

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 2014 to 31 October 2014

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/10/2014	31/10/2013	31/10/2014	31/10/2013
	RM'000	RM'000	RM'000	RM'000
Revenue	307,456	270,446	307,456	270,446
Cost of Sales	(283,316)	(248,739)	(283,316)	(248,739)
Gross Profit	24,140	21,707	24,140	21,707
Other Income	8,258	11,717	8,258	11,717
Operating Expenses	(14,880)	(12,974)	(14,880)	(12,974)
Other Expenses	(245)	-	(245)	-
Profit from Operations	17,273	20,450	17,273	20,450
Finance Costs	(7,319)	(6,298)	(7,319)	(6,298)
Share of profit/(loss) of jointly controlled entity	(4,968)	2,933	(4,968)	2,933
Profit Before Tax	4,986	17,085	4,986	17,085
Income tax	(2,139)	(3,025)	(2,139)	(3,025)
Profit for the Period	2,847	14,060	2,847	14,060
Other Comprehensive Income				
Net (loss)/gain on available-for-sale financial assets - fair value changes	348	(300)	348	(300)
Foreign currency translation	(4)	(162)	(4)	(162)
	344	(462)	344	(462)
Total Comprehensive Income	3,191	13,598	3,191	13,598
Profit Attributable to:				
Owners of the parent	2,848	14,060	2,848	14,060
Minority Interest	(1)	-	(1)	-
	2,847	14,060	2,847	14,060
Total Comprehensive Income Attributable to:				
Owners of the parent	3,192	13,598	3,192	13,598
Minority Interest	(1)	-	(1)	-
	3,191	13,598	3,191	13,598
Earnings Per Share (EPS)				
(a) Basic (sen)	0.40	1.99	0.40	1.99
(b) Diluted (sen)	0.38	1.96	0.38	1.96

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 2014 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 2014

	31/10/2014 (Unaudited)	31/7/2014 (Audited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	304,686	288,188
Investment in jointly controlled entity	127,901	132,869
Investment properties	7,753	7,794
Available-for-sale - financial assets	2,799	2,451
Deferred tax assets	2,313	2,670
Trade and other receivables (Amount due from jointly controlled entity)	471,726	466,678
	<u>917,178</u>	<u>900,650</u>
Current assets		
Inventories	370,381	354,840
Trade and other receivables	274,680	276,502
Tax recoverable	2,738	1,056
Available-for-sale - financial assets	61,157	27,879
Cash and cash equivalents	37,588	56,677
	<u>746,544</u>	<u>716,954</u>
Total assets	<u>1,663,722</u>	<u>1,617,604</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	359,158	358,978
Share premium	38,157	38,143
Treasury shares	(7,495)	(7,495)
Warrant reserve	18,459	18,459
Foreign reserve	(111)	(107)
Share option reserve	2,800	2,591
Fair value adjustment reserve	312	(36)
Equity component of redeemable convertible secured bonds, net of tax	(353)	(353)
Retained profits	545,301	542,453
	<u>956,228</u>	<u>952,633</u>
Minority Interest	508	-
Total equity	<u>956,736</u>	<u>952,633</u>
Non-current liabilities		
Borrowings	128,614	127,758
Deferred tax liabilities	11,379	11,750
	<u>139,993</u>	<u>139,508</u>
Current liabilities		
Borrowings	498,791	449,974
Trade and other payables	66,973	75,489
Tax payable	1,229	-
	<u>566,993</u>	<u>525,463</u>
Total liabilities	<u>706,986</u>	<u>664,971</u>
Total equity and liabilities	<u>1,663,722</u>	<u>1,617,604</u>
Net assets per share attributable to owners of the parent (RM)	1.34	1.34

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 July 2014 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 2014

	Current Year To-date 31/10/2014 RM'000	Preceding Year Corresponding Period 31/10/2013 RM'000
<u>Operating Activities</u>		
Profit Before Tax	4,986	17,085
Adjustments for:		
Depreciation of investment property	39	40
Depreciation of property, plant and equipment	5,840	5,993
Equity-settled share based payments	223	-
Gain on disposal of property, plant and equipment	(592)	(659)
Interest expense	7,319	6,298
Finance income:		
Available-for-sale financial assets	(238)	(106)
Deposits	(67)	(111)
Jointly controlled entity	(5,049)	(4,445)
Net overdue interest income	(101)	(73)
Net unrealised foreign exchange (gain)/loss	(628)	(2,690)
Reversal of allowance for doubtful debts	-	(2)
Property, plant and equipment written off	21	-
Gain on bargain purchase	(71)	-
Share of (profit)/loss of jointly controlled entity	4,968	(2,933)
Operating profit before changes in working capital	16,650	18,397
Net change in current assets	(5,749)	73,395
Net change in current liabilities	(26,650)	16,009
Cash generated from operations	(15,749)	107,801
Interest paid	(15,870)	(10,042)
Net overdue interest income received	101	73
Taxes paid, net of taxes refunded	(2,608)	(2,657)
Net cash from operating activities	(34,126)	95,175
<u>Investing Activities</u>		
Finance income:		
Available-for-sale financial assets	238	106
Deposits	67	111
Jointly controlled entity	5,049	4,445
Investment in available-for-sale financial assets	(33,278)	-
Proceeds from disposal of property, plant and equipment	746	1,213
Proceeds from disposal of available-for-sale financial assets	-	45,062
Purchase of property, plant and equipment	(3,888)	(1,732)
Advances to jointly controlled entity	(5,048)	(52,544)
Net cash used in investing activities	(36,114)	(3,339)
<u>Financing Activities</u>		
Issuance of ordinary shares	180	-
(Repayment)/drawdown of borrowings	50,466	(95,900)
Net cash (used in)/from financing activities	50,646	(95,900)
Net Change in Cash and Cash Equivalents	(19,594)	(4,064)
Effect of exchange rate changes	505	633
Cash and Cash Equivalents at beginning of period	56,677	51,449
Cash and Cash Equivalents at end of period	<u>37,588</u>	<u>48,018</u>

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2014 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Changes in Equity for the period ended 31 October 2014

	-----<----- 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 RM'000	Minority Interests RM'000	Total Equity RM'000
As at end of current quarter ended 31 October 2014												
Opening balance as at 1 August 2014	358,978	(7,495)	38,143	18,459	(107)	2,591	(36)	(353)	542,453	952,633	-	952,633
Total comprehensive income	-	-	-	-	(4)	-	348	-	2,848	3,192	(1)	3,191
Transactions with owners												
Share options exercised	180	-	-	-	-	-	-	-	-	180	-	180
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to share premium for share options exercised	-	-	14	-	-	(14)	-	-	-	-	-	-
Equity-settled share based payments	-	-	-	-	-	223	-	-	-	223	-	223
Minority Interest on Acquisition of Subsidiary	-	-	-	-	-	-	-	-	-	-	509	509
Final dividend for the financial year ended 31 July 2013 (Single tier of 1.2%)	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners	180	-	14	-	-	209	-	-	-	403	509	912
Closing balance as at 31 October 2014	359,158	(7,495)	38,157	18,459	(111)	2,800	312	(353)	545,301	956,228	508	956,736
As at preceding year corresponding 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	-	909,013
Total comprehensive income	-	-	-	-	(162)	-	(300)	-	14,060	13,598	-	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	-	922,611

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2014 and the accompanying explanatory notes attached to the interim financial statements.

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

Notes to the Quarterly Report ó 31 October 2014

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 2014. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 July 2014.

2. Significant Accounting Policies

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 2014, except for the adoption of the following new and revised MFRSs, IC Interpretations and Amendments to MFRSs and IC Interpretation that are effective for the financial year ending 31 July 2015:

- 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 ó Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Impairment of Assets ó Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Financial Instruments: Recognition and Measurement ó Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

2. Significant Accounting Policies (cont'd)

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 2, Share-based Payment (Annual Improvements 2010 ó 2012 Cycle)
- Amendments to MFRS 3, Business Combinations (Annual Improvements 2010 ó 2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 8, Operating Segments (Annual Improvements 2010 ó 2012 Cycle)
- Amendments to MFRS 13, Fair Value Measurement (Annual Improvements 2010 ó 2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010 ó 2012 Cycle)
- Amendments to MFRS 119, Employee Benefits ó Defined Benefit Plan: Employee Contributions
- Amendments to MFRS 124, Related Party Disclosures (Annual Improvements 2010 ó 2012 Cycle)
- Amendments to MFRS 138, Intangible Assets (Annual Improvements 2010 ó 2012 Cycle)
- Amendments to MFRS 140, Investment Property (Annual Improvements 2011 ó 2013 Cycle)

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 2016

- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 116, Property, Plant and equipment - Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 138, Intangible Assets ó Clarification of Acceptable Methods of Depreciation and Amortisation

2. Significant Accounting Policies (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, Revenue from Contracts with Customers

MFRSs, Interpretations and amendments effective for date yet to be confirmed

- MFRS 9, Financial Instruments (2009)
- MFRS 9, Financial Instruments (2010)
- MFRS 9, Financial Instruments ó Hedge Accounting and Amendments to FRS 9, FRS 7 and FRS 139
- Amendments to MFRS 7, Financial Instruments: Disclosures ó Mandatory Effective Date of MFRS 9 and Transition Disclosures

3. Audit qualification

There were no audit qualifications on the annual financial statements of the Group for the year ended 31 July 2014.

4. 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.

5. Material unusual items

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

6. 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.

7. 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 except the following:

- a) Issuance of 360,000 new ordinary shares at par of RM0.50 each for cash arising from the exercise of Employees' Share Options Scheme (øESOSø) at an exercise price of RM0.50 each;
- b) As at quarter ended 31 October 2014, a total of 5,481,000 buy-back shares were held as treasury shares and carried at cost.

8. Dividend paid

No dividend has been paid during the quarter under review.

9. Segment information

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

	← 3 months ended 31 October 2014 →					
	Trading	Manufacturing	Property and Investment	Transportation	Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
SALES						
- External sales	172,224	135,183	48	1	-	307,456
- Intersegment sales	1,051	11,768	2,880	1,028	(16,727)	-
Total sales	173,275	146,951	2,928	1,029	(16,727)	307,456
RESULTS						
Finance income	192	51	5,105	6	-	5,354
Finance costs	2,232	2,303	2,784	-	-	7,319
Dividend income	-	-	-	-	-	-
Depreciation & amortisation	854	4,439	490	96	-	5,879
Share of loss of jointly controlled entity	-	-	-	-	-	(4,968)
Segment profit	2,320	5,635	1,885	114	(4,968)	4,986

10. Valuation of property, plant and equipment

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

11. Significant events

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

12. Changes in the composition of the Group

Hiap Teck Resources Sdn Bhd (formerly known as Hiap Teck Management Services Sdn Bhd) (õHTRSBõ), a wholly-owned subsidiary of the Company, has completed the acquisition of 55% equity interest in Vista Mining Sdn Bhd on 9th October 2014.

Save for the above, there were no significant changes in the composition of the Group as at the date of this report.

13. Changes in contingent liabilities and assets

The contingent liabilities as at 31 October 2014 are as follow:

Unsecured Contingent Liabilities :-	Group	
	31.10.14 RM'000	31.10.13 RM'000
In respect of indemnity provided for bank guarantees issued	11,455	21,109
In respect of guarantees issued in favour of Royal Custom and Excise Department	3,000	3,000
In respect of corporate guarantees issued to a jointly controlled entity	67,935	-
Total	82,390	24,109

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14. Capital commitments

Share of capital commitments of the jointly controlled entity as at 31 October 2014 are as follow:

	RM'000
<u>Capital expenditure:</u>	
Approved and contracted for	23,543
Approved but not contracted for	2,572
	<u>26,115</u>

15. 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
	31.10.14	31.10.14
	RM'000	RM'000
Sales of steel products	559	559
Purchases of steel products	49,201	49,201

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

16. Review of performance

The Group recorded revenue of RM307.46 million in the first quarter of Financial Year ending 31 July 2015, compared to RM270.45 million in the preceding year corresponding quarter, an increase of 13.68%. The increase was mainly attributable to higher sales volume achieved in the Trading Division. Despite a significant increase in sales volume (48% higher than Q1FY2014), trading revenue only grew by 35% to RM173.28 million (Q1FY2014 : RM128.15 million), due to lower average selling prices arising from keen competition.

The Manufacturing Division maintained its sales performance with approximately the same sales volume but with slightly lower revenue of RM146.95 million as compared to RM148.77 million in the preceding year corresponding quarter.

While revenue showed improvement, the Group registered a lower profit before tax of RM4.99 million in Q1FY2015 as compared to RM17.09 million in Q1FY2014 due to lower other income and share of loss of jointly controlled entity of RM4.97 million instead of share of profit in Q1FY2014 of RM2.93 million. The significant change in the jointly controlled entity's performance for the period was primarily due to foreign currency translations results.

17. Comparison with immediate preceding quarter's results

For the quarter under review, the Group's revenue improved by 8.2% from the immediate preceding quarter of RM284.17 million to RM307.46 million, contributed by higher sales volume in the Trading Division.

The Group's lower profit before tax of RM4.99 million in Q1FY2015 (Q4FY2014 : RM8.87 million) was attributable primarily to the share of loss of the jointly controlled entity of RM4.97 million in the current quarter.

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18. Prospects

In the past two years, the continuing Euro-zone problem, economic stagnation and slow growth in developed economies and a cooling of emerging economies took a toll on the industry. Growth in the China economy, which in recent years has been one of the main demand drivers for steel, slowed down. Overcapacity has also been a perennial problem. In short, the outlook of the global steel industry continues to be volatile and uncertain, thus leading to a challenging environment for steel companies.

The Malaysia steel industry is linked and impacted by the challenging global and regional environment. Nonetheless, demand for domestic steel products is expected to remain buoyant with the ongoing major construction projects under the Economic Transformation Programme. Overall, the outlook for the Malaysian steel industry is neutral as the positive impact of mega-projects will generally be offset by rising input costs and soft external outlook.

The Group will continue its focus on improving its performance by strengthening its procurement and inventory management, increase productivity as well as effective cost control. The Group will strive to maintain a satisfactory performance for the remaining periods of the financial year.

19. Variance of actual and forecast profit

Not applicable.

20. Tax

	Group	
	Current year quarter	Current year-to- date
	31.10.14	31.10.14
	RM'000	RM'000
Income tax	2,154	2,154
Deferred tax	(15)	(15)
	2,139	2,139

The Group's effective tax rate was higher than the statutory income tax rate of 25% mainly due to share of loss of jointly controlled entity which resulted in a lower profit before tax. The Group's effective tax rate was lower than the statutory income tax rate should the profit before tax of the Group excluded the share of loss of the jointly controlled entity, mainly due to utilisation of tax incentives by certain subsidiaries.

21. Status of corporate proposal

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

22. Borrowings

The Group's borrowings as at 31 October 2014 are as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured:</u>			
Bankers' Acceptances	-	438,241	438,241
Bank overdrafts	-	-	-
Revolving credit	-	60,000	60,000
Liability component of redeemable convertible secured bonds	128,614	550	129,164
	<u>128,614</u>	<u>498,791</u>	<u>627,405</u>

Bankers' Acceptances and revolving credit are secured by corporate guarantees of the Company.

As at 31 October 2014, the Company has extended corporate guarantees amounting to RM498.24 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.

23. Material litigation

There is no material litigation for the quarter under review.

24. Dividend

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

25. 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 31.10.14	Current Year to-date 31.10.14
Profit attributable to owners of the parent (RM'000)	2,848	2,848
Weighted average number of ordinary shares in issue ('000)	712,667	712,667
Basic earnings per share (sen)	0.40	0.40

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, warrants and redeemable convertible secured bonds, adjusted for the number of such ordinary shares that would have been issued at fair value.

	Current Year Quarter 31.10.14	Current Year to-date 31.10.14
Profit attributable to owners of the parent (RM'000)	2,848	2,848
Weighted average number of ordinary shares in issue ('000)	712,667	712,667
Adjustment for : ESOS ('000)	14,816	14,816
: Warrants ('000)	8,330	8,330
: Redeemable Convertible Bonds ('000)	11,901	11,901
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	747,714	747,714
Diluted earnings per share (sen)	0.38	0.38

26. Realised and unrealised profit disclosure

	Current Year Quarter 31.10.14 RM'000	Immediate Preceding Quarter 31.07.14 RM'000
Realised	597,170	589,703
Unrealised	5,416	4,998
	602,586	594,701
Less: Consolidation adjustments	(57,285)	(52,248)
Total retained profits	545,301	542,453

27. Profit from operations

	Current Year Quarter 31.10.14 RM'000	Current Year- to-date 31.10.14 RM'000
<i>Profit for the year is arrived at after charging:</i>		
Depreciation of property, plant and equipment	5,840	5,840
Depreciation of investment property	39	39
Equity-settled share based payments	223	223
Finance costs	7,319	7,319
<i>and after crediting:</i>		
Gain on disposal of property, plant and equipment	592	592
Finance income:		
Available-for-sale financial assets	238	238
Deposits	67	67
Jointly controlled entity	5,049	5,049
Net foreign exchange gain		
Realised	65	65
Unrealised	628	628
Rental income	197	197

28. Authorisation for Issue

The Interim Financial Statements were authorized for issue by the Board of Directors on 17th December 2014.