



HIAP TECK VENTURE BERHAD

(421340-U)

GST REG. No.: 001660665856

17 December 2021

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: 25th Annual General Meeting of
Hiap Teck Venture Berhad (“HTVB” or the “Company”)**

We refer to your letter dated 7 December 2021 and are pleased to answer the points you have raised in the interest of minority shareholders and all other stakeholders of the Group.

Operational & Financial Matters

- 1) The Group registered a remarkable Profit before Tax of RM194.59 million in FY2021 as compared to RM8.69 million in the preceding financial year, representing an increase of 2,139% (Page 14 of the Annual Report 2021).

(a) Is the good performance sustainable in FY2022?

Management is positive of the Group’s continued good performance into FY2022 as the resumption of economic activity gathers momentum and business confidence improves in line with the progress of vaccinations across the world.

(b) What competitive advantage does HTVB have over its peers in the business?

The Group’s has more than 20 years of experience with its Manufacturing and Trading businesses synergistically combined into a **one-stop steel solution provider** to meet the demands of all major infrastructure and construction projects. Alpine Pipe Manufacturing Sdn. Bhd. (“Alpine”) is the largest structural pipe and hollow sections manufacturer in Malaysia with the widest range of sizes and product certifications in the country, providing Alpine with strong competitive advantage to supply to various projects and industries. Huatraco Scaffold Sdn. Bhd. is a pioneer in the scaffolding industry and is the first producer in Malaysia to obtain the MS1462 certification, exemplifying the superior quality of its scaffolds in Malaysia and overseas.

- 2) Other Operating Expenses increased significantly from RM652,000 in FY2020 to RM2,500,000 in FY2021 (Page 63 of the Annual Report 2021).

What are the reasons for the significant increase in other operating expenses?

The increase in other Operating Expenses was principally due to share options expense of RM1,888,000 recognized in FY2021 as disclosed in Page 133 of the Annual Report.

3) The Property & Investment segment

The segment reported a Loss before Tax (LBT) of RM8.81 million as compared to LBT of RM3.21 million in the previous financial year (Page 14 of the Annual Report).

How does the Board plan to address the increased LBT of the segment?

The expenses at the Property & Investment segment are head office costs incurred solely to support the Group's businesses where it derives management fees and rental income from the wholly-owned subsidiaries. The higher LBT in FY2021 was essentially the share options expense (as explained in item 2 above) and higher provisions for staff incentives in line with the Group's stronger performance.

4) Eastern Steel Sdn. Bhd. ("ESSB"), a joint-venture company

For FY2021, the Group recorded a share of gain of RM76.01 million from ESSB as compared to RM3.84 million in the preceding year.

ESSB's current project to further enhance cost effectiveness is the development of a 400,000 MT coke oven plant. The first 100,000 MT was completed in June and the second 100,000 MT in October 2021. The next 200,000 MT is expected to complete by the first half of 2022. The new coke oven plant is expected to significantly reduce production costs and enhance ESSB's profitability going forward, and enhanced its contribution to the Group (Page 11 of the Annual Report 2021).

(a) Considering the significantly increased share of gain and the current development in ESSB, what is the prospect of the Group achieving another good contribution from the joint-venture company in FY2022?

ESSB resumed production in July 2018 and has continuously invested in plant and machinery to reduce production costs and improve operational costs efficiency. Through these efforts, ESSB turned around in FY2021 driven by its cost competitiveness and quality as shown by the strong acceptance of its products both domestically and in overseas markets such as China, Taiwan, Indonesia, Thailand Japan, Korea and Singapore. Management is confident that ESSB will continue to contribute positively to the Group in FY2022 and beyond.

(b) What is the progress of the 200,000MT coke oven plant development? Is the plant on schedule?

The construction of the next 200,000MT coke oven plant is progressing according to plan.

(c) With the new coke oven plant, what is the expected reduction in the production costs?

The cost savings from the new coke oven plant will largely depend on prevailing market prices but can be reasonably estimated to reduce production costs over the long term by no less than RM300 per MT of Met Coke produced.

- 5) What is the latest capacity utilization rates for the Group's plants? What are the planned optimal utilization rates that the Group expects for the plants in FY2022?

Since its resumption of production in 2018, ESSB's plant has been consistently operating above 100% of its rated operating capacity of 700,000 MT per annum. We expect ESSB to continue to operate above 700,000 MT in FY2022

Corporate Governance & Sustainability Matters

- 1) Practice 5.1 of MCGG states that the board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The Board should disclose how the assessment was carried out and its outcome.

The Company in its Corporate Governance Report (Page21) has stated that it has applied Practice 5.1 of MCGG.

Based on the Company's explanation on the application of Practice 5.1, the Company has not applied the Practice as the Board has not disclosed how the assessment was carried out and its outcome.

We note your comment. The Board will take the necessary action to disclose further how the assessment of the effectiveness of the board, its committees and each individual director will be carried out and its outcome in the next CG Report.

- 2) On sustainability, what are the commitments that HTVB has decided to meet in the next two financial years?

The Group is committed and will continue to pay special attention to the four Core Values as set out in the Group's Sustainability Statement in page 44 of the Annual Report. The Group will continuously integrate these Core Values into the Group's corporate governance framework and operational processes and procedures at all levels.

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



Foo Kok Siew
Executive Director

c.c. Company Secretary