

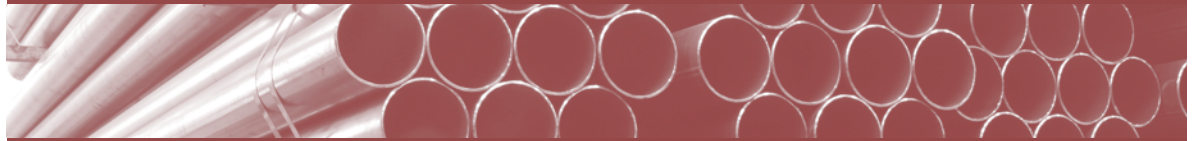


**HTVB**

HIAP TECK VENTURE BERHAD  
421340-U

## ANNUAL REPORT 2007

- BUILD VALUE FOR SHAREHOLDERS
- PARTICIPATE IN THE DEVELOPMENT OF THE COUNTRY
- TOTAL CUSTOMER SATISFACTION
- ENHANCEMENT OF EXISTING CORE BUSINESS TO POSITION FOR GROWTH
- ONE STOP STEEL CENTRE
- CONTINUOUSLY DEVELOP HUMAN ASSET



## TO BE THE LEADING STEEL COMPANY

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## Corporate Structure



## Corporate Information

### BOARD OF DIRECTORS

#### Chairman

Tan Sri Dato' Alwi Jantan

#### Managing Director

Mr. Kua Hock Lai

#### Independent Non-Executive Directors

Dato' Mohamed Nizam bin Abdul Razak

Mr. Yeoh Chong Keat

Mr. Cheah Shu Boon

#### Executive Directors

Ms. Law Sook Teng

Mr. Kua Swee Leong

Mr. Kua Swee Kiat

Mr. Phang Chin Khiong

Mr. Teoh Peir Song

#### Alternate Director

Ms. Toh Su Lin

*(Alternate Director to Mr. Cheah Shu Boon)*

### AUDIT COMMITTEE

#### Chairman

Mr. Yeoh Chong Keat

#### Members

Mr. Cheah Shu Boon

Mr. Kua Swee Kiat

### REMUNERATION COMMITTEE

#### Chairman

Tan Sri Dato' Alwi Jantan

#### Members

Mr. Yeoh Chong Keat

Mr. Cheah Shu Boon

Mr. Kua Hock Lai

### NOMINATION COMMITTEE

#### Chairman

Tan Sri Dato' Alwi Jantan

#### Members

Dato' Mohamed Nizam bin Abdul Razak

Mr. Cheah Shu Boon

### COMPANY SECRETARY

Ng Yim Kong (LS 0008343)

### HEAD OFFICE & REGISTERED OFFICE

Lot 6096, Jalan Haji Abdul Manan

Batu 5½, Off Jalan Meru

41050 Klang

Selangor Darul Ehsan

Tel No. : 6 03-3392-8888

Fax No. : 6 03-3392-9135

Website : [www.htgrp.com.my](http://www.htgrp.com.my)

### REGISTRAR

Symphony Share Registrars Sdn Bhd (378993-D)

Level 26, Menara Multi-Purpose, Capital Square

No.8, Jalan Munshi Abdullah

50100 Kuala Lumpur

Tel No. : 6 03-2721-2222

Fax No. : 6 03-2721-2530

### PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad (88103-W)

Hong Leong Bank Berhad (97141-X)

Malayan Banking Berhad (3813-K)

RHB Bank Berhad (6171-M)

### AUDITORS

Ernst & Young (AF : 0039)

Chartered Accountants

Level 23A, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

50490 Kuala Lumpur

### SOLICITORS

S.B. Cheah & Associates

Unit 8-16-2, Menara Mutiara Bangsar

Jalan Liku, Off Jalan Riong

Bangsar, 59100 Kuala Lumpur

### STOCK EXCHANGE

Bursa Malaysia Securities Berhad

Main Board

Stock Code : 5072

## Profile of the Board of Directors

### TAN SRI DATO' ALWI JANTAN INDEPENDENT NON-EXECUTIVE CHAIRMAN

Aged 72, a Malaysian, was appointed to the Board of Directors of Hiap Teck Venture Berhad ("HTVB") as an Independent Non-Executive Director and Chairman of HTVB on 6 June 2003. Tan Sri Dato' Alwi also chairs the Remuneration Committee and Nomination Committee of HTVB.

Tan Sri Dato' Alwi currently sits on the boards of Genting Golf Course Bhd, Genting Highlands Berhad, Resorts World Berhad, Awana Vacation Resorts Development Berhad, Guinness Anchor Berhad, UOA Asset Management Sdn Bhd and several other private companies.

Tan Sri Dato' Alwi obtained his Bachelor of Arts (Honours) degree from the University of Malaya in Singapore in 1958 and also attended the Advanced Management Program at Harvard Business School in 1980. He held various positions in the Malaysian civil service and was the Director General of Public Service, Malaysia prior to his retirement in April 1990.

Tan Sri Dato' Alwi does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence other than traffic offences within the past 10 years.

Tan Sri Dato' Alwi has attended all four (4) Board of Directors' Meetings of HTVB held during the financial year ended 31 July 2007.

### KUA HOCK LAI MANAGING DIRECTOR

Aged 59, a Malaysian, was appointed as Managing Director of HTVB on 6 June 2003. Mr. Kua is a member of the Remuneration Committee of HTVB. He also sits on the boards of several subsidiary companies of HTVB and other private limited companies.

Mr. Kua Hock Lai is a businessman by profession and has nearly 40 years of experience in the steel and building materials industry. With his long and in-depth experience, he plays an important role in guiding the Group's direction and future growth.

Mr. Kua is the father of Mr. Kua Swee Leong and Mr. Kua Swee Kiat, the Executive Directors of HTVB and the spouse of Madam Lim Ah Eng, a major shareholder of HTVB. He has no conflict of interest with the Company and has not been convicted of any offence other than traffic offences within the past 10 years.

Mr. Kua has attended all four (4) Board of Directors' Meetings of HTVB held during the financial year ended 31 July 2007.

**DATO' MOHAMED NIZAM BIN ABDUL RAZAK**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Aged 49, a Malaysian, was appointed to the Board of Directors of HTVB as an Independent Non-Executive Director on 6 June 2003. Dato' Nizam is a member of the Nomination Committee of HTVB.

Dato' Nizam currently holds directorship at Mamee Double-Decker (Malaysia) Bhd, Delloyd Ventures Berhad, Yeo Hiap Seng (Malaysia) Bhd, Synergy Track Bhd, Deutsche Bank (M) Berhad and several private companies. He is also a trustee on several charitable foundations such as the Noah Foundation, the Hong Leong Foundation and the National Children Welfare Foundation.

Dato' Mohamed Nizam bin Abdul Razak graduated in Politics, Philosophy and Economics from Oxford University, United Kingdom, in 1980. He began his career in 1981 when he joined the Corporate Finance Department in Bumiputera Merchant Bankers Berhad. In 1984, he joined GP Securities Sdn Bhd (now known as PB Securities Sdn Bhd) as General Manager. He became the Chief Executive Officer in 1992 and held the position until his retirement in 1998.

Dato' Nizam does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence other than traffic offences within the past 10 years.

Dato' Nizam has attended two (2) out of the four (4) Board of Directors' Meetings of HTVB held during the financial year ended 31 July 2007.

**YEOH CHONG KEAT**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Aged 49, a Malaysian, was appointed to the Board of Directors of HTVB as an Independent Non-Executive Director on 6 June 2003. Mr. Yeoh is the Chairman of the Audit Committee and a Member of the Remuneration Committee of HTVB.

Mr. Yeoh currently sits on the Board of Directors of Lien Hoe Corporation Berhad and several private companies.

Mr. Yeoh did his foundation course in accountancy in Birmingham Polytechnic, UK and is a Fellow of the Institute of Chartered Accountants in England and Wales, Chartered Accountant (Malaysia), Fellow of the Malaysian Institute of Taxation and Member of the Malaysian Institute of Certified Public Accountants.

Mr. Yeoh trained and qualified as a Chartered Accountant with the firm now known as PricewaterhouseCoopers, UK. He was also formerly the Head of the Corporate Services Division of a 'Big Four' accounting firm in Kuala Lumpur.

Mr. Yeoh does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence other than traffic offences within the past 10 years.

Mr. Yeoh has attended all four (4) Board of Directors' Meetings of HTVB held during the financial year ended 31 July 2007.

## Profile of the Board of Directors (Cont'd.)

### CHEAH SHU BOON

#### INDEPENDENT NON-EXECUTIVE DIRECTOR

Aged 47, a Malaysian, was appointed to the Board of Directors of HTVB on 20 March 1997. Mr. Cheah is also a Member of the Audit Committee, Nomination Committee and Remuneration Committee of HTVB.

He holds a Bachelor of Arts in Law (Honours) and a Master of Laws from the London School of Economics, University of London. He is also a Barrister-at-Law from Gray's Inn, England. He is a practising advocate and solicitor of the High Court of Malaya.

He is well experienced in a wide scope of legal work which include civil litigation, conveyancing, corporate matters and joint ventures. He has provided extensive advice in the negotiation and finalisation of various joint ventures and privatisation projects. In addition, he has undertaken property development projects and currently sits on the boards of several private limited companies.

Mr. Cheah does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence other than traffic offences within the past 10 years.

Mr. Cheah has attended all four (4) Board of Directors' Meetings of HTVB held during the financial year ended 31 July 2007.

### TOH SU LIN

#### ALTERNATE DIRECTOR

Aged 36, a Malaysian, is the Alternate Director of HTVB to Mr. Cheah Shu Boon. She was appointed to the Board of Directors of HTVB on 20 March 1997 and subsequently resigned and was appointed as the Alternate Director to Mr. Cheah Shu Boon on 12 June 2003.

Ms. Toh sits on the board of several private limited companies.

Ms. Toh holds a Bachelor of Laws (Honours) degree from the University of Leeds, England and holds the Certificate of Legal Practice. She is a practising advocate and solicitor of the High Court of Malaya.

Ms. Toh does not have any family relationship with other Directors and/or major shareholders of the Company nor does she have any conflict of interest with the Company. She has not been convicted of any offence other than traffic offences within the past 10 years.



LAW SOOK TENG  
EXECUTIVE DIRECTOR

Aged 39, a Malaysian, was appointed as Executive Director of HTVB on 6 June 2003. Ms. Law does not sit on any Board Committee of HTVB. She is also a director of Alpine Pipe Manufacturing Sdn Bhd ("APM"), a wholly owned subsidiary of HTVB.

She graduated with a Bachelor of Economics degree from Universiti Malaya in 1992. Prior to joining APM in 1994 as the Sales Manager, she was the Assistant Sales Manager of Wing Tiek Steel Pipes Sdn Bhd from 1992 to 1994. She is involved in the management, sales and marketing of APM.

Ms. Law does not have any family relationship with other Directors and/or major shareholders of the Company nor does she have any conflict of interest with the Company. She has not been convicted of any offence other than traffic offences within the past 10 years.

Ms. Law has attended two (2) out of the four (4) Board of Directors' Meetings of HTVB held during the financial year ended 31 July 2007.

KUA SWEE LEONG  
EXECUTIVE DIRECTOR

Aged 33, a Malaysian, was appointed as Executive Director of HTVB on 12 November 2003. Mr. Kua does not sit on any Board Committee of HTVB. He also sits on the boards of several subsidiary companies of HTVB and other private limited companies.

Mr. Kua graduated with a Bachelor of Business Administration and Management degree from University of Kansas, U.S.A. in 1995. He has been with the Company since graduating from university. Currently, he is responsible for the management and the daily operations of the Group.

Mr. Kua Swee Leong is the son of Mr. Kua Hock Lai, the Managing Director and Madam Lim Ah Eng, a major shareholder of the Company. He is the brother of Mr. Kua Swee Kiat, the Executive Director of HTVB. He has no conflict of interest with the Company and has not been convicted of any offence other than traffic offences within the past 10 years.

Mr. Kua has attended two (2) out of the four (4) Board of Directors' Meetings of HTVB held during the financial year ended 31 July 2007.



## Profile of the Board of Directors (Cont'd.)

### KUA SWEE KIAT EXECUTIVE DIRECTOR

Aged 32, a Malaysian, was appointed as an Executive Director of HTVB on 4 January 2006. He is a member of the Audit Committee of HTVB. He also sits on the boards of several subsidiary companies of HTVB and other private limited companies.

Mr. Kua graduated with a Bachelor of Commerce, majoring in Accounting and Finance from Curtin University of Technology of Perth, Western Australia in 1998. Mr. Kua was with Ernst & Young since graduating from university. He has spent 3 years with Ernst & Young's Assurance and Advisory Business Division. He joined HTVB in 2001, overseeing the finance and operation of APM.

Mr. Kua Swee Kiat is the son of Mr. Kua Hock Lai, the Managing Director and Madam Lim Ah Eng, a major shareholder of the Company. He is the brother of Mr. Kua Swee Leong, the Executive Director of HTVB. He has no conflict of interest with the Company and has not been convicted of any offence other than traffic offences within the past 10 years.

Mr. Kua has attended three (3) out of the four (4) Board of Directors' Meetings of HTVB held during the financial year ended 31 July 2007.

### PHANG CHIN KHIONG EXECUTIVE DIRECTOR

Aged 38, a Malaysian, was appointed as an Executive Director of HTVB on 29 June 2007. Mr. Phang does not sit on any Board Committee of HTVB. He is also a director of APM.

He joined Wing Tiek Steel Pipes Sdn Bhd as an Assistant Sales Manager in 1991 after which he left in 1994 to pursue a career in the steel industry with APM. He is involved in the management, sales and marketing of APM.

Mr. Phang does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence other than traffic offences within the past 10 years.

Mr. Phang has not attended any of the Board of Directors' Meetings of HTVB held during the financial year ended 31 July 2007 as the meetings were held prior to his appointment.

TEOH PEIR SONG  
EXECUTIVE DIRECTOR

Aged 41, a Malaysian, was appointed as an Executive Director of HTVB on 29 June 2007. Mr. Teoh does not sit on any Board Committee of HTVB. He sits on the boards of several subsidiary companies of HTVB.

Mr. Teoh graduated with Diploma in Civil Engineering. He was attached with Wing Tiek Holdings Berhad before joining Hiap Teck Hardware Sdn Bhd ("HTH"), a wholly owned subsidiary of HTVB in 1993. His experience in the marketing capacity has accorded him familiarity with the hardware trading business. Mr. Teoh is responsible for the marketing function of HTH.

Mr. Teoh does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence other than traffic offences within the past 10 years.

Mr. Teoh has not attended any of the Board of Directors' Meetings of HTVB held during the financial year ended 31 July 2007 as the meetings were held prior to his appointment.

## Chairman's Statements

ON BEHALF OF THE BOARD OF DIRECTORS OF HIAP TECK VENTURE BERHAD ("HTVB"), I AM PLEASED TO PRESENT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP FOR THE FINANCIAL YEAR ENDED 31ST JULY 2007.

### FINANCIAL PERFORMANCE

The HTVB Group has entered into a new milestone in financial year 2006 with revenue crossing the RM1 billion mark for the first time in HTVB's history. This year is the second consecutive year, HTVB has achieved a record turnover despite a slew of challenges confronting the industry.

The Group charted a record revenue and net profit for the financial year under review. The Group registered revenue growth of 27.08% to RM1.281 billion compared to RM1.008 billion posted the previous year, whereas the Group's net profit increased by 121.46% to RM71.397 million from RM32.239 million in the previous financial year. The commendable Group's performance was contributed by the dynamic progress of both the trading and manufacturing activities.

### DIVIDENDS

As a reward to shareholders for their support, the Board of Directors is pleased to propose a final dividend of 5% less Malaysian Tax at 27% on 327.4 million ordinary shares for the financial year 2007, subject to shareholders' approval at the forthcoming Annual General Meeting.

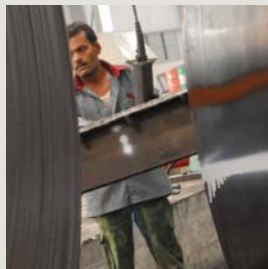
### OPERATIONS REVIEW

The financial year under review has seen the Group's pipe making subsidiary - Alpine Pipe Manufacturing Sdn Bhd successfully maintaining its ISO 9001:2000 certification status by passing the re-certification audit in August 2007. This makes it an ISO certified company for the next three consecutive years.

The Group's heavy investment in the latest state of the art pipe mill in year 2005 has moved the Group up the value chain by shifting its products focus to premium grade pipes catering for the oil and gas industry. The Group has completed the American Petroleum Institute ("API") plant audit in August 2007. We are awaiting the official respond from API. The move to penetrate into oil and gas industry is becoming more evident with the API monogram certification.

### PROSPECTS

The manufacturing division continued to remain as the major earner of the Group. By moving up the value chain of its products, the Group expects the manufacturing division to generate stable and higher margin. However, the manufacturing activities of the Group are complemented by the Group's trading division. The trading division principally trades in a whole range of products not produced by the manufacturing division so as to be able to provide an even wider range of products to meet the needs of its customers.



## Chairman's Statements (Cont'd.)



### PROSPECTS (CONT'D.)

The execution of the Ninth Malaysian Plan may push demand for steel products. As a "One Stop Steel Centre", the Group expects to participate in the Ninth Malaysian Plan.

The Group will be well-positioned to benefit from the increasing proliferation of oil and gas projects at the local front with certification of the API monogram.

### CORPORATE SOCIAL RESPONSIBILITY

With regards to Corporate Social Responsibility ("CSR"), the Group is guided in every aspect of its operations by recognizing that respect and fair regard are best earned by always conducting our affairs in a responsible manner. It follows that HTVB has and will continue to look after the environment and respond to those in need, as well as support causes related to education and personal development of the young and under-privileged.

### ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank our valued customers, suppliers, bankers, business partners and shareholders for their continuing support and confidence in us, without which, our success would not be achievable. We look forward to strengthening our relationships and upholding your faith in us.

I also wish to extend my sincere appreciation to the Board of Directors, the management and all staff for their dedication and contributions in making the year a successful one.

I would like to extend a warm welcome to Mr. Phang Chin Khiong and Mr. Teoh Peir Song as new members of the Board. The Board also looks forward to their contributions to the Group.

### TAN SRI DATO' ALWI JANTAN

Chairman



## Financial Highlights

### REVENUE (RM'000)

'03	<div></div>	478,203
'04	<div></div>	685,848
'05	<div></div>	755,995
'06	<div></div>	1,008,250
'07	<div></div>	1,281,048

### SHAREHOLDERS' FUNDS (RM'000)

'03	<div></div>	225,564
'04	<div></div>	284,906
'05	<div></div>	313,313
'06	<div></div>	338,707
'07	<div></div>	413,622

### PROFIT BEFORE TAXATION (RM'000)

'03	<div></div>	29,288
'04	<div></div>	57,628
'05	<div></div>	54,959
'06	<div></div>	44,730
'07	<div></div>	100,785

### NTA PER SHARE (RM)

'03	<div></div>	0.95
'04	<div></div>	0.87
'05	<div></div>	0.96
'06	<div></div>	1.04
'07	<div></div>	1.26

### PROFIT AFTER TAXATION (RM'000)

'03	<div></div>	20,622
'04	<div></div>	41,346
'05	<div></div>	37,914
'06	<div></div>	32,239
'07	<div></div>	71,397

### EARNINGS PER SHARE (SEN)

'03	<div></div>	8.73
'04	<div></div>	12.93
'05	<div></div>	11.59
'06	<div></div>	9.91
'07	<div></div>	21.96



## Corporate Governance Statement

The Board of Hiap Teck Venture Berhad recognizes the importance of maintaining good corporate governance in the Group. The Board is fully committed to apply the principles and best practices of the Malaysian Code on Corporate Governance ("the Code") to ensure that the highest standards of corporate governance are practiced throughout the Group.

The Board is pleased to provide the following statements which outline the main corporate governance practices that were in place throughout the financial year.

### A. BOARD OF DIRECTORS

#### i. The Board

The Board retains effective control of the Group and is involved in deciding the overall Group strategy and direction, approval of major capital expenditure, significant financial matters and the review of financial and operating performance of the Group.

The Board recognizes the importance for the Company to maintain a dynamic relationship between the Board and the management. The Board as a whole is dedicated to practice clear demarcation of duties, responsibilities and authority within the Company.

#### Meetings

Board meetings are scheduled every quarter and additional meetings are convened as and when necessary. There were four (4) Board of Directors' Meetings held during the financial year ended 31 July 2007.

Details of the Board of Directors' Meetings and their attendance at these meetings are as follows:

Name of Directors	Total Meetings Attended by Directors	% of Attendance
Tan Sri Dato' Alwi Jantan (Chairman, Independent Non-Executive Director)	4/4	100
Mr. Kua Hock Lai (Managing Director)	4/4	100
Dato' Mohamed Nizam bin Abdul Razak (Independent Non-Executive Director)	2/4	50
Mr. Yeoh Chong Keat (Independent Non-Executive Director)	4/4	100
Mr. Cheah Shu Boon (Independent Non-Executive Director)	4/4	100

## Corporate Governance Statement (Cont'd.)

Details of the Board of Directors' Meetings and their attendance at these meetings are as follows (cont'd.):

<b>Name of Directors</b>	<b>Total Meetings Attended by Directors</b>	<b>% of Attendance</b>
Mr. Kua Swee Leong (Executive Director)	2/4	50
Ms. Law Sook Teng (Executive Director)	2/4	50
Mr. Kua Swee Kiat (Executive Director)	3/4	75
Mr. Tan Yuen Hong (Executive Director) (resigned on 29 June 2007)	2/4	50
Mr. Phang Chin Khiong (Executive Director) (appointed on 29 June 2007)	N/A	N/A
Mr. Teoh Peir Song (Executive Director) (appointed on 29 June 2007)	N/A	N/A
Mr. Yoong Kah Yin (Independent Non-Executive Director) (resigned on 3 October 2006)	1/1	100
Ms. Toh Su Lin (Alternate Director to Mr. Cheah Shu Boon)	N/A	N/A

### Board Committees

The following Board Committees have been established to assist the Board in execution of its duties and responsibilities. The functions and terms of reference of the committees as well as authority delegated by the Board to these Committees are clearly defined.

#### a. Audit Committee

The Audit Committee, comprising majority of Independent Non-Executive Directors, is responsible for reviewing and monitoring the work of the Group's internal audit function as well as ensuring that an objective professional relationship is maintained with the External Auditors. Further details of the Audit Committee are contained in the Audit Committee's Report on pages 26 to 30 of this Annual Report.

#### b. Nomination Committee and Remuneration Committee

Reports of Nomination and Remuneration Committees are set out below.

## ii. Board Balance

The Board currently comprises of eleven (11) Directors of which six (6) are Executive Directors, four (4) are Independent Non-Executive Directors and an Alternate Director.

The concept of independence adopted by the Board is in line with the definition of an Independent Director of the Bursa Securities Listing Requirements. The key elements of fulfilling the criteria are the appointment of Directors who are not members of management (Non-Executive Directors) and who are free of any relationship which could interfere with the exercise of independent judgment or the ability to act in the interests of the Company. The Board complies with the Bursa Securities Listing Requirements, which requires that at least two Directors or one-third of the Board of the Company, whichever is higher, are Independent Directors.

The composition of the Board is well balanced and the Group is led and controlled by an experienced Board made up of professionals and entrepreneurs who have a diverse range of business and financial experience. This mix of skills and experience is essential for the successful attainment of the corporate plans and objectives of the Group. A brief profile of each Directors is presented on pages 4 to 9 of this Annual Report.

The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the daily operations as well as business development of the Group. The Independent Non-Executive Directors offer unbiased independent view, advice and judgment in the best interest, not only for the Group but also of shareholders, employees and communities in which the Group conducts its business.

The roles of the Independent Non-Executive Chairman and the Managing Director are clearly defined, with each carrying out his duties and responsibilities within the Group. Currently, the Board is chaired by Tan Sri Dato' Alwi Jantan, an Independent Non-Executive Director and he is responsible for ensuring the effectiveness of the Board. Mr. Kua Hock Lai, the Managing Director, leads the management in the operation and implementation of Board policies and decisions.

## iii. Supply of Information

The Board is provided with sufficient and timely information to enable it to discharge its duties effectively. This information includes both verbal and written details. Senior management would be invited to be present at the Board and Audit Committee meetings, as and when required, to provide further explanation and representation to the Board. Strategic issues such as acquisition and disposal of the Group's investments or assets; announcements to regulators; corporate and restructuring exercises are presented to the Board for its decision to ensure that the direction and control of the Group is firmly in the Board's control. Besides Board Meeting, the Board also exercises control on matters that require Board's approval through circulation of Directors' resolutions.

Prior to meetings of the Board and Board Committees, appropriate documents which include the agenda and reports relevant to the issues of the meetings are circulated to all members. All Directors have full and timely access to information with Board papers distributed in advance of meetings. This ensures that Directors have sufficient time to appreciate issues deliberated at meeting and expedites the decision making process.

All Directors have access to further information which they may require in discharging their duties including seeking independent professional advice, if necessary, at the Company's expense. They also have access to the advice and services of the Company Secretary, whose appointment and removal may only be made with the approval of the Board.

## iv. Appointment to the Board

There is a formal and transparent procedure which has been approved for the appointment of new Directors to the Board. The Board is constantly reviewing the performance of its existing Directors as well as appointing new Directors to the Board wherever the need arises.

## Corporate Governance Statement (Cont'd.)

### Nomination Committee

The Nomination Committee comprises exclusively of Independent Non-Executive Directors.

The members of the Nomination Committee are:

Name	Designation	Directorship
Tan Sri Dato' Alwi Jantan	Chairman	Independent Non-Executive Director
Dato' Mohamed Nizam bin Abdul Razak	Member	Independent Non-Executive Director
Mr. Cheah Shu Boon	Member	Independent Non-Executive Director

The Nomination Committee is responsible for proposing new nominees for the Board and for assessing Directors as an on-going basis. Nevertheless, the actual decision as to who shall be nominated remains the responsibility of the full Board after considering the recommendation of the Nomination Committee. The Nomination Committee ensures an assessment on the effectiveness of the Board, its Committees and the contribution of each Director is carried out once a year.

The Company is entitled to the service of the Company Secretary to ensure the appointment of each of its Directors is properly made.

The Nomination Committee has met twice during the financial year ended 31 July 2007.

### v. Re-election

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors or if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) shall retire from office and be eligible for re-election provided always that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

Directors over seventy years of age shall hold office until the next annual general meeting but shall be eligible for re-appointment in accordance with Section 129(6) of the Companies Act, 1965.

### vi. Directors' Training

The Board, through the Nomination Committee, ensures that the Board has an appropriate balance of expertise and ability. The senior management will organize orientation for new Board members. Directors are encouraged to attend seminars and/or conferences organized by relevant regulatory authorities and professional bodies to keep abreast with development in the market place.

The Directors and the Management of the Company had attended a seminar on "Sun Tzu Art of War Leadership & Management System" during the financial year. The Directors will continue to evaluate the training needed and to attend other relevant training programmes to further enhance their skills and knowledge to keep abreast with the changing business developments relevant to the industry in which the Group is in.

## B. DIRECTORS' REMUNERATION

### i. Remuneration Committee

The Board formed a Remuneration Committee on 24 September 2003. The members of the Remuneration Committee are:

Name	Designation	Directorship
Tan Sri Dato' Alwi Jantan	Chairman	Independent Non-Executive Director
Mr. Cheah Shu Boon	Member	Independent Non-Executive Director
Mr. Kua Hock Lai	Member	Managing Director
Mr. Yeoh Chong Keat	Member	Independent Non-Executive Director

The Remuneration Committee is responsible for recommending to the Board the remuneration packages of the Executive Directors, whilst the Board as a whole determines the remuneration of the Non-Executive Directors. The individual Director concerned does not participate in the discussion of his or her own remuneration.

It is the policy of the Committee to structure the remuneration of the Executive Directors so as to link his rewards to the Group's performance whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience and the level of responsibilities assumed. Fees payable to all Directors are proposed at the Annual General Meeting for the shareholders' approval.

The members of the Remuneration Committee have met three times during the financial year to review and discuss on the remuneration of the Directors. The Committee, having determined the respective remuneration of the Executive and Non-Executive Directors, recommended its proposals to the Board for approval.

### ii. Details of Directors' Remuneration

The following are the remuneration bands of the Directors:

Remuneration Bands	Executive Directors	Non-Executive
RM50,000 and below	-	4*
RM50,001 - RM100,000	-	1
RM250,001 - RM300,000	1	-
RM300,001 - RM350,000	3	-
RM450,001 - RM500,000	1	-
RM5,150,001 - RM5,200,000	1	-

\* one of the Directors who has resigned on 3 October 2006

## Corporate Governance Statement (Cont'd.)

The aggregate remuneration paid/payable to all Directors of the Company are further categorized into the following components:

	<b>Fees (RM)</b>	<b>Salaries &amp; Other Emoluments (RM)</b>	<b>Benefits- in-kind (RM)</b>	<b>Total (RM)</b>
Executive Directors	-	6,808,376	102,541	6,910,917
Non-Executive Directors	181,667	6,500	-	188,167

### C. SHAREHOLDERS COMMUNICATION AND INVESTORS RELATIONS

The Board provides timely and accurate disclosure of all material information of the Group to the shareholders and investors. Information is disseminated through various disclosures and announcements made to Bursa Malaysia Securities Berhad which includes the quarterly reports, annual report and press releases. In addition, the Company conducts briefings and dialogues with financial analysts locally and abroad to give them an overview of the Group's performance and operations and at the same time, it provides the management an opportunity to directly address, explain or clarify issues that investors may have regarding the business, operations and prospects of the Group.

The Annual General Meeting serves as a principal forum for dialogue with all shareholders. At the General Meetings, the Board provides opportunities for shareholders to raise questions on the business activities of the Group, agenda of the meetings and its proposed resolutions. Extraordinary General Meetings are held as and when required. The Chairman of the meeting will facilitate the discussion with the shareholders and provide further information in response to shareholders' queries.

Mr. Yeoh Chong Keat has been appointed the Senior Independent Non-Executive Director of the Board to whom concerns from the shareholders relating to the Company may be conveyed.

### D. ACCOUNTABILITY AND AUDIT

#### i. Financial Reporting

The Board through the review by the Audit Committee and in consultation with the External Auditors, presents a balanced and understandable assessment of the Group's financial position and prospect to the shareholders, investors and regulatory authorities.

#### ii. Internal Control

The Board recognizes the importance of maintaining a sound system of internal control for the Group in order to safeguard shareholders' interest of the Group's assets. As such, an internal audit function was established to assist the Audit Committee in reviewing the state of internal control of the Group and to highlight areas for management improvement.

The state of internal control of the Group is explained in greater detail in the enclosed Statement on Internal Control.

### iii. Relationship with Auditors

The Group has established a transparent and professional relationship with its External Auditors. The Audit Committee reviews the audit plans, scope of audit and audit report as well as their professional fees and appointment. The appointment of the External Auditors is subject to the approval of the shareholders at the general meeting of the Company.

The External Auditors are invited to attend the Audit Committee meetings. The External Auditors are expected to present their Audit Plans, to report their findings to the Audit Committee and to discuss with the Board of Directors on matters that necessitate the Board's attention.

## E. CORPORATE SOCIAL RESPONSIBILITY

The Group recognizes its social obligation to society and is striving for a balanced approach to fulfill its key business objectives and the expectations of stakeholders. As an initial step of its commitment to the society, the Group has taken several initiatives particularly in the area of staff welfare.

The Group has, in place, an Occupational Safety and Health Committee to develop policies and guidelines to provide and maintain a safe and healthy workplace for all its employees, contractors and visitors. Information on safety measures is communicated to all employees through representatives from Health & Safety Committees, notice boards and regular management briefings.

All employees are provided adequate medical benefits as well as hospitalization and personal accident insurance coverage. An Employees' Education Fund, the charitable and welfare arm was set up within the Group to provide scholarship to the staff and their children; giving them the opportunities to improve themselves in education and life long learning skills.

Up to the date of this Annual Report, the Company also answered the call for assistance, either financially or in-kind from various non-profit organizations, schools and individuals.

The Group also acknowledges the need and responsibility to care for the environment that we all live in and in which its business operations are located. All industrial wastes from the Group's operations are properly treated and safely disposed of while steel scraps are sold off. The Group ensures strict compliance with all environmental regulations and laws at all times.

The Group has and will always consider safety and environmental factors in all operating decisions and will also continuously explore feasible opportunities to minimize any adverse impact from all its operations.



## Corporate Governance Statement (Cont'd.)

### ADDITIONAL INFORMATION

#### 1. SHARE BUY-BACK

Detail of shares buy-back during the financial year ended 31 July 2007 are as follows :

Month	No. of Shares Buy-Back	Lowest Price (RM)	Highest Price (RM)	Average Price (RM)	Total Consideration (RM)
Aug '06	392,000	0.86	0.88	0.869	341,960.08

All shares previously bought back by the Company were retained as treasury shares. However, on 24 April 2007, all the 3,200,000 treasury shares were sold at an average price of RM2.14 per share. As at 31 July 2007, there were no treasury shares held by the Company.

#### 2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities exercised during the financial year ended 31 July 2007.

#### 3. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 July 2007.

#### 4. IMPOSITION OF SANCTIONS/PENALTIES

There were no public sanctions and/or public penalties imposed on the Company and its subsidiaries, Directors or management by relevant regulatory bodies during the financial year ended 31 July 2007.

#### 5. NON-AUDIT FEES

A non-audit fees of RM5,000.00 was paid to the External Auditors by the Company during the financial year ended 31 July 2007.

#### 6. VARIATION IN RESULTS

There was no material variance between the results for the financial year and the unaudited results previously announced.

#### 7. PROFIT GUARANTEE

There was no profit guarantee given by the Company during the financial year.

#### 8. UTILISATION OF PROCEEDS

There were no proceeds raised by the Group from any corporate proposals during the financial year.

#### 9. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors and major shareholders' interests as at 31 July 2007 except for those disclosed as recurrent related party transactions of a revenue or trading nature or related party transactions.

#### 10. REVALUATION POLICY

The Group's revaluation policy is stated in the summary of significant Accounting Policies in the financial statement.

# 11. RELATED PARTY TRANSACTIONS AND RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

On 15 December 2006, the Company sought approval for a shareholders' mandate for HTVB Group to enter into recurrent related party transactions of a revenue or trading nature.

The aggregate value of transactions conducted during the financial year ended 31 July 2007 in accordance with the shareholders' mandate obtained in the last Annual General Meeting were as follows :-

Related Parties Involved with HTVB and/or its Subsidiaries	Nature of Transaction	Nature of Interest	Value Transactions (RM'000)
Power Concord Sdn Bhd ("PC")	Sales of steel products	Mr. Kua Swee Kiat (the Executive Director of HTVB) and his sister, Ms. Kua Siu Hui are directors and major shareholders of PC.  Mr. Kua Hock Lai (the Managing Director of HTVB) and Madam Lim Ah Eng (the major shareholder of HTVB) are deemed interested by virtue of them being the parents of Mr. Kua Swee Kiat and Ms. Kua Siu Hui.  Mr. Kua Swee Leong (the Executive Director of HTVB) is deemed interested by virtue of him being the brother of Mr. Kua Swee Kiat and Ms. Kua Siu Hui.	1,890
S.B. Cheah & Associates ("SBCA")	Provisions of legal services	Mr. Cheah Shu Boon (the Director of HTVB) and Ms. Toh Su Lin (an Alternate Director to Mr. Cheah Shu Boon) are directly interested in SBCA by virtue of them being the partners of SBCA.	112
K.H.L. Sdn Bhd ("KHL")	Rental of Factory Buildings	Mr. Kua Hock Lai is directly interested in KHL by virtue of him being the director and major shareholder of KHL.  Mr. Kua Swee Leong and Mr. Kua Swee Kiat are deemed interested in KHL by virtue of them being the sons of Mr. Kua Hock Lai and Madam Lim Ah Eng.	4,200

## Corporate Governance Statement (Cont'd.)

### STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with applicable Financial Reporting Standards in Malaysia and give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

The Board is fully aware of the changes in the accounting policies and had at the beginning of the financial year 2007, adopted new and revised Financial Reporting Standards ("FRS") which are applicable for the Group and Company. The adoption of these FRSs did not have significant financial impact on the Group.

In preparing the financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable financial reporting standards have been followed; and
- prepared financial statements on a going concern basis as the Directors have reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965 and applicable Financial Reporting Standards.

The Directors have the overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

## Statement on Internal Control

The Board of Directors of Hiap Teck Venture Berhad acknowledges the importance of the system of internal control and affirms that it is their responsibility to maintain a sound system of internal control to safeguard the Group's assets. This responsibility covers the identification of risks, managing risks, setting policy for internal control system and performing periodic evaluations to assess the integrity of the internal control system of the Group. However, it is important to note that risk management system and internal control system can only manage rather than to eliminate risks of failure and only able to provide reasonable but not absolute assurance against material misstatements or losses.

The process of identification, evaluation and management of significant risks faced by the Group is carried out as part of the Group's normal business operation and management activities. These processes are led by the Managing Director and supported by the executive team of directors and senior management. Review and communication of changes in business environment and operations are carried out in the course of operation to ensure business strategies are aligned to corporate plan. Significant corporate and operation matters are summarized and presented in the Board meeting for deliberation and approval to ensure the control of the Group is kept firmly within the Board.

Effective monitoring and review are part of the essential components of a sound system of internal control. The Board's review of the system of internal control of the Group are currently conducted by the Audit Committee with the assistance of the Internal Auditors. Quarterly, the internal audit findings and reports are presented to the Audit Committee. The Audit Committee reviews these reports and considers management's comments and its actions for improvement. Accordingly, further advices are also provided to the management during these reviews.

The Audit Committee also reviews the quarterly financial results and annual financial statements. These reviews which are conducted with the assistance of the management and External Auditors complement its assessment on the management's system of internal control in the Group and understanding of the financial performance of the Group. Similarly, all matters discussed at the Audit Committee meetings are also briefed at the Board meeting.

Alpine Pipe Manufacturing Sdn Bhd, the major subsidiary of the Group continues to be certified under the ISO 9001:2000 Quality Management System. This quality management system is documented and used as part of the operational control procedures. The internal quality audits are carried out by the management and annual surveillance audits are conducted by a certification body to provide assurance of compliance with the ISO requirements.

The Board believes the above review and assessment frameworks provide reasonable assurance on the integrity of internal control system of the Group. The Board recognises that the system of internal control should be continuously improved in line with the growth of the Group and evolving business environment. To this end, the Group is in the process of implementing a new information system to meet the business expansion and information needs for control, monitoring and reporting. This system will enable the Group to work towards harmonising and strengthening the control and operating procedures of its subsidiary companies.

# Audit Committee Report

The Audit Committee was established on 17 July 2003.

## MEMBERSHIP

The members of the Committee are:

Name	Designation	Directorship
Mr. Yeoh Chong Keat	Chairman	Independent Non-Executive Director
Mr. Kua Swee Kiat	Member	Executive Director
Mr. Cheah Shu Boon (appointed on 2 November 2006)	Member	Independent Non-Executive Director

## TERMS OF REFERENCE OF THE COMMITTEE

### 1. Appointment/Composition

1.1 The members of the Committee shall be appointed by the Board.

1.2 The Audit Committee shall consist of not less than three (3) members of whom:

- a) a majority shall be Independent Directors;
- b) at least one (1) member of the Audit Committee:
  - (i) must be a member of the Malaysian Institute of Accountants; or
  - (ii) if he is not a member of the Malaysian Institute of Accountants,
    - a) he must have at least three (3) years' working experience; and
      - \* he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
      - \* he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
    - b) he must have a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or
    - c) he must have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
  - (iii) fulfils such other requirements as prescribed by the Exchange.

1.3 No Alternate Director shall be appointed as a member of the Audit Committee.

- 1.4 A quorum shall be two (2) members and composed of a majority of Independent Directors.
  - 1.5 The Chairman of the Audit Committee shall be appointed by the members of the Audit Committee among their number who is an Independent Director.
  - 1.6 The Board must review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.
  - 1.7 The Board shall, within three (3) months of a vacancy occurring in the Audit Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.
2. Meetings
    - 2.1 Meetings shall be held not less than four (4) times in a year. In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any Audit Committee member, the Company's Chairman or the Internal or External Auditors if they consider it necessary.
    - 2.2 Meetings will be attended by the members of the Audit Committee and the Company Secretary or his/her representative who shall act as the Secretary.
    - 2.3 Participants may be invited from time to time to attend the meeting depending on the nature of the subject under review. These participants may include the Directors, General Managers, Division Heads, representatives from the Finance and Internal Audit Departments and External Auditors.
3. Authority
    - 3.1 The Audit Committee is authorised by the Board to carry out the duties mentioned below and the Board and Management shall give all assistance that is necessary to enable the Audit Committee to discharge its duties.
    - 3.2 The Audit Committee shall, whenever necessary and reasonable for the performance of its duties and in accordance with a procedure to be determined by the Board and at the Company's cost:
      - (a) have authority to investigate any matter within its terms of reference;
      - (b) have the resources which are required to perform its duties;
      - (c) have full and unrestricted access to any information pertaining to the Company;
      - (d) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any);
      - (e) be able to obtain independent professional or other advice; and
      - (f) be able to convene meetings with the External Auditors, excluding the attendance of the executive members of the Audit Committee, whenever deemed necessary.

## Audit Committee Report (Cont'd.)

### 4. Functions and Responsibilities

The functions and responsibilities of the Audit Committee shall include the following:

- (a) to discuss and liaise with the External Auditors to ensure the smooth implementation of the audit plan, review and forward the evaluation of the system of internal controls and audit report to the Board;
- (b) to review the assistance given by employees of the Group to the External and Internal Auditors;
- (c) to review the External Auditor's management letter and management's response;
- (d) to do the following where an internal audit function exists:-
  - to review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - to review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
- (e) to review quarterly reports and annual financial statements prior to the approval of the Board, focusing particularly on:
  - (i) changes in or implementation of major accounting policy changes;
  - (ii) significant and unusual events; and
  - (iii) compliance with accounting standards and other legal requirements;
- (f) to review any related party transactions and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (g) to review and report the same to the Board any letter of resignation from the External Auditors of the Company as well as whether there is any reason (supported by grounds) to believe that the Company's External Auditors are not suitable for re-appointment;
- (h) to make recommendations concerning the appointment of the External Auditors and their remuneration to the Board;
- (i) prompt reporting to Bursa Malaysia Securities Berhad ("Bursa Securities") on any matter reported by the Audit Committee to the Board which has not been satisfactorily resolved resulting in a breach of the Bursa Securities' Listing Requirements.

The reports of the Audit Committee and the External and Internal Auditors and corrective action taken shall be tabled for discussion by the Board of Directors.

### 5. Minutes

The Secretary shall maintain minutes of the proceedings of the meetings and circulate such minutes to all members of the Audit Committee and the Board of Directors.



## 6. Audit Committee Report

The Audit Committee shall ensure that an audit committee report is prepared at the end of each financial year that complies with subparagraph (6.1) and (6.2) below:

6.1 The audit committee report shall be clearly set out in the Annual Report of the Company;

6.2 The audit committee report shall include the following:

- (a) the composition of the Audit Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
- (b) the terms of reference of the Audit Committee;
- (c) the number of Audit Committee meetings held during the financial year end and details of attendance of each member;
- (d) a summary of activities of the Audit Committee in the discharge of its functions and duties for that financial year of the Company; and
- (e) the existence of an internal audit function or activity and where there is such a function or activity, a summary of the activities of the function or activity. Where such a function or activity does not exist, an explanation of the mechanism that exist to enable the Audit Committee to discharge its functions effectively.

### SUMMARY OF ACTIVITIES

The Audit Committee carried out its duties in accordance with its terms of reference during the year.

During the financial year ended 31 July 2007, the Audit Committee convened a total of four (4) meetings. The details of attendance at the Committee meeting held in financial year 2007 are as follows:-

Name of Members	Attendance
1. Mr. Yeoh Chong Keat	4/4
2. Mr. Kua Swee Kiat	4/4
3. Mr. Cheah Shu Boon (appointed on 2 November 2006)	3/3
4. Mr. Yoong Kah Yin (resigned on 3 October 2006)	1/1

The Group Financial Controller and Internal Auditors are usually present at the meetings. Representative of the External Auditors attended meetings where matters relating to the audit of the statutory accounts were discussed. Other Board members may attend meeting upon the invitation of the Audit Committee. The Company Secretary was the secretary at the Audit Committee meetings.

## Audit Committee Report (Cont'd.)

The main activities undertaken by the Audit Committee during the financial year were as follows:

- Review of the quarterly reports and annual financial statements of the Company and the Group prior to submission to the Board of Directors for their consideration and approval.
- Review of the internal audit reports and consideration of the findings and management's responses thereto.
- Review and discussion with External Auditors the issues arising from the statutory audit, the audit report and the management letters including management's responses.
- Review of the Related Party Transactions of the Group.
- Review and approved the internal audit plan, strategy and scope of work.
- Review of the external audit plans / audit planning memorandum for financial year ended 2007.
- Review the Statement on Internal Control prior to its inclusion in the Annual Report.
- Meeting with the External Auditors in the absence of the Executive Directors and management of the Company.

### INTERNAL AUDIT FUNCTION

The Board acknowledges its responsibility and the importance of maintaining a sound system of internal controls.

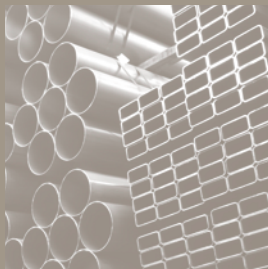
The Company engaged a professional service firm to carry out the internal audit function of the Group to assist the Audit Committee in discharging its duties and responsibilities. The internal audit function is independent of the activities or operations of other operating units. It provides independent assessment and objective assurance on the effectiveness of the system of internal control in key business activities within the Group. It is the responsibility of the internal audit function to provide the Audit Committee with independent and objectives reports on the state of internal control of the various operating units of the Group. The internal audit reports are reviewed by the Audit Committee and the Management is responsible for ensuring that corrective actions on reported weaknesses are taken within the required time frame.

During the financial year, the internal auditors undertook audit review based on the annual audit plan which was approved by the Audit Committee. Below are the main activities carried out during the financial year:

1. evaluating the adequacy and integrity of control procedures applied in the process of implementing the new ERP system for the Group;
2. ascertaining the extent of compliance with established policies, procedures and statutory requirements of the main operating units such as production department, quality control department, health and safety department, procurement department and inventory department.

Further details of the activities of the internal audit function are set out in the Statement on Internal Control on page 25 of this Annual Report.

## Financial Statements



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# Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 July 2007.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment and property holdings and the provision of management services.

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

## RESULTS

	Group RM'000	Company RM'000
Profit for the year	71,397	2,570

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from changes in estimates where the residual values of certain property, plant and equipment were revised resulting in an increase in the Group's profit for the year by RM5,145,000 as disclosed in Note 2.5 to the financial statements.

## DIVIDENDS

The amount of dividends paid by the Company since 31 July 2006 were as follows:

	RM'000
In respect of the financial year ended 31 July 2006 as reported in the directors' report of that year:	
Interim dividend of 1.0 sen per share less 28% taxation, on 324,592,000 ordinary shares, declared on 14 July 2006 and paid on 18 August 2006	2,337
Final dividend of 1.5 sen per share less 27% taxation, on 324,200,000 ordinary shares, approved in the Annual General Meeting on 15 December 2006 and paid on 28 February 2007	3,550
	5,887

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 July 2007, of 2.5 sen per share less 27% taxation on 327,400,000 ordinary shares, amounting to a dividend payable of RM5,975,050 (1.83 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 July 2008.

## DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Alwi Jantan	
Kua Hock Lai	
Dato' Mohamed Nizam bin Abdul Razak	
Yeoh Chong Keat	
Cheah Shu Boon	
Law Sook Teng (f)	
Kua Swee Leong	
Kua Swee Kiat	
Toh Su Lin (f)	(Alternate Director to Cheah Shu Boon)
Tech Peir Song	(appointed on 29 June 2007)
Phang Chin Khiong	(appointed on 29 June 2007)
Tan Yuen Hong	(resigned on 29 June 2007)

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 23 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, required to be kept under Section 134 of the Companies Act, 1965, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of Ordinary Shares of RM0.50 Each			
	As at 1.8.2006/ Date of Appointment	Acquired	Sold	As at 31.7.2007
<b>The Company</b>				
<b>Direct Interest:</b>				
Tan Sri Dato' Alwi Jantan	1,410,000	-	-	1,410,000
Dato' Mohamed Nizam bin Abdul Razak	7,821,147	-	(650,000)	7,171,147
Cheah Shu Boon	66,000	-	-	66,000
Law Sook Teng (f)	450,015	-	-	450,015
Kua Swee Leong	757	-	-	757

## Directors' Report (Cont'd.)

### DIRECTORS' INTERESTS (CONT'D.)

According to the register of directors' shareholdings, required to be kept under Section 134 of the Companies Act, 1965, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows (cont'd.):

	← Number of Ordinary Shares of RM0.50 Each →			
	As at 1.8.2006/ Date of Appointment	Acquired	Sold	As at 31.7.2007
<b>The Company (Cont'd.)</b>				
<b>Direct Interest (Cont'd.):</b>				
Kua Swee Kiat	15,757	-	-	15,757
Toh Su Lin (f)	45,000	-	(33,000)	12,000
Teoh Peir Song	931,515	-	(105,000)	826,515
Phang Chin Khiong	500,000	-	(385,385)	114,615
<b>Indirect Interest:</b>				
Kua Hock Lai	135,099,485	-	(11,000,000)	124,099,485

By virtue of his shareholdings in the Company, Mr. Kua Hock Lai is also deemed to be interested in shares in all the subsidiaries of the Company.

The other director, Mr. Yeoh Chong Keat who held office at the end of the financial year, did not have any interest in shares in the Company or its related corporations during the financial year.

### TREASURY SHARES

During the financial year, the Company repurchased 392,000 of its issued ordinary shares from the open market at an average price of RM0.87 per share. The total consideration paid for the repurchase including transaction costs was RM342,000.

The Company has resold 3,200,000 treasury shares at an average price of RM2.14 per share. The net proceeds from the resale was RM6,859,000. The resulted gain was credited to the share premium account and further relevant details are disclosed in Note 15(b) to the financial statements.

#### OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in these financial statements inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.



## Directors' Report (Cont'd.)

### SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 30 to the financial statements.

### SUBSEQUENT EVENT

Subsequent event during the financial year is disclosed in Note 31 to the financial statements.

### AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 October 2007.

KUA HOCK LAI

LAW SOOK TENG

## Statement By Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, KUA HOCK LAI and LAW SOOK TENG, being two of the directors of HIAP TECK VENTURE BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 39 to 95 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 October 2007.

KUA HOCK LAI

LAW SOOK TENG

## Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, OOI AI LENG, being the officer primarily responsible for the financial management of HIAP TECK VENTURE BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 39 to 95 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  
by the abovenamed OOI AI LENG  
at Kuala Lumpur in the Federal  
Territory on 23 October 2007

OOI AI LENG

Before me,

# Report of the Auditors

To the members of Hiap Teck Venture Berhad (Incorporated in Malaysia)

We have audited the financial statements set out on pages 39 to 95. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 July 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
23 October 2007

SEE HUEY BENG  
No. 1495/03/09(J)  
Partner

## Balance Sheets

As at 31 July 2007

		Group		Company	
	Note	2007 RM'000	2006 RM'000 (restated)	2007 RM'000	2006 RM'000 (restated)
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	3	234,861	237,372	364	546
Investment properties	4	4,118	743	61,012	61,790
Investment in subsidiaries	5	-	-	81,570	81,570
Other investments	6	236	327	-	-
Deferred tax assets	17	281	299	274	-
		<b>239,496</b>	238,741	<b>143,220</b>	143,906
<b>CURRENT ASSETS</b>					
Inventories	7	429,114	225,610	-	-
Trade receivables	8	238,467	263,671	-	-
Other receivables	9	30,523	26,760	99	71
Due from subsidiaries	10	-	-	47,126	42,389
Tax recoverable		1,983	2,564	1,382	1,475
Cash and bank balances	11	9,714	30,482	571	588
		<b>709,801</b>	549,087	<b>49,178</b>	44,523
<b>CURRENT LIABILITIES</b>					
Bank overdrafts	12	6,515	1	-	-
Borrowings	12	443,685	358,479	-	-
Trade payables	13	21,210	14,964	-	-
Other payables	14	26,850	24,277	3,228	1,886
Tax payable		1,604	1,287	-	-
Dividend payable		-	2,337	-	2,337
		<b>499,864</b>	401,345	<b>3,228</b>	4,223
<b>NET CURRENT ASSETS</b>					
		<b>209,937</b>	147,742	<b>45,950</b>	40,300
		<b>449,433</b>	386,483	<b>189,170</b>	184,206

## Balance Sheets

As at 31 July 2007 (Cont'd.)

		Group		Company	
	Note	2007 RM'000	2006 RM'000 (restated)	2007 RM'000	2006 RM'000 (restated)
<b>FINANCED BY:</b>					
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	15	<b>163,700</b>	163,700	<b>163,700</b>	163,700
Share premium	15	<b>25,341</b>	21,853	<b>25,341</b>	21,853
Treasury shares	15	-	(3,029)	-	(3,029)
Revaluation reserve	16(a)	<b>15,001</b>	14,450	-	-
Retained profits	16(b)	<b>209,580</b>	141,733	<b>129</b>	1,109
		<b>413,622</b>	338,707	<b>189,170</b>	183,633
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	12	<b>29,784</b>	41,372	-	-
Deferred tax liabilities	17	<b>6,027</b>	6,404	-	573
		<b>35,811</b>	47,776	-	573
		<b>449,433</b>	386,483	<b>189,170</b>	184,206

The accompanying notes form an integral part of the financial statements.

## Income Statements

For the year ended 31 July 2007

		Group		Company	
	Note	2007 RM'000	2006 RM'000 (restated)	2007 RM'000	2006 RM'000
Revenue	18	<b>1,281,048</b>	1,008,250	<b>11,994</b>	13,914
Cost of sales	19	<b>(1,113,717)</b>	(906,092)	-	-
Gross profit		<b>167,331</b>	102,158	<b>11,994</b>	13,914
Other income		<b>6,132</b>	9,595	<b>48</b>	12
Property operating cost		<b>(2,221)</b>	(2,806)	<b>(1,410)</b>	(1,755)
Administrative expenses		<b>(19,181)</b>	(19,266)	<b>(6,788)</b>	(5,693)
Selling and marketing expenses		<b>(24,916)</b>	(20,691)	-	-
Other expenses		<b>(5,327)</b>	(10,626)	-	-
Profit from operations		<b>121,818</b>	58,364	<b>3,844</b>	6,478
Finance costs	20	<b>(21,033)</b>	(13,634)	-	-
Profit before tax	21	<b>100,785</b>	44,730	<b>3,844</b>	6,478
Income tax expense	24	<b>(29,388)</b>	(12,491)	<b>(1,274)</b>	(2,010)
Profit for the year		<b>71,397</b>	32,239	<b>2,570</b>	4,468
Earnings per share (sen):					
Basic	25	<b>21.96</b>	9.91		

The accompanying notes form an integral part of the financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 July 2007

	Note	Share Capital RM'000	Non-Distributable			Distributable Retained Profits RM'000	Total RM'000
			Share Premium RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000		
<b>At 1 August 2005 (restated)</b>		163,700	21,853	(2,251)	14,450	115,344	313,096
Purchase of treasury shares	15	-	-	(773)	-	-	(773)
Transaction costs	15	-	-	(5)	-	-	(5)
Dividends	26	-	-	-	-	(5,850)	(5,850)
Profit for the year		-	-	-	-	32,239	32,239
<b>At 31 July 2006 (restated)</b>		163,700	21,853	(3,029)	14,450	141,733	338,707
Purchase of treasury shares	15	-	-	(340)	-	-	(340)
Transaction costs	15	-	-	(2)	-	-	(2)
Re-issuance of treasury shares	15	-	3,488	3,371	-	-	6,859
Decrease in deferred taxation previously recognised on revaluation		-	-	-	551	-	551
Dividends	26	-	-	-	-	(3,550)	(3,550)
Profit for the year		-	-	-	-	71,397	71,397
<b>At 31 July 2007</b>		163,700	25,341	-	15,001	209,580	413,622

The accompanying notes form an integral part of the financial statements.

## Company Statement of Changes in Equity

For the year ended 31 July 2007

		Share Capital	Non-Distributable Share Premium	Treasury Shares	Distributable Retained Profits	Total
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 August 2005</b>		163,700	21,853	(2,251)	2,491	185,793
Purchase of treasury shares	15	-	-	(773)	-	(773)
Transaction costs	15	-	-	(5)	-	(5)
Dividends	26	-	-	-	(5,850)	(5,850)
Profit for the year		-	-	-	4,468	4,468
<b>At 31 July 2006</b>		163,700	21,853	(3,029)	1,109	183,633
Purchase of treasury shares	15	-	-	(340)	-	(340)
Transaction costs	15	-	-	(2)	-	(2)
Re-issuance of treasury shares	15	-	3,488	3,371	-	6,859
Dividends	26	-	-	-	(3,550)	(3,550)
Profit for the year		-	-	-	2,570	2,570
<b>At 31 July 2007</b>		163,700	25,341	-	129	189,170

The accompanying notes form an integral part of the financial statements.



## Cash Flow Statements

For the year ended 31 July 2007

		Group		Company	
	Note	2007 RM'000	2006 RM'000 (restated)	2007 RM'000	2006 RM'000 (restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax		<b>100,785</b>	44,730	<b>3,844</b>	6,478
Adjustments for:					
Gain on disposal of other investments	21	<b>(115)</b>	-	-	-
Goodwill impaired	21	-	787	-	-
Net unrealised foreign exchange gain	21	<b>(673)</b>	(104)	-	-
Provision for doubtful debts	21	-	1,600	-	-
Provision for impairment in value of other investments	21	<b>93</b>	105	-	-
Provision for impairment in property, plant and equipment	21	<b>3,260</b>	9,855	-	-
Write back of provision for doubtful debts	21	<b>(107)</b>	-	-	-
Doubtful debts recovered	21	<b>(937)</b>	(837)	-	-
Depreciation of property, plant and equipment	21	<b>16,289</b>	15,793	<b>182</b>	182
Depreciation of investment properties	21	<b>32</b>	247	<b>778</b>	778
Interest expense		<b>20,452</b>	13,166	-	-
Deposits interest income	21	<b>(590)</b>	(287)	<b>(45)</b>	(12)
Net overdue interest income	21	<b>(235)</b>	(1,019)	-	-
Dividends income	21	<b>(14)</b>	(7)	<b>(4,980)</b>	(6,900)
Gain on disposal of property, plant and equipment	21	<b>(2,931)</b>	(2,027)	-	-
Gain on disposal of investment properties	21	-	(4,683)	-	-
Operating profit/(loss) before working capital changes		<b>135,309</b>	77,319	<b>(221)</b>	526
Changes in working capital:					
Inventories		<b>(203,504)</b>	(11,584)	-	-
Receivables		<b>23,031</b>	(116,200)	<b>(28)</b>	(49)
Payables		<b>8,825</b>	12,833	<b>1,342</b>	1,369
Net change in intercompanies indebtedness		-	-	<b>(6,108)</b>	122
Cash (used in)/generated from operations		<b>(36,339)</b>	(37,632)	<b>(5,015)</b>	1,968

## Cash Flow Statements

For the year ended 31 July 2007 (Cont'd.)

	Note	Group		Company	
		2007 RM'000	2006 RM'000 (restated)	2007 RM'000	2006 RM'000 (restated)
Balance brought forward		(36,339)	(37,632)	(5,015)	1,968
Interest paid		(20,452)	(13,166)	-	-
Net overdue interest income received		235	1,019	-	-
Taxes paid, net of taxes refunded		(28,294)	(16,428)	(684)	(460)
Net cash (used in)/generated from operating activities		(84,850)	(66,207)	(5,699)	1,508
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from disposal of other investments		234	-	-	-
Net dividends received		10	5	5,007	4,968
Proceeds from disposal of property, plant and equipment		8,079	4,101	-	-
Proceeds from disposal of investment properties		-	6,222	-	-
Deposits interest received		590	287	45	12
Purchase of property, plant and equipment	3(e)	(19,931)	(30,623)	-	-
Purchase of investment properties	4	(3,407)	-	-	-
Net cash (used in)/generated from investing activities		(14,425)	(20,008)	5,052	4,980
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of term loan		(13,146)	(7,489)	-	-
Drawdown of other short term borrowings, net of repayment		84,509	117,708	-	-
Purchase of treasury shares	15(b)	(342)	(778)	(342)	(778)
Proceeds from re-issuance of treasury shares	15(b)	6,859	-	6,859	-
Dividends paid		(5,887)	(5,858)	(5,887)	(5,858)
Net cash generated from/(used in) financing activities		71,993	103,583	630	(6,636)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(27,282)	17,368	(17)	(148)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		30,481	13,113	588	736
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	11	3,199	30,481	571	588

The accompanying notes form an integral part of the financial statements.

# Notes to the Financial Statements

31 July 2007

## 1. CORPORATE INFORMATION

The principal activities of the Company are investment and property holdings and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities. The registered office of the Company is located at Lot 6096, Jalan Haji Abdul Manan, Batu 5½, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 October 2007.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards ("FRS") which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis, except for land and buildings included within property, plant and equipment that have been measured at their revaluation values.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

### 2.2 Summary of Significant Accounting Policies

#### (a) Subsidiaries and Basis of Consolidation

##### (i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

##### (ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.2 Summary of Significant Accounting Policies (Cont'd.)**

#### **(a) Subsidiaries and Basis of Consolidation (Cont'd.)**

##### **(ii) Basis of Consolidation (Cont'd.)**

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

##### **(b) Goodwill**

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

##### **(c) Property, Plant and Equipment, and Depreciation**

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for certain freehold land, leasehold land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

# Notes to the Financial Statements

31 July 2007

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (Cont'd.)**

**(c) Property, Plant and Equipment, and Depreciation (Cont'd.)**

Freehold land, leasehold land and buildings are stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised.

A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land are depreciated over the period of respective leases. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	2%
Plant and machinery	10 - 20%
Motor vehicles	20%
Other assets	10 - 20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

**(d) Investment Properties**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.2 Summary of Significant Accounting Policies (Cont'd.)**

#### **(d) Investment Properties (Cont'd.)**

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land are depreciated over the period of respective leases.

Depreciation of buildings is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the annual rate of 2% per annum.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

#### **(e) Impairment of Non-financial Assets**

The carrying amounts of assets, other than investment properties, inventories, deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset

# Notes to the Financial Statements

31 July 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of Significant Accounting Policies (Cont'd.)

#### (e) Impairment of Non-financial Assets (Cont'd.)

other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

#### (f) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the weighted average basis. The cost of raw materials comprises costs of purchase plus costs incurred in bringing the inventories to their present locations and conditions. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to complete the sale.

#### (g) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

#### (i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks and deposits at call, net of outstanding bank overdrafts.

#### (ii) Other Non-current Investments

Non-current investments other than investments in subsidiaries and investment properties are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.2 Summary of Significant Accounting Policies (Cont'd.)**

#### **(g) Financial Instruments (Cont'd.)**

##### **(iii) Marketable Securities**

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

##### **(iv) Trade Receivables**

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

##### **(v) Trade Payables**

Trade payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

##### **(vi) Interest Bearing Loans and Borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

##### **(vii) Equity Instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.



# Notes to the Financial Statements

31 July 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of Significant Accounting Policies (Cont'd.)

#### (g) Financial Instruments (Cont'd.)

##### (viii) Derivative Financial Instruments

The Group uses derivative financial instruments, including forward foreign exchange contracts, to hedge its exposure to foreign exchange arising from operational activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rate and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

#### (h) Leases

##### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating lease, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.2 (d)); and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

##### (ii) Finance Leases - the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.2 Summary of Significant Accounting Policies (Cont'd.)**

#### **(h) Leases (Cont'd.)**

##### **(ii) Finance Leases - the Group as Lessee (Cont'd.)**

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2 (c).

##### **(iii) Operating Leases - the Group as Lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

##### **(iv) Operating Leases - the Group as Lessor**

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2(n)(iii)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### **(i) Borrowing Costs**

Borrowing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the Financial Statements

31 July 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of Significant Accounting Policies (Cont'd.)

#### (j) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

#### (k) Provisions

Provisions are recognised when the the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

#### (l) Employee Benefits

##### (i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.2 Summary of Significant Accounting Policies (Cont'd.)**

#### **(l) Employee Benefits (Cont'd.)**

##### **(ii) Defined Contribution Plans**

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

#### **(m) Foreign Currencies**

##### **(i) Functional and Presentation Currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

##### **(ii) Foreign Currency Transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rate prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

#### **(n) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following criteria must also be met before revenue is recognised:

##### **(i) Sale of Goods**

Revenue is recognised net of sales taxes and discounts upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

##### **(ii) Transport Charges**

Revenue from transport charges is recognised when the services have been performed.

##### **(iii) Rental Income**

Rental income related to rental of properties and scaffoldings are recognised over the period of tenancy or usage, as appropriate.

# Notes to the Financial Statements

31 July 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of Significant Accounting Policies (Cont'd.)

#### (n) Revenue Recognition (Cont'd.)

##### (iv) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

##### (v) Dividend Income

Dividend income is recognised when the Group's right to receive payment is established.

##### (vi) Slitting and Forming Charges

Revenue from slitting and forming charges is recognised when the services have been performed.

##### (vii) Management Fees

Management fees are recognised when services are rendered.

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The MASB has issued a number of new and revised FRSs and Interpretations that are effective for financial periods beginning on or after 1 January 2006.

Except for the effects as discussed below, the new and revised FRSs and Interpretations did not have any other significant impact on the financial statements of the Group and of the Company.

#### (a) FRS 140 : Investment Property

Prior to 1 August 2006, investment properties were stated at cost or valuation. Revaluations were carried out at least once every five years and any revaluation increase are taken to equity as a revaluation surplus. The investment properties were last revalued in 2003. Upon the adoption of FRS 140, investment properties are now stated at cost less accumulated depreciation and any accumulated impairment losses.

The adoption of FRS 140 has also resulted in identification of properties that meets the definition of investment properties but were previously classified within property, plant and equipment. These investment properties are now classified separately on the face of the balance sheet.

The reclassification of property, plant and equipment as investment properties has been accounted for retrospectively and as disclosed in Note 2.3(c), certain comparatives have been restated. The effects on the balance sheets as at 31 July 2007 are set out in Note 2.3(b).

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd.)

#### (b) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following table provides estimates of the extent to which each of the line items in the Group and Company balance sheet as at 31 July 2007 is higher or lower than it would have been had the previous policies been applied in the current year. These changes in presentation have no impact on the line items in Group and Company's income statements.

#### Effects on balance sheets as at 31 July 2007

Description of Change	Increase/(Decrease) FRS 140 Note 2.3(a) RM '000
<b>Group</b>	
Property, plant and equipment	(4,297)
Investment properties	4,118
Revaluation reserve	(170)
Deferred tax liabilities	(9)
	<hr/>
<b>Company</b>	
Property, plant and equipment	(61,012)
Investment properties	61,012
	<hr/>

#### (c) Restatement of Comparatives

The following comparative amounts have been restated as a result of adopting new and revised FRSs:

Group	As Previously Stated RM'000	FRS 140 2.3(a) RM'000	As Restated RM'000
<b>Balance Sheets:</b>			
Property, plant and equipment	238,294	(922)	237,372
Investment properties	-	743	743
Revaluation reserve	(14,620)	170	(14,450)
Deferred tax liabilities	(6,413)	9	(6,404)

# Notes to the Financial Statements

31 July 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd.)

#### (c) Restatement of Comparatives (Cont'd.)

The following comparative amounts have been restated as a result of adopting new and revised FRSs (cont'd.):

Group	As Previously Stated RM'000	FRS 140 2.3(a) RM'000	As Restated RM'000
<b>Income Statements:</b>			
Other income	9,545	50	9,595
Property operating cost	(2,559)	(247)	(2,806)
Administrative expenses	(19,513)	247	(19,266)
Profit from operations	58,314	50	58,364
Profit before tax	44,680	50	44,730
Income tax expense	(12,488)	(3)	(12,491)
Profit for the year	32,192	47	32,239
<b>Cash Flow Statements:</b>			
Profit before tax	44,680	50	44,730
Depreciation of property, plant and equipment	16,040	(247)	15,793
Depreciation of investment properties	-	247	247
Gain on disposal of property, plant and equipment	(6,660)	4,633	(2,027)
Gain on disposal of investment properties	-	(4,683)	(4,683)
Proceeds from disposal of property, plant and equipment	10,323	(6,222)	4,101
Proceeds from disposal of investment properties	-	6,222	6,222
<b>Company</b>			
<b>Balance Sheet:</b>			
Property, plant and equipment	62,336	(61,790)	546
Investment properties	-	61,790	61,790
<b>Cash Flow Statement:</b>			
Depreciation of property, plant and equipment	960	(778)	182
Depreciation of investment properties	-	778	778

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following FRSs, amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRSs, Amendments to FRSs and Interpretations		Effective for financial periods beginning on or after
FRS 117	Leases	1 October 2006
FRS 124	Related Party Disclosures	1 October 2006
FRS 139	Financial Instruments: Recognition and Measurement	Deferred
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119 <sup>2004</sup>	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 120	Accounting for Government Grants and Disclosures of Government Assistance	1 July 2007
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operations	1 July 2007
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities Arising from Participation in a Specific Market - Waste Electrical and Electronical Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129 <sup>2004</sup> - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The above FRSs, amendments to FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application.



# Notes to the Financial Statements

31 July 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.4 Standards and Interpretations Issued but Not Yet Effective (Cont'd.)

The Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application of FRSs 117, 124 and 139.

### 2.5 Change in Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group revised the residual values of certain property, plant and equipment and the revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group for the current financial year have been reduced by RM5,145,000.

### 2.6 Significant Accounting Estimates and Judgement

#### (a) Critical Judgement Made in Applying Accounting Policies

The following is the judgement made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

#### Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portion could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Certain freehold land and buildings of the Group and the Company with carrying value RM4,118,000 and RM61,012,000 (2006: RM743,000 and RM61,790,000) respectively are being let out to earn rental income and for capital appreciation purposes. Accordingly, these properties are now classified as investment properties.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.6 Significant Accounting Estimates and Judgement (Cont'd.)**

#### **(b) Key Sources of Estimation Uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### **(i) Income Taxes**

Significant estimation is involved in determining the Group's and the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

##### **(ii) Deferred Tax Assets**

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As at 31 July 2006, the total carrying value of recognised capital allowances of the Group was RM792,000. The unrecognised tax losses and capital allowances of the Group were RM1,707,000 and RM7,549,000 (2006: RM3,855,000 and RM8,083,000) respectively.

# Notes to the Financial Statements

31 July 2007

## 3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant and Machinery RM'000	Capital in Progress RM'000	Motor Vehicles RM'000	Other Assets RM'000	Total RM'000
<b>At 31 July 2007</b>								
<b>Cost/Valuation</b>								
At 1 August 2006 (restated)	43,670	1,070	65,758	135,063	46,721	5,988	38,164	336,434
Additions	-	-	1,863	7,709	874	2,369	9,371	22,186
Disposals	-	-	-	(3,063)	-	(1,321)	(6,583)	(10,967)
Written off	-	-	-	-	-	-	(5)	(5)
Transfers	-	-	239	46,131	(46,438)	-	68	-
At 31 July 2007	43,670	1,070	67,860	185,840	1,157	7,036	41,015	347,648
Representing:								
At cost	26,002	-	41,228	185,840	1,157	7,036	41,015	302,278
At valuation	17,668	1,070	26,632	-	-	-	-	45,370
At 31 July 2007	43,670	1,070	67,860	185,840	1,157	7,036	41,015	347,648
<b>Accumulated Depreciation and Impairment</b>								
At 1 August 2006 (restated)	-	111	5,798	71,595	-	4,466	17,092	99,062
Depreciation charge for the year	-	18	1,339	9,204	-	660	5,068	16,289
Impairment losses for the year	-	-	-	3,260	-	-	-	3,260
Disposals	-	-	-	(1,022)	-	(1,106)	(3,691)	(5,819)
Written off	-	-	-	-	-	-	(5)	(5)
At 31 July 2007	-	129	7,137	83,037	-	4,020	18,464	112,787
Representing by:								
Accumulated depreciation	-	129	7,137	71,835	-	4,020	16,551	99,672
Accumulated impairment	-	-	-	11,202	-	-	1,913	13,115
	-	129	7,137	83,037	-	4,020	18,464	112,787
<b>Net Carrying Amount</b>								
At cost	26,002	-	37,307	102,803	1,157	3,016	22,551	192,836
At valuation	17,668	941	23,416	-	-	-	-	42,025
At 31 July 2007	43,670	941	60,723	102,803	1,157	3,016	22,551	234,861

### 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant and Machinery RM'000	Capital in Progress RM'000	Motor Vehicles RM'000	Other Assets RM'000	Total RM'000
<b>At 31 July 2006</b>								
<b>Cost/Valuation</b>								
At 1 August 2005 (restated)	43,670	1,070	65,534	81,781	48,751	5,926	26,918	273,650
Additions	-	-	224	14,288	43,526	317	11,176	69,531
Disposals	-	-	-	(366)	-	(255)	(6,126)	(6,747)
Transfers	-	-	-	39,360	(45,556)	-	6,196	-
At 31 July 2006	43,670	1,070	65,758	135,063	46,721	5,988	38,164	336,434
Representing:								
At cost	26,002	-	39,126	135,063	46,721	5,988	38,164	291,064
At valuation	17,668	1,070	26,632	-	-	-	-	45,370
At 31 July 2006	43,670	1,070	65,758	135,063	46,721	5,988	38,164	336,434
<b>Accumulated Depreciation and Impairment</b>								
At 1 August 2005 (restated)	-	92	4,485	54,313	-	4,027	15,170	78,087
Depreciation charge for the year	-	19	1,313	9,706	-	608	4,147	15,793
Impairment losses for the year	-	-	-	7,942	-	-	1,913	9,855
Disposals	-	-	-	(366)	-	(169)	(4,138)	(4,673)
At 31 July 2006	-	111	5,798	71,595	-	4,466	17,092	99,062
Representing by:								
Accumulated depreciation	-	111	5,798	63,653	-	4,466	15,179	89,207
Accumulated impairment	-	-	-	7,942	-	-	1,913	9,855
	-	111	5,798	71,595	-	4,466	17,092	99,062
<b>Net Carrying Amount</b>								
At cost	26,002	-	36,011	63,468	46,721	1,522	21,072	194,796
At valuation	17,668	959	23,949	-	-	-	-	42,576
At 31 July 2006	43,670	959	59,960	63,468	46,721	1,522	21,072	237,372

# Notes to the Financial Statements

## 31 July 2007

### 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Motor Vehicles RM'000
<b>Company</b>	
<b>At 31 July 2007</b>	
<b>Cost</b>	
At 1 August 2006 (restated) / At 31 July 2007	910
<b>Accumulated Depreciation</b>	
At 1 August 2006 (restated)	364
Charge for the year	182
At 31 July 2007	546
<b>Net Carrying Amount</b>	364
<b>At 31 July 2006</b>	
<b>Cost</b>	
At 1 August 2005 (restated) / At 31 July 2006	910
<b>Accumulated Depreciation</b>	
At 1 August 2005 (restated)	182
Charge for the year	182
At 31 July 2006	364
<b>Net Carrying Amount</b>	546

- (a) Other assets comprise equipment for hire, office renovations, furniture and fittings, heavy equipment, office equipment, tools, carpet, computer software, electrical installation, forklift, dies and jigs, containers and signboard.

### 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

- (b) Had the revalued properties been carried under the cost model, the carrying amounts of each class of property that would have been included in the financial statements of the Group as at 31 July 2007 would be as follows:

	<b>Freehold Land RM'000</b>	<b>Leasehold Land RM'000</b>	<b>Buildings RM'000</b>	<b>Total RM'000</b>
<b>As at 31 July 2007</b>				
Cost	12,077	1,059	13,822	26,958
Accumulated depreciation	-	(128)	(2,764)	(2,892)
Net carrying amount	12,077	931	11,058	24,066
<b>As at 31 July 2006</b>				
Cost	12,077	1,059	13,822	26,958
Accumulated depreciation	-	(110)	(2,488)	(2,598)
Net carrying amount	12,077	949	11,334	24,360

- (c) The freehold land, leasehold land and buildings were revalued in 2003 by the directors based on independent professional valuations carried out by Mr. Elvin Fernandez, FISM, of Messrs Khong & Jaafar Sdn Bhd, a registered valuer located at 57-1, Jalan Telawi Tiga, Bangsar Baru, 59100 Kuala Lumpur. The Cost and Investment Method of Valuation were used in arriving at the value of those properties.
- (d) The Group's property, plant and equipment with net book value of RM76,620,000 (2006: RM82,611,000) are pledged for borrowings as disclosed in Note 12.
- (e) During the financial year, the Group acquired property, plant and equipment at aggregate costs of RM22,186,000 (2006: RM69,531,000) of which RM2,255,000 (2006: RM38,908,000) were acquired by means of term loan arrangements. Net book values of property, plant and equipment held under term loan arrangements are as follows:

	<b>Group</b>	
	<b>2007 RM'000</b>	<b>2006 RM'000</b>
Plant and machinery	56,050	26,764
Capital in progress	-	33,329
	<b>56,050</b>	<b>60,093</b>

- (f) Hiap Teck Steel Manufacturing Sdn Bhd, a wholly owned subsidiary of the Company has ceased its manufacturing operation. This resulted recognition of an impairment loss of RM3,260,000 (2006: RM9,855,000) on the plant and equipment (Note 21).
- (g) The Group's plant and equipment with carrying amount of RM14,160,000 (2006: RM12,915,000) are on lease to generate rental income.

# Notes to the Financial Statements

## 31 July 2007

### 4. INVESTMENT PROPERTIES

	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Total RM'000
<b>Group</b>				
<b>At 31 July 2007</b>				
<b>Cost</b>				
At 1 August 2006 (restated)	485	-	258	743
Additions	-	1,550	1,857	3,407
At 31 July 2007	485	1,550	2,115	4,150
<b>Accumulated Depreciation</b>				
At 1 August 2006 (restated)	-	-	-	-
Charge for the year	-	15	17	32
At 31 July 2007	-	15	17	32
<b>Net Carrying Amount</b>	485	1,535	2,098	4,118
<b>At 31 July 2006</b>				
<b>Cost</b>				
At 1 August 2005 (restated)	621	1,650	258	2,529
Disposals	(136)	(1,650)	-	(1,786)
At 31 July 2006	485	-	258	743
<b>Accumulated Depreciation</b>				
At 1 August 2005 (restated)	-	-	-	-
Charge for the year	-	247	-	247
Disposals	-	(247)	-	(247)
At 31 July 2006	-	-	-	-
<b>Net Carrying Amount</b>	485	-	258	743

#### 4. INVESTMENT PROPERTIES (CONT'D.)

<b>Company</b>	<b>Freehold Land RM'000</b>	<b>Buildings RM'000</b>	<b>Total RM'000</b>
<b>At 31 July 2007</b>			
<b>Cost</b>			
At 1 August 2006 (restated) / 31 July 2007	26,002	38,900	64,902
<b>Accumulated Depreciation</b>			
At 1 August 2006 (restated)	-	3,112	3,112
Charge for the year	-	778	778
At 31 July 2007	-	3,890	3,890
<b>Net Carrying Amount</b>	26,002	35,010	61,012
<b>At 31 July 2006</b>			
<b>Cost</b>			
At 1 August 2005 (restated) / 31 July 2006	26,002	38,900	64,902
<b>Accumulated Depreciation</b>			
At 1 August 2005 (restated)	-	2,334	2,334
Charge for the year	-	778	778
At 31 July 2006	-	3,112	3,112
<b>Net Carrying Amount</b>	26,002	35,788	61,790

As at 31 July 2007, the estimated fair value of investment properties of the Group and of the Company are RM4,388,000 and RM68,000,000 respectively.



# Notes to the Financial Statements

## 31 July 2007

### 5. INVESTMENT IN SUBSIDIARIES

Unquoted shares at cost

Company	
2007	2006
RM'000	RM'000
<b>81,570</b>	81,570

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2007	2006	
Hiap Teck Hardware Sdn Bhd	Malaysia	<b>100</b>	100	Importer, exporter and general dealer of steel products, hardware and building materials
Tiek Hong Hardware (B'worth) Sdn Bhd	Malaysia	<b>100</b>	100	General merchant and dealer of metal hardware, building equipment and materials
Alpine Pipe Manufacturing Sdn Bhd	Malaysia	<b>100</b>	100	Manufacturing and trading of steel and iron products
Briliant Decade Transport Agency Sdn Bhd	Malaysia	<b>100</b>	100	Provision of transportation services
Huatraco Marketing Sdn Bhd	Malaysia	<b>100</b>	100	Manufacturing, selling and dealing in scaffolding equipment, slitting and forming process for pipes and range of steel products
<b>Subsidiaries of Huatraco Marketing Sdn Bhd</b>				
Huatraco Scaffold System Sdn Bhd	Malaysia	<b>100</b>	100	Distributor and renting of multi-directional crab system scaffolding, metal form and framework accessories

## 5. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows (cont'd.):

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2007	2006	
Subsidiaries of Huatraco Marketing Sdn Bhd (Cont'd.)				
Huatraco Industries Sdn Bhd	Malaysia	100	100	Manufacturing, selling and dealing in scaffolding and range of steel products
Subsidiaries of Hiap Teck Hardware Sdn Bhd				
Hiap Teck Property Sdn Bhd	Malaysia	100	100	Property investment
Hiap Teck Steel Manufacturing Sdn Bhd	Malaysia	100	100	Manufacturer and general dealer of steel products
Hiap Teck Holdings Sdn Bhd #	Malaysia	100	100	Dormant

# Subsidiary was lodged for de-registration on 6 July 2007.

## 6. OTHER INVESTMENTS

	Group	
	2007 RM'000	2006 RM'000
<b>Cost:</b>		
Quoted shares, within Malaysia	143	246
Less : Accumulated impairment losses	(93)	(105)
	50	141
Club memberships	186	186
	236	327
Market value of quoted shares	35	126

# Notes to the Financial Statements

## 31 July 2007

### 7. INVENTORIES

	Group	
	2007	2006
	RM'000	RM'000
<b>Cost:</b>		
Raw materials	183,483	68,466
Work-in-progress	25,819	22,148
Finished goods	112,057	84,144
Merchandise goods	106,403	50,852
Goods in transit	1,352	-
	<b>429,114</b>	<b>225,610</b>

### 8. TRADE RECEIVABLES

	Group	
	2007	2006
	RM'000	RM'000
Trade receivables	243,237	269,824
Less: Provision for doubtful debts	(4,770)	(6,153)
	<b>238,467</b>	<b>263,671</b>

The Group's normal trade credit term ranges from 14 to 90 (2006: 14 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

## 8. TRADE RECEIVABLES (CONT'D.)

The movements in provision for doubtful debts are as follows:

	Group	
	2007 RM'000	2006 RM'000
At 1 August	6,153	5,529
Provision for doubtful debts	-	1,600
Doubtful debts recovered, via:		
- Cash	(816)	(837)
- Shares assignment, classified as other investments	(121)	-
	(937)	(837)
Provision written back	(107)	-
Bad debts written off	(339)	(139)
At 31 July	4,770	6,153

## 9. OTHER RECEIVABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits	18,075	12,928	53	30
Prepayments	3,708	3,236	41	41
Sundry receivables	8,740	10,596	5	-
	30,523	26,760	99	71

Included in deposits of the Group is an amount of RM12,076,000 (2006: RM12,076,000) being deposits placed with a major supplier of a subsidiary.

Included in sundry receivables of the Group is an amount of RM3,384,000 (2006: RM4,557,000) being net receivable from a major supplier of a subsidiary.

The Group has concentration of credit risk in the form of deposits and sundry receivables due from a major supplier of a subsidiary representing 51% (2006: 62%) of total other receivables.

## 10. DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

# Notes to the Financial Statements

## 31 July 2007

### 11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash on hand and at banks	<b>8,409</b>	12,705	<b>534</b>	4
Deposits with licensed banks	<b>1,305</b>	17,777	<b>37</b>	584
Cash and bank balances	<b>9,714</b>	30,482	<b>571</b>	588
Bank overdraft (Note 12)	<b>(6,515)</b>	(1)	-	-
Total cash and cash equivalents	<b>3,199</b>	30,481	<b>571</b>	588

The weighted average effective interest rates of deposits at the balance sheet date were as follows:

	Group	
	2007 %	2006 %
Deposits with licensed banks	<b>2.84</b>	2.86

The average maturities of deposits as at the end of the financial year were 23 (2006: 8) days.

Deposits with a licensed bank of RM43,000 (2006: RM7,554,000) as at end of the financial year belonging to the Company and a subsidiary do not have fixed maturity terms. However, seven (7) days notice are required for withdrawal of RM2,000,000 and below and thirty (30) days notice are required for withdrawal of amounts above RM2,000,000.

## 12. BANK OVERDRAFTS AND BORROWINGS

	Group	
	2007 RM'000	2006 RM'000
<b>Short Term Borrowings</b>		
Secured:		
Term loans	13,844	13,146
Unsecured:		
Bank overdrafts	6,515	1
Bankers' acceptances	429,841	345,333
	436,356	345,334
	(6,515)	(1)
	429,841	345,333
	443,685	358,479
<b>Long Term Borrowings</b>		
Secured:		
Term loans	29,784	41,372
<b>Total Borrowings</b>		
Bank overdrafts	6,515	1
Bankers' acceptances	429,841	345,333
Term loans	43,628	54,518
	479,984	399,852
<b>Maturity of bank overdrafts and borrowings:</b>		
Within one year	450,200	358,480
More than 1 year and less than 2 years	14,661	13,844
More than 2 years and less than 5 years	15,123	24,909
5 years or more	-	2,619
	479,984	399,852

# Notes to the Financial Statements

31 July 2007

## 12. BANK OVERDRAFTS AND BORROWINGS (CONT'D.)

The average interest rates during the financial year for bank overdrafts and borrowings were as follows:

	Group	
	2007	2006
	%	%
Bank overdrafts	7.25 - 7.75	6.00 - 7.75
Bankers' acceptances	3.92 - 4.86	3.10 - 5.22
Term loans	5.50	5.50

The term loans are secured by the following:

- (a) First legal charge over certain mills of a subsidiary as disclosed in Note 3(d); and
- (b) Corporate guarantees by the Company.

## 13. TRADE PAYABLES

The normal trade credit terms granted to the Group ranges from 14 to 90 (2006: 14 to 90) days.

## 14. OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Sundry payables	11,065	7,592	-	-
Accruals	13,612	14,849	3,228	1,886
Deposits	2,173	1,836	-	-
	26,850	24,277	3,228	1,886

# 15. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of Ordinary Shares of RM0.50 Each		Amount			
	Share Capital (Issued and Fully Paid) '000	Treasury Shares '000	Share Capital (Issued and Fully Paid) RM'000	Share Premium RM'000	Total Share Capital and Share Premium RM'000	Treasury Shares RM'000
At 1 August 2005	327,400	(1,768)	163,700	21,853	185,553	(2,251)
Purchase of treasury shares	-	(1,040)	-	-	-	(773)
Transaction costs	-	-	-	-	-	(5)
At 31 July 2006	327,400	(2,808)	163,700	21,853	185,553	(3,029)
Purchase of treasury shares	-	(392)	-	-	-	(340)
Transaction costs	-	-	-	-	-	(2)
Re-issuance of treasury shares	-	3,200	-	3,488	3,488	3,371
At 31 July 2007	327,400	-	163,700	25,341	189,041	-

	Number of Ordinary Shares of RM0.50 Each		Amount	
	2007 '000	2006 '000	2007 RM'000	2006 RM'000
<b>Authorised share capital</b>				
At 1 August/31 July	<b>400,000</b>	400,000	<b>200,000</b>	200,000

## (a) Ordinary Shares Issued for Cash

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.



# Notes to the Financial Statements

31 July 2007

## 15. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (CONT'D.)

### (b) Treasury Shares

The shareholders of the Company, by a special resolution passed in a general meeting held on 15 December 2006, renewed their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 392,000 of its issued ordinary shares from the open market at an average price of RM0.87 per share. The total consideration paid for the repurchase including transaction costs was RM342,000, comprising of consideration paid amounting to RM340,000 and transaction costs of RM2,000. The repurchase transactions were financed by internally generated funds.

The Company has resold 3,200,000 treasury shares at an average price of RM2.14 per share. The net proceeds from the resale was RM6,859,000. The resulted gain was credited to the share premium account.

## 16. RESERVES

### (a) Revaluation Reserve

This reserve includes the cumulative net change, net of deferred tax effects, arising from the revaluation of freehold land, leasehold land and buildings.

### (b) Retained Profits

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 to frank the payment of dividends out of its entire retained profits as at 31 July 2007.

## 17. DEFERRED TAX

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At 1 August (restated)	6,105	7,128	573	65
Recognised in income statement (Note 24)	192	(1,023)	(847)	508
Recognised in equity	(551)	-	-	-
At 31 July	5,746	6,105	(274)	573

## 17. DEFERRED TAX (CONT'D.)

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	(281)	(299)	(274)	-
Deferred tax liabilities:				
Subject to income tax	2,850	2,628	-	573
Subject to capital gain tax	3,177	3,776	-	-
	6,027	6,404	-	573
	5,746	6,105	(274)	573

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

### Deferred Tax Assets of the Group:

	Trade Receivables RM'000	Other Payables RM'000	Unabsorbed Capital Allowances RM'000	Total RM'000
At 1 August 2005	-	(371)	(2,386)	(2,757)
Recognised in income statement	(18)	(838)	2,164	1,308
At 31 July 2006	(18)	(1,209)	(222)	(1,449)
Recognised in income statement	17	(313)	222	(74)
At 31 July 2007	(1)	(1,522)	-	(1,523)

# Notes to the Financial Statements

31 July 2007

## 17. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (cont'd.):

### Deferred Tax Liabilities of the Group:

	Trade Receivables RM'000	Revaluation Reserve RM'000	Property, Plant and Equipment RM'000	Investment Properties RM'000	Total RM'000
At 1 August 2005 (restated)	31	3,843	6,011	-	9,885
Recognised in income statement	26	(67)	(2,290)	-	(2,331)
At 31 July 2006 (restated)	57	3,776	3,721	-	7,554
Recognised in income statement	117	(47)	89	107	266
Recognised in equity	-	(551)	-	-	(551)
At 31 July 2007	174	3,178	3,810	107	7,269

### Deferred Tax Asset of the Company:

	Other Payables RM'000
At 1 August 2005	(60)
Recognised in income statement	(373)
At 31 July 2006	(433)
Recognised in income statement	(315)
At 31 July 2007	(748)

### Deferred Tax Liabilities of the Company:

	Dividend Receivable RM'000	Property, Plant and Equipment RM'000	Investment Properties RM'000	Total RM'000
At 1 August 2005	-	2	123	125
Recognised in income statement	840	-	41	881
At 31 July 2006	840	2	164	1,006
Recognised in income statement	(559)	-	27	(532)
At 31 July 2007	281	2	191	474

## 17. DEFERRED TAX (CONT'D.)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2007	2006
	RM'000	RM'000
Unabsorbed capital allowances	7,549	8,083
Unused tax losses	1,707	3,855
Other deductible temporary differences	99	65

The availability of the unused tax losses and unabsorbed capital allowances for off-setting against future taxable profits of the Group are subject to no substantial changes in the shareholdings of the Group and the Company under Section 44(5A) and (5B) of the Income Tax Act, 1967. Deferred tax assets have not been recognised where it is not probable that future taxable profits will be available against which the subsidiary can utilise the benefits.

## 18. REVENUE

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Sale of goods	1,269,978	998,437	-	-
Rental of scaffolding	10,982	9,450	-	-
Transportation services	88	362	-	-
Slitting and forming charges	-	1	-	-
Dividends income	-	-	4,980	6,900
Rental of properties	-	-	4,710	4,710
Management fees	-	-	2,304	2,304
	1,281,048	1,008,250	11,994	13,914

## 19. COST OF SALES

	Group	
	2007	2006
	RM'000	RM'000
Cost of inventories sold	1,107,240	900,287
Depreciation of equipment for hire	3,823	2,985
Cost of transportation services rendered	2,654	2,820
	1,113,717	906,092

# Notes to the Financial Statements

## 31 July 2007

### 20. FINANCE COSTS

	Group	
	2007	2006
	RM'000	RM'000
Interest expense on:		
Bank overdrafts	204	291
Bankers' acceptances	17,626	10,456
Term loans	2,622	2,419
Finance and administration charges	581	468
	<b>21,033</b>	<b>13,634</b>

### 21. PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense (Note 22)	19,688	17,966	54	57
Executive directors' remuneration (Note 23)	7,884	6,766	5,904	4,894
Non-executive directors' remuneration (Note 23)	188	243	188	243
Auditors' remuneration:				
Statutory audits				
- current year	152	115	47	30
- under provision in prior year	30	30	10	15
Other services	5	5	5	5
Minimum lease payments for:				
Land and buildings	4,277	4,265	-	-
Office equipment	14	13	-	-
Gas tank	11	14	-	-
Depreciation of property, plant and equipment (Note 3)	16,289	15,793	182	182
Depreciation of investment properties (Note 4)	32	247	778	778
Goodwill impaired	-	787	-	-
Provision for doubtful debts	-	1,600	-	-
Provision for impairment in value of other investments	93	105	-	-
Provision for impairment in property, plant and equipment (Note 3(f))	3,260	9,855	-	-

## 21. PROFIT BEFORE TAX (CONT'D.)

The following amounts have been included in arriving at profit before tax (cont'd.):

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Write back of provision for doubtful debts	(107)	-	-	-
Doubtful debts recovered	(937)	(837)	-	-
Bad debts recovered	(37)	-	-	-
Gain on disposal of other investments	(115)	-	-	-
Gain on disposal of property, plant and equipment	(2,931)	(2,027)	-	-
Gain on disposal of investment properties	-	(4,683)	-	-
Rental income	(84)	-	-	-
Gross dividends income	(14)	(7)	(4,980)	(6,900)
Net foreign exchange losses/(gains):				
Realised	1,669	537	-	-
Unrealised	(673)	(104)	-	-
Deposits interest income	(590)	(287)	(45)	(12)
Net overdue interest income	(235)	(1,019)	-	-

## 22. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	16,238	13,943	41	40
Bonus	1,570	2,198	7	9
Social security contributions	208	185	1	1
Contributions to defined contribution plans	1,657	1,543	6	6
Short term accumulating compensated absences	15	97	(1)	1
	19,688	17,966	54	57

# Notes to the Financial Statements

31 July 2007

## 23. DIRECTORS' REMUNERATION

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Directors of the Company:</b>				
Executive:				
Salaries and other emoluments	<b>3,263</b>	2,158	<b>2,681</b>	1,900
Bonus	<b>2,749</b>	2,600	<b>2,531</b>	2,420
Social security contributions	<b>3</b>	2	<b>1</b>	1
Contributions to defined contribution plans	<b>660</b>	513	<b>564</b>	460
Short term accumulating compensated absences	<b>133</b>	119	<b>127</b>	113
Benefits-in-kind	<b>103</b>	70	<b>35</b>	35
	<b>6,911</b>	5,462	<b>5,939</b>	4,929
Non-executive:				
Fees	<b>188</b>	243	<b>188</b>	243
	<b>7,099</b>	5,705	<b>6,127</b>	5,172
<b>Directors of Subsidiaries:</b>				
Executive:				
Salaries and other emoluments	<b>576</b>	660	-	-
Bonus	<b>375</b>	560	-	-
Social security contributions	<b>1</b>	2	-	-
Contributions to defined contribution plans	<b>114</b>	146	-	-
Short term accumulating compensated absences	<b>10</b>	6	-	-
Benefits-in-kind	<b>38</b>	35	-	-
	<b>1,114</b>	1,409	-	-
Non-executive:				
Fees	-	-	-	-
	<b>1,114</b>	1,409	-	-
Total	<b>8,213</b>	7,114	<b>6,127</b>	5,172

## 23. DIRECTORS' REMUNERATION (CONT'D.)

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
<b>Analysis excluding benefits-in-kind:</b>				
Total executive directors' remuneration excluding benefits-in-kind (Note 21)	<b>7,884</b>	6,766	<b>5,904</b>	4,894
Total non-executive directors' remuneration (Note 21)	<b>188</b>	243	<b>188</b>	243
Total directors' remuneration excluding benefits-in-kind	<b>8,072</b>	7,009	<b>6,092</b>	5,137

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2007	2006
Executive directors:		
RM200,001 - RM250,000	-	1
RM250,001 - RM300,000	<b>1</b>	1
RM300,001 - RM350,000	<b>3</b>	-
RM400,001 - RM450,000	-	2
RM450,001 - RM500,000	<b>1</b>	-
RM4,050,001 - RM4,100,000	-	1
RM5,150,001 - RM5,200,000	<b>1</b>	-
Non-executive directors:		
RMNil - RM50,000	<b>4</b>	5
RM50,001 - RM100,000	<b>1</b>	1



# Notes to the Financial Statements

31 July 2007

## 24. INCOME TAX EXPENSE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current income tax:				
Malaysian income tax	29,281	15,588	2,115	1,526
(Over)/under provision in prior year	(85)	(2,074)	6	(24)
	<b>29,196</b>	13,514	<b>2,121</b>	1,502
Deferred tax (Note 17):				
Relating to origination and reversal of temporary differences	370	(1,039)	(837)	508
Relating to changes in tax rates	(202)	-	(10)	-
Under provision in prior years	24	16	-	-
	<b>192</b>	(1,023)	<b>(847)</b>	508
	<b>29,388</b>	12,491	<b>1,274</b>	2,010

Domestic current income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year except for certain subsidiaries of which the domestic income tax during the current financial year is calculated at the Malaysian statutory tax rate of 20% of the estimated assessable profit up to RM500,000 (2006: RM500,000). The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% effective year of assessment 2009. The computation of deferred tax as at 31 July 2007 has reflected these changes.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2007 RM'000	2006 RM'000
<b>Group</b>		
Profit before tax	<b>100,785</b>	44,730
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	<b>27,212</b>	12,524
Different tax rate for small and medium scale companies	<b>(176)</b>	(201)
Effect of changes in tax rates on opening balance of deferred tax	<b>(208)</b>	-
Deferred tax recognised at different tax rates	<b>6</b>	-
Income not subject to tax	<b>(291)</b>	(1,359)
Expenses not deductible for tax purposes	<b>4,070</b>	1,872
Double deduction expenses	<b>(70)</b>	(65)

## 24. INCOME TAX EXPENSE (CONT'D.)

	2007 RM'000	2006 RM'000
<b>Group (Cont'd.)</b>		
Utilisation of reinvestment allowance	(379)	(146)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(724)	-
Deferred tax assets not recognised in respect of other deductible temporary differences	9	-
Deferred tax assets not recognised in respect of unused tax losses and unabsorbed capital allowances	-	1,924
Under provision of deferred tax in prior years	24	16
Over provision of income tax expense in prior year	(85)	(2,074)
Income tax expense for the year	<b>29,388</b>	12,491
<b>Company</b>		
Profit before tax	<b>3,844</b>	6,478
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	<b>1,038</b>	1,814
Effect of changes in tax rates on opening balance of deferred tax	(41)	-
Deferred tax recognised at different tax rates	31	-
Income not subject to tax	(12)	(3)
Expenses not deductible for tax purposes	252	223
Under/(over) provision of income tax expense in prior year	6	(24)
Income tax expense for the year	<b>1,274</b>	2,010

# Notes to the Financial Statements

31 July 2007

## 25. EARNINGS PER SHARE

### Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	2007	2006
Profit for the year (RM'000)	71,397	32,239
Weighted average number of ordinary shares in issue ('000)	325,074	325,338
Basic earnings per share (sen)	21.96	9.91

## 26. DIVIDENDS

	Dividends in respect of Year			Dividends Recognised in Year	
	2007	2006	2005	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Recognised during the year:</b>					
Interim dividend for 2006: 2% less 28% taxation, in respect of the year ended 31 July 2006 (1.0 sen per ordinary share)	-	2,337	-	-	2,337
<b>Proposed for approval at AGM (not recognised as at 31 July):</b>					
Final dividend for 2005: 3% less 28% taxation, in respect of the year ended 31 July 2005 (1.5 sen per ordinary share)	-	-	3,513	-	3,513
Final dividend for 2006: 3% less 27% taxation, in respect of the year ended 31 July 2006 (1.5 sen per ordinary share)	-	3,550	-	3,550	-

## 26. DIVIDENDS (CONT'D.)

	Dividends in respect of Year			Dividends Recognised in Year	
	2007 RM'000	2006 RM'000	2005 RM'000	2007 RM'000	2006 RM'000
<b>Proposed for approval at AGM (not recognised as at 31 July) (cont'd.):</b>					
Final dividend for 2007: 5% less 27% taxation, in respect of the year ended 31 July 2007 (2.5 sen per ordinary share)	5,975	-	-	-	-
	<b>5,975</b>	5,887	3,513	<b>3,550</b>	5,850

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 July 2007, of 2.5 sen per share less 27% taxation on 327,400,000 ordinary shares, amounting to a dividend payable of RM5,975,050 (1.83 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 July 2008.

## 27. OPERATING LEASE ARRANGEMENTS

### (a) The Group as Lessee

Operating lease payments represent rentals payables by the Group for use of buildings.

The future aggregate minimum lease payments under non-cancellable operating lease contracted for as at the balance sheet date but not recognised as liabilities are as follows:

	Group	
	2007 RM'000	2006 RM'000
Not later than 1 year	4,272	4,320
Later than 1 year and not later than 5 years	3	4,275
	<b>4,275</b>	8,595

The lease payments recognised in profit or loss during the financial year are disclosed in Note 21.

# Notes to the Financial Statements

31 July 2007

## 27. OPERATING LEASE ARRANGEMENTS (CONT'D.)

### (b) The Group as Lessor

Operating lease receipts represent rentals receivable by the Group for buildings rented out.

The future aggregate minimum lease payments receivables under non-cancellable operating lease contracted for as at the balance sheet date but not recognised as receivables are as follows:

	Group	
	2007 RM'000	2006 RM'000
Not later than 1 year	223	-
Later than 1 year and not later than 5 years	208	-
	<b>431</b>	-

Investment properties rental income recognised in profit or loss during the financial year are disclosed in Note 21.

## 28. CONTINGENT LIABILITIES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Unsecured:</b>				
In respect of indemnity provided for bank guarantees issued	363	2,175	-	-
Corporate guarantees provided to secure banking facilities granted to subsidiaries	-	-	480,000	400,000
In respect of guarantees issued in favour of Royal Customs & Excise Department	6,000	6,000	-	-
	<b>6,363</b>	8,175	<b>480,000</b>	400,000

## 29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2007 RM'000	2006 RM'000
<b>Group</b>		
Sales of steel products to a company in which certain directors of the Company have significant interests:		
Power Concord Sdn Bhd	1,890	2,315
Rental expense to a company in which a director of the Company has significant interests:		
K.H.L. Sdn Bhd	4,200	4,200
Provision of transportation to a company in which certain directors of the Company have significant interests:		
Power Concord Sdn Bhd	-	3
Legal fee paid to a company in which certain directors of the Company have significant interests:		
S.B. Cheah & Associates	112	7
<b>Company</b>		
Rental income from subsidiaries:		
Alpine Pipe Manufacturing Sdn Bhd	3,120	3,120
Huatraco Marketing Sdn Bhd	1,590	1,590
Management fees from subsidiaries:		
Hiap Teck Hardware Sdn Bhd	864	864
Alpine Pipe Manufacturing Sdn Bhd	984	984
Huatraco Marketing Sdn Bhd	456	456
Gross dividends income from subsidiaries:		
Hiap Teck Hardware Sdn Bhd	1,200	1,200
Huatraco Marketing Sdn Bhd	1,800	4,800
Tiek Hong Hardware (B'worth) Sdn Bhd	1,080	600
Briliant Decade Transport Agency Sdn Bhd	900	300

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

# Notes to the Financial Statements

31 July 2007

## 30. SIGNIFICANT EVENTS

### Acquisitions of Leasehold Land and Buildings

On 27 February 2007, Hiap Teck Hardware Sdn Bhd ("HTHSB"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement to acquire a parcel of property known as PLO No. 267, Mukim Tebrau, Johor Bahru for a total purchase consideration of RM3,407,000.

On 6 June 2007, HTHSB entered into a sale and purchase agreement to acquire a parcel of property known as PLO No. 268, Mukim Tebrau, Johor Bahru for a purchase consideration of RM6,500,000. The effects of this acquisition have not been reflected in the financial statements pending fulfillment of certain precedent conditions stated in the said sale and purchase agreement.

## 31. SUBSEQUENT EVENT

Presently, Malaysian companies adopt the full imputation system. In the Budget 2008, the Government announced the proposal to introduce the single tier tax system for companies effective from the year of assessment 2008. Under the proposed single tier system, the Company shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends paid, credited or distributed by the Company will be exempted from tax in the hands of the shareholders. However, there will be a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrecoverable option to disregard the tax credit balance under Section 108 of the Income Tax Act, 1967 and opt to pay dividends under the single tier system. This proposed change in the tax law also provides for the Section 108 balance to be locked in as at 31 December 2007.

During the transitional period, the Company can utilise the tax credit balance in the Section 108 account as at 31 July 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Bill, 2007.

## 32. FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk, liquidity risk, credit risk and foreign currency risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

### (b) Interest Rate Risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The investment in financial assets are mainly short term in nature and they are not held for a speculative purposes. The Group's primary interest rate risk relates to interest-bearing debts.

The Group manages its interest rate exposure by maintaining a fixed and floating rate borrowings. The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets.

## 32. FINANCIAL INSTRUMENTS (CONT'D.)

### (c) Liquidity Risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

### (d) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness.

The Group has concentration of credit risk in the form of deposits and sundry receivables due from a major supplier of a subsidiary representing 51% (2006: 62%) of total other receivables.

### (e) Foreign Currency Risk

The Group is mainly exposed to United States Dollars and Singapore Dollars. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

Functional Currency of Group Companies	United States Dollars RM'000	Singapore Dollars RM'000	Total RM'000
<b>At 31 July 2007:</b>			
Trade receivables	9,308	20,737	30,045
Cash and cash equivalents	3	432	435
Trade payables	(495)	(383)	(878)
	8,816	20,786	29,602
<b>At 31 July 2006:</b>			
Trade receivables	6,091	17,096	23,187
Cash and cash equivalents	-	624	624
	6,091	17,720	23,811



# Notes to the Financial Statements

31 July 2007

## 32. FINANCIAL INSTRUMENTS (CONT'D.)

### (e) Foreign Currency Risk (Cont'd.)

As at balance sheet date, the Group had entered into forward foreign exchange contracts with the following notional amounts and maturities:

	Currency	Mature within 1 year RM'000
<b>At 31 July 2007:</b>		
Forward used to hedge trade receivables	United States Dollars	19,036
<b>At 31 July 2006:</b>		
Forward used to hedge trade receivables	United States Dollars	34,927

The net unrecognised gains as at 31 July 2007 on forward contracts used to hedge anticipated sales which are expected to occur prior to September 2007 amounted to RM3,617 and are deferred until the related sales occur, at which time they will be included in the measurement of the sales.

### (f) Fair Value

The carrying amounts of financial assets and liabilities of the Group at the balance sheet date approximated their fair values except for the following:

	Note	Group Carrying Amount RM'000	Fair Value RM'000
<b>At 31 July 2007</b>			
Term loans	12	43,628	40,450
<b>At 31 July 2006</b>			
Term loans	12	54,518	53,442

The methods and assumptions used by management to determine fair value of financial instrument other than those whose carrying amounts reasonably approximate their fair values is as follow:

#### Term Loans

The fair values of term loans are estimated by discounting the expected future cash flows using current interest rates for liabilities with similar risk profiles.

### 33. CAPITAL COMMITMENTS

	Group	
	2007	2006
	RM'000	RM'000
Capital expenditure:		
Approved and contracted for:		
Property, plant and equipment	27,000	8,000

### 34. SEGMENTAL INFORMATION

#### (a) Business Segments

The Group comprises the following main business segments:

- (i) Trading - Importers, exporters and general dealers in steel products, hardware and building materials;
- (ii) Manufacturing - Manufacturers and distributors of steel pipes, hollow sections, scaffolding equipments and accessories and other steel products;
- (iii) Property and investment - Investment in and renting out property and investment holding; and
- (iv) Transportation - Provision of transportation of goods by lorries.

#### (b) Geographical Segments

No segmental information is provided on a geographical basis as the activities of the Group are carried out predominantly in Malaysia.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

# Notes to the Financial Statements

## 31 July 2007

### 34. SEGMENTAL INFORMATION

#### Business Segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Trading RM'000	Manufacturing RM'000	Property and Investment RM'000	Transportation RM'000	Elimination RM'000	Consolidated RM'000
<b>31 July 2007</b>						
<b>Revenue</b>						
Sales to external customers	613,483	667,477	-	88	-	1,281,048
Inter-segment sales	29,416	60,209	14,194	3,649	(107,468)	-
Total revenue	642,899	727,686	14,194	3,737	(107,468)	1,281,048
<b>Results</b>						
Operating profit	36,399	84,260	5,248	891	(4,980)	121,818
Finance costs						(21,033)
Profit before tax						100,785
Income tax expense						(29,388)
Net profit for the year						71,397
<b>Assets</b>						
Segment assets	254,479	624,932	152,157	4,370	(88,905)	947,033
Unallocated assets						2,264
Total assets						949,297
<b>Liabilities</b>						
Segment liabilities	189,148	406,563	20,278	960	(88,905)	528,044
Unallocated liabilities						7,631
Total liabilities						535,675
<b>Other segment information</b>						
Capital expenditure	7,414	17,966	-	334	-	25,714
Depreciation	1,106	13,689	1,502	24	-	16,321
Non-cash expenses other than depreciation	3,353	-	-	-	-	3,353

### 34. SEGMENTAL INFORMATION (CONT'D.)

#### Business Segments (Cont'd.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment (cont'd.):

	Trading RM'000	Manufacturing RM'000	Property and Investment RM'000	Transportation RM'000	Elimination RM'000	Consolidated RM'000
<b>31 July 2006</b>						
<b>Revenue</b>						
Sales to external customers	402,201	605,687	-	362	-	1,008,250
Inter-segment sales	88,886	54,187	15,114	3,455	(161,642)	-
Total revenue	491,087	659,874	15,114	3,817	(161,642)	1,008,250
<b>Results</b>						
Operating profit	20,422	33,494	11,267	1,295	(8,114)	58,364
Finance costs						(13,634)
Profit before tax						44,730
Income tax expense						(12,491)
Net profit for the year						32,239
<b>Assets</b>						
Segment assets	212,854	531,715	152,362	3,904	(115,870)	784,965
Unallocated assets						2,863
Total assets						787,828
<b>Liabilities</b>						
Segment liabilities	152,167	378,365	26,372	396	(115,870)	441,430
Unallocated liabilities						7,691
Total liabilities						449,121
<b>Other segment information</b>						
Capital expenditure	507	68,781	225	18	-	69,531
Depreciation	423	13,829	1,749	39	-	16,040
Non-cash expenses other than depreciation	634	10,926	-	-	-	11,560

## Properties of the Group

As at 31 July 2007

Location	Description and existing usage	Tenure	Approximate age of building (years)	Approximate land area (acres)	Build Up area (sq. metres)	Net book value as at 31 July 2007 (RM)	Date of Acquisition	Date of Last Revaluation
Lot 6085, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory with a 2 storey office	Freehold	9.5	9	19,005	20,450,463	29-May-03	-
Lot 6088, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory with a 2 storey office	Freehold	9.5	9	18,732	19,245,693	29-May-03	-
Lot 6089, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse	Freehold	8.5	9	18,516	21,315,760	29-May-03	-
Lot 6095, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse	Freehold	8	10.013	22,341	24,134,187	5-Jul-96	24-Mar-03
Lot 6096, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse with 4 storey office building	Freehold	8	9.483	12,179	17,168,078	5-Jan-95	24-Mar-03
Lot 169, Mukim of Plentong District of Johor Bahru Johor Darul Takzim	Vacant agricultural land	Freehold	-	5.1	-	484,968	9-Jun-95	24-Mar-03
Lot 296, Mukim 13 District of Seberang Perai Tengah, Pulau Pinang	Single storey warehouse with 2 storey office	Leasehold (66 years) expiring 10.3.2058	1	2.241	2,453	3,019,572	6-Jul-96	24-Mar-03
28635C, Block D, Phase 7E Jalan BRP 6/10 Bukit Rahman Putra Seksyen U20 40160 Shah Alam	Shop office	Freehold	7	-	144.929	157,288	20-Aug-99	-
Lot 14175 (1st Floor) Putri Town Ctr Kulai Taman Putri Kulai Johor Darul Takzim	Shop office apartment	Freehold	9	-	143.07	101,226	2-Aug-99	-
PLO 267, Jalan Firma 3 Tebrau IV Industrial Estate 81100 Johor Bahru Johor Darul Takzim	Single storey detached factory building	Leasehold (60 years) expiring 31.1.2060)	4	1	2,536.30	3,374,336	27-Feb-07	-

## Analysis of Shareholdings

As at 1 November 2007

Authorised Share Capital	:	RM200,000,000-00
Issued and Fully Paid-Up Share Capital	:	RM163,700,000-00 (327,400,000 Ordinary Shares of RM0.50 each)
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Right	:	One vote per Ordinary Share held

### Analysis By Size of Shareholdings As At 1 November 2007

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	6	0.12	279	0.00
100 - 1,000	1,048	21.06	1,000,357	0.30
1,001 - 10,000	2,980	59.87	13,867,144	4.24
10,001 - 100,000	736	14.79	23,919,264	7.31
100,001 to less than 5% of issued shares	203	4.08	152,531,616	46.59
5% and above of issued shares	4	0.08	136,081,340	41.56
<b>Total</b>	<b>4,977</b>	<b>100.00</b>	<b>327,400,000</b>	<b>100.00</b>

### LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 1 NOVEMBER 2007

No.	Shareholders' Name	No. of Shares of RM0.50 Each	(%)
1.	K.H.L. Sdn Bhd	64,457,096	19.69
2.	United Coconut Fibre Products Sdn Bhd	35,173,644	10.74
3.	K.H.L. Sdn Bhd	20,000,000	6.11
4.	Lembaga Tabung Haji	16,450,600	5.02
5.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels For Mirae Asset Asia Pacific Infra Sector Equity Investment Trust 1	16,340,600	4.99
6.	Alliancegroup Nominees (Tempatan) Sdn Bhd PHEIM Asset Management Sdn Bhd For Employees Provident Fund	7,700,000	2.35
7.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund D26J For Emerging Markets Global Small Capitalization Fund	4,839,600	1.48
8.	HSBC Nominees (Asing) Sdn Bhd Exempt An For JPMorgan Chase Bank, National Association	4,755,000	1.45

## Analysis of Shareholdings (Cont'd.)

As at 1 November 2007

### LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 1 NOVEMBER 2007 (CONT'D.)

No.	Shareholders' Name	No. of Shares of RM0.50 Each	(%)
9.	Lim Ah Eng	4,468,745	1.36
10.	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Opportunities Fund	4,117,000	1.26
11.	Malaysia Nominees (Asing) Sendirian Berhad British And Malayan Trustees Limited For Lion Capital Singapore/Malaysia Fund	3,890,000	1.19
12.	SBB Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	3,830,000	1.17
13.	AMMB Nominees (Tempatan) Sdn Bhd AmTrustee Berhad For SBB Dana AL-Ihsan	3,761,500	1.15
14.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Mohamed Nizam Bin Abdul Razak	3,300,000	1.01
15.	Mohamed Nizam Bin Abdul Razak	2,946,982	0.90
16.	Cartaban Nominees (Asing) Sdn Bhd Svenska Handelsbanken Stockholm	2,867,200	0.88
17.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels For Greatlink Asean Growth Fund	2,750,000	0.84
18.	HLG Nominee (Tempatan) Sdn Bhd PB Trustee Services Berhad for HLG Growth Fund	2,669,100	0.82
19.	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad For Public Regular Savings Fund	2,528,600	0.77
20.	Mary Ang Poh Chan	2,000,000	0.61
21.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (Malaysia) Trustee Berhad For Amanah Saham Sarawak	2,000,000	0.61
22.	Cartaban Nominees (Asing) Sdn Bhd RBC Dexia Investor Services Bank For Comgest Growth Gem Promising Companies	2,000,000	0.61

**LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 1 NOVEMBER 2007 (CONT'D.)**

<b>No. Shareholders' Name</b>	<b>No. of Shares of RM0.50 Each</b>	<b>(%)</b>
23. Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Equity Fund	1,800,000	0.55
24. Citigroup Nominees (Asing) Sdn Bhd CB Spore GW For NTUC Income Insurance Co-Operative Ltd	1,800,000	0.55
25. Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Dividend Fund	1,750,000	0.54
26. OSK Investment Bank (Labuan) Limited	1,700,000	0.52
27. Universal Trustee (Malaysia) Berhad SBB Emerging Companies Growth Fund	1,650,000	0.51
28. Citigroup Nominees (Tempatan) Sdn Bhd Uni. Asia Life Assurance Berhad	1,485,200	0.45
29. Alwi Bin Jantan	1,410,000	0.43
30. HSBC Nominees (Asing) Sdn Bhd BNY Lux for international Opportunities Fund-Malaysian Equity	1,256,000	0.38
<b>Total</b>	<b>225,696,867</b>	<b>68.94</b>

**DIRECTORS' SHAREHOLDINGS AS AT 1 NOVEMBER 2007**

(As per the Register of Directors' Shareholdings of the Company)

<b>Names</b>	<b>Direct</b>		<b>Indirect</b>	
	<b>No. of Shares</b>	<b>%</b>	<b>No. of Shares</b>	<b>%</b>
Tan Sri Dato' Alwi Jantan	1,410,000	0.43	-	-
Mr. Kua Hock Lai	-	-	124,115,999 <sup>(a)</sup>	37.91
Dato' Mohamed Nizam bin Abdul Razak	7,171,147 <sup>(b)</sup>	2.19	-	-
Mr. Yeoh Chong Keat	20,000	0.01	18,000 <sup>(c)</sup>	0.01
Ms. Law Sook Teng	450,015	0.14	-	-



## Analysis of Shareholdings (Cont'd.)

As at 1 November 2007

### DIRECTORS' SHAREHOLDINGS AS AT 1 NOVEMBER 2007 (CONT'D.)

Names	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Mr. Cheah Shu Boon	66,000	0.02	-	-
Mr. Kua Swee Leong	757	0.00	-	-
Mr. Kua Swee Kiat	15,757	0.00	-	-
Mr. Phang Chin Khiong	114,615	0.04	-	-
Mr. Teoh Peir Song	826,515	0.25	-	-
Ms. Toh Su Lin	12,000	0.00	3,000 <sup>(d)</sup>	0.00

Notes:

- (a) Deemed interest by virtue of his substantial shareholdings in K.H.L. Sdn Bhd and United Coconut Fibre Products Sdn Bhd, and his spouse, Madam Lim Ah Eng's and his sons, Mr. Kua Swee Leong's and Mr. Kua Swee Kiat's direct shareholdings in the Company.
- (b) Out of this block of shares, 4,144,165 ordinary shares of RM0.50 each are held through CIMSEC Nominees (Tempatan) Sdn Bhd as bare trustees for Dato' Mohamed Nizam bin Abdul Razak.
- (c) Deemed interest by virtue of his spouse, Madam Chang Sulin's direct shareholdings in the Company.
- (d) Deemed interest by virtue of her spouse, Mr. Book Lim Guan's direct shareholdings in the Company.

### SUBSTANTIAL SHAREHOLDINGS AS AT 1 NOVEMBER 2007

(As per the Register of Substantial Shareholders of the Company)

Names	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Mr. Kua Hock Lai	-	-	124,115,999 <sup>(a)</sup>	37.91
Madam Lim Ah Eng	4,468,745	1.36	119,630,740 <sup>(b)</sup>	36.54
K.H.L. Sdn Bhd	84,457,096	25.80	35,173,644 <sup>(c)</sup>	10.74
United Coconut Fibre Products Sdn Bhd	35,173,644	10.74	-	-
Lembaga Tabung Haji	17,132,600	5.23	-	-

Notes:

- (a) Deemed interest by virtue of his substantial shareholdings in K.H.L. Sdn Bhd and United Coconut Fibre Products Sdn Bhd, and his spouse, Madam Lim Ah Eng's and his sons, Mr. Kua Swee Leong's and Mr. Kua Swee Kiat's direct shareholdings in the Company.
- (b) Deemed interest by virtue of her substantial shareholdings in K.H.L Sdn Bhd and United Coconut Fibre Products Sdn Bhd.
- (c) Deemed interest by virtue of its substantial shareholdings in United Coconut Fibre Products Sdn Bhd.

# Notice of Eleventh Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Eleventh Annual General Meeting of the Company will be held at Wisma Hiap Teck, Lot 6096, Jalan Haji Abdul Manan, Batu 5½, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan on Tuesday, 18 December, 2007 at 12.00 noon for the following purposes:-

## AGENDA

### ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements for the year ended 31 July 2007 together with the Directors' and Auditors' Report attached thereon.
2. To approve the payment of Directors' fees of RM182,000.00 for the year ended 31 July 2007.  
**Ordinary Resolution 1**
3. To approve a Final Dividend of 5% less Malaysian Income Tax at 27% for the year ended 31 July 2007.  
**Ordinary Resolution 2**
4. To re-elect the following Directors who are retiring in accordance with Article 79 of the Company's Articles of Association:
  - 4.1 Mr. Cheah Shu Boon  
**Ordinary Resolution 3**
  - 4.2 Mr. Kua Swee Leong  
**Ordinary Resolution 4**
5. To re-elect the following Directors who are retiring in accordance with Article 84 of the Company's Articles of Association:
  - 5.1 Mr. Phang Chin Khiong  
**Ordinary Resolution 5**
  - 5.2 Mr. Teoh Peir Song  
**Ordinary Resolution 6**
6. To re-appoint Messrs Ernst & Young as the Company's Auditors for the ensuring year and to authorise the Directors to fix their remuneration.  
**Ordinary Resolution 7**

### 7. AS SPECIAL BUSINESS:-

To consider and, if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions and Special Resolution:-

#### 7.1 Re-appointment of Director Pursuant to Section 129 of the Companies Act, 1965

"**THAT** pursuant to Section 129 of the Companies Act, 1965, Tan Sri Dato' Alwi Jantan who is over 70 years of age, be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."

**Ordinary Resolution 8**

## Notice of Eleventh Annual General Meeting (Cont'd.)

### 7.2 Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965

**“THAT** subject always to the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued capital of the Company at the time of issue **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares to be issued on Bursa Malaysia Securities Berhad **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

#### Ordinary Resolution 9

### 7.3 Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“Proposed Shareholders' Mandate”)

**“THAT** the Company and/or its subsidiaries be and are hereby authorised to enter into recurrent related party transactions of a revenue or trading nature as specified in Section 2.3.2 of the Circular to Shareholders dated 22 November 2007, provided that such arrangements and/or transactions which are necessary for the Group's day-to-day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms and on terms which are not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders of the Company.

**AND THAT** the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Shareholders' Mandate.

**AND THAT** such authority shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company following the general meeting at which such Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (“the Act”) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting, whichever is the earlier.”

#### Ordinary Resolution 10

#### **7.4 Proposed Renewal of Shareholders' Mandate for Share Buy-Back**

**"THAT** subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other prevailing laws, rules, regulations and orders issued and/or amended from time to time by the relevant regulatory authorities, the Company be and is hereby authorised to renew the approval granted by the shareholders of the Company at Tenth Annual General Meeting of the Company held on 15 December 2006, authorising the Company to purchase and/or hold up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit and expedient in the interest of the Company and an amount not exceeding the retained profits and share premium reserves of the Company, be allocated by the Company for the Proposed Share Buy-Back. The retained profits and share premium reserves of the Company stood at RM128,746.82 and RM25,341,494.11 respectively for the financial year ended 31 July 2007.

**AND THAT** upon completion of the purchase by the Company of its own shares, the Directors of the Company be and are hereby authorised to cancel such shares or retain such shares as the Treasury Shares or a combination of both. The Directors of the Company are further authorised to resell the Treasury Shares on Bursa Securities or distribute the Treasury Shares as dividends to the shareholders of the Company or subsequently cancel the Treasury Shares or any combination of the three.

**AND FURTHER THAT** the Directors of the Company be and are hereby authorised to carry out the Proposed Share Buy-Back immediately upon the passing of this resolution until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time the authority shall lapse, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occur first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors of the Company deem fit and expedient in the interest of the Company to give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, amendments and/or variations as may be imposed by the relevant authorities."

**Ordinary Resolution 11**

#### **7.5 Proposed Amendments to the Articles of Association**

**"THAT** the alterations, modifications, deletions and/or additions to the Articles of Association of the Company as set out under Appendix 1 of the Circular to Shareholders dated 22 November 2007 be and are hereby approved."

**Special Resolution 1**

## Notice of Eleventh Annual General Meeting (Cont'd.)

8. To transact any other business of the Company of which due notice shall be given in accordance with the Company's Articles of Association and the Companies Act, 1965.

### NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS HEREBY GIVEN THAT** a Final Dividend of 5% less Malaysian Income Tax at 27% in respect of the financial year ended 31 July 2007 will be payable on 17 March 2008 to depositors registered in the Record of Depositors at the close of business on 18 February 2008.

A Depositor shall qualify for entitlement only in respect of:-

- a. Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 18 February 2008 in respect of transfers;
- b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD  
**HIAP TECK VENTURE BERHAD**

Ng Yim Kong (LS 0008343)  
Company Secretary

Selangor Darul Ehsan  
22 November 2007

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy or Proxies to attend and vote on his (her) behalf. A Proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints two (2) or more Proxies, the appointment shall be invalid unless he (she) specifies the proportion of his (her) holdings to be represented by each Proxy.
3. The Proxy Form shall be signed by the appointer or of his (her) attorney duly authorised in writing or, if the appointer is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.
4. The instrument appointing a Proxy must be deposited at the Registered Office of the Company at Lot 6096, Jalan Haji Abdul Manan, Batu 5 1/2, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan not less than 48 hours before the time for the Meeting or at any adjournment thereof.

## **EXPLANATORY NOTES ON SPECIAL BUSINESS OF THE AGENDA**

### **(a) Re-appointment of Director Pursuant to Section 129 of the Companies Act, 1965**

The Proposed Ordinary Resolution 8 under item 7.1 above, is in accordance with Section 129(6) of the Companies Act, 1965 which requires that a separate resolution be passed to re-appoint Tan Sri Dato' Alwi Jantan who is over 70 years of age as Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company. This Resolution must be passed by a majority of not less than three-fourths (3/4) of such Members of the Company as being entitled to vote in person or where Proxies are allowed, by Proxy at the Annual General Meeting of the Company.

### **(b) Resolution Pursuant to the Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965**

The Proposed Ordinary Resolution 9 under item 7.2 above, if passed, will empower the Directors of the Company from the date of the above Annual General Meeting, authority to allot and issue shares in the Company up to an aggregate amount of not exceeding 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the best interest of the Company and also to empower Directors to obtain approval from Bursa Malaysia Securities Berhad for the listing of and quotation for additional shares issued. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

### **(c) Resolution Pursuant to the Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The Proposed Ordinary Resolution 10 under item 7.3 above, if passed, will enable the Company and its subsidiaries ("the Group") to continue entering into the specified Recurrent Related Party Transactions as set out in Section 2.3.2 of the Circular to Shareholders dated 22 November 2007 with the specified classes of the Related Parties mentioned therein which are necessary for the Group's day-to-day operations. For further information on the Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, please refer to the Circular to Shareholders dated 22 November 2007 enclosed together with the Company's 2007 Annual Report.

### **(d) Resolution Pursuant to the Proposed Renewal of Shareholders' Mandate for Share Buy-Back**

The Proposed Ordinary Resolution 11 under item 7.4 above, is to seek the renewal of authority for the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company on Bursa Malaysia Securities Berhad. For further information on the Proposed Renewal of Shareholders' Mandate for Share Buy-Back, please refer to the Circular to Shareholders dated 22 November 2007 enclosed together with the Company's 2007 Annual Report.

### **(e) Resolution Pursuant to the Proposed Amendments to the Articles of Association**

The proposed Special Resolution 1 under item 7.5 above, if passed, will render the Articles of Association of the Company to contain all the provisions set out in Chapter 7 and other new provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

For the further information on the Proposed Amendments to the Articles of Association, please refer to the Circular to Shareholders dated 22 November 2007 enclosed together with the Company's 2007 Annual Report.

## Statement Accompanying Notice of Eleventh Annual General Meeting

Details of Directors who are standing for re-election in Agenda 4.1 (Mr. Cheah Shu Boon), Agenda 4.2 (Mr. Kua Swee Leong), Agenda 5.1 (Mr. Phang Chin Khiong) and Agenda 5.2 (Mr. Teoh Peir Song) of the Notice of the Eleventh Annual General Meeting are laid out in the Directors' Profile appearing on pages 6 to 9 of this Annual Report.

Details of Director who is standing for re-appointment in accordance with Section 129 of the Companies Act, 1965 in Agenda 7.1 (Tan Sri Dato' Alwi Jantan) of the Eleventh Annual General Meeting are laid out in the Directors' Profile appearing on page 4 of this Annual Report.

# Form of Proxy

\*I/\*We, \_\_\_\_\_ (NRIC No./Company No. \_\_\_\_\_ )  
 \_\_\_\_\_  
 of \_\_\_\_\_ (FULL ADDRESS)  
 being a \*member/\*members of **HIAP TECK VENTURE BERHAD** hereby appoint \* the Chairman of the meeting or  
 \_\_\_\_\_ (NRIC No.) of \_\_\_\_\_  
 \_\_\_\_\_ (FULL NAME)  
 \_\_\_\_\_ or  
 \_\_\_\_\_ (FULL ADDRESS)  
 failing whom \_\_\_\_\_ (NRIC No.) of \_\_\_\_\_  
 \_\_\_\_\_ (FULL NAME)  
 \_\_\_\_\_ as  
 \_\_\_\_\_ (FULL ADDRESS)

\*my/\*our Proxy(ies) to vote for \*me/\*us and on \*my/\*our behalf at the Eleventh Annual General Meeting of the Company to be held at the Wisma Hiap Teck, Lot 6096, Jalan Haji Abdul Manan, Batu 5<sup>1/2</sup>, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan on Tuesday, 18 December 2007 at 12.00 noon and at any adjournment thereof for or against the resolution(s) to be proposed thereat.

\*My/\*Our proxy(ies) \*is/\*are to vote on the Ordinary Resolutions and Special Resolution as indicated below:-

No.	Resolutions	For	Against
1.	<b>ORDINARY BUSINESS</b> To receive the Audited Financial Statements for the year ended 31 July 2007 together with the Directors' and Auditors' Reports attached thereon.		
2.	To approve the payment of Directors fees of RM182,000.00 for the year ended 31 July 2007. <b>Ordinary Resolution 1</b>		
3.	To approve a Final Dividend of 5% less Malaysian Income Tax at 27% for the year ended 31 July 2007. <b>Ordinary Resolution 2</b>		
4.	To re-elect the following Directors who are retiring in accordance with Article 79 of the Company's Articles of Association: 4.1 Mr. Cheah Shu Boon 4.2 Mr. Kua Swee Leong <b>Ordinary Resolution 3</b> <b>Ordinary Resolution 4</b>		
5.	To re-elect the following Directors who are retiring in accordance with Article 84 of the Company's Articles of Association: 5.1 Mr. Phang Chin Khiong 5.2 Mr. Teoh Peir Song <b>Ordinary Resolution 5</b> <b>Ordinary Resolution 6</b>		
6.	To re-appoint Messrs Ernst & Young as the Company's Auditors for the ensuring year and to authorise the Directors to fix their remuneration. <b>Ordinary Resolution 7</b>		
7.	<b>SPECIAL BUSINESS</b> 7.1 Re-appointment of Director Pursuant to Section 129 of the Companies Act, 1965 <b>Ordinary Resolution 8</b> 7.2 Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965 <b>Ordinary Resolution 9</b> 7.3 Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature <b>Ordinary Resolution 10</b> 7.4 Proposed Renewal of Shareholders' Mandate for Share Buy-Back <b>Ordinary Resolution 11</b> 7.5 Proposed Amendments to the Articles of Association <b>Special Resolution 1</b>		

[Please indicate with (X) in the spaces provided above as to how you wish your vote to be casted. If no specific direction as to voting is given, the Proxy will vote or abstain at his(her) discretion]

Dated this .....day of.....2007

Number of Ordinary shares held :

-----  
 [Signature/Common Seal of Shareholder (s)]

\* Delete if not applicable



Notes:

- 1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy or Proxies to attend and vote on his (her) behalf. A Proxy may but need not be a member of the Company and the provisions of section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 2. Where a member appoints two (2) or more Proxies, the appointment shall be invalid unless he (she) specifies the proportion of his (her) holdings to be represented by each Proxy.
- 3. The Proxy Form shall be signed by the appointer or of his (her) attorney duly authorised in writing or, if the appointer is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.
- 4. The instrument appointing a Proxy must be deposited at the Registered Office of the Company at Lot 6096, Jalan Haji Abdul Manan, Batu 5½, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan not less than 48 hours before the time for the Meeting or at any adjournment thereof.

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Affix  
Stamp

The Company Secretary

HIAP TECK VENTURE BERHAD

(Company No: 421340-U)

Lot 6096, Jalan Haji Abdul Manan  
Batu 5½, Off Jalan Meru  
41050 Klang  
Selangor Darul Ehsan

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