



HIAP TECK VENTURE BERHAD

(421340-U)

17 December 2019

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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

Attention: Mr. Devanesan Evanson
Chief Executive Officer

Dear Sirs,

Re: 23rd Annual General Meeting of Hiap Teck Venture Berhad (“HTVB” or the “Company”)

We refer to your letter dated 11 December 2019 and are pleased to answer the points you have raised in the interest of minority shareholders and all other stakeholders of the Group.

Strategic & Financial Matters

- 1) The trading segment recorded a much lower Profit before Tax of RM2.0 million as compared RM20.9 million in the previous financial year. This was principally due to margin erosion arising from the challenging macro-economic environment and increased volatility in the steel prices (Page 12 of the Annual Report 2019):-
 - a. How does the Board plan to address the margin erosion and increased volatility in steel prices, moving forward?
 - b. What Is the target margin for the trading segment business for the next few years?

Steel is basic commodity and its price is subject to market fluctuations as a result of global demand and supply factors. For trading companies, margins are compressed in a down cycle and likewise, will improve in an up cycle. However, over the long term, an average Profit before Tax margin of between 3.0% and 3.5% should be achievable. In order to sustain margin for the trading segment, the Group is pro-active in its procurement strategies and inventory holding level to ensure sustainable margins and lower holding costs.

- 2) 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 (SEA) (Page 16 of the Annual Report 2019).

- a. What is the budget needed for the technical and technology capabilities enhancement for the higher value-added products?
- b. How will the Group strategies to continuously expand the product range to remain at the forefront of the steel industry in Malaysia as well as SEA, and what are the products to be included in the product-line expansion?

In line with the Group's mission to be a one-stop steel center, we continuously expand and improve our products range to meet our customers' requirements. The technical and technology capabilities enhancement for higher value-added products is an on-going and continuous process. Over the years, the Group's improvements and product expansions have included, amongst others, API certified pipes for the oil and gas industry, hot finished process, cement lining, spiral pipes, fittings, scaffolding and formwork, and also continuous enhancement in automation and information systems. The Group's commitment to product excellence and quality is reflected by the numerous certifications and prestigious quality systems awards received, and the growing acceptance of our steel products in the export markets.

- 3) What are the reasons for the decrease in other operating income from RM36,605,000 in FY2018 to RM13,690,000 in FY2019 (Page 54 of the Annual Report 2019)?

The decrease in other operating income was mainly due to ceased interest income from Joint Venture ("JV") subsequent to the conversion of shareholders' advances into equity of the JV on 1 November 2018.

- 4) Apart from Geopintar E&C Sdn. Bhd. which is a newly acquired subsidiary (Page 87 of the Annual Report 2019), the Company has a few inactive companies. What is HTVB's plan for these inactive companies (Page 86-87 of the Annual Report 2019)?

The Company may use these inactive companies for new businesses as part of the Group's future expansion.

Corporate Governance Matter

- 1) Paragraph 9.21 (2) (b) of the Main Market Listing Requirements requires a public listed company to publish a summary of the Key Matters Discussed at the AGM.

As at 9 December 2019, the Key Matters Discussed at the last AGM were not published on the Company's website. Please explain.

We note your comment and have acted on it.

- 2) Step Up 4.3

The Company in its Corporate Governance Report (Page17) states that it has adopted Step Up 4.3 of MCCG.

Based on the Company's current practice of seeking shareholders' approval for the Chairman of the Company to continue in office as Independent Non-executive Director (Ordinary Resolution 9), the Company has not applied Step Up 4.3.

Step Up 4.3 does not provide for any extension of tenure beyond the 9-year tenure of Independent Directors. Please take note.

We note your comment. The Nominating Committee will review the applicability of the Step Up 4.3 and will make the necessary recommendations to the Board.

We thank Minority Shareholder Watch 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

A handwritten signature in black ink, appearing to read 'Foo Kok Siew', written over a horizontal line.

Foo Kok Siew
Executive Director

c.c. Company Secretary