

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

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for 2nd quarter from 1 November 2019 to 31 January 2020

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/01/2020	31/01/2019	31/01/2020	31/01/2019
	RM'000	RM'000	RM'000	RM'000
Revenue	268,269	251,703	558,068	580,054
Cost of Sales	(258,421)	(230,145)	(524,750)	(528,221)
Gross Profit	9,848	21,558	33,318	51,833
Other Income	266	3,697	2,186	9,852
Operating Expenses	(10,833)	(12,167)	(20,961)	(22,902)
(Loss) / Profit from Operations	(719)	13,088	14,543	38,783
Finance Costs	(5,265)	(6,321)	(12,176)	(13,776)
Share of loss of equity-accounted investees, net of tax	(1,893)	(10,564)	(11,216)	(14,822)
(Loss) / Profit Before Tax	(7,877)	(3,797)	(8,849)	10,185
Tax expense	311	(1,876)	(1,915)	(5,907)
(Loss) / Period for the Period	(7,566)	(5,673)	(10,764)	4,278
Other Comprehensive Loss				
Fair value (loss)/gain on other investments	(87)	109	(82)	(136)
Foreign currency translation differences for foreign operations	(74)	(23)	(89)	(58)
	(161)	86	(171)	(194)
Total Comprehensive (Loss) / Income	(7,727)	(5,587)	(10,935)	4,084
(Loss) / Profit Attributable to:				
Owners of the parent	(7,657)	(5,400)	(10,923)	4,917
Non-Controlling Interests	91	(273)	159	(639)
	(7,566)	(5,673)	(10,764)	4,278
Total Comprehensive (Loss) / Income Attributable to:				
Owners of the parent	(7,818)	(5,314)	(11,094)	4,723
Non-Controlling Interests	91	(273)	159	(639)
	(7,727)	(5,587)	(10,935)	4,084
(Loss) / Earning Per Share (EPS)				
(a) Basic (sen)	(0.57)	(0.40)	(0.82)	0.37
(b) Diluted (sen)	(0.47)	(0.33)	(0.67)	0.34

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 2019 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 January 2020

	31/01/2020 (Unaudited)	31/7/2019 (Audited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	278,692	270,872
Investment properties	8,836	8,945
Investment in joint venture	406,075	417,292
Other investments	1,012	1,093
Trade and other receivables (Finance lease receivables)	-	3,510
	<u>694,615</u>	<u>701,712</u>
Current assets		
Inventories	307,050	438,775
Trade and other receivables	245,985	257,441
Current tax assets	13,413	11,114
Other investments	1,501	1,509
Cash and cash equivalents	54,400	178,921
	<u>622,349</u>	<u>887,760</u>
Total assets	<u>1,316,964</u>	<u>1,589,472</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	672,099	672,099
Treasury shares	(7,499)	(7,499)
Warrant reserves	30,341	30,341
Translation reserves	(231)	(142)
Share option reserves	5,663	5,663
Fair value reserves	(1,598)	(1,516)
RCUIDS reserves	33,883	33,883
Retained earnings	112,593	130,210
	<u>845,251</u>	<u>863,039</u>
Non-Controlling Interests	(1,088)	(1,247)
Total equity	<u>844,163</u>	<u>861,792</u>
Non-current liabilities		
Loans and borrowings	13,572	19,062
Deferred tax liabilities	37,915	37,964
	<u>51,487</u>	<u>57,026</u>
Current liabilities		
Loans and borrowings	380,457	607,004
Trade and other payables	40,195	61,824
Current tax payable	662	1,826
	<u>421,314</u>	<u>670,654</u>
Total liabilities	<u>472,801</u>	<u>727,680</u>
Total equity and liabilities	<u>1,316,964</u>	<u>1,589,472</u>
Net assets per share attributable to owners of the parent (RM)	0.63	0.64

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 July 2019 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 January 2020

	Current Year To-date 31/01/2020 RM'000	Preceding Year Corresponding Period 31/01/2019 RM'000
<u>Operating Activities</u>		
(Loss) / Profit Before Tax	(8,849)	10,185
Adjustments for:		
Amortisation of mining exploration and evaluation assets	-	331
Depreciation of investment properties	109	104
Depreciation of property, plant and equipment	6,696	6,175
Finance income:		
Other investments	(9)	(289)
Deposits with licensed banks	(1,557)	(884)
Amount due from joint venture	-	(2,584)
Gain on disposal of property, plant and equipment	618	(1,808)
Finance costs	12,177	13,776
Net overdue interest income	(160)	(537)
Net unrealised foreign exchange loss / (gain)	477	(1,764)
Property, plant and equipment written off	54	9
Reversal of impairment loss on trade receivables	-	(273)
Write-down of inventories to net realisable value	566	2,475
Share of loss of equity-accounted joint venture, net of tax	11,216	14,822
Operating profit before changes in working capital	21,338	39,738
Net changes in current assets	145,340	136,921
Net changes in current liabilities	(21,629)	(7,508)
Cash generated from operations	145,049	169,151
Interest paid	(11,696)	(13,153)
Net overdue interest income	160	537
Net income tax paid	(5,427)	(8,533)
Net cash generated from operating activities	128,086	148,002
<u>Investing Activities</u>		
Finance income:		
Other investments	9	289
Deposits with licensed banks	1,557	884
Increase in other investments	8	10,716
Proceeds from disposal of property, plant and equipment	216	2,200
Purchase of property, plant and equipment	(15,402)	(5,264)
Net cash (used in) / generated from investing activities	(13,612)	8,825
<u>Financing Activities</u>		
Dividends paid	(6,694)	(6,694)
Repayment of borrowings	(230,120)	(142,948)
Proceed from Issuance of RCUIDS	(2,398)	(2,255)
Net cash used in financing activities	(239,212)	(151,897)
Net (Decrease)/Increase in Cash and Cash Equivalents	(124,738)	4,930
Effect of exchange rate changes	217	(364)
Cash and Cash Equivalents at beginning of period	178,921	59,635
Cash and Cash Equivalents at end of period	54,400	64,201

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2019 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 January 2020

	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 January 2020											
Opening balance as at 1 August 2019	672,099	(7,499)	30,341	(142)	5,663	(1,516)	33,883	130,210	863,039	(1,247)	861,792
Total comprehensive loss	-	-	-	(89)	-	(82)	-	(10,923)	(11,094)	159	(10,935)
Transactions with owners											
Final dividend for the financial year ended 31 July 2019 (Single tier of 0.5 sen)	-	-	-	-	-	-	-	(6,694)	(6,694)	-	(6,694)
Transactions with owners	-	-	-	-	-	-	-	(6,694)	(6,694)	-	(6,694)
Closing balance as at 31 January 2020	<u>672,099</u>	<u>(7,499)</u>	<u>30,341</u>	<u>(231)</u>	<u>5,663</u>	<u>(1,598)</u>	<u>33,883</u>	<u>112,593</u>	<u>845,251</u>	<u>(1,088)</u>	<u>844,163</u>
As at preceding year corresponding quarter ended 31 January 2019											
Opening balance as at 1 August 2018	668,527	(7,499)	30,341	904	5,346	(1,244)	30,796	111,172	838,343	(761)	837,582
Total comprehensive income	-	-	-	-	-	(136)	-	4,917	4,781	(639)	4,142
Transactions with owners											
Issuance of ordinary shares pursuant to:- - Conversion of RCUIDS	3,572	-	-	(1,168)	-	-	(3,572)	-	(1,168)	-	(1,168)
Final dividend for the financial year ended 31 July 2018 (Single tier of 0.5 sen)	-	-	-	-	-	-	-	(6,693)	(6,693)	-	(6,693)
Transactions with owners	<u>3,572</u>	<u>-</u>	<u>-</u>	<u>(1,168)</u>	<u>-</u>	<u>-</u>	<u>(3,572)</u>	<u>(6,693)</u>	<u>(7,861)</u>	<u>-</u>	<u>(7,861)</u>
Closing balance as at 31 January 2019	<u>672,099</u>	<u>(7,499)</u>	<u>30,341</u>	<u>(264)</u>	<u>5,346</u>	<u>(1,380)</u>	<u>27,224</u>	<u>109,396</u>	<u>835,263</u>	<u>(1,400)</u>	<u>833,863</u>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2019 and the accompanying explanatory notes attached to the interim financial statements.

Notes to the Quarterly Report – 31 January 2020

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 2019. 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 2019.

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 2019.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 7, *Financial Instruments: Disclosures*; MFRS 9, *Financial Instruments* and MFRS 139, *Financial Instruments: Recognition and measurement – Interest Rate Benchmark Reform*

MFRS effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

2. Significant Accounting Policies (cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning 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 and Investor and its Associate or Joint Venture*

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

3. Audit qualification

There were no audit qualifications on the annual financial statements of the Group for the year ended 31 July 2019.

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) As at quarter ended 31 January 2020, a total of 5,492,000 buy-back shares were held as treasury shares and carried at cost.

8. Dividend paid

A single tier final dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 July 2019 was approved by the shareholders at the 23rd Annual General Meeting of the Company held on 17 December 2019. A total amount of RM6,693,533.79 was paid on 23 January 2020 to depositors registered in the Record of Depositors at the close of business on 2 January 2020.

9. Segment information

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

	6 months ended 31 January 2020						
	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	346,980	209,655	-	7	1,426	-	558,068
- Intersegment sales	-	23,585	5,929	1,181	-	(30,695)	-
Total sales	346,980	233,240	5,929	1,188	1,426	(30,695)	558,068
RESULTS							
Finance income	607	947	3	9	-	-	1,566
Finance costs	5,637	5,332	1,207	-	-	-	12,176
Depreciation & amortisation	415	4,767	924	223	476	-	6,805
Share of loss of joint venture	-	-	-	-	-	-	(11,216)
Segment profit/(loss)	(1,756)	6,886	(3,170)	4	403	(11,216)	(8,849)

10. Valuation of property, plant and equipment

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

11. Significant events

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

12. Changes in the composition of the Group

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

13. Changes in contingent liabilities and assets

The contingent liabilities as at 31 January 2020 are as follow:

Unsecured Contingent Liabilities :-	Group	
	31.01.2020 RM'000	31.01.2019 RM'000
In respect of indemnity provided for bank guarantees issued	6,825	7,365
Total	6,825	7,365

14. Capital commitments

The Group has no significant capital commitment as at 31 January 2020.

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	Current year-to- date
	31.01.2020 RM'000	31.01.2020 RM'000
Purchases of steel products by certain wholly owned subsidiaries of the Group from JK Ji Seng Sdn.Bhd.	57,029	109,580

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.

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 January 2020.

	Individual Quarter		Changes		Cumulative Quarter		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter	Amount	%	Current Year To-date	Preceding Year Corresponding Period	Amount	%
	31/01/2020	31/01/2019			31/01/2020	31/01/2019		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	268,269	251,703	16,566	7%	558,068	580,054	(21,986)	-4%
Gross Profit	9,848	21,558	(11,710)	-54%	33,318	51,833	(18,515)	-36%
(Loss) / Profit from Operations	(719)	13,088	(13,807)	-105%	14,543	38,783	(24,240)	-63%
(Loss) / Profit Before Tax	(7,877)	(3,797)	(4,080)	-107%	(8,849)	10,185	(19,034)	-187%
(Loss) / Profit for the Period	(7,566)	(5,673)	(1,893)	-33%	(10,764)	4,279	(15,043)	-352%
(Loss) / Profit Attributable to:								
Owners of the parent	(7,657)	(5,400)	(2,257)	-42%	(10,923)	4,918	(15,841)	-322%
Non-Controlling Interests	91	(273)	364	133%	159	(639)	798	125%
	(7,566)	(5,673)	(1,893)	-33%	(10,764)	4,279	(15,043)	-352%

For the current quarter under review, Group revenue increased by 7% to RM268.27 million over the preceding year corresponding quarter revenue of RM251.70 million principally attributable to higher sale volume.

The Trading division reported 50% increase in revenue to RM175.99 million as compared to RM117.38 million in the preceding year corresponding quarter, whilst the Manufacturing division recorded 29% decrease in revenue to RM103.31 million as compared to the preceding year corresponding quarter revenue of RM146.51 million.

The Group registered a Loss from Operations of RM0.72 million for the current quarter as compared to Profit from Operations of RM13.09 million in the preceding year corresponding quarter attributable to lower steel prices and compressed sales margins for the quarter under review.

For the quarter under review, the Group recorded a Loss before Tax of RM7.88 million as compared to Loss before Tax of RM3.80 million in the preceding year corresponding quarter. This significant variation was mainly due to lower steel prices and compressed sales margins.

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	%
	31/01/2020	31/10/2019		
	RM'000	RM'000	RM'000	%
Revenue	268,269	289,799	(21,530)	-7%
Gross Profit	9,848	23,470	(13,622)	-58%
(Loss) / Profit from Operations	(719)	15,262	(15,981)	-105%
Losses Before Tax	(7,877)	(972)	(6,905)	-710%
Losses for the Period	(7,566)	(3,198)	(4,368)	-137%
Losses Attributable to:				
Owners of the parent	(7,657)	(3,266)	(4,391)	-134%
Non-Controlling Interests	91	68	23	34%
	(7,566)	(3,198)	(4,368)	-137%

For the current quarter under review, Group revenue decreased by 7% to RM268.27 million from RM289.80 million in the immediate preceding quarter due to lower steel prices.

Loss from Operations in the current quarter of RM0.72 million was attributable to lower steel prices and compressed sales margins.

The Group registered a Loss before Tax of RM7.88 million in Q2 FY2020 as compared to Loss before Tax of RM0.97 million in Q1 FY2020 due to lower steel prices and compressed sales margins for the quarter under review.

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18. Prospects

In 2019, global steel demand recorded a slight growth of about 3.9% to reach 1,775 million tonnes. World Steel Association (WSA) short term steel demand outlook for year 2020 will remain subdued and is expected to grow only 1.7% reaching 1,805 million tonnes. In 2019, ASEAN-6 remain the best performing region in the world in terms of apparent steel consumption (ASC) y-o-y growth rate.

However, the ASC in Malaysia registered a decline of more than 5% from 9.77 million tonnes in 2018 to 9.22 million tonnes in 2019. Steel demand contracted in 2019 mainly due to the slowdown of the construction and other supporting industries.

The short-term outlook for Malaysia is expected to be difficult. The Coronavirus (Covid-19) outbreak has severely disrupted the world economy, created uncertainties in the financial markets, supply and demand chains, and global logistics, leading to the imposition of the “Movement Control Order” in Malaysia to slow the spread of the virus.

Additionally, the Malaysian economy is under further pressure following the recent plunge in crude oil prices.

The Group will take all necessary measures and precautions in order to mitigate the impacts on the Group’s bottom line, preserve its balance sheet and at the same time, place top priority on employees’ health and safety at this juncture. This is critical to ensure that the Group will be in position to benefit when the recovery comes.

19. Variance of actual and forecast profit

Not applicable.

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20. Tax

	Group	
	Current year quarter	Current year-to- date
	31.01.2020	31.01.2020
	RM'000	RM'000
Income tax	(286)	1,964
Deferred tax	(25)	(49)
	(311)	1,915

The Group's effective tax rate was higher than the statutory income tax rate of 24% mainly due to share of loss of joint venture which resulted in lower profit before tax at Group level. The Group's effective tax rate was approximate the statutory income tax rate should the calculation exclude the share of loss of the 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 January 2020 are as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured:</u>			
Bankers' Acceptances	-	327,978	327,978
Bank overdrafts	-	7,478	7,478
Revolving credit	-	45,000	45,000
<u>Unsecured:</u>			
RCUIDS	13,572	-	13,572
	13,572	380,456	394,028

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

As at 31 January 2020, the Company has extended corporate guarantees amounting to RM372.98 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. Loans and borrowings (cont'd)

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

24. Material litigation

There is no material litigation for the quarter under review.

25. Dividend

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

26. Earnings per share (“EPS”)

a) Basic EPS

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

	Current Year Quarter 31.01.2020	Current Year to-date 31.01.2020
Loss attributable to owners of the parent (RM'000)	(7,657)	(10,923)
Weighted average number of ordinary shares in issue ('000)	1,338,707	1,338,707
Basic losses per share (sen)	(0.57)	(0.82)

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

b) Diluted EPS

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

	Current Year Quarter 31.01.2020	Current Year- to-date 31.01.2020
Loss attributable to owners of the parent (basis) (RM'000)	(7,657)	(10,923)
Interest expense on RCUIDS, net of tax (RM'000)	179	366
Loss attributable to owners of the parent (diluted) (RM'000)	(7,478)	(10,557)
Weighted average number of ordinary shares in issue (basis) ('000)	1,338,707	1,338,707
Effect of conversion of RCUIDS	236,826	236,826
Weighted average number of ordinary shares in issue (diluted) ('000)	1,575,533	1,575,533
Diluted Losses per share (sen)	(0.47)	(0.67)

27. Loss from operations

	Current Year Quarter 31.01.2020 RM'000	Current Year- to-date 31.01.2020 RM'000
<i>Loss for the period is arrived at after charging:</i>		
Depreciation of property, plant and equipment	3,526	6,696
Depreciation of investment property	55	109
Finance costs	5,266	12,177
<i>and after crediting/(charging):</i>		
Gain on disposal of property, plant and equipment	(20)	17
Finance income:		
Other investments	4	9
Deposits with licensed banks	667	1,557
Net foreign exchange gain		
Realised	27	631
Unrealised	(697)	(477)
Rental income	239	475

28. Authorisation for Issue

The Interim Financial Statements were authorised for issue by the Board of Directors on 27th March 2020.

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