

HIAP TECK VENTURE BERHAD
(Registration No. 199701005844 (421340-U))
(Incorporated in Malaysia)

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for 1st quarter from 1 August 2021 to 31 October 2021

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/10/2021	31/10/2020	31/10/2021	31/10/2020
	RM'000	RM'000	RM'000	RM'000
Revenue	406,626	231,443	406,626	231,443
Cost of Sales	(332,105)	(214,418)	(332,105)	(214,418)
Gross Profit	74,521	17,025	74,521	17,025
Other Income	1,288	1,037	1,288	1,037
Operating Expenses	(9,243)	(9,469)	(9,243)	(9,469)
Profit from Operations	66,566	8,593	66,566	8,593
Finance Costs	(3,506)	(3,542)	(3,506)	(3,542)
Share of profit of equity-accounted investees, net of tax	23,273	3,868	23,273	3,868
Profit Before Tax	86,333	8,919	86,333	8,919
Tax expense	(15,258)	(1,840)	(15,258)	(1,840)
Profit for the Period	71,075	7,079	71,075	7,079
Other Comprehensive Income / (Loss)				
Fair value profit / (loss) on other investments	60	(49)	60	(49)
'Foreign currency translation differences for foreign operations	58	18	58	18
	118	(31)	118	(31)
Total Comprehensive Income	71,193	7,048	71,193	7,048
Profit Attributable to:				
Owners of the parent	71,088	6,966	71,088	6,966
Non-Controlling Interests	(13)	113	(13)	113
	71,075	7,079	71,075	7,079
Total Comprehensive Income Attributable to:				
Owners of the parent	71,206	6,935	71,206	6,935
Non-Controlling Interests	(13)	113	(13)	113
	71,193	7,048	71,193	7,048
Earnings Per Share (EPS)				
(a) Basic (sen)	4.11	0.51	4.11	0.51
(b) Diluted (sen)	4.12	0.45	4.12	0.45

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 July 2021 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Registration No. 199701005844 (421340-U))
(Incorporated in Malaysia)

Condensed Consolidated Statements of Financial Position as at 31 October 2021

	31/10/2021 (Unaudited)	31/07/2021 (Audited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	257,959	260,478
Right-of-Use assets	254	300
Investment properties	8,457	8,511
Investment in joint venture	520,410	497,137
Other investments	843	784
	<u>787,923</u>	<u>767,210</u>
Current assets		
Inventories	404,659	450,139
Trade and other receivables	339,948	210,009
Derivative assets	-	155
Current tax assets	1,194	6,203
Deposits with licensed banks	18,225	18,100
Cash and cash equivalents	236,642	158,531
	<u>1,000,668</u>	<u>843,137</u>
Total assets	<u>1,788,591</u>	<u>1,610,347</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	866,689	865,088
Treasury shares	(7,499)	(7,499)
Translation reserves	(311)	(369)
Share option reserves	6,278	6,407
Fair value reserves	(1,766)	(1,826)
Retained earnings	336,011	264,923
	<u>1,199,402</u>	<u>1,126,724</u>
Non-Controlling Interests	(856)	(843)
Total equity	<u>1,198,546</u>	<u>1,125,881</u>
Non-current liabilities		
Lease liabilities	-	123
Deferred tax liabilities	17,625	17,650
	<u>17,625</u>	<u>17,773</u>
Current liabilities		
Loans and borrowings	519,851	411,101
Trade and other payables	44,444	51,809
Lease liabilities	268	192
Contract liabilities	-	782
Current tax payable	7,857	2,809
	<u>572,420</u>	<u>466,693</u>
Total liabilities	<u>590,045</u>	<u>484,466</u>
Total equity and liabilities	<u>1,788,591</u>	<u>1,610,347</u>
Net assets per share attributable to owners of the parent (RM)	0.69	0.65

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 July 2021 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Registration No. 199701005844 (421340-U))
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Condensed Consolidated Statements of Cash Flows for the period ended 31 October 2021

	Current Year To-date 31/10/2021 RM'000	Preceding Year Corresponding Period 31/10/2020 RM'000
<u>Operating Activities</u>		
Profit Before Tax	86,333	8,919
Adjustments for:		
Depreciation of investment properties	54	54
Depreciation of property, plant and equipment	3,107	3,406
Depreciation of right-of use assets	46	46
Finance income:		
Other investments	(7)	(76)
Deposits with licensed banks	(600)	(339)
Gain on disposal of property, plant and equipment	(423)	(447)
Finance costs	3,506	3,542
Net overdue interest income	(188)	(312)
Net unrealised foreign exchange loss	446	607
Property, plant and equipment written off	80	7
Reversal for impairment loss on trade receivables	-	(140)
Write-down of inventories to net realisable value	6,348	3,756
Share of profit of equity-accounted joint venture, net of tax	(23,273)	(3,868)
Operating profit before changes in working capital	75,429	15,155
Net changes in current assets	(90,714)	(15,047)
Net changes in current liabilities	(8,217)	11,592
Cash (used in) / generated from operations	(23,502)	11,700
Interest paid	(3,502)	(3,364)
Net overdue interest income	188	312
Net income tax paid	(5,225)	(872)
Net cash (used in) / generated from operating activities	(32,041)	7,776
<u>Investing Activities</u>		
Finance income:		
Other investments	7	76
Deposits with licensed banks	600	339
(Increase) / Decrease in other investments	(125)	12,891
Proceeds from disposal of property, plant and equipment	546	1,040
Purchase of property, plant and equipment	(791)	(1,001)
Net cash generated from / (used in) investing activities	237	13,345
<u>Financing Activities</u>		
Payment of lease liabilities	(51)	(51)
Drawdown / (Repayment) of borrowings	108,750	(109,657)
Proceed from issuance of ESOS	1,472	-
Net cash generated from / (used in) financing activities	110,171	(109,708)
Net Increase / (Decrease) in Cash and Cash Equivalents	78,367	(88,587)
Effect of exchange rate changes	(256)	(513)
Cash and Cash Equivalents at beginning of period	158,531	145,197
Cash and Cash Equivalents at end of period	236,642	56,097

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2021 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Registration No. 199701005844 (421340-U))
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Condensed Consolidated Statements of Changes in Equity for the period ended 31 October 2021

	Attributable to equity holders of the parent								Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Non-distributable				<-Distributable->						
	Share Capital RM'000	Treasury Shares RM'000	Warrant Reserves RM'000	Translation Reserves RM'000	Share Option Reserves RM'000	Fair Value Reserves RM'000	RCUIDS Reserves RM'000	Retained Earnings RM'000			
As at end of current quarter ended 31 October 2021											
Opening balance as at 1 August 2020	865,088	(7,499)	-	(369)	6,407	(1,826)	-	264,923	1,126,724	(843)	1,125,881
Total comprehensive income	-	-	-	58	-	60	-	71,088	71,206	(13)	71,193
Transactions with owners											
Issuance of ordinary shares pursuant to:-											
- Share options exercised	1,601	-	-	-	(129)	-	-	-	1,472	-	1,472
Transactions with owners	1,601	-	-	-	(129)	-	-	-	1,472	-	1,472
Closing balance as at 31 October 2021	866,689	(7,499)	-	(311)	6,278	(1,766)	-	336,011	1,199,402	(856)	1,198,546
As at preceding year corresponding quarter ended 31 October 2020											
Opening balance as at 1 August 2019	680,166	(7,499)	30,341	(302)	5,401	(1,881)	27,752	128,065	862,043	(933)	861,110
Total comprehensive income	-	-	-	18	-	(49)	-	6,966	6,935	113	7,048
Transactions with owners											
Issuance of ordinary shares pursuant to:-											
- Conversion of RCUIDS	9,087	-	-	-	-	-	(9,087)	-	-	-	-
RCUIDS DTA adjustments	-	-	-	-	-	-	2,181	-	2,181	-	2,181
Transactions with owners	9,087	-	-	-	-	-	(6,906)	-	2,181	-	2,181
Closing balance as at 31 October 2020	689,253	(7,499)	30,341	(284)	5,401	(1,930)	20,846	135,031	871,159	(820)	870,339

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2021 and the accompanying explanatory notes attached to the interim financial statements.

Notes to the Quarterly Report – 31 October 2021

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

1. Basis of preparation

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

The interim financial report should be read in conjunction with the Company’s annual audited financial statements for the year ended 31 July 2021. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 July 2021.

2. Significant Accounting Policies

This interim financial report has been prepared based on accounting policies and methods of computation which are consistent with those adopted in the annual audited financial statements for the year ended 31 July 2021.

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

2. Significant Accounting Policies (cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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 plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 August 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021 and 1 April 2021, except for amendments to MFRS 4 which is not applicable to the Group.
- from the annual period beginning on 1 August 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 1 and MFRS 141 which are not applicable to the Group.
- from the annual period beginning on 1 August 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Group.

The initial application of the abovementioned accounting standards, amendments and interpretations is not expected to have any material financial impact to the current period and prior period financial statements of the Group.

3. Audit qualification

There were no audit qualifications on the annual financial statements of the Group for the year ended 31 July 2021.

4. Seasonal or cyclical factors

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

5. Material unusual items

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

6. Material changes in estimates

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

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

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

- a) Issuance of 3,201,399 new ordinary shares of RM0.50 each pursuant to exercise of 3,201,399 Employees' Share Option Scheme.
- d) As at quarter ended 31 October 2021, a total of 5,492,000 buy-back shares were held as treasury shares and carried at cost.

8. Dividend paid

No dividend has been paid during the quarter under review.

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9. Segment information

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

	3 months ended 31 October 2021						
	Trading	Manufac- turing	Property and Investment	Transport- ation	Mining explor- ation	Elimina- tion	Group
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
SALES							
- External sales	219,987	186,182	-	-	457	-	406,626
- Intersegment sales	-	920	2,965	589	-	(4,474)	-
Total sales	219,987	187,102	2,965	589	457	(4,474)	406,626
RESULTS							
Finance income	185	415	-	7	-	-	607
Finance costs	2,040	1,466	-	-	-	-	3,506
Depreciation & amortisation	194	2,269	466	94	184	-	3,207
Share of profit of joint venture	-	-	-	-	-	-	23,273
Segment profit	23,338	39,396	31	44	251	23,273	86,333

10. Valuation of property, plant and equipment

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

11. Significant events

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

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12. Changes in the composition of the Group

There were no significant changes in the composition of the Group as at the date of this report, except for the following:

On 26 October 2021, the Company had incorporated a wholly-owned subsidiary, Eastern Power Resources Sdn. Bhd., with a paid-up share capital of RM51,000. The objective of this new company is to sell excess electricity generated by Eastern Steel Sdn. Bhd. to the grid.

On 8 November 2021, the Company's shareholding in Joint Venture, Eastern Steel Sdn. Bhd. ("ESSB") has decreased from 35.0% to 27.3% after Shanxi Jianglong Industry Company Limited subscribed for 508.0 million new ordinary shares in the share capital of ESSB for a total cash consideration of Renminbi 500.0 million ("Share Subscription"), equivalent to approximately RM 325.6 million (based on the exchange rate of Renminbi 1.00: RM 0.6512 at the time the funds were received).

The change in shareholdings of ESSB is as set out in the table below:

Shareholders	Shareholdings BEFORE Share Issuance (No. of Shares)	%	Shareholdings AFTER Share Issuance (No. of Shares)	%
Jianlong	1,080,000,000	60.00	1,588,000,000	68.80
HTVB	630,000,000	35.00	630,000,000	27.30
Chinaco	90,000,000	5.00	90,000,000	3.90
Total	1,800,000,000	100.00	2,308,000,000	100.00

13. Changes in contingent liabilities and assets

The contingent liabilities as at 31 October 2021 are as follow:

Unsecured Contingent Liabilities :-	Group	
	31.10.2021 RM'000	31.10.2020 RM'000
In respect of indemnity provided for bank guarantees issued	6,825	6,825
In respect of Notices of Additional Assessment with penalties from Inland Revenue Board	13,432	-
Total	20,257	6,825

14. Capital commitments

The Group has no significant capital commitment as at 31 October 2021.

15. Related party transactions

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

	Group	
	Current year quarter 31.10.2021 RM'000	Current year-to- date 31.10.2021 RM'000
Purchases of steel products by certain wholly owned subsidiaries of the Group from JK Ji Seng Sdn.Bhd.	52,743	52,743

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

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

16. Review of performance

Table 1: Financial review for current quarter and financial year to date for the quarter ended 31 October 2021.

	Individual Quarter		Changes		Cumulative Quarter		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter	Amount	%	Current Year To-date	Preceding Year Corresponding Period	Amount	%
	31/10/2021	31/10/2020			31/10/2021	31/10/2020		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	406,626	231,443	175,183	76%	406,626	231,443	175,183	76%
Gross Profit	74,521	17,025	57,496	338%	74,521	17,025	57,496	338%
Profit from Operations	66,566	8,593	57,973	675%	66,566	8,593	57,973	675%
Profit Before Tax	86,333	8,919	77,414	868%	86,333	8,919	77,414	868%
Profit for the Period	71,075	7,079	63,996	904%	71,075	7,079	63,996	904%
Profit Attributable to:								
Owners of the parent	71,088	6,966	64,122	920%	71,088	6,966	64,122	920%
Non-Controlling Interests	(13)	113	(126)	-112%	(13)	113	(126)	-112%
	71,075	7,079	63,996	904%	71,075	7,079	63,996	904%

For the current quarter under review, Group revenue increased by 76% to RM406.63 million over the preceding year corresponding quarter revenue of RM231.44 million due to higher sales volume and steel prices.

The Trading division reported a 135% increase in revenue to RM219.99 million as compared to RM93.71 million in the preceding year's corresponding quarter, whilst the Manufacturing division reported a 36% increase in revenue to RM187.10 million as compared to the preceding year corresponding quarter revenue of RM137.39 million.

With improved margins in line with higher steel prices, the Group registered a Profit from Operations of RM66.57 million for the current quarter as compared to RM8.59 million in the preceding year's corresponding quarter.

On the whole, the Group recorded a Profit before Tax of RM86.33 million in 1Q2022 as compared to RM8.92 million in the preceding year's corresponding quarter. The strong performance can be attributable to the continued strength of steel prices and increased volume from the Group's downstream activities and also from a significantly higher contribution from the JV entity. The JV entity contributed a profit of RM23.27 million to the Group for the quarter under review as compared to RM3.87 million in the preceding year's corresponding quarter. The JV entity's much-improved performance was attributable to higher steel prices, costs savings arising from the 55MW power plant completed in October 2019, the completion of its first 100,000 MT coke oven plant in June 2021 and the second 100,000 MT coke oven plant in October 2021.

17. Comparison with immediate preceding quarter's results

Table 2: Financial review for current quarter compared with immediate preceding quarter

	Individual Quarter		Changes	
	Current Year Quarter	Immediate Preceding Quarter	Amount	%
	31/10/2021	31/07/2021		
	RM'000	RM'000	RM'000	%
Revenue	406,626	164,830	241,796	147%
Gross Profit	74,521	33,981	40,540	119%
Profit from Operations	66,566	21,644	44,922	208%
Profit Before Tax	86,333	68,089	18,244	27%
Profit for the Period	71,075	60,471	10,604	18%
Profit Attributable to:				
Owners of the parent	71,088	60,484	10,604	18%
Non-Controlling Interests	(13)	(13)	-	0%
	71,075	60,471	10,604	18%

For the current quarter under review, Group revenue increased by 147% to RM406.63 million from RM164.83 million in the immediate preceding quarter ("4Q2021") due to higher sales volume for both the Trading and Manufacturing divisions.

Profit from Operations in the current quarter increased by 208% to RM66.57 million as compared to RM21.64 million in the immediate preceding quarter due to improved margins attributable to rising steel prices and improved sales volume.

The Group achieved a commendable Profit before Tax of RM86.33 million in 1Q2022 as compared to RM68.09 million in 4Q2021, primarily attributable to much-improved volume and margins from the Group's downstream operating entities. The Group recorded a significantly lower share of profit from JV entity of RM23.27 million in the current quarter as compared to RM49.45 million in the immediate preceding quarter is due to the reversal of impairment loss of RM66.15 million at the JV level in the immediate preceding quarter.

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18. Prospects

The World Steel Association (“Worldsteel”) forecasts that steel demand will grow by 4.5% in 2021 to reach 1.86 billion MT and will further increase by 2.2% in 2022 to 1.90 billion MT. China, the world’s biggest user of steel, will see a 1.0% contraction in 2021 while Asean-5, after contracting 10.1% in 2020, is forecasted to grow 6.6% in 2021 and a further 5.4% in 2022.

The current forecast is based on the assumption that the spread of the COVID-19 virus will be less damaging and disruptive than seen in the previous waves.

Against this backdrop, Malaysia’s economy registered a sharp 4.5% decline in 3Q2021 after a double-digit 16.1% expansion in 2Q2021 due to the re-imposition of the Movement Control Order in June 2021. The construction sector declined 20.6% (2Q2021: 40.3%) as activities were either halted or constrained by capacity limits. Growth in the residential, non-residential and civil engineering subsectors were particularly affected, but the situation improved from August following easing of the containment measures and the gradual resumption of activities.

For the full year 2021, Bank Negara Malaysia has forecasted the Malaysian economy to achieve a projected growth range of 3.0% - 4.0% and further expand in the range of 5.5% - 6.5% in 2022. Overall apparent steel consumption in Malaysia is estimated to grow between 3.0% - 4.0% in 2021 and a further 5.5% in 2022 to achieve 7.5 million MT, in-line with the country’s GDP growth.

The construction sector is projected to grow by 11.5% in 2022 on account of better performance in all its subsectors following the continuation and acceleration of major infrastructure projects, such as Light Rail Transit Line 3 (LRT3), Mass Rail Transit Line 3 (MRT3), Johore-Singapore Rapid Transit System (RTS) as well as Pan Borneo highway in Sabah & Sarawak. The Residential buildings subsector is expected to expand further in line with the Government measures to address shortage of affordable housing.

Despite all the challenges, the Group recorded its highest ever quarterly performance to-date with a Profit after Tax of RM71.1 million, a 904% increase over the preceding year corresponding quarter, on the back of improved volume and price, and higher contributions from the JV entity. While steel prices are currently adjusting with a downward bias, the Group is vigilant of the trend of steel prices and will continue to focus on prudent procurement strategies and inventory management to mitigate any potential adverse impact on performance and financial strength. Management remains positive on the Group’s performance in the coming quarter as the resumption of economic activity gathers momentum and business confidence boosted.

At the JV entity, further cost savings will be achieved with the completion of its second 100,000 MT coke oven plant in October 2021 and the next 200,000 MT to complete by FY2022, and which will directly contribute to Group’s performance.

19. Variance of actual and forecast profit

Not applicable.

20. Tax

	Group	
	Current year quarter	Current year-to- date
	31.10.2021	31.10.2021
	RM'000	RM'000
Income tax	15,282	15,282
Deferred tax	(24)	(24)
	15,258	15,258

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

21. Status of corporate proposal

There was no corporate proposal as at the date of this announcement.

22. Loans and borrowings

The Group's borrowings as at 31 October 2021 are as follows:

	Short Term RM'000	Total RM'000
<u>Secured:</u> Bankers' Acceptances	519,851	519,851
	519,851	519,851

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

As at 31 October 2021, the Company has extended corporate guarantees amounting to RM519.85 million to financial institutions for banking facilities granted to certain subsidiaries. The financial impact of the guarantees is not material as the subsidiaries concerned are in positive financial standings to meet their obligations as and when they fall due.

23. Material litigation

There is no material litigation for the quarter under review, except for the following:

Hiap Teck Venture Berhad, the Company has earlier engaged in discussions with Lembaga Hasil Dalam Negeri (“LHDN”) on certain audit findings for the Years of Assessment (“YA”) from 2013 to 2019 involving additional tax assessments and penalties of up to RM13.43 million. Based on legal advice obtained, Management has been advised that HTVB has merits in maintaining its stand on the audit issues raised by LHDN.

Accordingly, the Company has initiated legal proceedings to challenge the basis and validity of the said notices and penalties imposed. The judicial review application lodged by the Company against the Minister of Finance was fixed for case management on 26 October 2021 before the KL High Court. Despite the objection by the Attorney General Chambers (“AGC”), the High Court granted an interim stay of all further proceedings including the enforcement of the Notices until 2 March 2022. Consequent to this interim stay order, the Company does not need to pay the disputed taxes.

24. Dividend

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

25. Earnings per share (“EPS”)

a) Basic EPS

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

	Current Year Quarter 31.10.2021	Current Year to-date 31.10.2021
Profit attributable to owners of the parent (RM'000)	71,088	71,088
Weighted average number of ordinary shares in issue ('000)	1,731,113	1,731,113
Basic earnings per share (sen)	4.11	4.11

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25. Earnings per share (“EPS”) (cont’d)

b) Diluted EPS

The diluted earnings per share is calculated by dividing the Group’s net profit attributable to ordinary equity holders for the period by the weighted average number of ordinary shares that would have been in issue during the year, excluding treasury shares held by the Company at the opening of the quarter and financial year under review.

	Current Year Quarter 31.10.2021	Current Year- to-date 31.10.2021
Profit attributable to owners of the parent (basis) (RM'000)	71,088	71,088
Weighted average number of ordinary shares in issue (basis) ('000)	1,731,113	1,731,113
Effect of treasury shares held	(5,492)	(5,492)
Effect of ESOS vested	118,909	118,909
Weighted average number of ordinary shares in issue (diluted) ('000)	1,844,530	1,844,530
Diluted earnings per share (sen)	3.85	3.85

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26. Profit from operations

	Current Year Quarter 31.07.2021 RM'000	Current Year- to-date 31.07.2021 RM'000
<i>Profit for the period is arrived at after charging:</i>		
Depreciation of property, plant and equipment	3,107	3,107
Depreciation of investment properties	54	54
Depreciation of right-of-use assets	46	46
Finance costs	3,506	3,506
Write-down of inventories to net realisable value	6,348	6,348
Property, plant and equipment written off	80	80
<i>and after crediting / (charging):</i>		
Gain on disposal of property, plant and equipment	423	423
Finance income:		
Other investments	7	7
Deposits with licensed banks	600	600
Net foreign exchange loss		
Realised	(37)	(37)
Unrealised	(446)	(446)
Net overdue interest income	188	188
Rental income	240	240
Share of profit of equity-accounted joint venture, net of tax	23,273	23,273

27. Authorisation for Issue

The Interim Financial Statements were authorised for issue by the Board of Directors on 16 December 2021.

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