

HIAP TECK VENTURE BERHAD
(Company No:421340-U)
(Incorporated in Malaysia)

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for 1st quarter from 1 August 2013 to 31 October 2013

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/10/2013	31/10/2012	31/10/2013	31/10/2012
	RM'000	RM'000	RM'000	RM'000
Revenue	270,446	273,039	270,446	273,039
Cost of Sales	(248,739)	(256,081)	(248,739)	(256,081)
Gross Profit	21,707	16,958	21,707	16,958
Other Income	11,717	4,984	11,717	4,984
Operating Expenses	(12,974)	(11,414)	(12,974)	(11,414)
Other Expenses	-	(1,142)	-	(1,142)
Profit from Operations	20,450	9,386	20,450	9,386
Finance Costs	(6,298)	(6,404)	(6,298)	(6,404)
Share of profit/(loss) of jointly controlled entity	2,933	(684)	2,933	(684)
Profit Before Tax	17,085	2,298	17,085	2,298
Income tax	(3,025)	(1,284)	(3,025)	(1,284)
Profit for the Period	14,060	1,014	14,060	1,014
Other Comprehensive Income				
Net gain/(loss) on available-for-sale financial assets				
- fair value changes	(300)	(141)	(300)	(141)
Foreign currency translation	(162)	(15)	(162)	(15)
	(462)	(156)	(462)	(156)
Total Comprehensive Income	13,598	858	13,598	858
Profit Attributable to:				
Owners of the parent	14,060	1,014	14,060	1,014
Non-controlling interests	-	-	-	-
	14,060	1,014	14,060	1,014
Total Comprehensive Income Attributable to:				
Owners of the parent	13,598	858	13,598	858
Non-controlling interests	-	-	-	-
	13,598	858	13,598	858
Earnings Per Share (EPS)				
(a) Basic (sen)	1.99	0.14	1.99	0.14
(b) Diluted (sen)	1.96	N/A	1.96	N/A

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 2013 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Company No:421340-U)
(Incorporated in Malaysia)

Condensed Consolidated Statements of Financial Position as at 31 October 2013

	31/10/2013 (Unaudited)	31/7/2013 (Audited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	302,799	307,627
Investment in jointly controlled entity	135,318	132,385
Investment properties	7,912	7,952
Available-for-sale - financial assets	2,947	3,247
Deferred tax assets	1,205	2,677
Trade and other receivables (Amount due from jointly controlled entity)	420,092	367,562
	<u>870,273</u>	<u>821,450</u>
Current assets		
Inventories	353,879	406,983
Trade and other receivables	253,661	264,781
Tax recoverable	2,714	1,902
Available-for-sale - financial assets	11,697	56,759
Cash and cash equivalents	48,018	51,449
	<u>669,969</u>	<u>781,874</u>
Total assets	<u>1,540,242</u>	<u>1,603,324</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	356,871	356,871
Share premium	37,973	37,973
Treasury shares	(7,494)	(7,494)
Warrant reserve	18,459	18,459
Foreign reserve	401	563
Share option reserve	1,047	1,047
Fair value adjustment reserve	509	809
Equity component of redeemable convertible secured bonds, net of tax	(353)	(353)
Retained profits	515,198	501,138
Total equity	<u>922,611</u>	<u>909,013</u>
Non-current liabilities		
Borrowings	121,890	124,451
Deferred tax liabilities	12,480	12,772
	<u>134,370</u>	<u>137,223</u>
Current liabilities		
Borrowings	419,603	509,440
Trade and other payables	63,658	47,648
	<u>483,261</u>	<u>557,088</u>
Total liabilities	<u>617,631</u>	<u>694,311</u>
Total equity and liabilities	<u>1,540,242</u>	<u>1,603,324</u>
Net assets per share attributable to owners of the parent (RM)	1.30	1.28

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 July 2013 and the accompanying explanatory notes attached to the interim financial statement.

HIAP TECK VENTURE BERHAD
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Condensed Consolidated Statements of Cash Flows for the period ended 31 October 2013

	Current Year To-date 31/10/2013 RM'000	Preceding Year Corresponding Period 31/10/2012 RM'000
<u>Operating Activities</u>		
Profit Before Tax	17,085	2,298
Adjustments for:		
Dividend income	-	(45)
Depreciation of investment property	40	26
Depreciation of property, plant and equipment	5,993	5,193
Fair value changes on derivatives	-	(160)
Gain on disposal of property, plant and equipment	(659)	(144)
Interest expense	6,298	6,263
Finance income:		
Available-for-sale financial assets	(106)	(1,196)
Deposits	(111)	(50)
Jointly controlled entity	(4,445)	-
Net overdue interest income	(73)	(40)
Net unrealised foreign exchange (gain)/loss	(2,690)	1,109
Reversal of allowance for doubtful debts	(2)	(7)
Share of (profit)/loss of jointly controlled entity	(2,933)	684
Operating profit before changes in working capital	18,397	13,931
Net change in current assets	73,395	(5,412)
Net change in current liabilities	16,009	4,404
Cash generated from operations	107,801	12,923
Interest paid	(10,042)	(10,016)
Net overdue interest income received	73	40
Taxes paid, net of taxes refunded	(2,657)	578
Net cash from operating activities	95,175	3,525
<u>Investing Activities</u>		
Finance income:		
Available-for-sale financial assets	106	1,196
Deposits	111	50
Jointly controlled entity	4,445	-
Dividend income	-	45
Proceeds from disposal of property, plant and equipment	1,213	2,678
Proceeds from disposal of available-for-sale financial assets	45,062	77,296
Purchase of property, plant and equipment	(1,732)	(3,561)
Advances to jointly controlled entity	(52,544)	(48,771)
Net cash (used in)/from investing activities	(3,339)	28,933
<u>Financing Activities</u>		
Repayment of borrowings	(95,900)	(47,917)
Net cash used in financing activities	(95,900)	(47,917)
Net Change in Cash and Cash Equivalents	(4,064)	(15,459)
Effect of exchange rate changes	633	243
Cash and Cash Equivalents at beginning of period	51,449	62,574
Cash and Cash Equivalents at end of period	48,018	47,358

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2013 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Changes in Equity for the period ended 31 October 2013

	<----- Attributable to equity holders of the parent ----->									
	<----- Non-distributable ----->							<-Distributable->		
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Warrant Reserve RM'000	Foreign Reserve RM'000	Share Option Reserve RM'000	Fair Value Adjustment Reserve RM'000	Equity Component of Redeemable Convertible Secured Bonds, net of tax RM'000	Retained Profits RM'000	Total Equity RM'000
As at end of current quarter ended 31 October 2013										
Opening balance as at 1 August 2013	356,871	(7,494)	37,973	18,459	563	1,047	809	(353)	501,138	909,013
Total comprehensive income	-	-	-	-	(162)	-	(300)	-	14,060	13,598
Closing balance as at 31 October 2013	356,871	(7,494)	37,973	18,459	401	1,047	509	(353)	515,198	922,611
As at preceding year corresponding quarter ended 31 October 2012										
Opening balance as at 1 August 2012	356,871	(7,484)	37,986	18,459	63	-	199	(353)	481,096	886,837
Total comprehensive income	-	-	-	-	(15)	-	(141)	-	1,014	858
Closing balance as at 31 October 2012	356,871	(7,484)	37,986	18,459	48	-	58	(353)	482,110	887,695

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2013 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Company No: 421340-U)

Notes to the Quarterly Report – 31 October 2013

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 2013.

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 2013, except for the adoption of the following new and revised MFRSs, IC Interpretations and Amendments to MFRSs and IC Interpretation which are applicable to the financial statements:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10, Consolidated Financial Statements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits (2011)
- MFRS 127, Separate Financial Statements (2011)
- MFRS 128, Investments in Associates and Joint Ventures (2011)
- Amendments to MFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards – Government Loans
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 101, Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)

1. Basis of preparation (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 (cont'd)

- Amendments to MFRS 132, Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 10, Consolidated Financial Statements: Transition Guidance
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Transition Guidance

The adoption of above Standards and Interpretations did not have any significant effect on the financial statements of the Group.

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 2014

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, Financial Instruments (2009)
- MFRS 9, Financial Instruments (2010)
- Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures

2. Audit qualification

There were no audit qualifications on the annual financial statements of the Group for the year ended 31 July 2013.

3. Seasonal or cyclical factors

The Group's business operations are not materially affected by any major seasonal factors except during Hari Raya, Christmas and Chinese New Year festive seasons where business activities generally slow down.

4. Material unusual items

There were no unusual nature and amount of items affecting assets, liabilities, equity, net income or cash flows during the quarter.

5. 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.

6. Issuances, cancellation, repurchase, resale and repayment of debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter under review.

As at 31 October 2013, a total of 5,480,000 buy-back shares were held as treasury shares and carried at cost.

7. Dividend paid

No dividend has been paid during the quarter under review.

8. Segment information

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

	← 3 months ended 31 October 2013 →					
	Trading	Manufacturing	Property and Investment	Transportation	Elimination	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>
SALES						
- External sales	127,756	142,660	30	-	-	270,446
- Intersegment sales	389	6,114	2,880	1,014	(10,397)	-
Total sales	<u>128,145</u>	<u>148,774</u>	<u>2,910</u>	<u>1,014</u>	<u>(10,397)</u>	<u>270,446</u>
RESULTS						
Finance income	60	87	4,511	4	-	4,662
Finance costs	1,711	2,128	2,459	-	-	6,298
Depreciation & amortisation	839	4,617	493	84	-	6,033
Share of profit of jointly controlled entity	-	-	-	-	-	2,933
Segment profit	<u>2,138</u>	<u>9,671</u>	<u>2,247</u>	<u>96</u>	<u>2,933</u>	<u>17,085</u>

9. Valuation of property, plant and equipment

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

10. Significant events

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

11. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter under review.

12. Changes in contingent liabilities and assets

The contingent liabilities as at 31 October 2013 are as follow:

Unsecured Contingent Liabilities :-	Group	
	31.10.13 RM'000	31.07.13 RM'000
In respect of indemnity provided for bank guarantees issued	21,109	27,331
In respect of guarantees issued in favour of Royal Custom and Excise Department	3,000	3,000
Total	24,109	30,331

13. Capital commitments

Share of capital commitments of the jointly controlled entity as at 31 October 2013 are as follow:

	RM'000
<u>Capital expenditure:</u>	
Approved and contracted for	63,590
Approved but not contracted for	6,933
	<hr/>
	70,523

14. 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
	31.10.13	31.10.13
	RM'000	RM'000
Sales of steel products	1,077	1,077
Purchases of steel products	26,806	26,806

These transactions have been entered into in the normal course of business and at arms 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.

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PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

15. Review of performance

For the first quarter of Financial Year Ending 31 July 2014 (Q1FY2014), the Group recorded revenue of RM270.4 million as compared to RM273.0 million in the preceding year corresponding quarter (Q1FY2013), despite higher sales volume achieved. The decline in Group revenue was due to lower selling prices recorded in Q1FY2014 against Q1FY2013.

Contribution to Group revenue by the two main operation units i.e Trading Division and Manufacturing Division remained fairly equal and consistent. For Q1FY2014, Trading Division contributed 47% to Group revenue (51% for Q1FY2013) and the balance 53% was derived from the Manufacturing Division (49% for Q1FY2013). The higher contribution from the Manufacturing Division has led to an improvement in margin with the Gross Profit improving to RM21.7 million from RM16.9 million previously.

Combined with higher other income and the share of profit of jointly controlled entity, the Group registered a significantly improved profit before tax of RM17.1 million in Q1FY2014 as compared to RM2.3 million in Q1FY2013.

16. Comparison with immediate preceding quarter's results

The Group recorded revenue of RM270.4 million for Q1FY2014 was marginally lower than the RM273.9 million achieved in the immediate preceding quarter. Profit before tax, however, improved to RM17.1 million in the current quarter from RM15.7 million previously due principally to the share of profit of jointly controlled entity.

17. Prospects

The Group expects a challenging and competitive business environment going forward. However, we remain cautiously optimistic of the domestic economy which is expected to perform better than last year to grow at 5.0% - 5.5% in year 2014 on firm domestic demand and recovery in exports. Projects under the Economic Transformation Programme will continue to play an important role in driving demand for the domestic steel sector.

Barring unforeseen circumstances, the Group will continue its effort to strive for a positive performance for the rest of the financial year.

18. Variance of actual and forecast profit

Not applicable.

19. Tax

	Group	
	Current year quarter	Current year-to- date
	31.10.13	31.10.13
	RM'000	RM'000
Income tax	1,845	1,845
Deferred tax	1,180	1,180
	3,025	3,025

The Group's effective tax rate was lower than the statutory income tax rate mainly due to certain non-taxable income during the period under review.

20. Status of corporate proposal

There was no corporate exercise as at the date of this announcement.

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21. Borrowings

The Group's borrowings as at 31 October 2013 are as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured:</u>			
Bankers' Acceptances	-	328,468	328,468
Bank overdrafts	-	9,320	9,320
Revolving credit	-	30,000	30,000
Onshore foreign currency loan (RM denominated)	-	47,913	47,913
Liability component of redeemable convertible secured bonds	121,890	3,902	125,792
	<u>121,890</u>	<u>419,603</u>	<u>541,493</u>

Bankers' Acceptances, bank overdrafts, revolving credit and onshore foreign currency loan are secured by corporate guarantees of the Company.

As at 31 October 2013, the Company has extended corporate guarantees amounting to RM415.7 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.

Redeemable convertible secured bonds are constituted by a Trust Deed entered into between the Company and the trustee. Pursuant to the Trust Deed dated 21 March 2012, the Company will create the security documents to secure the bonds. The appointed Security Trustee has agreed to act as security trustee and to hold the benefit of the security documents and the security thereby created on trust for the secured parties in the manner and upon the terms and conditions in the deed.

22. Material litigation

There is no material litigation for the quarter under review.

23. Dividend

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

24. Earnings per share (“EPS”)

a) Basic EPS

The basic earnings per share has been calculated by dividing the Group’s net profit attributable to ordinary equity holders for the period by the weighted average number of ordinary shares in issue.

	Current Year Quarter 31.10.13	Current Year- to-date 31.10.13
Profit attributable to owners of the parent (RM'000)	14,060	14,060
Weighted average number of ordinary shares in issue ('000)	708,262	708,262
Basic earnings per share (sen)	1.99	1.99

b) Diluted EPS

The diluted earnings per share has been calculated by dividing the Group’s net profit 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, adjusted for the number of such ordinary shares that would have been issued at fair value.

The computation has not taken into account the dilution effect on earnings per share on exercise of warrants and conversion of redeemable convertible secured bonds on the assumption that no exercise of warrants and conversion of redeemable convertible secured bonds as the exercise price of warrants and conversion price of redeemable convertible secured bonds were higher than the market price.

	Current Year Quarter 31.10.13	Current Year- to-date 31.10.13
Profit attributable to owners of the parent (RM'000)	14,060	14,060
Weighted average number of ordinary shares in issue (diluted) ('000)	715,800	715,800
Diluted earnings per share (sen)	1.96	1.96

25. Realised and unrealised profit disclosure

	Current Year Quarter 31.10.13 RM'000	Immediate Preceding Quarter 31.07.13 RM'000
Realised	564,933	566,037
Unrealised	819	(11,442)
	565,752	554,595
Less: Consolidation adjustments	(50,554)	(53,457)
Total retained profits	515,198	501,138

26. Profit from operations

	Current Year Quarter 31.10.13 RM'000	Current Year- to-date 31.10.13 RM'000
<i>Profit for the year is arrived at after charging:</i>		
Depreciation of property, plant and equipment	5,993	5,993
Depreciation of investment property	40	40
Finance costs	6,298	6,298
<i>and after crediting:</i>		
Gain on disposal of property, plant and equipment	659	659
Finance income:		
Available-for-sale financial assets	106	106
Deposits	111	111
Jointly controlled entity	4,445	4,445
Net foreign exchange gain		
Realised	1,889	1,889
Unrealised	2,690	2,690
Rental income	188	188
Reversal of allowance for doubtful debts	2	2