,938)

25. Financial instruments (Cont'd)

25.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

25.4 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 and advances to joint venture. The Company's exposure to credit risk arises principally from loans and advances to joint venture and a subsidiary 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 so as to ensure that the Group's exposure to bad debts is properly managed.

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	
	2018 RM'000	**2017 RM'000**
Domestic	282,238	184,777
Asia	16,551	27,057
Australia/New Zealand	-	340
	298,789	212,174

25. Financial instruments (Cont'd)

25.4 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
2018			
Not past due	185,820	-	185,820
Past due 1 - 30 days	64,216	-	64,216
Past due 31 - 60 days	41,123	-	41,123
Past due 61 - 90 days	3,826	-	3,826
Past due more than 90 days	6,521	(2,718)	3,803
	301,506	(2,718)	298,788
2017			
Not past due	81,511	-	81,511
Past due 1 - 30 days	38,727	-	38,727
Past due 31 - 60 days	45,541	-	45,541
Past due 61 - 90 days	34,396	-	34,396
Past due more than 90 days	14,827	(2,828)	11,999
	215,002	(2,828)	212,174

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

	Group	
	2018 RM'000	2017 RM'000
At 1 August	2,828	634
Impairment loss	-	2,194
Reversal of impairment loss	(110)	-
At 31 July	2,718	2,828

25. Financial instruments (Cont'd)

25.4 Credit risk (Cont'd)

Receivables (Cont'd)

Impairment losses (Cont'd)

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.

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 RM534,667,000 (2017: RM411,317,000) 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.

25. Financial instruments (Cont'd)

25.4 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 its 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 significant exposure to credit risk in respect of the amount due from joint venture is disclosed in Note 10 to the financial statements.

Impairment losses

An impairment loss in respect of the advances to the joint venture of the Company amounted to RM75,519,000 (2017: RM83,574,000) was recognised at the reporting date based on the discounted cash flow projections prepared by the management of the joint venture.

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

The movements in the allowance for impairment loss of the amount due from joint venture during the financial year were:

	Company	
	2018	**2017**
	RM'000	**RM'000**
At 1 August	83,574	-
Impairment loss	-	83,574
Transfer	(8,055)	-
At 31 July	75,519	83,574

25.5 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.

25. Financial instruments (Cont'd)

25.5 Liquidity risk (Cont'd)

Maturity analysis

	Carrying amount RM'000	Contractual interest rate	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
Group							
2018							
Non-derivative financial liabilities							
Secured bank loans and facilities	534,667	3.83% - 5.45%	534,722	534,722	-	-	-
Term loans	56,882	0.00% - 5.40%	57,690	57,690	-	-	-
Trade and other payables*	45,702	-	45,702	45,702	-	-	-
RCUIDS	20,543	5.00%	21,387	7,129	7,129	7,129	-
Financial guarantees	-	-	15,595	15,595	-	-	-
	657,794		675,096	660,838	7,129	7,129	-
2017							
Non-derivative financial liabilities							
Secured bank loans and facilities	411,317	4.05% - 5.30%	411,317	411,317	-	-	-
Term loan	17,110	5.40%	18,034	18,034	-	-	-
Trade and other payables*	40,607	-	40,607	40,607	-	-	-
RCUIDS	25,245	5.00%	28,516	7,129	7,129	14,258	-
Financial guarantees	-	-	16,829	16,829	-	-	-
	494,279		515,303	493,916	7,129	14,258	-

* *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.*

25. Financial instruments (Cont'd)

25.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM'000	Contractual interest rate	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
Company							
2018							
Non-derivative financial liabilities							
Revolving credit	30,102	5.45%	30,125	30,125	-	-	-
Term loans	56,882	0.00% - 5.40%	57,690	57,690	-	-	-
Trade and other payables*	127,655	-	127,655	127,655	-	-	-
RCUIDS	20,543	5.00%	21,387	7,129	7,129	7,129	-
Financial guarantees	-	-	542,917	542,917	-	-	-
	235,182		779,774	765,516	7,129	7,129	-
2017							
Non-derivative financial liabilities							
Revolving credit	30,000	5.30%	30,341	30,341	-	-	-
Term loan	17,110	5.40%	18,034	18,034	-	-	-
Trade and other payables*	136,229	-	136,229	136,229	-	-	-
RCUIDS	25,245	5.00%	28,516	7,129	7,129	14,258	-
Financial guarantees	-	-	421,636	421,636	-	-	-
	208,584		634,756	613,369	7,129	14,258	-

* 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.

25. Financial instruments (Cont'd)

25.6 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.

25.6.1 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. The Group and the Company did not enter into any forward foreign exchange contracts in the current and previous financial years. However, this policy is subject to review from time to time.

Exposure to foreign currency risk

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

	Denominated in	
Group	**USD**	**SGD**
2018	**RM'000**	**RM'000**
Trade receivables	1,440	15,192
Cash and cash equivalents	1,904	2,564
Total exposure	3,344	17,756
2017		
Trade receivables	5,672	19,092
Cash and cash equivalents	31,667	5,832
Total exposure	37,339	24,924

Currency risk sensitivity analysis

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

A 10% and 10% (2017: 10% and 10%) strengthening of the SGD and USD respectively against the functional currency 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	
	2018	**2017**
Group	**RM'000**	**RM'000**
SGD	1,349	1,894
USD	254	2,837

25. Financial instruments (Cont'd)

25.6 Market risk (Cont'd)

25.6.1 Currency risk (Cont'd)

Currency risk sensitivity analysis (Cont'd)

A 10% and 10% (2017: 10% and 10%) weakening of the SGD and USD respectively against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

25.6.2 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.

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate instruments				
Financial liabilities				
Revolving credit	60,102	60,000	30,102	30,000
Bankers' acceptances	474,565	351,317	-	-
Term loan	56,882	17,110	56,882	17,110
RCUIDS	20,543	25,245	20,543	25,245
	612,092	453,672	107,527	72,355

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do 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.

25. Financial instruments (Cont'd)

25.6 Market risk (Cont'd)

25.6.3 Other price risk

Equity price risk arises from the Group's investments in quoted equity securities and unit trust funds of licensed financial institutions within Malaysia. The quoted equity securities are listed on the Bursa Malaysia Securities Berhad.

The Group's investment in unit trust funds of licensed financial institutions within Malaysia is a fixed income fund which provides regular income stream and stable investment returns. The Group invested in the funds for cash management purpose.

The instruments are classified as available-for-sale financial assets.

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 equity price had been 5% (2017: 5%) higher/lower, with all other variables held constant, the Group's other reserves in equity would have been RM454,000 (2017: RM230,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

25.7 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.

25. Financial instruments (Cont'd)

25.7 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 value	Carrying amount
2018 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	RM'000	RM'000
Financial assets										
Investment in quoted shares	1,226	-	-	1,226	-	-	-	-	1,226	1,226
Investment in unit trust funds	-	10,718	-	10,718	-	-	-	-	10,718	10,718
Amount due from joint venture	-	-	-	-	-	-	495,810	495,810	495,810	495,810
	1,226	10,718	-	11,944	-	-	495,810	495,810	507,754	507,754
Financial liabilities										
RCUIDS	-	-	-	-	-	-	20,543	20,543	20,543	20,543
Company										
Financial assets										
Investment in unit trust funds	-	7,005	-	7,005	-	-	-	-	7,005	7,005
Amount due from joint venture	-	-	-	-	-	-	593,530	593,530	593,530	593,530
	-	7,005	-	7,005	-	-	593,530	593,530	600,535	600,535
Financial liabilities										
RCUIDS	-	-	-	-	-	-	20,543	20,543	20,543	20,543

25. Financial instruments (Cont'd)

25.7 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 value	Carrying amount
2017 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	RM'000	RM'000
Financial assets										
Investment in quoted shares	1,367	-	-	1,367	-	-	-	-	1,367	1,367
Investment in unit trust funds	-	4,691	-	4,691	-	-	-	-	4,691	4,691
Amount due from joint venture	-	-	-	-	-	-	421,844	421,844	421,844	421,844
	1,367	4,691	-	6,058	-	-	421,844	421,844	427,902	427,902
Financial liabilities										
RCUIDS	-	-	-	-	-	-	25,245	25,245	25,245	25,245
Company										
Financial assets										
Amount due from joint venture	-	-	-	-	-	-	498,140	498,140	498,140	498,140
Financial liabilities										
RCUIDS	-	-	-	-	-	-	25,245	25,245	25,245	25,245

25. Financial instruments (Cont'd)

25.7 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 (2017: no transfer in either directions).

Level 3 fair value

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

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Amount due from joint venture and RCUIDS	Discounted cash flows using a rate based on the current market rate of borrowing of the Company at the reporting date.

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.

26. 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.

26. Capital management (Cont'd)

During the financial year, the Group's strategy, which was unchanged from the financial year 2017, was to maintain the debt-to-equity ratio of less than 1.0. The debt-to-equity ratios at 31 July 2018 and 31 July 2017 were as follows:

	Note	Group 2018 RM'000	2017 RM'000
Total loans and borrowings	14	612,092	453,672
Less: Cash and cash equivalents	12	(59,635)	(83,350)
Less: Available-for-sale financial assets - current	8	(10,718)	(4,691)
Net debt		541,739	365,631
Total equity		836,473	807,371
Debt-to-equity ratio		0.65	0.45

There was no change in the Group's approach to capital management during the financial year.

27. Operating leases

Leases as lessee

Non-cancellable operating lease rental are payable as follows:

	Group 2018 RM'000	2017 RM'000
Less than one year	346	391
Between one and five years	731	1,016
	1,077	1,407

Operating lease payments represent rental payable by the Group for use of buildings and gas tank. The lease payments recognised in profit or loss during the financial year are disclosed in Note 20.

Leases as lessor

The Group leases out their investment properties under operating leases (see Note 5). The future minimum lease receivables under non-cancellable leases are as follows:

	Group 2018 RM'000	2017 RM'000
Less than one year	900	219
Between one and five years	1,230	870
	2,130	1,089

28. Capital commitments

	Group	
	2018 RM'000	2017 RM'000
Capital expenditure commitments		
Joint venture		
Share of capital commitments of the joint venture	86,070	20,018

29. Contingent liabilities

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unsecured				
In respect of corporate guarantees issued for subsidiaries	-	-	534,667	411,317
In respect of indemnity provided for bank guarantees issued	7,345	6,510	-	-
In respect of corporate guarantees issued for a joint venture	8,250	10,319	8,250	10,319

30. 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 or jointly 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. Related parties may be individuals or other entities.

Related parties also include key management personnel 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.

The Group has related party relationship with joint venture, key management personnel and companies in which certain directors have significant interests.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 21) are shown below. The balances related to the below transactions are shown in Notes 10 and 15.

	2018 RM'000	2017 RM'000
Group		
Purchases of steel products from a company in which certain directors of the Company have significant interests:		
JK Ji Seng Sdn. Bhd.	244,117	231,486
Sales of steel products to joint venture		
Eastern Steel Sdn. Bhd.	28,764	-

30. Related parties (Cont'd)

Significant related party transactions (Cont'd)

Company	2018 RM'000	2017 RM'000
Rental income from subsidiaries:		
Alpine Pipe Manufacturing Sdn. Bhd.	(5,100)	(3,900)
Huatraco Scaffold Sdn. Bhd.	(2,114)	(1,560)
Hiap Teck Hardware Sdn. Bhd.	(1,240)	(1,488)
Management fees from subsidiaries:		
Hiap Teck Hardware Sdn. Bhd.	(1,260)	(1,260)
Alpine Pipe Manufacturing Sdn. Bhd.	(1,260)	(1,260)
Huatraco Scaffold Sdn. Bhd.	(1,260)	(1,260)
Briliant Decade Transport Agency Sdn. Bhd.	(126)	(126)
Gross dividends income from subsidiaries:		
Hiap Teck Hardware Sdn. Bhd.	(14,400)	(1,800)
Alpine Pipe Manufacturing Sdn. Bhd.	(45,000)	(3,000)
Huatraco Scaffold Sdn. Bhd.	(3,600)	(1,200)
Briliant Decade Transport Agency Sdn. Bhd.	(240)	(360)
Rental income from joint venture:		
Eastern Steel Sdn. Bhd.	-	(100)
Finance income from subsidiaries:		
Alpine Pipe Manufacturing Sdn. Bhd.	-	(1,205)
Vista Mining Sdn. Bhd.	(1,278)	-
Finance costs to subsidiaries:		
Hiap Teck Hardware Sdn. Bhd.	3,880	-
Alpine Pipe Manufacturing Sdn. Bhd.	2,000	-
Huatraco Scaffold Sdn. Bhd.	34	-
Briliant Decade Transport Agency Sdn. Bhd.	11	-

31. Employee benefit

Share option programme (equity-settled)

On 19 April 2013, the Company granted 48,800,000 of share options to eligible Directors and employees under the Employees 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 terms (except for exercise price) to eligible Directors and employees. On 12 January 2015, additional 8,950,000 of share options were granted on similar terms (except for exercise price) to eligible Directors and employees. On 24 June 2016, there were additional 43,718,783 share options granted arising from adjustments to the outstanding number of share options pursuant to the rights issue. On 10 January 2017, the Company extended its existing ESOS which expired on 11 April 2017 for another five (5) years from 11 April 2017 to 11 April 2022.

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 have 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 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;

31. Employee benefit (Cont'd)

Share option programme (equity-settled) (Cont'd)

The salient terms of the ESOS are as follows: (Cont'd)

(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 2015, 2016 and 2017 subject to the yearly performance targets set by the Board of Directors of the Company;

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

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

	Weighted average exercise price 2018	Number of options ('000) 2018	Weighted average exercise price 2017	Number of options ('000) 2017
Outstanding at 1 August	RM0.53	79,090	RM0.53	97,230
Granted during the year	RM0.40	35,752	-	-
Forfeited during the year	RM0.51	(9,923)	RM0.54	(18,140)
Rejected during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at 31 July	RM0.49	104,919	RM0.53	79,090
Exercisable at 31 July	RM0.49	71,775	RM0.53	79,090

The options outstanding at 31 July 2018 have an exercise price in range of RM0.40 to RM0.67 (2017: RM0.50 to RM0.67) and a weighted average contractual life of 4 years (2017: 5 years).

During the current and previous financial years, no share options were 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:

	2018	2017
Fair value of share options and assumptions		
Fair value at grant date	RM0.21	RM0.07
Weighted average share price	RM0.49	RM0.74
Share price at grant date	RM0.42	RM0.64
Option life (expected weighted average life)	4 years	5 years
Risk-free interest rate	3.8%	3.8%

31. Employee benefit (Cont'd)

Value of employee services received for issue of share options

	Group and Company	
	2018 RM'000	2017 RM'000
Share options granted in financial year ended 31 July 2013	-	192
Share options granted in financial year ended 31 July 2014	-	182
Share options granted in financial year ended 31 July 2016	-	75
Share options granted in financial year ended 31 July 2018	1,923	-
Total expense recognised as share based payments	1,923	449

The share options expense is recognised in profit or loss.

32. Significant events

32.1 Proposed disposal of equity interest in Eastern Steel Sdn. Bhd. by shareholder of joint venture

On 28 March 2018, one of the corporate shareholders of Eastern Steel Sdn. Bhd. ("ESSB"), Orient Steel Investment Pte. Ltd. ("Orient Steel") entered into an Equity and Debt Transfer Agreement (the "Orient Steel SPA") with Shanxi Jianlong Industry Company Limited ("Jianlong") to dispose of 179,040,000 ordinary shares, being equal to 40% of the issued and paid up capital of ESSB; and all of the shareholders' advances made by Orient Steel to ESSB.

32.2 Proposed disposal of equity interest in Eastern Steel Sdn. Bhd. to Shanxi Jianlong Industry Company Limited

On 3 April 2018, the Company entered into an Equity and Debt Transfer Agreement ("Hiap Teck SPA") with Jianlong for the disposal of 89,520,000 ordinary shares (the "Target Shares") being equal to 20% of the issued and paid up capital of ESSB; and of the shareholders' advances made by the Company to ESSB (the "Target Debt"), for a total cash consideration ("Disposal Consideration") of Renminbi 225.6 million, equivalent to approximately RM139.3 million (based on the exchange rate of Renminbi 1.00 : RM0.6174 as at the latest practicable date of 21 March 2018 ("LDP")).

32.3 Resumption of production of Eastern Steel Sdn. Bhd.

The Company's 55%-owned joint venture company, ESSB has re-ignited its blast furnace and successfully resumed production on 16 July 2018.

ESSB is principally involved in the manufacturing, selling and dealing in a range of steel products using the blast furnace plant with a current production capacity of 700,000 metric tonnes of steel slabs per annum. ESSB's production is targeted to be sold locally to satisfy domestic demand and also exported to neighbouring countries principally, Indonesia and Thailand, which are net importers of steel slabs.

The Board is confident that the resumption of ESSB's operations will contribute positively to the future performance of the Group.

33. Subsequent events

33.1 Disposal of equity interest in Eastern Steel Sdn. Bhd. by shareholder of joint venture

On 23 August 2018, the Orient Steel SPA between Orient Steel and Jianlong for the sale by Orient Steel to Jianlong of Orient Steel's 179,040,000 ordinary shares in ESSB, representing 40% equity interest in the share capital of ESSB, and Orient Steel's indebtedness claim against ESSB, was completed. The transfer will result in ESSB's shareholdings being 55:40:5 which are jointly owned by the Company, Jianlong and Chinaco respectively.

33.2 Conversions of Redeemable Convertible Unsecured Islamic Debt Securities ("RCUIDS")

Subsequent to year end, there were conversions of RCUIDS to ordinary shares as follows:

i. On 28 August 2018, there was conversion of RCUIDS by the registered holders to 869,500 ordinary shares;

ii. On 3 September 2018, there was conversion of RCUIDS by the registered holders to 5,500,000 ordinary shares; and

iii. On 21 September 2018, there was conversion of RCUIDS by the registered holders to 774,500 ordinary shares.

The latest issued share capital after the above conversions was RM672,099,267.

STATEMENT BY DIRECTORS
pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 51 to 120 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2018 and of their financial performance and cash flows for the financial year then ended.

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

……..
Tan Sri Dato' Law Tien Seng
Director

……..
Foo Kok Siew
Director

Kuala Lumpur

Date: 26 October 2018

STATUTORY DECLARATION
pursuant to Section 251(1)(b) of the Companies Act 2016

I, Foo Kok Siew, the Director primarily responsible for the financial management of Hiap Teck Venture Berhad, do solemnly and sincerely declare that the financial statements set out on pages 51 to 120 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Foo Kok Siew, NRIC: 610523-10-6663, at Kuala Lumpur in the Federal Territory on 26 October 2018.

……..
Foo Kok Siew

Before me:

Rajeev Saigal A/L Ramlabaya Saigal
Commissioner for Oaths
(No. W681)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hiap Teck Venture Berhad, which comprise the statements of financial position as at 31 July 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 120.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 July 2018, and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Cont'd)

1. Revenue recognition

Refer to Note 2(o) – significant accounting policy: Revenue and other income – Goods sold and Note 16 – Revenue.

The key audit matter	How the matter was addressed in our audit
Revenue of the Group mainly comprises income generated from manufacturing and selling of steel pipes, hollow sections, scaffolding equipment and accessories and other steel products. Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer, usually in the form of an executed sales agreement and when the goods are delivered to customers. Revenue recognition is identified as a key audit matter as the Group's revenue transactions are voluminous with variety of goods sold and services rendered, with different terms and pricing, for different customers. There is a risk that revenue may be recognised before the significant risks and rewards of ownership of the goods sold have been transferred to the customers.	We performed the following audit procedures, among others: • We obtained an updated understanding of the key revenue processes and tested the design and operating effectiveness of key controls in respect of the revenue processes. • We performed test of details on revenue transactions by verifying to relevant supporting documents (sales invoices and acknowledged delivery orders) that evidenced the transfer of risks and rewards of ownership of goods to customers. • We performed substantive procedures on sales returns and credit notes subsequent to year end to determine if there is any evidence of material revenue reversal. • We performed sales cut-off to ascertain that sales are recognised in the correct financial periods. • We sent external confirmations to trade receivables to confirm the outstanding balances. • We reviewed unusual journal entries on revenue.

Key Audit Matters (Cont'd)

2. Recoverability of investment in and amount due from joint venture

Refer to Note 2(a)(v) – significant accounting policy: Basis of consolidation - Joint arrangements, Note 7 – Investment in joint venture and Note 10 - Trade and other receivables - Amount due from joint venture.

The key audit matter	How the matter was addressed in our audit
The Group invested in a joint venture which is principally engaged in manufacturing, selling and dealing in a range of steel products using blast furnace plant. In view of the depressed market prices and soft demand of steel slabs and the increased volatility of foreign exchange rates, the joint venture ceased its trial operation in the financial year 2016 to minimise losses. On 16 July 2018, the joint venture has resumed production. As at 31 July 2018, the gross amounts of the investment cost and amount due from the joint venture were RM283.85 million and RM669.05 million respectively, and the carrying amounts were nil and RM467.87 million respectively after netting off the share of post-acquisition reserves and impairment loss. The recoverability of amount due from the joint venture is identified as a key audit matter in view of the cessation of operation in previous financial year and unfavorable market conditions in which the joint venture operates, and the recent resumption of production. The management of the joint venture has prepared discounted cash flow projections to assess the recoverable amount of the amount due from the joint venture.	We performed the following audit procedures, among others: • We engaged corporate finance specialists in assessing the reasonableness of the joint venture's discounted cash flow projections and challenged the key assumptions used. We compared the key assumptions to externally derived data as well as our own assessments which took into account historical trend, future business plans and budgets. • We performed sensitivity analysis on the key assumptions used which include sale prices, sales volume, operating capacity, contribution margins, other operating costs and post-tax discount rate. • We discussed with management of the joint venture on the planned resumption of production, and reviewed minutes of Board's meetings to corroborate the management's action plans. • We checked the appropriateness of the disclosures made in the financial statements prepared by the management

Recoverability of investment in and amount due from joint venture is also a key audit matter in the audit of the separate financial statements of the Company. We have determined that there are no other key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chin Shoon Chong
Approval Number: 02823/04/2019 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 26 October 2018

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 2018 (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	20.5	9	19,005	17,544,887	29-May-03	28-Dec-16
Lot 6088, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory with a 2 storey office	Freehold	20.5	9	18,732	18,055,331	29-May-03	28-Dec-16
Lot 6089, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse	Freehold	19.5	9	18,516	18,274,188	29-May-03	28-Dec-16
Lot 6095, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse	Freehold	19	10.013	22,341	25,371,200	05-Jul-96	28-Dec-16
Lot 6096, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse with 4 storey office building	Freehold	19	9.483	12,179	18,966,000	05-Jan-95	28-Dec-16
Lot 6097, Mukim of Kapar District of Klang Selangor Darul Ehsan	Agricultural Land	Freehold	-	5.0	-	6,858,961	14-Jan-12	28-Dec-16
Lot 54959 (formerly PT40530), Mukim of Kapar, District of Klang, Selangor	Single storey detached factory with a double storey office building	Freehold	12	18.0	53,243	63,590,081	23-Oct-08	28-Dec-16
51-C, Tingkat Dua Jalan BRP 6/10 Bukit Rahman Putra Seksyen U20 40160 Shah Alam	Shop office	Freehold	18	-	144,929	157,288	20-Aug-99	05-Jan-17

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 2018 (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	20	-	143.07	101,226	02-Aug-99	22-Dec-16
No.8, Jalan Firma 3, Tebrau IV Industrial Estate 81100 Johor Bahru Johor Darul Takzim	Single storey detached factory building	Leasehold (60 years) expiring 31/01/2060	15	1	2,536.30	2,006,350	27-Feb-07	28-Dec-16
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 31/01/2060	16	1.554	3,995.76	4,409,903	06-Jun-07	28-Dec-16
Lot 169, Mukim of Plentong District of Johor Bahru Johor Darul Takzim	Vacant agricultural land	Freehold	-	5.1	-	670,000	09-Jun-95	28-Dec-16
Lot 296, Mukim 13 District of Seberang Perai Tengah, Pulau Pinang	Single storey warehouse with 2 storey office	Leasehold (60 years) expiring 10/03/2058	12	2.241	2,453	2,001,931	06-Jul-96	28-Dec-16
Joint venture								
Lot 6293 & Lot 6294 Mukim Teluk Kalung Kemaman, Terengganu	Blast furnance plant	Leasehold (60 years) expiring 01/04/2068	-	608.62	-	121,441,577	02-Apr-08	20-Oct-11
Lot 60129, 60130, 60131 Mukim Teluk Kalung Kemaman, Terengganu	Vacant industrial land	Leasehold (60 years) expiring 14/04/2073	-	600	-	4,871,226	03-Apr-13	-
Lot 50497 Mukim Teluk Kalung Kemaman, Terengganu	Staff housing	Leasehold (99 years) expiring 29/07/2111	-	50	-	494,121	28-May-12	-

Issued and Fully Paid-Up Share Capital : RM672,099,267.00 (1,344,198,534 Ordinary Shares) *
Class of shares : Ordinary shares
Voting right : One vote per Ordinary Share held

* Includes treasury shares of 5,492,000 Ordinary Shares

Analysis By Size Of Shareholdings As At 19 October 2018

Size of shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	167	2.44	5,393	0.00
100 - 1,000	516	7.53	383,794	0.03
1,001 - 10,000	2,682	39.13	16,039,940	1.19
10,001 - 100,000	2,703	39.44	99,193,092	7.38
100,001 to less than 5% of issued shares	783	11.42	845,221,757	62.88
5% and above of issued shares	3	0.04	383,354,558	28.52
Total	**6,854**	**100.00**	**1,344,198,534**	**100.00**

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 19 OCTOBER 2018

No.	Names	No. of Shares	Percentage (%)
1.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE BRANCH (SG PVB CL AC)	157,647,686	11.73
2.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	135,706,872	10.10
3.	CIMSEC NOMINEES (ASING) SDN BHD CIMB BANK FOR TS LAW INVESTMENTS LIMITED (PBCL-0G0069)	90,000,000	6.70
4.	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT-MAYBANK INTERNATIONAL LABUAN BRANCH FOR TS LAW INVESTMENT LTD (414886)	66,000,000	4.91
5.	HLIB NOMINEES (ASING) SDN BHD SHOUGANG INTERNATIONAL (SINGAPORE) PTE LTD	64,392,000	4.79
6.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR LAVINGTON INTERNATIONAL LIMITED	43,308,000	3.22
7.	K.H.L. SDN BHD	31,456,800	2.34
8.	LEMBAGA TABUNG HAJI	22,587,200	1.68
9.	SHENG HSIA HWEI	21,266,500	1.58
10.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	18,696,200	1.39
11.	TAN LEONG KIAT	14,900,000	1.11

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 19 OCTOBER 2018 (Cont'd)

No.	Names	No. of Shares	Percentage (%)
12.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SIN SEONG SDN. BHD. (M02)	13,300,000	0.99
13.	THAM KIN FOONG (JOHN)	11,945,600	0.89
14.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	10,838,000	0.81
15.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NG KOK WENG (MY2166)	10,800,000	0.80
16.	SIM AH SENG	10,220,820	0.76
17.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG SAUT MEE	9,124,900	0.68
18.	LIM SIN SEONG	9,100,000	0.68
19.	YAP KIM FOONG	8,974,800	0.67
20.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	8,666,500	0.64
21.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN LEONG KIAT (M02)	8,524,400	0.63
22.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SWAN CHOO	7,000,000	0.52
23.	DUSHYANTHI PERERA	6,912,500	0.51
24.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	6,749,600	0.50
25.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	6,322,200	0.47
26.	THAM KIN YIP	6,143,000	0.46
27.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SCURITIES ACCOUNT FOR ONG SAUT MEE (6000010)	5,903,500	0.44
28.	HIAP TECK VENTURE BERHAD SHARE BUY BACK ACCOUNT	5,492,000	0.41
29.	WONG AH WAH	5,400,000	0.40
30.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SCURITIES ACCOUNT FOR LIM SIN SEONG (6000461)	5,000,000	0.37
	Total:	**822,379,078**	**61.18**

Directors' Shareholdings as at 19 October 2018
(As per the Register of Directors' Shareholdings of the Company)

Names	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Tan Sri Abd Rahman Bin Mamat	-	-	-	-
2. Tan Sri Dato' Law Tien Seng	-	-	337,647,686 [(a)]	25.12
3. Lee Ching Kion	-	-	45,354 [(b)]	0.00
4. Leow Hoi Loong @ Liow Hoi Loong	-	-	-	-
5. Foo Kok Siew	-	-	-	-
6. Tan Shau Ming	-	-	792,000 [(c)]	0.06
7. Law Wai Cheong	-	-	-	-

Notes:

(a) Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of his shareholdings in Amardale Offshore Inc. which has a controlling interest in TS Law Investments Limited, a substantial shareholder in the Company.
(b) Deemed interest pursuant to Sections 59(11)(c) and 197 of the Companies Act 2016 by virtue of his spouse, Madam Mok Quee Hwa's direct shareholdings in the Company.
(c) Deemed interest pursuant to Sections 59(11)(c) and 197 of the Companies Act 2016 by virtue of his spouse, Madam Ng Siew Cho's direct shareholdings in the Company.

Substantial Shareholdings as at 19 October 2018
(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	-	-	337,647,686 [(a)]	25.12
TS Law Investments Limited	-	-	337,647,686 [(c)]	25.12
Amardale Offshore Inc.	-	-	337,647,686 [(b)]	25.12
Cartaban Nominees (Asing) Sdn Bhd	157,647,686[(c)]	11.73	-	-
HSBC Nominees (Asing) Sdn Bhd	135,706,872[(c)]	10.10	-	-
CIMSEC Nominees (Asing) Sdn Bhd	90,000,000[(c)]	6.70	-	-

Notes:

(a) Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of his shareholdings in Amardale Offshore Inc. which has a controlling interest in TS Law Investments Limited, a substantial shareholder HTVB.
(b) Deemed interest by virtue of its shareholdings in TS Law Investments Limited which is a substantial shareholder of HTVB.
(c) Substantial Shareholder of HTVB of which TS Law Investments Limited is deemed interested,

Five (5)-year 5% RM0.50 Nominal value of Redeemable Convertible Unsecured Islamic Debt Securities ("RCUIDS") As At 19 October 2018

Issue Date	:	24 June, 2016
Maturity Date	:	23 June, 2021
Conversion Price	:	RM0.50

Analysis By Size of RCUIDS Holdings As At 19 October 2018

Size of shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	18	1.22	728	0.00
100 - 1,000	164	11.11	107,140	0.05
1,001 - 10,000	720	48.78	3,212,936	1.40
10,001 - 100,000	453	30.69	15,493,444	6.75
100,001 to less than 5% of issued shares	116	7.86	56,375,000	24.54
5% and above of issued shares	5	0.34	154,492,965	67.26
Total	**1,476**	**100.00**	**229,682,213**	**100.00**

LIST OF THIRTY (30) LARGEST OF RCUIDS HOLDERS AS AT 19 OCTOBER 2018

No.	Names	No. of Shares	Percentage (%)
1.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	67,681,586	29.47
2.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE BRANCH (SG PVB CL AC)	35,032,819	15.25
3.	LEMBAGA TABUNG HAJI	20,005,360	8.71
4.	CIMSEC NOMINEES (ASING) SDN BHD CIMB BANK FOR TS LAW INVESTMENT LIMITED (PBCL-0G0069)	20,000,000	8.71
5.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI BENG (M02)	11,773,200	5.13
6.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR LAVINGTON INTERNATIONAL LIMITED	9,624,000	4.19
7.	OOI CHIENG SIM	4,604,100	2.00
8.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI BENG (007158456)	4,381,900	1.91
9.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PW BIOTECH ENGINEERING BHD (7002561)	2,660,000	1.16
10.	YAP KIM FOONG	1,994,400	0.87

LIST OF THIRTY (30) LARGEST OF RCUIDS HOLDERS AS AT 19 OCTOBER 2018 (Cont'd)

No.	Names	No. of Shares	Percentage (%)
11.	LIEW WEI KIN	1,977,000	0.86
12.	WONG AH WAH	1,200,000	0.52
13.	THAM KIN YIP	1,196,000	0.52
14.	THAM KIN FOONG (JOHN)	1,052,000	0.46
15.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIN HOOI	1,000,000	0.44
16.	K.H.L. SDN BHD	927,000	0.40
17.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOR KIM HOCK (B B KLANG-CL)	895,000	0.39
18.	LOO CHEE LAIN	774,000	0.34
19.	CHONG CHING YEE	700,000	0.30
20.	PACIFIC STRIKE SDN BHD	669,100	0.29
21.	TAN WOEI KEAK	624,000	0.27
22.	TAN HUNG CHEW	600,000	0.26
23.	NG EYAN KIM	573,200	0.25
24.	HOO WAN FATT	512,000	0.22
25.	MONT PRISTINE DEVELOPMENT SDN. BHD.	501,400	0.22
26.	ONG LEA PING	473,100	0.21
27.	LAI KWONG CHOY	435,400	0.19
28.	NG TAU MOOI	424,000	0.18
29.	CHONG PEI THIN	419,000	0.18
30.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEAH SIEW KOON (MARGIN)	410,000	0.18
	Total:	**193,119,565**	**84.08**

Directors' RCUIDS Holdings as at 19 October 2018
(As per the Register of Directors' RCUIDS Holdings of the Company)

Names	Direct		Indirect	
	No. of RCUIDS	%	No. of RCUIDS	%
1. Tan Sri Abd Rahman Bin Mamat	-	-	-	-
2. Tan Sri Dato' Law Tien Seng	-	-	75,032,819 [(a)]	32.67
3. Lee Ching Kion	-	-	-	-
4. Leow Hoi Loong @ Liow Hoi Loong	-	-	-	-
5. Foo Kok Siew	-	-	-	-
6. Tan Shau Ming	-	-	176,000 [(b)]	0.08
7. Law Wai Cheong	-	-	-	-

Notes:

(a) Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of his RCUIDS holdings in Amardale Offshore Inc. which has a controlling interest in TS Law Investments Limited, a substantial shareholder the Company.
(b) Deemed interest pursuant to Sections 59(11)(c) and 197 of the Companies Act 2016 by virtue of his spouse, Madam Ng Siew Cho's direct shareholdings in the Company.

Warrant B

No. of Warrants in Issue	: 285,163,313	
No. of Warrant Holders	: 1,752	
Exercise Price of Warrants	: RM0.50 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 19 October 2018

Size of Warrant Holdings	No. of Warrant Holders	%	No. of Warrants	%
Less than 100	25	1.43	1,050	0.00
100 - 1,000	168	9.59	105,100	0.04
1,001 - 10,000	700	39.96	3,294,139	1.16
10,001 - 100,000	635	36.24	25,275,598	8.86
100,001 to less than 5% of issued shares	221	12.61	156,011,621	54.71
5% and above of issued shares	3	0.17	100,475,805	35.23
Total	1,752	100.00	285,163,313	100.00

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 19 OCTOBER 2018

No.	Names	No. of Shares	Percentage (%)
1.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	45,442,986	15.94
2.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE BRANCH (SG PVB CL AC)	35,032,819	12.29
3.	CIMSEC NOMINEES (ASING) SDN BHD CIMB BANK FOR TS LAW INVESTMENTS LIMITED (PBCL-0G0069)	20,000,000	7.01
4.	TAN CHIN TEONG	12,169,200	4.27
5.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI LEE LEE	11,000,000	3.86
6.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR LAVINGTON INTERNATIONAL LIMITED	9,624,000	3.37
7.	NG KOK WENG	5,500,000	1.93
8.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NG KOK WENG (MY2166)	5,000,000	1.75
9.	TAN LEONG KIAT	5,000,000	1.75
10.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SIN SEONG SDN BHD (M02)	4,500,000	1.58
11.	KENANGA NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT)	4,000,000	1.40

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 19 OCTOBER 2018 (Cont'd)

No.	Names	No. of Shares	Percentage (%)
12.	MING KEE CHOY	3,300,400	1.16
13.	LEE SWAN CHOO	3,000,000	1.05
14.	LIM SIN SEONG	3,000,000	1.05
15.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHUN KAI (E-BMM/TBR)	3,000,000	1.05
16.	HOO WAN FATT	2,172,400	0.76
17.	LIM GUAT GOH	2,077,300	0.73
18.	YAP KIM FOONG	1,994,400	0.70
19.	GOH KENG AIK	1,970,000	0.69
20.	SIM AH SENG	1,908,200	0.67
21.	THAM KIN FOONG (JOHN)	1,730,000	0.61
22.	TAN BOON HAR	1,723,000	0.60
23.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN BOON HAR (TAN8642C)	1,564,800	0.55
24.	NG SOON KIAT	1,546,400	0.54
25.	LIM SOON GUAN	1,537,800	0.54
26.	SHING MUN YIN	1,504,800	0.53
27.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ALVIN TAN HONG YEOW(001)	1,500,000	0.53
28.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH KAH KEAT (E-KLC)	1,290,000	0.45
29.	WONG XUN KUAN	1,234,900	0.43
30.	WONG AH WAH	1,200,000	0.42
	TOTAL:	**194,523,405**	**68.21**

Directors' Warrant B Holdings as at 19 October 2018
(As per the Register of Directors' Warrant B Holdings of the Company)

Names	Direct		Indirect	
	No. of Warrants	%	No. of Warrants	%
1. Tan Sri Abd Rahman Bin Mamat	-	-	-	-
2. Tan Sri Dato' Law Tien Seng	-	-	75,032,819 [(a)]	26.31
3. Lee Ching Kion	-	-	-	-
4. Leow Hoi Loong @ Liow Hoi Loong	-	-	-	
5. Foo Kok Siew	-	-	-	-
6. Tan Shau Ming	-	-	176,000 [(b)]	0.06
7. Law Wai Cheong	-	-	-	-

Notes:

(a) Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of his warrant holdings in Amardale Offshore Inc. which has a controlling interest in TS Law Investments Limited, a substantial shareholder the Company.
(b) Deemed interest pursuant to Sections 59(11)(c) and 197 of the Companies Act 2016 by virtue of his spouse, Madam Ng Siew Cho's direct shareholdings in the Company.

NOTICE IS HEREBY GIVEN THAT the Twenty-Second 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 Monday, 17 December 2018 at 10.00 a.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 financial year ended 31 July 2018 together with the Directors' and Auditors' Reports attached thereon. — **Please refer to Note B on this Agenda**

2. To approve the Directors' fees and allowances of RM377,000.00 for the financial year ended 31 July 2018. — **Ordinary Resolution 1**

3. To approve the Directors' allowances payable up to RM25,000.00 in respect of the period from 1 August 2018 up to the next Annual General Meeting of the Company to be held in 2019. — **Ordinary Resolution 2**

4. To approve a First and Final Single Tier Dividend of 0.5 sen per share for the financial year ended 31 July 2018. — **Ordinary Resolution 3**

5. To re-elect the following Directors who are retiring in accordance with Article 79 of the Company's Articles of Association:-

   (a) Mr. Leow Hoi Loong @ Liow Hoi Loong — **Ordinary Resolution 4**
   (b) Mr. Foo Kok Siew — **Ordinary Resolution 5**

6. To re-appoint Messrs. KPMG PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 6**

7. **AS SPECIAL BUSINESS:-**

   To consider and, if thought fit, to pass with or without modifications, the following Resolutions:-

   7.1 **Proposed Allocation of Options to Mr. Law Wai Cheong** — **Ordinary Resolution 7**

   "THAT pursuant to the approval given by the shareholders at the Extraordinary General Meeting held on 23 November 2011 for the establishment of an Employees' Share Option Scheme of up to ten percent (10%) of the total Issued and Paid-Up Share Capital of the Company at any point in time (excluding Treasury Shares) ("the Said ESOS") authority be and is hereby given to the Board at any time and from time to time to offer and to grant to Mr. Law Wai Cheong, being an Executive Director of the Company, Options to subscribe for new shares under the Said ESOS as they shall deem fit subject always to such terms and conditions and/or adjustments which may be made in accordance with the provisions of the By-Laws.

   AND THAT the Board be and is hereby further authorised to allot and issue such number of new Shares pursuant to the Said ESOS to Mr. Law Wai Cheong from time to time pursuant to the exercise of such Options."

   7.2 **Proposed Allocation of Options to Mr. Tan Shau Ming** — **Ordinary Resolution 8**

   "THAT pursuant to the approval given by the shareholders at the Extraordinary General Meeting held on 23 November 2011 for the establishment of an Employees' Share Option Scheme of up to ten percent (10%) of the total Issued and Paid-Up Share Capital of the Company at any point in time (excluding Treasury Shares) ("the Said ESOS") authority be and is hereby given to the Board at any time and from time to time to offer and to grant to Mr. Tan Shau Ming, being an Executive Director of the Company, Options to subscribe for new shares under the Said ESOS as they shall deem fit subject always

to such terms and conditions and/or adjustments which may be made in accordance with the provisions of the By-Laws.

AND THAT the Board be and is hereby further authorised to allot and issue such number of new Shares pursuant to the Said ESOS to Mr. Tan Shau Ming from time to time pursuant to the exercise of such Options."

7.3 **Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016** **Ordinary Resolution 9**

"THAT subject always to the approvals of the relevant authorities, the Directors be hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016 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."

7.4 **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of RRPT Mandate")** **Ordinary Resolution 10**

"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 19 November 2018, provided that such arrangements and/or transactions which are necessary for the Group's day-to-day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders of the Company.

AND THAT 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 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) 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."

8. To transact any other business of the Company of which due notice shall be given in accordance with the Company's Articles of Association and the Companies Act 2016.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a First and Final Single-Tier Dividend of 0.5 sen per share in respect of the year ended 31 July 2018 shall be payable on 25 January 2019 to Depositors registered in the Record of Depositors at the close of business on 4 January 2019.

Depositor shall qualify for entitlement only in respect of:-

a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 4 January 2019 in respect of transfers; and

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

Date: 19 November 2018

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.

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 5 ½, 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 the 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 2018

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 340(1) of the Companies Act 2016. Hence, this Agenda is not put forward for voting by the shareholders of the Company.

EXPLANATORY NOTES ON SPECIAL BUSINESS OF THE AGENDA

(a) Proposed Allocation of Options to Mr. Law Wai Cheong

The proposed resolution 7 under item 7.1 of the Agenda, if passes, will empower the Directors of the Company to offer and grant to Mr. Law Wai Cheong who was appointed as Executive Director on 3 January 2017, Options to subscribe for new Shares under the Said ESOS and to allot and issue such number of new shares to him from time to time pursuant to the exercise of such Options.

(b) Proposed Allocation of Options to Mr. Tan Shau Ming

The proposed resolution 8 under item 7.2 of the Agenda, if passes, will empower the Directors of the Company to offer and grant to Mr. Tan Shau Ming who was appointed as Executive Director on 26 September 2014, Options to subscribe for new Shares under the Said ESOS and to allot and issue such number of new shares to him from time to time pursuant to the exercise of such Options.

(c) Resolution pursuant to the Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Resolution 9 under item 7.3 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 Twenty-First Annual General Meeting ("AGM") held on 18 December 2017. 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 purpose of funding current and/or future investment projects, working capital and/or acquisitions.

The Company has not issued any new share pursuant to Sections 75 and 76 of the Companies Act 2016 under the general mandate which was approved at the Twenty-First Annual General Meeting.

(d) Resolution pursuant to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Proposed Ordinary Resolution 10 under item 7.4 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 19 November 2018 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 19 November 2018 enclosed together with the Company's 2018 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 7 December 2018. Only a depositor whose name appears on the Record of Depositors as at 7 December 2018 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

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FORM OF PROXY

HTVB
HIAP TECK VENTURE BERHAD
421340-U

HIAP TECK VENTURE BERHAD
(Company No.421340-U)

TWENTY-SECOND ANNUAL GENERAL MEETING
FORM OF PROXY

I/We, ... (NRIC No./Company No. .....)
(FULL NAME IN CAPITAL LETTERS)

of ..... (Tel No. .....)
(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 Twenty-Second 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 Monday, 17 December 2018 at 10.00 a.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 Directors' fees and allowances of RM377,000.00 for the financial year ended 31 July 2018.		
2	To approve the Directors' allowances payable up to RM25,000.00 in respect of the period from 1 August 2018 up to the next Annual General Meeting of the Company to be held in 2019.		
3	To approve a First and Final Single Tier Dividend of 0.5 sen per share for the financial year ended 31 July 2018.		
4	To re-elect Mr. Leow Hoi Loong @ Liow Hoi Loong who is retiring in accordance with Article 79 of the Company's Articles of Association:		
5	To re-elect Mr. Foo Kok Siew who is retiring in accordance with Article 79 of the Company's Articles of Association:		
6	To re-appoint Messrs. KPMG PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration.		
7	To approve the Proposed Granting of Options to Mr. Law Wai Cheong under the Company's Employees' Share Option Scheme ("ESOS").		
8	To approve the Proposed Granting of Options to Mr. Tan Shau Ming under the Company's Employees' Share Option Scheme ("ESOS").		
9	To grant the authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
10	To approve the proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

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.....2018

.....
[Signature/Common Seal of Member]

Number of Ordinary shares held :	
CDS Account No.	

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.*

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 Proxy Form 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 5 ½, 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.*

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Affix
STAMP

The Company Secretary
HIAP TECK VENTURE BERHAD (421340-U)
Lot 6096, Jalan Haji Abdul Manan
Batu 5 ½, Off Jalan Meru
41050 Klang
Selangor Darul Ehsan

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Batu 5 ½, Off Jalan Meru
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Selangor Darul Ehsan
Tel : 03-3377 8888
www.htgrp.com.my