



HIAP TECK VENTURE BERHAD

(421340-U)

15 December 2016

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Attention: Mr. Quah Ban Aik
Head
Corporate Monitoring

Dear Sirs,

Re: 20th Annual General Meeting of Hiap Teck Venture Berhad (“HTVB” or the “Company”)

With reference to your letter dated 6 December 2016, we are pleased to answer the points you have raised in the interest of minority shareholders and all other stakeholders of the Group.

Strategic/Financial

1) Question 1 & 2.

As these questions relate to ESSB, we shall answer them together.

The Group’s wholly-owned downstream operations of manufacturing and trading have shown sustainable strength and continued to record earnings growth. The Board’s immediate priority is to turnaround the performance of ESSB. To this end, the Company has entered into the Cooperation Agreement with Ansteel and the other parties to revive the production of slabs at ESSB and to further expand downstream into higher margin products such as Hot Rolled Coils.

Ansteel is one of the largest steel producers in China with its steel products used in automobile, railway, household appliance, shipbuilding and ocean engineering, container, electrical engineering, petroleum and petro-chemical, high-end product steel, military engineering and special steel.

Ansteel will bring to ESSB expertise in the operation of a steel mill and its technology, skilled human resource and a fresh injection of capital for its operations and expansion. The Board is optimistic of improvements in production costs efficiency, product quality and financial performance at ESSB upon completion of the Proposed Transactions envisaged under the Cooperation Agreement.



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2) Question 3.

The Group's strategies to remain competitive and sustainable in the challenging business environment are to embark on various measures to continuously reduce production and operational costs especially for raw materials purchases. A wider range of products will also enable the marketing and sales team to provide a one stop solution to our customers.

Alpine has expanded its production line by commissioning a spiral pipe line and equipped with hydro tester that is able to produce pipes up to 1.60 meter in diameter. And Huatraco Scaffolding is the first company to comply with the MS 1462 requirements with PPS certification from CIDB. These new products widen the product range allowing the Group to seek a larger market share.

The results of the Group's initiatives are reflected by improvements in the Group's Gross Profit Margins to 10.9% (8.9% in 2015) and a reduction in working capital to RM472 million (RM570 million in 2015) in 2016.

We thank Minority Shareholder Watchdog Group ("MSWG") for its continuing interests in our Company and we take this opportunity to highlight that the Board of Directors of HTVB fully supports the work of MSWG in promoting good corporate governance best practices in PLCs.

Thank you.

Yours sincerely,
For and on behalf of
Hiap Teck Venture Berhad

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Foo Kok Siew
Executive Director