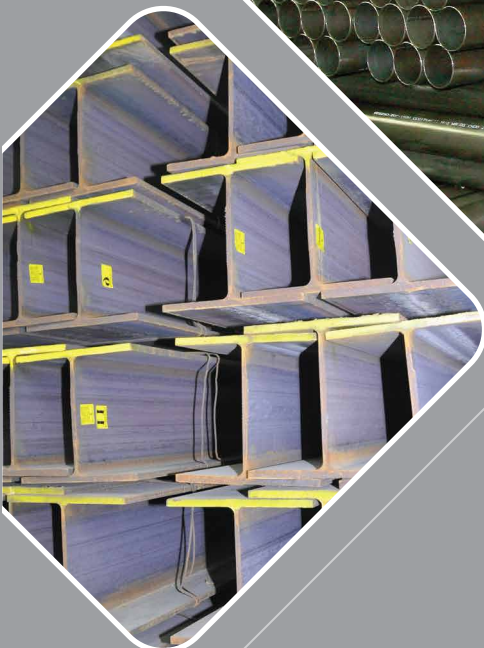
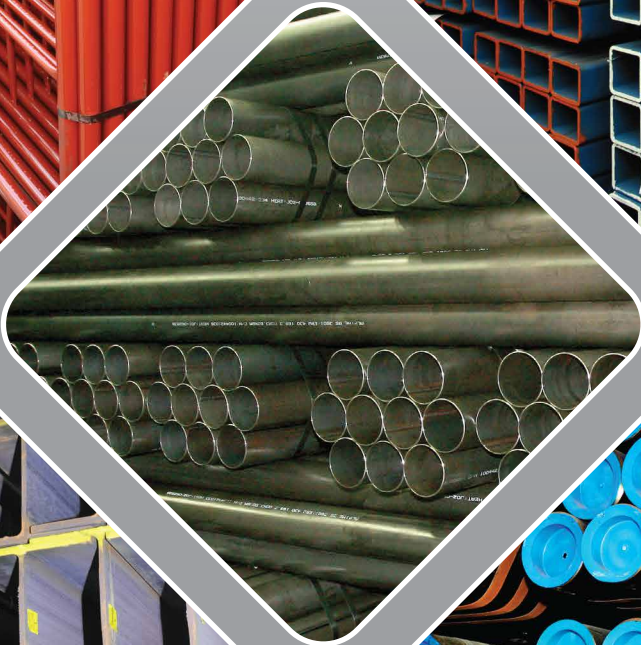
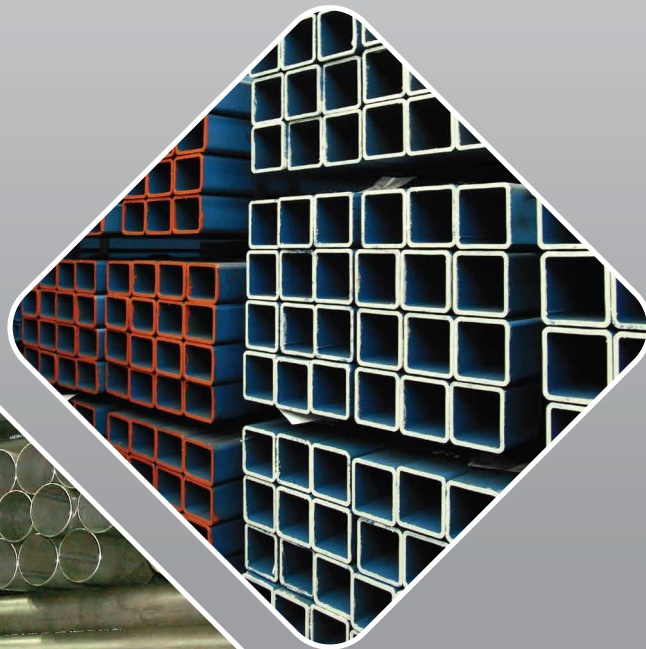




**HTVB**

HIAP TECK VENTURE BERHAD  
421340-U



# ANNUAL REPORT **2016**

# OUR

## VISION

- To be the leading steel company in the region

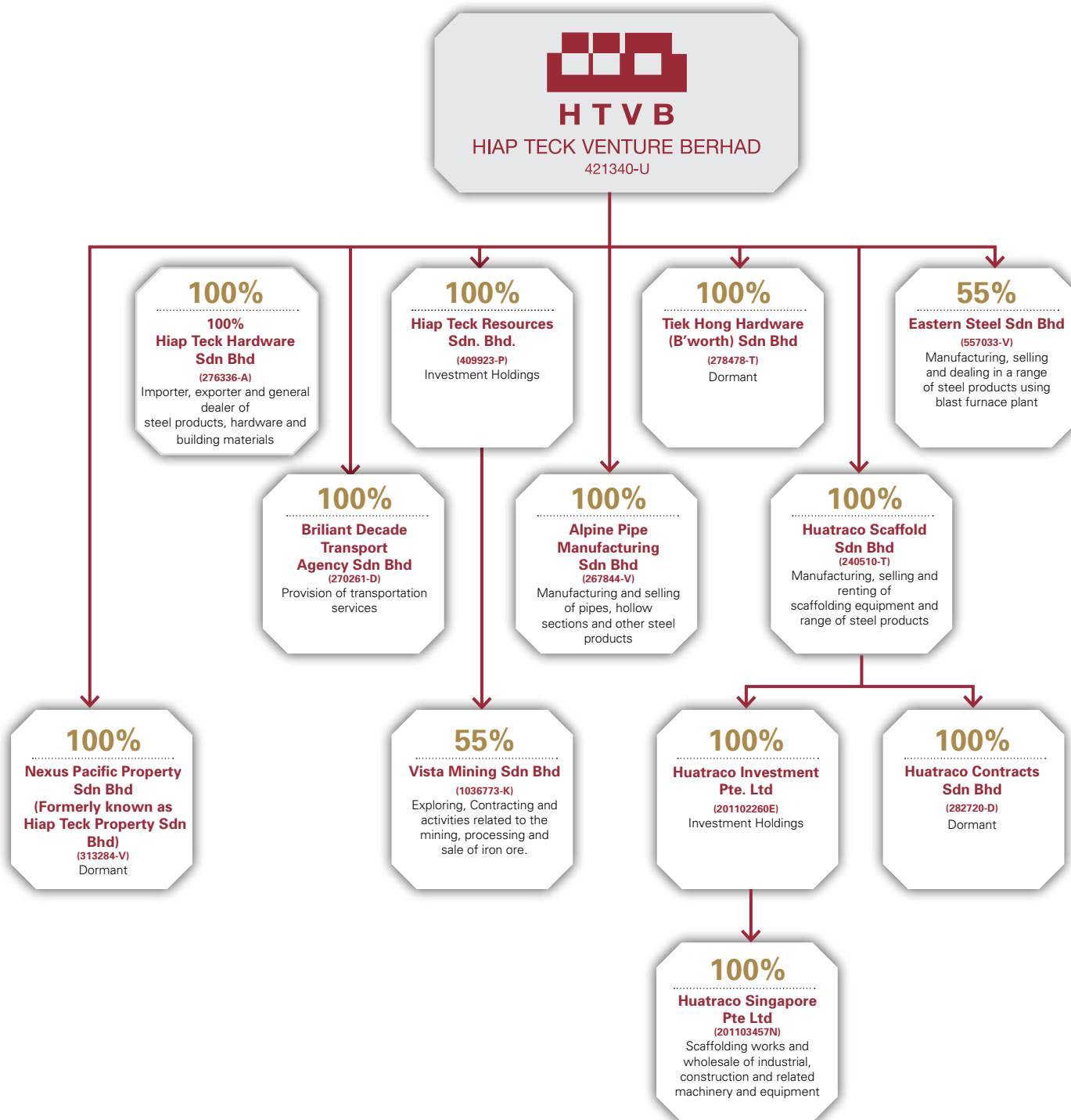
## MISSION

- 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 INFORMATION

### BOARD OF DIRECTORS

#### CHAIRMAN

Tan Sri Abd Rahman Bin Mamat

#### EXECUTIVE DEPUTY CHAIRMAN

Tan Sri Dato' Law Tien Seng

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Soon Lai @ Ng Siek Chuan  
Mr. Leow Hoi Loong @ Liow Hoi Loong  
Mr. Lee Ching Kion

#### NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Wang Shenghua (Appointed w.e.f. from 5 February 2016)  
Mr. Sun Yanmin (Resigned w.e.f. from 5 February 2016)

#### EXECUTIVE DIRECTORS

Mr. Foo Kok Siew  
Mr. Tan Shau Ming

#### SENIOR INDEPENDENT DIRECTOR

Mr. Ng Soon Lai @ Ng Siek Chuan

### AUDIT COMMITTEE

#### CHAIRMAN

Mr. Ng Soon Lai @ Ng Siek Chuan

#### MEMBERS

Tan Sri Abd Rahman Bin Mamat  
Mr. Leow Hoi Loong @ Liow Hoi Loong  
Mr. Lee Ching Kion

### REMUNERATION COMMITTEE

#### CHAIRMAN

Tan Sri Abd Rahman Bin Mamat

#### MEMBERS

Mr. Leow Hoi Loong @ Liow Hoi Loong  
Mr. Foo Kok Siew

### NOMINATING COMMITTEE

#### CHAIRMAN

Tan Sri Abd Rahman Bin Mamat

#### MEMBERS

Mr. Leow Hoi Loong @ Liow Hoi Loong  
Mr. Lee Ching Kion

### RISK MANAGEMENT COMMITTEE

#### CHAIRMAN

Mr. Leow Hoi Loong @ Liow Hoi Loong

#### MEMBERS

Mr. Lee Ching Kion  
Mr. Foo Kok Siew

### ESOS COMMITTEE

#### CHAIRMAN

Tan Sri Abd Rahman Bin Mamat

#### MEMBERS

Mr. Leow Hoi Loong @ Liow Hoi Loong  
Mr. Foo Kok Siew

### COMPANY SECRETARY

Ng Yim Kong (LS 0009297)  
c/o Strategy Corporate Secretariat Sdn. Bhd.  
Unit 07-02, Level 7, Persoft Tower  
6B, Persiaran Tropicana  
47410 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel No. : (6)03-78045929  
Fax No. : (6)03-78052559

### 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, Malaysia  
Tel No. : (6)03-7841 8000  
Fax No. : (6)03-78418008

### AUDITORS

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

### 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)03-33929198  
Website: www.htgrp.com.my

### PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad (88103-W)  
AmBank (M) Berhad (8515-D)  
Hong Leong Bank Berhad (97141-X)  
Kuwait Finance House (Malaysia) Berhad (672174T-)  
Malayan Banking Berhad (3813-K)  
OCBC Bank (Malaysia) Berhad (295400-W)

### STOCK EXCHANGE

Bursa Malaysia Securities Berhad  
(Main Market)  
Stock code : 5072



### **Y. BHG. TAN SRI ABD RAHMAN BIN MAMAT**

*Chairman / Independent Non-Executive Director*

*Malaysian, male, age 64*

*Chairman of the Remuneration Committee*

*Chairman of the Nominating Committee*

*Chairman of the ESOS Committee*

*Member of the Audit Committee*

Y. Bhg. Tan Sri Abd Rahman Bin Mamat was appointed to our Board as Independent Non-Executive Director on 28 January 2011. He was then appointed as Chairman of the Company on 12 December 2012.

Tan Sri Abd Rahman graduated with a Bachelor of Economics (Honours) from University Malaya, Malaysia and later obtained an Advanced Management Programme qualifications from Harvard Business School, Boston, the United States of America.

Tan Sri Abd Rahman began his career as an Assistant Director with Ministry of International Trade and Industry ("MITI") on April 18, 1975 and served in various capacities in MITI for 35 years before retiring in December 2010. The positions held were : (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 Abd Rahman has represented Malaysia in a number of international meetings, bilateral, regional and multilateral negotiations, conferences and symposiums. He had also contributed towards formulating, implementing and monitoring policies and programs on international trade, industrial growth and entrepreneurship development. 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 Abd Rahman is also a Director of Parkson Holdings Berhad, Bioalpha Holding Berhad and Dagang NeXchange Berhad (formerly known as Time Engineering Bhd).

Tan Sri Abd Rahman has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2016.





### Y. BHG. TAN SRI DATO' LAW TIEN SENG

*Executive Deputy Chairman  
Malaysian, male, age 63*

Tan Sri Dato' Law Tien Seng was appointed to our Board as the Deputy Chairman and Non-Independent Non-Executive Director on 1 June 2010. He was re-designated as Executive Deputy Chairman on 3 August 2011.

He 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. He currently serves on the board of several private limited companies in Malaysia.

Tan Sri Dato' Law 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 no convictions for any offences over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2016.

### NG SOON LAI @ NG SIEK CHUAN

*Independent Non-Executive Director  
Malaysian, male, age 62  
Chairman of the Audit Committee*

Mr. Ng Soon Lai was appointed to our Board as Independent Non-Executive Director on 18 August 2009.

He is a fellow member of the Institute of Chartered Accountants in England & Wales. He has had several years of experience in the accounting profession with Coopers & Lybrand in London & Kuala Lumpur before moving on to the financial sector in 1980. Prior to joining Alliance Bank in July 1991 as General Manager of Credit, he had served in various positions in a leading local merchant Bank & finance company. He was appointed as the Chief Executive Director of Alliance Bank Malaysia Berhad in 1994 and to the Board of Alliance Merchant Bank Berhad in 2002 until his resignation in 2005. Since then, he has held the post of Independent Director in several public listed companies.

Mr. Ng is presently a Director of Deutsche Bank (Malaysia) Berhad, Tune Protect Group Berhad (formerly known as Tune Ins Holdings Berhad) and ELK Desa Resources Berhad.

He has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2016.

**LEOW HOI LOONG @ LIOW HOI LOONG**

*Independent Non-Executive Director*  
*Malaysian, male, age 62*  
*Chairman of the Risk Management Committee*  
*Member of the Audit Committee*  
*Member of the Remuneration Committee*  
*Member of the Nominating Committee*  
*Member of the ESOS Committee*

Mr. Leow Hoi Loong @ Liow Hoi Loong was appointed to our Board as Independent Non-Executive Director on 13 December 2012.

He is a Fellow Member of the Chartered Association of Certified Accountants, United Kingdom. He started his career with American International Assurance Co. Ltd. in 1977 as Marketing Executive in marketing of financial services. In 1979, he joined Pacific Bank Berhad as Regional Credit Officer and was later made the Accountant at the Bank's Head Office until 1982. He then joined the Low Yat Group and AP Land Bhd as Group Financial Controller and Company Secretary and served the position for six years (1982 – 1988). He was a Corporate and Institutional Dealer with TA Securities Berhad from 1988 to 2002.

**LEE CHING KION**

*Independent Non-Executive Director*  
*Malaysian, male, age 62*  
*Member of the Audit Committee*  
*Member of the Risk Management Committee*  
*Member of the Nominating Committee*

Mr. Lee Ching Kion was appointed to our Board as the Executive Director and Group Chief Operating Officer on 1 June 2010. Mr. Lee was then re-designated as Non-Independent Non-Executive Director on 29 March 2012 and on 26 September 2014, he was re-designated as Independent Non-Executive Director.

Mr Lee obtained his Bachelor of Science with Honours degree in Metallurgy and Materials Science from University of Nottingham, England. He was with Yodoshi Malleble (M) Sdn Bhd from 1979 to 1981. He then joined Jebesen-Jessen Engineering Sdn Bhd as Degussa Sales Engineer in 1981. In 1983, he left to join Amsteel Mills Sdn Bhd as Sales Engineer and later as Head of Research & Development and Quality Control Department. He was there for seven (7) years. He joined Wuthelam Holding (M) Group of Companies as General Manager in 1990 and was later appointed as a Director in 1991 until he left in 1997.

Subsequently, he was with DNP Holdings Berhad as Head of Property/Business Division from 1997 to 2001. From

Mr. Leow owns and manages several private companies involved in property investment, retailing business and industrial property development. He is holding a dealer's representative license from M&A Securities Berhad.

Mr. Leow has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2016.

2001 to 2003, 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, all within the Lion Group. He resigned from all his positions within the Lion Group in June 2003. He was also the Director of Malayawata Steel Berhad, Magna Prima Berhad, Melewar Industrial Group Berhad, Hua Joo Seng Enterprise Berhad and Mid West Ltd, an Australian company.

He currently serves on the board of several private limited companies.

Mr. Lee has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2016.



## DIRECTORS' PROFILE (Cont'd)

### FOO KOK SIEW

*Executive Director*

*Malaysian, male, age 55*

*Member of the Risk Management Committee*

*Member of the Remuneration Committee*

*Member of the ESOS Committee*

Mr. Foo Kok Siew was appointed to our Board as Independent Non-Executive Director on 24 February 2010. He was re-designated as Executive Director on 1 January 2013.

Mr. Foo 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).

He is currently an Independent Non-Executive Director of Inari Amertron Berhad and he also sits on the board of several other private limited companies.

Mr. Foo has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2016.

### TAN SHAU MING

*Executive Director*

*Malaysian, male, aged 53*

Mr. Tan Shau Ming was appointed to our Board as Executive Director on 26 September 2014.

Mr. Tan joined the HSBC Group upon completion of his "A" level examinations in 1982. During his career at HSBC, he has been honored with the "Top Marketing and Retainer Achiever for Personal Banking" and also the "Top Sales Performer" awards until his resignation from HSBC in 1999.

Mr. Tan was an Executive Director at TAP Resources Berhad from 1999 until 2004, and he was also a member of its Remuneration Committee. His responsibilities in the company included Properties Developments, Human Resources and Administration. Thereafter, he joined Ji Kang Dimensi Sdn Bhd, a Hot Rolled Steel Plates manufacturing company based in Gebeng, Kuantan as its Executive Director until 2012. His responsibilities in the company included Factory Operations, Logistic and Transportations.

In March 2012, Mr. Tan joined Alpine Pipe Manufacturing Sdn Bhd, a wholly owned subsidiary of HTVB as the Chief Production Officer. His scope of responsibilities has since been expanded to include oversight of all the Group's Manufacturing Operations, Human Resource, Warehousing,

Transportation Services and Administration. Mr. Tan also holds the position of Personal Assistant to the Executive Deputy Chairman.

Mr. Tan has no family relationship with any Directors and/or Major Shareholders of the Company nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2016.





### WANG SHENGHUA

*Non-Independent Non-Executive Director  
Chinese, male, age 50*

Mr Wang Shenghua was appointed to our Board as Non-Independent Non-Executive Director on 5 February 2016. He is also the Chief Executive Officer of Eastern Steel Sdn Bhd, a 55% owned jointly controlled entity of HTVB.

Mr. Wang was graduated from Beijing Shougang First Technology College, majored in Steel-making. He worked in Shougang First Steel Plant, Second Steel Plant, Shougang Jingtang Long product department separately, acted as Dispatcher, Vice Section Chief, Product Section Chief, Product President, Deputy President, and so on.

He achieved Shougang Science and Technology Reward for four times totally, twice for First Reward, once for Second and once for Third Reward separately among it. When he worked in Second Steel plant, achieved glorious contribution in CAS process and steel technology study appliance. In the period of working in Shougang Jingtang, he has supported many projects as technical specialist, including Changgang

project in Shougang Shanxi, Dachang project in Anhui LiuAn, Tonghua Steel company and so on. Many technical difficulties have been resolved by him. He also act as Vice Manager in Shougang Jingtang Long product department.

Mr. Wang has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

He has attended 1 out of the 5 board meetings of HTVB held during the financial year ended 31 July 2016. The 3 meetings that he did not attend were held prior to his appointment.





## KEY MANAGEMENT PROFILE

### TEH SWEE SEE

*Group Operations Director  
Malaysian, male, age 55*

Mr. Teh Swee See was the General Manager of Huatraco Marketing Sdn Bhd, a wholly owned subsidiary of HTVB, specialising in the manufacturing of scaffolding equipments and accessories. Mr. Teh was promoted to the position of Group Operations Director in 2012 to oversee the operations of the Group.

He holds a Bachelor degree in Business Administration from Memphis State University. He started his career in the area of credit control and subsequently, embarked on his career in the steel industry in 1991. He was with Wing Teik Holdings Berhad before joining HTVB.

With his long and in-depth experience, he plays an important role in guiding the Group's direction and future growth.



Mr. Teh has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

### PHANG CHIN KHIONG

*Chief Commercial Officer  
Malaysian, male, age 47*

Mr. Phang Chin Khiong was appointed as Chief Commercial Officer of Alpine Pipe Manufacturing Sdn Bhd (APM) in 2011.

Mr Phang was with Wing Teik Steel Pipes Sdn Bhd as Assistant Sales Manager before he left to pursue a career in the steel industry with APM. He is currently in charge of

the Management, Sales & Marketing of APM and Hiap Teck Hardware Sdn Bhd(HTH).

Mr Phang has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

### SEH KWANG WEOI

*Chief Procurement Officer  
Malaysian, male, age 48*

Mr. Seh Kwang Woei was appointed as Chief Procurement Officer for both the Manufacturing and Trading divisions in 2011.

Mr. Seh holds a Bachelor of Commerce Degree from the Pittsburgh State University, United States of America and a Master of Business Administration from Pittsburgh State University, United States of America.

He started his career in 1994 as Personal Assistant to General Manager of Bright Steel Sdn Bhd, a company under Lion Group acting as steel service centre supplying hot-rolled and cold rolled steel sheets and other related steel products. Mr. Seh was delegated to be in charge of purchasing steel material as well as marketing of the company's steel products. In 1998, he was transferred to

Megasteel Sdn Bhd, as its Senior Marketing Officer.

In 2001, he joined Solid Hope Sdn Bhd as the Marketing Manager overseeing the operation of the Company as well as the marketing of the Company's steel products. He was with Solid Hope Sdn Bhd from 2001 to 2004. With more than 10 years of experience in the industry, he has accumulated invaluable experience and knowledge in iron and steel products.

Mr. Seh has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

## TEOH PEIR SONG

*Chief Commercial Officer  
Malaysian, male, age 51*

Mr. Teoh Peir Song was appointed as Chief Commercial Officer of Huatraco Scaffold Sdn Bhd (HS) in year 2011.

Mr. Teoh graduated with Diploma in Civil Engineering. He was attached with Wing Teik Holdings Berhad before joining HTVB in 1993. His experience in marketing has accorded him familiarity within the hardware trading business. Mr.

Teoh is responsible for the sales & marketing function of HS.

Mr. Teoh has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.

## TAN YUEN HONG

*Chief Commercial Officer  
Malaysian, male, age 50*

Mr. Tan Yuen Hong, was appointed as Chief Commercial Officer of Hiap Teck Hardware Sdn Bhd (HTH) – Project Division in year 2011.

Mr. Tan started his career in 1985 when he joined the sales department of Wing Teik Holdings Berhad. He spent 8 years in Wing Teik Holdings Bhd before joining HTH, a wholly owned subsidiary of HTVB, in 1993. His experience in marketing has accorded him familiarity with the hardware trading business.

Mr. Tan has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. He has no convictions for any offences over the past ten years.



## YEO BEE HWAN

*Acting Chief Financial Officer  
Malaysian, female, age 48*

Ms. Yeo Bee Hwan was appointed as Acting CFO on 10 August 2016.

Ms. Yeo is an associate member of the Chartered Institute of Management Accountants (CIMA), UK; Chartered Global Management Accountant (CGMA), powered by CIMA & American Institute of Chartered Public Accountants (AICPA) and a member of MIA.

She started her career as external auditor before joining Hume Industries Group in 1994. She then joined Tuan Sing

Holding Ltd Group in 2000 and since then, she has held senior positions with various corporations including Wah Seong Corporation Berhad Group; Bumi Armada Berhad Group and Oriental Sheet Piling Group (JV with Arcelor Mittal).

Ms. Yeo has no family relationship with any Directors and/or Major Shareholders of the Company, nor any conflict of interest with the Company. She has no convictions for any offences over the past ten years.



**On behalf of the Board of Directors of Hiap Teck Venture Berhad ("HTVB"), I am pleased to present the annual results of the Company and its subsidiaries for the financial year ended 31 July 2016.**

## **OPERATING ENVIRONMENT**

The Malaysian economy grew at a slower rate 5.0% in 2015 (2014: 6.0%) and is expected to further moderate to 4.0 – 4.5% in 2016, amid downside growth risks following the increase in uncertainties on both the global and domestic fronts.

The construction sector growth slowed to 8.2% in 2015 (2014: 11.8%) and is projected to moderate slightly to 7.9% in 2016, following slower construction activities in both the residential and non-residential sub-sectors amid weak housing approvals and property launches, and modest performance in the industrial and commercial property segments. Overall, the construction sector continues to be supported by new and existing multi-year civil engineering projects, particularly in the transport and petrochemical segments.

In addition to a slower economy, the steel sector in Malaysia faced various other challenges in the past year including the continued influx of cheaper imports, depressed prices, and low capacity utilization rate, greater volatility in the foreign exchange markets and higher operating costs in line with the government continued liberalisation of its subsidy programme.

## **FINANCIAL PERFORMANCE**

The Group recorded lower revenue of RM1.138 billion for FY 2016 compared to RM1.258 billion revenue achieved in the preceding financial year attributable principally to lower average selling prices. A lower loss before tax of RM24.62 million was registered for FY 2016 as compared to a loss before tax of RM66.46 million in FY 2015.

The performance of the Group was mainly affected by the loss incurred by the jointly controlled entity ("JCE") which amounted to RM99.22 million in FY2016. The loss at the JCE was principally due to depressed prices for its products, higher cost associated with the trial production and the continued weakness of the Ringgit against the US Dollar during the financial year. In line with the Group's strategy to temporarily suspend the JCE's trial production from October 2015 to minimize losses, the loss incurred by JCE in the 2H FY 2016 has been significantly reduced. The JCE regularly reviews the market conditions and related factors to determine the appropriate timing to resume production.

The Group's other business units reported a profit before tax of RM74.61 million in FY 2016 as compared to RM48.21 million (before impairment for investment of RM55 million) in FY 2015. The significantly better performance in FY 2016 can be attributed to higher average selling prices in the 2H of FY 2016, tight cost control and overall improvements in operational efficiencies.



## DIVIDENDS

The Board of Directors is pleased to recommend for shareholders' approval at the forthcoming Annual General Meeting ("AGM"), a single tier final dividend of 0.3 sen per share for the Financial Year ended 31 July 2016. If approved by the shareholders at the AGM on 15 December 2016, the final dividend will payable on 25 January 2017.

## CORPORATE DEVELOPMENT

HTVB had on 15 June 2016 announced that its 55% owned jointly controlled entity, Eastern Steel Sdn Bhd ("ESSB") has entered into a Memorandum of Understanding (MOU) with Angang Group Hong Kong Company Limited ("Angang-HK"), to explore, discuss and negotiate areas of cooperation between ESSB and Angang-HK including the resumption of production of ESSB, future expansion of ESSB's production capacity and product range, and Angang-HK's participation in the equity of ESSB. Both parties shall negotiate in good faith with a view to enter into a Formal Agreement within the exclusivity period. On 29 September 2016, HTVB announced that both parties have agreed to extend the exclusivity period to 31 October 2016.

On 24 June 2016, the Company has completed the following corporate exercise:

- (i) Renounceable Rights Issue of up to RM142,581,656.50 nominal value of RCUIDS at 100% of its nominal value on the basis of two (2) RM0.50 nominal value of RCUIDS for every five (5) HTVB Shares held on the Entitlement Date together with up to 285,163,313 New Warrants on the basis of one (1) New Warrant for every one (1) RM0.50 nominal value of RCUIDS subscribed ("Rights Issue"); and
- (ii) Bonus Issue of up to 570,326,626 new HTVB Shares credited as fully paid-up on the basis of two (2) Bonus Shares for every one (1) RM0.50 nominal value of RCUIDS subscribed by the Entitled Shareholders and/or their renouncee(s) pursuant to the Rights Issue ("Bonus Issue"); and
- (iii) An adjustment of 70,826,936 additional Warrants 2012/2017 have been issued.
- (iv) An increase of 43,718,783 Employees' Share Option Scheme ("ESOS") arising from adjustments to the outstanding number of ESOS pursuant to the Right Issue.



### PROSPECTS

ASEAN's strong fundamentals offer significant potential for growth in steel consumption. The concern on the steel industry within ASEAN and particularly Malaysia will remain in the near future as China continues to export large quantities of commercial steel products into regional markets. The Chinese imports into Malaysia began increasing significantly as early as 2012 and reached 3.4 million MT in 2015. However, Chinese government's recent announcement to reduce surplus capacity augurs well for the industry.

On the domestic front, demand for steel products will continue to be supported by the new and ongoing projects under the Economic Transformation Programme. Overall, the local steel market will remain challenging with intense competition from cheap imports and the higher costs of doing business, although the improvements in average selling prices in the beginning of the year have giving the industry players some respite.

Going forward, the Group will continue to focus on strict cost monitoring, efficient procurement strategies and working capital management, expansion of product range and improvements in quality and delivery of our products to drive market share and profitability.

### ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank our customers, suppliers and business associates for their continuous support and guidance over the years.

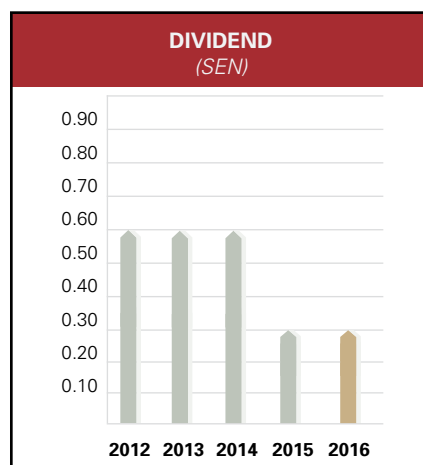
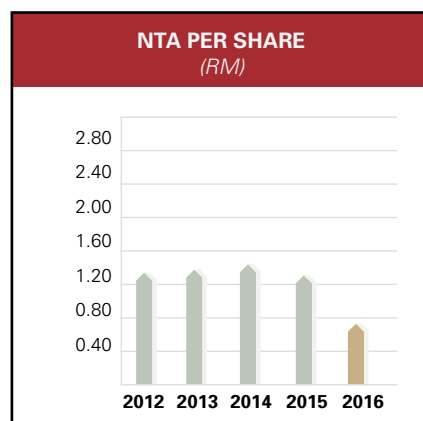
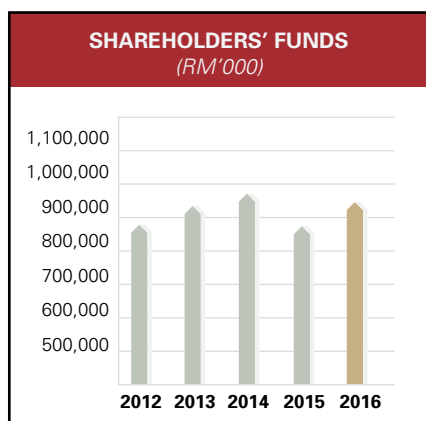
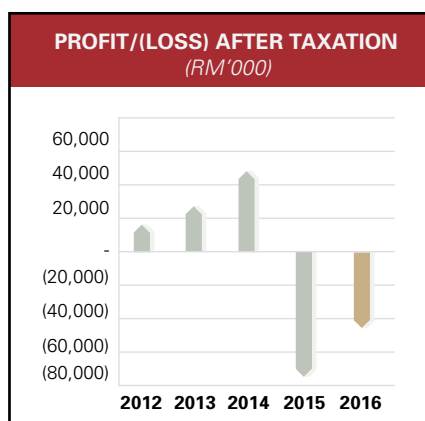
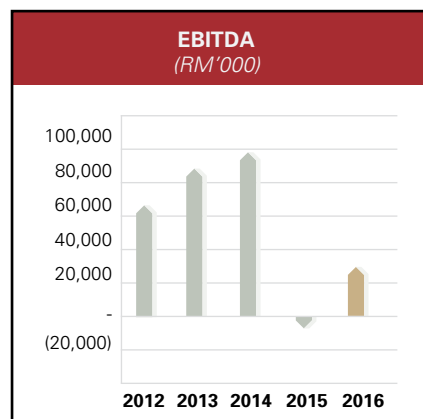
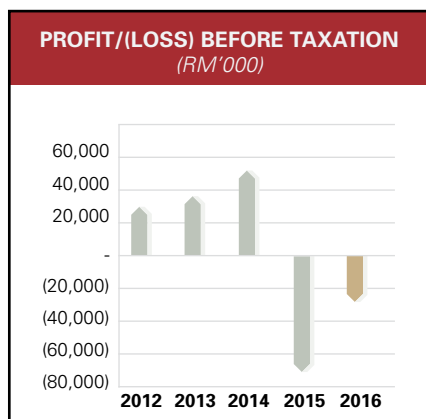
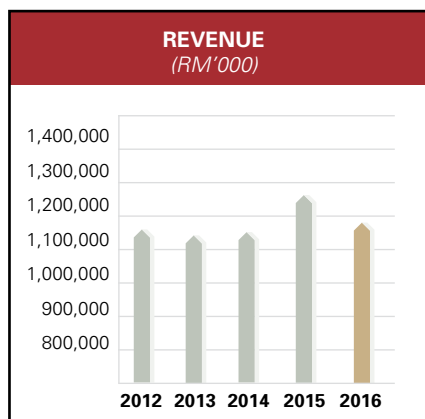
To our shareholders, we would like to extend our sincere appreciation to each of you, for your support and confidence in us and our capabilities to continue grow the Group to the next height.

My sincere gratitude also goes to my fellow colleagues on the Board, management and staff whose commitment and hard work continue to strengthen the Group's businesses.

**TAN SRI ABD RAHMAN BIN MAMAT**  
Chairman



# FIVE YEAR GROUP FINANCIAL HIGHLIGHTS





## FIVE YEAR GROUP FINANCIAL HIGHLIGHTS (Cont'd)

	2012	2013	2014	2015	2016
Revenue (RM'000)	1,115,888	1,107,318	1,110,490	1,257,619	1,138,061
Profit / (Loss) Before Taxation (RM'000)	20,941	34,228	49,851	(66,460)	(24,617)
EBITDA (RM'000)	63,008	80,924	99,234	(10,358)	28,970
Profit / (Loss) After Taxation (RM'000)	15,625	24,292	45,565	(76,806)	(42,173)
Shareholders' Funds (RM'000)	886,837	909,013	952,633	872,941	913,044
NTA Per Share (RM)	1.25	1.28	1.34	1.22	0.71
Earnings Per Share (sen)	3.10	3.43	6.42	(10.88)	(3.24)
Dividend (sen)	0.60	0.60	0.60	0.30	0.30



The Board of Hiap Teck Venture Berhad ("HTVB") fully supports the recommendations of the Malaysian Code on Corporate Governance 2012 ("Code") issued by the Securities Commission and Bursa Malaysia Securities Berhad ("BMSB") which sets out the broad principles and recommendations for good corporate governance and best practices for listed companies.

The Board is committed to apply the recommendations of the Code in ensuring and maintaining that good corporate governance is practised throughout the Group to effectively discharge its responsibilities to protect and enhance shareholders' value and those of the other stakeholders.

The Board of Directors is, therefore, pleased to report that this Statement sets out the extent of the Group's compliance with the recommendations of the Code for the financial year ended 31 July 2016.

## **A. BOARD OF DIRECTORS**

### **Board Charter and Board Responsibilities**

Emphasising its commitment to good corporate governance practices of the Code, the Board had during the financial year 2014 formalised and adopted:-

- (a) a Board Charter that sets out, amongst others, the responsibilities, authorities, procedures, evaluations and structures of the Board and Board Committees, as well as the relationship between the Board with management and the shareholders of the Company; and
- (b) a Code of Ethics and Conduct for Directors in line with the recommendation of the Code.

The Board Charter and the Code of Ethics and Conduct for Directors may be viewed at the Company's website at [www.htgrp.com.my](http://www.htgrp.com.my).

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 members meet regularly to review corporate strategies budget, risk management, operations and the performance of business segments and bring to bear independent judgment on issues of strategy, risk management, performance, resources, governance and code of conduct and ethics to ensure that decisions made and actions taken will promote sustainability of the Group. The Board as a whole is dedicated to practise clear demarcation of duties, responsibilities and authority within the Company.

### **Sustainability**

The Board recognises the importance of sustainability and its increasing significance in the business. The Board is committed to understanding and implementing sustainable practices and to exploring the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success.

The Company will formalize a Sustainability Policy which aims to endeavour to integrate the principles of sustainability into the Company's strategies, policies and procedures and ensure that the Board and senior management are involved in implementation of this policy, review the sustainability performance and create a culture of sustainability within the Company, and the community, with an emphasis on integrating the environmental, social and governance considerations into decision making and the delivery of outcomes.



### Board Balance

There are eight (8) Directors on the Board; comprising one (1) Independent Non-Executive Chairman, one (1) Executive Deputy Chairman, two (2) Executive Directors, one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors. Therefore, the Board is in compliance with Paragraph 15.02 of the MMLR of BMSB, which requires that at least one-third (1/3) of the Board comprises Independent Directors. The profile of the Board members are set out in pages 4 to 8 of this Annual Report.

The Company is led and managed by an experienced Board comprising members with a diversity in qualification, knowledge and experience in the relevant fields such as finance, banking, accounting, metallurgy, material science, management, economics, corporate affairs, entrepreneurship and management. Collectively, the Directors bring a broad range of skills, expertise, knowledge and independent judgment to successfully direct and supervise the attainment of the Group's corporate strategy, business and financial oversight.

### Separation of positions of Independent Non-Executive Chairman and Executive Deputy Chairman

There is a clear demarcation of responsibility and roles between the Independent Non-Executive Chairman and the Executive Deputy Chairman to ensure the balance of power and authority. The positions of Non-Executive Chairman and Executive Deputy Chairman are held by different individuals. The Chairman's main responsibility is to ensure effective conduct of the Board and Board meetings and unrestricted and timely access by all Directors to all relevant information necessary for decision making. The Chairman leads the discussion on strategies and policies recommended by the Management. The Executive Deputy Chairman assisted by the two (2) Executive Directors who are 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.

### Annual Assessment of Independent Directors

The Independent Directors as defined under Paragraph 1.01 of BMSB's MMLR are independent of management and are free from any business or other relationships that could interfere with the exercise of their independent judgment or the ability to act in the best interests of the Company. The roles of Independent Directors are particularly important in bringing independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

The Independent Directors play a key role in corporate accountability and provide unbiased views and impartiality to the Board's deliberation and decision making process. In addition, the Independent Directors ensure that matters and issues brought to the Board are given due consideration, fully discussed and examined, taking into account the interest of all stakeholders in the Group.

The assessment of independence of the Directors based on the provisions of the MMLR covers a series of objective tests and is carried out before the appointment of the Independent Directors. Further, the Board with assistance from the Nominating Committee will carry out annual assessment of the effectiveness of the Board as a whole, including Independent Non-Executive Directors and consider whether the Independent Directors can continue to bring independent and objective judgment to the Board deliberations.

Any Director who considers that he has or may have a conflict of interest or a material personal interest or a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Director's decision in any matter concerning the Company is required to immediately disclose to the Board of such an interest and to abstain from participating in any discussion or voting on the matter concerned.

For the financial year ended 31 July 2016, the Board assessed the independence of its Independent Non Executive Directors based on the criteria set out in the MMLR of Bursa Securities. The Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company. All the Independent Directors have given written confirmation declaring their independence to the Board.

**Tenure of Independent Directors**

The Board in its Board Charter provided that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a non-independent director. However, the Board may, in exceptional cases and subject to the assessment of the Nominating Committee on an annual basis, recommend for an Independent Director who has served for a consecutive or cumulative term of nine (9) years to remain as an Independent Director subject to Shareholders' approval with justification given.

None of the Independent Directors have served for a cumulative term of more than nine (9) years during the financial year ended 31 July 2016.

**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. All meetings are furnished with proper agenda with due notice issued and board papers and reports prepared by the Management which provide updates on financial, operational, legal matters and circulated prior to the meetings to all Directors with sufficient time to review them to ensure for effective discussions and decision making during the meetings.

During the financial year ended 31 July 2016, 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 attended all the Board Meetings held and therefore, have complied with the minimum 50% meeting attendance's requirement under the MMLR of BMSB.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

Name of Directors	Date of Meeting					Total Meetings Attended	Percentage of Attendance
	30.09.2015	15.12.2015	15.01.2016	25.03.2016	29.06.2016		
Tan Sri Abd Rahman Bin Mamat (Independent Non-Executive Director)	✓	✓	✓	✓	✓	5/5	100
Tan Sri Dato' Law Tien Seng (Executive Deputy Chairman)	✓	✓	✓	✓	✓	5/5	100
Mr. Foo Kok Siew (Executive Director)	✓	✓	✓	✓	✓	5/5	100
Mr. Tan Shau Ming (Executive Director)	✓	✓	✓	✓	✓	5/5	100
Mr. Ng Soon Lai @ Ng Siek Chuan (Independent Non-Executive Director)	✓	✓	✓	✓	✓	5/5	100
Mr. Leow Hoi Loong @ Liow Hoi Loong (Independent Non-Executive Director)	✓	✓	✓	✓	✓	5/5	100
Mr. Lee Ching Kion (Independent Non-Executive Director)	✓	✓	✓	✓	✓	5/5	100
Mr. Sun Yanmin (Non-Independent Non-Executive Director) (resigned on 5 February 2016)	✓	✓	✓	N/A*	N/A*	3/3	100
Mr. Wang Shenghua (Non-Independent Non-Executive Director) (appointed on 5 February 2016)	N/A*	N/A*	N/A*	✓	Absent	1/2	50

Note: N/A means Not Applicable



### **Level of Time Commitment**

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board Meetings as set out in the table above.

### **Appointment to the Board**

There is a formal and transparent procedure which has been endorsed by the Board for the appointment of new Directors. To facilitate appointments to the Board, the Company had set up the Nominating Committee to provide a formal and transparent procedure for appointment of new Directors to the Board.

The Nominating Committee shall be primarily responsible for identifying and recommending to the Board new candidates to be appointed as Directors to the Board and also recommending Directors to fill the seats on Board Committees.

For the financial year ended 31 July 2016, the Board through the Nominating Committee, had assessed the effectiveness of the Board as a whole and the Board Committees; contribution and performance of each individual Director; independence of Independent Directors and training courses required by the Directors on an ongoing basis. The Board also reviewed the required mix of skills, experiences and other qualities including core competencies, which Non-Executive Directors should bring to the Board.

The Board has no immediate plan to implement a gender diversity or target as it is of the view that the Board membership is dependent on each candidate's skills, experience, core competencies and other qualities regardless of gender.

### **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. Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the next Annual General Meeting and shall then be eligible for re-election.

Any Director who is retiring, and is eligible for re-election, is required to confirm in writing to the Board if he is or is not offering himself for re-election at the Annual General Meeting where he is due for retirement. The following Directors who are retiring at this Annual General Meeting have individually confirm in writing to the Board offering themselves for re-election:-

	Article No.
• Tan Sri Dato' Law Tien Seng	79
• Mr. Leow Hoi Loong @ Liow Hoi Loong	79
• Mr. Tan Shau Ming	79

Details of the Directors who submitted themselves for re-election this year are available in pages 5 to 8 of this Annual Report.

On the other hand, Mr. Wang Shenghua who was appointed Non-Independent Non-Executive Director on 5 February 2016 retires in accordance with Article 84 of the Company's Articles of Association at the forthcoming Annual General Meeting has indicated that he will not seek for re-election.

### **Company Secretary**

The Company Secretary provides support to the Chairman of the Company to ensure the effective functioning of the Board. The Company Secretary and/or his representatives also organises and attends all Board Meetings and Board Committees' Meetings ensuring that the accurate and proper record of deliberation of issues discussed, decisions made and conclusions taken.

The Company Secretary maintains all secretarial and statutory records of the Company.

The Board has unrestricted access to the advice and services of the Company Secretary who is responsible for providing Directors with the Board papers and related matters.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

The Company Secretary also updates the Board of Directors regularly on amendments to the MMLR, practices and guidance notes or circulars issued by BMSB from time to time and on the development of or amendments to the Companies Act, 1965. In addition, the Company Secretary serves notices to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares, in accordance with Chapter 14 of the MMLR, ensuring all appointments and resignation of directors are in accordance with the relevant legislation and the Board Performance Assessment are properly executed.

The Company Secretary is appointed and can be removed by the Board of Directors.

### Supply and Access to 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.

### 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 conducted by Bursa Malaysia Training Sdn. Bhd.

The Directors had during the financial year ended 31 July 2016, 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:-

1. The China High - Speed Railway Showcase
2. The Second Session of Malaysia "Two Double Park" Joint Seminar
3. Capitalising on the growth of Shariah Investing
4. The Essence of Independence
5. Leadership Excellence from the Chair
6. The future of Auditor Reporting - The Game Changer for Boardroom
7. Board's Strategy in Cultivating Real Growth within a Conducive Governance Environment
8. 2016 Tax Budget proposal, GST And Transfer Pricing Compliance
9. The new & Revised Auditor Reporting Standards - Implications to Financial Institutions
10. Directors Remuneration Report for Financial Institutions
11. Seminar on Global Marketer
12. Directors & Officers Liability Insurance - Are Directors Sufficiently Protected for Exercising Their Fiduciary Duties
13. Board Strategy on Mitigating Technology Risk
14. Mandatory Accreditation Programme
15. SEAISI (South Asia Iron and Steel Institute) Conference in Vietnam
16. Anti money Laundering & Anti Terrorism Financing – A client centric (KYC) Focus
17. ASEAN Stock Markets and Trends

In addition to the above, the Company Secretary circulates the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and brief the Board quarterly on these updates, where applicable, at Board Meetings. The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the financial year. Throughout their period in office, the Directors are continually updated on the Group's business and the regulatory requirements. Talks were also given by the Company Secretary on the following topics:-

- Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements

#### **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 from time to time made proposals to improve and enhance the role of the Board in governance processes.

The Company has five (5) principal Board committees; namely the Audit Committee, Nominating Committee, Risk Management Committee, Remuneration Committee and the Employees' Share Option Scheme ("ESOS") 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 statements. 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 34 to 36 of this Annual Report.

##### **b. Nominating Committee**

The Nominating Committee comprises exclusively of Independent Non-Executive Directors and is responsible to oversee the selection and assessment of Directors for appointment, re-election and re-appointment to the Board and Board Committees. The Members of the Nominating Committee are:

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Tan Sri Abd Rahman Bin Mamat	Chairman	Independent Non-Executive Director
Mr. Leow Hoi Loong @ Liow Hoi Loong	Member	Independent Non-Executive Director
Mr. Lee Ching Kion	Member	Independent Non-Executive Director

The Terms of Reference of the Nominating Committee may be viewed at the Company's website at [www.htgrp.com.my](http://www.htgrp.com.my)



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

During the financial year, the Nominating Committee met once on 29 June 2016. In discharging their duties, the Nominating Committee had carried the following functions and reported the following to the Board:

- (i) The effectiveness of the present size of the Board and Board Committees.
- (ii) The effectiveness of the composition of the Board in relation to the mix of skills, experience, age, gender, ethnicity and other qualities.
- (iii) The contribution of individual Directors in relation to their time commitment, participation in the Board decision-making process and in Board Committees.
- (iv) The independence of the Independent Directors who have declared that they are independent in accordance with the Recommendations 3.3 set out in the Malaysian Code on Corporate Governance 2012.
- (v) The continuing education of Directors and the need for each Director to evaluate his own training and/or professional development requirement that will enhance his contribution to the Group.
- (vi) The succession planning of the Executive Directors and Senior Management in order for the Board and Company to maintain appropriate experience, expertise and diversity.
- (vii) The consideration and recommendation to the Board to accept the resignation and appointment of Non-Independent Non-Executive Director.
- (viii) The consideration and recommendation to the Board to accept the resignation of Chief Financial Officer due to health reasons and the recommendation to the Board for the appointment of Acting Chief Financial Officer of the Company.

All Members attended the Nominating Committee held on 29 June 2016.

### c. Remuneration Committee

The members of the Remuneration Committee are:

Name	Designation	Directorship
Tan Sri Abd Rahman Bin Mamat	Chairman	Independent Non-Executive Director
Mr. Leow Hoi Loong @ Liow Hoi Loong	Member	Independent Non-Executive Director
Mr Foo Kok Siew	Member	Executive Director

For the financial year ended 31 July 2016, the Remuneration Committee recommended 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.

There were two (2) Remuneration Committee Meetings held during the financial year i.e. on 15 December 2015 and 29 June 2016 and were attended by all the Remuneration Committee members.

The Terms of Reference of the Remuneration Committee may be viewed at the Company's website at [www.htgrp.com.my](http://www.htgrp.com.my)



**d. Risk Management Committee**

The Risk Management Committee ("RMC") was formed on 30 March 2010 and has been delegated by the Board to assume responsibility for the Group's risk oversight. The RMC provides oversight, direction and counsel to the Group risk management process and considers 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. There were four (4) RMC Meetings held during the financial year ended 31 July 2016, i.e. on 30 September 2015, 15 December 2015, 25 March 2016 and 29 June 2016 and were attended by all the members of RMC

The members of the RMC are as follows:

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Mr. Leow Hoi Loong @ Liow Hoi Loong	Chairman	Independent Non-Executive Director
Mr Lee Ching Kion	Member	Independent Non-Executive Director
Mr Foo Kok Siew	Member	Executive Director

**e. Employees' Share Option Scheme ("ESOS") Committee**

At an extraordinary general meeting held on 23 November 2011, the Company's shareholders approved the establishment of ESOS to eligible Directors and employees of the Group. The ESOS is due to expire on 11 April 2017 but is eligible to be extended for a further five year.

An ESOS Committee was set up to administer the ESOS Scheme which is governed by the ESOS By-Laws. The members of the ESOS Committee are:-

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Tan Sri Abd Rahman Bin Mamat	Chairman	Independent Non-Executive Director
Mr Leow Hoi Loong @ Liow Hoi Loong	Member	Independent Non-Executive Director
Mr Foo Kok Siew	Member	Executive Director

The ESOS Committee met once (1) during the financial year ended 31 July 2016 i.e. on 15 December 2015 for the following purposes and attended by all the members:-

- to recommend for approval of the maximum annual percentage limits for FYE 2015 for the 1st, 2nd and 3rd Offers of Options be vested and exercisable based on the performance target.
- to propose new Offer of Options to members of ESOS Committee to the Board of Directors for approval.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### 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 annual fees and meeting allowances that reflect their expected roles and level of responsibilities, including any additional work and contributions required.

The following are the remuneration bands of the Directors:

Remuneration Bands	Executive Directors	Non-Executive Directors
RM50,001 - RM100,000	-	4
RM300,001 - RM350,000	-	1 *
RM550,001 - RM600,000	1	-
RM950,001 - RM1,000,000	1	-
RM2,000,001 - RM2,050,000	1	-

Remarks:-

\*Remuneration was paid by the jointly controlled entity, Eastern Steel Sdn. Bhd ("ESSB").

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

	Fees (RM)	Emoluments (RM)	Salaries & Other -in-kind (RM)	Benefits Total (RM)
Executive Directors	-	3,517,829	-	3,517,829
Non-Executive Directors	315,000	330,908*	-	645,908

\* Salaries and other emoluments paid by ESSB was RM306,908.

## **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 BMSB which includes financial results and corporate developments. The Company's website at [www.htgrp.com.my](http://www.htgrp.com.my) provides shareholders and investors the overview information of the Group's business, the latest updates of the Company and the announcement and the quarterly financial results made via Bursa Link. 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. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report before the meeting. The Notice of the Annual General Meeting will be circulated at least twenty-one (21) days before the date of the meeting to enable shareholders sufficient time to peruse the Annual Report and papers supporting the resolutions proposed.

At the General Meetings, the Board encourages shareholders' participation by providing opportunities for shareholders to raise questions on the business activities of the Group, agenda of the meetings and its proposed resolutions. The Chairman of the meeting will facilitate the discussion with the shareholders and provide further information in response to shareholders' queries. On or after 1 July 2016 and in line with the amendments to Bursa Malaysia Securities Berhad's Main Market Listing Requirements or 24 March 2016, any resolution set out in the notice of general meetings of the Company or notice of resolutions and its related amendments, if any, will be required to be poll voted.

The Board is available at the Annual General Meeting to answer questions and consider suggestions. The External Auditors are also present to provide their professional and independent clarification on issues of concern raised by the shareholders, if any.

The Board has identified Mr Ng Soon Lai @ Ng Siek Chuan 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 ([ngsiekchuan@htgrp.com.my](mailto:ngsiekchuan@htgrp.com.my)).

## **D. ACCOUNTABILITY AND AUDIT**

### **i. Financial Reporting**

The Board upholds integrity in financial reporting by ensuring that shareholders are provided with reliable information of the Company's financial performance, its position and future prospects, in the Annual Audited Financial Statements and quarterly financial reports.

The Board is also 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.



### **Suitability and Independence of External Auditors**

The Audit Committee is responsible for approving audit and non-audit services provided by the External Auditors. In the process, the AC will ensure that the independence and objectivity of the External Auditors are not compromised.

Moreover, the Engagement Partner of the External Auditors will retire every five (5) years as a matter of the External Auditors' internal policy.

The External Auditors have also confirmed that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

### **ii. Statement of Directors' Responsibility for Preparing the Financial Statements**

The Board of Directors is required under Paragraph 15.26(a) of BMSB's MMLR to issue a statement explaining their responsibility in the preparation of the annual financial statements. The Directors are also required by the Companies Act, 1965 to prepare financial statements for each financial year, which have been made out in accordance with the approved accounting standards and to give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year.

The Directors are responsible for keeping proper accounting records, which are disclosed with reasonable accuracy at any time the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

In preparing these financial statements, the Directors have:-

- selected appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries that the Group has adequate resources to continue in operational existence for the foreseeable future.

### **iii. 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 outsourced internal audit function was established to assist the Audit Committee in reviewing the state of risk management and 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 Risk Management and Internal Control.

### **iv. 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, performance 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 30 September 2015 and 29 June 2016 without the presence of the Executive Directors and the Management.

## ADDITIONAL INFORMATION

### 1. SHARE BUY-BACK

There were no shares buy-back during the financial year ended 31 July 2016.

As at end of the financial year:

- a. A total of 5,482,000 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 no options, warrants or convertible securities exercised during the financial year ended 31 July 2016 except the following:

- a) Issuance of 285,163,313 Five (5)-Year 5% Redeemable Convertible Unsecured Islamic Debt Securities ("RCUIDS") at 100% of its nominal value of RM0.50 each for cash arising from the subscription of rights issue at price of RM0.50 each;
- b) Issuance of 285,163,313 Warrants 2016 arising from subscription of rights issue;
- c) Issuance of 70,826,936 Warrants 2012/2017 arising from adjustments to the outstanding number of Warrants 2012/2017 pursuant to the rights issue;
- d) Issuance of 43,718,783 Employees' Share Options Scheme ("ESOS") arising from adjustments to the outstanding number of ESOS pursuant to the rights issue; and
- e) Issuance of 570,326,626 new ordinary shares at par of RM0.50 each arising from subscription of rights issue. The details of the issued and paid-up share capital of the Company as at 31 July 2016 are as follows:-

	<b>No. of Shares</b>	<b>RM</b>
As at 1 August 2015	718,390,808	359,195,404.00
Ordinary shares of RM0.50 each issued pursuant to the rights issue	570,326,626	285,163,313.00
As at 31 July 2016	1,288,717,434	644,358,717.00

### 3. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any Depository Receipt Programme during the financial year ended 31 July 2016.





## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### 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 2016.

### 5. NON-AUDIT FEES

A non-audit fees of RM205,000 was incurred for services rendered to HTVB or its subsidiaries for the financial year ended 31 July 2016 by the External Auditors or a firm or company affiliated to the External Auditors.

### 6. VARIATION IN RESULTS

There was no material variance between the results for the financial year ended 31 July 2016 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 31 July 2016, the status of utilisation of proceeds raised from the Rights Issue are as follow:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Amount Unutilised RM'000
a) Working capital requirement	140,082	75,497	64,585
b) Expenses incidental to the rights issue	2,500	2,500	-
Total	142,582	77,997	64,585

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

There were no material contracts by the Company and/or its subsidiaries involving Directors' and major shareholders' interest.

### 10. REVALUATION POLICY

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

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

The Company has at its Annual General Meeting held on 15 December 2015 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 2016 in accordance with the shareholders' mandate obtained in the last Annual General Meeting were as follows:

Related Parties involved with Value of HTVB and/or its Transaction	Nature of Transaction	Relationship and Nature of Interest	Value of Transaction (RM.000)
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 ("TS Law") which in turn is the major shareholder of JKJS.	181,092
Eastern Steel Sdn Bhd ("ES")	Sales of steel products	HTVB owned 55% of ES, a jointly-controlled entity with Orient Steel Investment Pte. Ltd. and Chinaco Investment Pte. Ltd.  Tan Sri Dato' Law Tien Seng is deemed interested in ES by virtue of him being a Director of ES, major Shareholder and Director of HTVB.  Mr. Wang Shenghua is deemed interested in ES by virtue of him being a Director of HTVB, a Director and Chief Executive Director of ES.  Shougang International (Singapore) Pte. Ltd. is a substantial shareholder of HTVB, is deemed interested in ES by virtue of it being a major shareholder of Orient Steel Investment Pte. Ltd.	33
JK Ji Seng Sdn Bhd ("JKJS")	Sales of steel by ES to JKJS	Tan Sri Dato' Law Tien Seng is deemed interested in JKJS by virtue of him being a Director and Shareholder of TS Law which in turn is the major shareholder of JKJS.	93,814
Shougang Group	Purchase of equipment, products and services	Mr. Qiu LiuZhong is deemed interested in Shougang Group by virtue of him being the Director of ES, Shougang International (Singapore) Pte. Ltd. and Shougang International (Malaysia) Sdn. Bhd.	891

*This statement was approved by the Board on 29 September 2016*



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance 2012 specify that the Board of Directors of public listed companies should establish a sound risk management framework and internal controls system to safeguard shareholders' investment and Group's assets. The Board of Directors ("the Board") is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 July 2016. This Statement is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements and guided by the latest "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" ("the Guideline") endorsed by the Bursa Malaysia Securities Berhad ("BMSB").

### BOARD'S COMMITMENT AND RESPONSIBILITY

As the Group operates in a dynamic business environment, a sound risk management and internal control system must be in place to help the Group to achieve its business objectives. Therefore, the Board remains committed towards maintaining a sound system of risk management and internal control and believes that a balanced achievement of its business objectives and operational efficiency can be attained.

Principally, the responsibilities of the Board as provided in the Guideline for risk governance are:

- To embed risk management in all aspects of the Group's activities, which also encompasses subsidiaries of the Company; and
- To review risk management framework, processes, responsibilities and assessing whether the present policies and systems provide reasonable assurance that risk is managed appropriately.

The Board understands the principal risks of the business that the Group is engaged in and accepts that business decisions require the balancing of risk and return in order to reward the shareholders.

The Board delegated the responsibility of reviewing the effectiveness of risk management to the Risk Management Committee ("RMC"). The key function of RMC is to review and report to the Board the risks faced by the Group and the effectiveness of management measures in identification and assessment of risks as well as the design, management and monitoring of internal controls to mitigate risks.

The present composition of the RMC is as follows.

- |       |                                     |   |
|-------|-------------------------------------|---|
| (i)   | Mr. Leow Hoi Loong @ Liow Hoi Loong | - Independent Non-Executive Director (Chairman) |
| (ii)  | Mr. Foo Kok Siew                    | - Executive Director                            |
| (iii) | Mr. Lee Ching Kion                  | - Independent Non-Executive Director            |

The RMC meets at least once every quarter and on other occasions, as and when necessary.

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Group's systems of risk management and internal control, identifying principal risks and establishing an appropriate control environment and framework to manage risks. The key risk categories of the Group are financial risk associated to corporate funding and gearing, foreign exchange risk, supply chain risk, regulatory risk, market risk, credit risk and inventory risk.

The RMC is assisted by the Risk Management Working Committee ("RMWC"), which is represented by the heads of the various departments of the Group. The roles of RMWC are to identify, measure, prioritize and re-assess the risks and to ensure that adequate attention and focus for risk management are placed appropriately and timely in accordance with the perceived and anticipated risk magnitude. Quarterly, the RMWC will re-assesses, summarizes and reports the emerging risks and its profiles to the RMC for review and deliberation. The status of key risks and management actions are further presented to the Board for review and deliberation by RMC.

In term of the key controls processes, the Group has presently implemented the following control measures and procedures in its operations:

- i. The Purchasing Committee that reviews, monitor and approves purchases;
- ii. Budgetary control involving the review and approval of annual budget for the new financial year;
- iii. Organisation structure that defines the management responsibilities and its hierarchy structure of reporting lines and accountability;
- iv. Authority limits and approval processes that facilitate the delegation of authority and management succession;
- v. Centralized enterprise resource planning information system that provides on-line information and produces periodic performance reports to management for monitoring purposes;
- vi. ISO 9001:2008 Quality Management System, EC Certification on Factory Production Control 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.

#### **BOARD AND MANAGEMENT REVIEW MECHANISM**

Whilst the RMC oversees risk management and is assisted by the RMWC at the operational level, various management review meetings are held throughout the year. Presently, the management organizes weekly Senior Management Meeting, weekly Collections Meeting, monthly Group Management Committee Meeting and monthly Operation Meetings at the respective key subsidiaries. The objective of these meetings is to ensure policies, decisions and expected operational performance targets and objectives set by the top executives are communicated, understood and executed by line management. At the same time, these meetings re-enforce the monitoring and supervision controls at the line management levels.

In order to ensure the objectivity of the review of the systems of internal control in the Group, the Audit Committee is instituted by the Board to undertake this role. In conducting its review, the Audit Committee is assisted by the Internal Auditors who report to the Audit Committee quarterly on the state of control of the audited functions. Additionally, the Audit Committee obtains feedback from the External Auditors on the risk and control issues highlighted by them in the course of their statutory audit.

Management supplements the Audit Committee review on risk issues when presenting their quarterly financial performance and results to the Audit Committee. In addition, with the management consultation, the Audit Committee deliberates the integrity of the quarterly financial results, annual report and audited financial statements before recommending to the Board to be presented to the shareholders and public investors.





## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

### MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance to the BMSB's Guidelines, management is responsible to the Board for:

- continuously identifying, evaluating and managing risks relevant to the business in achieving the Group's objectives and strategies implementation;
- designing, implementing and monitoring the risk management framework in accordance with the Group's strategic vision and overall risk appetite; and
- identifying changes to risk or emerging risks, taking action as appropriate and promptly bringing these to the attention of the Board.
- Assessing the adequacy and effectiveness of actions and controls implemented to mitigate the risks

The Board has received assurance from all Executive Directors and Chief Financial Officer that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

### BOARD ASSURANCE AND LIMITATION

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. For the financial year under review, the Board is satisfied that the existing level of systems of internal control and risk management are effective to enable the Group to achieve its business objectives and there were no material losses resulted from significant control weaknesses.

While, the Board wishes to reiterate that risk management and systems of internal control would be continuously improved in line with the evolving business development, it should be noted that all risk management systems and systems of internal control could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems of internal control and risk management in the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

### REVIEW OF STATEMENT ON INTERNAL CONTROL BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report for the financial year ended 31 July 2016. Their review was performed in accordance with Recommended Practice Guide 5 (RPG 5) issued by the Malaysian Institute of Accountants.

Though, RPG 5 does not require the External Auditors to consider whether this statement covers all risks and controls or to form an opinion on the effectiveness of the Group's risk management and internal control system, the External Auditors 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 processes the Board has adopted in reviewing the adequacy and effectiveness of the risk management and internal control systems of the Group.

The Board of Directors of Hiap Teck Venture Berhad is pleased to present the Audit Committee report for the financial year ended 31 July 2016 in compliance with Paragraph 15.15 of the Main Market Listing Requirement.

## COMPOSITION OF AUDIT COMMITTEE

The Audit Committee was established on 17 July 2003 to fulfill the principles of accountability, integrity and good corporate governance in assisting the Board in discharging its responsibilities of reviewing and monitoring the Group's financial process, audit process, statutory and regulatory compliance.

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

Members of the Audit Committee	Designation	Directorship
Mr. Ng Soon Lai @ Ng Siek Chuan	Chairman	Independent Non-Executive Director
Tan Sri Abd Rahman Bin Mamat	Member	Independent Non-Executive Chairman
Mr. Lee Ching Kion	Member	Independent Non-Executive Director
Mr. Leow Hoi Loong @ Liow Hoi Loong	Member	Independent Non-Executive Director

The Terms of Reference of the Audit Committee may be viewed at the Company's website at [www.htgrp.com.my](http://www.htgrp.com.my)

## MEETING AND ATTENDANCE

During the financial year ended 31 July 2016, the Audit Committee convened a total of four (4) meetings.

The details of the attendance of the meetings are as follows:-

Members	Date of Meeting				Total Meetings Attended	Percentage of Attendance
	30.09.2015	15.12.2015	25.03.2016	29.06.2016		
Mr. Ng Soon Lai @ Ng Siek Chuan	✓	✓	✓	✓	4/4	100%
Tan Sri Abd Rahman Bin Mamat	✓	✓	✓	✓	4/4	100%
Mr. Lee Ching Kion	✓	✓	✓	✓	4/4	100%
Mr. Leow Hoi Loong @ Liow Hoi Loong	✓	✓	✓	✓	4/4	100%



### SUMMARY OF ACTIVITIES

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

The Executive Director, Mr. Foo Kok Siew and the Group Chief Financial Officer, Miss Ooi Ai Leng attended the Audit Committee meetings by invitation during the financial year ended 31 July 2016. 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.

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

- Reviewed and recommended the unaudited 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 and the Securities Commission.
- 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 Risk Management and Internal Control prior to its inclusion in the Annual Report.
- Met with the External Auditors on 30 September 2015 and 29 June 2016 without the presence of the Executive Directors and Management.

### INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional services firm with an annual fees of RM70,000. Independence is essential to the effectiveness of the internal audit function. The outsourced Internal Auditors report directly to the Audit Committee and the Audit Committee has full and direct access to the Internal Auditors.

The internal audit function is established to assist the Audit Committee in discharging its duties and responsibilities. The principal role of the internal audit function is to review the Group's operations, evaluating their efficiency, effectiveness and compliance with corporate policies, procedures, laws and regulations.

The internal audit function is carried out with impartiality, proficiently and due professional care. It provides the Audit Committee with information, appraisals, recommendations and counsel regarding the activities examined and other significant issues. 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 agreed time frame.

During the financial year, the internal auditors executed the approved audit plan and performed the following tasks in accordance with its overall strategy:



### INTERNAL AUDIT FUNCTION

- Performed internal audit review on the Group's operating units in Singapore.
- Evaluated the effectiveness and adequacy of the control procedures in purchasing division, sales and credit control division as well as the Group's human resource function.
- Reviewed the control procedures taken by the management on recurrent related party transactions.
- Issued reports on the results of the internal review, identifying weaknesses with suggested recommendations for improvements to management for further action to improve the system of internal control.
- Followed up on the implementation of corrective action plans agreed by management.
- Attended Audit Committee meetings to table and discuss the internal audit findings and issues.

During the financial year, the Audit Committee has met the Internal Auditors four (4) times to carry out its responsibility in reviewing the internal audit function and to assure itself on the soundness of internal control system.

This statement was approved by the Board on 29 September 2016.





## CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Hiap Teck Venture Berhad ("HTVB") practices and treats Corporate Social Responsibility ("CSR") as an integral part of our corporate activities. We strive to be a socially responsible corporate citizen by incorporating CSR as part of our corporate culture.

We endeavor to comply with all applicable laws, regulations and rules, and conduct our business in accordance with established best practices.

### **The Workplace**

The Group believes that its employees are the greatest assets, and as such, places great emphasis on providing a healthy, safe, conducive working environment for its employees.

The Group is fully committed to ensure the health and safety of our people as well as the protection of the environment that we operate in. The Group strives to maintain an accident-free work environment and is constantly working towards improving its safety performance.

The Group continues to support the Occupational Safety and Health Committee in ensuring that the safety gears are made available to relevant group of employees at all times to establish a target of zero-incident working environment. Gotong Royong is a must yearly event of the Group with the objective to keep the surrounding area a clean environment.

The Group also values highly the development of sustainable human resources by placing high emphasis on executive succession planning and development. Various training courses and programmes on leadership, management and technical skills were conducted which include in-house trainings as well as external trainings and seminars. Team Building events have been organized in October and November 2015.

To foster camaraderie amongst the employees, the Group organizes social gatherings for all Festive Celebrations and Annual Dinner.

### **The Community**

The Group views education and life-long learnings as an important pillar of human resources and community development. Therefore the Group provided study loans, scholarships and awards to its employees and their family members. Education award is given to the employees' children to motivate them to excel academically. Our employee's children are also given a yearly allowance to enable them to buy books and other education aids to assist them in their studies.

The Group has always believed that a good and healthy work-life will lead to more productive workforce. In order to develop a balanced work-life and create a caring, harmonious and cohesive working environment, employees are encouraged to participate in various sports and recreational activities.

The Group organizes blood donation event annually to further educate the community the importance of blood donation and help to stock up the blood for National Blood Centre. The event received enthusiastic response from our employees and the local communities.

### **The Market Place**

The Group promotes good ethical business morals. Honesty, credibility and integrity in all our business dealings, and respect for the interest of the relevant stakeholders are essential business culture practised throughout the Group.

We ensure timely announcements are made on all material activities and events, key developments of our business and financial performance of the Group to Bursa Securities. The Group's website at [www.htgrp.com.my](http://www.htgrp.com.my) is updated regularly so as to provide the public with the latest information and development of the Group.

Moving forward, the Group will continue to implement effective corporate social responsibility initiatives now and into the future. We believe that everyone can bring meaningful changes within the Group, through corporate social responsibility.

# OUR

## VISION

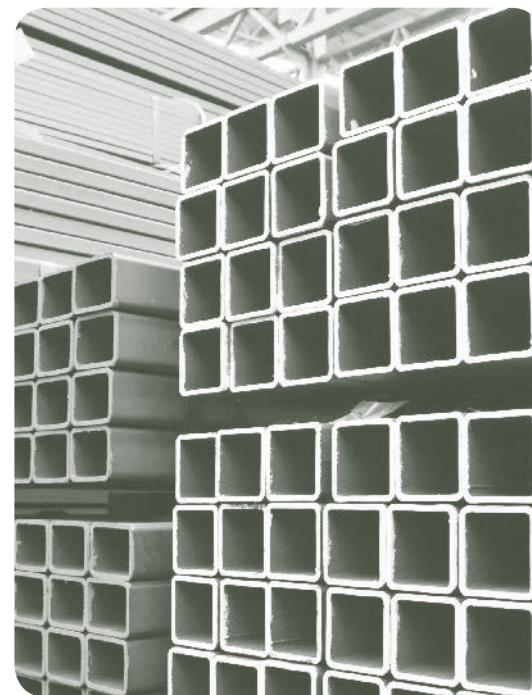
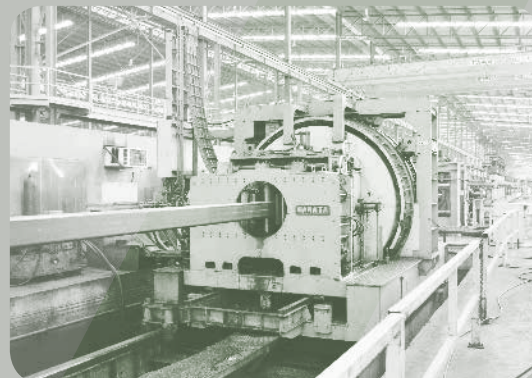
- To be the leading steel company in the region

## 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

# FINANCIAL STATEMENTS

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## DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2016.

### 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.

### Results

	Group RM'000	Company RM'000
(Loss)/Profit for the financial year attributable to:		
Owners of the Company	(41,561)	186,415
Non-controlling interests	(612)	-
	(42,173)	186,415

### 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.

### Dividends

Since the end of the previous financial year, the Company paid a single tier final dividend of 0.3 sen per ordinary share totalling RM2,138,727 in respect of financial year ended 31 July 2015 on 26 January 2016.

The single tier final dividend recommended by the Directors in respect of the financial year ended 31 July 2016 is 0.3 sen per ordinary share totalling RM3,849,706. 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 Abd Rahman Bin Mamat  
 Tan Sri Dato' Law Tien Seng  
 Ng Soon Lai @ Ng Siek Chuan  
 Foo Kok Siew  
 Leow Hoi Loong @ Liow Hoi Loong  
 Lee Ching Kion  
 Tan Shau Ming  
 Wang Shenghua (Appointed on 5 February 2016)  
 Sun Yanmin (Resigned on 5 February 2016)

### Directors' interests in shares

The interests and deemed interests in the ordinary shares and options over ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial 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 31.7.2016
	At 1.8.2015	Bought	Sold	
Deemed interests in the Company:				
Tan Sri Dato' Law Tien Seng	187,582,048	150,065,638	-	337,647,686
Lee Ching Kion	41,864	33,490	-	75,354
Tan Shau Ming	330	791,670	-	792,000

	Number of options over ordinary shares of RM0.50 each			At 31.7.2016
	At 1.8.2015	Granted	Exercised	
Interest in the Company:				
Tan Sri Abd Rahman Bin Mamat - own	800,000	639,999	-	1,439,999
Tan Sri Dato' Law Tien Seng - own	7,000,000	5,599,995	-	12,599,995
Ng Soon Lai @ Ng Siek Chuan - own	500,000	399,999	-	899,999
Lee Ching Kion - own	500,000	399,999	-	899,999
Foo Kok Siew - own	4,000,000	3,199,997	-	7,199,997
Leow Hoi Loong @ Liow Hoi Loong - own	500,000	399,999	-	899,999
Tan Shau Ming - own	2,000,000	1,599,997	-	3,599,997

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 2016 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 22 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 to the financial statements.

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 apart from the issuance of the options pursuant to the Employees Share Option Scheme ("ESOS") and 5-year 5% Redeemable Convertible Unsecured Islamic Debt Securities ("RCUIDS") with free detachable warrants.

### Issue of shares and debentures

On 6 May 2016, the Board of Director authorised the amendment to the Memorandum And Articles of Association of the Company to increase the authorised share capital of the Company from RM1,000,000,000 comprising 2,000,000,000 ordinary shares of RM0.50 each to RM2,000,000,000 comprising 4,000,000,000 ordinary shares of RM0.50 each.

During the financial year, the Company credited a bonus issue of 570,326,626 new ordinary shares of RM0.50 each as fully paid up ("bonus shares") on the basis of two (2) bonus shares for every one (1) RM0.50 nominal value of RCUIDS subscribed pursuant to the rights issue ("Bonus Issue").

The new ordinary shares issued during the financial year rank pari-passu in all respects with the existing ordinary 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 a renounceable rights issue of RM142,581,656.50 nominal value of five (5)-year 5% RCUIDS at 100% of its nominal value on the basis of two (2) RM0.50 nominal value of RCUIDS for every five (5) existing ordinary shares of RM0.50 each in the Company together with 285,163,313 free detachable warrants ("New Warrants") on the basis of one (1) New Warrant for every one (1) RM0.50 nominal value of RCUIDS subscribed ("Rights Issue"). The RCUIDS and warrants are convertible into ordinary shares of RM0.50 each from the issue date of the RCUIDS up to 23 June 2021 at the option of the holder, unconverted RCUIDS will be entitled to receive a coupon of 5% per annum based on the nominal value of RCUIDS held.

### Treasury shares

As at 31 July 2016, a total of 5,482,000 buy-back shares were held as treasury shares and carried at costs.

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 financial year apart from the issue of options pursuant to the Employees Share Option Scheme ("ESOS") which are governed by ESOS By-Laws and RCUIDS with free detectable warrants.

#### *Employees Share Option Scheme ("ESOS")*

At an extraordinary general meeting held on 23 November 2011, the Company's shareholders approved the establishment of ESOS to eligible Directors and employees of the Group.

The salient terms of the ESOS are disclosed in Note 32 to the financial statements.



### Options granted over unissued shares (Cont'd)

The options offered to take up unissued ordinary shares of RM0.50 each and the exercise prices are as follows:

Date of offer	Exercise price	No. of share options over ordinary shares of RM0.50 each				
		At 1.8.2015	Granted	Exercised	Forfeited	At 31.7.2016
19 April 2013	RM0.50	38,021,000	30,054,893	-	(1,305,996)	66,769,897
10 January 2014	RM0.67	9,770,000	7,127,960	-	(1,003,999)	15,893,961
15 January 2015	RM0.53	8,440,000	6,535,930	-	(409,998)	14,565,932
		56,231,000	43,718,783	-	(2,719,993)	97,229,790

The Company has been granted an exemption by the Companies Commission of Malaysia from having to disclose in this report the names and details of holdings of persons to whom have been granted not more than 1,799,999 options as required by Section 169(11) of the Companies Act, 1965. This information has been separately filed with the Companies Commission of Malaysia.

The names of the persons who were granted options over ordinary shares of RM0.50 each of 1,799,999 or more are as follows:

	Number of options over ordinary shares of RM0.50 each			
	At 1.8.2015	Granted	Exercised	At 31.7.2016
Interests in, the Company:				
Tan Sri Dato Law Tien Seng	7,000,000	5,599,995	-	12,599,995
Foo Kok Siew	4,000,000	3,199,997	-	7,199,997
Teh Swee See	3,300,000	2,639,996	-	5,939,996
Ooi Ai Leng	2,500,000	1,999,997	-	4,499,997
Phang Chin Khiong	2,000,000	1,599,997	-	3,599,997
Seh Kwang Weoi	2,000,000	1,599,997	-	3,599,997
Tan Shau Ming	2,000,000	1,599,997	-	3,599,997
Teoh Peir Song	1,760,000	1,407,997	-	3,167,997
Tan Yuen Hong	1,584,000	1,267,197	-	2,851,197
Tee Tuang Siong	1,040,000	831,997	-	1,871,997

### RCUIDS with free detachable warrants

At an extraordinary general meeting held on 6 May 2016, the Shareholders approved:

- (i) A Renounceable Rights Issue of up to RM213,293,100 nominal value of five (5)-year 5% Redeemable Convertible Unsecured Islamic Debt Securities ("RCUIDS") at 100% of its nominal value on the basis of two (2) RM0.50 nominal value of RCUIDS for every five (5) existing ordinary shares of RM0.50 each in the Company ("HTVB shares" or "shares") held on an entitlement date to be determined later together with up to 426,586,200 free detachable warrants ("new warrants") on the basis of one (1) new warrants for every one (1) RM0.50 nominal value of RCUIDS subscribed ("Proposed Rights Issue");
- (ii) A Bonus issue of up to 853,172,400 new HTVB shares to be credited as fully paid-up ("bonus shares") on the basis of two (2) bonus share for every one (1) RM0.50 nominal value of RCUIDS subscribed by the entitled shareholders of the Company and/or their renounce(s) pursuant to the proposed rights issue ("Proposed Bonus Issue");



## Options granted over unissued shares (Cont'd)

### *RCUIDS with free detachable warrants (Cont'd)*

- (iii) An increase in the authorised share capital of the Company from RM1,000,000,000 comprising 2,000,000,000 HTVB shares of RM0.50 each to RM2,000,000,000 comprising 4,000,000,000 HTVB shares of RM0.50 each ("Proposed ISAC"); and
- (iv) Amendments to the Memorandum and Articles of Association of the Company ("Proposed Amendments").

On 24 June 2016, the Company issued:

- (i) A renounceable rights issue of RM142,581,656.50 nominal value of five (5)-year 5% RCUIDS at 100% of its nominal value on the basis of two (2) RM0.50 nominal value of RCUIDS for every five (5) existing ordinary shares of RM0.50 each in the Company together with 285,163,313 free detachable warrants ("New Warrants") on the basis of one (1) New Warrant for every one (1) RM0.50 nominal value of RCUIDS subscribed ("Rights Issue");
- (ii) A Bonus issue of up to 570,326,626 new HTVB shares to be credited as fully paid-up ("bonus shares") on the basis of two (2) bonus share for every one (1) RM0.50 nominal value of RCUIDS subscribed by the entitled shareholders of the Company and/or their renounce(s) pursuant to the proposed rights issue ("Bonus Issue");
- (iii) An increase in the authorised share capital of the Company from RM1,000,000,000 comprising 2,000,000,000 HTVB shares of RM0.50 each to RM2,000,000,000 comprising 4,000,000,000 HTVB shares of RM0.50 each ("ISAC");
- (iv) Amendments to the Memorandum and Articles of Association of the Company ("Amendments");
- (v) An increase of 70,826,936 in Warrants 2012/2017 arising from the adjustments to the outstanding number of Warrants 2012/2017 pursuant to the Rights Issue;
- (vi) An increase of 43,718,783 Employees' Share Options Scheme ("ESOS") arising from adjustments to the outstanding number of ESOS pursuant to the Rights Issue.

As at 31 July 2016, no RCUIDS have been converted and no warrants have been exercised by the registered holders.

## Other statutory information

Before the financial statements 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 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
- 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.

**Other statutory information (Cont'd)**

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 those disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 July 2016 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 event**

Significant event during the year is disclosed in Note 34 to the financial statements.



## DIRECTORS' REPORT (Cont'd)

### Subsequent event

Subsequent event during the year is disclosed in Note 35 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**

.....  
**Foo Kok Siew**

Date: 28 October 2016

# STATEMENTS OF FINANCIAL POSITION

as at 31 July 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Assets</b>					
Property, plant and equipment	3	256,486	275,714	202	328
Mining exploration and evaluation assets	4	19,597	18,704	-	-
Investment properties	5	7,476	7,635	99,420	100,735
Investment in subsidiaries	6	-	-	93,970	93,970
Investment in joint venture	7	55,157	154,376	220,798	220,798
Investment in associate	8	475	479	-	-
Available-for-sale financial assets	9	909	2,106	-	-
Deferred tax assets	10	302	1,351	-	-
Trade and other receivables	11	279,612	152,336	303,646	174,959
<b>Total non-current assets</b>		620,014	612,701	718,036	590,790
Inventories	12	254,993	293,157	-	-
Trade and other receivables	11	528,071	534,221	247,587	231,526
Tax recoverable		2,235	2,109	-	-
Available-for-sale financial assets	9	5,189	1,234	-	73
Cash and cash equivalents	13	241,492	65,484	127,199	22,056
<b>Total current assets</b>		1,031,980	896,205	374,786	253,655
<b>Total assets</b>		1,651,994	1,508,906	1,092,822	844,445
<b>Equity</b>					
Share capital		644,358	359,195	644,358	359,195
Share premium		-	38,160	-	38,160
Reserves		268,506	474,794	128,594	105,567
<b>Total equity attributable to owners of the Company</b>	14	912,864	872,149	772,952	502,922
Non-controlling interests		180	792	-	-
<b>Total equity</b>		913,044	872,941	772,952	502,922
<b>Liabilities</b>					
Deferred tax liabilities	10	41,080	11,351	29,883	3,909
Loans and borrowings	15	165,537	131,346	165,537	131,346
<b>Total non-current liability</b>		206,617	142,697	195,420	135,255
Loans and borrowings	15	451,360	395,380	93,249	32,199
Trade and other payables	16	75,883	97,347	30,728	173,531
Current tax payable		5,090	541	473	538
<b>Total current liabilities</b>		532,333	493,268	124,450	206,268
<b>Total liabilities</b>		738,950	635,965	319,870	341,523
<b>Total equity and liabilities</b>		1,651,994	1,508,906	1,092,822	844,445

The notes set out on pages 53 to 117 are an integral part of these financial statements.



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 July 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Revenue</b>	17	1,138,061	1,257,619	188,258	31,272
Cost of sales	18	(1,013,680)	(1,145,656)	-	-
<b>Gross profit</b>		124,381	111,963	188,258	31,272
Other operating income		39,810	40,571	28,063	22,244
Operating costs in respect of income generating investment properties		(158)	(158)	(1,315)	(1,315)
Administrative expenses		(21,230)	(34,067)	(9,796)	(12,073)
Selling and marketing expenses		(32,664)	(27,573)	-	-
Other operating expenses		(3,811)	(65,421)	(3,384)	(56,188)
<b>Results from operating activities</b>		106,328	25,315	201,826	(16,060)
Finance cost	19	(31,722)	(32,101)	(13,676)	(11,910)
Share of loss of equity accounted investees, net of tax		(99,223)	(59,674)	-	-
<b>(Loss)/Profit before tax</b>		(24,617)	(66,460)	188,150	(27,970)
Tax expense	20	(17,556)	(10,346)	(1,735)	(1,956)
<b>(Loss)/Profit for the year</b>	21	(42,173)	(76,806)	186,415	(29,926)
<b>Other comprehensive expense, net of tax</b>					
<i>Items that are or maybe reclassified subsequently to profit or loss:</i>					
Foreign currency translation differences for foreign operation		(142)	(33)	-	-
Fair value of available-for-sale financial assets		(1,197)	(468)	-	-
<b>Other comprehensive expense for the year, net of tax</b>		(1,339)	(501)	-	-
<b>Total comprehensive (expense)/ income for the year</b>		(43,512)	(77,307)	186,415	(29,926)
<b>(Loss)/Profit attributable to:</b>					
<b>Owners of the Company</b>		(41,561)	(77,089)	186,415	(29,926)
<b>Non-controlling interests</b>		(612)	283	-	-
<b>(Loss)/Profit for the year</b>		(42,173)	(76,806)	186,415	(29,926)
<b>Total comprehensive (expense)/ income attributable to:</b>					
<b>Owners of the Company</b>		(42,900)	(77,590)	186,415	(29,926)
<b>Non-controlling interests</b>		(612)	283	-	-
<b>Total comprehensive (expense)/income for the year</b>		(43,512)	(77,307)	186,415	(29,926)
<b>Loss per ordinary share (sen):</b>					
Basic	23	(3.24)	(10.81)		

The notes set out on pages 53 to 117 are an integral part of these financial statements.





# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 July 2016

Note	Attributable to shareholders of the Group				Distributable				Non-controlling interests		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserves RM'000	Other reserves RM'000	Share option reserves RM'000	Retained earnings RM'000	Total RM'000	controlling RM'000	RM'000	
<b>At 31 July 2014</b>	358,978	38,143	(7,495)	18,459	(496)	2,591	542,453	952,633	-	-	952,633
Foreign currency translation differences for foreign operations	-	-	-	-	(33)	-	-	(33)	-	-	(33)
Net change in fair value of available-for-sale financial assets	-	-	-	-	(468)	-	-	(468)	-	-	(468)
Total other comprehensive expense	-	-	-	-	(501)	-	-	(501)	-	-	(501)
Loss for the year	-	-	-	-	-	-	77,089	77,089	283	76,806	
<b>Total comprehensive income for the year</b>	-	-	-	-	(501)	-	77,089	77,590	283	77,307	
Purchase of treasury shares	358,978	38,143	(7,495)	18,459	(997)	2,591	465,364	875,043	283	875,326	
Share options exercised	217	-	-	-	-	-	-	(1)	-	(1)	
Equity-settled share based payments	-	-	-	-	-	1,168	-	217	-	217	
Acquisition of subsidiary	-	-	-	-	-	-	-	1,168	-	1,168	
Transfer to share premium for share option exercised	-	-	-	-	-	-	-	-	509	509	
Dividends to owners of the Company	-	17	-	-	-	(17)	-	-	-	-	-
<b>Total contribution from/(distribution to) owners</b>	-	-	-	-	-	-	(4,278)	(4,278)	-	(4,278)	
<b>At 31 July 2015</b>	217	-	(1)	-	-	1,151	(4,278)	(2,894)	509	(2,385)	
	359,195	38,160	(7,496)	18,459	(997)	3,742	461,086	872,149	792	872,941	

/-----/ Note 14 -----/



# **CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY** (Cont'd) for the year ended 31 July 2016

	Note	Attributable to shareholders of the Group									
		Non distributable					Distributable				
		Share capital	Share premium	Treasury shares	Warrant reserves	Other reserves	Share option reserves	Retained earnings	Total	Non-controlling interests	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 August 2015		359,195	38,160	(7,496)	18,459	(997)	3,742	461,086	872,149	792	872,941
Foreign currency translation differences for foreign operations		-	-	-	-	(142)	-	-	(142)	-	(142)
Net change in fair value of available-for-sale financial assets		-	-	-	-	(1,197)	-	-	(1,197)	-	(1,197)
Total other comprehensive expense		-	-	-	-	(1,339)	-	-	(1,339)	-	(1,339)
Loss for the year		-	-	-	-	-	-	(41,561)	(41,561)	(612)	(42,173)
Total comprehensive expense for the year		359,195	38,160	(7,496)	18,459	(2,336)	3,742	419,525	829,249	180	829,429
Issuance of bonus shares/Redeemable Convertible Unsecured Islamic Debt Securities ("RCUIDS") (net of tax)		285,163	(38,160)	-	30,341	54,965	-	(247,003)	85,306	-	85,306
Equity-settled share based payments		-	-	-	-	-	448	-	448	-	448
Dividends to owners of the Company	24	-	-	-	-	-	-	(2,139)	(2,139)	-	(2,139)
Total contribution from/(distribution to) owners		285,163	(38,160)	-	30,341	54,965	448	(249,142)	83,615	-	83,615
At 31 July 2016		644,358	-	(7,496)	48,800	52,629	4,190	170,383	912,864	180	913,044

/----- Note 14 -----/

# COMPANY STATEMENTS OF CHANGES IN EQUITY (Cont'd)

for the year ended 31 July 2016

		Attributable to shareholders of the Company							
		Non distributable				Distributable			
	Share capital	Share premium	Treasury shares	Warrant reserves	Other reserves	Share option reserves	Retained earnings	Total equity	
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 August 2014</b>	358,978	38,143	(7,495)	18,459	(353)	2,591	125,419	535,742	
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(29,926)	(29,926)	
Purchase of treasury shares	-	-	(1)	-	-	-	-	(1)	
Share options exercised	217	-	-	-	-	-	-	217	
Warrants exercised	-	-	-	-	-	-	-	-	
Equity-settled share based payments	-	-	-	-	-	1,168	-	1,168	
Transfer to share premium for share option exercised	-	17	-	-	-	(17)	-	-	
Dividends to owners of the Company	-	-	-	-	-	-	(4,278)	(4,278)	
<b>Total contribution from/(distribution to) owners</b>	217	-	(1)	-	-	1,151	(4,278)	(2,894)	
<b>At 31 July 2015</b>	359,195	38,160	(7,496)	18,459	(353)	3,742	91,215	502,922	
<b>At 1 August 2015</b>	359,195	38,160	(7,496)	18,459	(353)	3,742	91,215	502,922	
Loss and total comprehensive expense for the year	-	-	-	-	-	-	186,415	186,415	
Issuance of bonus shares/ RCUIDS (net of tax)	285,163	(38,160)	-	30,341	54,965	-	(247,003)	85,306	
Equity-settled share based payments	-	-	-	-	-	448	-	448	
Dividends to owners of the Company	-	-	-	-	-	-	(2,139)	(2,139)	
<b>Total contribution from/(distribution to) owners</b>	285,163	(38,160)	-	30,341	54,965	448	(249,142)	83,615	
<b>At 31 July 2016</b>	644,358	-	(7,496)	48,800	54,612	4,190	28,488	772,952	

/----- Note 14 -----/

The notes set out on pages 53 to 117 are an integral part of these financial statements.



# STATEMENTS OF CASH FLOWS

for the year ended 31 July 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Cash flows from operating activities</b>					
<b>(Loss)/Profit before tax</b>		(24,617)	(66,460)	188,150	(27,970)
<b>Adjustments for:</b>					
Net unrealised foreign exchange loss/(gain)		1,400	(3,014)	226	-
Allowance for doubtful debts		634	-	-	-
Bad debts written off		-	657	-	-
Depreciation of property, plant and equipment		21,706	23,842	126	234
Depreciation of investment properties		159	159	1,315	1,315
Property, plant and equipment written off		20	110	-	-
Interest expense		31,722	32,101	13,676	11,910
Finance income:					
Deposits		(1,988)	(532)	(1,636)	(123)
Available-for-sale financial assets		(787)	(1,601)	(10)	(85)
Joint venture		(24,245)	(20,215)	(24,245)	(20,215)
Subsidiary		-	-	(1,606)	(1,606)
Net overdue interest income		(355)	(145)	-	-
Dividends income		(33)	(123)	(6,360)	(19,560)
Gain on disposal of property, plant and equipment		(3,868)	(2,442)	-	-
Gain on disposals of available-for-sale financial assets		(103)	-	-	-
Equity-settled share based payments		448	1,168	448	1,168
(Reversal of)/Provision for diminution in value of inventories		(4,835)	8,805	-	-
Inventories written off		3,885	-	-	-
Write down of inventories		14,485	-	-	-
Acquisition of subsidiary – gain on bargain purchase	33	-	(72)	-	-
Impairment loss on investment in joint venture		-	55,000	-	55,000
Share of loss of equity accounted investees, net of tax		99,223	59,674	-	-
<b>Operating profit before changes in working capital</b>		112,851	86,912	170,084	68
Changes in working capital:					
Inventories		24,629	52,878	-	-
Trade and other receivables		21,236	(28,257)	(27)	42,581
Trade and other payables		(22,674)	2,831	(144,247)	1,872
<b>Cash generated from operations</b>		136,042	114,364	25,810	44,521
Interest paid		(27,542)	(28,360)	(9,822)	(8,323)
Net overdue interest income		355	145	-	-
Income tax paid		(9,293)	(9,938)	(2,765)	(3,821)
<b>Net cash from operating activities</b>		99,562	76,211	13,223	32,377



# STATEMENTS OF CASH FLOWS (Cont'd)

for the year ended 31 July 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Cash flows from investing activities</b>					
Proceeds from withdrawal of available-for-sale financial assets		103	26,645	73	933
Dividend received		33	123	6,360	19,560
Proceeds from disposal of property, plant and equipment		4,539	3,633	-	-
Finance income:					
Deposits		1,988	532	1,636	123
Available-for-sale financial assets		787	1,601	10	85
Joint venture		24,245	20,215	24,245	20,215
Subsidiary		-	-	1,606	1,606
Purchase of property, plant and equipment		(2,432)	(10,354)	-	(11)
Additions to mining exploration and evaluation assets		(893)	(1,417)	-	-
Advances to joint venture		(146,274)	(53,643)	(146,348)	(53,229)
Investment in available-for-sale financial assets		(3,955)	(123)	-	-
Investment in an associate		-	(480)	-	-
Acquisition of subsidiary - net of cash received		-	47	-	-
<b>Net cash used in investing activities</b>		(121,859)	(13,221)	(112,418)	(10,718)
<b>Cash flows from financing activities</b>					
Issuance of ordinary shares		-	217	-	217
(Repayment)/Drawdown of borrowings		58,824	(52,858)	63,895	-
Proceed from issuance of RCUIDS		142,582	-	142,582	-
Purchase of treasury shares		-	(1)	-	(1)
Dividends paid to owners of the Company		(2,139)	(4,278)	(2,139)	(4,278)
<b>Net cash (used in)/from financing activities</b>		199,267	(56,920)	204,338	(4,062)
<b>Net increase in cash and cash equivalents</b>		176,970	6,070	105,143	17,597
Effect of exchange rate changes		(962)	4,473	-	-
<b>Cash and cash equivalents at beginning of year</b>		65,484	54,941	22,056	4,459
<b>Cash and cash equivalents at end of year</b>		241,492	65,484	127,199	22,056

## Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits placed with licensed banks	13	59,375	27,501	59,375	21,239
Cash and bank balances	13	182,117	37,983	67,824	817
		241,492	65,484	127,199	22,056

## Dividend income from subsidiaries

During the financial year, the dividend incomes received from subsidiaries amounting to RM170,000,000 (2015: Nil) were settled against balances due from the subsidiaries.

The notes set out on pages 53 to 117 are an integral part of these financial statements.



## NOTES TO THE 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 is as follows:

Registered office and principal place of business  
Lot 6096, Jalan Haji Abdul Manan  
Batu 5½, 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 2016 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 joint venture and associate. The financial statements of the Company as at and for the financial year ended 31 July 2016 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 change in the nature of these activities during the financial year.

These financial statements were authorised for issue by the Board of Directors on 28 October 2016.

### 1. Basis of preparation

#### (a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016**

- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 5, Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101, Presentation of Financial Statements – Disclosure Initiative
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants
- Amendments to MFRS 119, Employee Benefits (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, Separate Financial Statements – Equity Method in Separate Financial Statements
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)



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

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

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

- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019**

- MFRS 16, Leases

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

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 August 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016,
- from the annual period beginning on 1 August 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017;
- from the annual period beginning on 1 August 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018; and
- from the annual period beginning on 1 August 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

#### **MFRS 15, Revenue from Contracts with Customers**

MFRS 15 will replace the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

The Group is currently assessing the financial impact of adopting MFRS 15.

### (b) Statement of compliance

#### **MFRS 9, Financial Instruments**

MFRS 9 will replace the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities and on hedge accounting.

The Group is currently assessing the financial impact of adopting MFRS 9.



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

#### (b) Statement of compliance (Cont'd)

##### **MFRS 16, Leases**

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

##### **Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception**

The amendments to MFRS 10, MFRS 12 and MFRS 128 require an investment entity parent to fair value a subsidiary providing investment-related services that is itself an investment entity, an intermediate parent owned by an investment entity group can be exempted from preparing consolidated financial statements and a non-investment entity investor can retain the fair value accounting applied by its investment entity associate or joint venture.

The Group is currently assessing the financial impact that may arise from the adoption of the 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 MFRSs 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 7 – Investment in joint venture
- Note 10 - Recognition of deferred tax assets
- Note 30 - Contingent liabilities

## **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 Group entities, unless otherwise stated.

### **(a) Basis of consolidation**

#### **(i) Subsidiaries**

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment 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 or distribution. The cost of investment includes transaction costs.

#### **(ii) 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.

For new acquisitions, the Group measures the cost of 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.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, 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.

#### **(iii) Acquisition of non-controlling interests**

The Group accounts for 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.



### 2. Significant accounting policies (Cont'd)

#### (a) Basis of consolidation (Cont'd)

##### (iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former 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) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influences ceases.

When the Group's share of losses exceeds its interest in associate, 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 associates.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates 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 or distribution. The cost of investment includes transaction costs.

##### (vi) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

## **2. Significant accounting policies (Cont'd)**

### **(a) Basis of consolidation (Cont'd)**

#### **(vi) Joint arrangements (Cont'd)**

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as “joint operation” when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as “joint venture” when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

#### **(vii) 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 profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### **(viii) 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 and joint ventures 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.

### **(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.



### 2. Significant accounting policies (Cont'd)

#### (b) Foreign currency (Cont'd)

##### (i) Foreign currency transactions (Cont'd)

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains or 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 foreign currency translation reserve ("FCTR") equity.

##### (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 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 gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while, 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.

#### (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.

##### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:



## 2. Significant accounting policies (Cont'd)

### (c) Financial instruments (Cont'd)

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

##### ***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 trade and other receivables and cash and cash equivalents.

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)).

##### ***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 equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.



### 2. Significant accounting policies (Cont'd)

#### (c) Financial instruments (Cont'd)

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

###### *Financial liabilities (Cont'd)*

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.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specific 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.

#### (d) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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.

## 2. Significant accounting policies (Cont'd)

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

#### (i) Recognition and measurement (Cont'd)

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 with in "other operating income" and "other operating expenses" respectively in profit or loss.

#### (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.

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed. If a component has a useful life that is different from the remainder of the asset, then that component is depreciated separately.

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
• Other assets	3 - 10 years

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

### (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.



### 2. Significant accounting policies (Cont'd)

#### (e) Leased assets (Cont'd)

##### (i) Finance lease (Cont'd)

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 or as investment property if held to earn rental income or for capital appreciation or for both.

##### (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 and measured using fair value model.

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.

#### (f) Exploration and evaluation of mineral resources

Exploration and evaluation costs, including the costs of acquiring licenses, are initially capitalised as intangible exploration and evaluation assets ("E&E assets") according to the nature of the assets acquired. The costs are accumulated in cost centres by field or exploration area pending determination of technical feasibility and commercial viability.

E&E assets that are available for use are amortised over their estimated useful lives based on the unit of production method and recognised in profit or loss upon the commencement of commercial production.

E&E assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist. A review of each exploration license or field is carried out, to ascertain whether proven reserves have been discovered. Upon determination of proven reserves, intangible E&E assets attributable to those reserves are tested for impairment and then reclassified from E&E assets to a separate category within tangible assets.

Expenditure deemed to be unsuccessful is recognised in profit or loss immediately.

## **2. Significant accounting policies (Cont'd)**

### **(g) Investment properties**

#### **Investment properties at cost**

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.

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land is depreciated over the lease term and their useful lives of 60 years.

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 on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### **(j) Impairment**

#### **(i) Financial assets**

All financial assets (except for investment in subsidiaries, investment in joint venture and investment in associate) 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. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

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.



### 2. Significant accounting policies (Cont'd)

#### (j) Impairment (Cont'd)

##### (i) Financial assets (Cont'd)

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 assets) 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 of disposal. 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.

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.

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.



## **2. Significant accounting policies (Cont'd)**

### **(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 in the statement of changes in equity.

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.

### **(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 proceeds are first allocated to the liability component, determined based on the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.



### 2. Significant accounting policies (Cont'd)

#### (m) Employee benefits (Cont'd)

##### (iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

#### (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) Service income**

Revenue 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.

### **(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.



### 2. Significant accounting policies (Cont'd)

#### (q) Income tax (Cont'd)

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.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against 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, ESOS 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 Executive Director and 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.

#### (t) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

## **2. Significant accounting policies (Cont'd)**

### **(t) Fair value measurement (Cont'd)**

#### **(t) Fair value measurement (continued)**

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the assets or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 3. Property, plant and equipment

Group	Note	Freehold land RM'000	Buildings RM'000	Leasehold land RM'000	Plant & machinery RM'000	Capital-in progress RM'000	Motor vehicles RM'000	Other assets RM'000	Total RM'000
<b>Cost</b>									
At 1 August 2014		76,417	139,366	1,070	204,093	2,710	5,810	56,014	485,480
Additions		-	130	-	1,152	1,747	829	6,496	10,354
Acquisition of subsidiary	33	-	-	-	690	-	376	419	1,485
Disposals		-	-	-	-	-	(315)	(2,945)	(3,260)
Written off		-	-	-	-	-	-	(259)	(259)
Transfers		-	-	-	190	(190)	-	-	-
Effect of movement in exchange rates		-	-	-	9	-	9	1,364	1,382
At 31 July 2015/1 August 2015		76,417	139,496	1,070	206,134	4,267	6,709	61,089	495,182
Additions		-	-	-	1,103	761	-	568	2,432
Disposals		-	-	-	-	-	(321)	(3,826)	(4,147)
Written off		-	-	-	(1,430)	-	-	(291)	(1,721)
Transfers		-	361	-	2,352	(2,808)	-	-	(95)
Effect of movement in exchange rates		-	-	-	10	-	10	1,484	1,504
At 31 July 2016		76,417	139,857	1,070	208,169	2,220	6,398	59,024	493,155



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

Group	Note	Freehold land RM'000	Buildings RM'000	Leasehold land RM'000	Plant & machinery RM'000	Capital-in progress RM'000	Motor vehicles RM'000	Other assets RM'000	Total RM'000
<b>Accumulated depreciation</b>									
At 1 August 2014		-	24,053	258	134,561	-	4,277	34,143	197,292
Charge for the year		-	2,832	19	12,681	-	710	7,600	23,842
Acquisition of a subsidiary	33	-	-	-	54	-	71	36	161
Disposals		-	-	-	-	-	(315)	(1,754)	(2,069)
Written off		-	-	-	-	-	-	(149)	(149)
Effect of movement in exchange rates		-	-	-	3	-	5	383	391
At 31 July 2015/1 August 2015		-	26,885	277	147,299	-	4,748	40,259	219,468
Charge for the year		-	2,847	18	10,550	-	690	7,601	21,706
Disposals		-	-	-	-	-	(321)	(3,155)	(3,476)
Written off		-	-	-	(1,430)	-	-	(271)	(1,701)
Effect of movement in exchange rates		-	-	-	6	-	8	658	672
At 31 July 2016		-	29,732	295	156,425	-	5,125	45,092	236,669

#### Carrying amounts

At 1 August 2014	76,417	115,313	812	69,532	2,710	1,533	21,871	288,188
At 31 July 2015/1 August 2015	76,417	112,611	793	58,835	4,267	1,961	20,830	275,714
At 31 July 2016	76,417	110,125	775	51,744	2,220	1,273	13,932	256,486

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



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

Company	Motor vehicles RM'000	Renovation RM'000	Office equipment RM'000	Total RM'000
<b>Cost</b>				
At 1 August 2014	424	650	130	1,204
Additions	-	7	4	11
At 31 July 2015/ 1 August 2015/31 July 2016	424	657	134	1,215
<b>Accumulated depreciation</b>				
At 1 August 2014	347	267	39	653
Charge for the year	77	131	26	234
At 31 July 2015/1 August 2015	424	398	65	887
Charge for the year	-	99	27	126
At 31 July 2016	424	497	92	1,013
<b>Carrying amounts</b>				
At 1 August 2014	77	383	91	551
At 31 July 2015/1 August 2015	-	259	69	328
At 31 July 2016	-	160	42	202

#### Security

At 31 July 2016, the redeemable convertible bonds (see Note 15) are secured by a first legal charge over property of a subsidiary with carrying amount of RM65,697,000 (2015 : RM66,751,000 ) and the land and buildings of the Company with carrying amount of RM99,420,000 (2015 : RM100,735,000 ) (see Note 5).

### 4. Mining exploration and evaluation assets

	Group RM'000
At 1 August 2015	18,704
Additions	893
At 31 July 2016	19,597

**5. Investment properties**

<b>Group</b>	<b>Leasehold land RM'000</b>	<b>Freehold land RM'000</b>	<b>Buildings RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 August 2014/31 July 2015/ 31 July 2016	3,950	485	6,429	10,864
<b>Accumulated depreciation</b>				
At 1 August 2014	1,486	-	1,584	3,070
Charge for the year	54	-	105	159
At 31 July 2015 / 1 August 2015	1,540	-	1,689	3,229
Charge for the year	54	-	105	159
At 31 July 2016	1,594	-	1,794	3,388
<b>Carrying amounts</b>				
At 1 August 2014	2,464	485	4,845	7,794
At 31 July 2015/1 August 2015	2,410	485	4,740	7,635
At 31 July 2016	2,356	485	4,635	7,476

<b>Company</b>	<b>Freehold land RM'000</b>	<b>Buildings RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 August 2014/31 July 2015/31 July 2016	48,062	65,740	113,802
<b>Accumulated depreciation</b>			
At 1 August 2014	-	11,752	11,752
Charge for the year	-	1,315	1,315
At 31 July 2015/1 August 2015	-	13,067	13,067
Charge for the year	-	1,315	1,315
At 31 July 2016	-	14,382	14,382
<b>Carrying amounts</b>			
At 1 August 2014	48,062	53,988	102,050
At 31 July 2015/1 August 2015	48,062	52,673	100,735
At 31 July 2016	48,062	51,358	99,420

Investment properties of the Group comprise a leasehold land which is being leased to third party. The estimated fair value of investment properties of the Group and of the Company are RM10,600,000 and RM144,240,000 (2015: RM10,600,000 and RM144,240,000) respectively. Investment properties are stated at cost and are not revalued.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 5. Investment properties (Cont'd)

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

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Rental income	998	948	7,992	7,992
Direct operating expenses:				
- income generating investment properties	(158)	(158)	(1,315)	(1,315)

Fair value of investment properties are categorised as follows:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2016</b>				
<b>Group</b>				
Land	-	-	2,880	2,880
Buildings	-	-	7,720	7,720
	-	-	10,600	10,600
<b>Company</b>				
Land	-	-	68,870	68,870
Buildings	-	-	75,370	75,370
	-	-	144,240	144,240

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2015</b>				
<b>Group</b>				
Land	-	-	2,880	2,880
Buildings	-	-	7,720	7,720
	-	-	10,600	10,600
<b>Company</b>				
Land	-	-	68,870	68,870
Buildings	-	-	75,370	75,370
	-	-	144,240	144,240

## 5. Investment properties (Cont'd)

### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

### Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair values of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

### Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.

### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

## 6. Investment in subsidiaries

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
At cost:		
Unquoted shares in Malaysia	93,970	93,970

Details of the subsidiaries are as follows:

<b>Name of subsidiary</b>	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Effective ownership interest</b>	
			<b>2016</b>	<b>2015</b>
			<b>%</b>	<b>%</b>
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



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 6. Investment in subsidiaries (Cont'd)

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

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2016 %	2015 %
Brilliant 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 Resources Sdn. Bhd	Malaysia	Dormant	100	100
<b>Subsidiary of Hiap Teck Hardware Sdn. Bhd.</b>				
Nexus Pacific Property Sdn. Bhd. (previously known as Hiap Teck Property Sdn. Bhd.)	Malaysia	Dormant	100	100
<b>Subsidiary of Hiap Teck Resources Sdn. Bhd.</b>				
Vista Mining Sdn. Bhd.	Malaysia	Exploring, contracting and activities related to the mining, processing and sale of iron ore	55	55
<b>Subsidiaries of Huatraco Scaffold Sdn. Bhd.</b>				
Huatraco Contracts Sdn. Bhd.	Malaysia	Dormant	100	100
Huatraco Investment Pte. Ltd.#	Singapore	Investment holding	100	100
<b>Subsidiary of Huatraco Investment Pte. Ltd.</b>				
Huatraco Singapore Pte. Ltd.#	Singapore	Scaffolding works and wholesale of industrial, construction and related machinery and equipment	100	100

#Audited by a firm other than KPMG



**7. Investment in joint venture**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares in Malaysia at cost	275,798	275,798	275,798	275,798
Share of post-acquisition reserves	(165,641)	(66,422)	-	-
Less: Impairment loss	(55,000)	(55,000)	(55,000)	(55,000)
	<b>55,157</b>	<b>154,376</b>	<b>220,798</b>	<b>220,798</b>

Details of the joint venture are as follows:

<b>Name of entity</b>	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Effective ownership interest</b>	
			<b>2016</b>	<b>2015</b>
			<b>%</b>	<b>%</b>
Eastern Steel Sdn. Bhd.	Malaysia	Manufacturing, selling and dealing in a range of steel products using blast furnace plant	55	55

On 15 March 2012, the Company entered into the Shareholders' Agreement with the shareholders of a joint venture, 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.

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

The following tables summarise the financial information of Eastern Steel Sdn. Bhd. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in Eastern Steel Sdn. Bhd., which is accounted for using the equity method.

	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>		
<b>Summarised financial information</b>		
<b>As at 31 July</b>		
Non-current assets	1,314,703	1,272,281
Current assets	66,653	199,849
Non-current liabilities	(593,594)	(243,657)
Current liabilities	(677,853)	(939,709)
Net assets	109,909	288,764
<b>Year ended 31 July</b>		
<b>Loss and total comprehensive expenses for the year</b>	(180,399)	(108,496)



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 7. Investment in joint venture (Cont'd)

	2016 RM'000	2015 RM'000
<b>Summarised financial information</b>		
<b>As at 31 July (Cont'd)</b>		
Included in the total comprehensive income/(expense):		
Interest income	107	148
Interest expense	(59,091)	(3,769)
Income tax income/(expense)	52	(115)
<b>Reconciliation of net assets to carrying amount</b>		
<b>As at 31 July</b>		
Group's share of net assets (net of impairment loss)	55,157	154,376
<b>Group's share of results</b>		
<b>Year ended 31 July</b>		
Group's share of loss and total comprehensive expense for the year	(99,219)	(59,673)

### 8. Investment in associate

	Company 2016 RM'000	2015 RM'000
Unquoted shares in Malaysia at cost	480	480
Share of post-acquisition reserves	(5)	(1)
	475	479

Details of the associate are as follows:

Name of entity	Country of incorporation	Principal activities	Effective ownership interest	
			2016 %	2015 %
Powerbex Scaffold Sdn. Bhd. (previously known as Huatraco GES Scaffold Sdn. Bhd.) ("PSSB")	Malaysia	Dormant	48	48

The Group, via its wholly-owned subsidiary, Huatraco Scaffold Sdn. Bhd., had on 23 December 2014 subscribed for 480,000 new ordinary shares of RM1.00 each at par in PSSB representing 48% of the enlarged issued and paid up share capital of PSSB.

**8. Investment in associate (Cont'd)**

The following are the summarised financial information of the associate.

	2016 RM'000	2015 RM'000
<b>As at 31 July</b>		
Total assets	996	1,003
Total liabilities	(6)	(5)
Net assets	990	998
Group's share of net assets	475	479
		<b>23.12.2014 to 2016 RM'000</b>
<b>As at 31 July</b>		<b>21.7.2015 RM'000</b>
Net loss	(8)	(3)
Group's share of net loss	(4)	(1)

**9. Available-for-sale financial assets**

	2016		2015	
	Carrying amount RM'000	Market value of quoted investments RM'000	Carrying amount RM'000	Market value of quoted investments RM'000
<b>Group</b>				
<b>Non-current</b>				
Club membership, unquoted	140	-	140	-
Equity instruments, quoted in Malaysia	769	769	1,966	1,966
	909		2,106	
<b>Current</b>				
Unit trust fund of licensed financial institution within Malaysia	5,189	5,189	1,234	1,234
	6,098		3,340	
<b>Company</b>				
<b>Current</b>				
Unit trust fund of licensed financial institution within Malaysia	-	-	73	73



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 10. Deferred tax assets/(liabilities)

#### Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>						
Property, plant and equipment	-	-	(19,179)	(22,180)	(19,179)	(22,180)
Investment properties	-	-	(133)	(111)	(133)	(111)
Loans and borrowings	3,817	2,735	(6,644)	(6,644)	(2,827)	(3,909)
Other payables	6,770	7,270	-	-	6,770	7,270
Tax loss carry-forwards	-	-	-	-	-	-
Reinvestment allowance	1,530	3,482	-	-	1,530	3,482
Allowance for increased export	-	5,448	-	-	-	5,448
RCUIDS	-	-	(26,939)	-	(26,939)	-
Tax assets/(liabilities)	12,117	18,935	(52,895)	(28,935)	(40,778)	(10,000)
Set-off of tax	(11,815)	(17,584)	11,815	17,584	-	-
Net tax assets/(liabilities)	302	1,351	(41,080)	(11,351)	(40,778)	(10,000)
<b>Company</b>						
Loans and borrowings	3,700	2,735	(33,583)	(6,644)	(29,883)	(3,909)

#### Unrecognised deferred tax assets

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

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unabsorbed capital allowances	6,163	6,132	-	-
Tax loss carry-forwards	781	1,630	-	-
Other deductible temporary differences	(290)	(923)	-	-
	6,654	6,839	-	-

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.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 10. Deferred tax assets/(liabilities) (Cont'd)

Movement in temporary differences during the financial year

Group	At 1.8.2014 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.7.2015/ 1.8.2015 RM'000	Recognised in profit or loss income RM'000	Recognised directly in equity RM'000	At 31.7.2016 RM'000
Property, plant and equipment	(24,167)	1,987	(22,180)	3,001	-	(19,179)
Investment properties	(96)	(15)	(111)	(22)	-	(133)
Loans and borrowings	(4,810)	901	(3,909)	1,082	-	(2,827)
Other payables	8,197	(927)	7,270	(500)	-	6,770
Tax loss carry-forwards	6	(6)	-	-	-	-
Reinvestment allowance	6,342	(2,860)	3,482	(1,952)	-	1,530
Allowance for increased export	5,448	-	5,448	(5,448)	-	-
RCUIDS	-	-	-	-	(26,939)	(26,939)
	(9,080)	(920)	(10,000)	(3,839)	(26,939)	(40,778)
<b>Company</b>						
RCUIDS	-	-	-	-	(26,939)	(26,939)
Loans and borrowings	(4,810)	901	(3,909)	965	-	(2,944)
	(4,810)	901	(3,909)	965	(26,939)	(29,883)

During the financial year, the deferred tax portion of the RCUIDS amounting to RM26,939,000 was the equity component of the RCUIDS and recognised in equity.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 11. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Non-current</b>				
<b>Non-trade</b>				
Amount due from a subsidiary	-	-	24,034	22,623
Amount due from joint venture	279,612	152,336	279,612	152,336
	279,612	152,336	303,646	174,959
<b>Current</b>				
<b>Trade</b>				
Trade receivables	237,343	277,051	-	-
Less: Allowance for impairment loss	(634)	(32)	-	-
	236,709	277,019	-	-
Amount due from joint venture	341	415	-	-
	237,050	277,434	-	-
<b>Non-trade</b>				
Other receivables	39,774	21,158	52	30
Amount due from joint venture	247,392	231,390	247,392	231,390
Amount due from an associate	2	-	-	-
Amount due from a subsidiary	-	-	32	-
	287,168	252,548	247,476	231,420
Deposits	768	820	35	30
Prepayments	3,085	3,419	76	76
	291,021	256,787	247,587	231,526
	528,071	534,221	247,587	231,526
	807,683	686,557	551,233	406,485

The Group's normal trade credit term ranges from 14 to 90 (2015: 14 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

#### Amount due from a subsidiary

The amount due from a subsidiary is unsecured and subject to interest rate of 5% (2015: 5%) per annum and repayable in 2018.

#### Amount due from joint venture

The trade amount due from joint venture is subject to normal trade terms.

The non-trade amount due from joint venture is unsecured and subject to interest rates of 4.6% to 9.2% (2015: 4.6% to 9.2%) per annum. The non-current balance is repayable in 2018.

**12. Inventories**

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Raw materials	67,369	47,823
Work-in-progress	14,355	19,213
Finished goods	85,970	101,104
Merchandise goods	84,955	122,815
Spare parts	2,344	2,202
At 31 July	254,993	293,157
Recognised in profit or loss:		
Inventories recognised as cost of sales	976,941	1,135,559
Write-down to net realisable value	14,485	-
Inventory written off	3,885	-
(Reversal of)/Provision for diminution value of inventories	(4,586)	8,805

**13. Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits placed with licensed banks	59,375	27,501	59,375	21,239
Cash and bank balances	182,117	37,983	67,824	817
	241,492	65,484	127,199	22,056

**14. Capital and reserves**

	<b>Group and Company</b>		<b>Number</b>	
	<b>Amount</b>	<b>of shares</b>	<b>Amount</b>	<b>of shares</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Authorised:				
Ordinary shares of RM0.50 each				
At 1 August	1,000,000	2,000,000	1,000,000	2,000,000
Additions	1,000,000	2,000,000	-	-
At 31 July	2,000,000	4,000,000	1,000,000	2,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each				
At 1 August	359,195	718,390	358,978	717,956
Share options exercised	-	-	217	434
Bonus issue	285,163	570,327	-	-
At 31 July	644,358	1,288,717	359,195	718,390





## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 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		Company	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
<b>Non-distributable:</b>					
Share premium		-	38,160	-	38,160
Warrant reserves					
Warrant reserves					
2012/2017	14.1.1	18,459	18,459	18,459	18,459
Warrant reserves 2016	14.1.2	30,341	-	30,341	-
Other reserves					
Translation reserves	14.2.1	(282)	(140)	-	-
Fair value reserves	14.2.2	(1,701)	(504)	-	-
Capital reserves	14.2.3	(353)	(353)	(353)	(353)
RCUIDS reserves	14.2.4	54,965	-	54,965	-
Share option reserves	14.3	4,190	3,742	4,190	3,742
Treasury shares	14.4	(7,496)	(7,496)	(7,496)	(7,496)
		98,123	51,868	100,106	52,512
<b>Distributable:</b>					
Retained earnings		170,383	461,086	28,488	91,215
		268,506	512,954	128,594	143,727

#### 14.1 Warrant reserves

##### 14.1.1 Warrants 2012/2017

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 in the previous financial year.

Issuance of 70,826,936 warrants 2012/2017 arising from adjustments to the outstanding number of warrants 2012/2017 pursuant to the rights issue in current financial year. No warrants were exercised during the financial year and the number of warrants outstanding as at 31 July 2016 was 159,360,628.

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

- 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
- 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)**

### **14.1 Warrant reserves (Cont'd)**

#### *14.1.2 Warrants 2016*

The warrants are to be issued free to the subscribers for the RCUIDS in current financial year (see Note 34).

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 in the current financial year.

Issuance of 285,163,313 warrants 2016 arising from the subscriptions of the rights issue in the current financial year. No warrants were exercised during the financial year and the number of warrants outstanding as at 31 July 2016 was 285,163,313.

The salient terms of the Warrants 2016 are as follows:

- (c) The Warrants can be exercised any time during the tenure of 5 years commencing from the date of issue of 24 June 2016 to 23 June 2021 ("Exercise Period"). Warrants not exercised during the Exercise Period will lapse and cease to be valid; and
- (d) Each warrant entitles holder to subscribe for one new ordinary share in the Company at the exercise price of RM0.50 at any time during the Exercise Period.

### **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.

#### *14.2.4 RCUIDS reserves*

The RCUIDS reserves comprise the equity component of Redeemable Convertible Unsecured Islamic Debt Securities ("RCUIDS"). It represents the residual amount of the RCUIDS after deducting the fair value of the liability component. The amount is presented net of transaction costs and deferred tax liabilities.

### **14.3 Share option reserves**

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

### **14.4 Treasury shares**

As at 31 July 2016, a total of 5,482,000 buy-back shares were held as treasury shares and carried at cost.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 15. Loans and borrowings

		<b>Group</b>		<b>Company</b>	
		<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current</b>					
<i>Secured:</i>					
Redeemable convertible bonds	15.1, 15.3	135,200	131,346	135,200	131,346
<i>Unsecured:</i>					
RCUIDS	15.2	30,337	-	30,337	-
		165,537	131,346	165,537	131,346
<b>Current</b>					
<i>Secured:</i>					
Redeemable convertible bonds	15.1, 15.3	2,199	2,199	2,199	2,199
Bankers' acceptances	15.3	328,111	363,181	-	-
Revolving credit	15.3	60,000	30,000	30,000	30,000
<i>Unsecured:</i>					
Term loan		61,050	-	61,050	-
		451,360	395,380	93,249	32,199
		616,897	526,726	258,786	163,545

#### 15.1 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 the statements of financial position as follows:

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 August	133,545	129,957
Accreted interest	3,854	3,588
At 31 July	137,399	133,545

The holder of the Bonds may on the 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 (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 RM0.50 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.

## 15. Loans and borrowings (Cont'd)

### 15.2 RCUIDS

On 24 June 2016 ("Issue date"), the Company issued a 5-year RCUIDS with free detachable warrants for cash consideration of RM142,581,656.50. The RCUIDS and warrants are convertible into ordinary shares of RM0.50 each from the issue date of the RCUIDS up to 23 June 2021 at the option of the holder, unconverted RCUIDS will be entitled to receive a coupon of 5% per annum based on the nominal value of RCUIDS held.

The liability component of the RCUIDS is recognised in the statements of financial position as follows:

	<b>Group and Company 2016 RM'000</b>
Proceeds from issuance of 285,163,313 RCUIDS and free warrants	142,582
Amount classified as equity:	
Other reserves	(54,965)
Warrant reserves	(30,341)
Amount classified as deferred tax liabilities	(26,939)
Carrying amount as at 31 July	30,337

### 15.3 Security

- (a) The redeemable convertible bonds are secured by a first legal charge over property of a subsidiary with carrying amount of RM65,697,000 (2015 : RM66,751,000) and the land and buildings of the Company with carrying amount of RM99,420,000 (2015 : RM100,735,000) (see Note 5).
- (c) The Company has extended corporate guarantees amounting to RM388,111,000 (2015 : RM393,181,000) 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.

## 16. Trade and other payables

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current</b>				
<b>Trade</b>				
Trade payables	28,127	34,027	-	-
Amount due to a related party	744	19,268	-	-
	28,871	53,295	-	-
<b>Non-trade</b>				
Other payables	22,170	18,045	175	112
Accruals	19,214	19,632	2,833	4,129
Deposits received	2,097	2,844	12	12
Amount due to subsidiaries	-	-	27,708	169,278
Amount due to a related party	3,531	3,531	-	-
	47,012	44,052	30,728	173,531
	75,883	97,347	30,728	173,531



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 16. Trade and other payables (Cont'd)

#### Amount due to a related party

The trade amount due to a related party is subject to normal trade terms.

The non-trade amount due to a related party is unsecured, non-interest bearing and repayable upon demand.

#### Amount due to subsidiaries

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

### 17. Revenue

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Sale of goods and services	1,125,812	1,242,030	-	-
Rental of scaffolding equipment	12,057	15,397	-	-
Dividend income	-	-	176,360	19,560
Rental of properties	192	192	7,992	7,992
Management fee	-	-	3,906	3,720
	1,138,061	1,257,619	188,258	31,272

### 18. Cost of sales

	Group	
	2016	2015
	RM'000	RM'000
Cost of inventories sold	1,007,197	1,139,763
Depreciation of scaffolding equipment for hire	6,483	5,893
	1,013,680	1,145,656

Included in the cost of inventories sold are the following:

Direct and indirect labour costs	21,679	12,022
Upkeep of property, plant and equipment	6,532	5,883
Depreciation of property, plant and equipment	12,014	14,613

**19. Finance costs**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest expense on:				
Bank overdrafts	83	121	-	-
Bankers' acceptances	16,480	18,403	-	-
Term loan	1,544	-	1,544	-
Revolving credit	3,145	3,271	1,662	1,726
Onshore foreign currency loan	-	122	-	-
Redeemable convertible secured bonds	10,470	10,184	10,470	10,184
	31,722	32,101	13,676	11,910

**20. Income tax expense**
**Recognised in profit or loss**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current tax</b>				
Malaysian - current	13,940	10,130	3,546	3,295
- prior years	(223)	(704)	(846)	(438)
	13,717	9,426	2,700	2,857
<b>Deferred tax</b>				
Origination and reversal of temporary differences	4,071	1,667	(965)	(901)
Over provision in prior years	(232)	(747)	-	-
	3,839	920	(965)	(901)
Total income tax expense	17,556	10,346	1,735	1,956

**Reconciliation of tax expense**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(Loss)/Profit before tax	(24,617)	(66,460)	188,150	(27,970)
Share of loss/(profit) after tax of equity accounted investees	99,223	59,674	-	-
	74,606	(6,786)	188,150	(27,970)



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 20. Income tax expense (Cont'd)

#### Reconciliation of tax expense (Cont'd)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Income tax calculated using Malaysian tax rate of 24%	17,905	(1,696)	45,156	(6,992)
Effect of tax rate in foreign jurisdictions	(84)	(39)	-	-
Income not subject to tax	(103)	(915)	(42,329)	(4,911)
Non-deductible expenses	337	14,671	(246)	14,297
Double deduction expenses	-	(25)	-	-
Temporary difference for which no deferred tax assets was recognised	(44)	(199)	-	-
Over provision of deferred tax in prior years	(232)	(747)	-	-
(Over)/Under provision of current tax in prior years	(223)	(704)	(846)	(438)
Income tax expense	17,556	10,346	1,735	1,956

### 21. (Loss)/Profit for the year

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>(Loss)/Profit for the year is arrived after charging/ (crediting):</b>				
Personnel expenses:				
Salaries, wages and others	40,399	39,253	4,920	8,152
Defined contribution plan	3,915	3,944	632	1,004
Auditors' remuneration:				
- Audit fees				
KPMG in Malaysia	326	305	90	85
Other auditors	20	18	-	-
- Non audit fees				
KPMG in Malaysia	205	20	205	20
Allowance for doubtful debts	634	-	-	-
Bad debts written off	-	657	-	-
Depreciation of property, plant and equipment	21,706	23,842	126	234
Depreciation of investment properties	159	159	1,315	1,315
Equity-settled share based payments	448	1,168	448	1,168
Minimum lease payments recognised as operating lease expense for:				
- Land and buildings	1,343	1,212	-	-
- Office equipment	19	17	-	-
- Gas tank	11	9	-	-
Property, plant and equipment written off	20	110	-	-



**21. (Loss)/Profit for the year (Cont'd)**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(Loss) / Profit for this year is arrived after charging / (crediting) :</b>				
Impairment loss - investment in joint venture	-	55,000	-	55,000
Gain on bargain purchase arising from acquisition of subsidiary	-	(72)	-	-
Gain on disposals of property, plant and equipment	(3,868)	(2,442)	-	-
Gain on disposals of available-for-sale financial assets	103	-	-	-
Rental income from investment properties	(998)	(948)	(7,992)	(7,992)
Dividends income	(33)	(123)	(176,360)	(19,560)
Net foreign exchange (gain)/loss				
- Realised	(3,772)	(4,503)	-	-
- Unrealised	1,400	(3,014)	226	-
Net overdue interest income	(355)	(145)	-	-
Finance income:				
- Deposits	(1,988)	(532)	(1,636)	(123)
- Available-for-sale financial assets	(787)	(1,601)	(10)	(85)
- Joint venture	(24,245)	(20,215)	(24,245)	(20,215)
- Subsidiary	-	-	(1,606)	(1,606)
(Reversal of)/ Provision for diminution in value of inventories	(4,835)	8,805	-	-
Inventories written off	3,885	-	-	-
Write down of inventories	14,485	-	-	-

**22. Key management personnel compensation**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Executive directors				
- Remuneration	2,675	4,163	2,081	3,592
	2,675	4,163	2,081	3,592
Non-executive directors:				
- Fees	358	353	315	315
- Other emoluments	24	18	24	18
	382	371	339	333
	3,057	4,534	2,420	3,925



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 23. Loss per ordinary share

Basic loss per ordinary share

The calculation of basic loss per ordinary share at 31 July 2016 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2016	2015
Loss attributable to ordinary shareholders (RM'000)	(41,561)	(77,089)
Weighted average number of ordinary shares ('000)		
Issued ordinary shares at 1 August	718,390	717,956
Effect of treasury shares held	(5,482)	(5,482)
Effect of ordinary shares issued	570,327	434
Weighted average number of ordinary shares at 31 July	1,283,235	712,908
Basic loss per share (sen)	(3.24)	(10.81)

### Diluted loss per ordinary share

The calculation of diluted loss per ordinary share at 31 July 2016 was based on loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential ordinary shares.

No diluted loss per share is disclosed as there are no dilutive potential ordinary shares.

### 24. Dividends

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
<b>2016</b>			
Final 2015 ordinary (single tier)	0.30	2,139	26 January 2016
<b>2015</b>			
Final 2014 ordinary (single tier)	0.60	4,278	13 February 2015

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 RM'000	Group Total amount payment
Final 2016 ordinary (single tier)	0.30	3,850

## **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.
- (v) The mining exploration segment involved in exploring, contracting and activities related to the mining, processing and sale of iron ore.

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

Group income taxes are managed on a group basis and are not allocated to operating segments.

### **(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 Executive Director and 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 Executive Director and Group Operation Director. Segment total asset is used to measure the return of assets of each segment.

#### **Segment liabilities**

Segment liabilities information is included in the internal management reports and provided regularly to the Executive Director and Group Operation Director. Hence 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.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 25. Operating segments (Cont'd)

2016	Trading RM'000	Manufacturing RM'000	Property and investment RM'000	Transportation RM'000	Mining exploration RM'000	Eliminations RM'000	Total RM'000
<b>Revenue</b>							
External customers	589,033	548,834	192	2	-	-	1,138,061
Inter-segment	-	4,955	188,066	3,938	-	(196,959)	-
Total segment revenue	589,033	553,789	188,258	3,940	-	(196,959)	1,138,061
<b>Results</b>							
Segment profit	9,171	56,507	9,853	423	(1,352)	(99,219)	(24,617)
Included in the measure of segment profit are:							
Finance income	568	534	25,892	26	-	-	27,020
Dividend income	-	-	33	-	-	-	33
Finance cost	(9,370)	(8,676)	(13,676)	-	-	-	(31,722)
Depreciation	(2,927)	(15,105)	(3,162)	(441)	(230)	-	(21,865)
Share of loss of joint venture	-	-	-	-	-	-	(99,219)
Share of loss of associate	-	-	-	-	-	-	(4)
<b>Assets</b>							
Segment assets	300,520	558,266	845,145	3,659	20,800	(79,842)	1,648,548
Unallocated assets	-	-	-	-	-	-	3,446
Total assets	300,520	558,266	845,145	3,659	20,800	(79,842)	1,651,994
<b>Liabilities</b>							
Segment liabilities	217,602	243,877	290,392	382	20,394	(79,868)	692,779
Unallocated liabilities	-	-	-	-	-	-	46,171
Total liabilities	217,602	243,877	290,392	382	20,394	(79,868)	738,950
<b>Other information</b>							
Addition to non-current assets other than financial instruments and deferred tax assets	320	2,112	-	-	-	-	2,432
Property, plant and equipment written off	(20)	-	-	-	-	-	(20)
Reversal of provision for diminution in value of inventories	-	4,835	-	-	-	-	4,835

**25. Operating segments (Cont'd)**

2015	Trading RM'000	Manufacturing RM'000	Property and investment RM'000	Transportation RM'000	Mining exploration RM'000	Eliminations RM'000	Total RM'000
<b>Revenue</b>							
External customers	647,224	610,201	192	2	-	-	1,257,619
Inter-segment	2,535	28,947	31,080	3,922	-	(66,484)	-
Total segment revenue	649,759	639,148	31,272	3,924	-	(66,484)	1,257,619
<b>Results</b>							
Segment profit	10,182	31,285	(49,492)	534	633	(59,602)	(66,460)
Included in the measure of segment profit are:							
Finance income	1,021	885	20,423	20	-	-	22,349
Dividend income	-	-	123	-	-	-	123
Finance cost	(9,297)	(10,893)	(11,911)	-	-	-	(32,101)
Depreciation	(4,021)	(17,826)	(235)	(424)	-	(1,172)	(23,678)
Share of profit of joint venture	-	-	-	-	-	-	(59,673)
Share of loss of associate	-	-	-	-	-	-	(1)
<b>Assets</b>							
Segment assets	427,671	574,689	731,711	3,877	20,459	(255,068)	1,503,339
Unallocated assets	-	-	-	-	-	-	5,567
Total assets	427,671	574,689	731,711	3,877	20,459	(255,068)	1,508,906
<b>Liabilities</b>							
Segment liabilities	297,354	224,749	337,846	509	18,696	(255,077)	624,077
Unallocated liabilities	-	-	-	-	-	-	11,888
Total liabilities	297,354	224,749	337,846	509	18,696	(255,077)	635,965
<b>Other information</b>							
Addition to non-current assets other than financial instruments and deferred tax assets	1,708	8,009	12	512	145	(32)	10,354
Property, plant and equipment written off	-	(110)	-	-	-	-	(110)
Write-down of inventories	-	(8,805)	-	-	-	-	(8,805)



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 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) Available-for-sale financial assets ("AFS"); and
- (c) Other financial liabilities measured at amortised cost ("OL").

2016	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000
<b>Financial assets</b>			
<b>Group</b>			
Available-for-sale financial assets	6,098	-	6,098
Trade and other receivables (excluding prepayments)	804,598	804,598	-
Cash and cash equivalents	241,492	241,492	-
	1,052,188	1,046,090	6,098
<b>Company</b>			
Trade and other receivables (excluding prepayments)	551,157	551,157	-
Cash and cash equivalents	127,199	127,199	-
	678,356	678,356	-
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings	(616,897)	(616,897)	-
Trade and other payables	(75,883)	(75,883)	-
	(692,780)	(692,780)	-
<b>Company</b>			
Loans and borrowings	(258,786)	(258,786)	-
Trade and other payables	(30,728)	(30,728)	-
	(289,514)	(289,514)	-

**26. Financial instruments (Cont'd)**
**26.1 Categories of financial instruments (Cont'd)**

2015	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000
<b>Financial assets</b>			
<b>Group</b>			
Available-for-sale financial assets	3,340	-	3,340
Trade and other receivables (excluding prepayments)	683,138	683,138	-
Cash and cash equivalents	65,484	65,484	-
	751,962	748,622	3,340
<b>Company</b>			
Available-for-sale financial assets	73	-	73
Trade and other receivables (excluding prepayments)	406,409	406,409	-
Cash and cash equivalents	22,056	22,056	-
	428,538	428,465	73
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings	(526,726)	(526,726)	-
Trade and other payables	(97,347)	(97,347)	-
	(624,073)	(624,073)	-
<b>Company</b>			
Loans and borrowings	(163,545)	(163,545)	-
Trade and other payables	(173,531)	(173,531)	-
	(337,076)	(337,076)	-

**26.2 Net gains and losses arising from financial instruments**

	<b>Group</b>		<b>Company</b>	
	<b>2016 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Net gains/(losses) on:				
Available-for-sale financial assets	1,713	1,256	1,646	85
Loans and receivables	26,339	27,732	25,903	21,821
Financial liabilities measured at amortised cost	(31,722)	(32,101)	(13,676)	(11,910)
	(3,670)	(3,113)	13,873	9,996





## 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 and advances to joint venture. The Company's exposure to credit risk arises principally from loans and advances to joint venture and a subsidiary and corporate guarantees given to banks for credit facilities granted to subsidiaries and joint venture.

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:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic	209,665	245,525
Asia	26,674	31,909
Australia/New Zealand	711	-
	<b>237,050</b>	<b>277,434</b>

**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:

	<b>Gross RM'000</b>	<b>Individual impairment RM'000</b>	<b>Net RM'000</b>
<b>2016</b>			
Not past due	143,018	-	143,018
Past due 1 - 30 days	80,589	-	80,589
Past due 31 - 60 days	1,796	-	1,796
Past due 61 - 90 days	3,799	-	3,799
Past due more than 90 days	8,482	(634)	7,848
	237,684	(634)	237,050
<b>2015</b>			
Not past due	213,766	-	213,766
Past due 1 - 30 days	54,812	-	54,812
Past due 31 - 60 days	2,902	-	2,902
Past due 61 - 90 days	4,857	-	4,857
Past due more than 90 days	1,129	(32)	1,097
	277,466	(32)	277,434

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

	<b>Group</b>	
	<b>2016 RM'000</b>	<b>2015 RM'000</b>
At 1 August	32	689
Impairment loss	634	-
Impairment loss written off	(32)	(657)
At 31 July	634	32

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**
*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)

##### **Available-for-sale financial assets (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 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 and repayments made by the subsidiaries.

###### *Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM388,111,000 (2015: RM393,181,000) 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 its subsidiary and joint venture. 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 subsidiary and joint venture are not recoverable.

#### 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.

**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:

<b>Group</b>	<b>Carrying amount RM'000</b>	<b>Contractual interest rate coupon</b>	<b>Contractual cash flows RM'000</b>	<b>Under 1 year RM'000</b>	<b>1-2 years RM'000</b>	<b>2-5 years RM'000</b>	<b>More than 5 years RM'000</b>
<b>2016</b>							
<i>Non-derivative financial liabilities</i>							
Secured bank loans and facilities	388,111	4.22% -5.60%	388,111	388,111	-	-	-
Term loan	61,050	5.40%	61,050	61,050	-	-	-
Redeemable convertible secured bonds	137,399	4.50%	166,845	6,615	6,615	153,615	-
Trade and other payables*	75,883	-	75,883	75,883	-	-	-
RCUIDS	30,337	5.00%	35,645	7,129	7,129	21,387	-
	692,780		727,534	538,788	13,744	175,002	-
<b>2015</b>							
<i>Non-derivative financial liabilities</i>							
Secured bank loans and facilities	393,181	3.73% -5.55%	393,181	393,181	-	-	-
Redeemable convertible secured bonds	133,545	4.50%	173,460	6,615	6,615	160,230	-
Trade and other payables*	97,347	-	97,347	97,347	-	-	-
	624,073		663,988	497,143	6,615	160,230	-



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 26. Financial instruments (Cont'd)

#### 26.5 Liquidity risk (Cont'd)

*Maturity analysis (Cont'd)*

	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
<b>Company</b>							
<b>2016</b>							
<i>Non-derivative financial liabilities</i>							
Redeemable convertible							
secured bonds	137,399	4.50%	166,845	6,615	6,615	153,615	-
Revolving credit	30,000	5.30% - 5.60%	30,000	30,000	-	-	-
Term loan	61,050	5.40%	61,050	61,050	-	-	-
Trade and other payables*	30,728	-	30,728	30,728	-	-	-
RCUIDS	30,337	5.00%	35,645	7,129	7,129	21,387	-
	289,514		324,268	135,522	13,744	175,002	-
<b>2015</b>							
<i>Non-derivative financial liabilities</i>							
Redeemable convertible							
secured bonds	133,545	4.50%	173,460	6,615	6,615	160,230	-
Revolving credit	30,000	5.40% - 5.55%	30,000	30,000	-	-	-
Trade and other payables*	173,531	-	173,531	173,531	-	-	-
	337,076		376,991	210,146	6,615	160,230	-

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

## 26. Financial instruments (Cont'd)

### 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) and Singapore Dollar (SGD).

*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.

*Exposure to foreign currency risk*

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

<b>Group</b>	<b>Denominated in</b>	
	<b>USD</b>	<b>SGD</b>
<b>2016</b>	<b>RM'000</b>	<b>RM'000</b>
Trade receivables	2,388	23,715
Cash and cash equivalents	13,431	20,967
<b>Total exposure</b>	<b>15,819</b>	<b>44,682</b>
<b>2015</b>		
Trade receivables	2,452	24,599
Cash and cash equivalents	838	15,476
<b>Total exposure</b>	<b>3,290</b>	<b>40,075</b>

*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 10% and 10% (2015: 10% and 10%) 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.

<b>Group</b>	<b>Profit or loss</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
SGD	3,396	3,046
USD	1,202	250



## 26. Financial instruments (Cont'd)

### 26.6 Market risk (Cont'd)

#### 26.6.1 Currency risk (Cont'd)

A 10% and 10% (2015: 10% and 10%) weakening of the SGD and USD respectively against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

#### 26.6.2 Interest rate risk

The Group's 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 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:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Fixed rate instruments</b>				
<i>Financial liabilities</i>				
Revolving credit	60,000	30,000	30,000	30,000
Bankers' acceptances	328,111	363,181	-	-
Term loan	61,050	-	61,050	-
Redeemable convertible				
secured bonds	137,399	133,545	137,399	133,545
RCUIDS	30,337	-	30,337	-
	616,897	526,726	258,786	163,545

*Interest rate risk sensitivity analysis*

*Fair value sensitivity analysis for fixed rate instruments*

The Group and the Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company 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.

*Cash flow sensitivity analysis for variable rate instruments*

The exposure to interest rate risk arising from floating rate instruments is not material, and hence, sensitivity analysis is not presented.



## **26. Financial instruments (Cont'd)**

### **26.6 Market risk (Cont'd)**

#### **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% (2015: 5%) higher/lower, with all other variables held constant, the Group's other reserve in equity would have been RM38,091 (2015 : RM97,950) 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.

### **26.7 Fair value information**

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 and the Company'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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 26. Financial instruments (Cont'd)

#### 26.7 Fair value information (cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

2016 Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair Value RM'000	Carrying Amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b>Financial assets</b>								
Investment in quoted shares	769	-	-	769	-	-	-	769
Investment in unit trust funds	-	5,189	-	5,189	-	-	-	5,189
Amount due from joint venture	-	-	-	-	-	-	527,345	527,345
	769	5,189	-	5,958	-	-	527,345	533,303
<b>Financial liabilities</b>								
Redeemable convertible secured bonds	-	-	-	-	-	-	(137,399)	(137,399)
RCUIDS	-	-	-	-	-	-	(30,337)	(30,337)
	-	-	-	-	-	-	(167,736)	(167,736)
<b>Company</b>								
<b>Financial assets</b>								
Amount due from a subsidiary	-	-	-	-	-	-	24,033	24,033
Amount due from joint venture	-	-	-	-	-	-	527,004	527,004
	-	-	-	-	-	-	551,037	551,037
<b>Financial liabilities</b>								
Redeemable convertible secured bonds	-	-	-	-	-	-	(137,399)	(137,399)
RCUIDS	-	-	-	-	-	-	(30,337)	(30,337)
	-	-	-	-	-	-	(167,736)	(167,736)



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 26. Financial instruments (Cont'd)

#### 26.7 Fair value information (cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

2015 Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair Value RM'000	Carrying Amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Total RM'000	
<b>Financial assets</b>								
Investment in quoted shares	1,966	-	-	1,966	-	-	-	1,966
Investment in unit trust funds	-	1,234	-	1,234	-	-	-	1,234
Amount due from joint venture	-	-	-	-	-	384,141	384,141	384,141
	1,966	1,234	-	3,200	-	384,141	384,141	387,341
<b>Financial liabilities</b>								
Redeemable convertible secured bonds	-	-	-	-	-	(133,545)	(133,545)	(133,545)
<b>Company</b>								
<b>Financial assets</b>								
Investment in unit trust funds	-	73	-	73	-	-	-	73
Amount due from subsidiaries	-	-	-	-	-	22,623	22,623	22,623
Amount due from joint venture	-	-	-	-	-	383,726	383,726	383,726
	-	73	-	73	-	406,349	406,349	406,422
<b>Financial liabilities</b>								
Redeemable convertible secured bonds	-	-	-	-	-	(133,545)	(133,545)	(133,545)



## 26. Financial instruments (Cont'd)

### 26.7 Fair value information (Cont'd)

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

#### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

#### Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2015: no transfer in either directions).

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

#### Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Amount due from subsidiaries and joint venture, redeemable convertible secured bonds and RCUIDS	Discounted cash flows using a rate based on the current market rate of borrowing of the Company at the reporting date.
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 notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.	

## 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 bond covenants and regulatory requirements.

## 27. Capital management (Cont'd)

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain the debt-to-equity ratio of less than 1.0. The debt-to-equity ratios were as follows:

		<b>Group</b>	
	<b>Note</b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Loans and borrowings	15	616,897	526,726
Less: Cash and cash equivalents	13	(241,492)	(65,484)
Less: Available-for-sale financial assets - current	9	(5,189)	(1,234)
Net debt		370,216	460,008
Total equity		913,044	872,941
Debt-to-equity ratios		0.41	0.53

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 bond covenant, failing which, the bank may call it an event of default. The Group has complied with the requirement.

## 28. Operating leases

### Leases as lessee

Non-cancellable operating lease rental are payable as follows:

	<b>Group</b>	
	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Less than one year	463	68
Between one and five years	177	22
	640	90

Operating lease payments represent rental payable by the Group for use of buildings and gas tank.

### Leases as lessor

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

	<b>Group</b>	
	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Less than one year	742	752



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 29. Capital commitment

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Share of capital commitments of joint venture:		
Approved and contracted for	22,530	24,024

### 30. Contingent liabilities

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<i>Unsecured</i>				
In respect of indemnity provided for bank guarantees issued	6,520	15,523	-	-
In respect of guarantees issued in favour of Royal Customs and Excise Department	-	3,000	-	-
In respect of corporate guarantees issued to a joint venture	16,497	137,908	16,497	137,908

### 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 22), are as follows:

#### Transaction with related parties

	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>		
Purchases of steel products from a company in which certain directors of the Company have significant interests:		
JK Ji Seng Sdn. Bhd.	181,092	155,584
Sales of steel products to joint venture		
Eastern Steel Sdn. Bhd.	(33)	(1,856)

**31. Related parties (Cont'd)**
**Transaction with related parties (Cont'd)**

<b>Company</b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>
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)	(3,120)
Gross dividends income from subsidiaries:		
Hiap Teck Hardware Sdn. Bhd.	(89,267)	(3,000)
Alpine Pipe Manufacturing Sdn. Bhd.	(73,783)	(12,000)
Huatraco Scaffold Sdn. Bhd.	(12,950)	(4,200)
Briliant Decade Transport Agency Sdn. Bhd.	(360)	(360)
Hiap Teck Resources Sdn. Bhd.	-	-
Rental income from joint venture		
Eastern Steel Sdn. Bhd.	(120)	(120)

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**

<b>Group</b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>
<b>Amount due to a related party</b>		
JK Ji Seng Sdn. Bhd.	744	19,268
Wong Chin Dong (shareholder of Vista Mining Sdn. Bhd.)	3,531	3,531
<b>Amount due from joint venture</b>		
Eastern Steel Sdn. Bhd.	(527,345)	(384,141)
<b>Company</b>		
<b>Amount due to subsidiaries (net)</b>		
Alpine Pipe Manufacturing Sdn. Bhd.	(24,046)	25,520
Huatraco Scaffold Sdn. Bhd.	3,220	4,300
Hiap Teck Hardware Sdn. Bhd.	24,175	116,563
Briliant Decade Transport Agency Sdn. Bhd.	295	272
<b>Amount due from joint venture</b>		
Eastern Steel Sdn. Bhd.	(527,004)	(383,726)



## 32. Employee benefit

### Share option programme (equity-settled)

On 19 April 2013, the Company granted 48,800,000 of share options to eligible Directors and employees under Employee Share Option Scheme ("ESOS"), approved by the shareholders of the Company on 23 November 2011. On 10 January 2014, the Company further granted 11,020,000 of share options on similar terms (except for exercise price) to eligible Directors and employees. On 15 January 2015, additional 8,950,000 of share options were granted on similar terms (except for exercise price) to eligible Directors and employees. On 24 June 2016, there was an additional 43,718,783 of share options arising from adjustments to the outstanding number of share options pursuant to the rights issue for the financial year

The salient terms of the ESOS are as follows:

- (i) Eligible Director named in the register of directors of the Group or an employee who is a confirmed full time employee of the Group and must attained the age of eighteen (18) years;
- (ii) For employee other than Directors, he must have been confirmed and must have served the Group on a continuous basis for a period of not less than one year on the 12 April 2012 ("Effective Date").
- (iii) The aggregate number of shares to be issued under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company;
- (iv) The Scheme shall be in force for a period of five (5) years from the Effective Date and may be extended or renewed (as the case may be) for a further period of five years, at the sole and absolute discretion of the Board upon the recommendation by the ESOS Committee, provided always that the initial Scheme period stipulated above and such extension of the Scheme made pursuant to these ESOS By-laws shall not in aggregate exceed a duration of ten (10) years from the Effective Date;
- (v) The option price shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than par value of the shares of the Company of RM0.50;
- (vi) An option holder may, in a particular year, exercise up to such maximum number of shares in the offer letter at vesting date at 2 January 2015, 2016, 2016 and 2017 subject to the yearly performance targets set by the Board of Directors of the Company;
- (vii) The option granted to eligible Director/employee will lapse when they are no longer in employment of the Group.

The number and weighted average exercise prices of share options are as follows:

	Weight average exercise price 2016	Number of options ( '000) 2016	Weighted average exercise price 2015	Number of options ( '000) 2015
Outstanding at 1 Aug	RM0.53	56,231	RM0.53	50,523
Granted during the year*	RM0.53	43,719	RM0.53	8,950
Forfeited during the year	RM0.57	(2,720)	RM0.53	(2,808)
Rejected during the year		-	-	-
Exercised during the year		-	RM0.50	(434)
Outstanding at 31 July	RM0.53	97,230	RM0.53	56,231
Exercisable at 31 July	RM0.53	97,230	RM0.50	38,539

\*Issuance of 43,718,783 share options arising from adjustments to the outstanding number of share options pursuant to the rights issue for the financial year.



### 32. Employee benefit (Cont'd)

The options outstanding at 31 July 2016 have an exercise price in range of RM0.50 to RM0.67 (2015: RM0.50 to RM0.67) and a weighted average contractual life of 1 year (2015: 2 years).

During the financial year, no (2015: 434,000) share options have been exercised. The weighted average share price at the date of exercise for the year was RM0.50 (2015: RM0.50).

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model, with the following inputs:

	2016	2015
<b>Fair value of share options and assumptions</b>		
Fair value at grant date	RM0.07	RM0.07
Weighted average share price	RM0.74	RM0.74
Share price at grant date	RM0.64	RM0.64
Option life (expected weighted average life)	1 year	2 years
Risk-free interest rate	3.8%	3.8%

#### Value of employee services received for issue of share options

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Share options granted in 2013	192	326
Share options granted in 2014	182	432
Share options granted in 2015	74	410
Total expense recognised as share based payments	448	1,168

The share options expense is recognised in the profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 33. Acquisition of subsidiary

On 18 September 2014, the Group via its wholly-owned subsidiary, Hiap Teck Resources Sdn. Bhd., entered into a Subscription Agreement with Vista Mining Sdn. Bhd. ("Vista") for the subscription of 550,000 new ordinary shares of RM1 each in Vista at an issue price of RM1 per share, representing 55% of the issued and paid-up share capital of Vista for a total consideration of RM550,000.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

#### Fair value of consideration transferred

	Note	Group 2016 RM'000
Cash paid		550
<b>Identifiable assets acquired and liabilities assumed</b>		
Property, plant and equipment	3	1,324
Mining exploration and evaluation assets	4	17,287
Trade and other receivables		58
Cash and cash equivalents		597
Trade and other payables		(18,135)
Total identifiable net assets		1,131
<b>Gain on bargain purchase</b>		
Gain on bargain purchase was recognised in profit or loss as a result of the acquisition as follows:		
Total consideration transferred		550
Fair value of identifiable net assets		(1,131)
Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquiree		509
Gain on bargain purchase		(72)
<b>Net cash inflow arising from acquisition of subsidiary</b>		
Purchase consideration settled in cash and cash equivalents		550
Cash and cash equivalents acquired		(597)
		(47)

## 34. Significant event

### 34.1 RCUIDS together with free detachable warrants

On 24 June 2016, the Company issued:

- (i) A renounceable rights issue of RM142,581,656.50 nominal value of five (5)-year 5% RCUIDS at 100% of its nominal value on the basis of two (2) RM0.50 nominal value of RCUIDS for every five (5) existing ordinary shares of RM0.50 each in the Company together with 285,163,313 free detachable warrants ("New Warrants") on the basis of one (1) New Warrant for every one (1) RM0.50 nominal value of RCUIDS subscribed ("Rights Issue");
- (ii) A Bonus issue of up to 570,326,626 new HTVB shares to be credited as fully paid-up ("bonus shares") on the basis of two (2) bonus share for every one (1) RM0.50 nominal value of RCUIDS subscribed by the entitled shareholders of the Company and/or their renounce(s) pursuant to the proposed Rights Issue ("Bonus Issue");
- (iii) An increase in the authorised share capital of the Company from RM1,000,000,000 comprising 2,000,000,000 HTVB shares of RM0.50 each to RM2,000,000,000 comprising 4,000,000,000 HTVB shares of RM0.50 each ("ISAC");
- (iv) Amendments to the Memorandum and Articles of Association of the Company ("Amendments");
- (v) An increase of 70,826,936 in Warrants 2012/2017 arising from the adjustments to the outstanding number of Warrants 2012/2017 pursuant to the Rights Issue;
- (vi) An increase of 43,718,783 Employees' Share Options Scheme ("ESOS") arising from adjustments to the outstanding number of ESOS pursuant to the rights issue.

As at 31 July 2016, no RCUIDS have been redeemed or converted and no warrants have been exercised by the registered holders.

### 34.2 Memorandum of Understanding ("MOU")

The Company 55% owned jointly controlled entity, Eastern Steel Sdn Bhd ("ESSB") has entered into a MOU with Angang Group Hong Kong Company Limited ("Angang-HK"), to explore, discuss and negotiate areas of cooperation between ESSB and Angang-HK including the resumption of production of ESSB, future expansion of ESSB's production capacity and product range, and Angang-HK's participation in the equity of ESSB. Both parties shall negotiate in good faith with a view to enter into a formal agreement within a period of 60 days from 1 July 2016 ("Exclusivity Period").

On 1 September 2016, both parties have agreed that the Exclusivity Period shall be extended up to 30 September 2016 to negotiate in good faith with a view to enter into a formal agreement within the Exclusivity Period.

On 29 September 2016, HTVB had announced that both parties have agreed that the Exclusivity Period shall be extended from 30 September 2016 to 31 October 2016 to negotiate in good faith with a view to enter into a Formal Agreement within the Exclusivity Period.

## 35. Subsequent events

The Company had on 15 September 2016 acquired the entire issued and paid-up share capital of Nexus Pacific Property Sdn. Bhd. ("NPPSB") (formerly known as Hiap Teck Property Sdn. Bhd.) for cash consideration of RM100,000 from another subsidiary, Hiap Teck Hardware Sdn. Bhd.. Arising from the acquisition, NPPSB became a direct wholly-owned subsidiary of the Company.

On 10 October 2016, Huatraco Scaffold Sdn. Bhd., a wholly owned subsidiary of HTVB Group, has entered into an agreement with Optimal Credential Holdings Sdn Bhd in relation to the disposal of 480,000 ordinary shares of RM1.00 each, representing 48% equity interest in Powerbex Scaffold Sdn. Bhd. ("PSSB") (formerly known as Huatraco GES Scaffold Sdn. Bhd.) for a cash consideration of RM472,800. Subsequent to the disposal, PSSB ceased to be an associate of HTVB



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 36. 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:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings of the Company and its subsidiaries				
- realised	364,679	560,271	29,680	95,124
- unrealised	16,088	13,014	(1,192)	(3,909)
	380,767	573,285	28,487	91,215
Total share of accumulated losses of equity accounted investees				
- realised	(158,733)	(35,467)	-	-
- unrealised	(26,998)	(51,893)	-	-
Less: Consolidation adjustments	(24,654)	(24,839)	-	-
Total retained earnings	170,383	461,086	28,488	91,215

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.

## 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 46 to 116 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2016 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 36 on page 117 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**

.....  
**Foo Kok Siew**

Date: 28 October 2016

## STATUTORY DECLARATION

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

I, **Foo Kok Siew**, 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 46 to 117 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 in the Federal Territory on 28 October 2016.

.....  
**Foo Kok Siew**

Before me:

**D. Selvaraj**  
Commissioner for Oaths  
(NO.W320)



## INDEPENDENT AUDITORS' REPORT

to the members of Hiap Teck Venture Berhad

### 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 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows 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 46 to 117.

#### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible 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 give a true and fair view of the financial position of the Group and of the Company as of 31 July 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### 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 of which we have acted as auditors 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.

### 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 36 on page 117 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

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

#### Lam Shuh Siang

Approval Number: 3045/02/17(J)  
Chartered Accountant

Petaling Jaya, Selangor

Date: 28 October 2016



## PROPERTIES OF THE GROUP

As at 31 July 2016

Location	Description and Existing Usage	Tenure	Approximate Age of Building (years)	Approximate Land Area (acres)	Build Up Area (sq. metres)	Net Carrying Amount as at 31 July 2016 (RM)	Date of Acquisition	Date of Last Revaluation
<b>Company and its subsidiaries</b>								
Lot 6085, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory with a 2 storey office	Freehold	18.5	9	19,005	22,702,139	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	18.5	9	18,732	22,763,041	29-May-03	30-Dec-11
Lot 6089, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse	Freehold	17.5	9	18,516	23,042,509	29-May-03	30-Dec-11
Lot 6095, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse	Freehold	17	10.013	22,341	26,475,075	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	17	9.483	12,179	17,675,291	5-Jan-95	30-Dec-11
Lot 6097, Mukim of Kapar District of Klang Selangor Darul Ehsan	Agricultural Land	Freehold	-	5.0	-	6,858,961	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	10	18.0	53,243	65,697,183	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	16	-	144,929	157,288	20-Aug-99	30-Dec-11





## PROPERTIES OF THE GROUP (Cont'd)

As at 31 July 2016

Location	Description and Existing Usage	Tenure	Approximate Age of Building (years)	Approximate Land Area (acres)	Build Up Area (sq. metres)	Net Carrying Amount as at 31 July 2016 (RM)	Date of Acquisition	Date of Last Revaluation
<b>Company and its subsidiaries (cont'd)</b>								
4727-01, Jalan Sri Putri 5/7 Taman Putri Kulai 81000 Kulai Johor Darul Takzim	Shop office apartment	Freehold	18	-	143.07	101,226	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 31/01/2060	13	1	2,536.30	2,105,080	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 31/01/2060	14	1.554	3,995.76	4,627,922	6-Jun-07	22-Dec-11
Lot 169, Mukim of Plentong District of Johor Bahru Johor Darul Takzim	Vacant agricultural land	Freehold	-	5.1	-	484,968	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 (60 years) expiring 10/03/2058	10	2.241	2,453	2,102,028	6-Jul-96	29-Nov-11
Jointly controlled entity								
Lot 6293 & Lot 6294 Mukim Teluk Kalung Kemaman, Terengganu	Blast furnance plant	Leasehold (60 years) expiring 01/04/2068	-	608.62	-	126,331,842	2-Apr-08	20-Oct-11
Lot 60129, 60130, 60131 Mukim Teluk Kalung Kemaman, Terengganu	Vacant industrial land	Leasehold (60 years) expiring 14/04/2073	-	600	-	5,049,442	3-Apr-13	-
Lot 50497 Mukim Teluk Kalung Kemaman, Terengganu	Staff housing	Leasehold (99 years) expiring 29/07/2111	-	50	-	504,748	28-May-12	-



## ANALYSIS OF SHAREHOLDINGS

As at 19 October 2016

Authorised Share Capital	: RM2,000,000,000.00
Issued and Fully Paid-Up Share Capital	: RM641,617,717.00 (1,283,235,434 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 5,482,000 Ordinary Shares of RM0.50 each

### Analysis By Size Of Shareholdings As At 19 October 2016

Size of shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	140	2.05	4,473	0.00
100 - 1,000	454	6.65	366,923	0.03
1,001 - 10,000	2,585	37.89	15,654,968	1.22
10,001 - 100,000	2,902	42.53	107,393,148	8.37
100,001 to less than 5% of issued shares	737	10.80	582,460,264	45.39
5% and above of issued shares	5	0.07	577,355,658	44.99
<b>Total</b>	<b>6,823</b>	<b>100.00</b>	<b>1,283,235,434</b>	<b>100.00</b>

### LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 19 OCTOBER 2016

No.	Names	No. of Shares	Percentage (%)
1.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-ASING)	178,615,972	13.92
2.	Cartaban Nominees (Asing) Sdn Bhd Exempt An for Standard Chartered Bank Singapore Branch (SG PVB CL AC)	157,647,686	12.29
3.	Cimsec Nominees (Asing) Sdn Bhd CIMB Bank for TS Law Investments Limited (PBCL-0G0069)	90,000,000	7.01
4.	Lembaga Tabung Haji	86,700,000	6.76
5.	HLIB Nominees (Asing) Sdn Bhd Shougang International (Singapore) Pte Ltd	64,392,000	5.02
6.	K.H.L. Sdn Bhd	43,819,500	3.41
7.	Kenanga Nominees (Asing) Sdn Bhd Lavington International Limited	43,308,000	3.37
8.	Citigroup Nominees (Asing) Sdn Bhd Exempt an for Citibank New York (Norges Bank 14)	36,000,000	2.81
9.	Sim Ah Seng	20,466,620	1.59
10.	Sheng Hsia Hwei	20,104,600	1.57
11.	DB (Malaysia) Nominees (Tempatan) Sendirian Berhad Hong Leong Asset Management Berhad for Hong Leong Assurance Berhad (Life-Par Fund ED102)	12,794,200	1.00



## ANALYSIS OF SHAREHOLDINGS (Cont'd)

As at 19 October 2016

### LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 19 OCTOBER 2016 (Cont'd)

No.	Names	No. of Shares	Percentage (%)
12.	Lim Wan Loo	12,313,400	0.96
13.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad – Hong Leong Strategic Opportunity Fund	12,299,300	0.96
14.	Yap Kim Foong	8,974,800	0.70
15.	H'ng Bok Chuan	8,000,000	0.62
16.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	7,700,000	0.60
17.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Ah Nyuk Len (MQ0340)	6,258,600	0.49
18.	Ooi Chieng Sim	5,000,000	0.39
19.	Lim Wan Keong	4,230,000	0.33
20.	Phuah Guk Shue @ Pua Guk Shue	4,200,000	0.33
21.	Tye Sok Cin	4,000,000	0.31
22.	UOBM Nominees (Tempatan) Sdn Bhd UOBM for Lee Kim Tiong @ Lee Kim Yew (PBM)	3,700,000	0.29
23.	Tan Soon Chong	3,600,000	0.28
24.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Ah Wah (471917)	3,187,620	0.25
25.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Chin Seong	3,160,000	0.25
26.	Pacific Strike Sdn Bhd	3,010,748	0.23
27.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Jing Jeong (CEB)	3,000,000	0.23
28.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Chai Beng (M02)	2,910,900	0.23
29.	Loo Chee Lain	2,808,000	0.22
30.	Haw Swee Tit	2,750,000	0.21
<b>Total:</b>		<b>854,951,946</b>	<b>66.63</b>



## ANALYSIS OF SHAREHOLDINGS (Cont'd)

As at 19 October 2016

### Directors' Shareholdings as at 19 October 2016

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

Names	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Tan Sri Abd Rahman Bin Mamat	-	-	-	-
2. Tan Sri Dato' Law Tien Seng	-	-	337,647,686 <sup>(a)</sup>	26.31
3. Lee Ching Kion	-	-	75,354 <sup>(b)</sup>	0.01
4. Ng Soon Lai @ Ng Siek Chuan	-	-	-	-
5. Leow Hoi Loong @ Liow Hoi Long	-	-	-	-
6. Foo Kok Siew	-	-	-	-
7. Wang Shenghua	-	-	-	-
8. Tan Shau Ming	-	-	792,000 <sup>(c)</sup>	0.06

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.
- (c) Deemed interest by virtue of his spouse, Madam Ng Siew Cho's direct shareholdings in the Company.

### Substantial Shareholdings as at 19 October 2016

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

Names	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Tan Sri Dato' Law Tien Seng	-	-	337,647,686 <sup>(a)</sup>	26.31
Puan Sri Datin Saw Geok Ngor	-	-	337,647,686 <sup>(b)</sup>	26.31
TS Law Investments Limited	-	-	337,647,686	26.31
Amardale Offshore Inc.	-	-	337,647,686 <sup>(c)</sup>	26.31
CIMSEC Nominees (Asing) Sdn Bhd	90,000,000 <sup>(d)</sup>	7.01	-	-
HSBC Nominees (Asing) Sdn Bhd	90,000,000 <sup>(d)</sup>	7.01	-	-
Cartaban Nominees (Asing) Sdn Bhd	157,647,686 <sup>(d)</sup>	12.29	-	-
Lembaga Tabung Haji	86,700,000	6.76	-	-
Shougang International (Singapore) Pte Ltd	-	-	64,392,000	5.02
China Shougang International Trade & Engineering Corporation	-	-	64,392,000 <sup>(f)</sup>	5.02
Shougang Corporation	-	-	64,392,000 <sup>(f)</sup>	5.02
HLIB Nominees (Asing) Sdn Bhd	64,392,000 <sup>(e)</sup>	5.02	-	-

NoteA: neg = negligible

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 HTVB.
- (b) Deemed interest by virtue of her spouse, Tan Sri Dato' Law Tien Seng's indirect shareholdings in HTVB vide his shareholdings in Amardale Offshore Inc. which has a controlling interest in TS Law Investments Limited, a substantial shareholder of HTVB.
- (c) Deemed interest by virtue of its shareholdings in TS Law Investments Limited which is a substantial shareholder of HTVB.
- (d) Deemed interest pursuant to Section 6A(4) of the Act by virtue of TS Law Investments Limited being the beneficial owners of the HTVB's shares.
- (e) Deemed interest pursuant to Section 6A(4) of the Act by virtue of Shougang International (Singapore) Pte Ltd being the beneficial owner of the HTVB shares.
- (f) 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 RCUIDS HOLDINGS

As at 19 October 2016

Five (5)-year 5% RM0.50 Nominal value of Redeemable Convertible Unsecured Islamic Debt Securities ("RCUIDS") As At 19 October 2016

Issue Date : 24 June, 2016

Maturity Date : 23 June, 2021

Conversion Price : RM0.50

### Analysis By Size of RCUIDS Holdings As At 19 October 2016

Size of RCUIDS holdings	No. of RCUIDS holders	%	No. of RCUIDS	%
Less than 100	6	0.29	378	0.00
100 - 1,000	183	8.78	119,040	0.04
1,001 - 10,000	1,011	48.51	4,719,663	1.66
10,001 - 100,000	686	32.92	23,677,786	8.30
100,001 to less than 5% of issued shares	193	9.26	106,111,581	37.21
5% and above of issued shares	5	0.24	150,534,865	52.79
<b>Total</b>	<b>2,084</b>	<b>100.00</b>	<b>285,163,313</b>	<b>100.00</b>

### LIST OF THIRTY (30) LARGEST OF RCUIDS HOLDERS AS AT 19 OCTOBER 2016

No.	Names	No. of RCUIDS	Percentage (%)
1.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-ASING)	56,707,986	19.89
2.	Cartaban Nominees (Asing) Sdn Bhd Exempt An for Standard Chartered Bank Singapore Branch (SG PVB CL AC)	35,032,819	12.29
3.	Cimsec Nominees (Asing) Sdn Bhd CIMB Bank for TS Law Investments Limited (PBCL-0G0069)	20,000,000	7.01
4.	Lembaga Tabung Haji	19,505,360	6.84
5.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Chai Beng (M02)	19,288,700	6.76
6.	DB (Malaysia) Nominees (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for United Income Plus Fund	10,018,600	3.51
7.	Kenanga Nominees (Asing) Sdn Bhd Lavington International Limited	9,624,000	3.37
8.	Ooi Chieng Sim	4,604,100	1.61
9.	K.H.L. Sdn Bhd	4,600,000	1.61
10.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Chai Beng (007158456)	4,488,200	1.57
11.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad – Hong Leong Strategic Opportunity Fund	3,543,600	1.24



## ANALYSIS OF RCUIDS HOLDINGS (Cont'd)

As at 19 October 2016

### LIST OF THIRTY (30) LARGEST OF RCUIDS HOLDERS AS AT 19 OCTOBER 2016

No.	Names	No. of RCUIDS	Percentage (%)
12.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Lea Ping (ONG1339M)	3,009,200	1.06
13.	Ng Ho Fatt	2,748,400	0.96
14.	Lim Wan Loo	2,508,600	0.88
15.	DB (Malaysia) Nominees (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for United Asean Discoveryfund	2,347,500	0.82
16.	Yap Kim Foong	1,994,400	0.70
17.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ann Lie (7000780)	1,561,000	0.55
18.	Ng Ho Fatt	1,510,000	0.53
19.	Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loh Yem Phoi (J Kuning 2-CL)	1,427,300	0.50
20.	Lee Ah Beng	1,287,400	0.45
21.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Ng Wai Yuan (MY0867)	1,098,401	0.39
22.	Lim Jit Hai	1,097,100	0.38
23.	Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Khor Kim Hock (B B Klang-CL)	1,073,000	0.38
24.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Chow Chong Chek (PB)	1,000,000	0.35
25.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Tiew (CEB)	962,200	0.34
26.	Lim Wan Keong	940,000	0.33
27.	Pacific Strike Sdn Bhd	798,300	0.28
28.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Chai Kim Sin (PB)	780,000	0.27
29.	DB (Malaysia) Nominees (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Strategic Fund	751,400	0.26
30.	DB (Malaysia) Nominees (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for United Bond & Equity Strategic Trust	730,900	0.26
<b>Total:</b>		<b>215,038,466</b>	<b>75.41</b>

**Directors' RCUIDS Holdings as at 19 October 2016**  
**(As per the Register of Directors' RCUIDS Holdings of the Company)**

Names	Direct		Indirect	
	No. of RCUIDS	%	No. of RCUIDS	%
1. Tan Sri Abd Rahman Bin Mamat	-	-	-	-
2. Tan Sri Dato' Law Tien Seng	-	-	75,032,819 <sup>(a)</sup>	26.31
3. Lee Ching Kion	-	-	-	-
4. Ng Soon Lai @ Ng Siek Chuan	-	-	-	-
5. Leow Hoi Loong @ Liow Hoi Loong	-	-	-	-
6. Foo Kok Siew	-	-	-	-
7. Wang Shenghua	-	-	-	-
8. Tan Shau Ming	-	-	176,000 <sup>(b)</sup>	0.06

Notes:

- (a) Deemed interest pursuant to Section 6A(4) of the Companies Act, 1965 by virtue of his RCUIDS holdings in Amardale Off shore 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 Ng Siew Cho's direct shareholdings in the Company.



## ANALYSIS OF WARRANT HOLDINGS

As at 19 October 2016

### Warrant A

No. of Warrants in Issue	: 159,360,628	
No. of Warrant Holders	: 2,257	
Exercise Price of Warrants	: RM0.69 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 Warrant Holdings As At 19 October 2016

Size of Warrant A Holdings	No. of Warrant A Holders	%	No. of A Warrants	%
Less than 100	219	9.70	12,278	0.01
100 - 1,000	466	20.65	276,652	0.17
1,001 - 10,000	843	37.35	3,366,856	2.11
10,001 - 100,000	573	25.39	23,500,695	14.75
100,001 to less than 5% of issued shares	154	6.82	73,353,534	46.03
5% and above of issued shares	2	0.09	58,850,613	36.93
<b>Total</b>	<b>2,257</b>	<b>100.00</b>	<b>159,360,628</b>	<b>100.00</b>

### LIST OF THIRTY (30) LARGEST WARRANT A HOLDERS AS AT 19 OCTOBER 2016

No.	Names	No. of Warrants	Percentage (%)
1.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-ASING)	44,362,418	27.84
2.	HLIB Nominees (Asing) Sdn Bhd Shougang International (Singapore) Pte Ltd	14,488,195	9.09
3.	HSBC Nominees (Tempatan) Sdn Bhd Exempt an for BNP Paribas Singapore Branch (Local)	6,449,999	4.05
4.	Lim Wan Keong	6,285,998	3.94
5.	Lim Wan Loo	5,593,588	3.51
6.	Maybank Nominees (Tempatan) Sdn Bhd Mohamed Shahrul Bin Abdul Rahman	2,500,000	1.57
7.	Biovector Capital Sdn Bhd	1,874,879	1.18
8.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heang Swee	1,350,000	0.85
9.	Mohamad Isa Bin Mahamud	1,312,020	0.82
10.	Loh Hong Keaw	1,260,000	0.79
11.	Choo Pin Mun	1,100,000	0.69
12.	Lim Kok Seng	1,080,000	0.68
13.	Chang Kiat Koon	1,048,800	0.66
14.	Choo Pin Mun	900,000	0.56



**LIST OF THIRTY (30) LARGEST WARRANT A HOLDERS AS AT 19 OCTOBER 2016 (Cont'd)**

No.	Names	No. of Warrants	Percentage (%)
15.	Sim Lai Soon	900,000	0.56
16.	Yap Kim Foong	874,350	0.55
17.	Leong Chee Hong	871,000	0.55
18.	Lim Mooi Fong	867,600	0.54
19.	Maybank Nominees (Tempatan) Sdn Bhd Azlan Bin Ibrahim	863,700	0.54
20.	Jaswant Singh A/L Gurdial Singh	840,000	0.53
21.	Ishak Bin Hamid	812,000	0.51
22.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mazlan Bin Mandin	750,000	0.47
23.	Loo Chee Lain	700,000	0.44
24.	Loo Eng Hoe	700,000	0.44
25.	Wong Wai Meng	700,000	0.44
26.	Affin Hwang Investment Bank Berhad IVT (YIH)	694,600	0.44
27.	Phuah Guk Shue @ Pua Guk Shue	675,000	0.42
28.	Lau Hui Ching	635,000	0.40
29.	Foo See Wai	610,300	0.38
30.	Melinda Woon	600,000	0.38
<b>Total:</b>		<b>101,699,447</b>	<b>63.82</b>



## ANALYSIS OF WARRANT HOLDINGS (Cont'd)

As at 19 October 2016

### Directors' Warrant A Holdings as at 19 October 2016

(As per the Register of Directors' Warrant A Holdings of the Company)

Names	Direct		Indirect	
	No. of Warrants	%	No. of Warrants	%
1. Tan Sri Abd Rahman Bin Mamat	-	-	-	-
2. Tan Sri Dato' Law Tien Seng	-	-	44,362,418 <sup>(a)</sup>	27.84
3. Lee Ching Kion	-	-	-	-
4. Ng Soon Lai @ Ng Siek Chuan	-	-	-	-
5. Leow Hoi Loong @ Liow Hoi Loong	-	-	-	-
6. Foo Kok Siew	-	-	-	-
7. Wang Shenghua	-	-	-	-
8. Tan Shau Ming	-	-	99,000 <sup>(b)</sup>	0.06

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.
- (b) Deemed interest by virtue of his spouse, Madam Ng Siew Cho's direct shareholdings in the Company.

## Warrant B

No. of Warrants in Issue	: 285,163,313	
No. of Warrant Holders	: 2,197	
Exercise Price of Warrants	: RM0.50 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 Warrant B Holdings As At 19 October 2016

Size of Warrant B Holdings	No. of Warrant B Holders	%	No. of B Warrants	%
Less than 100	15	0.68	660	0.00
100 - 1,000	191	8.69	123,793	0.04
1,001 - 10,000	972	44.24	4,488,794	1.57
10,001 - 100,000	763	34.73	28,485,881	9.99
100,001 to less than 5% of issued shares	253	11.52	151,588,380	53.16
5% and above of issued shares	3	0.14	100,475,805	35.23
<b>Total</b>	<b>2,197</b>	<b>100.00</b>	<b>285,163,313</b>	<b>100.00</b>

## LIST OF THIRTY (30) LARGEST WARRANT B HOLDERS AS AT 19 OCTOBER 2016

No.	Names	No. of Warrants	Percentage (%)
1.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-ASING)	45,442,986	15.94
2.	Cartaban Nominees (Asing) Sdn Bhd Exempt An for Standard Chartered Bank Singapore Branch (SG PVB CL AC)	35,032,819	12.29
3.	CIMSEC Nominees (Asing) Sdn Bhd CIMB Bank for TS Law Investments Limited (PBCL-0G0069)	20,000,000	7.01
4.	Kenanga Nominees (Asing) Sdn Bhd Lavington International Limited	9,624,000	3.37
5.	Sheng Hsia Hwei	7,087,200	2.49
6.	K.H.L Sdn Bhd	6,800,000	2.38
7.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Jeremy Chia Pei Chai (E-TCS)	6,000,000	2.10
8.	Tam May Chow	5,350,000	1.88
9.	Sim Ah Seng	5,143,160	1.80
10.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Weng Kung	4,773,500	1.67
11.	Tan Chin Teong	4,000,000	1.40
12.	Ooi Chieng Sim	3,500,000	1.23



## ANALYSIS OF WARRANT HOLDINGS (Cont'd)

As at 19 October 2016

### LIST OF THIRTY (30) LARGEST WARRANT B HOLDERS AS AT 19 OCTOBER 2016 (Cont'd)

No.	Names	No. of Warrants	Percentage (%)
13.	Wong Chen Hoong	3,500,000	1.23
14.	Lee Hai Guan	2,956,800	1.04
15.	Lim Wan Loo	2,508,600	0.88
16.	Lim Chooi Heok	2,200,000	0.77
17.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Ee Hoe	2,033,000	0.71
18.	Heng Hua Khian	2,000,000	0.70
19.	Yap Kim Foong	1,994,400	0.70
20.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for OCBC Securities Private Limited (Client A/C-RES)	1,500,000	0.53
21.	H'ng Bok Chuan	1,500,000	0.53
22.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Soon Hin (E-BPJ)	1,450,000	0.51
23.	Hoo Wan Fatt	1,402,000	0.49
24.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	1,400,000	0.49
25.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Ah Nyuk Len (MQ0340)	1,390,800	0.49
26.	Yap Wai Fong	1,367,300	0.48
27.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Aw Kin Loong	1,300,000	0.46
28.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Weng Kung	1,172,000	0.41
29.	Teh Soon Seng	1,140,000	0.40
30.	Lee Tze Nei	1,071,500	0.38
<b>Total:</b>		<b>184,640,065</b>	<b>64.75</b>

**Directors' Warrant B Holdings as at 19 October 2016**  
**(As per the Register of Directors' Warrant B Holdings of the Company)**

Names	Direct		Indirect	
	No. of Warrants	%	No. of Warrants	%
1. Tan Sri Abd Rahman Bin Mamat	-	-	-	-
2. Tan Sri Dato' Law Tien Seng	-	-	75,032,819 <sup>(a)</sup>	26.31
3. Lee Ching Kion	-	-	-	-
4. Ng Soon Lai @ Ng Siek Chuan	-	-	-	-
5. Leow Hoi Loong @ Liow Hoi Loong	-	-	-	-
6. Foo Kok Siew	-	-	-	-
7. Wang Shenghua	-	-	-	-
8. Tan Shau Ming	-	-	176,000 <sup>(b)</sup>	0.06

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.
- (b) Deemed interest by virtue of his spouse, Madam Ng Siew Cho's direct shareholdings in the Company.

NOTICE IS HEREBY GIVEN THAT the Twentieth 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 Thursday, 15 December 2016 at 2.30 p.m. for the following purposes:-

## A G E N D A

### ORDINARY BUSINESS:-

- |  |  |
|--|--|
| 1. To receive the Audited Financial Statements of the Company for the year ended 31 July 2016 together with the Directors' and Auditors' Reports attached thereon. | <b>Please refer to Note B on this Agenda</b> |
| 2. To approve the Directors' fees of RM315,000 for the financial year ended 31 July 2016.  | <b>Ordinary Resolution 1</b>                 |
| 3. To approve a Single Tier Final Dividend of 0.3 sen per share for the financial year ended 31 July 2016.   | <b>Ordinary Resolution 2</b>                 |
| 4. To re-elect the following Directors who are retiring in accordance with Article 79 of the Company's Articles of Association:-                                   |  |
| 4.1 Tan Sri Dato' Law Tien Seng  | <b>Ordinary Resolution 3</b>                 |
| 4.2 Mr. Leow Hoi Loong @ Liow Hoi Loong  | <b>Ordinary Resolution 4</b>                 |
| 4.3 Mr. Tan Shau Ming  | <b>Ordinary Resolution 5</b>                 |
| 5. To accept the retirement of a director, Mr Wang Shenghua who retires in accordance with Article 84 of the Company's Articles of Association.                    | <b>Ordinary Resolution 6</b>                 |
| 6. To re-appoint Messrs KPMG as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration.                              | <b>Ordinary Resolution 7</b>                 |

### 7. AS SPECIAL BUSINESS:-

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

- |  |                              |
|--|------------------------------|
| 7.1 <b>Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965</b> | <b>Ordinary Resolution 8</b> |
|--|------------------------------|

**"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 (excluding treasury shares) 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."



## NOTICE OF TWENTIETH ANNUAL GENERAL MEETING (Cont'd)

### 7.2 **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 23 November 2016, 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."

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

#### **Ordinary Resolution 10**

**"THAT** subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") 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 the Nineteenth Annual General Meeting of the Company held on 15 December 2015, 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 BMSB 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 of the Company, be allocated by the Company for the Proposed Share Buy-Back. The retained profits of the Company stood at RM28,488,921 for the financial year ended 31 July 2016.

**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."

- 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 0.3 sen per share in respect of the financial year ended 31 July 2016 will be payable on 25 January 2017 to depositors registered in the Record of Depositors at the close of business on 6 January 2017.

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 6 January 2017 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**

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Company Secretary  
**NG YIM KONG (LS 0009297)**

Date: 23 November 2016





## NOTICE OF TWENTIETH ANNUAL GENERAL MEETING (Cont'd)

### Notes:

#### A. Appointment of Proxy

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.
5. A proxy appointed to attend and vote at a meeting of the Company shall have the same right as the member to speak at the meeting.
6. 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.

#### B. Audited Financial Statements for the Financial Year ended 31 July 2016

These Audited Financial Statements in Agenda 1 are meant for discussion only as the approval of shareholders is not required pursuant to the provision of Section 169(1) of the Companies Act, 1965. Hence, this Agenda is not put forward for voting by the shareholders of the Company.

### EXPLANATORY NOTES ON SPECIAL BUSINESS OF THE AGENDA

#### (a) Resolution pursuant to the Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965

The proposed Resolution 8 under item 7.1 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 (excluding treasury shares) 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 which seeks to grant authority to Directors to allot and issue shares is a renewal of the mandate that was approved by the shareholders at the Nineteenth Annual General Meeting ("AGM") held on 15 December 2015. 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.

The Company has not issued any new share pursuant to Section 132D of the Act under the general mandate which was approved at the Nineteenth Annual General Meeting.

**(b) Resolution pursuant to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The Proposed Ordinary Resolution 9 under item 7.2 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 23 November 2016 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 Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, please refer to the Circular to Shareholders dated 23 November 2016 enclosed together with the Company's 2016 Annual Report.

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

The Proposed Ordinary Resolution 10 under item 7.3 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 23 November 2016 enclosed together with the Company's 2016 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 7 December 2016. Only a depositor whose name appears on the Record of Depositors as at 7 December 2016 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.





# FORM OF PROXY



**HTVB**

HIAP TECK VENTURE BERHAD  
421340-U

## TWENTIETH ANNUAL GENERAL MEETING FORM OF PROXY

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 Twentieth 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 Thursday, 15 December 2016 at 2.30 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 Directors' fees of RM315,000 for the year ended 31 July 2016.		
2	To approve a Single Tier Final Dividend of 0.3 sen per share for the financial year ended 31 July 2016.		
3	To re-elect Tan Sri Dato' Law Tien Seng who is retiring in accordance with Article 79 of the Company's Articles of Association.		
4	To re-elect Mr. Leow Hoi Loong @ Liow Hoi Loong who is retiring in accordance with Article 79 of the Company's Articles of Association.		
5	To re-elect Mr. Tan Shau Ming who is retiring in accordance with Article 79 of the Company's Articles of Association.		
6	To accept the retirement of a director, Mr. Wang Shenghua who retires in accordance with Article 84 of the Company's Articles of Association.		
7	To re-appoint Messrs KPMG as the Company's Auditors for the ensuring year and to authorise the Directors to fix their remuneration.		
8	To grant the 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 Renewal of Shareholders' Mandate for Share Buy-Back.		

[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.....2016

.....  
[Signature/Common Seal of Member]

\* Delete if not applicable

Number of Ordinary  
shares held :

**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 by 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.
5. A proxy appointed to attend and vote at a meeting of a company shall have the same right as the member to speak at the meeting.
6. 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.

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

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**HIAP TECK VENTURE BERHAD**

(421340-U)

Lot 6096, Jalan Haji Abdul Manan

Batu 5 ½, Off Jalan Meru

41050 Klang

Selangor Darul Ehsan

Tel : 03-3377 8888

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