



HIAP TECK VENTURE BERHAD

(421340-U)

GST REG. NO.: 001660665856

17 December 2018

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: 22nd Annual General Meeting of Hiap Teck Venture Berhad ("HTVB" or the "Company")

With reference to your letter dated 11 December 2018, 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 Matters

- 1) As stated in the Management Discussion & Analysis, ("MDA") page 12 and page 100 of the segmental report of Annual Report 2018:-

The manufacturing segment recorded revenue of RM598.35 million in 2018 (2017: RM573.47 million). Despite the higher revenue recorded in 2018, segment profit reduced to RM55.23 million (2017: RM102.99 million).

Similarly, profit for the trading segment also declined to RM20.9 million, compared to RM29.2 million last year.

What are the reasons for the decline in the segment profit? What are the measures to address the decline?

- 2) Cost of sales rose 9.9% year-on-year to RM983.9 million (2017: RM895.42 million). Why was there a significant increase in cost of sales as compared to only 5.83% increase in revenue?

The lower profits for FY2018 was principally due to the normalization of margins for both the Trading and Manufacturing divisions attributable to more stable steel prices as opposed to the exceptional high margins recorded in FY2017 contributed by the sharp recovery in steel prices in 2016/2017. Management will focus on higher margin manufactured products for the export markets in the current year to improve performance.

- 3) The Group continued to recognize share of losses of the joint venture company Eastern Steel Sdn Bhd (ESSB) in FY2018. With the 55% stake in ESSB now reduced to 35% (page 9 of AR 2018). What will be the effect to the Group with the current structure?

The Group's shareholding in ESSB has reduced from 55% to 35% with effect from 1 November 2018. ESSB has resumed production on 16 July 2018 and is currently operating at full capacity. We are confident that ESSB will contribute positively to the future performance of the Group.

Corporate Governance Matter

- 1) We note that the Board is in the process of formalizing a policy on whistleblowing for the Group to comply with Practice 3.2 of Malaysian Code on Corporate Governance (MCCG). When is the targeted timeframe to establish the policy?

The Board will undertake to develop and adopt a formal and written policy and procedure on whistleblowing for the Group in FY 2019.

- 2) We note that the executive director, Mr. Foo Kok Siew sits on the Remuneration Committee (page 25 of AR 2018). According to MCCG Guidance 6.2, the Remuneration Committee should only consist of non-executive directors. How is the Company going to address this?

The Company will always strive to comply with the MCCG and to this end, Mr. Lee Ching Kion, an independent director, will replace Mr. Foo Kok Siew as a member of the Remuneration Committee with effect from 1 January 2019.

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