HTVB

HIAP TECK VENTURE BERHAD

421340-U

ANNUAL REPORT 2012

Our Vision

- TO BE THE LEADING STEEL COMPANY IN THE REGION.

Our Mission

- 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

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CORPORATE STRUCTURE

HTVB
HIAP TECK VENTURE BERHAD
421340-U

100%
Alpine Pipe Manufacturing Sdn Bhd
(267844-V)
Manufacturing and selling of pipes, hollow sections and other steel products

100%
Hiap Teck Property Sdn Bhd
(313284-V)
(Dormant)

100%
Hiap Teck Hardware Sdn Bhd
(276336-A)
Importer, exporter and general dealer of steel products, hardware and building materials

100%
Tiek Hong Hardware (B'worth) Sdn Bhd
(278478-T)
(Dormant)

100%
Huatraco Scaffold Sdn Bhd
(240510-T)
Manufacturing, selling and renting of scaffolding equipment and range of steel products

100%
Huatraco Investment Pte Ltd
(201102260E)
Investment Holdings

100%
Huatraco Singapore Pte Ltd
(201103457N)
Scaffolding works and wholesale of industrial, construction and related machinery and equipment

100%
Huatraco Contacts Sdn Bhd
(282720-D)
Selling and renting of scaffolding components and accessories

100%
Huatraco Industries Sdn Bhd
(164409-A)
(Dormant)

100%
Huatraco Natscreen Sdn Bhd
(966683-D)
(Dormant)

100%
Briliant Decade Transport Agency Sdn Bhd
(270261-D)
Provision of transportation services

55%
Eastern Steel Sdn Bhd
(557033-V)
Manufacturing, selling and dealing in a range of steel products using blast furnace plant (under construction)

100%
Hiap Teck Management Services Sdn Bhd (FKA Hiap Teck Steel Manufacturing Sdn Bhd)
(409923-P)
Provision of management services to related companies

CORPORATE INFORMATION

BOARD OF DIRECTORS
CHAIRMAN
Tan Sri Dato' Alwi Jantan

EXECUTIVE DEPUTY CHAIRMAN
Tan Sri Dato' Law Tien Seng

INDEPENDENT NON-EXECUTIVE DIRECTORS
Tan Sri Abdul Rahman Bin Mamat
Mr. Ng Soon Lai @ Ng Siek Chuan
Mr. Cheah Shu Boon
Mr. Foo Kok Siew

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
Mr. Lee Ching Kion

EXECUTIVE DIRECTORS
Mr. Low Choong Sing
Mr. Lu Zongyou

AUDIT COMMITTEE
CHAIRMAN
Mr. Ng Soon Lai @ Ng Siek Chuan

MEMBERS
Tan Sri Abdul Rahman Bin Mamat
Mr. Cheah Shu Boon
Mr. Foo Kok Siew

REMUNERATION COMMITTEE
CHAIRMAN
Tan Sri Dato' Alwi Jantan

MEMBERS
Mr. Foo Kok Siew
Mr. Low Choong Sing

NOMINATION COMMITTEE
CHAIRMAN
Tan Sri Dato' Alwi Jantan

MEMBERS
Mr. Foo Kok Siew

RISK MANAGEMENT COMMITTEE
CHAIRMAN
Mr. Foo Kok Siew

MEMBERS
Mr. Lee Ching Kion
Mr. Low Choong Sing

COMPANY SECRETARY
Ng Yim Kong (LS 0009297)

HEAD OFFICE & REGISTERED OFFICE
Lot 6096, Jalan Haji Abdul Manan
Batu 5$^1/_2$, Off Jalan Meru
41050 Klang
Selangor Darul Ehsan, Malaysia
Tel No. : (6)03-33778888
Fax No.: (6)03-33929741
website: www.htgrp.com.my

REGISTRAR
Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel No. : (6)03-7841 8000
Fax No.: (6)03-7841 8151

PRINCIPAL BANKERS
Alliance Bank Malaysia Berhad (88103-W)
AmBank (M) Berhad (8515-D)
Hong Leong Bank Berhad (97141-X)
Malayan Banking Berhad (3813-K)
RHB Bank Berhad (6171-M)

AUDITORS
KPMG (AF : 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

SOLICITOR
S.B. Cheah & Associate
Unit 8-16-2, Menara Mutiara Bangsar
Jalan Liku, Off Jalan Riong
Bangsar, 59100 Kuala Lumpur

STOCK EXCHANGE
Bursa Malaysia Securities Berhad
Main Market

DIRECTORS' PROFILE

TAN SRI DATO' ALWI JANTAN
Chairman / Independent Non-Executive Director

Tan Sri Dato' Alwi Jantan, aged 77, a Malaysian, was appointed as Chairman and Independent Non-Executive Director of Hiap Teck Venture Berhad ("HTVB") on 6 June 2003. Tan Sri Dato' Alwi also serves as Chairman of the Remuneration Committee and Nomination Committee of the Company.

Tan Sri Dato' Alwi Jantan is presently a Director of Genting Malaysia Bhd (previously known as Resorts World Berhad) and UOA Development Berhad. He also sits on the boards of several other private companies.

He holds a Bachelor of Arts (Honours) degree from the University of Malaya in Singapore 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 before retiring in April 1990.

He has no family relationship with any Directors and/or Major Shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past ten years.

Tan Sri Alwi has attended all of the 5 board meetings of HTVB held during the financial year ended 31 July 2012.

TAN SRI DATO' LAW TIEN SENG
Executive Deputy Chairman

Tan Sri Dato' Law Tien Seng, aged 59, a Malaysian, was appointed as the Deputy Chairman and Non-Independent Non-Executive Director of HTVB on 1 June 2010. He was re-designated as Executive Deputy Chairman on 3 August 2011.

He is currently sitting on the boards of several private limited companies in Malaysia.

Tan Sri Dato' Law is a businessman and owns a group of companies which are diversified in various industries engaged in mining, manufacturing of steel products, property development and investment, entertainment and food and beverages.

Tan Sri Dato' Law Tien Seng has no family relationship with any Directors of the Company. He is deemed to have interest in HTVB via his indirect interest in TS Law Investments Limited, a major shareholder of HTVB. He has no conflict of interest with the Company and has not been convicted of any offences within the past ten years.

He has attended all of the 5 board meetings of HTVB held during the financial year ended 31 July 2012.

TAN SRI ABDUL RAHMAN BIN MAMAT
Independent Non-Executive Director

Tan Sri Abdul Rahman Bin Mamat, aged 60, a Malaysian, was appointed as Independent Non-Executive Director of HTVB on 28 January 2011. He is also a member of Audit Committee of the Company.

Tan Sri Abdul Rahman currently sits on board of Parkson Holdings Berhad.

He has a Bachelor of Economics (Honours) from the University of Malaya and Advanced Management Programme qualifications from Harvard Business School, Boston, the United States of America. Tan Sri Abdul Rahman Bin Mamat joined the Ministry of International Trade and Industry ("MITI") as an Assistant Director on April 18,1975 and served in various capacities in MITI for 35 years before retiring in December 2010 which included: (1) Deputy Trade Commissioner, Malaysian Trade Office, New York, the United States of America; (2) Director of Trade, Malaysian Trade Centre, Taipei, Taiwan; (3) Economic Counsellor/Trade Commissioner and Deputy Permanent Representative to the United Nations Economic and Social Commission (ESCAP), Malaysian Trade Office, Bangkok, Thailand; (4) Special Assistant to the Minister of International Trade and Industry; (5) Director, Export Promotion Bureau, Malaysia External Trade Development Corporation (MATRADE); (6) Director of Industries; (7) Senior Director, Policy and Industry, Services Division; (8) Deputy Secretary-General (Industry); and (9) Secretary-General.

During his tenure in MITI, he also served as MITI's representative on the board of various companies and corporations including Malaysian Industrial Development Authority (MIDA), MATRADE, Johor Corporation, Regional Economic Development Authority (RECODA) and Lembaga Kenaf dan Tembakau Negara. Tan Sri Abdul Rahman has represented Malaysia in a number of international meetings, negotiations, conferences and symposiums and has also contributed towards formulating, implementing and monitoring policies and programs on international trade and industrial growth. He is an honorary member of the ASEAN Federation of Engineering Organisations and a Malaysian Leader for the High Level Task Force on ASEAN Economic Integration.

Tan Sri Abdul Rahman has no family relationship with any Directors and/or Major Shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past ten years.

He has attended 3 out of the 5 board meetings of HTVB held during the financial year ended 31 July 2012.

DIRECTORS' PROFILE
(Cont'd)

NG SOON LAI @ NG SIEK CHUAN
Independent Non-Executive Director

Mr. Ng Soon Lai, aged 58, a Malaysian, was appointed as Independent Non-Executive Director of HTVB on 18 August 2009. He is the Chairman of the Audit Committee of the Company.

Mr. Ng Soon Lai is presently a Director of Deutsche Bank (Malaysia) Berhad, S P Setia Berhad, Unico-Desa Plantations Berhad, Tune Insurance Malaysia Berhad (formerly known as Oriental Capital Assurance Berhad),Tune Insurance Holdings Berhad and ELK Desa Resources Berhad.

He is a member of the Institute of Chartered Accountants in England & Wales since 1977. He gained his accounting experience with Coopers & Lybrand in London and Kuala Lumpur. He was in the audit and accounting profession before moving to the financial sector.

Mr. Ng Soon Lai had served in various positions in a leading local merchant bank and a finance company before joining Alliance Bank Malaysia Berhad in 1991. He was appointed the Chief Executive Director of Alliance Bank Malaysia Berhad on 21 January 1994 and to the Board of Alliance Merchant Bank Berhad on 22 July 2002 until his resignation on 31 August 2005.

Mr. Ng has no family relationship with any Directors and/or Major Shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2012.

CHEAH SHU BOON
Independent Non-Executive Director

Mr. Cheah Shu Boon, aged 52, a Malaysian, was appointed as Independent Non-Executive Director of HTVB on 20 March 1997. He is a member of the Audit Committee of the Company.

Mr. Cheah currently sits on the boards of several private limited companies.

He is a practising advocate and solicitor of the High Court of Malaya. Mr. Cheah 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. Mr. Cheah Shu Boon has recently completed his course and was awarded the degree of Master of Business Administration (MBA) by the University of Strathclyde, Scotland.

Mr. Cheah has vast experience in legal work include civil litigation, conveyancing, corporate matters and joint ventures. He has provided extensive advice in the negotiation and finalization of various joint ventures and privatisation projects.

Mr. Cheah has no family relationship with any Directors and/or Major Shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past ten years.

He has attended 4 out of the 5 board meetings of HTVB held during the financial year ended 31 July 2012.

FOO KOK SIEW
Independent Non-Executive Director

Mr. Foo Kok Siew, aged 51, a Malaysian, was appointed as Independent Non-Executive Director of HTVB on 24 February 2010. He is the Chairman of Risk Management Committee and member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

He holds a Bachelor of Economics Degree from Monash University, Melbourne. He started his career at the Chase Manhattan Bank, Kuala Lumpur in 1985 and since then, he has held senior positions with various corporations including Carr Indosuez Asia Limited, Hong Kong, Insas Berhad, HLG Capital Berhad and Kejora Harta Berhad. He was the Chief Executive Director of Alliance Investment Bank Berhad (2004 to 2006) and is currently the Chief Executive Officer of Platinum Equity Partners Sdn Bhd and an Independent Non-Executive Director of Inari Berhad.

Mr. Foo has no family relationship with any Directors and/or Major Shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past ten years.

He has attended all of the 5 board meetings of HTVB held during the financial year ended 31 July 2012.

LEE CHING KION
Non-Independent Non-Executive Director

Mr. Lee Ching Kion, aged 58, a Malaysian, was appointed as the Group Chief Operating Officer of HTVB on 1 June 2010. Mr. Lee was re-designated as Non-Independent Non-Executive Director on 29 March 2012. He is a member of the Risk Management Committee of the Company.

Mr. Lee Ching Kion is presently a Director of Hua Joo Enterprise Berhad.

He holds a Bachelor of Science with Honours Degree in Metallurgy and Materials Science from the University of Nottingham, England.

Mr. Lee started his career in 1979 as an Engineer. He was with Yodoshi Malleable (M) Sdn Bhd and Jebsen-Jessen Engineering Sdn Bhd before he joined Amsteel Mills Sdn Bhd. He was the Sales Engineer of Amsteel Mills Sdn Bhd and later became the Head of Research & Development and Quality Control Department. He spent seven (7) years in Amsteel Mills Sdn Bhd and left in 1990. Mr. Lee then joined Wuthelam Holding (M) Group of Companies as General Manager in 1990 and he was appointed as a Director in 1991 and held the position until he left in 1997.

Mr. Lee Ching Kion was the Head of Property/Business Division of DNP Holdings Berhad from 1997 to 2001. He was concurrently the Managing Director of Posim Berhad, the Chief Executive Officer of Bright Steel Sdn Bhd and the Commercial Director of Steel Division of Lion Group from 2001 - 2003. He resigned from all his positions within the Lion Group in June 2003. Mr. Lee Ching Kion was the Director of Midwest Corporation Ltd, an Australian company from 2003 - 2005. He was also the Director of Malayawata Steel Berhad, Magna Prima Berhad and Melewar Industrial Group Berhad.

Mr. Lee has no family relationship with any Directors and/or Major Shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2012.

DIRECTORS' PROFILE
(Cont'd)

LOW CHOONG SING
Executive Director

Mr. Low Choong Sing, aged 53, a Malaysian, was appointed as Non-Independent Non-Executive Director of HTVB on 24 February 2010 and was re-designated to Executive Director on 24 May 2010. He is a member of Remuneration Committee and Risk Management Committee of the Company.

Mr. Low currently sits on the board of Perduren (M) Berhad and several other private limited companies.

Mr. Low holds a Bachelor of Economics, majoring in Accounting from La Trobe University, Melbourne in 1982. He is a Fellow Member of CPA Australia and a Chartered Accountant of the Malaysian Institute of Accountants. He has more than 25 years of financial and operation management experience in the steel industry. He was attached to Maruichi Malaysia Steel Tube Berhad from 1983 to 2002 and his last position held was Group Finance Manager. From 2003 to 2009, he was with Melewar Industrial Group Berhad and his last position held was Group Chief Financial Officer.

Mr. Low has no family relationship with any Directors and/or Major Shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past ten years.

He has attended all of the 5 board meetings of HTVB held during the financial year ended 31 July 2012.

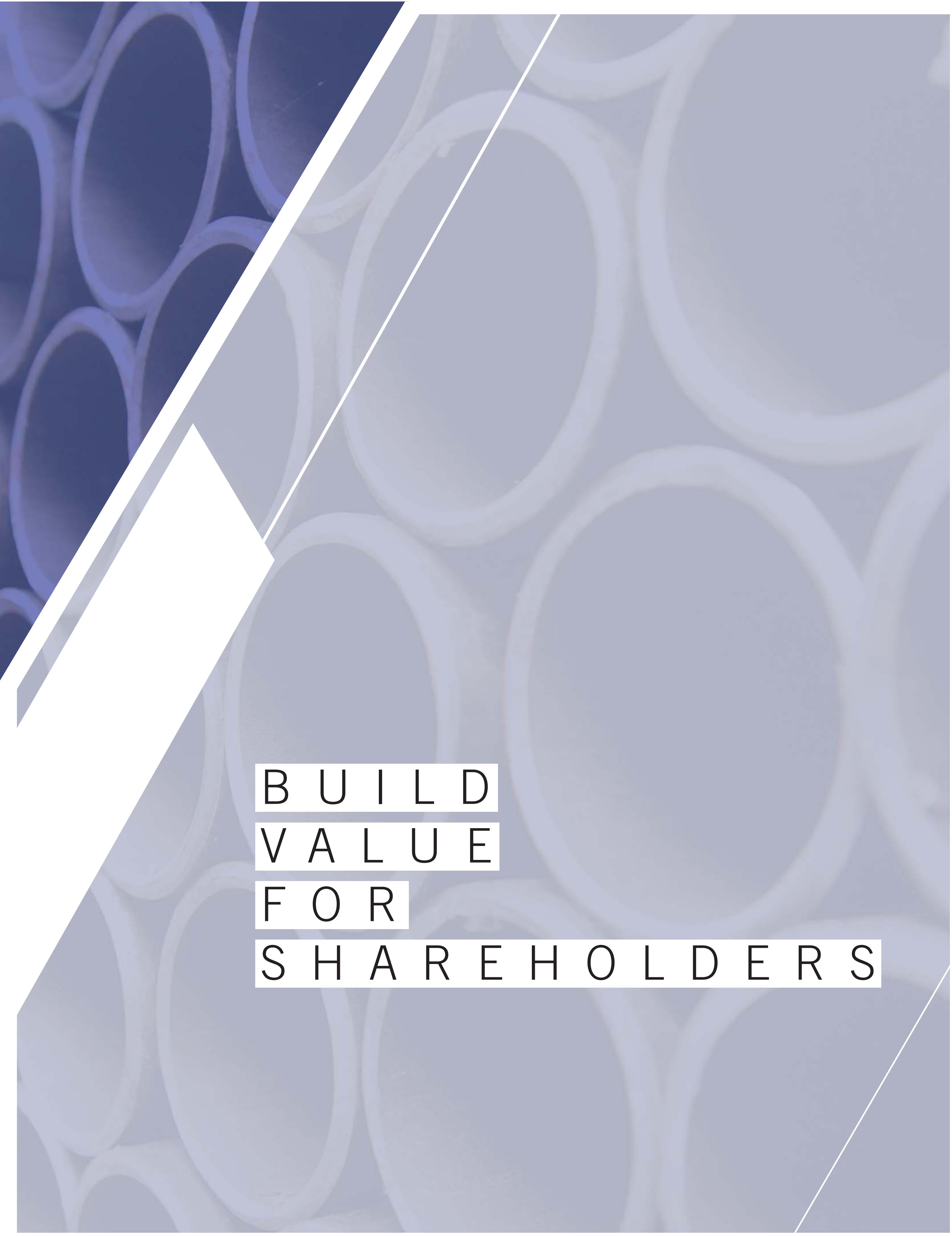
LU ZONGYOU
Executive Director

Mr Lu Zongyou, aged 47, a Chinese, was appointed as Executive Director of HTVB on 17 January, 2012. He is also the Chief Executive Officer of Eastern Steel Sdn Bhd.

Mr. Lu, a Senior Mechanical Engineer and Senior Economist, holds a Bachelor of Engineering degree from Anhui University of Technology, China and MBA from Tsinghua University, China. His working relationship with Shougang started in 1988. He was involved in Shougang's ferroalloy works, Shougang Group General Office secretariat, Shougang overseas headquarters and China Shougang International Trade & Engineering Corporation. Mr. Lu was then appointed as Vice President in International Project Contract with China Shougang International Trade & Engineering Corporation from 1997 to 2011.

Mr. Lu has no family relationship with any Directors and/or Major Shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past ten years.

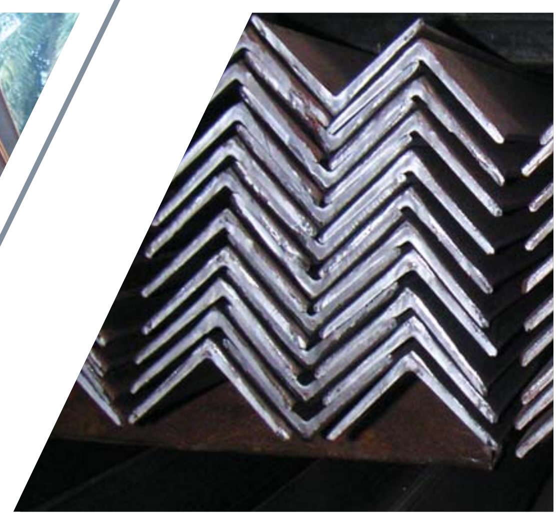
He has attended 2 out of the 5 board meetings of HTVB held during the financial year ended 31 July 2012. The 3 meetings that he did not attend were held prior to his appointment.



BUILD VALUE FOR SHAREHOLDERS

CHAIRMAN'S STATEMENT

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 31 July 2012.



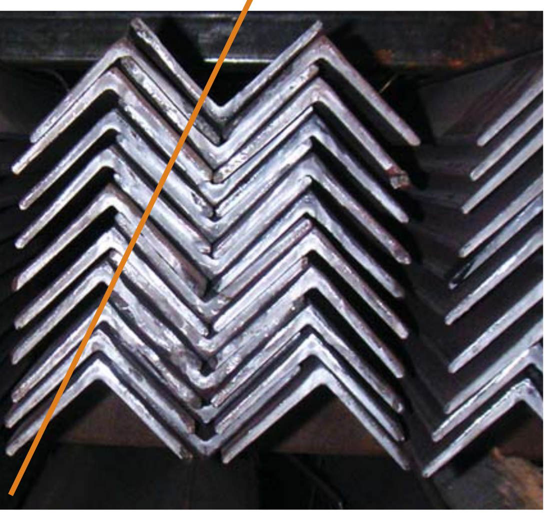
OPERATING ENVIRONMENT

The global economy is still shaking off the aftermath of the 2008 financial crisis which sent developed markets such as Europe and US into its still ongoing recovery efforts.

The Malaysian economy posted a growth rate of 5.1% in 2011 which subsequently increased to 5.4% in the first half of 2012 mainly due to growth in domestic demand from the services, manufacturing and construction sectors.

Although the Malaysian steel industry enjoyed two consecutive years of steady consumption in the range of 8.2 million metric tonnes, the path has been filled with unforeseen challenges for local steel producers mainly due to the delay in commencement of certain infrastructure projects and key items outlined in the 10th Malaysia Plan; the increased "dumping" of surplus volumes of steel products, and the continued risks of high costs and volatile supplies of key materials including scrap and iron ore.

Nevertheless, steel consumption is expected to grow in 2013 mainly due to catalysts arising from the implementation phases of the infrastructure projects such as the RM30 billion MRT and RM60 billion Petronas Rapid project in Johor under the Economic Transformation Progamme (ETP).



FINANCIAL PERFORMANCE

Overall for the financial year ended on 31 July 2012, the Group performed satisfactorily despite the difficult operating environment. It steered itself through relatively uncertain economic conditions and persevered in its pursuit to further enhance its competitive advantage whilst staying motivated to deliver desired results. Throughout all these, our products have gained a better footing and added resilience to withstand the competitive local and international markets.

In keeping with the momentum from the previous financial year, the Group continues to report a positive balance sheet with positive performance indicators for the year under review.

Total Group revenue was recorded at RM1.12 billion, which is 11.5% increase compared to last year. The key contributing factors for the improved revenue included our emphasis on superior quality, supply assurance and after sales support for customers. The manufacturing division's contribution to revenue of RM563 million was 28.8% higher compared to last year while the trading division's contribution to revenue of RM553 million was down slightly at 1.8% compared to last year.

The Group reported an underlying net profit after tax of RM15.6 million compared to RM25.5 million for the previous financial year and includes the write down of slow moving inventory of RM12.5 million.

DIVIDENDS

The Board of Directors has proposed, subject to shareholders' approval at the forthcoming Annual General Meeting, a single tier final dividend of 0.6 sen per share for the financial year ended 31 July 2012.

CORPORATE DEVELOPMENT

During the year, the Company completed the following corporate exercises:

a) Issuance of 32,196,000 new ordinary shares at par of RM0.50 each issued at an issue price of RM1.00 per share pursuant to the Private Placement on 30 November 2011;

b) Issuance of renounceable rights issue of 354,146,000 new ordinary shares at par of RM0.50 each on the basis of one rights share for every one existing ordinary share, at an issue price of RM0.50 per rights share, together with 88,536,500 free detachable warrants on the basis of one warrant for every four rights shares subscribed on 10 January 2012;

c) Issuance of RM147 million nominal value of redeemable convertible secured bonds for 7 years at a conversion price of RM0.70 on 5 April 2012.

The capital raised was to partially finance the Company's share of contribution to the construction of an integrated steel mill which will cost approximately RM750 million, in Teluk Kalung Industrial Estate, Kemaman, Terengganu Darul Iman, a joint-venture project with China Shougang International Trade and Engineering Corporation. Construction of the project which started in early 2012 is progressing according to schedule and is expected to complete by the end of 2013.

CHAIRMAN'S STATEMENT
(Cont'd)

PROSPECTS

We anticipate a challenging external environment to continue engulfing the global market place in the ensuing financial year, which would further sharpen our focus on our core strategies to improve our delivery and efficiencies in cost and operations. Earnings will, however, be subjected to key external factors such as levels of domestic growth driven by the timely execution of projects outlined in the 10th Malaysia Plan and Economic Transformation Program, exchange rates and international steel and raw material prices.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I take this opportunity to welcome Mr Lu Zongyou as an Executive Director to the Board. Mr. Lu is also a Director and the Chief Executive Officer of Eastern Steel Sdn Bhd. The Board also extends its appreciation and gratitude to Ms. Law Sook Teng and Ms. Ooi Ai Leng, who have resigned as Directors of the Company. Both these Directors had worked tirelessly and made invaluable contributions to the Company throughout their tenure. Ms. Ooi continues to be the Group Chief Financial Officer and the Board continues to look forward to her continued contribution.

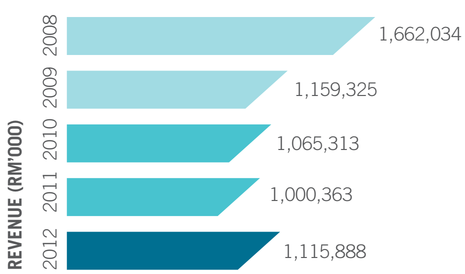
I also would like to express my appreciation to our valued shareholders for their trust and association with us as well as all our partners, including our customers and business associates. I extend my gratitude also to the various authorities and regulatory bodies, who continue to support our role in delivering quality steel products in the steel industry.

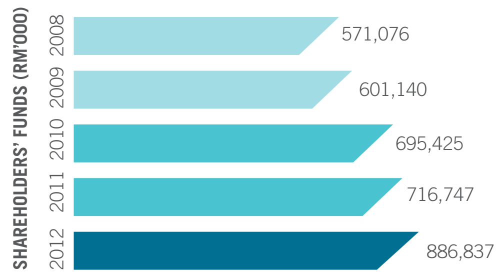
Last but not least, I thank my fellow Board members for their wise counsel and guidance during the year under review and the special contributions by the senior management team as well as the Group employees.

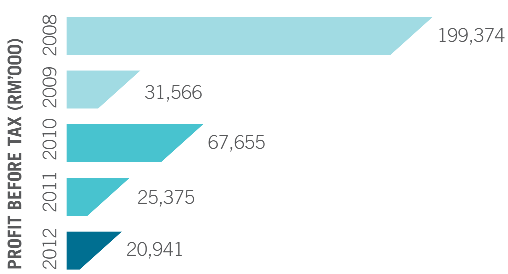
TAN SRI DATO' ALWI JANTAN
Chairman

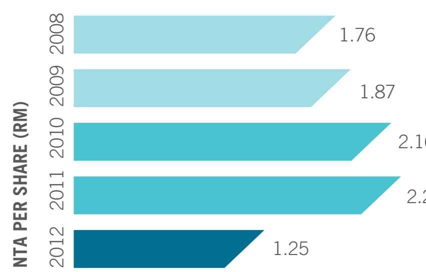
FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

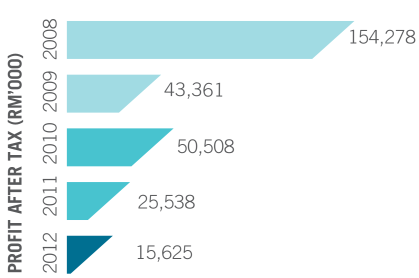
	2008	2009	2010	2011	2012
Revenue (RM'000)	1,662,034	1,159,325	1,065,313	1,000,363	**1,115,888**
Profit Before Taxation (RM'000)	199,374	31,566	67,655	25,375	**20,941**
Profit After Taxation (RM'000)	154,278	43,361	50,508	25,538	**15,625**
Shareholders' Funds (RM'000)	571,076	601,140	695,425	716,747	**886,837**
NTA Per Share (RM)	1.76	1.87	2.16	2.23	**1.25**
Earnings Per Share (sen)	47.19	13.45	15.74	8.52	**3.10**
Dividend (sen)	4.11	1.50	1.50	1.50	**0.60**

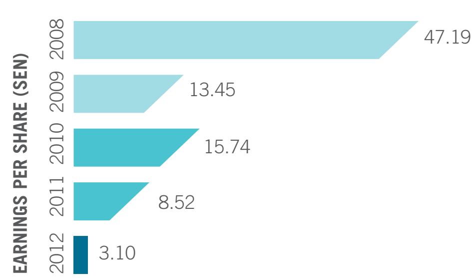


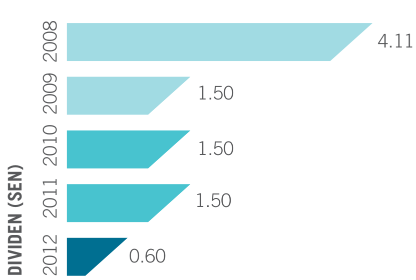


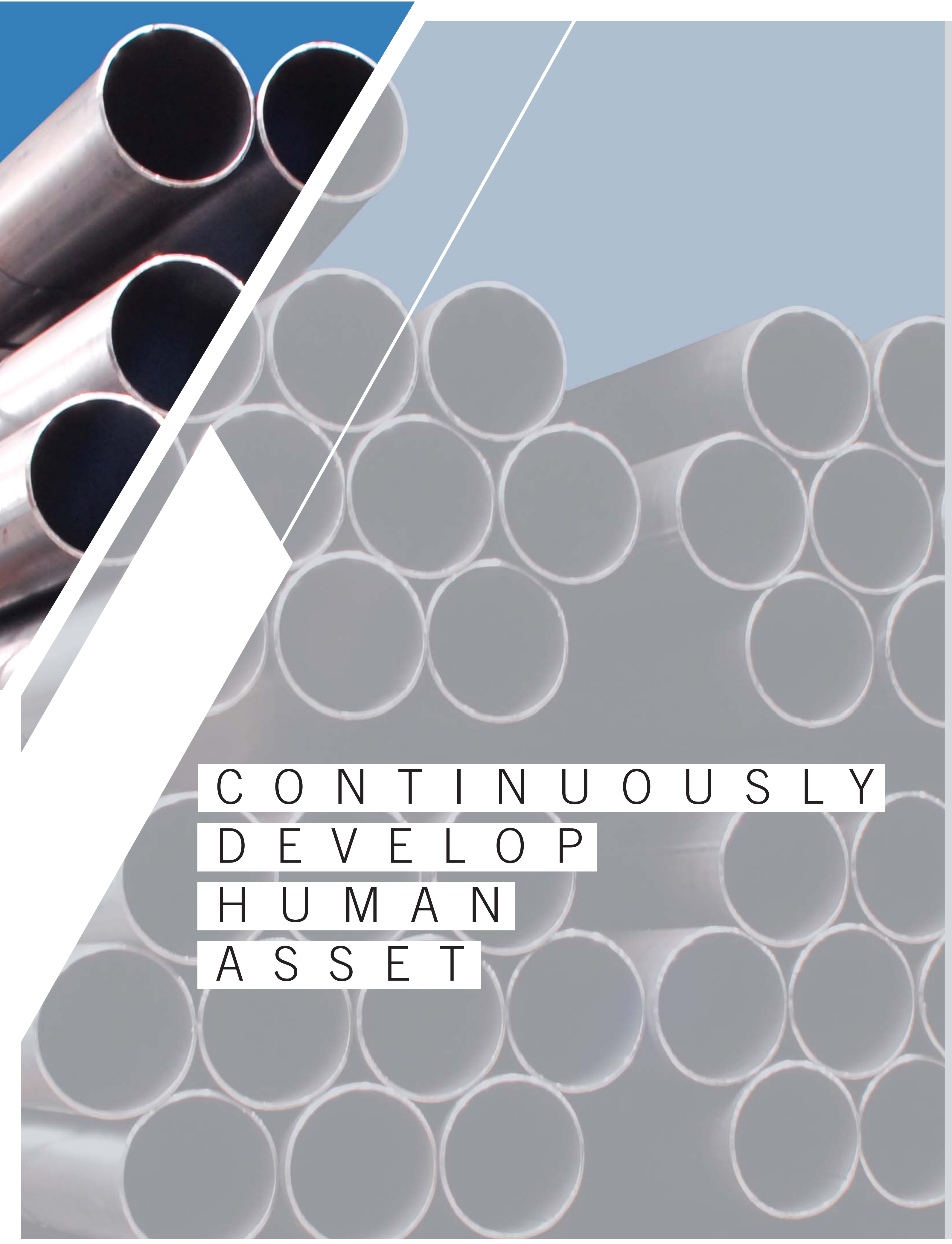












CONTINUOUSLY DEVELOP HUMAN ASSET

STATEMENT ON CORPORATE GOVERNANCE

The Board of Hiap Teck Venture Berhad ("HTVB") is fully committed to ensuring and maintaining a good corporate governance within the Group. The Board endeavours to comply with the Best Practices and Principles as set out in the Malaysian Code on Corporate Governance ("the Code") issued by the Securities Commission and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board is pleased to provide the following statements which outline the main corporate governance practices that were in place within the Group throughout the financial year ended 31 July 2012.

A. BOARD OF DIRECTORS

Board Responsibilities

The Board is primarily responsible for determining the strategic direction of the Group, monitoring and overseeing the performance of the Group's business. The Board as a whole is dedicated to practise clear demarcation of duties, responsibilities and authority within the Company.

Board Balance

The Board comprises nine (9) Directors of which one (1) is Executive Deputy Chairman, two (2) are Executive Directors, one (1) Non-Independent Non-Executive Director and the remaining five (5) are Independent Non-Executive Directors. The Board complies with the Bursa Securities' Listing Requirements, which requires that at least two (2) Directors or one-third (1/3) of the Board of Directors, whichever is higher, are Independent Directors. A brief profile of each Director is presented on pages 4 to 8 of this Annual Report.

The Company is led and managed by an experienced Board comprising members with a wide range of experience in the relevant fields such as legal, finance, economics, corporate affairs, entrepreneurship and management. Collectively, the Directors bring a broad range of skills, expertise and knowledge to successfully direct and supervise the Group's business activities.

The Independent Non-Executive Directors offer unbiased independent view, advice and judgment in the best interest of the Group, the shareholders, employees and communities in which the Group conducts its business. They play an important role in ensuring that the strategies proposed by the Management are fully deliberated and examined. The Executive Directors are responsible for implementing operational decision.

There is a clear demarcation of responsibility between the Independent Non-Executive Chairman and Executive Deputy Chairman to ensure that there is a balance of power and authority. The Chairman's main responsibility is to ensure effective conduct of the Board and that all Directors have unrestricted and timely access to all relevant information necessary for decision making. The Chairman leads the discussion on the strategies and policies recommended by the Management. The Executive Deputy Chairman is responsible for the implementation of the Board's policies and decisions as well as supervising the operation of the Group and the development and implementation of business strategies.

Board Meetings

The Board of Directors meets on a quarterly basis with additional meetings convened as and when necessary, to inter-alia approve quarterly financial results, business plans, budgets, governance matters and other business development activities. Special Board Meetings may be convened to consider urgent proposal or matters which require the expeditious review or consideration by the Board. Senior Management is invited to attend the Board meetings to advise on relevant agenda items to enable the Board to arrive at a considered decision. 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 Meetings, the Board also exercises control on matters that require Board's approval through circulation of Directors' resolutions.

Board meetings for the ensuing financial year are scheduled in advance to facilitate the Directors to plan ahead.

During the financial year ended 31 July 2012, five (5) board meetings were held. Details of the Board of Directors' Meetings and their attendances at these meetings are set out below. All Directors in office during the said period have complied with the minimum 50% meeting attendance's requirement under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

Name of Directors	Total Meetings Attended by Directors	% of Attendance
Tan Sri Dato' Alwi Jantan (Chairman, Independent Non-Executive Director)	5/5	100
Tan Sri Dato' Law Tien Seng (Executive Deputy Chairman)	5/5	100
Tan Sri Abdul Rahman Bin Mamat (Independent Non-Executive Director)	3/5	60
Mr. Ng Soon Lai @ Ng Siek Chuan (Independent Non-Executive Director)	5/5	100
Mr. Cheah Shu Boon (Independent Non-Executive Director)	4/5	80
Mr. Foo Kok Siew (Independent Non-Executive Director)	5/5	100
Mr. Lee Ching Kion (Non-Independent Non-Executive Director) (Redesignated from Executive Director to Non-Independent Non-Executive Director on 29th March 2012)	5/5	100
Mr. Low Choong Sing (Executive Director)	5/5	100
Mr. Lu Zongyou (Executive Director) (Appointed on 17th January 2012)	2/2	100
Ms. Ooi Ai Leng (Executive Director) (Resigned on 29th March 2012)	3/4	75
Ms. Law Sook Teng (Executive Director) (Resigned on 29th March 2012)	4/4	100

Board Committees

The Board delegates certain responsibilities to the respective committees of the Board which operate with clearly defined terms of reference. These committees have the authority to examine particular issues and report to the Board with their proceedings and deliberations.

The following Board Committees have acted within the framework of the remit specified by the Board. These committees have sporadically made proposals to improve and enhance the role of the Board in governance processes.

The Company has four (4) principal Board committees. Below is a general description of some of the basic functions of the respective committee.

a. Audit Committee

The Audit Committee which comprises exclusively of Independent Non-Executive Directors, is responsible for reviewing and monitoring the Group's internal audit processes, its external auditors and of the integrity of the Group's financial statement. It is also responsible for reviewing the effectiveness of internal controls system. Further details of the Audit Committee are contained in the Audit Committee's Report on pages 28 to 32 of this Annual Report.

b. Nomination Committee

All members of the Nomination Committee are Independent Non-Executive Directors.

The members of the Nomination Committee are:

Name	Designation	Directorship
Tan Sri Dato' Alwi Jantan	Chairman	Independent Non-Executive Director
Mr. Foo Kok Siew	Member	Independent Non-Executive Director

The Nomination Committee has been entrusted with the responsibility of proposing and recommending new nominees to the Board and of assessing Directors on an on-going basis. However, the actual decision as to who shall be appointed remains the responsibility of the full Board after considering the recommendation of the Nomination Committee.

The Nomination Committee serves to ensure that the Company has an effective Board comprising Directors of required mix of skill, experience and other qualities including core competencies which Non-Executive Directors should bring to the Board. The Nomination Committee assesses annually the effectiveness of the Board, its Committees and the contribution of each individual Director including Independent Non-Executive Directors via a self evaluation process moderated by the Chairman.

The Company engages the service of the Company Secretary to ensure the appointment of each of its Directors is properly made. The Nomination Committee has met four (4) times during the financial year ended 31 July 2012.

c. Remuneration Committee

The members of the Remuneration Committee are:

Name	Designation	Directorship
Tan Sri Dato' Alwi Jantan	Chairman	Independent Non-Executive Director
Mr. Foo Kok Siew	Member	Independent Non-Executive Director
Mr. Low Choong Sing	Member	Executive Director

The Remuneration Committee is responsible for recommending to the Board the remuneration packages of the Executive Directors and Senior Management, whilst the Board as a whole determines the remuneration of the Non-Executive Directors. The individual Directors concerned abstain from decision in respect of their individual remuneration.

The remuneration of Directors is determined based on the responsibility, contribution and performance of each Director. It is the Company's policy to link the Executive Directors' rewards to individual and corporate performance whilst the remuneration of the Non-Executive Directors including the Non-Executive Chairman is determined in accordance with their experience and the level of responsibilities assumed. Fees payable to all Non-Executive Directors are proposed at the Annual General Meeting for the shareholders' approval.

The members of the Remuneration Committee have met three (3) times during the financial year.

d. Risk Management Committee

The Risk Management Committee ("RMC") has been delegated by the Board to assume responsibility for the Group's risk oversight. The RMC was established in March 2012 and the RMC's terms of reference were reviewed and approved by the Board.

The RMC provides oversight, direction and counsel to the Group risk management process and shall consider any matter relating to the identification, assessment, monitoring and management of any risk associated with the Group that it deems appropriate.

The RMC meets quarterly with additional meetings convened to attend to urgent matters that require its deliberation. The Members of RMC have met once (1) during the financial year.

The members of the RMC are as follows:

Name	Designation	Directorship
Mr. Foo Kok Siew	Chairman	Independent Non-Executive Director
Mr. Lee Ching Kion	Member	Non-Independent Non-Executive Director
Mr. Low Choong Sing	Member	Executive Director

Supply of Information

The Directors are supplied with and have unrestricted access to information pertaining to the Group's business and affairs to enable them to discharge their duties effectively. This information includes both verbal and written details.

All scheduled meetings held during the year were preceded by a formal agenda issued by the Company Secretary in consultation with the Chairman. Prior to meetings, 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 meetings which in turn enhances 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.

Appointment to the Board

There is a formal and transparent procedure which has been endorsed by the Board for the appointment of new Directors. The Board will conduct a search on the background of all nominees proposed by the Nomination Committee to ensure that only those candidates who are eligible shall be appointed to the Board. The Board is constantly reviewing the performance of its existing Directors to ensure that only the cream shall be re-appointed for directorship.

Retirement and 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 every three (3) years, but shall be eligible for re-election.

Pursuant to Section 129(2) of the Companies Act, 1965, Directors over seventy (70) years of age shall hold office until the next Annual General Meeting but shall be eligible for re-appointment.

Directors' Training

Directors are encouraged to attend seminars and/or conferences to keep abreast with development in the industry and market place. All members of the Board have attended the Mandatory Accreditation Programme ("MAP") conducted by Bursatra Sdn. Bhd. except Mr. Lu Zongyou, who is waiting for the Mandarin session of MAP. Extension of time to attend the MAP has been granted by Bursa Malaysia Securities Berhad.

The Directors had during the financial year ended 31 July 2012, evaluated their own training needs and attended seminars, conferences and forums which they considered as relevant and useful and would strengthen their contribution to the Group. Append below are some of the training/seminars attended by the Directors:

Topic
1. Navigating a Changing Anti-Corruption Landscape (UK Bribery Act)
2. CPA Congress
3. In House Training on Group Sales Training & Target - Breakthrough in Personal Sales
4. Going Beyond Excellence - Delivering Services with caring Principles
5. Key Amendments to Listing Requirement 2011, Key Recommendation from Malaysian Code on Corporate Governance 2012
6. Speech on Empowering Digital Economy at India's 10th Annual Logistics Summit "Asia Benchmark Trade Lane Deployment"
7. IFRS Public Conference in Kuala Lumpur
8. Risk Training by Deutsche Bank Singapore

B. DIRECTORS' REMUNERATION

The remuneration policy of the Company for the Executive Directors are structured to link rewards to corporate and individual performance in order to retain Directors with the relevant skills and experience to meet the challenges of the Group.

The Non-Executive Directors' remuneration comprises only fees and meeting allowances. Determination of the said remuneration is balanced with their experience, expertise and level of responsibilities.

The following are the remuneration bands of the Directors:

Remuneration Bands	Executive Directors	Non-Executive Directors
RM Nil – RM50,000	-	1*
RM50,001 – RM100,000	-	5
RM150,001 – RM200,000	2**	-
RM250,001 – RM300,000	2**	-
RM450,001 – RM500,000	1	-
RM2,650,001 – RM2,700,000	1	-

* The Director was re-designated from Executive Director to Non-Independent Non-Executive Director on 29 March 2012.
** Two Executive Directors have resigned on 29 March 2012.

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

	Fees (RM)	Salaries & Other Emoluments (RM)	Benefits -in-kind (RM)	Total (RM)
Executive Directors	-	4,181,598	72,850	4,254,448
Non-Executive Directors	382,500	27,000	-	409,500

C. SHAREHOLDERS COMMUNICATION AND INVESTORS RELATIONS

The Board recognises the importance of effective communication with shareholders and investors.

Information is disseminated through various disclosures and announcements made to Bursa Securities which includes financial results and corporate developments. The Company's website at www.htgrp.com.my provides shareholders and investors the overview information of the Group's business and the latest updates of the Company. Shareholders and investors may contact the persons identified in the website to enquire more about the Company and the Group.

The Company meets financial analysts, as and when requested, to give them an overview of the Group's performance and operations. Through these channels, the Company has the opportunity to directly address, explain or clarify issues that investors and analysts may have regarding the business, operations and prospects of the Group.

The Annual General Meeting is the 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.

The Board has identified Tan Sri Abdul Rahman Bin Mamat as the Senior Independent Non-Executive Director to whom concerns may be conveyed. The Senior Independent Non-Executive Director provides a secure and confidential channel to address any concerns conveyed to him directly on matters relating to the Company through e-mail (arahmanmamat@gmail.com).

D. ACCOUNTABILITY AND AUDIT

i. Financial Reporting

The Board is responsible for ensuring that the financial statements of the Company and of the Group are made out in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The Board also ensures that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period. 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 acknowledges the importance of maintaining a sound system of internal control to safeguard shareholders' interest and the Group's assets. 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's 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 formal, 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 Audit Committee meetings when necessary. The External Auditors present their audit plans, report their findings to the Audit Committee and discuss with the Board of Directors on matters that necessitate the Board's attention.

The Audit Committee had met with the External Auditors on 29 September 2011 and 28 June 2012 without the presence of the Executive Directors and the Management.

ADDITIONAL INFORMATION

1. SHARE BUY-BACK

Detail of shares buy-back during the financial year ended 31 July 2012 are as follows:

Month	No. of Shares Buy-Back	Lowest Price (RM)	Highest Price (RM)	Average Price (RM)	Total Consideration (RM)
July '12	10,000	0.555	0.555	0.555	5,550
Total	10,000			0.555	5,550

As at end of the financial year:

a. A total of 5,460,000 buy-back shares were held as treasury shares and carried at cost; and

b. No shares had been cancelled.

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were 75 unit of Warrants exercised and converted to 75 unit of ordinary shares of RM0.50 each during the financial year ended 31 July 2012.

STATEMENT ON CORPORATE GOVERNANCE
(Cont'd)

3. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any Depository Receipt Programme during the financial year ended 31 July 2012.

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 2012.

5. NON-AUDIT FEES

A non-audit fees of RM10,000.00 was incurred for the financial year ended 31 July 2012 by the Company to the External Auditors for reviewing the Statement on Internal Control and disclosures of realised and unrealised profits or losses.

6. VARIATION IN RESULTS

There was no material variance between the results for the financial year ended 31 July 2012 and the unaudited quarterly results previously announced.

7. PROFIT GUARANTEE

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

8. UTILISATION OF PROCEEDS

As at the date of this report, the status of utilisation of proceeds raised from the corporate exercises are as follow:

Corporate Exercise	Purpose	Approved Utilisation RM'000	Amount Utilised RM'000	Amount Unutilised RM'000
Private Placement	a) to subscribe to a fund raising exercise undertaken by a joint-controlled entity, Eastern Steel Sdn Bhd ("ES")	31,996	31,996	-
	b) expenses incidental to the Private Placement	200	30	170*
Rights Issue with Warrants	a) to partially finance the Company's shares of contribution to the construction of an integrated steel mill by ES	137,222	137,222	-
	b) to refinance existing bank borrowing	35,651	32,123	3,528*
	c) expenses incidental to the Rights issue with warrants	4,200	3,411	789*
Redeemable Convertible Secured Bonds	a) to be on lent to ES, the Company's shares of contribution of the construction of an integrated steel mill	143,800	61,187**	82,613
	b) expenses incidental to the issuance of Bonds	3,200	2,454	746*
Total		356,269	268,423	87,846

* The unutilised amount is to be on lent to ES

** Inclusive of unutilised amount from Private Placement, Rights Issue with Warrants and Redeemable Convertible Secured Bonds

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

Eastern Steel Sdn Bhd ("ES") had on 21 July 2011 entered into (i) an Engineering and Procurement Contract and (ii) a Construction Contract with China Shougang International Trade and Engineering Corporation ("China Shougang") for the design, procurement and construction of the 1st phase of an integrated steel mill at Teluk Kalung, Kemaman, Terengganu Darul Iman. The 1st phase of the integrated steel mill comprises a material handling system, coke oven plant, sinter plant, blast furnace, BPRT blowing system, iron caster and dry de-dusting system, converter with ladle refining furnace and slab continuous casting machine and oxygen making system and would have an annual capacity of 0.7 million tonnes of steel.

On 22 July 2011, HTVB entered into a Co-operation Agreement with Shougang International (Singapore) Pte Ltd ("Shougang Singapore"), ES, Tan Sri Dato' Law Tien Seng and Chinaco Investment Pte Ltd to set out the overall mode and structure of the participation of Shougang Singapore in the construction and operation of the integrated steel mill in Teluk Kalung, Kemaman, Terengganu Darul Iman, the primary rights and obligations of the parties prior to, upon and following completion of the acquisition by Shougang Singapore of the entire equity interest in Orient Steel Investment Pte Ltd from Tan Sri Dato' Law Tien Seng ("SG Acquisition") and the relationship and connection between the Co-operation Agreement and the agreement for the SG Acquisition, the Shareholders' Agreement and the Shareholders' Loan Agreement. Shougang Singapore is a wholly owned subsidiary of China Shougang.

On 15 March 2012, HTVB entered into the Shareholders' Agreement with other shareholders of ES, namely Orient Steel Investment Pte. Ltd. ("Orient Steel") and Chinaco Investment Pte. Ltd. ("Chinaco") which set out the primary rights and obligations and regulate the relationship of the three parties in respect of dealing on the project.

On 6 July 2012, HTVB entered into Loan Agreement with the other shareholders of ES where the agreement stipulated that the shareholders of ES shall provide a shareholder loan to ES for the construction of the integrated steel mill project in accordance with the Co-operation Agreement dated 22 July 2011.

Saved as disclosed above and those disclosed as recurrent related party transactions of revenue or trading nature or related party transactions, there were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests as at 31 July 2012.

10. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

The Company has on its AGM held on 8 December 2011 sought approval for a shareholders' mandate for the Group to enter into recurrent related party transactions of revenue or trading nature.

The aggregate value of recurrent related party transactions conducted during the financial year ended 31 July 2012 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	Relationship and Nature of Interest	Value of Transaction (RM'000)
S.B. Cheah & Associates ("SBCA")	Provisions of legal services	Mr. Cheah Shu Boon is directly interested in SBCA by virtue of him being the partner of SBCA.	1
United Overseas Australia Ltd ("UOA") Group of Companies	Renting of scaffolding equipment and sales of steel products	Tan Sri Dato' Alwi Jantan is deemed interested in UOA by virtue on him being director and shareholder of UOA Development Berhad which is a company related with UOA.	-
JK Ji Seng Sdn Bhd ("JKJS")	Purchase of prime hot rolled steel plates	Tan Sri Dato' Law Tien Seng is deemed interested in JKJS by virtue of him being a director and Shareholder of T.S. Law Holdings Sdn Bhd which in turn is the major shareholder of JKJS.	144,026

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

The Board of Directors is required to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flow of the Group and of the Company for the year then ended.

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

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

This Statement is made in accordance with a resolution of the Board of Directors dated 9 November 2012.

STATEMENT ON INTERNAL CONTROL

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements, the Board of Directors of Hiap Teck Venture Berhad is pleased to provide the following statement on the state of internal control of the Company and its subsidiaries ("the Group"). This Statement is made in accordance with the "Statement on Internal Control - Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and endorsed by Bursa Malaysia Securities Berhad.

Board Responsibilities

The Board of Directors of Hiap Teck Venture Berhad acknowledges the importance of the systems of internal control and recognises that it is their responsibility to maintain a sound system of internal control to safeguard the Group's interests. Nonetheless, it shall be noted that inherently all risk management systems and systems of internal control are designed to manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems can only provide reasonable but not absolute assurance against material misstatements, fraud and losses.

Risk Management

The Board is responsible for identifying the principal business risks, ensuring the implementation of appropriate systems to manage these risks and reviewing the adequacy and integrity of the Group's systems of internal control. During the financial year, the Board has considered and formed a board committee on risk management. This Risk Management Committee is chaired by an Independent Non-Executive Director and the primary objective of this Committee is to provide direction, counsel and oversight to the Group's risk management processes. Annually, the Risk Management Committee would meet four (4) times per year and the Chairman of the Risk Management Committee shall report to the Board on each meeting.

Review Mechanism

Whilst, the risk management framework is overseeing by the Board's Risk Management Committee, the independent review of the systems of internal control is undertaken by the Audit Committee. The presence of the internal audit function which is outsourced to a professional firm, supports this review mechanism and assists the Audit Committee in conducting their review more effectively. Additionally, the Audit Committee evaluates the financial reporting and internal control matters highlighted by the External Auditors in the course of their statutory audit.

In assessing the financial performance of the Group, the Audit Committee in consultation with the Management deliberates the integrity of the financial results, annual report and audited financial statements before recommending to the Board to be presented to the shareholders and public investors.

Key Elements of Internal Control

Apart from the above, the present key internal controls and review processes in the Group are as follows:

i. The formation of Purchasing Committee that review and monitor purchases;

ii. Senior Management meeting with all Executive Directors;

iii. Monthly management performance reporting to monitor and assure that the business operations of the Group are in progress in accordance with desirable objectives and targets of the Group;

iv. Budgetary control involving the review and approval of budget annually for the new financial year;

v. Organisation structure that defines the management responsibilities and its hierarchy structure of reporting lines and accountability;

vi. Authority limits and approval processes that facilitate the delegation of authority and management succession;

vii. Centralized enterprise resource planning information system that provides on-line information for decision making. This system also enables periodic performance reports to be produced for management monitoring purposes; and

viii. ISO 9001:2000 Quality Management System and American Petroleum Institutes ("API") manufacturing procedures in the manufacturing operations of the Group. Internal quality audits are carried out and annual surveillance audits are conducted by external certification body to provide assurance of compliance with the ISO requirements.

Assurance and Limitation

The Board believes that the present management control, risk management framework and the review mechanism provide reasonable assurance on the effectiveness of the systems of internal control of the Group. However, no systems of internal control could eliminate the possibility of human error, collusion or the deliberate circumvention of control procedures. Therefore, systems of internal control can only provide reasonable but not absolute assurance against material misstatements, frauds and losses. Nonetheless, the Board is committed towards operating a sound system of internal control and acknowledges that the system must continuously evolve to support the Group's operations.

Review of Statement on Internal Control by External Auditors

The External Auditors have reviewed this Statement on Internal Control for inclusion in this annual report for the year ended 31 July 2012 and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process that the Board has adopted in reviewing the adequacy and integrity of the systems of internal control of the Group.

AUDIT COMMITTEE REPORT

The Audit Committee assists the Board in ensuring the effectiveness of the Group's system of internal control and financial reporting practices.

COMPOSITION OF AUDIT COMMITTEE

The Audit Committee was established on 17 July 2003.
All members of the Audit Committee are Independent Non-Executive Director.

Members of the Audit Committee	Designation
Mr. Ng Soon Lai @ Ng Siek Chuan	Chairman
Tan Sri Abdul Rahman bin Mamat	Member
Mr. Cheah Shu Boon	Member
Mr. Foo Kok Siew	Member

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) all the Audit Committee members must be Non-Executive Directors, with a majority of them being 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, 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

(iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

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 shall be 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. **Procedure of Audit Committee**

   An Audit Committee may regulate its own procedure, in particular:-

   (a) the calling of meetings;
   (b) the notice to be given of such meetings;
   (c) the voting and proceedings of such meetings;
   (d) the keeping of minutes; and
   (e) the custody, production and inspection of such minutes.

3. **Meetings:**

   3.1 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.

   3.2 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.

   3.3 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 Departments, Internal Auditors and External Auditors.

4. **Authority:**

   4.1 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.

   4.2 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;

   (e) be able to obtain independent professional or other advice; and

   (f) be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

5. Functions and Responsibilities:

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

5.1 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;

5.2 to review the assistance given by employees of the Group to the External Auditors;

5.3 to review the External Auditor's management letter and management's response;

5.4 to do the following in relation to the internal audit function:-

- to review the adequacy of the scope, functions, competency 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, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

- to review any appraisal or assessment of the performance of outsourced internal audit function;

- to approve any appointment or termination of outsourced internal audit function; and

- to take cognizance of resignations of outsourced internal audit and provide an opportunity to submit the reasons for resigning.

5.5 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;

5.6 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;

5.7 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;

5.8 to make recommendations concerning the appointment of the External Auditors and their remuneration to the Board;

5.9 prompt reporting to 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.

6. **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.

7. **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 (7.1) and (7.2) below:

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

   7.2 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 2012, the Audit Committee convened a total of five (5) meetings. The details of the attendance of the meetings are as follows:-

Members	Total Meetings Attended
Mr. Ng Soon Lai @ Ng Siek Chuan	5
Tan Sri Abdul Rahman bin Mamat	4
Mr. Cheah Shu Boon	4
Mr. Foo Kok Siew	5

The Group Chief Financial Officer and/or representative from Finance Department attended all the Audit Committee meetings during the financial year ended 31 July 2012. The Internal Auditors attended all the scheduled quarterly Audit Committee meetings. Representatives 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 and/or his representatives attended all the Audit Committee meetings.

AUDIT COMMITTEE REPORT
(Cont'd)

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

- Reviewed and recommended the quarterly financial results of the Company and the Group to the Board of Directors for their consideration and approval prior to its release to Bursa Securities.
- Reviewed and recommended to the Board for approval, the Group's audited financial statements and the audit report on the financial statements.
- Reviewed and approved the internal audit plan, strategy and scope of work.
- Reviewed the internal audit reports and consideration of the findings and recommendations and management's responses thereto.
- Reviewed the Recurrent Related Party Transactions of the Group.
- Reviewed the external audit planning memorandum which covers the scope of the statutory audit and the audit plan prior to the commencement of audit of the Group's financial statements.
- Reviewed and discussed with External Auditors the issues arising from the statutory audit, the audit report and the management letters including management's responses.
- Reviewed 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

The Audit Committee has met with the External Auditors on 29 September 2011 and 28 June 2012 without the presence of the Executive Directors and Management.

INTERNAL AUDIT FUNCTION

The Internal Audit Function has been established to assist the Audit Committee in discharging its duties and responsibilities. The role of the Internal Auditors is to provide the Audit Committee with independent and objective reports on the state of internal control and compliance to policies and procedures.

The Internal Audit Function of the Group is outsourced to a professional firm, IA Essential Sdn Bhd at an annual fees of RM65,000.00. The internal audit function is independent of all operating units. The main role of the internal audit function is to undertake regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such system continues to operate satisfactory and effectively and to minimise risks area. The internal audit function is carried out with impartiality, proficiently and due professional care. It provides 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.

Further details of the activities of the internal audit function are set out in the Statement on Internal Control on pages 26 to 27 of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In line with the Group's overall philosophy and commitment towards building sustainable corporate social responsibilities ("CSR"), great effort and emphasis have been placed to seek out ways for the Group to help our staff and the community and to enhance the environment in which we operate. Translating it into initiatives, our Group strives to achieve a balanced approach to fulfill its key business objectives and the expectations of its stakeholders and at the same time giving back to the community and creating a better environment for everyone to work, play and live in.

The Workplace

Safety has always been a matter of priority. More so when it comes to the observation and maintenance of high standards of safety in the workplace. The Group continues to support the Occupational Safety and Health Committee in ensuring that the policies and guidelines put in place are reviewed when and as needed to ensure a safe and healthy workplace for all our employees, contractors and visitors.

The Community

The Group views education and life-long learning as vital pillars of human resource and community development. Taking the first step towards achieving this CSR's objective, our staff and their family members are encouraged to continue to improve and uplift themselves through continuing education. Our staff's children are given a yearly allowance to enable them to buy books and other education aids for their use.

In addition, the Group's joint-controlled entity, Eastern Steel Sdn Bhd supports the Group's CSR's initiative by providing opportunities and facilities to encourage our nation's future generation to be interested in Metallurgical Science and Technology, an important field of study necessary to support the establishment of heavy industries in Malaysia such as the steel manufacturing industry. Accordingly, we endeavor to introduce the latest technologies in the Metallurgical Field through the partnership with TATI University College, a local institution of higher learning established by the State Government of Terengganu and in full collaboration with Shougang Institute of Technology, an affiliate of the Shougang Group of China which possesses an internationally recognised teaching and development method and cultivated expertise in the fields of Iron and Steel Making.

The Iron & Steel Making Technology Program with specialization in the Metallurgical Engineering and strong emphasis on industrial relevance is the result of a transfer of knowledge and technology to Malaysia via the collaboration and co-operation of the Shougang Group of China, and will benefit the community where Eastern steel Sdn Bhd operates.

We realise and understand that whatever decision made and action taken, the end result must be sustainable. We recognize the key to our success in CSR sustainability is through investment in human capital. Recruiting, training and retaining the best human resources possible will be our priority. Our Group's recruitment initiatives start from conducting talks and accepting internship from local campus to hiring of experienced employees, targeted to meet the Group's current and future needs and to enhance the capabilities of the Group in the future.

The Group's training program in various business areas designed to offer exciting career development and opportunities for our undergraduates, is aimed at maximizing the potential of our young talents and preparing them to face the huge global challenges. As part of our pathway in achieving sustainable development, Eastern Steel Sdn.Bhd. is planning to construct Staff Quarters with facilities to accommodate initially up to 2000 employees, located only minutes away from the Integrated Steel Mill Complex. The range of benefits provided extends far beyond the local requirements which include allowances and subsidized utilities etc.

The Group also strives to promote diversity and equal opportunities among all potential and existing staff without unlawful discrimination on the basis of religion, disability, gender, age, marital status, sexual orientation, race or ethnic origin. We encourage and appreciate female employees to join us. Our effort can be seen via local and overseas recruitment portal. Equal employment opportunities are offered for men and women. All decisions relating to promotion or rewards are based entirely on performance.

The Group believes that these efforts would form the building blocks for us to have CSR programmes that are sustainable and benefit our staff and the community we operate in.

Health is another key area of focus for the Group. A healthy community is one that functions better as a complete unit, is better equipped to overcome other challenges that it may face and will not be a burden to the Government's health care services programme. Heeding the call to increase the levels of local blood banks, the Group had an awareness program that included a blood donation drive to further educate the community at large of the importance of donating blood to stock up the blood bank and to save lives.

The Market Place

The Group has always strived to build upon our core values that are instrumental in enforcing ethical and generally accepted practices, namely corporate transparency, effective communication and the timeliness of disseminating information to our shareholders and investing public.

Emphasis is placed on the timely and regular provision for public consumption of the Group's operational and financial performance, and our various announcements to Bursa Malaysia Securities Berhad, alongside updated corporate information on the Groups' website at www.htgrp.com.my.

Whilst profits will remain of paramount importance to any enterprise's performance, the Board holds steadfast to the believe that upholding our core values and respect for the community, employees, the environment, shareholders and other stakeholders will always be key indicators of the Group's ability to maintain the standards upon which it had committed itself to achieve.

Our Vision

- TO BE THE LEADING STEEL COMPANY IN THE REGION.

Our Mission

- 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

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 July 2012.

Principal activities

The Company is principally engaged in investment and property holdings and the provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year except as disclosed in Note 6 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	16,579	37,326
Non-controlling interests	(954)	-
	15,625	37,326

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividend

Since the end of the previous financial year, the Company paid a single tier final dividend of 1.5 sen per ordinary share totalling RM4,829,250 in respect of financial year ended 31 July 2011 on 16 January 2012.

The single tier final dividend recommended by the Directors in respect of the financial year ended 31 July 2012 is 0.6 sen per ordinary share totalling RM4,249,692. The dividend will be recognised in subsequent financial period upon approval by the shareholders of the Company at the forthcoming Annual General Meeting.

Directors of the Company

Directors who served since the date of the last report are:

Tan Sri Dato' Alwi Jantan
Tan Sri Dato' Law Tien Seng
Tan Sri Abdul Rahman Bin Mamat
Ng Soon Lai @ Ng Siek Chuan
Cheah Shu Boon
Foo Kok Siew
Lee Ching Kion
Low Choong Sing
Lu Zongyou (Appointed on 17 January 2012)
Law Sook Teng (f) (Resigned on 29 March 2012)
Ooi Ai Leng (f) (Resigned on 29 March 2012)

Directors' interests

The interests and deemed interests in the shares and options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interest of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.8.2011	Bought	Sold	At 31.7.2012
Direct interests in the Company:				
Tan Sri Dato' Alwi Jantan	1,141,000	1,000,000	(141,000)	2,000,000
Cheah Shu Boon	66,000	66,000	-	132,000
Deemed interests in the Company:				
Tan Sri Dato' Law Tien Seng	89,000,000	98,582,048	-	187,582,048
Lee Ching Kion	20,000	21,864	-	41,864

By virtue of his shareholdings in the Company, Tan Sri Dato' Law Tien Seng is also deemed to be interested in shares in all the subsidiaries of the Company.

None of the other Directors holding office at 31 July 2012 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in Note 20 to the financial statements or the fixed salary of a full time employee of the Company or of the related corporations) by reason of a contract made by the Company or a related corporation with the 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 31.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

During the financial year, the Company increased its authorised share capital from RM200,000,000 to RM1,000,000,000 by creation of 1,600,000,000 additional ordinary shares of RM0.50 each. The Company also increased its paid-up capital by way of:

a) Issuance of 32,196,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 via a private placement for a total cash consideration of RM32,196,000; and

b) A rights issue of 354,146,000 new ordinary shares of RM0.50 at an issue price of RM0.50 per ordinary share on the basis of one ordinary share for every one existing ordinary share held for cash, together with 88,536,500 free detachable warrants in the basis of one warrant for every four rights shares subscribed.

Issue of shares and debentures (Cont'd)

All the ordinary shares rank pari passu in all respect with the existing shares of the Company.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

During the financial year, the Company issued RM147,000,000 nominal value of 7-year redeemable convertible secured bonds for a total cash consideration of RM129,168,900. The redeemable convertible secured bonds are convertible into ordinary shares of RM0.50 each at the option of the holder at conversion price of RM0.70.

Treasury shares

During the financial year, the Company repurchased 10,000 of its issued ordinary shares from the open market at an average price of approximately RM0.56 per share. The total consideration paid for the repurchases including transaction costs was RM5,598.

The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965 and further relevant details are disclosed in Note 14 to the financial statements.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year apart from the issuance of 88,536,500 warrants pursuant to the rights issue of new ordinary shares.

The salient terms of the Warrants 2012/2017 are as follows:

(a) The Warrants can be exercised any time during the tenure of 5 years commencing from the date of issue of 10 January 2012 to 9 January 2017 ("Exercise Period"). Warrants not exercised during the Exercise Period will lapse and cease to be valid; and

(b) Each warrant entitles holder to subscribe for one new ordinary share in the Company at the exercise price of RM0.69 at any time during the Exercise Period.

During the financial year, 75 warrants were exercised and the outstanding warrants as at financial year end were 88,536,425.

Other statutory information

Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

Other statutory information (cont'd)

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for inventories write down as disclosed in Note 19 and derecognition of a subsidiary as disclosed in Note 32, the financial performance of the Group and of the Company for the financial year ended 31 July 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events

The details of the significant events are disclosed in Note 33 to the financial statements.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Tan Sri Dato' Law Tien Seng

....

Low Choong Sing

Kuala Lumpur,

9 November 2012

STATEMENTS OF FINANCIAL POSITION
as at 31 July 2012

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Assets					
Property, plant and equipment	3	314,680	457,971	881	1,781
Investment properties	4	5,537	5,641	104,680	105,995
Goodwill on consolidation	5	-	50,556	-	-
Investment in subsidiaries	6	-	-	93,970	201,570
Investment in jointly controlled entity	7	136,157	-	139,618	-
Available-for-sale financial assets	8	2,637	3,090	-	-
Deferred tax assets	9	6,487	2,988	-	-
Total non-current assets		465,498	520,246	339,149	309,346
Inventories	10	421,978	443,184	-	-
Trade and other receivables	11	376,871	232,484	181,211	1,696
Derivative assets	12	49	107	-	-
Tax recoverable		6,288	11,326	-	96
Available-for-sale financial assets	8	173,163	83,221	124,923	-
Cash and cash equivalents	13	62,574	48,696	3,442	1,574
Total current assets		1,040,923	819,018	309,576	3,366
Total assets		1,506,421	1,339,264	648,725	312,712
Equity					
Share capital		356,871	163,700	356,871	163,700
Share premium		37,986	25,341	37,986	25,341
Reserves		491,980	480,908	36,628	4,489
Total equity attributable to owners of the Company		886,837	669,949	431,485	193,530
Non-controlling interests		-	46,798	-	-
Total equity	14	886,837	716,747	431,485	193,530
Liabilities					
Loans and borrowings	15	121,412	27,443	121,412	-
Deferred tax liabilities	9	14,164	41,483	6,397	-
Total non-current liabilities		135,576	68,926	127,809	-
Loans and borrowings	15	434,620	479,152	2,211	-
Trade and other payables	16	49,183	73,789	87,054	119,182
Current tax payable		-	-	166	-
Derivative liabilities	12	205	650	-	-
Total current liabilities		484,008	553,591	89,431	119,182
Total liabilities		619,584	622,517	217,240	119,182
Total equity and liabilities		1,506,421	1,339,264	648,725	312,712

The notes set out on pages 47 to 105 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 July 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Revenue	17	1,115,888	1,000,363	47,724	24,144
Cost of sales	18	(1,016,732)	(911,061)	-	-
Gross profit		99,156	89,302	47,724	24,144
Other operating income		14,416	6,300	1,992	-
Operating costs in respect of income generating investment properties		(104)	(104)	(1,315)	(1,315)
Administrative expenses		(27,976)	(32,239)	(6,791)	(9,090)
Selling and marketing expenses		(30,357)	(21,157)	-	-
Other operating expenses		(13,473)	(795)	(343)	-
Profit from operations		41,662	41,307	41,267	13,739
Finance costs	21	(20,736)	(15,932)	(3,200)	-
Share of profits of equity accounted investee, net of tax		15	-	-	-
Profit before tax		20,941	25,375	38,067	13,739
Income tax expense	22	(5,316)	163	(741)	(243)
Profit for the year	19	15,625	25,538	37,326	13,496
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operation		57	6	-	-
Fair value of available-for-sale financial assets		(215)	414	-	-
Total other comprehensive (loss)/income for the year		(158)	420	-	-
Total comprehensive income for the year		15,467	25,958	37,326	13,496
Profit attributable to:					
Owners of the parent		16,579	27,420	37,326	13,496
Non-controlling interests		(954)	(1,882)	-	-
		15,625	25,538	37,326	13,496
Total comprehensive income attributable to:					
Owners of the parent		16,421	27,840	37,326	13,496
Non-controlling interests		(954)	(1,882)	-	-
		15,467	25,958	37,326	13,496
Earnings per share (sen):					
Basic	23	3.10	8.52		

The notes set out on pages 47 to 105 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 July 2012

	Attributable to shareholders of the Group									
	Non distributable					Distributable				
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserves RM'000	Other reserves RM'000	Revaluation reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 August 2010	163,700	25,341	(7,458)	-	-	31,635	433,741	646,959	48,466	695,425
Foreign currency translation differences for foreign operations	-	-	-	-	6	-	-	6	-	6
Net change in fair value of available-for-sale financial assets	-	-	-	-	414	-	-	414	-	414
Total other comprehensive income	-	-	-	-	420	-	-	420	-	420
Profit for the year	-	-	-	-	-	-	27,420	27,420	(1,882)	25,538
Total comprehensive income for the year	-	-	-	-	420	-	27,420	27,840	(1,882)	25,958
Purchase of treasury shares	-	-	(21)	-	-	-	-	(21)	-	(21)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	214	214
Dividends to owners of the Company	-	-	-	-	-	-	(4,829)	(4,829)	-	(4,829)
Total contribution from/ distribution to owners	-	-	(21)	-	-	-	(4,829)	(4,850)	214	(4,636)
At 31 July 2011/1 August 2011	163,700	25,341	(7,479)	-	420	31,635	456,332	669,949	46,798	716,747

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 July 2012 (Cont'd)

	Attributable to shareholders of the Group									
	Non distributable						Distributable			
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserves RM'000	Other reserves RM'000	Revaluation reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 31 July 2011/1 August 2011	163,700	25,341	(7,479)	-	420	31,635	456,332	669,949	46,798	716,747
Foreign currency translation differences for foreign operations	-	-	-	-	57	-	-	57	-	57
Net change in fair value of available-for-sale financial asset	-	-	-	-	(215)	-	-	(215)	-	(215)
Total other comprehensive income	-	-	-	-	(158)	-	-	(158)	-	(158)
Profit for the year	-	-	-	-	-	-	16,579	16,579	(954)	15,625
Total comprehensive income for the year	-	-	-	-	(158)	-	16,579	16,421	(954)	15,467
Purchase of treasury shares	-	-	(5)	-	-	-	-	(5)	-	(5)
Issue of ordinary shares via private placement	16,098	16,098	-	-	-	-	-	32,196	-	32,196
Issue of ordinary shares pursuant to rights issue	177,073	-	-	18,459	-	-	(18,459)	177,073	-	177,073
Issue of redeemable convertible secured bonds, net of tax	-	-	-	-	(353)	-	-	(353)	-	(353)
Derecognition of subsidiary (Note 32)	-	-	-	-	-	-	-	-	(45,792)	(45,792)
Expenses incurred on issuance of equity securities	-	(3,453)	-	-	-	-	-	(3,453)	-	(3,453)
Acquisition of non-controlling interest (Note 32)	-	-	-	-	-	-	(162)	(162)	(52)	(214)
Dividends to owners of the Company (Note 24)	-	-	-	-	-	-	(4,829)	(4,829)	-	(4,829)
Total contribution from/ distribution to owners	193,171	12,645	(5)	18,459	(353)	-	(23,450)	200,467	(45,844)	154,623
At 31 July 2012	356,871	37,986	(7,484)	18,459	(91)	31,635	449,461	886,837	-	886,837
	Note 14	Note 14								

COMPANY STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 July 2012

Company	Non-distributable Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserves RM'000	Other reserves RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 August 2010	163,700	25,341	(7,458)	-	-	3,301	184,884
Profit and total comprehensive income for the year	-	-	-	-	-	13,496	13,496
Purchase of treasury shares	-	-	(21)	-	-	-	(21)
Dividends to owners of the Company	-	-	-	-	-	(4,829)	(4,829)
Total contribution from/ distribution to owners	-	-	(21)	-	-	(4,829)	(4,850)
At 31 July 2011/ 1 August 2011	163,700	25,341	(7,479)	-	-	11,968	193,530
Profit and total comprehensive income for the year	-	-	-	-	-	37,326	37,326
Purchase of treasury shares	-	-	(5)	-	-	-	(5)
Issue of ordinary shares via private placement	16,098	16,098	-	-	-	-	32,196
Issue of ordinary shares pursuant to rights issue	177,073	-	-	18,459	-	(18,459)	177,073
Issue of redeemable convertible secured bonds, net of tax	-	-	-	-	(353)	-	(353)
Expenses incurred on issuance of equity securities	-	(3,453)	-	-	-	-	(3,453)
Dividends to owners of the Company (Note 24)	-	-	-	-	-	(4,829)	(4,829)
Total contribution from/ distribution to owners	193,171	12,645	(5)	18,459	(353)	(23,288)	200,629
At 31 July 2012	356,871	37,986	(7,484)	18,459	(353)	26,006	431,485
	Note 14	Note 14					

The notes set out on pages 47 to 105 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 July 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities				
Profit before tax	20,941	25,375	38,067	13,739
Adjustments for:				
(Gain)/loss on disposal of available-for-sale financial assets	(770)	10	-	-
Net unrealised foreign exchange gains	(1,043)	(435)	-	-
Impairment loss on trade and other receivables	-	10,044	-	-
Reversal of impairment loss of trade receivables	(33)	(1,133)	-	-
Bad debts recovered	(56)	-	-	-
Depreciation of property, plant and equipment	21,780	22,775	317	438
Depreciation of investment properties	104	104	1,315	1,315
Property, plant and equipment written off	27	14	-	-
Interest expense	20,185	15,342	3,200	-
Finance income:				
Deposits	(109)	(176)	-	-
Available-for-sale financial assets	(3,195)	(1,794)	(1,993)	-
Net overdue interest income	(44)	(1,137)	-	-
Change in fair value of derivatives	(387)	543	-	-
Dividends income	-	-	(38,520)	(14,460)
(Gain)/loss on disposal of property, plant and equipment	(1,013)	(733)	343	-
Write-down of inventories	12,490	-	-	-
Share of profits of equity accounted investee, net of tax	(15)	-	-	-
Operating profit before changes in working capital	68,862	68,799	2,729	1,032
Changes in working capital:				
Inventories	8,716	(44,523)	-	-
Trade and other receivables	7,794	(37,200)	(60,535)	(10,275)
Trade and other payables	(21,346)	18,835	(2,127)	1,262
Cash generated from/(used in) operations	64,026	5,911	(59,933)	(7,981)
Interest paid	(20,451)	(19,922)	-	-
Net overdue interest income	44	1,137	-	-
Income tax (paid)/refund	(3,917)	(9,138)	(726)	539
Net cash from/(used in) operating activities	39,702	(22,012)	(60,659)	(7,442)

STATEMENTS OF CASH FLOWS

for the year ended 31 July 2012 (Cont'd)

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Proceeds from disposal of available-for-sale financial assets	3,306	7,465	-	-
Net dividend received	-	-	38,520	14,460
Proceeds from disposal of property, plant and equipment	3,113	3,771	240	-
Finance income:				
Deposits	109	176	1,993	-
Available-for-sale financial assets	3,195	1,794	-	-
Purchase of property, plant and equipment	(21,609)	(12,909)	-	(749)
Investment in available-for-sale financial assets	(92,240)	(21,643)	(124,923)	-
Additional investment in subsidiary	-	-	(2,400)	-
(Acquisition of)/investment from non-controlling interests	(214)	214	-	-
Additional investment in jointly controlled entity	(29,617)	-	(29,617)	-
Advances to jointly controlled entity	(148,983)	-	(148,983)	-
Net cash (used in)/from investing activities	(282,940)	(21,132)	(265,170)	13,711
Cash flows from financing activities				
Proceeds from issue of ordinary shares	209,269	-	209,269	-
Proceeds from issue of redeemable convertible secured bonds	129,169	-	129,169	-
Expenses incurred on issuance of equity securities	(5,907)	-	(5,907)	-
Repayment of term loans	(32,123)	(13,920)	-	-
(Repayment)/drawdown of bankers' acceptances and offshore foreign currency loan	(39,853)	66,728	-	-
Purchase of treasury shares	(5)	(21)	(5)	(21)
Dividends paid to owners of the Company	(4,829)	(4,829)	(4,829)	(4,829)
Net cash from/(used in) financing activities	255,721	47,958	327,697	(4,850)
Net increase in cash and cash equivalents	12,483	4,814	1,868	1,419
Effect of exchange rate changes	1,395	705	-	-
Cash and cash equivalents at beginning of year	48,696	43,177	1,574	155
Cash and cash equivalents at end of year	62,574	48,696	3,442	1,574

The notes set out on pages 47 to 105 are an integral part of these financial statements.

Hiap Teck Venture Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company are as follows:

Registered office and principal place of business
Lot 6096, Jalan Haji Abdul Manan
Batu 5 ½, Off Jalan Meru
41050 Klang
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 July 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in a jointly controlled entity. The financial statements of the Company as at and for the financial year ended 31 July 2012 do not include other entities.

The Company is principally engaged in investment and property holdings and the provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant changes in the nature of the principal activities during the financial year except as disclosed in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 9 November 2012.

1. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards, amendments, and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and the Company.

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

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

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits (2011)*
- FRS 127, *Separate Financial Statements (2011)*
- FRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

1. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

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

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*
- Improvements to FRSs (2012)
- Amendments to FRS 10, FRS 11 and FRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014
- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- FRS 141, *Agriculture*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015
- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

The Group's and the Company's financial statements for annual period beginning on 1 August 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

(b) **Basis of measurement**

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) **Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) **Use of estimates and judgements**

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 4- Investment properties
- Note 9- Recognition of deferred tax assets
- Note 30- Contingent liabilities
- Note 32- Business combinations

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 August 2010

For acquisitions on or after 1 August 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions prior to 1 August 2010

For acquisitions between 1 August 2006 and 1 August 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(iii) Accounting for acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Interest in jointly controlled entity

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Joint ventures are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted joint venture, the carrying amount of that interest (including any long-term investments) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

Investments in joint ventures are stated in the Company's statement of financial position at cost less impairment losses.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Significant accounting policies (Cont'd)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)(i)).

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. Significant accounting policies (Cont'd)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment (other than land and buildings) are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment under the revaluation model
The Group revalues its property comprising land and buildings every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Any revaluation surpluses arising is recognised on other comprehensive income and accumulated in the revaluation reserve. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2. Significant accounting policies (Cont'd)

(d) Property, plant and equipment (Cont'd)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	60 years
• Buildings	50 years
• Plant and machinery	5-12 years
• Motor vehicles	5 years
• Computer software	3 years
• Other assets	5-10 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition of the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred. Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. Significant accounting policies (Cont'd)

(f) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses. In respect of equity accounted jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investees.

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

(g) Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Such properties are measured initially at cost, including transaction costs. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated.

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 of 50 years.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production 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 make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2. Significant accounting policies (Cont'd)

(j) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investment in jointly controlled entity) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. Significant accounting policies (Cont'd)

(j) Impairment (Cont'd)

(ii) Other assets (Cont'd)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or the group of cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Repurchase, disposal and reissue of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(l) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

Compound financial instruments issued by the Group comprise redeemable convertible secured bonds that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

2. Significant accounting policies (Cont'd)

(l) Compound financial instruments (Cont'd)

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(m) Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount, volume rebates and sales taxes. Revenue is recognised when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

2. Significant accounting policies (Cont'd)

(o) Revenue and other income (Cont'd)

(ii) Transport charges

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

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(v) Rental income

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

(vi) Management fees

Management fees are recognised when services are rendered.

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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.

2. Significant accounting policies (Cont'd)

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(r) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (EPS).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares, which comprise warrants and redeemable convertible secured bonds.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Group Operation Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3. **Property, plant and equipment**

Group	Freehold land RM'000	Buildings RM'000	Leasehold land RM'000	Plant and machinery RM'000	Capital-in progress RM'000	Motor vehicles RM'000	Others assets RM'000	Total RM'000
Cost/Valuation								
At 1 August 2010	69,558	139,260	150,080	205,727	5,587	9,078	29,771	609,061
Additions	-	-	-	630	973	882	10,424	12,909
Disposals	-	-	-	(1,310)	-	(789)	(6,827)	(8,926)
Written off	-	-	-	-	-	-	(957)	(957)
Transfers	-	-	-	2,736	(2,736)	-	-	-
At 31 July 2011/ 1 August 2011	69,558	139,260	150,080	207,783	3,824	9,171	32,411	612,087
Additions	6,859	-	-	2,494	3,847	634	7,775	21,609
Disposals	-	-	-	(2,435)	-	(1,332)	(2,849)	(6,616)
Written off	-	-	-	(3)	-	-	(90)	(93)
Transfers	-	-	-	3,706	(3,868)	-	162	-
Adjustment	-	-	-	-	-	-	6,188	6,188
Derecognition of subsidiary (Note 32)	-	-	(145,060)	-	(1,225)	-	(2,325)	(148,610)
At 31 July 2012	76,417	139,260	5,020	211,545	2,578	8,473	41,272	484,565
Representing:								
At cost	-	-	-	211,545	2,578	8,473	41,272	263,868
At valuation	76,417	139,260	5,020	-	-	-	-	220,697
At 31 July 2012	76,417	139,260	5,020	211,545	2,578	8,473	41,272	484,565

3. Property, plant and equipment (Cont'd)

Group	Freehold land RM'000	Buildings RM'000	Leasehold land RM'000	Plant and machinery RM'000	Capital-in progress RM'000	Motor vehicles RM'000	Others assets RM'000	Total RM'000
Accumulated depreciation								
At 1 August 2010	-	13,086	5,511	98,877	-	5,174	15,524	138,172
Charge for the year	-	2,571	2,518	11,945	-	1,131	4,610	22,775
Disposals	-	-	-	(886)	-	(532)	(4,470)	(5,888)
Written off	-	-	-	-	-	-	(943)	(943)
At 31 July 2011/ 1 August 2011	-	15,657	8,029	109,936	-	5,773	14,721	154,116
Charge for the year	-	2,758	889	12,240	-	715	5,178	21,780
Disposals	-	-	-	(2,255)	-	(632)	(1,629)	(4,516)
Written off	-	-	-	(2)	-	-	(64)	(66)
Adjustment	-	-	-	-	-	-	6,188	6,188
Derecognition of subsidiary (Note 32)	-	-	(7,318)	-	-	-	(299)	(7,617)
At 31 July 2012	-	18,415	1,600	119,919	-	5,856	24,095	169,885
Carrying amounts								
At 1 August 2010	69,558	126,174	144,569	106,850	5,587	3,904	14,247	470,889
At 31 July 2011/ 1 August 2011	69,558	123,603	142,051	97,847	3,824	3,398	17,690	457,971
At 31 July 2012	76,417	120,845	3,420	91,626	2,578	2,617	17,177	314,680

3. **Property, plant and equipment (Cont'd)**

Company	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost			
At 1 August 2010	1,604	-	1,604
Additions	507	242	749
At 31 July 2011/1 August 2011	2,111	242	2,353
Disposal	(921)	-	(921)
At 31 July 2012	1,190	242	1,432
Accumulated depreciation			
At 1 August 2010	134	-	134
Charge for the year	406	32	438
At 31 July 2011/1 August 2011	540	32	572
Charge for the year	269	48	317
Disposal	(338)	-	(338)
At 31 July 2012	471	80	551
Carrying amounts			
At 1 August 2010	1,470	-	1,470
At 31 July 2011/1 August 2011	1,571	210	1,781
At 31 July 2012	719	162	881

(a) Other assets of the Group comprise equipment for hire, office renovations, furniture and fittings, heavy equipment, office equipment, tools, carpet, computer software, electrical installation, forklift, dies and jigs and container.

(b) Land and buildings of the Group are stated at Directors' valuation based on a professional valuation performed by independent registered valuers, on the market approach conducted in July 2008. Had the land and buildings been carried at historical cost less accumulated depreciation, the carrying amount that would have been included in the financial statements at the end of the financial year would be as follows:

	Group 2012 RM'000	Group 2011 RM'000
Land	58,737	58,737
Buildings	94,324	96,542
	153,061	155,279

3. Property, plant and equipment (Cont'd)

(c) The Group's property, plant and equipment with carrying amount of RM69,911,000 (2011: RM70,965,000) are pledged for borrowings as disclosed in Note 15.

(d) The Group's plant and equipment with carrying amount of RM9,038,000 (2011: RM8,669,000) are on lease to generate rental income.

4. Investment properties

Group	Freehold Land RM'000	Buildings RM'000	Total RM'000
Cost			
At 31 July 2010/ 31 July 2011/ 1 August 2011/ 31 July 2012	485	6,429	6,914
Accumulated depreciation and impairment			
At 31 July 2010/ 1 August 2010	-	1,169	1,169
Charge for the year	-	104	104
At 31 July 2011/ 1 August 2011	-	1,273	1,273
Charge for the year	-	104	104
At 31 July 2012	-	1,377	1,377
Net carrying amount			
At 31 July 2010/ 1 August 2010	485	5,260	5,745
At 31 July 2011/ 1 August 2011	485	5,156	5,641
At 31 July 2012	485	5,052	5,537

4. Investment properties (Cont'd)

Company	Freehold Land RM'000	Buildings RM'000	Total RM'000
Cost			
At 31 July 2010/ 31 July 2011/ 1 August 2011/ 31 July 2012	48,062	65,740	113,802
Accumulated depreciation and impairment			
At 31 July 2010	-	6,492	6,492
Charge for the year	-	1,315	1,315
At 31 July 2011/ 1 August 2011	-	7,807	7,807
Charge for the year	-	1,315	1,315
At 31 July 2012	-	9,122	9,122
Net carrying amount			
At 31 July 2010	48,062	59,248	107,310
At 31 July 2011/ 1 August 2011	48,062	57,933	105,995
At 31 July 2012	48,062	56,618	104,680

The estimated fair value of investment properties of the Group and of the Company are RM7,720,000 and RM144,240,000 (2011: RM7,482,000 and RM140,555,000) respectively.

The following are recognised in profit or loss in respect of investment properties:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Rental income	766	701	7,860	7,380
Direct operating expenses:				
- income generating investment properties	(104)	(104)	(1,315)	(1,315)

5. Goodwill on consolidation

	Group 2012 RM'000	Group 2011 RM'000
At 1 August	50,556	50,556
Derecognition of subsidiary (Note 32)	(50,556)	-
At 31 July	-	50,556

Allocation of goodwill

In the previous financial year, the total carrying amount of goodwill was attributable to the Group's cash-generating unit (CGU) of a business operation in Eastern Steel Sdn Bhd ("ESSB"). On 2 December 2011, ESSB is treated as a jointly controlled entity pursuant to the Shareholders' Agreement dated 15 March 2012. Accordingly, the Group derecognised the assets and liabilities of ESSB on 2 December 2011 (see Note 32).

6. Investment in subsidiaries

	Company 2012 RM'000	Company 2011 RM'000
At cost:		
Unquoted shares in Malaysia	93,970	201,570

The movement of cost of investment in subsidiaries are as follows:

	2012 RM'000	2011 RM'000
As at 1 August	201,570	91,570
Derecognition of subsidiary (Note 32)	(110,000)	-
Share subscription in subsidiary	2,400	110,000
As at 31 July	93,970	201,570

6. Investment in subsidiaries (Cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2012 %	2011 %
Hiap Teck Hardware Sdn. Bhd.	Malaysia	Importer, exporter and general dealer of steel products, hardware and building materials	100	100
Tiek Hong Hardware (B'worth) Sdn. Bhd.	Malaysia	Dormant	100	100
Alpine Pipe Manufacturing Sdn. Bhd.	Malaysia	Manufacturing and selling of pipes, hollow sections and other steel products	100	100
Briliant Decade Transport Agency Sdn. Bhd.	Malaysia	Provision of transportation services	100	100
Huatraco Scaffold Sdn. Bhd.	Malaysia	Manufacturing, selling and renting of scaffolding equipment and range of steel products	100	100
Hiap Teck Management Services Sdn. Bhd. (formerly known as Hiap Teck Steel Manufacturing Sdn. Bhd.)	Malaysia	Provision of management services to related companies (Previously engaged in manufacturing and dealing of steel products, hardware and building materials)	100	100 ^
Subsidiary of Hiap Teck Hardware Sdn. Bhd.				
Hiap Teck Property Sdn. Bhd.	Malaysia	Dormant	100	100
Subsidiaries of Huatraco Scaffold Sdn. Bhd.				
Huatraco Contracts Sdn. Bhd.	Malaysia	Selling and renting of scaffolding components and accessories	100	100
Huatraco Industries Sdn. Bhd.	Malaysia	Dormant	100	100
Huatraco Natscreen Sdn. Bhd.	Malaysia	Dormant	100	100
Huatraco Investment Pte. Ltd. **	Singapore	Investment holding	100	100
Subsidiary of Huatraco Investment Pte. Ltd.				
Huatraco Singapore Pte. Ltd. **	Singapore	Scaffolding works and wholesale of industrial, construction and related machinery and equipment	100	55

^ The Company was wholly-owned subsidiary of Hiap Teck Hardware Sdn. Bhd. in previous financial year

** Audited by a firm other than KPMG

7. Investment in jointly controlled entity

Group	2012 RM'000	2011 RM'000
Unquoted shares in Malaysia, at cost	139,618	-
Share of post-acquisition reserves	(3,461)	-
	136,157	-
Company		
Unquoted shares in Malaysia, at cost	139,618	-

Details of the jointly controlled entity are as follows:

Name of entity	Country of incorporation	Principal activities	Effective ownership interest 2012 %	Effective ownership interest 2011 %
Eastern Steel Sdn. Bhd. ("ESSB") *	Malaysia	Manufacturing, selling and dealing in a range of steel products using blast furnace plant (under construction)	55	55

- In the previous financial year, ESSB was a subsidiary of the Group and the Company. According to the Shareholders Agreement signed on 15 March 2012, ESSB is now considered as a jointly control entity (see Note 32).

Summary of financial information for jointly controlled entity, not adjusted for the percentage ownership held by the Group:

	2012 RM'000
Assets and liabilities:	
Non-current assets	370,444
Current assets	104,267
Total assets	474,711
Non-current liabilities	34,791
Current liabilities	284,282
Total liabilities	319,073
Result:	
Revenue	-
Loss for the year	1,767

8. Available-for-sale financial assets

Group	Note	2012 Carrying amount RM'000	2012 Market value of quoted investments RM'000	2011 Carrying amount RM'000	2011 Market value of quoted investments RM'000
Non-current					
Club membership, unquoted		140	-	140	-
Equity instruments, quoted in Malaysia		2,497	2,497	2,950	2,950
		2,637	2,497	3,090	2,950
Current					
Unit trust fund of licensed financial institution within Malaysia		173,163	173,163	83,221	83,303
		175,800	175,660	86,311	86,253
Company					
Current					
Unit trust fund of licensed financial institution within Malaysia		124,923	124,923	-	-

9. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets 2012 RM'000	Assets 2011 RM'000	Liabilities 2012 RM'000	Liabilities 2011 RM'000	Net 2012 RM'000	Net 2011 RM'000
Group						
Property, plant and equipment	5,551	2,237	(22,003)	(21,838)	(16,452)	(19,601)
Investment properties	-	-	(55)	(35)	(55)	(35)
Loans and borrowings	247	-	(6,644)	-	(6,397)	-
Other payables	6,946	7,453	-	-	6,946	7,453
Tax loss carry-forwards	9	-	-	-	9	-
Reinvestment allowance	15,095	14,194	-	-	15,095	14,194
Revaluation reserve	-	-	(6,490)	(40,398)	(6,490)	(40,398)
Other items	-	-	(333)	(108)	(333)	(108)
Tax assets / (liabilities)	27,848	23,884	(35,525)	(62,379)	(7,677)	(38,495)
Set off of tax	(21,361)	(20,896)	21,361	20,896	-	-
Net tax assets/ (liabilities)	6,487	2,988	(14,164)	(41,483)	(7,677)	(38,495)
Company						
Loans and borrowings	247	-	(6,644)	-	6,397	-

9. Deferred tax assets/(liabilities) (cont'd)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Unabsorbed capital allowances	6,010	6,889	-	-
Tax loss carry-forwards	926	5	-	-
Other deductible temporary differences	542	608	-	-
	7,478	7,502	-	-

Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Movement in temporary differences during the year

Group	**At 1.8.2010 RM'000**	**Recognised in profit or loss RM'000 (Note 22)**	**At 31.7.2011 RM'000**	**Recognised in profit or loss RM'000 (Note 22)**	**Derecognition of subsidiary RM'000 (Note 32)**	**Recognised directly in equity RM'000 (Note 22)**	**At 31.7.2012 RM'000**
Property, plant and equipment	(19,066)	(535)	(19,601)	3,149	-	-	(16,452)
Investment properties	(14)	(21)	(35)	(20)	-	-	(55)
Loan and borrowings	-	-	-	247	-	(6,644)	(6,397)
Other payables	1,663	5,790	7,453	(506)	-	-	6,947
Tax loss carry-forwards	155	(155)	-	9	-	-	9
Reinvestment allowance	12,896	1,298	14,194	901	-	-	15,095
Revaluation reserves	(40,435)	37	(40,398)	84	33,823	-	(6,491)
Other items	148	(256)	(108)	(225)	-	-	(333)
	(44,653)	6,158	(38,495)	3,639	33,823	(6,644)	(7,677)
Company							
Loan and borrowings	-	-	-	247	-	(6,644)	(6,397)

10. Inventories

	Group	
	2012 RM'000	2011 RM'000
Raw materials	99,573	109,576
Work-in-progress	24,874	20,458
Finished goods	104,444	101,754
Merchandise goods	191,608	210,019
Spare parts	1,479	1,377
	421,978	443,184

11. Trade and other receivables

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current				
Trade				
Trade receivables	216,280	200,621	-	-
Less: Allowance for impairment loss	(4,300)	(5,005)	-	-
	211,980	195,616	-	-
Non-trade				
Other receivables	24,074	22,798	-	-
Less: Allowance for impairment loss	(22,014)	(22,014)	-	-
	2,060	784	-	-
Advance payment to suppliers	9,630	30,995	-	-
Deposits	550	147	30	30
Prepayments	3,668	4,942	75	16
Amount due from subsidiary	-	-	32,123	1,650
Amount due from jointly controlled entity	148,983	-	148,983	-
	164,891	36,868	181,211	1,696
	376,871	232,484	181,211	1,696

The Group's normal trade credit term ranges from 14 to 90 (2011: 14 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

The allowance for impairment loss in other receivables of the Group relate to the quantity discounts receivable from a supplier in prior years. In assessing the recoverability of these debts, the management has given due consideration to all pertinent information and development of the claims, including assessing the outcomes of the various discussions and negotiations with the supplier in the previous financial year. Management is of the opinion that the recoverability of quantity discounts receivable is uncertain and accordingly provided for impairment loss on the amounts.

Amount due from subsidiaries and jointly controlled entity
The amounts due from subsidiaries and jointly controlled entity are unsecured, non-interest bearing and are repayable upon demand.

12. Derivative financial assets/(liabilities)

Group	Nominal value RM'000	Assets RM'000	Liabilities RM'000
2012			
Derivatives held for trading at fair value through profit or loss			
- Forward exchange contracts	19,540	49	205
2011			
Derivatives held for trading at fair value through profit or loss			
- Forward exchange contracts	19,700	107	650

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD and SGD for which firm commitments existed at the reporting date. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure.

Derivatives are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rates.

13. Cash and cash equivalents

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits placed with licensed banks	55,261	1,922	-	-
Cash and bank balances	7,313	46,774	3,442	1,574
	62,574	48,696	3,442	1,574

14. Capital and reserves

Share capital	Group and Company			
	Amount 2012 RM'000	Number of shares 2012 '000	Amount 2011 RM'000	Number of shares 2011 '000
Authorised:				
Ordinary shares of RM0.50 each	1,000,000	2,000,000	200,000	400,000
Issued and fully paid:				
Ordinary shares of RM0.50 each				
At 1 August 2011/ 2010	163,700	327,400	163,700	327,400
Issued via private placement	16,098	32,196	-	-
Issued pursuant to rights issue	177,073	354,146	-	-
At 31 July 2012/ 2011	356,871	713,742	163,700	327,400

14. Capital and reserves (Cont'd)

Ordinary shares

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 and rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

Reserves

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Non-distributable:					
Share premium		37,986	25,341	37,986	25,341
Warrant reserves	14.1	18,459	-	18,459	-
Other reserves					
Translation reserves	14.2.1	63	6	-	-
Fair value reserves	14.2.2	199	414	-	-
Capital reserves	14.2.3	(353)	-	(353)	-
Revaluation reserves	14.3	31,635	31,635	-	-
Treasury shares	14.4	(7,484)	(7,479)	(7,484)	(7,479)
		80,505	49,917	48,608	17,862
Distributable:					
Retained earnings	14.5	449,461	456,332	26,006	11,968
		529,966	506,249	74,614	29,830

14.1 Warrant reserves

The warrant reserves arose from the allocation of the proceeds received from the issuance of the warrants by reference to the fair value of the warrants and net of expenses incurred in relation to the rights issue during the financial year.

Warrants 2012/2017

During the financial year, 88,536,500 warrants were issued pursuant to the rights issue of new ordinary shares. The number of warrants outstanding as at 31 July 2012 was 88,536,425.

The salient terms of the Warrants 2012/2017 are as follows:

(a) The Warrants can be exercised any time during the tenure of 5 years commencing from the date of issue of 10 January 2012 to 9 January 2017 ("Exercise Period"). Warrants not exercised during the Exercise Period will lapse and cease to be valid; and

(b) Each warrant entitles holder to subscribe for one new ordinary share in the Company at the exercise price of RM0.69 at any time during the Exercise Period.

14. Capital and reserves (Cont'd)

14.2 Other reserves

14.2.1 Translation reserves

The translation reserves comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

14.2.2 Fair value reserves

The fair value reserves comprise the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

14.2.3 Capital reserves

The capital reserves comprise the equity component of redeemable convertible secured bonds. It represents the residual amount of the convertible bonds after deducting the fair value of the liability component. The amount is presented net of transaction costs and deferred tax liabilities.

14.3 Revaluation reserves

The revaluation reserves relate to the cumulative net change, net of deferred tax effects, arising from the revaluation of freehold lands and buildings.

14.4 Treasury shares

During the financial year, the Company repurchased 10,000 of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.56 per share including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares. As at 31 July 2012, a total of 5,460,000 buy-back shares were held as treasury shares and carried at cost.

14.5 Retained earnings

The Company has elected for the irrevocable option under the Finance Act 2007 to disregard the 108 balance as at 31 December 2007. Hence, the Company will be able to distribute dividends out of its entire retained profits under the single tier system.

15. Loans and borrowings

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-current				
Secured:				
Term loan	-	27,443	-	-
Redeemable convertible bonds	121,412	-	121,412	-
	121,412	27,443	121,412	-
Current				
Secured:				
Term loan	-	14,159	-	-
Redeemable convertible bonds	2,211	-	2,211	-
Bankers' acceptances	377,555	434,993	-	-
Revolving credit	30,000	30,000	-	-
Onshore foreign currency loan	24,854	-	-	-
	434,620	479,152	2,211	-
Total	556,032	506,595	123,623	-

Security

(a) The redeemable convertible bonds are secured by the first legal charge over property of a subsidiary with carrying amount of RM69,911,000.

(b) The Company has extended corporate guarantees amounting to RM432,409,000 (2011: RM506,595,000) as at the reporting date to financial institutions for banking facilities granted to certain subsidiaries. The Directors have assessed the financial guarantee contracts and concluded that the financial impact of the guarantees is not material as the subsidiaries concerned are in positive financial standings to meet their obligations as and when they fall due.

Redeemable convertible secured bonds ("the Bonds")

On 5 April 2012 ("Issue date"), the Company issued a 7-year RM147 million nominal value of 4.5% redeemable convertible secured bonds. The liability component of the Bonds is recognised in statements of financial position as follows:

	Group and Company	
	2012 RM'000	2011 RM'000
Proceeds from issue of redeemable convertible secured bonds	129,169	-
Transaction costs	(2,455)	-
Net proceeds	126,714	-
Amount classified as equity	(6,291)	-
Accreted interest	3,200	-
Carrying amount at 31 July	123,623	-

15. Loans and borrowings (Cont'd)

Redeemable convertible secured bonds ("the Bonds") (Cont'd)

The amount of the Bonds classified as equity of RM6,291,471 is net of attributable transaction cost of RM121,853.

The holder of the Bonds may on 5th anniversary of the Issue date (ie. 5 April 2017) require the Company to redeem all or part of the Bonds by giving no less than 90 days irrevocable prior written notice to the Company.

Unless previously redeemed, converted, purchased and cancelled, the Bonds shall be redeemed by the Company at its nominal value on the 7th anniversary of the Issue date (ie. 5 April 2019) ("Maturity date").

The Bonds are convertible into ordinary shares of RM0.50 each at the option of the holder at conversion price of RM0.70 at any time between issuance up to Maturity date.

The Bonds carry a coupon rate of 4.5% per annum on the nominal value payable semi annually in arrears.

16. Trade and other payables

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Current				
Trade				
Trade payables	14,038	44,349	-	-
Amount due to a related party	6,012	-	-	-
	20,050	44,349	-	-
Non trade				
Other payables	6,983	8,115	-	-
Accruals	11,846	14,261	1,611	3,497
Deposits received	2,856	2,341	-	240
Advances from customers	7,448	4,723	-	-
Amount due to subsidiaries	-	-	85,443	115,445
	29,133	29,440	87,054	119,182
	49,183	73,789	87,054	119,182

Included in the previous year's other payables of the Group was an amount of RM1,350,000 owing to a Director of the Company, which was non-interest bearing and was repayable upon demand.

Amount due to subsidiaries
The amounts due to subsidiaries are non-trade in nature, unsecured, non-interest bearing and are repayable upon demand. The amounts due to subsidiaries will be offset against future dividends and rental receivable from these subsidiaries.

Amount due to a related party
The amounts due to related party are subject to normal trade terms.

17. Revenue

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Sale of goods and services	1,106,446	992,963	-	-
Rental of scaffolding equipment	9,382	7,400	-	-
Dividends income	-	-	38,520	14,460
Rental of properties	60	-	7,860	7,380
Management fees	-	-	1,344	2,304
	1,115,888	1,000,363	47,724	24,144

18. Cost of sales

	Group 2012 RM'000	Group 2011 RM'000
Cost of inventories sold	1,013,910	908,399
Depreciation of scaffolding equipment for hire	2,822	2,662
	1,016,732	911,061

Included in the cost of inventories sold are the following:

Direct and indirect labour costs	9,412	8,945
Upkeep of property, plant and equipment	4,961	1,686
Depreciation of property, plant and equipment	14,158	13,809
Allowance for impairment loss on quantity discounts claim	-	10,000

19. Profit for the year

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit for the year is arrived after charging/(crediting):					
Personnel expenses:					
Salaries, wages and others		27,645	31,369	2,937	5,897
Defined contribution plan		2,755	3,149	342	418
Auditors' remuneration:					
Statutory audits:					
- current year		248	256	68	56
- under provision in prior year		-	25	10	3
Other services		10	125	-	-
Reversal of impairment loss of trade receivables		(33)	(1,133)	-	-
Bad debts recovered		(56)	-	-	-
Depreciation of property, plant and equipment		21,780	22,775	317	438
Depreciation of investment properties		104	104	1,315	1,315
Fair value (gain)/loss on derivatives		(387)	543	-	-
Minimum lease payments recognised as operating lease expense for:					
- Land and buildings		251	128	-	-
- Office equipment		13	12	-	-
- Gas tank		13	15	-	-
Property, plant and equipment written off		27	14	-	-
Impairment loss on trade receivables and other receivables		-	10,044	-	-
Write-down of inventories		12,490	-	-	-
(Gain)/loss on disposal of available-for-sale financial assets		(770)	10	-	-
(Gain)/loss on disposals of property, plant and equipment		(1,013)	(733)	343	-
Rental income from investment properties		(766)	(701)	(7,860)	(7,380)
Gross dividend income		-	-	(38,520)	(14,460)
Net foreign exchange gains:					
- Realised		(1,121)	(1,052)	-	-
- Unrealised		(1,043)	(435)	-	-
Net overdue interest income		(44)	(1,137)	-	-
Finance income:					
- Deposits		(109)	(176)	-	-
- Available-for-sale financial assets		(3,195)	(1,794)	(1,993)	-

20. Key management personnel compensation

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Directors of the Company				
Executive directors				
- Salaries and other emoluments	2,484	6,214	2,038	5,561
- Bonus	796	807	846	438
- Defined contribution plan	386	537	342	418
- Social security contributions	2	2	1	1
- Short term accumulating compensated absences	53	(107)	52	(103)
- Benefits-in-kind	73	102	56	61
	3,794	7,555	3,335	6,376
Non-executive directors:				
- Fees	383	417	383	408
- Other emoluments	27	31	27	31
	410	448	410	439
	4,204	8,003	3,745	6,815
Directors of subsidiaries				
Executive directors				
- Salaries and other emoluments	793	1,481	-	-
- Bonus	126	739	-	-
- Defined contribution plan	107	276	-	-
- Social security contributions	2	3	-	-
- Short term accumulating compensated absences	38	(3)	-	-
- Benefits-in-kind	63	70	-	-
	1,129	2,566	-	-
	5,333	10,569	3,745	6,815
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind	4,787	9,949	3,279	6,315
Total non-executive directors' remuneration	410	448	410	439
Total directors' remuneration excluding benefits-in-kind	5,197	10,397	3,689	6,754

21. Finance costs

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Interest expense on:				
Bank overdrafts	116	109	-	-
Bankers' acceptances	14,362	12,029	-	-
Term loans	1,466	2,499	-	-
Revolving credit	783	705	-	-
Onshore foreign currency loan	256	-	-	-
Redeemable convertible secured bonds	3,200	-	3,200	-
Finance charges	553	590	-	-
	20,736	15,932	3,200	-

22. Income tax expense

Recognised in profit or loss

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Current tax expense				
Malaysian - current	9,179	7,339	988	195
- prior year	(224)	(1,344)	-	48
	8,955	5,995	988	243
Deferred tax expense				
Origination and reversal of temporary differences	(3,237)	88	(247)	-
Over provision in prior year	(402)	(6,246)	-	-
	(3,639)	(6,158)	(247)	-
Total income tax expense	5,316	(163)	741	243

Income tax recognised directly in equity

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Redeemable convertible secured bonds				
- deferred tax	6,644	-	6,644	-

22. Income tax expense (Cont'd)

Reconciliation of tax expense

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit before tax	20,941	25,375	38,067	13,739
Income tax calculated using Malaysian tax rate of 25% (2011: 25%)	5,235	6,344	9,517	3,435
Effect of tax rates in foreign jurisdictions	42	3	-	-
Income not subject to tax	(991)	(526)	(10,128)	(3,615)
Non-deductible expenses	2,582	2,005	1,352	375
Double deduction expenses	(88)	(30)	-	-
Utilisation of previously unrecognised deferred tax assets	-	(154)	-	-
Temporary difference for which no deferred tax assets recognised	(6)	321	-	-
Deferred tax recognised on reinvestment allowances	(832)	(536)	-	-
Over provision of deferred tax in prior years	(402)	(6,246)	-	-
(Over)/under provision of income tax expense in prior years	(224)	(1,344)	-	48
Income tax expense	5,316	(163)	741	243

23. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 July 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2012	Group 2011
Profit attributable to ordinary shareholders (RM'000)	16,579	27,420
Weighted average number of ordinary shares ('000)		
Issued ordinary shares at 1 August 2010/2011	327,400	327,400
Effect of treasury shares held	(5,451)	(5,437)
Effect of ordinary shares issued during the period	20,905	-
Effect of rights issue of ordinary shares during the period	191,142	-
Weighted average number of ordinary shares at 31 July	533,996	321,963
Basic earnings per share (sen)	3.10	8.52

Diluted earnings per ordinary share

There was no dilution effect on earnings per share for the current period as the exercise price of warrants and conversion price of redeemable convertible secured bonds were higher than the average market price.

24. Dividends

Dividends recognised by the Company:

2012	Sen per share	Total amount RM'000	Date of payment
Final 2011 ordinary	1.50	4,829	16 January 2012
2011			
Final 2010 ordinary	1.50	4,829	25 January 2011

After the reporting period, the following dividends were proposed by the Directors. This dividend will be recognised in subsequent financial period upon approval by the shareholders of the Company at the forthcoming Annual General Meeting.

	Sen per share	Total amount RM'000
Final 2012 ordinary	0.6	4,250

25. Operating segments

(a) Business Segments

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(i) The trading segment is importers, exporters and general dealers in steel products, hardware and building materials;

(ii) The manufacturing segment involved in manufacturing, renting and distributing of steel pipes, hollow sections, scaffolding equipment, accessories and other steel products;

(iii) The property and investment segment involved in investment in and renting out property and investment holding; and

(iv) The transportation segment involved in provision of transportation of goods by lorries.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

25. Operating segments (Cont'd)

(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.

Performance is measured based on segment profit before tax, interest and depreciation as included in the internal management reports that are reviewed by the Group Operation Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group Operation Director. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group Operation Director. Hence no disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

25. Operating segments (Cont'd)

2012	Trading RM'000	Manufacturing RM'000	Property and investment RM'000	Transportation RM'000	Eliminations RM'000	Total RM'000
Revenue						
External customers	552,909	562,913	60	6	-	1,115,888
Inter-segment	8,972	30,455	47,724	4,345	(91,496)	-
Total segment revenue	561,881	593,368	47,784	4,351	(91,496)	1,115,888
Results						
Segment profit	18,067	4,516	36,058	820	(38,520)	20,941
Included in the measure of segment profit are:						
Finance income	678	627	1,992	7	-	3,304
Dividend income	1,200	6,254	38,520	-	(45,974)	-
Finance cost	7,302	10,234	3,200	-	-	20,736
Depreciation	1,348	17,564	2,862	110	-	21,884
Share of profit of jointly controlled entity						15
Assets						
Segment assets	422,529	603,221	567,364	4,017	(106,120)	1,491,011
Unallocated assets						15,410
Total assets						1,506,421
Liabilities						
Segment liabilities	256,636	278,571	178,600	470	(108,857)	605,420
Unallocated liabilities						14,164
Total liabilities						619,584
Other Information						
Addition to non-current assets other than financial instruments and deferred tax assets	710	19,387	-	5	-	20,102
Property, plant and equipment written off	-	27	-	-	-	27
Write-down of inventories	-	12,490	-	-	-	12,490

25. Operating segments (Cont'd)

Segment capital expenditure (Cont'd)

2011	Trading RM'000	Manufacturing RM'000	Property and investment RM'000	Transportation RM'000	Eliminations RM'000	Total RM'000
Revenue						
External customers	563,226	437,125	-	12	-	1,000,363
Inter-segment	13,200	16,986	24,144	4,315	(58,645)	-
Total segment revenue	576,426	454,111	24,144	4,327	(58,645)	1,000,363
Results						
Segment profits	23,122	6,773	9,418	522	(14,460)	25,375
Included in the measure of segment profit are:						
Finance income	1,348	608	10	4	-	1,970
Dividend income	-	-	14,460	-	(14,460)	-
Finance cost	6,612	9,320	-	-	-	15,932
Depreciation	1,701	16,586	4,461	131	-	22,879
Other non-cash expenses	44	-	-	-	-	44
Assets						
Segment assets	464,575	689,012	298,567	4,890	(185,740)	1,271,304
Unallocated assets						67,960
Total assets						1,339,264
Liabilities						
Segment liabilities	288,293	357,115	120,825	540	(185,740)	581,033
Unallocated liabilities						41,484
Total liabilities						622,517
Other information						
Addition to non-current assets other than financial instruments and deferred tax assets	1,459	9,026	2,210	214	-	12,909
Property, plant and equipment written off	14	-	-	-	-	14

26. Financial instruments

26.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R);
(b) Fair value through profit or loss (FVTPL);
(c) Available-for-sale financial assets (AFS);
(d) Other financial liabilities measured at amortised cost (OL).

2012	Carrying amount RM'000	L&R (OL) RM'000	FVTPL RM'000	AFS RM'000
Financial assets				
Group				
Available-for-sale financial assets	175,800	-	-	175,800
Derivative assets	49	-	49	-
Trade and other receivables	376,871	376,871	-	-
Cash and cash equivalents	62,574	62,574	-	-
	615,294	439,445	49	175,800
Company				
Available-for-sale financial assets	124,923	-	-	124,923
Trade and other receivables	181,211	181,211	-	-
Cash and cash equivalents	3,442	3,442	-	-
	309,576	184,653	-	124,923
Financial liabilities				
Group				
Loans and borrowings	(556,032)	(556,032)	-	-
Trade and other payables	(49,183)	(49,183)	-	-
Derivative liabilities	(205)	-	(205)	-
	(605,420)	(605,215)	(205)	-
Company				
Loans and borrowings	(123,623)	(123,623)	-	-
Trade and other payables	(87,054)	(87,054)	-	-
	(210,677)	(210,677)	-	-

26. Financial instruments (Cont'd)

26.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	L&R (OL) RM'000	FVTPL RM'000	AFS RM'000
2011				
Financial assets				
Group				
Available-for-sale financial assets	86,311	-	-	86,311
Derivative assets	107	-	107	-
Trade and other receivables	232,484	232,484	-	-
Cash and cash equivalents	48,696	48,696	-	-
	367,598	281,180	107	86,311
Company				
Trade and other receivables	1,696	1,696	-	-
Cash and cash equivalents	1,574	1,574	-	-
	3,270	3,270	-	-
Financial liabilities				
Group				
Loans and borrowings	(506,595)	(506,595)	-	-
Trade and other payables	(73,789)	(73,789)	-	-
Derivative liabilities	(650)	-	(650)	-
	(581,034)	(580,384)	(650)	-
Company				
Trade and other payable	(119,182)	(119,182)	-	-

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net gains/(losses) on:				
Fair value through profit or loss	(387)	(543)	-	-
Available-for-sale financial assets	3,949	2,612	1,993	-
Loans and receivables	242	(7,598)	-	-
Financial liabilities measured at amortised cost	20,736	15,932	3,200	-
	24,540	10,403	5,193	-

26. Financial instruments (Cont'd)

26.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

26.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and jointly controlled entity and corporate guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
	2012	**2011**
	RM'000	**RM'000**
Domestic	183,982	173,660
Asia	24,557	15,312
Australia/ New Zealand	1,882	6,644
United States	1,559	-
	211,980	195,616

26. Financial instruments (Cont'd)

26.4 Credit risk (Cont'd)

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2012				
Not past due	177,209	-	-	177,209
Past due 1 – 30 days	4,388	-	-	4,388
Past due 31 – 60 days	32,838	(2,455)	-	30,383
Past due more than 60 days	1,845	(1,845)	-	-
	216,280	(4,300)	-	211,980
2011				
Not past due	165,926	-	-	165,926
Past due 1 – 30 days	5,172	-	-	5,172
Past due 31 – 60 days	29,521	(5,005)	-	24,516
Past due more than 60 days	2	-	-	2
	200,621	(5,005)	-	195,616

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group 2012 RM'000	Group 2011 RM'000
At 1 August 2010/2011	5,005	6,094
Impairment loss recognised	-	44
Impairment loss reversed	(33)	(1,133)
Impairment loss written off	(672)	-
At 31 July	4,300	5,005

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Available-for-sale financial assets and derivatives assets

Risk management objectives, policies and processes for managing the risk

Investments in available-for sale financial assets are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

26. Financial instruments (Cont'd)

26.4 Credit risk (Cont'd)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Group does not have overdue investments that have not been impaired.

The available-for-sale financial assets and derivatives assets are unsecured.

Impairment losses

As at the end of the reporting period, there was no indication that the investments and other financial assets are not recoverable.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured corporate guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM432,409,000 (2011: RM506,595,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries and jointly controlled entity. The Company monitors the results of these entities regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable.

26. Financial instruments (Cont'd)

26.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	**Carrying amount RM'000**	**Contractual interest rate/ coupon**	**Contractual cash flows RM'000**	**Under 1 year RM'000**	**1-2 years RM'000**	**2-5 years RM'000**	**More than 5 years RM'000**
2012							
Non-derivative financial liabilities							
Secured bank loans and facilities	432,409	3.40% - 4.10%	432,409	432,409	-	-	-
Redeemable convertible secured bonds	123,623	4.50%	193,323	6,615	6,651	19,827	160,230
Trade and other payables*	49,183	-	49,183	49,183	-	-	-
	605,215		674,915	488,207	6,651	19,827	160,230
Derivative financial liabilities							
Forward exchange contracts (net settled)	205	-	205	205	-	-	-
	605,420		675,120	488,412	6,651	19,827	160,230

Company	**Carrying amount RM'000**	**Contractual interest rate/ coupon**	**Contractual cash flows RM'000**	**Under 1 year RM'000**	**1-2 years RM'000**	**2-5 years RM'000**	**More than 5 years RM'000**
2012							
Non-derivative financial liabilities							
Redeemable convertible secured bonds	123,623	4.50%	193,323	6,615	6,651	19,827	160,230
Amount due to subsidiaries	85,443	-	85,443	85,443	-	-	-
Trade and other payables*	1,611	-	1,611	1,611	-	-	-
	210,677		280,377	93,669	6,651	19,827	160,230

** The contractual cash flows of trade and other payables exclude derivatives, and where applicable accruals for interest on borrowings which have been included in the contractual cash flows of the respective financial liabilities.*

26. Financial instruments (Cont'd)

26.5 Liquidity risk (Cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2011							
Non-derivative financial liabilities							
Secured bank loans and facilities	506,595	3.37% - 5.35%	506,595	479,152	14,160	13,283	-
Trade and other payables*	73,789	-	73,789	73,789	-	-	-
	580,384		580,384	552,941	14,160	13,283	-
Derivative financial liabilities							
Forward exchange contracts (net settled)	650	-	650	650	-	-	-
	581,034		581,034	553,591	14,160	13,283	-
Company							
2011							
Non-derivative financial liabilities							
Loans from subsidiaries	115,445	-	115,445	115,445	-	-	-
Trade and other payables*	3,737	-	3,737	3,737	-	-	-
	119,182		119,182	119,182	-	-	-

** The contractual cash flows of trade and other payables exclude derivatives, and where applicable accruals for interest on borrowings which have been included in the contractual cash flows of the respective financial liabilities.*

26.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

26.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and cash and cash equivalents that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD), Singapore Dollars (SGD), Australian Dollars (AUD) and New Zealand Dollars (NZD).

Risk management objectives, policies and processes for managing the risk

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. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

26. Financial instruments (Cont'd)

26.6 Market risk (Cont'd)

26.6.1 Currency risk (Cont'd)

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in	
Group	***USD***	***SGD***
2012	**RM'000**	**RM'000**
Trade receivables	4,019	23,898
Cash and cash equivalents	32,494	2,490
Forward exchange contract	(16,534)	(3,006)
Onshore foreign currency loan	(24,854)	-
Total exposure	(4,875)	23,382

		Denominated in		
Group	***NZD***	***USD***	***SGD***	***AUD***
2011	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trade receivables	-	5,414	15,086	-
Cash and cash equivalents	7	16,312	12,286	1
Forward exchange contract	-	(18,351)	(583)	-
Total exposure	7	3,375	26,789	1

Currency risk sensitivity analysis

Foreign currency risk of the Group entities mainly arises from transactions dealing in SGD and USD. The exposure to other currency is not material and hence sensitivity analysis is not presented for other currency.

A 5% and 5% (2011: 5% and 7%) strengthening of the SGD and USD respectively against the functional currencies of the Group entities at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2012	**2011**
Group	**RM'000**	**RM'000**
SGD	877	1,339
USD	(183)	236

A 5% and 5% (2011: 5% and 7%) of the SGD and USD respectively against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

26. Financial instruments (Cont'd)

26.6 Market risk (Cont'd)

26.6.2 Interest rate risk

The Group's investments in fixed rate debt securities and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities, available-for sale financial assets and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Fixed rate instruments				
Financial liabilities				
Revolving credit	30,000	30,000	-	-
Bankers' acceptances	377,555	434,993	-	-
Onshore foreign currency loan	24,854	-	-	-
Redeemable convertible secured bonds	123,623	-	123,623	-
	556,032	464,993	123,623	-
Floating rate instruments				
Financial liabilities				
Term loan	-	41,602	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

26. Financial instruments (Cont'd)

26.6 Market risk (Cont'd)

26.6.2 Interest rate risk (Cont'd)

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis point (bp) in interest rate at the end of the reporting period would have increased/(decreased) equity and post tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
Group	**100 bp increase RM'000**	**100 bp decrease RM'000**
2012		
Floating rate instruments	(11)	11
2011		
Floating rate instruments	(420)	420

26.6.3 Other price risk

Equity price risk arises from the Group's investments in quoted equity securities. The quoted equity securities is listed on the Bursa Malaysia Securities Berhad. The instrument is classified as available-for-sale investments.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on an individual basis and all buy and sell decisions are approved by the management.

Equity price risk sensitivity analysis

At the reporting date, if the share price had been 5% higher/lower, with all other variables held constant, the Group's other reserve in equity would have been RM124,500 higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

Investment in unit trust funds
The Group's investment in unit trust funds in licensed financial institution within Malaysia is a fixed income fund which provides regular income stream and stable investment returns. The Group invested in the fund for cash management purpose. The exposure to the equity risk is not material and hence sensitivity analysis is not presented.

26. Financial instruments (Cont'd)

26.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2012		2011	
Group	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Quoted shares	2,497	2,497	2,950	2,950
Forward exchange contracts:				
Assets	49	49	107	107
Liabilities	205	205	650	650
Redeemable convertible secured bonds	123,623	123,623	-	-
Company				
Redeemable convertible secured bonds	123,623	123,623	-	-

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Investments in equity and debt securities

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Derivatives

The fair value of forward exchange contracts is based on their quoted price.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible bonds, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2012	**2011**
Redeemable convertible secured bonds	7.97%	-

26. Financial instruments (Cont'd)

26.7 Fair value of financial instruments (Cont'd)

26.7.1 Fair value hierarchy

Comparative figures have not been presented for 31 July 2011 by virtue of the exemption provided in paragraph 44G of FRS 7.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2012				
Group				
Financial assets				
Investment in quoted shares	2,497	-	-	2,497
Investment in unit trust funds	-	173,163	-	173,163
Forward exchange contracts	-	49	-	49
	2,497	173,212	-	175,709
Financial liabilities				
Forward exchange contracts	-	205	-	205
Company				
Financial assets				
Investment in unit trust funds	-	124,923	-	124,923

27. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During 2012, the Group's strategy, which was unchanged from 2011, was to maintain the debt-to-equity ratio less than 1 time. The debt-to-equity ratios at 31 July 2012 and at 31 July 2011 were as follows:

		Group	
	Note	**2012 RM'000**	**2011 RM'000**
Total borrowings	15	556,032	506,595
Trade and other payables	16	49,183	73,789
Less: Cash and cash equivalents	13	(62,574)	(48,696)
Net debt		542,641	531,688
Total equity		886,837	716,747
Debt-to-equity ratios		0.61	0.74

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group is also required to maintain minimum debt service cover ratio of 1.5 and debt to equity ratio of less than 1.0 to comply with bank covenant, failing which, the bank may call an event of default. The Group has managed to comply with the requirement.

28. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group 2012 RM'000	Group 2011 RM'000
Less than one year	59	95
Between one and five years	42	12
	101	107

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

Leases as lessor

The Group lease out their investment properties under operating leases (see Note 4). The future minimum lease receivables under non-cancellable leases are as follows:

	Group 2012 RM'000	Group 2011 RM'000
Less than one year	752	701
Between one and five years	-	-
	752	701

29. Capital commitment

	Group 2012 RM'000	Group 2011 RM'000
Capital expenditure commitments		
Plant and equipment		
Approved and contracted for	-	646,501
Approved but not contracted for	-	107,809
Jointly controlled entity commitments		
Share of capital commitments of the jointly controlled entity:		
Approved and contracted for	230,582	-
Approved but not contracted for	34,193	-

30. Contingent liabilities

	Group 2012 RM'000	Group 2011 RM'000
In respect of indemnity provided for bank guarantees issued	17,562	16,687
In respect of guarantees issued in favour of Royal Customs and Excise Department	6,000	6,000

31. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 20), are as follows:

Transaction with related parties

Group	2012 RM'000	2011 RM'000
Sales of steel products to a company in which certain directors of the Company have significant interests:		
Power Concord Sdn. Bhd.	2	270
Purchases of steel products from a company in which certain directors of the Company have significant interests:		
JK Ji Seng Sdn. Bhd.	144,026	168,104
Legal fee paid to a company in which certain directors of the Company have significant interests:		
S.B. Cheah & Associates	1	2
Rental income from jointly controlled entity		
Eastern Steel Sdn. Bhd.	60	-

31. Related parties (Cont'd)

Identity of related parties (Cont'd)

Transaction with related parties **(Cont'd)**

Company	**2012 RM'000**	**2011 RM'000**
Rental income from subsidiaries:		
Alpine Pipe Manufacturing Sdn. Bhd.	3,120	3,120
Huatraco Scaffold Sdn. Bhd.	1,560	1,560
Hiap Teck Hardware Sdn. Bhd.	3,120	2,350
Hiap Teck Management Services Sdn. Bhd. (formerly known as Hiap Teck Steel Manufacturing Sdn. Bhd.)	-	350
Management fees from subsidiaries:		
Hiap Teck Hardware Sdn. Bhd.	504	864
Alpine Pipe Manufacturing Sdn. Bhd.	574	984
Huatraco Scaffold Sdn. Bhd.	266	456
Gross dividends income from subsidiaries:		
Hiap Teck Hardware Sdn. Bhd.	14,400	3,600
Alpine Pipe Manufacturing Sdn. Bhd.	9,000	6,000
Huatraco Scaffold Sdn. Bhd.	7,200	1,800
Tiek Hong Hardware (B'worth) Sdn. Bhd.	6,480	2,160
Briliant Decade Transport Agency Sdn. Bhd.	1,440	900

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

Intercompany balances with the related parties

	Group	
	2012 RM'000	**2011 RM'000**
Amount due to related parties		
JK Ji Seng Sdn. Bhd.	6,012	6,373
Amount due from jointly controlled entity		
Eastern Steel Sdn. Bhd.	148,983	-

	Company	
	2012 RM'000	**2011 RM'000**
Amount due (from)/to subsidiary		
Alpine Pipe Manufacturing Sdn. Bhd.	(31,268)	8,707
Huatraco Scaffold Sdn. Bhd.	35,434	41,468
Hiap Teck Hardware Sdn. Bhd.	48,260	62,930
Briliant Decade Transport Agency Sdn. Bhd.	894	2,340
Eastern Steel Sdn. Bhd.	-	(1,650)
Amount due from jointly controlled entity		
Eastern Steel Sdn. Bhd.	148,983	-

32. Acquisition of non-controlling interest and derecognition of subsidiary

Acquisition of non-controlling interest

On 13 June 2012, the Group acquired remaining 45% interest in Huatraco Singapore Pte. Ltd. ("HSPL") for a cash consideration of RM214,182, increasing its ownership from 55% to 100%. The carrying amount of HSPL's net asset in the Group's financial statements on the date of acquisition was RM125,275. The Group derecognised the non-controlling interest of RM52,234 and a decrease in retained earnings of RM161,948.

Derecognition of subsidiary

On 15 March 2012, the Company has entered into the Shareholders' Agreement with the shareholders of a jointly controlled entity, Eastern Steel Sdn. Bhd. ("ESSB"), namely Orient Steel Investment Pte. Ltd. ("Orient Steel") and Chinaco Investment Pte. Ltd. ("Chinaco"). The agreement set out the rights and obligations and to regulate the shareholders' relationship of the three parties in respect of dealing with ESSB and shall retroactively take effect on 2 December 2011.

The agreement gives the Company and Orient Steel joint control over ESSB and hence, ESSB is now considered as a jointly controlled entity of the Company.

Effect on the financial position of the Group
The Group derecognised the following carrying amount attributable to ESSB on 2 December 2011:

	2012 RM
Property, plant and equipment	140,993
Goodwill on consolidation	50,556
Other receivables	42
Cash and bank balances	14
Other payables	(5,468)
Deferred tax liabilities	(33,823)
Non-controlling interest	(45,792)
	106,522

33. Significant events

a) During the financial year, the following corporate exercises have been completed:

(i) On 30 November 2011, 32,196,000 new ordinary shares were issued at RM1.00 each at par of RM0.50 per share which representing approximately 10% of the issued and paid-up share capital of the Company via a private placement for a consideration of RM32,196,000 to fund the Company's investment in a jointly controlled entity. The shares have been listed on Bursa Malaysia Securities Berhad on 7 December 2011.

(ii) On 10 January 2012, 354,146,000 new ordinary shares of renounceable rights issue at par of RM0.50 on the basis of one rights share for every one existing ordinary share have been issued, at an issue price of RM0.50 per rights share, together with 88,536,500 free detachable warrants on the basis of one warrant for every four rights shares subscribed. The Rights Issue with Warrants has also been completed following the listing of and quotation for 354,146,000 Rights Shares together with 88,536,500 Warrants on the Main Market of Bursa Malaysia Securities Berhad on 16 January 2012.

(iii) On 5 April 2012, the Company has issued RM147 million nominal value of 7-year redeemable convertible secured bonds. The issue price was approximately RM129 million which was at discount to the nominal value and conversion price is RM0.70. The coupon rate is fixed at 4.5% per annum on the nominal value payable semi-annually in arrears.

33. Significant events (Cont'd)

b) During the financial year, the Company had entered into the following agreements:

(i) Shareholders' Agreement

On 15 March 2012, the Company had entered into the Shareholders' Agreement with the other shareholders of the jointly controlled entity, ie. Orient Steel Investment Pte. Ltd. ("Orient Steel") and Chinaco Investment Pte. Ltd. ("Chinaco"). The agreement sets out the primary rights and obligations and regulate the relationship of the three parties in respect of dealing with the jointly controlled entity.

(ii) Loan Agreement

On 6 July 2012, the Company had entered into the Loan Agreement with the shareholders of the jointly controlled entity (Orient Steel and Chinaco). Under the agreement, the shareholders shall provide a shareholder loan to the jointly controlled entity for the construction of the integrated steel mill project in accordance with the Co-operation Agreement dated 22 July 2011.

34. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 July, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	518,075	486,245	25,759	11,968
- unrealised	11,119	6,050	247	-
	529,194	492,295	26,006	11,968
Total share of retained earnings of the jointly controlled entity				
- realised	(6,301)	-	-	-
- unrealised	(18,098)	-	-	-
Less: Consolidation adjustments	(55,334)	(35,963)	-	-
Total retained earnings	449,461	456,332	26,006	11,968

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Hiap Teck Venture Berhad
(Company No. 421340-U)
(Incorporated in Malaysia)
and its subsidiaries

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

In the opinion of the Directors, the financial statements set out on pages 40 to 104 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2012 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 34 on page 105 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Dato' Law Tien Seng

Low Choong Sing

Kuala Lumpur,

Date: 9 November 2012

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

I, **Ooi Ai Leng**, the officer primarily responsible for the financial management of Hiap Teck Venture Berhad, do solemnly and sincerely declare that the financial statements set out on pages 40 to 105 are, to the best of my knowledge and belief, 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 above named
in Kuala Lumpur on 9 November 2012

Ooi Ai Leng

Before me:

Ramalingam S. Pillay
Commissioner for Oaths
(No. W432)

INDEPENDENT AUDITORS' REPORT

To the members of Hiap Teck Venture Berhad

(Company No. 421340-U)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Hiap Teck Venture Berhad, which comprise the statements of financial position as at 31 July 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flow of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 104.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 July 2012 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

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

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

To the members of Hiap Teck Venture Berhad

(Company No. 421340-U)
(Incorporated in Malaysia)
(Cont'd)

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 34 on page 105 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

The financial statements of the Group and of the Company as at and for the year ended 31 July 2011 were audited by another auditor who expressed an unqualified opinion on those statements on 8 November 2012.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Adrian Lee Lye Wang
Approval Number: 2679/11/13 (J)
Chartered Accountant

Petaling Jaya,
9 November 2012

PROPERTIES OF THE GROUP

as at 31 July 2012

Location	Description and Extisting Usage	Tenure	Approximate Age of Building (years)	Approximate Land Area (acres)	Build Up Area (sq. metres)	Net Carrying Amount as at 31 July 2012 (RM)	Date of Acquisition	Date of Last Revaluation
Company and its subsidiaries								
Lot 6085, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory with a 2 storey office	Freehold	14.5	9	19,005	28,100,000	29-May-03	30-Dec-11
Lot 6088, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory with a 2 storey office	Freehold	14.5	9	18,732	28,000,000	29-May-03	30-Dec-11
Lot 6089, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse	Freehold	13.5	9	18,516	29,400,000	29-May-03	30-Dec-11
Lot 6095, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse	Freehold	13	10.013	22,341	33,500,000	5-Jul-96	30-Dec-11
Lot 6096, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse with 4 storey office building	Freehold	13	9.483	12,179	25,240,000	5-Jan-95	30-Dec-11
Lot 6097, Mukim of Kapar District of Klang Selangor Darul Ehsan	Agricultural Land	Freehold	-	5.0	-	6,642,900	14-Jan-12	-
Lot 54959 (formerly PT40530) Mukim of Kapar District of Klang Selangor	Single storey detached factory with a double storey office building	Freehold	6	18.0	53,243	72,300,000	23-Oct-08	30-Dec-11
51-C, Tingkat Dua Jalan BRP 6/10 Bukit Rahman Putra Seksyen U20 40160 Shah Alam	Shop office	Freehold	12	-	144.929	160,000	20-Aug-99	30-Dec-11
4727-01, Jalan Sri Putri 5/7 Taman Putri Kulai 81000 Kulai Johor Darul Takzim	Shop office apartment	Freehold	14	-	143.07	90,000	2-Aug-99	30-Nov-11
No.8, Jalan Firma 3, Tebrau IV Industrial Estate 81100 Johor Bahru Johor Darul Takzim	Single storey detached factory building	Leasehold (60 years) expiring 31-Jan-60	9	1	2,016.00	3,500,000	27-Feb-07	28-Dec-11
No. 6, Jalan Firma 3 Tebrau IV Industrial Estate 81100 Johor Bahru Johor Darul Takzim	Single storey factory with a 2 storey office	Leasehold (60 years) expiring 31-Jan-60	10	1.554	3,995.76	5,750,000	6-Jun-07	22-Dec-11

PROPERTIES OF THE GROUP

as at 31 July 2012 (Cont'd)

Location	Description and Extisting Usage	Tenure	Approximate Age of Building (years)	Approximate Land Area (acres)	Build Up Area (sq. metres)	Net Carrying Amount as at 31 July 2012 (RM)	Date of Acquisition	Date of Last Revaluation
Lot 169, Mukim of Plentong District of Johor Bahru Johor Darul Takzim	Vacant agricultural land	Freehold	-	5.1	-	1,100,000	9-Jun-95	6-Jan-12
Lot 296, Mukim 13 District of Seberang Perai Tengah, Pulau Pinang	Single storey warehouse with 2 storey office	Leasehold (66 years) expiring 10-Mar-58	6	2.241	2,453	4,000,000	6-Jul-96	29-Nov-11
Jointly controlled entity								
Lot 6292 & Lot 6294 Mukim Teluk Kalang Kemaman Terengganu	Vacant industrial land	Leasehold (60 years) expiring 1-Apr-68	-	608.62	-	135,962,879	2-Apr-08	20-Oct-11

ANALYSIS OF SHAREHOLDINGS

as at 31 October 2012

Authorised Share Capital	: RM1,000,000,000.00
Issued and Fully Paid-Up Share Capital	: RM356,871,037.50 (713,742,075 Ordinary Shares of RM0.50 each) *
Class of shares	: Ordinary shares of RM0.50 each
Voting right	: One vote per Ordinary Share held

* Includes treasury shares of 5,460,000 Ordinary Shares of RM0.50 each

Analysis By Size Of Shareholdings As At 31 October 2012

Size of shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	85	1.29	3,123	0.00
100 - 1,000	465	7.05	415,744	0.06
1,001 - 10,000	3,111	47.15	17,851,756	2.52
10,001 - 100,000	2,410	36.53	84,122,040	11.88
100,001 to less than 5% of issued shares	523	7.93	217,286,764	30.68
5% and above of issued shares	4	0.06	388,602,648	54.87
Total	6,598	100.00	708,282,075	100.00

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 31 OCTOBER 2012

No.	Names	No. of Shares	Percentage (%)
1.	HSBC Nominees (Asing) Sdn Bhd Exempt an for Credit Suisse	237,333,148	33.51
2.	HLIB Nominees (Asing) Sdn Bhd Shougang International (Singapore) Pte Ltd	64,392,000	9.09
3.	Lembaga Tabung Haji	48,763,400	6.88
4.	K. H. L. Sdn Bhd	38,114,100	5.38
5.	Lim Wan Loo	8,318,700	1.17
6.	Lee See Jin	4,941,900	0.70
7.	Phuah Guk Shue @ Pua Guk Shue	4,200,000	0.59
8.	Yap Kim Foong	3,790,000	0.54
9.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Ah Nyuk Len	3,261,400	0.46
10.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Chin Seong	3,160,000	0.45
11.	HSBC Nominees (Asing) Sdn Bhd Exempt an for BNP Paribas Wealth Management Singapore Branch	3,060,000	0.43
12.	Loo Chee Lain	2,291,200	0.32
13.	Chin Chin Seong	2,200,000	0.31

ANALYSIS OF SHAREHOLDINGS
as at 31 October 2012 (Cont'd)

No.	Names	No. of Shares	Percentage (%)
14.	CIMB Islamic Trustee Berhad for TR1061	2,000,000	0.28
15.	HDM Nominees (Tempatan) Sdn Bhd DBS Vickers Secs (S) Pte Ltd for Teoh New Mei	2,000,000	0.28
16.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak	2,000,000	0.28
17.	Mary Ang Poh Chan	2,000,000	0.28
18.	Maybank Securities Nominees (Asing) Sdn Bhd Maybank Kim Eng Securities Pte Ltd for Ng Aik Cheng	2,000,000	0.28
19.	Pacific Strike Sdn Bhd	1,982,638	0.28
20.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Lee Har	1,982,000	0.28
21.	Lee See Leong	1,900,001	0.27
22.	Sim Ah Seng	1,704,100	0.24
23.	Teoh Peir Song	1,653,030	0.23
24.	Lim Wan Keong	1,607,200	0.23
25.	Tan Chin Teong	1,425,000	0.20
26.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	1,416,400	0.20
27.	Yang Ling	1,410,000	0.20
28.	Ooi Bin Keong	1,400,000	0.20
29.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Yeh May	1,320,000	0.19
30.	Cartaban Nominees (Asing) Sdn Bhd Svenska Handelsbanken Stockholm	1,277,200	0.18
	Total:	**452,903,417**	**63.94**

Directors' Shareholdings as at 31 October 2012
(As per the Register of Directors' Shareholdings of the Company)

Names	Direct No. of Shares	Direct %	Indirect No. of Shares	Indirect %
1. Tan Sri Dato' Alwi Jantan	2,000,000	0.28	-	-
2. Tan Sri Abdul Rahman Bin Mamat	-	-	-	-
3. Tan Sri Dato' Law Tien Seng	-	-	187,582,048(a)	26.48
4. Mr. Lee Ching Kion	-	-	41,864(b)	0.01
5. Mr. Ng Soon Lai @ Ng Siek Chuan	-	-	-	-
6. Mr. Cheah Shu Boon	132,000	0.02	-	-
7. Mr. Foo Kok Siew	-	-	-	-
8. Mr. Low Choong Sing	-	-	-	-
9. Mr. Lu Zongyou	-	-	-	-

Notes:

(a) Deemed interest pursuant to Section 6A(4) of the Companies Act, 1965 by virtue of his shareholdings in Amardale Offshore Inc. which has a controlling interest in TS Law Investments Limited, a substantial shareholder the Company.
(b) Deemed interest by virtue of his spouse, Madam Mok Quee Hwa's direct shareholdings in the Company.

Substantial Shareholdings as at 31 October 2012
(As per the Register of Substantial Shareholders of the Company)

Names	Direct No. of Shares	Direct %	Indirect No. of Shares	Indirect %
Tan Sri Dato' Law Tien Seng	-	-	187,582,048(a)	26.48
Puan Sri Datin Saw Geok Ngor	-	-	187,582,048(b)	26.48
TS Law Investments Limited	187,582,048	26.48	-	-
Amardale Offshore Inc.	-	-	187,582,048(c)	26.48
Lembaga Tabung Haji	48,763,400	6.88	-	-
Shougang International (Singapore) Pte Ltd	64,392,000	9.09	-	-
China Shougang International Trade & Engineering Corporation	-	-	64,392,000(d)	9.09
Shougang Corporation	-	-	64,392,000(d)	9.09

Notes:

(a) Deemed interest pursuant to Section 6A(4) of the Companies Act, 1965 ("the Act") by virtue of his shareholdings in Amardale Offshore Inc. which has a controlling interest in TS Law Investments Limited, a substantial shareholder the Company.
(b) Deemed interest by virtue of her spouse, Tan Sri Dato' Law Tien Seng's indirect shareholding in the Company vide his shareholdings in Amardale Offshore Inc. which has a controlling interest in TS Law Investments Limited, a substantial shareholder the Company.
(c) Deemed interest by virtue of its shareholdings in TS Law Investments Limited which is a substantial shareholder the Company.
(d) Deemed interest pursuant to Section 6A(4) of the Act by virtue of Shougang Corporation being the holding company of China Shougang International Trade & Engineering Corporation which in turn controls Shougang International (Singapore) Pte Ltd.

ANALYSIS OF WARRANT HOLDINGS
as at 31 October 2012

No. of Warrants in Issue	: 88,536,425
No. of Warrant Holders	: 2,761
Exercise Price of Warrants	: RM0.87 per share
Voting Rights	: One (1) Vote per warrant holder on show of hands } in the meeting One (1) Vote per warrant holder on a poll of warrant holders } of warrant holders

Analysis By Size Of Shareholdings As At 31 October 2012

Size of shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	126	4.56	5,560	0.01
100 - 1,000	785	28.43	426,034	0.48
1,001 - 10,000	1,249	45.24	4,404,420	4.97
10,001 - 100,000	503	18.22	16,110,264	18.20
100,001 to less than 5% of issued shares	96	3.48	28,520,351	32.21
5% and above of issued shares	2	0.07	39,069,796	44.13
Total	2,761	100.00	88,536,425	100.00

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS AS AT 31 OCTOBER 2012

No.	Names	No. of Shares	Percentage (%)
1.	HSBC Nominees (Asing) Sdn Bhd Exempt an for Credit Suisse	31,020,796	35.04
2.	HLIB Nominees (Asing) Sdn Bhd Shougang International (Singapore) Pte Ltd	8,049,000	9.09
3.	HSBC Nominees (Asing) Sdn Bhd Exempt an for BSI SA	1,614,200	1.82
4.	Tan Chin Teong	1,000,700	1.13
5.	K. H. L. Sdn Bhd	1,000,000	1.13
6.	Lim Wan Loo	911,450	1.03
7.	Yeo Tiong San	881,000	1.00
8.	Tan Kok Keat	870,000	0.98
9.	Lim Wan Keong	820,100	0.93
10.	Lim Cheng Ten	750,000	0.85
11.	Mary Tan @ Tan Hui Ngoh	738,600	0.83
12.	Chin Chin Seong	737,900	0.83
13.	Lau Chwee Kim	700,000	0.79

ANALYSIS OF WARRANT HOLDINGS

as at 31 October 2012 (Cont'd)

No.	Names	No. of Shares	Percentage (%)
14.	Yeo Ann Seck	600,000	0.68
15.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Chin Seong	578,200	0.65
16.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Yeh May	564,250	0.64
17.	Lyncher Wung Wei Fong	550,000	0.62
18.	Tan Kok Keat	550,000	0.62
19.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Chin Dong	476,525	0.54
20.	Kuan Eng Lai	466,000	0.53
21.	HSBC Nominees (Tempatan) Sdn Bhd Exempt an for BNP Paribas Wealth Management Singapore Branch	400,000	0.45
22.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chow Kee Loy	399,100	0.45
23.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Yeap Yee Soon	380,000	0.43
24.	Phuah Guk Shue @ Pua Guk Shue	375,000	0.42
25.	Beh Choo Sim	350,000	0.40
26.	Yap Kim Foong	348,750	0.39
27.	George Lee Sang Kian	342,900	0.39
28.	Lyncher Wung Wei Fong	310,000	0.35
29.	Chaang Kok Leong	300,000	0.34
30.	Eng Poh Sin	281,700	0.32
	Total:	56,366,171	63.66

ANALYSIS OF WARRANT HOLDINGS

as at 31 October 2012 (Cont'd)

Directors' Warrant Holdings as at 31 October 2012
(As per the Register of Directors' Warrant Holdings of the Company)

Names	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Tan Sri Dato' Alwi Jantan	250,000	0.28	-	-
2. Tan Sri Abdul Rahman Bin Mamat	-	-	-	-
3. Tan Sri Dato' Law Tien Seng	-	-	31,020,796[(a)]	35.04
4. Mr. Lee Ching Kion	-	-	-	-
5. Mr. Ng Soon Lai @ Ng Siek Chuan	-	-	-	-
6. Mr. Cheah Shu Boon	16,500	0.02	-	-
7. Mr. Foo Kok Siew	-	-	-	-
8. Mr. Low Choong Sing	-	-	-	-
9. Mr. Lu Zongyou	-	-	-	-

Notes:

(a) Deemed interest pursuant to Section 6A(4) of the Companies Act, 1965 by virtue of his warrant holdings in Amardale Offshore Inc. which has a controlling interest in TS Law Investments Limited, a substantial shareholder the Company.

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of the Company will be held at Setia City Convention Centre, Function Room 8, 1ST Floor, No 1, Jalan Setia Dagang AG U13/AG, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan on Wednesday, 12 December 2012 at 2.00 p.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements of the Company for the year ended 31 July 2012 together with the Directors' and Auditors' Reports attached thereon.

2. To approve the payment of Directors' fees of RM382,500 for the year ended 31 July 2012. **Ordinary Resolution 1**

3. To approve a Single Tier Final Dividend of 0.6 sen per share for the year ended 31 July 2012. **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. Foo Kok Siew **Ordinary Resolution 3**

   4.2 Mr. Low Choong Sing **Ordinary Resolution 4**

5. To re-elect Mr. Lu Zongyou who is retiring in accordance with Article 84 of the Company's Articles of Association. **Ordinary Resolution 5**

6. To re-appoint Messrs KPMG as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

7. **AS SPECIAL BUSINESS:-**

   To consider and, if thought fit, to pass with or without modifications, the following Resolutions:-

   7.1 **Re-appointment of Director Pursuant to Section 129 of the Companies Act, 1965** **Ordinary Resolution 7**

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

   7.2 **Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965** **Ordinary Resolution 8**

   "THAT subject always to the approvals of the relevant authorities, the Directors be 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 10% of the total issued capital of the Company at the time of issue **AND THAT** the Directors be hereby 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 FURTHER THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7.3 **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")** **Ordinary Resolution 9**

"THAT the Company and/or its subsidiaries be 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 20 November 2012, 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 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 Renewal of Shareholders' Mandate.

AND FURTHER 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 Renewal of 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."

7.4 **Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed New Shareholders' Mandate")** **Ordinary Resolution 10**

"**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 20 November 2012, 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 prices and 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 New Shareholders' Mandate.

AND FURTHER 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 Renewal of 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 must 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."

7.5 **Proposed Renewal of Shareholders' Mandate for Share Buy-Back** **Ordinary Resolution 11**

"**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 Fifteenth Annual General Meeting of the Company held on 8 December 2011, 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 RM26,004,552 and RM37,985,657 respectively for the financial year ended 31 July 2012.

AND THAT upon completion of the purchase by the Company of its own shares, the Directors of the Company be 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 (3).

AND FURTHER THAT the Directors of the Company be 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."

7.6 **Proposed Amendments to the Company's Articles of Association** **Special Resolution**

"THAT the proposed amendments to the Articles of Association of the Company as contained in Appendix I of the Annual Report 2012 ("Proposed Amendments") be hereby approved and adopted."

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 Single Tier Final Dividend of 0.6 sen per share in respect of the financial year ended 31 July 2012 will be payable on 18 January 2013 to depositors registered in the Record of Depositors at the close of business on 20 December 2012.

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 20 December 2012 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 0009297)
Company Secretary

Selangor Darul Ehsan

20 November 2012

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 Form of Proxy 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 ½, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan not less than forty-eight (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 7 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 8 under item 7.2 of the Agenda, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, with the authority to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued capital of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

The general mandate sought to grant authority to Directors to allot and issue shares is a renewal of the mandate that was approved by the shareholders at the Fifteenth Annual General Meeting held on 8 December 2011. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

As at the date of this Notice, 32,196,000 new ordinary shares of RM0.50 each representing approximately 10% of the existing issued and paid-up share capital of the Company were issued on 30 November 2011 by way of a Private Placement and listed on the Bursa Securities on 7 December 2011.

In addition to that, Renounceable Rights Issue of 354,146,000 new ordinary share of RM0.50 each on the basis of one (1) Rights Share for every one (1) existing ordinary share of RM0.50 each were issued on 10 January 2012 and listed on the Bursa Securities on 16 January 2012.

The proceeds from the Private Placement and the Renounceable Rights Issue would be utilised to part finance the construction of the project plant, to refinance existing bank borrowings and to defray estimated expenses in relation to the Corporate Exercises carry out by the Company (as described in the Circular dated 1 November 2011).

(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 9 and 10 under item 7.3 and 7.4 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 20 November 2012 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 20 November 2012 enclosed together with the Company's 2012 Annual Report.

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

The Proposed Ordinary Resolution 11 under item 7.5 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 20 November 2012 enclosed together with the Company's 2012 Annual Report.

(e) Proposed Amendments to the Company's Articles of Association

The proposed Special Resolution under item 7.6 is to amend the Company's Articles of Association to be in line with the recent amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The details of the Proposed Amendments are as set out in Appendix I on pages 123 to 124 of this Annual Report.

GENERAL MEETING RECORD OF DEPOSITORS

For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd in accordance with Article 55(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 5 December 2012. Only a depositor whose name appears on the Record of Depositors as at 5 December 2012 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

STATEMENT ACCOMPANYING NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

Details of Directors who are standing for re-election in accordance with Article 79 of the Company's Articles of Association in Agenda 4.1 (Mr. Foo Kok Siew) and Agenda 4.2 (Mr. Low Choong Sing) of the Notice of the Sixteenth Annual General Meeting are laid out in the Directors' Profile appearing on pages 7 to 8 of this Annual Report.

Details of Director who is standing for re-election in accordance with Article 84 of the Company's Articles of Association in Agenda 5 (Mr. Lu Zongyou) of the Notice of the Sixteenth Annual General Meeting is laid out in the Directors' Profile appearing on page 8 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 Notice of the Sixteenth Annual General Meeting is laid out in the Directors' Profile appearing on page 4 of this Annual Report.

APPENDIX I

SPECIAL RESOLUTION – PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

THAT the Articles of Association of the Company be amended in the following manner:-

Article No.	Existing Articles	Amended Articles
2 Interpretation	**WORDS** **MEANINGS** - No Provision	**WORDS** **MEANINGS** **Exempt Authorised Nominee** **An authorised nominee defined under the Central Depositories Act which is exempted from compliance with provisions of subsection 25A(1) of the Central Depositories Act.**
64 Right to vote	Subject to any rights or restrictions for the time being attaching to any class or classes of members each member entitled to vote may vote in person or by proxy or by attorney or being a corporation is represented by a representative and on a show of hands every person who is a member or a proxy or an attorney or being a corporation is represented by a representative of a member shall have one (1) vote, and on a poll every member present in person or by proxy or by attorney or other duly authorised representative for a corporation shall have one (1) vote for every such share he holds.	Subject to any rights or restrictions for the time being attaching to any class or classes of members each member entitled to vote may vote in person or by proxy or by attorney or being a corporation is represented by a representative and on a show of hands every person who is a member or a proxy or an attorney or being a corporation is represented by a representative of a member shall have one (1) vote, and on a poll every member present in person or by proxy or by attorney or other duly authorised representative for a corporation shall have one (1) vote for every such share he holds. **A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.**
69 Proxy to be in writing	The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. The Directors may but shall not be bound to require evidence of the authority of any such attorney or officer. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.	The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. **A member of a Company entitled to attend and vote at a meeting of a Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy** and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

Article No.	Existing Articles	Amended Articles
70 Number of Proxy	A member may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.	A member may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. **Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.**
72 Instrument appointing proxy to be deposited	The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Office of the Company, or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.	The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Office of the Company, or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid. **The completed instrument of proxy once deposited will not preclude the member from attending and voting in person at the General Meeting should the member subsequently wish to do so.** A member who is not resident in Malaysia or Singapore may by cable or other telegraphic communication appoint a proxy/proxies to vote for him at any General Meeting of the Company PROVIDED:- (a) such cable or other telegraphic communication shall have been received at the Office not less than forty-eight (48) hours before the time for the holding of the General Meeting or adjourned meeting as the case may be at which the person named in such cable or other telegraphic communication proposes to vote; and (b) the Directors are satisfied as to the genuineness of such cable or other telegraphic communication.

FORM OF PROXY

HTVB
HIAP TECK VENTURE BERHAD
421340-U

I/We, ______________________________ (NRIC No./Company No. ______________________)
(FULL NAME IN CAPITAL LETTERS)
of ____
(FULL ADDRESS)
being a member 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 Sixteenth Annual General Meeting of the Company to be held at the Setia City Convention Centre, Function Room 8, 1ST Floor, No 1, Jalan Setia Dagang AG U13/AG, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan on Wednesday, 12 December 2012 at 2.00 p.m. 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 Resolutions as indicated below:-

NO.	RESOLUTIONS	FOR	AGAINST
1	To approve the payment of Directors' fees of RM382,500 for the year ended 31 July 2012.		
2	To approve a Single Tier Final Dividend of 0.6 sen per share for the year ended 31 July 2012.		
	To re-elect the following Directors who are retiring in accordance with Article 79 of the Company's Articles of Association:		
3	Mr. Foo Kok Siew		
4	Mr. Low Choong Sing		
5	To re-elect Mr. Lu Zongyou who is retiring in accordance with Article 84 of the Company's Articles of Association.		
6	To re-appoint Messrs KPMG as the Company's Auditors for the ensuring year and to authorise the Directors to fix their remuneration.		
7	To re-appoint a Director pursuant to Section 129 of the Companies Act, 1965		
8	To grant authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965		
9	To approve the proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
10	To approve the proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
11	To approve the proposed Renewal of Shareholders' Mandate for Share Buy-Back.		
12	To approve the proposed Amendments to the Company's Articles of Association		

[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................................2012

Number of Ordinary shares held :	

[Signature/Common Seal of Member]
* 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 5 ½, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for the Meeting or at any adjournment thereof.

Fold here

Affix
STAMP

The Company Secretary
HIAP TECK VENTURE BERHAD (421340-U)
Lot 6096, Jalan Haji Abdul Manan
Batu 5 ½, Off Jalan Meru
41050 Klang
Selangor Darul Ehsan

Fold here

HIAP TECK VENTURE BERHAD
(421340-U)

Lot 6096, Jalan Haji Abdul Manan
Batu 5 ½, Off Jalan Meru
41050 Klang
Selangor Darul Ehsan

Tel: 03-3392 8888
E-mail: admin@htgrp.com.my
www.htgrp.com.my