HTVB

HIAP TECK VENTURE BERHAD

Registration No. 199701005844 (421340-U)

ANNUAL REPORT 2020

CONTENTS

OUR VISION

To be the leading steel company in the region

OUR MISSION

- Build value for shareholders
- Participate in the development of the country
- Total customer satisfaction
- Enhancement of existing core business to position for growth
- One stop steel centre
- Continuously develop human asset

CORPORATE STRUCTURE

H T V B

HIAP TECK VENTURE BERHAD
199701005844
(421340-U)

- **100% Hiap Teck Hardware Sdn. Bhd.** 199301021598 (276336-A) — Importer, exporter, general dealer and lessor of steel products, hardware and building materials
- **100% Huatraco Scaffold Sdn. Bhd.** 199201009007 (240510-T) — Manufacturing, selling, renting and transporting of scaffolding equipment and range of steel products
  - **100% Huatraco Contracts Sdn. Bhd.** 199301027982 (282720-D) — Dormant
  - **100% Huatraco Investment Pte. Ltd.** (201102260E) — Investment Holding
    - **100% Huatraco Singapore Pte. Ltd.** (201103457N) — Scaffolding works and wholesale of industrial, construction and related machinery and equipment
  - **100% Huatraco Scaffold (Sabah) Sdn. Bhd.** 202001007460 (1363780-P) — Dormant
- **100% Alpine Pipe Manufacturing Sdn. Bhd.** 199301013106 (267844-V) — Manufacturing and selling of pipes, hollow sections and other steel products
  - **49% Jetama Alpine Pipe (Sabah) Sdn. Bhd.** 202001025950 (1382270-T) (*Date of incorporation : 1 September 2020*) — Dormant
- **35% Eastern Steel Sdn. Bhd.** 200101021275 (557033-V) — Manufacturing, selling and dealing in a range of steel products using blast furnace plant
- **100% Hiap Teck Resources Sdn. Bhd.** 199601037570 (409923-P) — Investment Holding
  - **55% Vista Mining Sdn. Bhd.** 201301006933 (1036773-K) — Exploring, contracting and all activities related to the mining, processing and sale of iron ore
- **100% Tiek Hong Hardware (B'worth) Sdn. Bhd.** 199301023740 (278478-T) — Dormant
- **100% Briliant Decade Transport Agency Sdn. Bhd.** 199301015521 (270261-D) — Provision of transportation services
- **100% Nexus Pacific Property Sdn. Bhd.** 199401027602 (313284-V) — Dormant
- **51% Geopintar E&C Sdn. Bhd.** 201601039476 (1210417-T) (*Formerly known as Darul Bakat Sdn. Bhd.*) — Dormant

BOARD OF DIRECTORS

CHAIRMAN/ INDEPENDENT NON-EXECUTIVE DIRECTOR
- Tan Sri Abdul Rahman Bin Mamat

EXECUTIVE DEPUTY CHAIRMAN
- Tan Sri Dato' Law Tien Seng

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

INDEPENDENT NON-EXECUTIVE DIRECTOR
- Mr. Leow Hoi Loong @ Liow Hoi Loong

EXECUTIVE DIRECTORS
- Mr. Foo Kok Siew
- Mr. Tan Shau Ming
- Mr. Law Wai Cheong

AUDIT COMMITTEE

CHAIRMAN
- Mr. Leow Hoi Loong @ Liow Hoi Loong

MEMBERS
- Tan Sri Abdul Rahman Bin Mamat
- Mr. Lee Ching Kion

REMUNERATION COMMITTEE

CHAIRMAN
- Tan Sri Abdul Rahman Bin Mamat

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

NOMINATING COMMITTEE

CHAIRMAN
- Tan Sri Abdul Rahman Bin Mamat

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

RISK MANAGEMENT COMMITTEE

CHAIRMAN
- Mr. Lee Ching Kion

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

ESOS COMMITTEE

CHAIRMAN
- Tan Sri Abdul 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)03-7804 5929
  Fax No.: (6)03-7805 2559

REGISTRAR
- Boardroom Share Registrars Sdn. Bhd.
  199601006647 (378993-D)
  (Formerly known as Symphony Share Registrars Sdn. Bhd.)
  11th Floor, Menara Symphony
  No. 5, Jalan Prof. Khoo Kay Kim
  Seksyen 13
  46200 Petaling Jaya
  Selangor Darul Ehsan, Malaysia
  Tel No. : (6)03-7890 4700
  Fax No. : (6)03-7890 4670

AUDITORS
- KPMG PLT (LLP0010081-LCA & 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 5½, Off Jalan Meru
  41050 Klang
  Selangor Darul Ehsan, Malaysia
  Tel No. : (6)03-3377 8888
  Fax No.: (6)03-3392 9198
  Website: www.htgrp.com.my

PRINCIPAL BANKERS
- Alliance Bank Malaysia Berhad 198201008390 (88103-W)
- AmBank (M) Berhad 196901000166 (8515-D)
- Hong Leong Bank Berhad 193401000023 (97141-X)
- HSBC Bank Malaysia Berhad 198401015221 (127776-V)
- Malayan Banking Berhad 196001000142 (3813-K)
- Maybank Islamic Berhad 200701029411 (787435-M)
- Kuwait Finance House (Malaysia) Berhad 200401033666 (672174-T)

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

Y. BHG. TAN SRI ABDUL RAHMAN BIN MAMAT

Chairman/ Independent Non-Executive Director

Malaysian, age 68
Chairman of the Remuneration Committee
Chairman of the Nominating Committee
Chairman of the ESOS Committee
Member of the Audit Committee

Y. Bhg. Tan Sri Abdul 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.

He joined MITI as Assistant Director in April 1975 and served in various capacities in MITI for 35 years before retiring in December 2010 which included (a) Deputy Trade Commissioner, Malaysian Trade Office, New York, the USA; (b) Director of Trade, Malaysian Trade Centre, Taipei, Taiwan; (c) Economic Counsellor/ Trade Commissioner and Deputy Permanent Representative to the United Nations Economic and Social Commission, Malaysian Trade Office, Bangkok, Thailand; (d) Special Assistant to the Minister of MITI, Tan Sri Rafidah Aziz; (e) Board of Director, Malaysian Industry-Government Group for High Technology (MIGHT); (f) Director of Industries; (g) Senior Director, Policy and Industry, Services Division; (h) Chairman of Malaysia External Trade Development Corporation ("MATRADE"); (i) Deputy Secretary-General (Industry); and (j) Secretary General of MITI.

During his tenure in MITI, he also served as MITI's representative on the board of various government-linked companies and corporations including Malaysian Investment Development Authority (MIDA), Johor Corporation, Regional Economic Development Authority (RECODA), Sarawak and Small and Medium Corporation Malaysia, Pahang State Economic Development Corporation, Malaysian Technology Development Corporation and MATRADE.

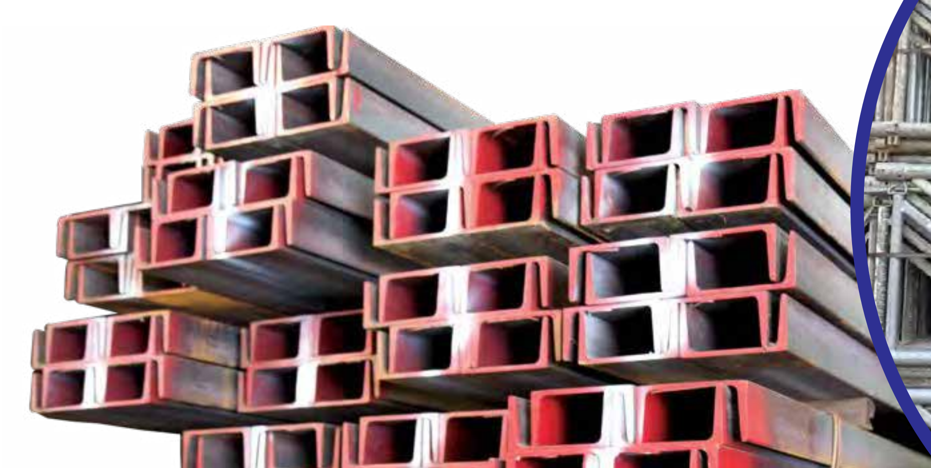
He had represented Malaysia in numerous international meetings, negotiations, conferences and symposiums and had involved in formulating, implementing and monitoring policies and strategies on international trade and industries as well as entrepreneurship development.

He was an honorary member of the ASEAN Federation of Engineering Organisations, a Malaysian Leader for the High Level Task Force on ASEAN Economic Integration and is the Chairman of the Advisory Board of the International Council for SME & Entrepreneurship Malaysia, and Board of Trustee of Enactus Malaysia Foundation, a non-profit organisation aimed at grooming university students into future business leaders.

He sits on the board of directors of several public listed companies in Malaysia including Lotte Chemical Titan Holding Berhad, BioAlpha Holdings Berhad, Dagang NeXchange Berhad and MCE Holdings Berhad as well as several private limited companies in Malaysia which are involved in finance, manufacturing, retail and services sectors covering global logistics, healthcare and oil, gas and energy.

Tan Sri Abdul 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 4 board meetings of HTVB held during the financial year ended 31 July 2020.



Y. BHG. TAN SRI DATO' LAW TIEN SENG

Executive Deputy Chairman

Malaysian, age 67

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.

Tan Sri Dato' Law is an entrepreneur and he founded the TS Law Group more than 30 years ago. The TS Law Group is engaged in a diversified portfolio of businesses encompassing mining, steel production and distribution, property development and investments in Malaysia, China, Australia and the United Kingdom. He currently serves on the board of several private limited companies in Malaysia.

Tan Sri Dato' Law is the father of Mr. Law Wai Cheong, an Executive Director of Hiap Teck Venture Berhad. 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 4 board meetings of HTVB held during the financial year ended 31 July 2020.

LEOW HOI LOONG @ LIOW HOI LOONG

Independent Non-Executive Director

Malaysian, age 66
Chairman of the Audit Committee
Member of the Risk Management 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.

Mr. Leow owns and manages several private companies involved in property investment, retailing business and industrial property development. He holds 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 4 board meetings of HTVB held during the financial year ended 31 July 2020.

LEE CHING KION
Senior Independent Non-Executive Director

Malaysian, age 66
Chairman of the Risk Management Committee
Member of the Audit Committee
Member of the Nominating Committee
Member of the Remuneration 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 Degree with Honours 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 Jebsen-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 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 4 board meetings of HTVB held during the financial year ended 31 July 2020.

FOO KOK SIEW
Executive Director

Malaysian, age 59
Member of the Risk Management Committee
Member of the ESOS Committee

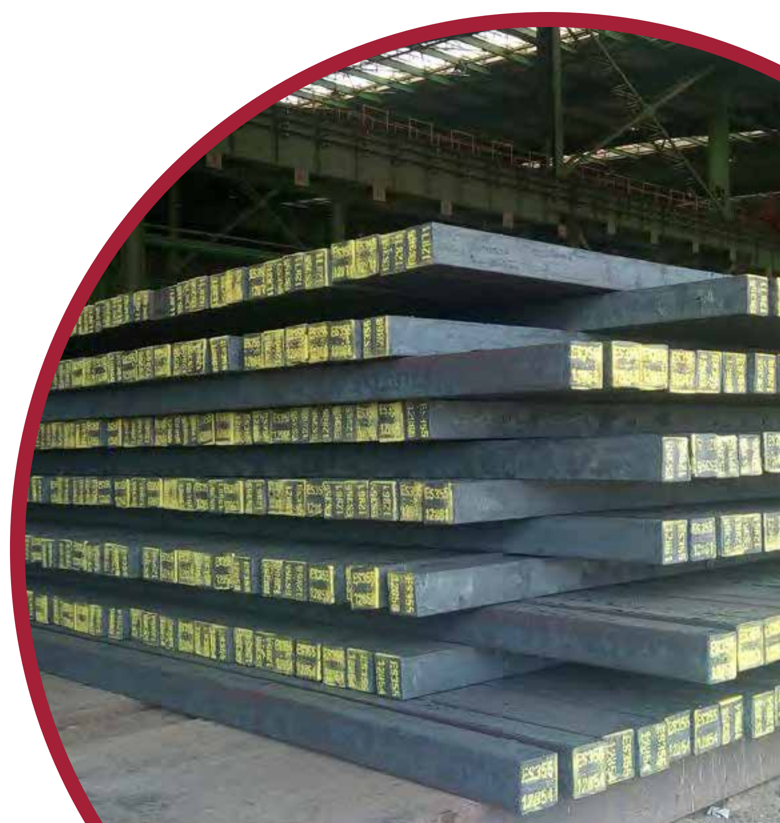
Mr. Foo Kok Siew was appointed to our Board as Independent Non-Executive Director on 24 February 2010. He was re-designated as Executive Director on 1 January 2013.

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 4 board meetings of HTVB held during the financial year ended 31 July 2020.



TAN SHAU MING
Executive Director

Malaysian, age 57

Mr. Tan Shau Ming joined Alpine Pipe Manufacturing Sdn. Bhd., a wholly-owned subsidiary of our Company, as Chief Production Officer in March 2012 and was subsequently appointed to our Board as Executive Director on 26 September 2014.

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 Executive Director until 2012. His responsibilities in the company included Factory Operations, Logistics and Transportations.

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 4 board meetings of HTVB held during the financial year ended 31 July 2020.

LAW WAI CHEONG
Executive Director

Malaysian, age 34

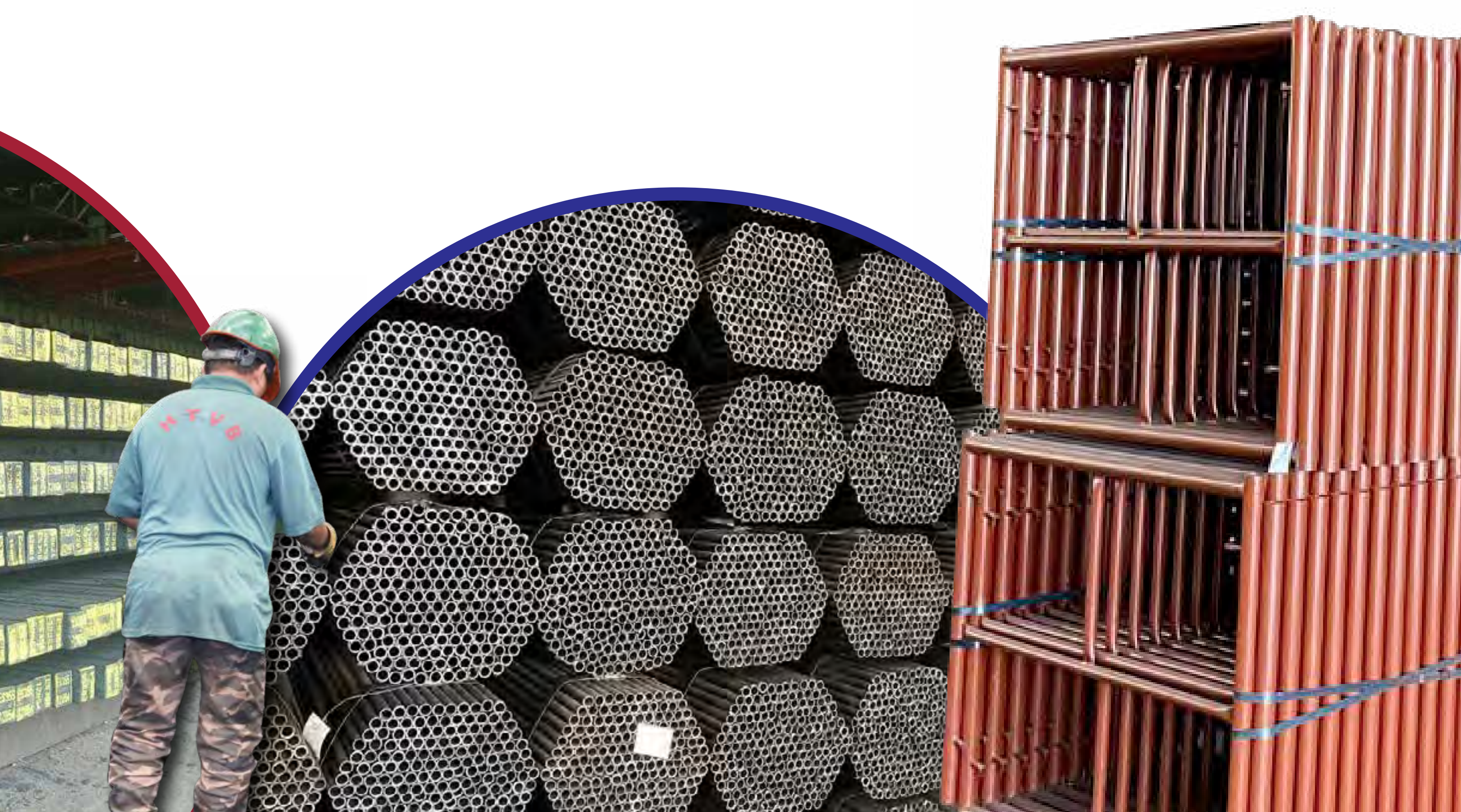
Mr. Law Wai Cheong was appointed as Executive Director of Hiap Teck Venture Berhad ("HTVB") on 3 January 2017.

Mr. Law holds a LLB (Hons) Cardiff, U.K; Barrister-at-law, Lincoln's Inn; and Msc in Management (Merit) London, U.K. Mr. Law started his career with Hong Leong Investment Bank Berhad (HLIB). While in HLIB, he focused on areas of corporate finance and corporate advisory. Subsequently, Mr Law chambered at the Law Office of KK Chong for 9 months.

Mr. Law is a Director of TS Law Group, a diversified group of companies engaged in steel production, mining and property development and investments in Malaysia, China, Australia and the United Kingdom.

Mr. Law is the son of Tan Sri Dato' Law Tien Seng, a major shareholder and the Executive Deputy Chairman of Hiap Teck Venture Berhad. He has no convictions for any offences over the past ten years.

He has attended all the 4 board meetings of HTVB held during the financial year ended 31 July 2020.



PHANG CHIN KHIONG

Group Chief Operating Officer ("COO")
Malaysian, age 51

Mr. Phang Chin Khiong was appointed as Group COO in August 2017. Prior to that, Mr. Phang was the Chief Commercial Officer of Alpine Pipe Manufacturing Sdn. Bhd. and Hiap Teck Hardware Sdn. Bhd..

Mr. Phang was with Wing Tiek Steel Pipes Sdn. Bhd. as Assistant Sales Manager before he left to pursue a career in the steel industry with Alpine Pipe Manufacturing Sdn. Bhd.. He was appointed as Executive Director of HTVB in June 2007, after serving the Board for more than 2 years he then resigned from his Director position in August 2009 to fully focus on his sales and marketing role. With more than 30 years of experience in the industry, he has accumulated invaluable experience and knowledge in the sale and marketing of iron and steel products.

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.

YEO BEE HWAN

Group Chief Financial Officer ("CFO")
Malaysian, age 52

Ms. Yeo Bee Hwan was appointed as Acting CFO on 10 August 2016 and was confirmed and re-designated as Group CFO in January 2017.

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

She started her career as an external auditor before joining Hume Industries Division under Hong Leong Group in 1994. She then joined Tuan Sing Holding Limited 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 Steel Division under Arcelor Mittal Group).

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.

TAN YUEN HONG, ALEX

Chief Commercial Officer
Malaysian, age 54

Mr. Tan Yuen Hong was appointed as Chief Commercial Officer of Huatraco Scaffold Sdn. Bhd. in July 2017. Prior to that, Mr. Tan was the Chief Commercial Officer for the Project Division of Hiap Teck Hardware Sdn. Bhd. ("HTH") since 2011.

Mr. Tan started his career in 1985 when he joined the sales department of Wing Tiek Holdings Berhad. He spent 8 years in Wing Tiek Holdings Berhad before joining HTH, a wholly-owned subsidiary of HTVB in 1993. His more than 30 years of 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.

SEH KWANG WEOI, MICHAEL

Chief Commercial Officer
Malaysian, age 52

Mr. Seh Kwang Weoi was appointed as Chief Procurement Officer for both the Manufacturing and Trading divisions of the Group in 2011. In August 2017, his role was expanded to include the position of Chief Commercial Officer for Hiap Teck Hardware Sdn. Bhd..

Mr. Seh holds a Bachelor of Commerce Degree 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 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 20 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.

DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS, I AM PLEASED TO PRESENT THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF HIAP TECK VENTURE BERHAD ("HTVB") AND ITS SUBSIDIARIES ("THE GROUP") FOR THE FINANCIAL YEAR ENDED 31 JULY 2020.

Despite trade tensions between the US and China, the Malaysian economy started well in 2019 albeit slower than the preceding year. For the full year, Malaysia's gross domestic product ("GDP") growth moderated to 4.3% in 2019, while in the fourth quarter, the country's growth slowed to 3.6%, the lowest since 3Q 2009.

Then came the change of government in February and later, the imposition of the COVID-19 pandemic Movement Control Order ("MCO") in March 2020. Faced with these uncertainties, challenges and the lockdown, the Malaysian economy experienced a sharp reversal in 2020 with a marginal growth of 0.7% in the first quarter and a sharp contraction of 17.1% in the second quarter. The construction sector fell by a shocking 44.5% over the same quarter reflecting the halt in construction activities during the MCO.

These contractions have a significant impact on steel demand. Apparent steel consumption ("ASC") in Malaysia is forecasted to register a decline of 8.1% in 2020 to 8.70 million MT as compared to 9.47 million MT in 2019.

CORPORATE DEVELOPMENT

ESSB, a 35% equity-owned joint venture of HTVB, operates a fully integrated blast furnace steel plant with a rated annual production capacity of 700,000 MT. I am pleased to inform that ESSB has been operating smoothly since its resumption in 2018, and has achieved a new milestone with a production record of 798,512 MT for FY2020. The billet caster plant, added in December 2018, provided ESSB the flexibility to optimise its production mix, while the completion of the 55MW power plant in October 2019 has resulted in substantial saving in energy costs. ESSB intends to continuously upgrade its plant to enhance competitiveness, and is currently constructing a new coke oven plant, targeted to complete by Q2 2021, to further reduce production costs.

On 2 March 2020, Huatraco Scaffold Sdn. Bhd. ("Huatraco"), a wholly-owned subsidiary of HTVB has incorporated a 100% owned subsidiary, Huatraco Scaffold (Sabah) Sdn. Bhd. The objective of this new company is to penetrate the Sabah market for scaffold equipment, and to promote collaboration with local Sabah corporations.

On 1 September 2020, Alpine Pipe Manufacturing Sdn. Bhd. ("Alpine"), a wholly-owned subsidiary of HTVB, has subscribed for 49 ordinary shares representing 49% in the share capital of Jetama Alpine Pipe (Sabah) Sdn. Bhd. ("JAS"). Jetama Sdn. Bhd. ("Jetama"), an indirect wholly-owned subsidiary of the State Government of Sabah through Kota Kinabalu Water Sdn. Bhd., a subsidiary of Sabah Development Berhad, has subscribed for the other 51% of JAS. JAS is a collaboration between Jetama and Alpine to penetrate the Sabah market for pipes and hollow sections, where Jetama has the local knowledge and Alpine will supply the products and provide the technical expertise.

FINANCIAL PERFORMANCE

Financial Year 2020 was a most disruptive year for the Group.

The impact of the COVID-19 pandemic leading to the sharp contraction of the country's economy and construction sector was unprecedented. The Group shut operations on 18 March and resumed on 4 May 2020 in line with the impositions of the MCO and the Conditional MCO ("CMCO"). Revenue for H2 FY2020 fell 33% compared to H1 FY2020. For the full FY2020, the Group revenue fell 21.8% to RM0.93 billion from RM1.19 billion achieved in the preceding financial year. In line with the weak market conditions, steel prices declined leading to lower margins and exacerbated by the sharp drop in revenue, Group operating profit declined 66.9% to RM25.79 million in FY2020 from RM77.93 million, previously.

To help mitigate the difficult operating environment, the Group undertook cost reduction measures, stream-lined production, and kept a keen eye on cash-flow and collections to ensure we emerge from this crisis stronger.

On a positive note, the Group's effort in turning around ESSB has shown success and for FY2020, ESSB achieved revenue of RM1.43 billion and posted a profit after tax of RM10.97 million as compared to a loss of RM33.32 million in the preceding financial year. As in FY2019, ESSB also recorded another impairment write-back of RM50 million for FY2020 to reflect the strength of its recovery. ESSB's much improved performance in FY2020 can substantially be attributed to the completion of its 55 MW power plant in October 2019 which resulted in substantial savings in energy cost.

For FY2020, the Group recorded a share of gain of RM3.84 million from ESSB as compared to a share of loss of RM13.26 million in the preceding financial year. I am confident the performance of ESSB will continue to improve with the completion of the coke oven plant in the coming year. In FY2020, ESSB increased its production to 798,512 MT (FY2019: 736,904 MT) of steel products, comprising 70,196 MT of slabs and 728,316 MT of billets, and had successfully sold these products in Malaysia and exported to neighboring markets including China, Indonesia, Thailand, Vietnam, India, South Korea, Philippines and Taiwan.

Despite the tremendous challenges faced, the Group managed to remain profitable in the current year to report a Net Profit after Tax of RM4.60 million, as compared to RM24.82 million in the preceding financial year.

As at FYE2020, the Group had total borrowings of RM506.26 million, with cash and cash equivalents of RM145.20 million. Shareholders' Funds stood at RM861.11 million with Net Assets per Share of RM0.64.

BOARD COMPOSITION AND CORPORATE GOVERNANCE

The members of our Board have diverse skills, experience and knowledge and I believe it is sufficiently balanced with a good mix to be able to contribute to the effectiveness of the Board. To cultivate sustainable growth, it is vital that our governance structures keep pace with the fast changing market environment. The Board will ensure our risks are managed effectively and transparently across the businesses. I trust that our Board is well placed to do that and we remain committed to maintaining the highest standards of corporate governance.

DIVIDENDS

The Board of Directors is pleased to recommend for shareholders' approval at the forthcoming Annual General Meeting ("AGM") a first and final single tier dividend of 0.30 sen per share for the financial year ended 31 July 2020. If approved by shareholders at the AGM to be held on 17 December 2020, the dividend will be paid on 25 January 2021.

ACKNOWLEDGEMENT

On behalf of the Board of the Directors, I extend our sincerest appreciation to our valued shareholders, customers, suppliers, business associates, financiers and relevant regulatory authorities for their continuous support, invaluable guidance and trust in the Group.

To the management team and employees, I thank them for their commitment, sacrifices, hard work and diligence especially during these difficult times. And to my fellow Board members for their guidance, perspective and perseverance in carrying out their roles over the years.

I would also like to express my gratitude to our JV partner in ESSB, the Beijing Jianlong Group, for their strong support and effort in turning around ESSB. And I believe, together, we can take ESSB to its next level of growth.

TAN SRI ABDUL RAHMAN BIN MAMAT
Chairman

THE MALAYSIAN ECONOMY IN 2019

The Malaysian economy moderated to 4.3% in 2019 (2018: 4.7%) with domestic demand continuing to support growth in 2019. The services and manufacturing sectors remained as key contributors to growth, while the agriculture and mining sectors benefitted from an improvement in oil palm yields and a recovery in natural gas production from pipeline disruptions in 2018, respectively. Growth in the construction sector slowed, following the completion of large projects, fewer number of new launches and an oversupply of properties. The weaker external demand has also a direct impact on Malaysia's exports and investment activities.

The civil engineering subsector remained the key contributor to growth, the delay in construction work for major highways, in addition to the completion of large petro-chemical projects, led to a moderation in construction growth during the year. The value of construction work done for 2019 amounted to RM146.6 billion, a mere 0.8% growth as compared to RM145.5 billion in the previous year.

Malaysia's steel consumption is dominated by long products, with a long over flat products ratio of 55% : 45% in 2019. Due to the slowdown in overall economy and the continued softening of the construction sector since H2 2019, apparent steel consumption ("ASC") in Malaysia registered a decline of 3.2% to 9.47 million MT in 2019 as compared to 9.78 million MT in the previous year. Malaysia's steel imports in 2019 declined by 8.5% to 7.5 million MT as against 8.2 million MT in the previous year, while total exports grew to 6.6 million MT (2018: 3.4 million MT).

REVIEW OF BUSINESS OPERATIONS

Hiap Teck Venture Berhad ("HTVB" or "the Company") is a holding company engaged in investment and property holdings and the provision of management services to its subsidiaries. HTVB and its subsidiaries (collectively referred as "the Group") are principally engaged in the manufacturing of pipe and scaffolding equipment, and trading of all types of steel and steel-related products, mining of iron ore and a transportation arm that solely supports internal requirements.

The Group is one of the leading steel companies in Malaysia with more than twenty years of extensive industry experience. The Group offers a one-stop solution for steel applications to a diverse customer base in Malaysia and to some degree, Southeast Asia. The Group's steel products and certifications have a broad range of industrial and consumer applications for various sectors including building & construction, manufacturing, engineering and oil & gas.

The Group's 35%-equity owned joint venture ("JV"), Eastern Steel Sdn. Bhd. ("ESSB") operates a fully integrated steel plant with a 600 m3 blast furnace and a rated capacity of 700,000 MT per annum. ESSB has been operating above its rated capacity in most of the periods since its resumption of production on 16 July 2018 with highest operated capacity at 117%. The production capability in both slab and billets (billet caster added in December 2018), gave the company flexibility in optimising its revenue mix. In October 2019, ESSB completed its 55 MW power plant which helped the company to reduce energy costs substantially. ESSB sells its products in Malaysia, and also exports to neighbouring countries including China, Vietnam, Indonesia, Thailand, Philippines, India, South Korea and Taiwan.

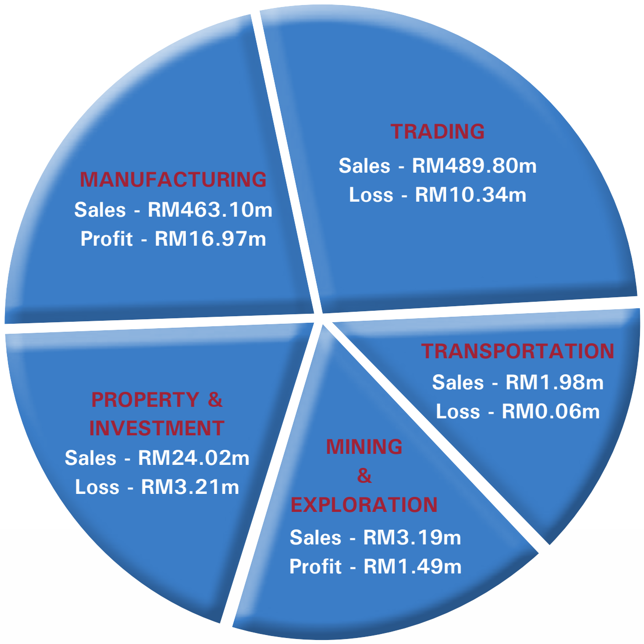
FY2020 was an extremely challenging period. The unexpected and unprecedented COVID-19 pandemic has severely disrupted the world economy, created uncertainties in the financial markets, supply and demand chains, and global logistics, leading to the lockdown of billions of people globally and the imposition of the MCO in Malaysia, to slow the spread of the corona virus. Despite these extreme challenges, the Group quickly adjusted and maintained focused on disciplined cost control and cash-flow to ensure sustainability.

For FY2020, the Group recorded lower revenue of RM0.93 billion (FY2019: RM1.19 billion), and a small share of profit of JV amounting to RM3.84 million (FY2019: share of loss of RM13.26 million). The Group managed to post a third consecutive year of profit to post a Profit after Tax of RM4.60 million (FY2019: RM24.82 million). The key contributors to the share of profit of JV entity were the improvement in efficiencies, energy savings attributed to the 55 MW power plant, and the reversal of impairment loss at ESSB of another RM50 million which was provided in previous years. This reversal of impairment loss was done subsequent to annual impairment assessment.

PERFORMANCE REVIEW BY SEGMENT

The Group segments' contributions are summarised below. The detailed segmental performance is disclosed in Note 26 of the financial statements.

- **SEGMENTS' PERFORMANCE**



In line with the disruption to the economy, the Group registered a 21.8% decline in revenue to RM0.93 billion as compared to RM1.19 billion reported in the preceding financial year, due to sharply lower sales volume and lower steel prices. The Group's Profit from Operations declined by 66.9% to RM25.79 million against RM77.93 million in the previous year due to lower margins, exacerbated by the sharp drop in volume as a result of the MCO. With the turnaround and positive contribution from the JV entity, ESSB for the very first time, the Group managed to achieve a Profit before Tax of RM8.69 million in FY2020 as compared to RM39.15 million in the preceding financial year.

As at the end of FY2020, inventories and trade receivables were recorded at RM354.19 million and RM132.17 million, representing decreases of 19.3% and 33.7% from RM438.78 million and RM199.26 million, respectively in previous financial year. This is part of management's strategy to maintain liquidity and balance sheet strength to weather through these disruptive times. As a result, the Group's borrowings (net of cash) as at end of FY2020 was reduced to RM495.10 million from RM610.10 million in the preceding year. The Group's borrowings comprise principally of short term trade facilities to support its raw material purchases and working capital requirements.

Manufacturing Segment

The manufacturing segment is engaged in the manufacturing and distribution of steel pipes, hollow sections, scaffolding equipment and accessories, and other steel products. Its pipe manufacturing activities under Alpine Pipe Manufacturing Sdn. Bhd. ("Alpine") is the largest structural pipe and hollow sections manufacturer in Malaysia. The product certifications secured such as BS EN, BA EN, EN, SPAN, JIS, AS, and API provide Alpine with strong competitive advantage to supply to various projects and industries. Huatraco Scaffold Sdn. Bhd. ("Huatraco") has been engaged in the scaffolding business for more than twenty years. Huatraco is one of the pioneers in the scaffolding industry and it is the first producer in Malaysia to obtain MS1462 certification, exemplifying the superior quality of its scaffolds. Huatraco's wealth of experience and expertise have led to its existing position as one of the most reliable and best quality scaffolding equipment providers in both the domestic and regional markets.

For the financial year under review, the manufacturing segment recorded revenue of RM463.10 million and contributed RM16.97 million in segment profit. The weak performance was principally due to production shut down during the MCO and the stringent COVID-19 SOP enforcements by Government and MOH respectively. However, the Group will remain focused and continues to be disciplined in cost control, seek continuous improvements in quality and efficiencies, strategic procurement and marketing despite the challenging market conditions.

Other initiatives taken by the Group are:

- Capital investment in technology advancement and automation, and clear KPIs and incentives to further improve efficiency, productivity and to lower costs.
- Further enhancement of product quality and certification for the export markets.
- Explore new products, market segments and to further expand presence in Southeast Asia.

Trading Segment

The Group's trading business is one of the largest in Malaysia and is involved in the importation and sales of various types of steel products to both hardware companies and project end users in multiple sectors. It combines synergistically with the manufacturing segment to become a one-stop steel solution provider for all major infrastructure and construction projects.

The trading segment registered revenue of RM489.80 million FY2020 as compared to RM616.60 million in the previous financial year, representing a decrease of 20.6%. However, the trading segment recorded a Loss before Tax of RM10.34 million as compared to Profit before Tax of RM1.99 million in the previous financial year due principally margin erosion to soft demand and increased volatility in steel prices during MCO/CMCO/RMCO periods as most major projects from both the Government and private sectors were delayed.

Property and Investment Segment

The property and investment segment solely supports the Group's wholly owned subsidiaries as almost all the factory buildings, warehouses, offices and lands are housed under property holdings. For the financial year under review, the segment reported a loss before tax of RM3.21 million as compared to a loss before tax of RM2.31 million in the previous financial year. The costs during the year under review included a donation of RM0.50 million to The Edge COVID-19 Equipment fund to support the front-liners in their fight against COVID-19.

Transportation Segment

The transportation segment is engaged in the provision of transport services by trucks or trailers that solely support the transportation requirements within the Group. This ensures timely delivery of materials to customers with the objective of serving our customers better. During the financial year, the Group continued to focus on increasing the number of trips or deliveries captured to further enhance efficiency of this segment that will directly lead to lower transportation cost and better services and timely delivery of products to our customers.

Mining & Exploration Segment

The mining and exploration segment is engaged in exploring, contracting and activities related to mining, processing and sale of iron ore. This segment commenced activities in May 2018 mainly to support the iron ore requirements of ESSB. This segment reported revenue of RM3.19 million, representing an increase of 163.6% over the revenue of RM1.21 million achieved in FY 2019 with profit before tax of RM1.49 million as compared to RM0.29 million in FY2019.

Eastern Steel Sdn. Bhd.

The Group's 35% equity-owned JV entity, ESSB, successfully resumed production on 16 July 2018 and has been operating smoothly and consistently above its rated capacity of 700,000 MT. The billet caster plant, added in December 2018, consists of a six-strand billet R8m continuous casting machine and its auxiliary facilities with a rated annual production capacity of 1,000,000 MT. ESSB had also completed and commissioned its 55 MW power plant in October 2019 that helped the company achieved significant savings in energy costs.

For the financial year under review, ESSB achieved revenue of RM1.43 billion driven by strong acceptance and demand for its products in both the domestics and overseas market. Malaysia and South East Asian markets are net importer of billets.

In FY2020, ESSB produced a total of 798,512 MT of steel products, of which, slabs and billets were 70,196 MT and 728,316 MT, respectively. In the same financial year, a total of 794,268 MT of steel products were sold comprising 70,196 MT of slabs and 724,072 MT of billets. Domestic sales volume was 231,549 MT while export sales volume was 562,719 MT.

As at FYE 2020, ESSB's shareholders' funds stood at RM1.28 billion with bank borrowings of RM19.00 million, comprising short term trade facilities.

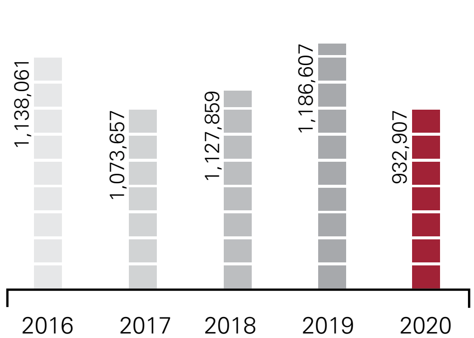
The excellent achievement signifies the Group's commitment to turning around ESSB both operationally and financially and to drive the Company to the next level of growth.

FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

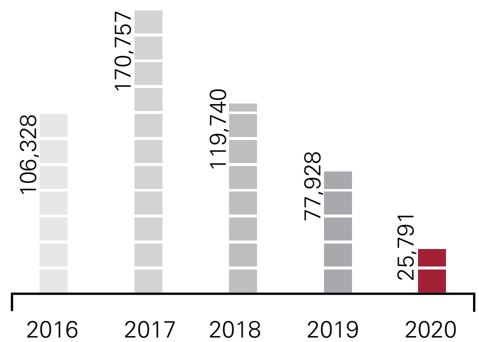
	2015	2016	2017	2018	2019	2020
Revenue (RM'000)	1,257,619	1,138,061	1,073,657	1,127,859	1,186,607	**932,907**
Profit From Operations (RM'000)	25,315	106,328	170,757	119,740	77,928	**25,791**
Profit / (Loss) Before Tax (RM'000)	(66,460)	(24,617)	(74,821)	48,366	39,150	**8,689**
EBITDA (RM'000)	(10,358)	28,970	(29,817)	83,261	75,140	**43,776**
Profit / (Loss) After Tax (RM'000)	(76,806)	(42,173)	(103,161)	27,189	24,818	**4,601**
Shareholders' Funds (RM'000)	872,941	913,044	807,371	836,473	861,792	**861,110**
NTA Per Share (RM)	0.67	0.70	0.60	0.61	0.64	**0.64**
Earnings / (Loss) Per Share (sen)	(6.03)	(3.24)	(8.00)	2.12	1.89	**0.32**
Dividend (sen)	0.30	0.30	-	0.50	0.50	**0.30**
Borrowings (RM'000)	526,726	616,897	453,672	612,092	626,066	**506,261**

FIVE YEAR GROUP FINANCIAL HIGHLIGHTS (Cont'd)

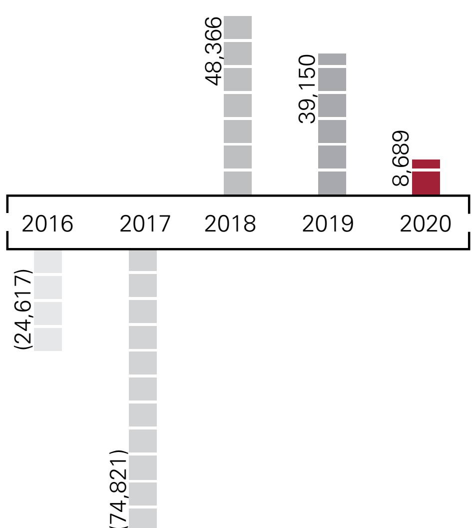
REVENUE
(RM'000)



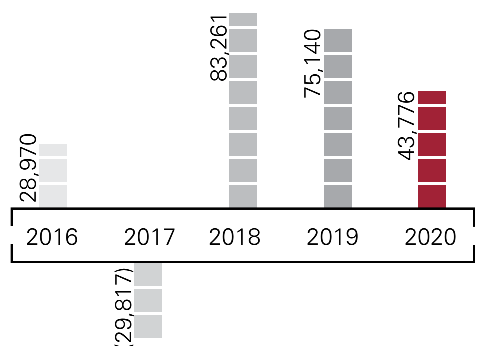
PROFIT FROM OPERATIONS
(RM'000)



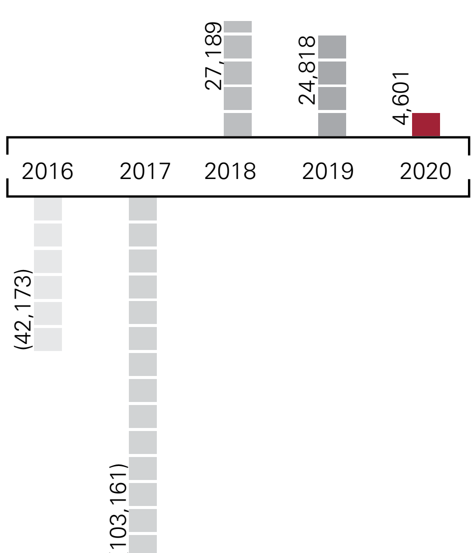
PROFIT/(LOSS) BEFORE TAX
(RM'000)



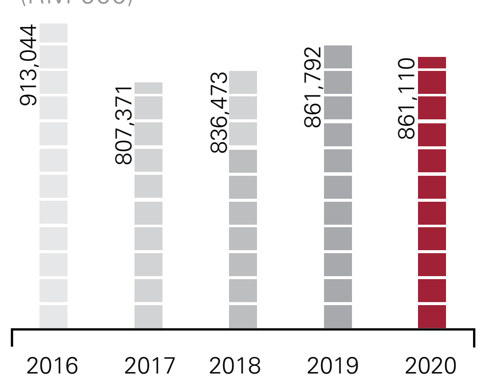
EBITDA
(RM'000)



PROFIT/(LOSS) AFTER TAX
(RM'000)

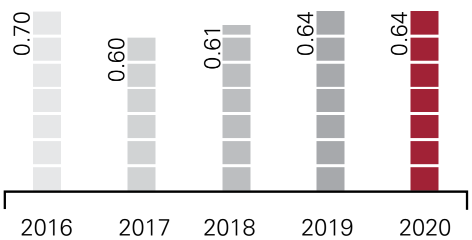


SHAREHOLDERS' FUNDS
(RM'000)

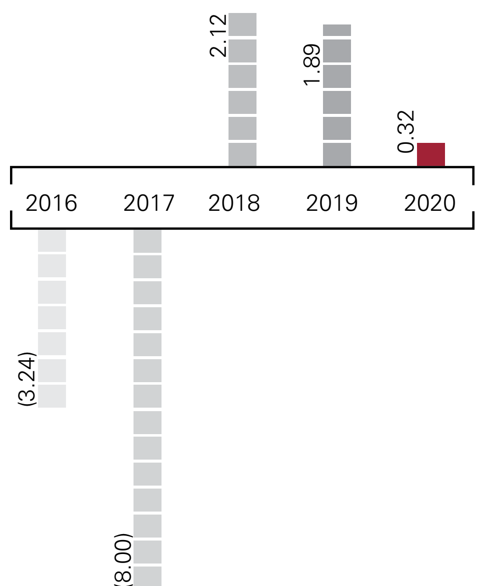


FIVE YEAR GROUP FINANCIAL HIGHLIGHTS (Cont'd)

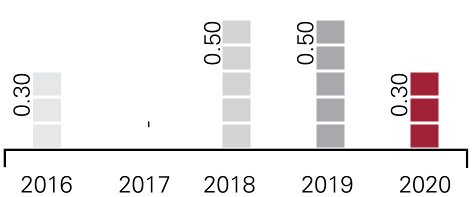
NTA PER SHARE
(RM)



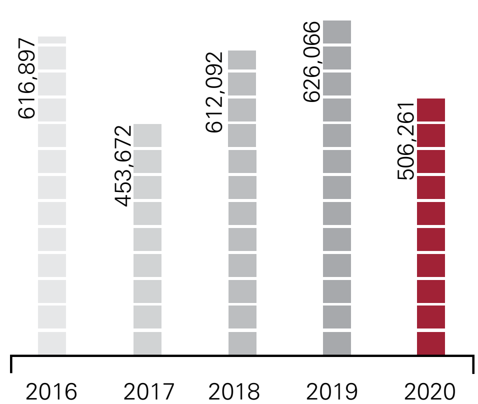
EARNINGS/(LOSS) PER SHARE
(SEN)



DIVIDEND
(SEN)



BORROWINGS
(RM'000)



MARKET REVIEW

World

The COVID-19 pandemic, with its disastrous consequences to public health, represents an enormous crisis for the world. As the number of COVID-19 infected cases continued to rise, nationwide lockdowns and travel restrictions were enforced across developed and developing countries causing severe disruptions to their economies. These significant disruptions to the activities of production and supply value chain have resulted in an obvious deterioration in the labour markets and private sector expenditures. In light of these challenges, the International Monetary Fund ("IMF") has projected that global growth will contract by 4.9% in 2020.

Business Outlook

The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand and strict containment measures in 2Q 2020. As a result, the economy registered its first contraction since the Global Financial Crisis (2Q 2020:17.1%; 3Q 2009:1.1%). On the supply side, this was reflected in negative growth across most sectors. From the expenditure side, domestic demand declined, while exports of goods and services registered a sharper contraction. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 16.5% (1Q 2020: 2.0%).

Softening growth was recorded across most economic sectors amid the imposition of the Movement Control Order (MCO), followed by the Conditional and Recovery MCO during 2Q 2020. The manufacturing sector contracted by 18.3% (1Q 2020: 1.5%), due largely to the imposition of MCO restrictions as well as weak demand conditions. The imposition of the MCO from mid-March throughout April 2020 halted production activities across all industries including steel.

Activities in the construction sector declined by 44.5% (1Q 2020: 7.9%), as almost all activities came to a standstill particularly in the month of April. Despite the partial reopening of the economy on 4 May, most construction sites faced challenges restarting due to adjustments required to comply with the stringent COVID-19 SOPs, and remained idle as developers dealt with the challenges.

However, the situation improved gradually towards the end of the quarter subsequent to the Government implemented additional measures to facilitate the revival of the economy which include Pakej Rangsangan Ekonomi 2020, Pakej Rangsangan Ekonomi Prihatin Rakyat as well as financial measures and policy rate cuts.

The contraction in construction activities significantly impacted steel demand. It is forecasted that the ASC in Malaysia will register a decline of 8.1% to 8.7 million MT in 2020 (2019: 9.47 million MT). The recovery in steel demand will be driven by the revival of the construction activities, especially infrastructure investment, as the government has put forward several new infrastructure initiatives. The continuation of large scale infrastructure projects such as East Coast Rail Link (ECRL) and Bandar Malaysia projects by the Government will provide a lift to growth for the steel industry moving forward.

Despite the severe and uncertain environment, the potential risks related to the COVID-19 pandemic are closely monitored at each business segments. The Group recognises the importance of Health Safety & Environment ("HSE"), and also the risks on operational and supply chain, relevant SOPs and strategies have been implemented to mitigate the impact on productions and supply disruptions.

The Group will continue to be a leading player in steel industry. The Group will focus on its strategy to enhance operational efficiency, contain costs, preserve profitability given the lower revenue scenario, and to safeguard our balance sheet strength and cash flow to withstand the difficult conditions and emerge stronger when the economy recovers.

The Board of Hiap Teck Venture Berhad ("HTVB") fully supports the recommendations of the Malaysian Code on Corporate Governance 2017 ("the Code") issued by the Securities Commission and the corporate governance requirements of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") which set out the broad principles and recommendations for good corporate governance and best practices for listed companies.

The Board is committed to apply to the best of its ability the recommendations and principles of the Code in ensuring and maintaining that good corporate governance is practised throughout the Group to effectively discharge its responsibilities to protect the Group assets, promote sustainable activities and results 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 2020. The detailed disclosure on how the Group has applied the principles and practices as laid out in the Code throughout the current financial year can be found in the Corporate Governance Report at the Group's website: www.htgrp.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Company is led by a proactive Board which, collectively, is primarily responsible for determining the strategic direction and sustainable goals of the Company and its subsidiaries, maintaining effective oversight over management, monitoring the overall conduct and performance of the Group's businesses and promoting ethical practices throughout the Group. In setting the Group's overall strategy and governance, and in pursuit of its objectives, the Board takes into account the interests of stakeholders in the decision making so as to ensure that the Group's objectives in creating long term shareholder value are met. It also reviews corporate strategies, budgets, risk management, operations and the performance of the business segments and brings to bear independent judgement on issues relating to conflict of interests, strategy, risk management, performance, resources, governance and code of conduct and ethics to ensure that decisions made and actions taken will promote transparency, accountability and sustainability of the Group. The Board as a whole is dedicated to practice clear demarcation of duties, responsibilities and authority within the Company. The Board recognises the importance of good corporate governance and applies the Practices as set out in the Code and the MMLR to enhance business prosperity and maximise shareholders' wealth.

The Board is committed to ensure that a high standard of corporate governance is maintained throughout the Group to effectively discharge its responsibilities with integrity, transparency and professionalism to protect and enhance shareholders' value and those of the other stakeholders.

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Company, the Board has amongst others adopted the following measures from Guidance 1.1 of the Code:

- Together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;
- Review, challenge and decide on management's proposals for the Company, and monitor its implementation by management;
- Ensure that the strategic plan of the Company supports long term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- Supervise and assess management performance to determine whether the business is being properly managed;
- Ensure there is a sound framework for internal controls and risk management;
- Understand the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks;
- Set the risk appetite within which the board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- Ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of board and senior management;
- Ensure that the Company has in place procedures to enable effective communication with stakeholders; and
- Ensure the integrity of the Company's financial and non-financial reporting.

Regular matters tabled for the Board's information and deliberation for the year include business performance updates, unaudited quarterly results, reports from operations, business plan and budget, human resource related updates, new business developments and potential business amongst other non-regular items which comprised corporate proposals and projects.

Hence, the Board will continue to play a critical role in setting the appropriate tone at the top, providing leadership and promoting good governance and ethical conduct and practices throughout the Group.

Key Responsibilities of the Chairman

The Board is led by a competent Chairman, Tan Sri Abdul Rahman Bin Mamat, who is an Independent Non-Executive Director and is primarily responsible for effective operation and performance of the Board and instilling good corporate governance practices, leadership and effectiveness of the Board.

Key responsibilities of the Chairman as set out in Guidance 1.2 of the Code have been adopted by the Company to be the duties and responsibilities of the Chairman of the Company:

- Provides leadership for the board so that the board may perform its responsibilities effectively;
- Sets the board agenda and ensures that board members receive complete and accurate information in a timely manner;
- Leads board meetings and discussions;
- Encourages active participation and allows different views to be freely expressed;
- Manages the interface between board and management;
- Ensures appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the board as a whole; and
- Leads the board in establishing and monitoring good corporate governance practices in the Company.

Separation of Positions of the Chairman and Executive Deputy Chairman

In order to promote accountability, transparency, independence, and to ensure the balance of power and authority, there is a clear demarcation of duty, responsibility, authority and roles between the Independent Non-Executive Chairman and the Executive Deputy Chairman which are clearly set out in the Board Charter.

The positions of Independent Non-Executive Chairman and Executive Deputy Chairman are held by different individuals in such manner that no one individual can influence the Board's discussions and decision making.

The Chairman provides leadership to the board and ensures that the Board and Board Committees function effectively. He sets the agenda for the Board meetings in consultation with the Executive Deputy Chairman and the Company Secretary and looks into effective shareholders' engagements. 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 discussion on strategies and policies recommended by the Management and leads the Board on its collective oversight of management. The Chairman of the Company is Tan Sri Abdul Rahman Bin Mamat.

The Executive Deputy Chairman who is assisted by the three (3) Executive Directors focus on the day-to-day management of the Company and is responsible for the implementation of the Board's policies and decisions as well as supervising the operation of the Group and developing and implementing business strategies. The Executive Deputy Chairman is Tan Sri Dato' Law Tien Seng.

Company Secretary

The Board is supported by an experienced and competent Company Secretary who provides sound governance advice, ensures adherence to rules and procedures and advocates adoption of corporate governance best practices.

The Company Secretary of Hiap Teck Venture Berhad, Mr. Ng Yim Kong, is a Secretary licensed by the Registrar of Companies by virtue of Section 235(2) of the Companies Act 2016 and holds a practicing license issued by the Registrar of Companies. The Company Secretary provides support to the Chairman of the Company to ensure the effective functioning of the Board.

The Company Secretary and his representatives also organise and attend all Board Meetings and Board Committees' Meetings ensuring accurate and proper recording of issues discussed, decisions made and conclusions taken, and facilitate Board communication. He also manages the processes of the Annual General Meeting and Extraordinary General Meeting (if any). All scheduled meetings held during the year were preceded by formal agenda issued by the Company Secretary in consultation with the Chairman. Prior to the meetings, appropriate documents which include agenda and reports relevant to the issues of the meetings are circulated to all the Directors at least seven (7) days prior to the meeting. All the Directors have sufficient time to appreciate the issues to be deliberated at meetings which in turn enhances the decision-making process. Further details or supplementary information may be provided at the request of the Directors.

The Company Secretary maintains all secretarial and statutory records of the Company. The Board has unrestricted access to the advice and service of the Company Secretary who is responsible to provide the Directors with the Board papers and related matters required for the Board and Committees' meetings.

Company Secretary (Cont'd)

The Company Secretary updates the Board of Directors regularly on amendments to the MMLR of Bursa Securities, practice and guidance notes or circulars issued by Bursa Securities from time to time and on the development of or amendments to the Companies Act 2016. The Company Secretary also circulates to the Directors notices of talks, seminars or conferences organised by Bursa Securities, Companies Commission of Malaysia or outside training and professional development providers to enable the Directors to select and attend the trainings or updates of their choice. Overall, the Company Secretary advises the Board on the corporate disclosures and compliances with the Companies Act 2016 and securities regulations and listing requirements. 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. He also ensures that all appointments and resignations of Directors are in accordance with the relevant legislation and coordinates the annual assessment of the Board and Board Committees, the Independent Directors, External Auditors and outsourced Internal Auditors.

The Board of Directors is supplied with and has 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.

Board Charter

The Board Charter was adopted by the Board to emphasize its commitment to good corporate governance practices of the Code. The Board Charter sets out, amongst others, the responsibilities, authorities, procedures, evaluations and structures of the Board and Board Committees, the relationship between the Board and management and the shareholders of the Company as well as issues and decisions reserved for the Board. More importantly, the Board Charter sets out the key values, principles and ethos of the Company as policies and strategy development are based on these considerations.

The Board Charter is periodically reviewed and updated by the Board to ensure that it remains relevant and consistent with the Board's objectives and responsibilities. The Board Charter is available at the Group's website www.htgrp.com.my.

Code of Ethics and Conduct for Directors and Anti-Bribery and Corruption Policy

The Company has adopted a Code of Ethics and Conduct for Directors to focus on areas of ethical risk, managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering, and to provide guidance to Directors to assist them to recognise and deal with unethical conduct and to help to foster a culture of honesty, trust, and responsibility. The Code of Ethics and Conduct is a part of the Company's commitment to integrity, accountability, transparency and self-regulation. It is a set of acceptable practices to guide the behaviour of the Directors.

The Code of Ethics and Conduct is available at the Group's website www.htgrp.com.my.

With the enforcement of Section 17A under the Malaysian Anti-Corruption Commission Act 2007, it has been established that a commercial organisation has a criminal liability ("Corporate Liability") for the corrupt activities of its employees and/or persons associated with the commercial organisation where such corrupt activities are carried out for the commercial organisation's benefits or advantages, it re-enforces the Group' zero-tolerance policy against all forms of bribery and corruption. The Group is committed to conduct businesses professionally, fairly and with integrity and transparency in compliance with all applicable anti-bribery and corruption laws in all jurisdictions in which we operate.

The Anti-Bribery and Corruption Policy is available at the Group's website www.htgrp.com.my.

Whistleblowing

A formal and written policy and procedure on whistleblowing has been established and adopted on 27 June 2019. The Whistleblowing Policy can be found at the Group's website at www.htgrp.com.my. The Whistleblowing Policy is intended to support the Group's Core Values, Code of Ethics and Governance.

II. BOARD COMPOSITION

Board Balance

The Board comprises seven (7) members; four (4) of whom are Executive Directors and three (3) are Independent Non-Executive Directors. The Board is therefore, in compliance with Paragraph 15.02 of the MMLR of Bursa Securities, which requires that at least two (2) directors or one-third (1/3) of the board of directors of a listed issuer, whichever is the higher, are independent directors but does not comply with Practice 4.1 of the Code which recommended at least half the Board to comprise independent directors. The number of independent directors can be increased from the present three to four upon the identification of a suitable candidate for the post. A brief profile of the Board members are set out on pages 4 to 7 of this Annual Report.

Tenure of Independent Director

It is the present policy of the Company that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, the Independent Director will have to resign unless he is retained by the Board as a non-independent director. This is in compliance with practice 4.2 of the Code. 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 had served for a consecutive or cumulative term of more than nine (9) years to remain as an Independent Director subject to Shareholders' approval with justification given.

None of the Independent Directors of the Company has served for a cumulative term of more than nine (9) years up to the financial year ended 31 July 2020, except for Tan Sri Abdul Rahman Bin Mamat who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years. In view of that and with the recommendation of the Nominating Committee, the Board intends to retain Tan Sri Abdul Rahman Bin Mamat as Independent Non-Executive Director on the grounds that Tan Sri Abdul Rahman Bin Mamat:

o Is independent, impartial and is prepared to voice his view without fear or favour on matters that required tough decision making.
o Is able to instill good corporate governance practices, leadership and effectiveness at the Board level.
o Is providing strong leadership to the Company and its 35% equity-owned joint venture entity under tough and challenging time.

Diversity

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

Although the Company has no specific policy or target on gender diversity, the Board acknowledges the importance of gender diversity in the Group's workforce and on the Board, and the positive impact gender diversity can have on the Board's decision-making process and Group's performance. However, it is of the view that Board membership is dependent on the potential candidate's skills, experience, core competencies and other qualities regardless of gender, age and ethnicity. Nevertheless, the Board will continue to keep in view the need to appoint female Directors to the Board.

Presently, the selection of candidates is solely based on recommendations made by existing Board members, management or major shareholder but may include sourcing from a directors' registry and open advertisement or the use of independent search in future if suitable candidates are not readily available.

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 2020, four (4) 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 100% of all the Board Meetings held and therefore, have complied with the minimum 50% meeting attendance's requirement under the MMLR of Bursa Securities.

On 18 March 2020, the Movement Control Order ("MCO") was enforced as a proactive measure taken to control the spread of the COVID-19 pandemic. As a result, the Board of Directors' Meeting which was supposed to be held physically at the Company's registered address on 27 March 2020 was cancelled. Instead, due to the extraordinary circumstances, the Directors participated electronically via telephone and emails to approve the Unaudited Group Results for the Second Quarter ended 31 January 2020.

Board Meetings (Cont'd)

Details of the Board of Directors' Meeting held during the financial year ended 31 July 2020:

Name of Directors	Date of Meeting				Total Meetings Attended by Directors	Percentage of Attendance
	27.09.2019	16.12.2019	27.03.2020	25.06.2020		
Tan Sri Abdul Rahman Bin Mamat (Independent Non-Executive Director/ Chairman)	✓	✓	✓	✓	4/4	100%
Tan Sri Dato' Law Tien Seng (Executive Deputy Chairman)	✓	✓	✓	✓	4/4	100%
Mr. Foo Kok Siew (Executive Director)	✓	✓	✓	✓	4/4	100%
Mr. Tan Shau Ming (Executive Director)	✓	✓	✓	✓	4/4	100%
Mr. Law Wai Cheong (Executive Director)	✓	✓	✓	✓	4/4	100%
Mr. Leow Hoi Loong @ Liow Hoi Loong (Independent Non-Executive Director)	✓	✓	✓	✓	4/4	100%
Mr. Lee Ching Kion (Senior Independent Non-Executive Director)	✓	✓	✓	✓	4/4	100%

Appointment to the Board

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 2020, 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 Nominating Committee also reviewed the required mix of skills, experiences and other qualities including core competencies which Non-Executive Directors should bring to the Board.

Retirement and Re-election

In accordance with the Company's Constitution, 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 number of 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:-

	Clause No.
• Tan Sri Abdul Rahman Bin Mamat	92
• Mr. Lee Ching Kion	92
• Mr. Law Wai Cheong	92

The profile of the above Directors who are retiring by rotation are available on pages 4 to 7 of this Annual Report.

Board Committees

Clause 124 of the Company's Constitution provides the Board with the discretion to delegate their powers to committees consisting of such member or members of their body as they think fit. Any committee so formed in the exercise of the powers so delegated by the Board shall conform to any regulations that may be imposed on it by the Board and by the Listing Requirements.

The Company had formed five (5) main Board Committees, namely Audit Committee, Nominating Committee, Remuneration Committee, Risk Management Committee and Employees' Share Option ("ESOS") Committee.

Audit Committee

Audit Committee is positioned to assist the Board to rigorously challenge and ask probing questions on the Company's financial reporting process, internal controls, risk management and governance. The Internal Audit function reports directly to the Audit Committee.

The composition, summary of activities and attendance of members at the Audit Committee Meetings can be found in the Audit Committee Report on pages 37 to 39 of this Annual Report. The details of the Internal Audit function and activities are set out in the Statement on Risk Management and Internal Control on pages 34 to 36 of this Annual Report. The Chairman of the Audit Committee is not the Chairman of the Board. The Audit Committee of the Company comprises solely of Independent Directors.

Nominating Committee

The Nominating Committee of the Company was set up with written terms of reference approved by the Board, and tasked with the responsibility to oversee the selection and assessment of directors for appointment, re-election or re-appointment to the Board and Board Committees. The terms of reference of the Nominating Committee is made available on the Group's website at www.htgrp.com.my. The Company has applied Practice 4.7 of the Code where the Nominating Committee is chaired by an Independent Non-Executive Director, Tan Sri Abdul Rahman Bin Mamat.

Members of the Nominating Committee

The Nominating Committee comprises exclusively of Independent Non-Executive Directors. The members of the Nominating Committee are as follows:

Name	Designation	Directorship
Tan Sri Abdul 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	Senior Independent Non-Executive Director

The Chairman of the Nominating Committee will amongst others:

- Lead the discussion on succession planning and appointment of Board members including women director, future Chairman and Chief Executive Officer;
- Lead the annual review of Board effectiveness ensuring that the performance of each individual director is independently assessed; and
- Lead the review of the continuous professional development of Directors particularly the Audit Committee members to keep themselves abreast of relevant developments in accounting record and auditing standards, practices and rules.

Annual Assessment of Directors

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 Director can continue to bring independent and objective judgement to the Board's deliberations. The assessments are designed to improve the Board's effectiveness as a whole as well as to draw the Board's attention to key areas that needs to be addressed in order to maintain cohesion to the Board.

Any Director who considers that he has or may have a conflict 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 2020, 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 attended 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.

For the financial year ended 31 July 2020, the Board has 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 and time commitment 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.

Nominating Committee Meetings

Details of the Nominating Committee Meeting held during the financial year ended 31 July 2020:

Name of Directors	Date of Meeting		Total Meetings Attended by Directors	Percentage of Attendance
	27.09.2019	25.06.2020		
Tan Sri Abdul Rahman Bin Mamat (Independent Non-Executive Director)	✓	✓	2/2	100%
Mr. Leow Hoi Loong @ Liow Hoi Loong (Independent Non-Executive Director)	✓	✓	2/2	100%
Mr. Lee Ching Kion (Senior Independent Non-Executive Director)	✓	✓	2/2	100%

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 as required by Bursa Securities.

During the financial year, the Directors were updated by the Company's Auditors on the accounting standards adopted by the Company, and by the Company Secretary on updates and/or amendments of the MMLR and related notifications by Bursa Securities.

The Directors had during the financial year ended 31 July 2020, 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 the training/ seminars attended by the Directors:-

Name of Directors	Training or Seminars Attended	Dates of Attendance
1. Tan Sri Abdul Rahman Bin Mamat	• BNM-FIDE FORUM DIALOGUE - Key Aspects of Fintech and Regulation • FIDE FORUM - 4th Distinguished board leadership series: Digital to the Core by Tan Bi Ru • International Directors Summit 2019 • PNB Corporate Summit - Rebooting Corporate Malaysia • YTI Memorial Lecture 2019 • Corruption Risk Management • Preparing Ahead for Corporate Liability Provision (MACC Act 2009) • Digital Transformation - Overcoming the COVID-19 Disruptions • 3rd Distinguished Board Leadership Series Challenging Times: What Role Must the Board Play? • Raising Defences: Section 17A, MACC Act, Option 3 • Business Disruptions - Priorities for Boards Live Panel Webinar Available • The Malaysian Anti-Corruption Commission (Amendment) Act 2018 Corporate Liability Provision • Risks: A Fresh Look from the Board's Perspective	19 September 2019 4 October 2019 14 - 15 October 2019 30 October 2019 18 November 2019 16 January 2020 4 May 2020 8 May 2020 15 May 2020 10 June 2020 19 June 2020 25 June 2020 8 July 2020
2. Tan Sri Dato' Law Tien Seng	• The Malaysian Anti-Corruption Commission (Amendment) Act 2018 Corporate Liability Provision	25 June 2020
3. Mr. Foo Kok Siew	• National Tax Conference 2019 • The Malaysian Anti-Corruption Commission (Amendment) Act 2018 Corporate Liability Provision	5 - 6 August 2019 25 June 2020
4. Mr. Leow Hoi Loong @ Liow Hoi Loong	• The Malaysian Anti-Corruption Commission (Amendment) Act 2018 Corporate Liability Provision • Anti-Money Laundering, Anti-Terrorism, Financial and Corporate Liability under MACC Act	25 June 2020 3 July 2020
5. Mr. Law Wai Cheong	• The Malaysian Anti-Corruption Commission (Amendment) Act 2018 Corporate Liability Provision	25 June 2020
6. Mr. Tan Shau Ming	• The Malaysian Anti-Corruption Commission (Amendment) Act 2018 Corporate Liability Provision	25 June 2020
7. Mr. Lee Ching Kion	• Bursa Malaysia Thought Leadership Series : The Convergence of Digitisation and Sustainability • The Malaysian Anti-Corruption Commission (Amendment) Act 2018 Corporate Liability Provision	23 August 2019 25 June 2020

Employees' Share Option Scheme ("ESOS") Committee

An ESOS Committee was set up on 23 November 2011 to administer the ESOS Scheme which is governed by the ESOS By-Laws. The members of the ESOS Committee are:-

Name	Designation	Directorship
Tan Sri Abdul 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 2020, the ESOS Committee held one meeting on 16 December 2019 for the following purposes:-

- To note the total number of options or shares granted, exercised, vested, and outstanding up to date;
- To note options or shares granted to Directors and Chief Executive (if any);
- To note options or shares granted to Directors and Senior Management; and
- To note the options offered to and exercised by, or shares granted to and vested in Non-Executive Directors pursuant to the Company's ESOS to date.

III. REMUNERATION

Remuneration Committee

The Company has a Remuneration Committee that assists the Board by recommending the remuneration packages of each individual Executive Director, Independent Non-Executive Director and Senior Management. The Remuneration Committee is entrusted with the following responsibilities:

- To recommend to the Board the framework of Executive Directors' and Senior Management's remuneration and the remuneration package for each Executive Director, drawing from outside advice as necessary taking into account the Company's desire to attract and retain the right talent in the Board and Senior Management to achieve the Company's long term objectives.
- To recommend to the Board, guidelines for determining remuneration of Independent Non-Executive Directors.
- To recommend to the Board any performance related pay schemes for Executive Directors.
- To review and where appropriate, to recommend revision of Executive Directors' scope and terms of service contracts.
- To consider the appointment of the service of such advisers or consultants as it deems necessary to fulfill its functions.
- To review periodically the policies and procedures to determine the remuneration of Directors and Senior Management which takes into account the demands, complexity and performance of the Company as well as skill and experience required.

The terms of reference of the Remuneration Committee are made available on the Group's website at www.htgrp.com.my.

The members of the Remuneration Committee are as follows:

Name	Designation	Directorship
Tan Sri Abdul 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	Senior Independent Non-Executive Director

For the financial year ended 31 July 2020, the Remuneration Committee held two meetings on 16 December 2019 and 25 June 2020 for the following purposes:

- To discuss and if appropriate to recommend the annual bonus for Executive Directors and Senior Management;
- To recommend the annual increment for Executive Directors and Senior Management to the Board of Directors for approval;
- To review the remuneration policies and procedures that determine the remuneration of Directors and Senior Management in relation to the recommendation of Practice 6.1 of the Malaysian Code on Corporate Governance 2017;
- To review and if appropriate to approve the Service Contracts of Executive Directors in view that these are made available in accordance with the Companies Act 2016 for inspection by members holding at least 5% of the total paid-up capital of the Company; and
- To discuss and if appropriate to recommend the fees for Independent Non-Executive Director and the annual increment for the Executive Directors and Senior Management of the Group for the Board's approval.

Directors' Remuneration

The Company has specific remuneration policies and procedures to determine the remuneration of Directors and Senior Management. For the financial year ended 31 July 2020, the Remuneration Committee recommended to the Board for approval the remuneration packages of the Executive Directors and Senior Management and fees of the Independent 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 Independent Non-Executive Directors including the Non-Executive Chairman is determined in accordance with their experience, contribution and the level of responsibilities assumed.

The details of the remuneration of Directors of the Company in respect of the financial year ended 31 July 2020 are set out as follows:

	Director Fees RM'000	Director Emoluments RM'000	Allowances RM'000	Total RM'000
Group				
Independent Non-Executive Directors:				
Tan Sri Abdul Rahman Bin Mamat	110	-	4	114
Leow Hoi Loong @ Liow Hoi Loong	100	-	4	104
Lee Ching Kion	95	-	4	99
	305	**-**	**12**	**317**
Executive Directors:				
Tan Sri Dato' Law Tien Seng	-	2,341	198	2,539
Foo Kok Siew	-	1,062	72	1,134
Tan Shau Ming	-	517	42	559
Law Wai Cheong	-	406	42	448
	-	**4,326**	**354**	**4,680**
Total	**305**	**4,326**	**366**	**4,997**

	Director Fees RM'000	Director Emoluments RM'000	Allowances RM'000	Total RM'000
Company				
Independent Non-Executive Directors:				
Tan Sri Abdul Rahman Bin Mamat	110	-	4	114
Leow Hoi Loong @ Liow Hoi Loong	100	-	4	104
Lee Ching Kion	95	-	4	99
	305	**-**	**12**	**317**
Executive Directors:				
Tan Sri Dato' Law Tien Seng	-	2,341	198	2,539
Foo Kok Siew	-	1,062	72	1,134
Law Wai Cheong	-	406	42	448
	-	**3,809**	**312**	**4,121**
Total	**305**	**3,809**	**324**	**4,438**

Remuneration of the Top Five Senior Management

The Board is of the opinion that the disclosure on a named basis the top five Senior Management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 would not be beneficial to the Company and to the individual Senior Management's interest due to the following reasons:-

1. Confidentiality and sensitivity of personal information of Senior Management.
2. Will give rise to breach of personal data protection.
3. Security concerns for the staff including their family members.
4. Can potentially create friction among the Senior Management staff.
5. Encourage staff pinching or poaching of executives in the industry.
6. Detrimental to the Company's continuous effort to attract and retain its scarce human assets/talents.

The Board ensures that the remuneration of Senior Management commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully.

The Company noted that the non-disclosure of the remuneration of the top five Senior Management is a departure from Practice 7.2 of the Code but nevertheless will consider the application of Practice 7.2 when the Company is satisfied that there are adequate rules and regulations set in place by the authorities to protect the Company from losing its invaluable human assets/talents.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

Practice 8.4 – Step-Up of the Code recommending the Audit Committee to comprise solely of Independent Directors is adopted. The Audit Committee which comprises Directors; all of whom are Independent Non-Executive Directors is responsible for reviewing and monitoring the Group's internal control processes, its external auditors and of the integrity of the Group's financial statements.

The Company applied Practice 8.5 of the Code. All the Audit Committee members who are financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting processes, carried out their duties in accordance with the terms of reference of the Audit Committee which are made available on the Group's website at www.htgrp.com.my. All the Audit Committee members undertake continuous professional development and training to ensure that they keep abreast of the relevant development in accounting and auditing standards, practices and rules.

The Chairman of the Audit Committee is not the Chairman of the Board. The Company has applied Practice 8.1 of the Code. The Audit Committee has the policy that requires a former key audit partner of the Group audit to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee. The Company has applied Practice 8.2 of the Code. Currently, no former key audit partner has been appointed as a member of the Audit Committee.

The Audit Committee also has the policy that no alternate director shall be appointed as a member of the Audit Committee.

The status of Audit Committee of the Company is explained in greater detail in the enclosed Audit Committee Report.

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 financial 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 2016. 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.

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 Audit Committee 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 seven (7) 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.

Statement of Directors' Responsibility in Relation to the Financial Statements

The Board of Directors is required under Paragraph 15.26(a) of Bursa Securities' 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 2016 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 capable of disclosing 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 2016 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.

Relationship with External 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 report as well as their professional fees, performance and appointment. The re-appointment of the External Auditors is subject to the approval of the shareholders at the Annual General Meeting of the Company.

The External Auditors are invited to attend Audit Committee meetings as and 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.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board acknowledges its overall responsibility on reviewing the adequacy and integrity of the Group's systems of risk management, identifying principal risks and opportunities and establishing an appropriate control environment and framework to manage risks and take advantage of opportunities. 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 which are satisfactorily under control.

The Board also 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 statement of risk management and internal control of the Group and to highlight areas for Management's correction and/or improvement.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (Cont'd)

The details of the Company's risk management and internal control framework are contained in the Statement on Risk Management and Internal Control on pages 34 to 36.

Risk Management Committee

The Company has adopted Practice 9.3 – Step-Up where the Company is recommended to establish a Risk Management Committee, which comprises a majority of independent directors to oversee the Company's risk management framework and policies.

The Company has on 30 March 2010 established a Risk Management Committee which has been delegated by the Board to assume responsibility for the Group's risk oversight. The Risk Management Committee 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. Through the Risk Management Committee, therefore, the Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the Company's objectives is mitigated and managed.

The terms of reference of the Risk Management Committee are available on the Group's website at www.htgrp.com.my.

The members of the Risk Management Committee are as follows:

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

Internal Audit Function

The internal audit function of the Company is currently outsourced to NGL Tricor Governance Sdn. Bhd. ("the Internal Auditors") which reports directly to the Audit Committee at an annual fee of RM175,000. The Internal Auditors is headed by Mr. Chang Ming Chew who is a Director of NGL Tricor Governance Sdn. Bhd. Mr. Chang is a Certified Internal Auditor and a professional member of the Institute of Internal Auditors Malaysia, the Association of Certified Accountants (UK) and the Malaysia Institute of Accountants. The Board has complied with Practice 10.2 of the Code.

The Internal Audit function is effective and independent. To the best of the Board's knowledge, the outsourced internal audit personnel are free from any relationship or conflict of interest which could impair their objectivity and independence. Audit Committee has taken the necessary steps to ensure that the internal audit function is effective and able to function effectively in applying Practice 10.1 of the Code.

The internal audit function is responsible to assist the Audit Committee in discharging its duties and responsibilities, and is carried out by referring to a recognised framework, such as the International Professional Practices Framework issued by the Institute of Internal Auditors.

Further details of the internal audit function are contained in the Audit Committee Report on pages 37 to 39 in this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of effective, transparent and regular ongoing engagement communication with its stakeholders to facilitate mutual understanding of each other's objectives and expectations and to enable the stakeholders to make informed decisions with respect to the business of the Company, governance, the environment and social responsibility.

Information is disseminated through various disclosures and announcements made to Bursa Securities which includes financial results and corporate developments. The Group's website at www.htgrp.com.my provides shareholders and investors with the overview information of the Group's business, the latest updates of the Company and the announcement of 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.

I. COMMUNICATION WITH STAKEHOLDERS (Cont'd)

The Company meets financial analysts and fund managers regularly to brief them on 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.

In view of the above, the Board has applied Practice 11.1 of the Code in respect of effective, transparent and regular communication with its stakeholders.

II. CONDUCT OF GENERAL MEETINGS

According to Clause 60(a) of the Company's Constitution, notice of 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. The 21 days' notice is within the requirement stipulated by the Companies Act 2016 under Section 316 and Paragraph 9.19 of the MMLR of Bursa Securities. The Board is aware that Practice 12.1 of the Code which encourages the Company to send out Notice for its Annual General Meeting to the shareholders at least 28 days prior to the meeting. Since the Notice of the Annual General Meeting will be sent on 16 November 2020 while its AGM will only be held on 17 December 2020, i.e. more than 28 days prior to Annual General Meeting, the Company complies with Practice 12.1 of the Code.

At the Annual 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 Directors and the Chair of Board Committees are present at the Annual General Meeting to answer questions and consider suggestions. This is in compliance with Practice 12.2 of the Code. The External Auditors are also present to provide their professional and independent clarification on issues of concern raised by the shareholders, if any.

At the start of the last year's Annual General Meeting held on 17 December 2019, the Board's reply to the Minority Shareholders' Working Group's ("MSWG") Query Letter dated 11 December 2019 was read out to the Shareholders present at the Meeting. A copy of this reply to MSWG can be found at the Group's website at www.htgrp.com.my.

ADDITIONAL INFORMATION

1. SHARE BUY-BACK

A total number of shares purchased and retained as treasury shares during the financial year ended 31 July 2020 was Nil.

As at end of the financial year:

a. A total of 5,492,000 shares bought back were held as treasury shares and carried at cost; and

b. No shares had been cancelled.

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

Other than as disclosed below, there were no options, warrants or convertible securities exercised during the financial year ended 31 July 2020.

	No. of Shares	RM
As at 1 August 2019	1,344,198,534	672,099,267
(+) Ordinary shares issued pursuant conversion of RCUIDS	16,134,200	8,067,100
As at 31 July 2020	1,360,332,734	680,166,367

3. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any Depository Receipt Programme during the financial year ended 31 July 2020.

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 2020.

5. NON-AUDIT FEES

Non-audit fees of RM15,000 were incurred for services rendered to the Group for the financial year ended 31 July 2020 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 2020 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

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

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

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

10. REVALUATON 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 on its Annual General Meeting held on 17 December 2019 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 2020 in accordance with the shareholders' mandate obtained in the last Annual General Meeting were as follows:

Related Parties involved with HTVB Group	Nature of Transaction	Relationship and Nature of Interest	Value of Transactions (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.	165,004

This statement was approved by the Board on 28 September 2020.

The Malaysian Code on Corporate Governance 2017 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 2020. 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 Guidelines") 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 Guidelines for risk governance are:

- Embedding risk management in all aspects of the Group's activities, which also encompasses subsidiaries of the Company;
- Assessing the Group's acceptable risk appetite; and
- Reviewing risk management framework, processes, responsibilities and assessing whether the present policies and systems provide reasonable assurance that risks are 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 delegates 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. Lee Ching Kion	-	Senior Independent Non-Executive Director (Chairman)
(ii)	Mr. Foo Kok Siew	-	Executive Director
(iii)	Mr. Leow Hoi Loong @ Liow Hoi Loong	-	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 with corporate funding and gearing, foreign exchange risk, supply chain risk, regulatory risk, market risk, credit risk, inventory risk, corruption risk and cyber 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 is to identify, measure, prioritise 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 re-assesses, summarises and reports the emerging risks and their profiles to the RMC for review and deliberation. The status of key risks and management actions are further presented by the RMC to the Board for review and deliberation.

RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

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

i. The Procurement Committee that reviews, monitors and approves purchases;

ii. Budgetary control involving the review and approval of annual budget as well as monitoring and analysing variances of actual results against budget in the monthly Group Management Committee Meetings;

iii. Organisation structure that defines the management hierarchy, structure of reporting lines and accountability;

iv. Authority limits and approval processes that facilitate the delegation of authority;

v. Centralised enterprise resource planning information system that provides timely information and produces periodic performance reports to management for monitoring purposes;

vi. ISO 9001:2015 Quality Management System, EC Certification on Factory Production Control and American Petroleum Institute ("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 organises weekly Senior Management Meetings, weekly Credit Committee Meetings, monthly Group Management Committee Meetings 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. The Internal Auditors have identified implementation lapses in internal control and process improvement opportunities during the course of its work for the financial year under review, which were promptly addressed by the Management. 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.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance to the 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.

The Board has received assurance from the Executive Directors and Group 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 and up to the date of approval of this Statement for inclusion in the Annual Report. The Board is satisfied that the existing systems of internal control and risk management are adequate and effective to enable the Group to achieve its business objectives and there were no material losses resulted from significant control weaknesses for the financial year under review.

While the Board wishes to reiterate that systems of risk management and internal control would be continuously improved in line with the evolving business development, it should be noted that the risk management and internal control system could only manage to mitigate 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.

ANTI-BRIBERY AND CORRUPTION POLICY

With the enforcement of Section 17A of the Malaysian Anti-Corruption Commission Act 2007, it has been established that a commercial organisation has a criminal liability ("Corporate Liability") for the corrupt activities of it's employees and/or persons associated with the commercial organisation where such corrupt activities are carried out for the commercial organisation's benefits or advantages.

In connection to this, the Group adopts a zero-tolerance policy against all forms of bribery and corruption. The Group is committed to conduct businesses professionally, fairly and with integrity and transparency in compliance with all applicable anti-bribery and corruption laws in all jurisdictions in which we operate.

Any breach of the Anti-Bribery and Corruption Policy or applicable local law could result in disciplinary action being taken and ultimately could result in dismissal and/or termination of the business dealing. Further legal action may also be taken in the event that the Group's reputation/interests have been harmed as a result of non-compliance and/or misconduct.

The Anti-Bribery and Corruption Policy is available at the Group's website www.htgrp.com.my.

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 2020. Their review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants.

AAPG 3 does not require the External Auditors to consider whether this statement covers all risks and controls or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system.

The Board of Directors of Hiap Teck Venture Berhad is pleased to present the Audit Committee Report for the financial year ended 31 July 2020 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 to discharge its responsibilities of reviewing and monitoring the Group's financial process, audit process, statutory and regulatory compliance.

The Terms of Reference of the Audit Committee may be viewed at the Group's website at www.htgrp.com.my.

The members of the Audit Committee are appointed from amongst the Directors. All the three members of the Audit Committee are Independent Non-Executive Directors and the Chairman, Mr. Leow Hoi Loong @ Liow Hoi Loong is a Fellow Member of the Chartered Association of Certified Accountants, United Kingdom. The Chairman of the Audit Committee is not the Chairman of the Board. The Audit Committee has complied with Practice 8.1 and 8.2 of the Code.

Members of the Audit Committee	Designation	Directorship
Mr. Leow Hoi Loong @ Liow Hoi Loong	Chairman	Independent Non-Executive Director
Tan Sri Abdul Rahman Bin Mamat	Member	Independent Non-Executive Director
Mr. Lee Ching Kion	Member	Senior Independent Non-Executive Director

MEETING AND ATTENDANCE

During the financial year ended 31 July 2020, 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
	27.09.2019	16.12.2019	27.03.2020	25.06.2020		
Mr. Leow Hoi Loong @ Liow Hoi Loong	✓	✓	✓	✓	4/4	100%
Tan Sri Abdul Rahman Bin Mamat	✓	✓	✓	✓	4/4	100%
Mr. Lee Ching Kion	✓	✓	✓	✓	4/4	100%

SUMMARY OF ACTIVITIES

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

The Executive Director, Mr. Foo Kok Siew and the Group Chief Financial Officer, Ms. Yeo Bee Hwan attended the Audit Committee meetings by invitation during the financial year ended 31 July 2020. The Internal Auditors attended all the scheduled quarterly Audit Committee meetings. Representatives of the External Auditors were invited to present the Audit Planning Memorandum and Strategy for the year ending 31 July 2020 to the Audit Committee and attended meetings where matters relating to the audit of the statutory accounts were discussed. Other Board members may attend Audit Committee Meetings upon the invitation of the Audit Committee. The Company Secretary and his representatives attended all the Audit Committee meetings.

The main activities undertaken by the Audit Committee during the financial year ended 31 July 2020 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.

- Reviewed and recommended to the Board for approval, the Group's audited financial statements and the audit report on the financial statements for the financial year ended 31 July 2020.

- Reviewed and approved the internal audit plan, strategy and scope of work.

- Reviewed the internal audit reports and follow-up audit reports and consider the findings and recommendations and management's responses thereto.

- Reviewed the Audit Committee's Term of References ("TOR") and recommended to the Board for approval.

- Reviewed quarterly the Recurrent Related Party Transactions ("RRPT") and the conflict of interest situation that may arise within the Company or the Group including any transaction, procedures or course of conduct that raised questions of management integrity.

- 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.

- Noted KPMG's written assurance in their "Report To The Audit Committee" confirming that KPMG are and have been, independent throughout the conduct of their audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

- Reviewed the audit and non-audit fees of the External Auditors and recommended these fees to the Board of Directors' for consideration and approval.

- Reviewed and discussed with External Auditors the issues (e.g. Key Audit Matters) 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, Audit Committee Report and Audit Committee Statement prior to its inclusion in the Annual Report and Circular.

- Met with the External Auditors on 27 September 2019 without the presence of the Executive Directors and Management.

- Reviewed the suitability, objectivity and independence of the External Auditors and recommended them for their re-appointment.

- Reviewed and satisfied themselves of the guidelines and procedures of RRPT and satisfied themselves that the said guidelines and procedures are sufficient.

REVIEW OF ALLOCATION OF OPTIONS

- The Audit Committee had reviewed at its meeting held on 28 September 2020 the allocation of the options for the financial year ended 31 July 2020 pursuant to the Employees' Share Option Scheme ("ESOS") which was extended for another 5 years from 12 April 2017 to 11 April 2022. The following allocation of the options was in compliance with the By-Laws of the ESOS.

REVIEW OF ALLOCATION OF OPTIONS (Cont'd)

- Shares options granted to the Directors and Senior Management as at 28 September 2020:

(i) Aggregate maximum allocation applicable to directors and senior management in percentage	50%
(ii) Total number of shares options granted	50,891,177
(iii) The actual percentage granted	46%

- Breakdown of options granted to and vested on Independent Non-Executive Directors as at 28 September 2020:

Name of director	Amount of options/ shares granted	Amount of options exercised/shares vested	
		Vested	Exercised
Tan Sri Abdul Rahman Bin Mamat	1,439,999	1,439,999	-
Mr. Leow Hoi Loong @ Liow Hoi Loong	899,999	899,999	-
Mr. Lee Ching Kion	899,999	899,999	-
Total	3,239,997	3,239,997	-

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to NGL Tricor Governance Sdn. Bhd., an independent professional services firm for an annual fee of RM175,000 (2019 – RM175,000). 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, proficiency 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 required time frame.

During the financial year ended 31 July 2020, the Internal Auditors executed the approved audit plan and performed internal control review for the following subsidiary companies and functions:

o Quality Assurance and Quality Control Function for Alpine Pipe Manufacturing Sdn. Bhd. and Huatraco Scaffold Sdn. Bhd.;
o Follow-up on previous internal audit findings for:
  - Sales Function of Hiap Teck Hardware Sdn. Bhd., Alpine Pipe Manufacturing Sdn. Bhd. and Huatraco Scaffold Sdn. Bhd.;
  - Business Development Department of Hiap Teck Hardware Sdn. Bhd., Alpine Pipe Manufacturing Sdn. Bhd. and Huatraco Scaffold Sdn. Bhd.;
o Production Management for Huatraco Scaffold Sdn. Bhd.;
o Supply Chain – Inbound and Outbound Logistic for Huatraco Scaffold Sdn. Bhd.;
o Follow-up on previous internal audit findings of Inventory Quantity Management for Huatraco Scaffold Sdn. Bhd.;
o RRPT for Hiap Teck Venture Berhad;
o Safety, Health and Environment for Alpine Pipe Manufacturing Sdn. Bhd. and Huatraco Scaffold Sdn. Bhd.;
o Administration and Shipping Department for Alpine Pipe Manufacturing Sdn. Bhd. and Huatraco Scaffold Sdn. Bhd.; and
o Attended Audit Committee meetings to table, discuss and answer any queries from the Audit Committee regarding the internal audit findings and issues.

During the year under review, the Audit Committee has met with the Internal Auditors three (3) times to carry out its responsibility in reviewing the internal audit function and to assure itself on the soundness of internal control system. The fourth internal audit which was scheduled between 1 April 2020 and 30 April 2020 was not carried out because of the Movement Control Order implemented by the Government due to the COVID-19 pandemic.

This Statement was approved by the Board on 28 September 2020.

The Nominating Committee of the Company was set up on 16 October 2003 with written Terms of Reference approved by the Board, dealing with its authority and duties which include the selection and assessment of directors.

The Terms of Reference of the Nominating Committee is made available on the Group's website at www.htgrp.com.my.

COMPOSITION OF NOMINATING COMMITTEE

The Nominating Committee ("NC") comprises three (3) Non-Executive Directors, all of whom are Independent Directors. The members of NC are as follows:

Nominating Committee Members	Designation	Directorship
Tan Sri Abdul 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	Senior Independent Non-Executive Director

MEETING AND ATTENDANCE

The NC met on 27 September 2019 and 25 June 2020 during the financial year under review with full attendance of the NC members.

SUMMARY OF ACTIVITIES

The NC had carried out the following:-

27 September 2019

(a) Conducted an evaluation of the performance of the Directors for the financial year ended 31 July 2020 at its meeting held on 27 September 2019, and reviewed and assessed the effectiveness of the Board as a whole and the Board Committees; contribution and performance of each individual Director; independence of independent Directors, the mix of skills, experience and other qualities of Directors including but not limited to core competencies and time commitment which the Directors should bring to the Board. For this purpose, an evaluation questionnaire was circulated to each Director for his completion. Upon the return of the completed questionnaires, the Company Secretary compiled the results of the evaluation and tabled the summary of the results for the NC's deliberation. The overall results of the evaluation showed that the Directors, the Board and the Board Committee are in compliance with good corporate governance practices and adhere to existing laws and regulations.

(b) Reviewed the Terms of Reference of the Nominating Committee annually.

(c) Reviewed the Diversity of the Board and noted that the Board does not presently have a specific Diversity Policy. Nevertheless, the Board acknowledges the importance of diversity that can contribute to the improved decision making process and performance of the Group. In this respect, the Nominating Committee will help to monitor the diversity of the Board through the evaluation and selection process of new candidates especially female candidates to the Board.

(d) Reviewed the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and each of its members have carried out their duties in accordance with the Terms of Reference. The NC was satisfied with the performance of the Audit Committee and its members.

(e) Reviewed the continuous professional development of members of the Audit Committee to ensure that they keep abreast of relevant developments in accounting and auditing practices and rules and that they are financially literate and they are able to understand matters under the Audit Committee's purview in checking the financial reporting process.

SUMMARY OF ACTIVITIES (Cont'd)

25 June 2020

(a) Looked at the Succession Plan of the Group which is presently subject to further changes and study by the Board and Management.

(b) Reviewed the retirement by rotation at the forthcoming Twenty-Fourth Annual General Meeting of the Company in accordance with Clause 92 of the Company's Constitution, and recommended the re-election of Tan Sri Abdul Rahman Bin Mamat, Mr. Lee Ching Kion and Mr. Law Wai Cheong who being eligible to be re-elected, have all consented to be re-elected.

(c) Reviewed the Board size in relation to the Practice 4.1 of Malaysian Code on Corporate Governance 2017 that recommended the number of Independent Directors to be at least 50% of the total number of Directors in the Board.

(d) Reviewed the criteria used for the selection process of candidates for new directorship in relation to the Practice 4.6 of Malaysian Code on Corporate Governance 2017.

(e) Reviewed and recommended to the Board that the re-appointment of Tan Sri Abdul Rahman Bin Mamat whose tenure as Independent Director will exceed nine (9) years by 28 January 2020 in compliance with Practice 4.2 of Malaysian Code on Corporate Governance 2017 will be in the best interest of the Company on the following grounds:

    i Is independent, impartial and is prepared to voice his view without fear or favour on matters that required tough decision making.
    ii Is able to instill good corporate governance practices, leadership and effectiveness at the Board level.
    iii Is providing strong leadership to the Company and its 35% equity-owned joint venture entity under tough and challenging time.

(f) Reviewed and recommended the Performance Evaluation Forms to the Board of Directors for approval and circulation to the Directors for compilation.

OVERVIEW

Hiap Teck is a leading steel company in Malaysia with operations in the States of Terengganu and Selangor. The Group's principal activities comprise manufacturing and trading of both upstream and mid/downstream steel products for a wide range of applications in the building, construction and infra-structural related sectors, water, oil and gas industries, and the general manufacturing industries.

Raw materials are sourced from reliable steel mills internationally and our finished steel products are produced under stringent manufacturing processes and quality control in compliance with our ISO certifications. The Group's key geographical markets are in Malaysia, other Southeast Asian countries, China and Taiwan.

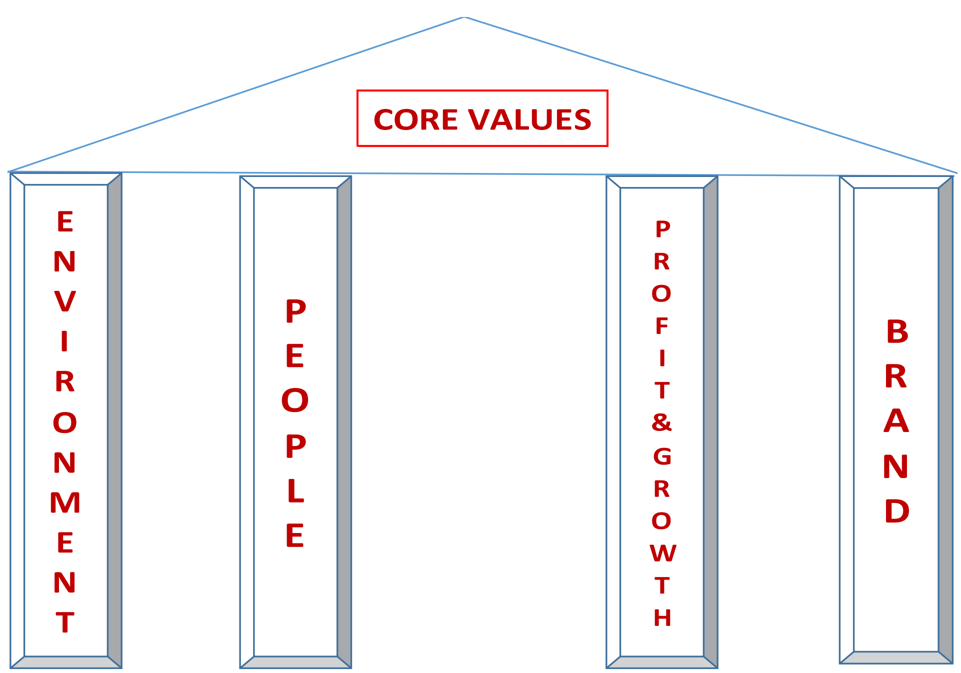
This year, we have included our governance structure, disclosures of environmental and social factors affecting our organisation, and continue to update on our sustainability efforts.

GUIDELINE AND METHODOLOGY

This Sustainability Statement is prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Sustainability Reporting Guide issued by Bursa Malaysia.

Today, stakeholders' expectations go beyond sole reliance on the financial performance of the organisation. In line with these expectations, the Group commits to delivering long term sustainable value and growth to our stakeholders. We embark on a proactive approach to map our sustainability strategies based on the Economic, Environmental and Social ("EES") model and using materiality assessment on factors relevant to our Group. Sustainable practices are progressively embedded into the day-to-day operations and decision making processes, and these practices guide the Group in the conduct of its businesses, and form an integral part of our overall strategy.

Our Sustainability Policy is steered by the Group's four Core Values as set out in the following diagram:



These Core Values are integrated into the Group's corporate governance framework and operational processes, and are managed and monitored as part of the internal control procedures with clear Key Performance Indicators ("KPI").

STAKEHOLDER ENGAGEMENT

At Hiap Teck, we acknowledge the importance of maintaining regular communication with our stakeholders, and through timely engagements, allow us to understand their concerns and expectations. These findings are fundamental to the formulation of our business strategies and play a critical role in achieving sustainable growth.

The key stakeholders are identified as below based on their impact and involvement in our businesses.

Stakeholders	Engagement Platforms	Expectation and Concerns
Investors	- Corporate website - Quarterly Results Announcement - Material Matters Announcement - Annual Report - Annual General Meeting	- Corporate governance practices - Risk management practices - Sustainable return and growth
Regulatory Bodies	- Forum and dialogues/ meetings - Networking events - Seminar - Briefing and consultation	- Update on human capital development - Health and safety compliance - Environment and social compliance - Industry regulatory development
Trade Associations	- Forum and dialogues/ meetings - Networking events - Seminar - Briefing and consultation	- Update on industry and business trend - Discuss and conclude on impacts of government policies
Customers	- Quality survey (each sales order and annually) - Meetings and site visits - Hotline and Company website	- Receive feedback on products quality, product knowledge and customer service standards - Enable bi-lateral communications - Provide products and services updates - Receive and respond to feedback
Business Partner (Suppliers, Distributors, Contractors)	- Trade fairs - Site/ Plant visits - Group website	- Assess business needs - Provide Company information - Provide and receive product and service specifications
Employees	- Daily morning briefings - Weekly management meeting - Monthly operation meeting - Safety meeting - Seminar and training - Performance appraisal	- Communicate safe work procedures - Highlight risk, hazards incident - Discuss key concerns - Allow questions from floor and provide answers - Ensure follow up actions with resolution
Community	- Blood Donation - Donation to The Edge's COVID-19 funds - Donation of food hamper to Kelantan's flood victims - Annual Gotong Royang - Education funds	- Improve Blood bank stock - Provide assistance to the needy - Environment cleanliness - Provide rewards for high school achievers

KEY TOPICS

Arising from the stakeholders' engagements, we have identified and summarised the Key Topics that are significant to the Group's economic, environmental and social performance and will be highlighted in this sustainability statement.

Material Topics	Key Issues	Engagement Platforms
Environment (Occupational Health and safety)	- Workplace safety - Unsafe act and condition - Appropriate use of personal protective equipment	- Daily tool box briefings - Safety bulletins - Safety trainings - Safety campaigns - Environmental campaigns
Product & Service Quality	- Quality of Products and Services - Mandatory Compliance to Standard Operating Procedures ("SOP") - Mandatory Compliance to Regulations	- Customers satisfaction surveys - Certification audits - Regulatory site visits and audits - Supplier engagements
People	- Training and personnel development - Diversity and equal opportunity - Remuneration and benefits - Workplace safety and health training	- Knowledge gap analysis with minimum training hours - Enhanced HR recruitment policy - Annual Appraisal based on KPI set - Workplace meetings and employees briefings
Profit and Growth	- Operational and financial performance - Cash flow and Treasury management - Inventory management - Risk management	- Daily sales and collection reports - Weekly Senior Management Meetings - Quarterly Risk Management reviews - Monthly internal process audits - Annual external audit
Corporate Governance (Anti-Bribery and Corruption; Ethics and integrity)	- Business conduct and ethics - Interested related party - Internal control - Whistleblowing - Integrity of business dealings	- Code of conduct and ethics - Mandated RRPT - Internal Audit reports directly to Audit Committee - Adoption of Anti-Bribery and Corruption Policies and Practices

CARE FOR OUR PEOPLE

Hiap Teck fully commits to the safety and well-being of our employees. To ensure a safe and conducive working environment, we have implemented Occupational Health and Safety Standards to safeguard best practices and processes. Work-life balance, skill and professional development and safe work practices are essential in our employees' welfare and security.

We actively engage our people, cultivate teamwork and encourage continuous learning and open constructive communications are conducted at all levels and across functional units. We are committed to diversity, equitable development, opportunities and compensation practices regardless of race, gender or ethnicity.

Health, Safety and Environment ("HSE")

As a leading player in the steel industry, safety is of utmost importance as we deal with large and heavy metal objects, equipment and machineries all the time. We always abide by our Occupational Health and Safety policies and comply with the safety requirements to ensure a safe and healthy environment for all.

Numerous programmes are held throughout the year to promote and nurture a healthy and safe workplace. The Health & Safety Officer performs daily morning briefings to production workers to inculcate and promote safe action and practices with the objective of achieving a zero accident workplace. A compulsory "HSE" induction programme for all new employees emphasises the importance of work safety and precautions. The Occupational Safety and Health Committee plays a critical role in inculcating an accident free mindset to all employees. The "HSE" committee is committed to continuously carry out safety briefings, training and roadshow to instill correct safety procedures and help accomplish the goal of a zero accident working environment. We have also implemented a COVID-19 pandemic SOP to ensure regular sanitising and distancing in compliance to guidelines issued by MOH (Ministry of Health), and a preparedness contingency plan that can help mitigate impact to operation and business.

COVID -19
Preventive
Control Measure
Workplace
Sanitising

COVID -19
Preventive
Control Measures
Safety Briefing
After MCO break
(Factory)

We also strive to prevent damage to our assets and are mindful of the impact of our activities to the workplace and environment. We routinely practise our emergency response to potential incidents such as fire, steel pipe fall and hit etc. These tests will help improve our employees' readiness to respond. If an incident does occur, we undertake immediate investigation to identify the root cause and put in place the measures and controls to prevent future recurrences.

We monitor work-related accidents and manage all incidents with the relevant corrective actions. The Occupational Safety and Health leaders will present and discuss the safety improvement plan during our monthly management meetings. We have also monthly audits in safety issues and hold regular inspections to identify unsafe activities and conditions.

The table below highlights the number of accident cases recorded over the years:

Financial Year	2016	2017	2018	2019	2020
Accident Cases	14	13	13	10	7
Fatality Cases	0	0	0	0	0

Health, Safety and Environment ("HSE") (Cont'd)

Through our efforts, we have managed to progressively reduce the number of accident cases and maintained "zero" fatality over the years. We are committed to a sustainable safe workplace and environmental safety embedded in our business culture to achieve continuous improvement in HSE and safety by reducing accidents, occupational injuries and work-related illness rates.

COVID -19
Preventive Control
Measures
Safety Briefing
After MCO break
(Office)

COVID -19
Preventive Control
Measures
Body Temp
Check at Security
Entrance

Employees Development

To remain relevant in a rapidly changing and challenging business environment, we provide our people with opportunities to acquire new knowledge, innovation and competitive edge through professional enhancement programmes, market updates, networking and personal development. Continuous need-based training is critical to ensure our employees have the right knowledge and skills and enforcement of code of conduct enabling them to act with integrity and pride. We also cultivate a culture of team spirit, by encouraging employees to share with other colleagues the knowledge and skills they have gained through on-job or external training.

Succession Planning

We strive to continuously groom and retain a diverse and robust talent pool to ensure our employees are ready to meet future succession planning and development needs as well as being adaptable to change. Priority is always given to existing employees as and when there is a job opening within our Group. Our existing employees have benefited from this approach as it allows them to broaden their exposure and skill sets across various functional roles.

Employee Relations

It is the Group's priority in cultivating teamwork, and a respectful and harmonious working environment. To this end, our Group organises social gatherings for festivals, annual dinner, birthday parties, etc. Team building represents an annual event to foster bonding and teamwork among employees from various departments within our Group.

We place special attention on the well-being and benefits of the employees. In order to develop a balance work life and create a caring, harmonious and cohesive working atmospheres, employees are encouraged to participate in various sports and recreational activities organised by the Group. A committee has been set up to continuously promote and organise various sport activities and physical fitness classes such as badminton matches, futsal, football, Zumba etc.

Employees' grievances are dealt with promptly. Our Whistle-blowing Policy has been in place and made known to all levels of employees. A Compliance Committee has been tasked to look into any report regarding unfair practices, corruption or misconduct.

Employee Code of Conduct

Hiap Teck upholds the integrity and professionalism in the conduct of our business activities, and inculcate its employees to embrace these values in their day to day business dealings. The employees' handbook has incorporated the Code of Conduct and Ethics to ensure all employees are aware of the Group's principles and to always act in the best interest of Group and avoid situations that may create a conflict of interest. The Anti-Bribery and Corruption Policy ("ABC") has been adopted and made available through Group's website, trainings have been conducted to brief all employees on the guidelines and required practices and procedures.

NURTURE OUR COMMUNITY AND CARING FOR OUR ENVIRONMENT

Climate change is a pressing agenda for the world. As a leading player in the steel industry and a caring corporate citizen, our main environmental efforts are to minimize wastage and reduce carbon footprint. We strive to implement good environmental awareness among all employees and provide training in relevant environmental aspects. We comply with regulatory authorities and applicable environmental legislation and regulations at all times. We are determined to make a difference to the community in which we operate in and work through our volunteerism. We trust the value of volunteerism to our community will help develop caring character and empathy among our employees and community.

Caring for the Community

We also organise annual blood donation event that provide a reminder to the importance of a caring community and help to stock up the blood bank for National Blood Centre.

This year the blood donation was held on 17 October 2019 at Alpine's training room. As always, we received overwhelming response from our employees and the local communities.

Caring for the Community (Cont'd)

Gotong Royong is also one of the Group's "must have" annual events that foster a clean environment for workplace and surrounding areas and community. All levels of employees participated in this important annual event that was held on 11 January 2020.

Our Group strongly supports the communities in which we operate and is committed to be a dynamic member of these communities in every way we can to enhance the environment strategically, financially and socially.

Donation and Sponsorships

In addition to caring for community, Hiap Teck also provides financial support to charitable organisations through donation and sponsorship. In March 2020, the Group contributed RM500,000.00 to "The Edge COVID-19 Pandemic Funds" to help Malaysian healthcare system fight the COVID-19 crisis. We also sponsored 1,000 food packs to flood victims at Pasir Mas, Kelantan to help relief financial burden for families at flood evacuation centre.

We view education and life-long learning as an important pillar of human resources and community development. Our employees and their family members are encouraged to constantly improve and uplift themselves through continuing education. We provide sponsorship to our employees for skill and knowledge enhancement and annual allowances for our employees' children to enable them to buy books and other educational materials. This helps to inculcate reading habits and continuous learning attitude that will foster a sustainable growth for our Group and Country.

ENVIRONMENTAL SUSTAINABILITY

Our Group pays special attention to waste management and environmental sustainability on matters that are most relevant to our businesses and stakeholders. Our Group takes a proactive approach with the objectives of preserving the environment, improving efficiency in energy consumption, reduce waste in which will directly contribute to lower costs and optimise utilisation.

- **Waste Management**

Our Group continued to undertake initiatives to minimize its operational impact on the environment. We are cautious in handling scheduled waste (categorised under first schedule (Regulation 2), the EQA 1974-Environmental Quality (Scheduled Wastes) Regulation, 2005) from our pipe making plant, we engaged authorised waste disposal agent to eliminate potential risk to our environment.

We place great emphases on recycling and the continuous initiatives undertaken include:

- Recycle by recovering of coolant oil from waste coolant.
- Recycling of cooling water.
- Installing eco-friendly hand dryers in washrooms, thus eliminating the use paper towels.
- Reduce unnecessary printing and increase paper recycling.
- Waste separation at factory floor.
- Installed filtered water system in pantry to eliminate purchase of bottled water.

ENVIRONMENTAL SUSTAINABILITY (Cont'd)

- **Energy and Carbon Management**

The continuous efforts on energy saving and carbon control to create a more eco-friendly environment include installation of fume scrubbers for air emission control and monitoring with control devices, replacement of the existing fluorescent light tubes to LED tubes in factory floors, offices, streets etc. We are passionate about our environment and are committed to continuously reduce all types of waste related to our business by recycling them as much as possible, this will reduce consumption and risk to the environment.

- **Housekeeping and Beautification**

At the end of 2019, we embarked on a special project to clean, maintain and beautify our office and factory compound, factory floors, warehouses and offices. This reflect our Group's commitment to delivering a safe, pleasant and clean environment to all employees and stakeholders.

The following are some pictures on the before and after housekeeping and beautification project.

SUSTAINABLE PROFIT AND GROWTH

Our Group is committed to maintaining a high standard of corporate governance. We emphasise on ethical business practices amongst our staff and stakeholders to promote sustainable growth and performance. We conduct with responsibility, transparency and fairness in all our business dealings, and we respect the interests of the relevant stakeholders, adhering to our Group's long-standing business philosophy. We have identified material matters that need to be focused on as they may have a significant impact on sustainable profit and growth.

Supply Chain Management

Our Group actively engages with suppliers, consultants, developers, contractors and regulatory bodies in key areas relating to quality of products and services, compliance and the environment.

We take great care in ensuring the right supply chain in order to meet our sustainability targets and to align with our sustainability strategies. The Group has established a transparent process for the bidding of raw materials. For non-materials purchases, prices are appropriately benchmarked, negotiated and reviewed regularly.

We have maintained good long term business relationship with our key suppliers with high level of trust and timely delivery. Relevant measures on suppliers are sustainability survey, market feedback, annual review and rating on pre-determined KPI.

To ensure sustainable growth and performance, our Business Development team is committed to exploring for potential new markets in the region and new steel-related businesses. One of the key KPI of the Business Development team is to cooperate and partner with CIDB, IEM, JKR, MBAM, MITI, Matrade and to actively participate in exhibitions in the country and SEA to promote and educate on our products, and receiving feedback and concerns for continuous improvements in the quality of our products and processes.

Seminars and Exhibitions

As always, we have spearheaded various initiatives, and have organised and funded various seminars and trainings on the potential usage of our products, to educate and enhance knowledge for engineers and project team, existing and potential customers, business partners and various Government Authorities from the project design stage, right up to the completion of the projects.

During the year, we have conducted various seminars and exhibitions as follows. However, due to COVID-19 pandemic, most exhibitions and seminars were canceled to curb the spreading of the coronavirus.

Event	Date	Venue
Indonesia Marine Offshore Expo at Batam	20 - 22 August 2019	Swissbel Hotel & Convention Centre Batam
Building & Construction Indonesia	18 - 21 September 2019	JiEXPO Kemayoran , Jakarta Indonesia
MYWAC - Malaysian Water Engineers Action Committee at Penang	26 - 28 November 2019	Bayview Beach Resort, Penang
VIETBUILD Hanoi, Vietnam	27 November - 1 December 2019	National Exhibition Construction Centre Hanoi, Vietnam

BRAND

Our Group's philosophy is to uphold product quality as our top priority and to create value to all customers by exceeding their expectations and timelines at all times.

Our Quality Standards and Policy

We have a stringent sourcing policy and we maintain close relationships with our vendors and business partners to support our production processes that ensure quality and timely delivery of products and services to our customers. Our commitment to quality is the underlying success to our customers' projects. Our quality policy is based on these principles:

- Customer focus – Ensure high quality services and satisfy customers' needs.
- Quality Commitment – Establish and enforce quality control processes for our products and services with minimum complain.

Certification

The Group's manufacturing arms, Alpine and Huatraco have been awarded the ISO 9001:2015 certifications for quality management system that help assure our products' quality meets our customers' statutory and regulatory requirements.

Alpine Pipe Manufacturing Sdn. Bhd. produces the most complete sizes of hollow section in the country, ranging from 2.5mm to 1.6 meter in diameter. The product certification we have obtained such as BS EN, BA EN, EN, SPAN, JIS, AS, and API allow the Group to have better competitive advantage to supply in various projects and industries.

The Group's scaffolding plant, Huatraco Scaffold Sdn. Bhd. is one of the pioneers in the industry and the first factory in the country to obtain MS1462 certification. This signifies the superior quality of Huatraco's products and equipment. The assurance of quality of our scaffold equipment has enabled us not only to supply domestically but also in the regional markets.

The certifications obtained by Alpine and Huatraco are summarised as follows:

Alpine Pipe Manufacturing Sdn. Bhd.		
Certified Body	Product	Certification
CIDB	Iron & Steel	CIDB ACT 520
IKRAM	Steel Pipes and Hollow Sections	BS EN39/10219, JIS G 3444/3452, MS 863, ASTM A500
	Mild Steel Cement Lined Pipes	00614MB, 00617MB, 01717MB, 02118MB etc
SIRIM	Steel Pipes and Hollow Sections	0255-2004, MS EN 10219-1&2
ISO	Steel Pipes and Hollow Sections	ISO 9001 - 2015 (MALAYSIA) ISO 9001 - 2015 (UKAS) 17025SAMM
API	Steel Pipes and Hollow Sections	API 5 CT - 1299 API 5L - 0613
SPAN	Mild Steel Cement Lined Pipes -ERW & SAW	SPAN TS 21827
BSI	Steel Pipes and Hollow Sections	AS NZS 1163 - BMP 696421

Huatraco Scaffold Sdn. Bhd.		
Certified Body	Product	Certification
CIDB	Iron & Steel	MS 1462
SIRIM	Iron & Steel	MS 1462
ISO	Scaffoldng & framework	ISO 9001 - 2015

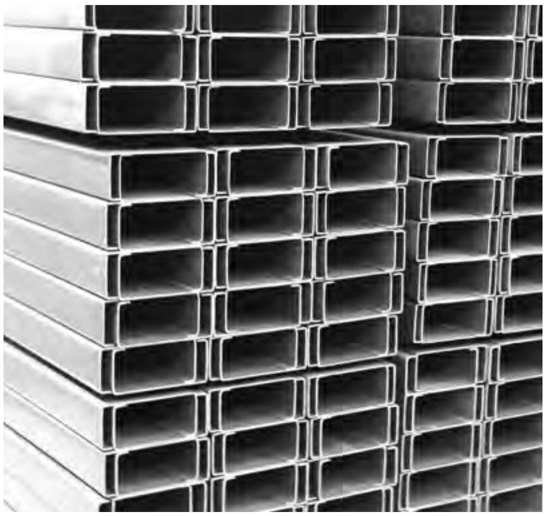
Customer Satisfaction

This group of stakeholder expects quality products and services, and quick response to complaints and concerns. Our Group emphasises on customers' retention and loyalty via the provision of customer centric services and quality products, knowledge sharing and one-stop solution at a competitive price.

Our quality control system tracks the workflow from the arrival of material and throughout processing of material until the delivery of finished products. We constantly listen to our customers and keep ourselves updated with industry latest developments and trend in order to maintain our leading position in the steel industry and in this region.

Our Group's corporate website, www.htgrp.com.my, provides up-to-date and reliable information about the Group's business activities. We update our website regularly with the latest information and development of the Group.

Our Group will continue to strengthen efforts to ensure sustainable growth and performance while maintaining a high standard of corporate governance.



OUR VISION

To be the leading steel company in the region

OUR MISSION

- Build value for shareholders
- Participate in the development of the country
- Total customer satisfaction
- Enhancement of existing core business to position for growth
- One stop steel centre
- Continuously develop human asset

FINANCIAL STATEMENTS

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2020.

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.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	4,287	6,917
Non-controlling interests	314	-
	4,601	6,917

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 0.5 sen per ordinary share totalling RM6,694,000 in respect of financial year ended 31 July 2019 on 23 January 2020.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 July 2020 is 0.3 sen per ordinary share estimated at approximately RM4,065,000. This 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 during the financial year until the date of this report are:

Tan Sri Abdul Rahman Bin Mamat
Tan Sri Dato' Law Tien Seng
Leow Hoi Loong @ Liow Hoi Loong
Lee Ching Kion
Foo Kok Siew
Tan Shau Ming
Law Wai Cheong

Directors of the Company's subsidiaries

Directors who served in the Company's subsidiaries that are not Directors in the Company during the financial year until the date of this report are:

Yeo Bee Hwan
Chew Sow Yong
Ng Kian Hin
Tan Yuen Hong (Appointed on 11 October 2019)

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 interests 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			
	At 1.8.2019	**Bought**	**Sold**	**At 31.7.2020**
Deemed interests in the Company:				
Tan Sri Dato' Law Tien Seng				
– own	337,647,686	5,000,000	-	342,647,686
Lee Ching Kion				
– other*	45,354	-	-	45,354
Tan Shau Ming				
– other*	792,000	-	-	792,000

	Number of options over ordinary shares			
	At 1.8.2019	**Granted**	**Exercised**	**At 31.7.2020**
Interests in the Company:				
Tan Sri Abdul Rahman Bin Mamat				
– own	1,439,999	-	-	1,439,999
Tan Sri Dato' Law Tien Seng				
– own	12,599,995	-	-	12,599,995
Leow Hoi Loong @ Liow Hoi Loong				
– own	899,999	-	-	899,999
Lee Ching Kion				
– own	899,999	-	-	899,999
Foo Kok Siew				
– own	7,199,997	-	-	7,199,997
Tan Shau Ming				
– own	4,599,997	-	-	4,599,997
Law Wai Cheong				
– own	4,000,000	-	-	4,000,000

	Number of Warrants 2016			
	At 1.8.2019	**Bought**	**Sold**	**At 31.7.2020**
Deemed interests in the Company:				
Tan Sri Dato' Law Tien Seng				
– own	75,032,819	-	-	75,032,819
Tan Shau Ming				
– other*	176,000	-	-	176,000

Directors' interests in shares (Cont'd)

	Number of Redeemable Convertible Unsecured Islamic Debt Securities ("RCUIDS")			
	At 1.8.2019	Bought	Sold	At 31.7.2020
Deemed interests in the Company:				
Tan Sri Dato' Law Tien Seng				
– own	75,032,819	-	-	75,032,819
Tan Shau Ming				
– other*	176,000	-	-	176,000

* *Interest in shares held by Director's spouse pursuant to Section 59(11)(c) of the Companies Act 2016.*

By virtue of his interests in the shares of the Company, Tan Sri Dato' Law Tien Seng is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Hiap Teck Venture Berhad has an interest.

None of the other Directors holding office at 31 July 2020 had any interest in the shares and options over 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 those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of 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 30 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 options pursuant to the Employees Share Option Scheme ("ESOS") granted to eligible Directors and employees of the Group.

Issue of shares and debentures

During the financial year, there were conversion of 5-year 5% RCUIDS to 16,134,200 ordinary shares.

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

Treasury shares

As at 31 July 2020, a total of 5,492,000 buy-back shares were held as treasury shares and carried at cost.

The shares repurchased are being held as treasury shares in accordance with Section 127 (4)(b) of the Companies Act 2016 and further relevant details are disclosed in Note 12 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 ESOS which are governed by ESOS By-Laws and RCUIDS with free detachable warrants.

Employees Share Option Scheme ("ESOS")

At an extraordinary general meeting held on 23 November 2011, the Company's shareholders approved the establishment of an ESOS to eligible Directors and employees of the Group. On 10 January 2017, the Board of Directors extended the ESOS which is expiring on 11 April 2017 for another five years from 12 April 2017 to 11 April 2022.

The salient terms of the ESOS are disclosed in Note 31 to the financial statements.

The options offered eligible Directors and employees of the Group to take up unissued ordinary shares and the exercise prices are as follows:

		No. of share options over ordinary shares			
Date of offer	**Exercise price**	**At 1.8.2019**	**Granted**	**Forfeited**	**At 31.7.2020**
19 April 2013	RM0.50	51,389,547	-	(1,670,789)	49,718,758
10 January 2014	RM0.67	10,079,977	-	-	10,079,977
12 January 2015	RM0.53	7,199,953	-	(125,998)	7,073,955
1 January 2018	RM0.40	31,334,484	-	(1,187,000)	30,147,484
2 January 2019	RM0.31	15,193,600	-	(523,000)	14,670,600
		115,197,561	-	(3,506,787)	111,690,774

Indemnity and insurance costs

During the financial year, Directors and Officers of Hiap Teck Venture Berhad, together with its subsidiaries are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM20 million. The total amount of premium paid for the Directors' and Officers' Liability Insurance by the Group and the Company was RM19,090.

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 so to realise.

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

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

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

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, other than the Group's share on reversal of impairment loss in property, plant and equipment by the joint venture as disclosed in Note 7 and the significant events relating to COVID-19 as disclosed in Note 32 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 July 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events

Significant events during the financial year is disclosed in Note 32 to the financial statements.

Subsequent event

Subsequent event after the end of the financial year is disclosed in Note 33 to the financial statements.

Auditors

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

The auditors' remuneration is disclosed in Note 22 to the financial statements.

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

....
Tan Sri Dato' Law Tien Seng
Director

....
Foo Kok Siew
Director

Kuala Lumpur

Date: 26 October 2020

STATEMENTS OF FINANCIAL POSITION

as at 31 July 2020

		Group		Company	
	Note	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	272,532	270,872	375	438
Right-of-use assets	4	484	-	-	-
Investment properties	5	8,728	8,945	95,730	96,868
Investment in subsidiaries	6	-	-	94,121	94,121
Investment in joint venture	7	421,130	417,292	508,964	508,964
Other investments	8	729	1,093	-	-
Trade and other receivables	9	-	3,510	25,594	26,365
Total non-current assets		703,603	701,712	724,784	726,756
Inventories	10	354,194	438,775	-	-
Current tax assets		13,474	11,114	5,630	5,637
Trade and other receivables	9	196,258	257,441	14,557	28,643
Other investments	8	21,874	1,509	21,059	963
Cash and cash equivalents	11	145,197	178,921	1,838	979
Total current assets		730,997	887,760	43,084	36,222
Total assets		1,434,600	1,589,472	767,868	762,978
Equity					
Share capital	12	680,166	672,099	680,166	672,099
Reserves	12	181,877	190,940	(89,558)	(83,650)
Total equity attributable to owners of the Company		862,043	863,039	590,608	588,449
Non-controlling interests		(933)	(1,247)	-	-
Total equity		861,110	861,792	590,608	588,449
Liabilities					
Loans and borrowings	13	-	19,062	-	15,970
Lease liabilities		315	-	-	-
Deferred tax liabilities	14	36,446	37,964	17,410	19,943
Total non-current liabilities		36,761	57,026	17,410	35,913
Loans and borrowings	13	506,261	607,004	11,163	30,000
Lease liabilities		181	-	-	-
Trade and other payables	15	28,942	60,100	148,687	108,616
Contract liabilities	16	1,341	1,724	-	-
Derivative financial liabilities	17	1	-	-	-
Current tax payable		3	1,826	-	-
Total current liabilities		536,729	670,654	159,850	138,616
Total liabilities		573,490	727,680	177,260	174,529
Total equity and liabilities		1,434,600	1,589,472	767,868	762,978

The notes set out on pages 68 to 138 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 July 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue	18	932,907	1,186,607	24,023	88,418
Cost of sales	19	(877,322)	(1,081,388)	-	-
Gross profit		55,585	105,219	24,023	88,418
Other operating income		5,599	13,690	1,631	4,689
Operating costs in respect of income generating investment properties		(283)	(243)	(1,347)	(1,343)
Administrative expenses		(20,906)	(23,959)	(11,920)	(11,337)
Selling and marketing expenses		(12,875)	(15,093)	-	-
Other operating expenses		(652)	(1,118)	-	(48,025)
Net loss on impairment of trade receivables		(677)	(568)	-	-
Results from operating activities		25,791	77,928	12,387	32,402
Finance costs	20	(20,940)	(25,522)	(6,060)	(8,410)
Share of profit/(loss) of equity-accounted investees, net of tax	7	3,838	(13,256)	-	-
Profit before tax		8,689	39,150	6,327	23,992
Tax (expense)/income	21	(4,088)	(14,332)	590	217
Profit for the year	22	4,601	24,818	6,917	24,209
Other comprehensive loss, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(160)	64	-	-
Fair value loss on other investments		(365)	(272)	-	-
Other comprehensive loss for the year, net of tax		(525)	(208)	-	-
Total comprehensive income for the year		4,076	24,610	6,917	24,209
Profit attributable to:					
Owners of the Company		4,287	25,304	6,917	24,209
Non-controlling interests	6	314	(486)	-	-
Profit for the year		4,601	24,818	6,917	24,209
Total comprehensive income attributable to:					
Owners of the Company		3,762	25,096	6,917	24,209
Non-controlling interests	6	314	(486)	-	-
Total comprehensive income for the year		4,076	24,610	6,917	24,209
Earnings per ordinary share (sen):					
Basic	24	0.32	1.89		
Diluted	24	0.32	1.67		

The notes set out on pages 68 to 138 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 July 2020

		Attributable to owners of the Company								
		Non - distributable					Distributable			
	Note	Share capital 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	Non-controlling interests RM'000	Total equity RM'000
At 1 August 2018		668,527	(7,499)	30,341	29,346	5,347	111,172	837,234	(761)	836,473
Foreign currency translation differences for foreign operations		-	-	-	(64)	-	-	(64)	-	(64)
Fair value loss on other investments		-	-	-	(272)	-	-	(272)	-	(272)
Total other comprehensive loss		-	-	-	(208)	-	-	(208)	-	(208)
Profit for the year		-	-	-	-	-	25,304	25,304	(486)	24,818
Total comprehensive income for the year		-	-	-	(208)	-	25,304	25,096	(486)	24,610
Conversion of RCUIDS	12	3,572	-	-	3,087	-	-	6,659	-	6,659
Equity settled share-based payments		-	-	-	-	744	-	744	-	744
Share options forfeited		-	-	-	-	(428)	428	-	-	-
Dividends to owners of the Company	25	-	-	-	-	-	(6,694)	(6,694)	-	(6,694)
Total transactions with owners of the Company		3,572	-	-	3,087	316	(6,266)	709	-	709
At 31 July 2019		672,099	(7,499)	30,341	32,225	5,663	130,210	863,039	(1,247)	861,792

/-------------------------- Note 12 ---------------------------/

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

for the year ended 31 July 2020

	Note	Share capital 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	Non-controlling interests RM'000	Total equity RM'000
		/---- Attributable to owners of the Company						----/		
		/---- Non - distributable				----/	Distributable			
At 1 August 2019		672,099	(7,499)	30,341	32,225	5,663	130,210	863,039	(1,247)	861,792
Foreign currency translation differences for foreign operations		-	-	-	(160)	-	-	(160)	-	(160)
Fair value loss on other investments		-	-	-	(365)	-	-	(365)	-	(365)
Total other comprehensive loss		-	-	-	(525)	-	-	(525)	-	(525)
Profit for the year		-	-	-	-	-	4,287	4,287	314	4,601
Total comprehensive income for the year		-	-	-	(525)	-	4,287	3,762	314	4,076
Conversion of RCUIDS	12	8,067	-	-	(6,131)	-	-	1,936	-	1,936
Share options forfeited		-	-	-	-	(262)	262	-	-	-
Dividends to owners of the Company	25	-	-	-	-	-	(6,694)	(6,694)	-	(6,694)
Total transactions with owners of the Company		8,067	-	-	(6,131)	(262)	(6,432)	(4,758)	-	(4,758)
At 31 July 2020		680,166	(7,499)	30,341	25,569	5,401	128,065	862,043	(933)	861,110
		/---- Note 12				----/				

The notes set out on pages 68 to 138 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 July 2020

		Attributable to the owners of the Company						
		Non - distributable						
	Note	Share capital RM'000	Treasury shares RM'000	Warrant reserves RM'000	Other reserves RM'000	Share option reserves RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 August 2018		668,527	(7,499)	30,341	30,796	5,347	(163,981)	563,531
Profit and total comprehensive income for the year		-	-	-	-	-	24,209	24,209
Conversion of RCUIDS	12	3,572	-	-	3,087	-	-	6,659
Equity settled share-based payments		-	-	-	-	744	-	744
Share options forfeited		-	-	-	-	(428)	428	-
Dividends to owners of the Company	25	-	-	-	-	-	(6,694)	(6,694)
Total transactions with owners of the Company		3,572	-	-	3,087	316	(6,266)	709
At 31 July 2019/1 August 2019		672,099	(7,499)	30,341	33,883	5,663	(146,038)	588,449
Profit and total comprehensive income for the year		-	-	-	-	-	6,917	6,917
Conversion of RCUIDS	12	8,067	-	-	(6,131)	-	-	1,936
Share options forfeited		-	-	-	-	(262)	262	-
Dividends to owners of the Company	25	-	-	-	-	-	(6,694)	(6,694)
Total transactions with owners of the Company		8,067	-	-	(6,131)	(262)	(6,432)	(4,758)
At 31 July 2020		680,166	(7,499)	30,341	27,752	5,401	(145,553)	590,608
		Note 12						

The notes set out on pages 68 to 138 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 July 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from operating activities					
Profit before tax		8,689	39,150	6,327	23,992
Adjustments for:					
Allowance for impairment loss on trade receivables		677	568	-	-
Amortisation of mining exploration and evaluation assets		-	743	-	-
Depreciation of investment properties	5	217	217	1,346	1,344
Depreciation of property, plant and equipment	3	13,746	9,508	95	90
Depreciation of right-of-use assets	4	184	-	-	-
Dividend income		(33)	(84)	(12,165)	(76,560)
Equity settled share-based payments	31	-	744	-	744
Finance costs	20	20,940	25,522	6,060	8,410
Finance income:					
Amount due from joint venture		-	(2,584)	-	(2,584)
Amount due from subsidiaries		-	-	(1,329)	(1,371)
Other investments		(76)	(324)	(32)	(83)
Deposits with licensed banks		(2,179)	(1,921)	(5)	(27)
Finance lease receivables		(156)	(63)	-	-
Gain on disposal of property, plant and equipment		(34)	(5,240)	-	-
Loss on partial disposal of investment in joint venture		-	-	-	47,243
Net overdue interest income		(527)	(1,119)	-	-
Net unrealised foreign exchange (gain)/loss		(487)	509	(1)	37
Property, plant and equipment written off	3	329	9	-	-
Share of (profit)/loss of equity-accounted joint venture, net of tax	7	(3,838)	13,256	-	-
Write-down of inventories to net realisable value	10	5,010	3,664	-	-
Operating profit before changes in working capital		42,462	82,555	296	1,235
Changes in working capital:					
Inventories		79,571	(47,603)	-	-
Trade and other receivables		63,654	54,247	225	140
Trade and other payables		(31,148)	14,398	(792)	(247)
Contract liabilities		(383)	1,724	-	-
Cash generated from/(used in) operations		154,156	105,321	(271)	1,128
Interest paid		(25,718)	(30,095)	(10,867)	(12,983)
Net overdue interest income		527	1,119	-	-
Net income tax paid		(7,852)	(20,076)	-	(1,966)
Net cash generated from/(used in) operating activities		121,113	56,269	(11,138)	(13,821)

STATEMENTS OF CASH FLOWS (Cont'd)
for the year ended 31 July 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from investing activities					
Advances to joint venture – net of repayment		-	40,852	-	40,852
Acquisition of a subsidiary	6	-	-	-	(51)
Dividends received		33	84	9,697	3,840
Finance income:					
Amount due from subsidiaries		-	-	1,329	1,371
Other investments		76	324	32	83
Deposits with licensed banks		2,179	1,921	5	27
Finance lease receivables		156	63	-	-
(Increase)/Decrease in other investments		(20,365)	9,209	(20,096)	6,042
Investment in joint venture		-	(135,802)	-	(135,802)
Proceeds from disposal of property, plant and equipment		1,140	10,900	-	-
Proceeds from partial disposal of investment in joint venture		-	135,711	-	135,711
Purchase of mining exploration and evaluation assets		-	(648)	-	-
Purchase of investment properties	5	-	-	(208)	-
Purchase of property, plant and equipment	3	(16,841)	(11,118)	(32)	(168)
Net cash (used in)/generated from investing activities		(33,622)	51,496	(9,273)	51,905
Cash flows from financing activities					
Advances from subsidiaries		-	-	57,963	27,258
Dividends paid to owners of the Company	25	(6,694)	(6,694)	(6,694)	(6,694)
(Repayment)/Drawdown of borrowings		(114,998)	17,635	(30,000)	(57,896)
Payment of lease liabilities		(201)	-	-	-
Net cash (used in)/generated from financing activities		(121,893)	10,941	21,269	(37,332)
Net (decrease)/increase in cash and cash equivalents		(34,402)	118,706	858	752
Effect of exchange rate changes		678	580	1	-
Cash and cash equivalents at beginning of year		178,921	59,635	979	227
Cash and cash equivalents at end of year	11	145,197	178,921	1,838	979

Cash outflows for leases as a lessee

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Included in net cash from operating activities					
Payment relating to short-term leases	22	111	-	-	-
Payment relating to leases of low-value assets	22	24	-	-	-
Included in net cash from financing activities					
Payment of lease liabilities		172	-	-	-
Interest paid in relation to lease liabilities	20	29	-	-	-
Total cash outflows for leases		336	-	-	-

Dividend income from subsidiaries

During the financial year, the dividend income from subsidiaries amounting to RM18,623,000 (2019: RM44,400,000) were settled against balances due to the subsidiaries.

Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	At 1 August 2018 RM'000	Net changes from financing cash flows RM'000	Other changes RM'000	Foreign exchange movement RM'000	At 31 July 2019 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1 August 2019 RM'000	Net changes from financing cash flows RM'000	Other changes RM'000	At 31 July 2020 RM'000
RCUIDS	20,543	-	(4,573)	-	15,970	-	15,970	-	(4,807)	11,163
Bankers' acceptances	347,717	(22,495)	-	-	325,222	-	325,222	(95,682)	-	229,540
Promissory notes	19,468	(16,057)	-	-	3,411	-	3,411	44,671	-	48,082
Post shipment buyer loan	-	37,403	-	-	37,403	-	37,403	(657)	-	36,746
Accepted bills	107,380	72,786	-	-	180,166	-	180,166	(34,818)	-	145,348
Revolving credit	60,102	(102)	-	-	60,000	-	60,000	(30,000)	-	30,000
Term loans	56,882	(57,794)	-	912	-	-	-	5,382	-	5,382
Hire purchase liabilities	-	3,894	-	-	3,894	-	3,894	(3,894)	-	-
Lease liabilities	-	-	-	-	-	668	668	(201)	29	496
Total liabilities from financing activities	612,092	17,635	(4,573)	912	626,066	668	626,734	(115,199)	(4,778)	506,757

Reconciliation of movements of liabilities to cash flows arising from financing activities (Cont'd)

Company	At 1 August 2018 RM'000	Net changes from financing cash flows RM'000	Other changes RM'000	Foreign exchange movement RM'000	At 31 July 2019/ 1 August 2019 RM'000	Net changes from financing cash flows RM'000	Other changes RM'000	At 31 July 2020 RM'000
RCUIDS	20,543	-	(4,573)	-	15,970	-	(4,807)	11,163
Revolving credit	30,102	(102)	-	-	30,000	(30,000)	-	-
Term loans	56,882	(57,794)	-	912	-	-	-	-
Total liabilities from financing activities	107,527	(57,896)	(4,573)	912	45,970	(30,000)	(4,807)	11,163

The notes set out on pages 68 to 138 are an integral part of these financial statements.

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

Principal place of business and registered office
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 2020 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. The financial statements of the Company as at and for the financial year ended 31 July 2020 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.

These financial statements were authorised for issue by the Board of Directors on 26 October 2020.

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 2016 in Malaysia.

The following are accounting standards, interpretations and amendments 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 2020
- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and* MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments,* MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020
- Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021
- Amendments to MFRS 9, *Financial Instruments,* MFRS 139, *Financial Instruments: Recognition and Measurement,* MFRS 7, *Financial Instruments: Disclosures,* MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

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 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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 plan to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 August 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020 and 1 June 2020;
- from the annual period beginning on 1 August 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021;
- from the annual period beginning on 1 August 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022; and
- from the annual period beginning on 1 August 2023 for those amendments that are effective for annual periods beginning on or after 1 January 2023.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for the annual periods beginning on 1 January 2023 as it is not applicable to the Group and the Company.

The initial application of the abovementioned accounting standards, interpretations and amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Group and of the Company.

(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.

1. Basis of preparation (Cont'd)

(d) Use of estimates and judgements (Cont'd)

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

- Note 4 – Extension options and incremental borrowing rate in relation to leases
- Note 6 – Investments in subsidiaries
- Note 7 – Impairment loss on investment in joint venture
- Note 27 – Measurement of expected credit loss ("ECL") and fair value

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.

Arising from the adoption of MFRS 16, *Leases,* there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impact arising from the changes are disclosed in Note 34.

(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 it has *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.

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

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(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) Acquisitions 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.

(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 a financial asset depending on the level of influence retained.

(v) 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.

Joint arrangements are classified and accounted for as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investment in joint venture is 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.

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity owners 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 total comprehensive income for the year between non-controlling interests and owners of the Company.

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

(vii) Transactions eliminated on consolidation

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

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

(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 end of 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 are not retranslated at the end of the reporting period, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that 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 equity instruments where they are measured at fair value through other comprehensive income, which are recognised in other comprehensive income.

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 and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

2. Significant accounting policies (Cont'd)

(b) Foreign currency (Cont'd)

(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, 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) Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(j)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(j)(i)).

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

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

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

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

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the 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.

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(iii) Financial guarantee contracts (Cont'd)

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers.*

Liabilities arising from financial guarantees are presented together with other provisions.

(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 are transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) 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, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

2. Significant accounting policies (Cont'd)

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

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component 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, and if a component has a useful life that is different from the remainder of that 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 component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Capital-in-progress 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:

• Buildings	50 years
• Plant and machinery	5 - 12 years
• Rental equipment	5 - 10 years
• Motor vehicles	5 years
• Other assets	3 - 10 years

Amortisation of mining assets is based on the unit of production method.

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

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 August 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases and related interpretations.*

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

2. Significant accounting policies (Cont'd)

(e) Leases (Cont'd)

Current financial year (Cont'd)

(i) Definition of a lease (Cont'd)

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Significant accounting policies (Cont'd)

(e) Leases (Cont'd)

Current financial year (Cont'd)

(ii) Recognition and initial measurement (Cont'd)

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, *Financial Instruments* (see Note 2(j)(i)).

2. Significant accounting policies (Cont'd)

(e) Leases (Cont'd)

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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 were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was 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 were classified as operating leases and, except for property interest held under operating lease, the leased assets were not recognised on the statement of financial position. Property interest held under an operating lease, which was held to earn rental income or for capital appreciation or for both, was classified as investment property and measured using fair value model.

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

Leasehold land which in substance was an operating lease were classified as prepaid lease payments.

(f) Investment properties

Investment properties at cost

Investment properties are properties which are owned or right-of-use asset held under lease contract 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 of 60 years.

2. Significant accounting policies (Cont'd)

(f) Investment properties (Cont'd)

Investment properties at cost (Cont'd)

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.

(g) Inventories

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

The cost of inventories is calculated using the weighted average method, 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.

(h) 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 fair 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.

(i) Contract asset/Contract liability

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(j)(i)).

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(j) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

2. Significant accounting policies (Cont'd)

(j) Impairment (Cont'd)

(i) Financial assets (Cont'd)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(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 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 or cash-generating units.

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 to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

2. Significant accounting policies (Cont'd)

(j) Impairment (Cont'd)

(ii) Other assets (Cont'd)

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

(k) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

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 and RCUIDS 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.

2. Significant accounting policies (Cont'd)

(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) State 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.

(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.

(o) Revenue and other income

(i) Goods sold and services rendered

Revenue from the sale of goods and services rendered 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. 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 when the sale of goods and services rendered are recognised.

2. Significant accounting policies (Cont'd)

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

(i) Goods sold and services rendered (Cont'd)

The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has enforceable right to payment for performance completed to date.

(ii) 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.

(iii) Finance income

Finance 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.

(iv) Rental income

Rental income related to rental of properties and equipment for hire are recognised over the period of tenancy or usage, as appropriate. Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

(p) Borrowing costs

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

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

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2. Significant accounting policies (Cont'd)

(q) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets and 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 assets and liabilities 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.

(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, share options granted to employees and RCUIDS.

(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. Operating segment results are reviewed regularly by the chief operating decision makers, which in this case are the Executive Director and Chief Operating Officer 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) Contingencies

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 not recognised in the statement of financial position and 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.

2. Significant accounting policies (Cont'd)

(u) 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.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs 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 asset 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.

3. Property, plant and equipment

Group	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Rental equipment RM'000	Motor vehicles RM'000	Others assets RM'000	Capital-in-progress RM'000	Mining assets RM'000	Total RM'000
Cost									
At 1 August 2018	76,417	139,560	216,904	24,702	9,532	22,689	2,956	-	492,760
Additions	-	-	2,071	6,127	996	930	994	-	11,118
Disposals	-	-	(1,229)	(2,841)	(4,670)	(482)	-	-	(9,222)
Written off	-	-	(62)	(93)	-	(116)	-	-	(271)
Transfers	-	2,183	1,340	-	-	34	(3,557)	-	-
Reclassified from mining exploration and evaluation assets	-	-	-	-	-	-	-	22,036	22,036
At 31 July 2019/ 1 August 2019	76,417	141,743	219,024	27,895	5,858	23,055	393	22,036	516,421
Additions	-	557	832	14,498	195	246	513	-	16,841
Disposals	-	-	(246)	(1,705)	(195)	-	-	-	(2,146)
Written off	-	-	(1,222)	(386)	-	-	-	-	(1,608)
At 31 July 2020	76,417	142,300	218,388	40,302	5,858	23,301	906	22,036	529,508

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

Group	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Rental equipment RM'000	Motor vehicles RM'000	Others assets RM'000	Capital-in-progress RM'000	Mining assets RM'000	Total RM'000
Accumulated depreciation									
At 1 August 2018	-	35,198	166,306	11,808	4,255	21,499	-	-	239,066
Charge for the year	-	2,871	1,214	3,923	805	695	-	-	9,508
Disposals	-	-	(194)	(1,634)	(1,253)	(481)	-	-	(3,562)
Written off	-	-	(62)	(84)	-	(116)	-	-	(262)
Reclassified from mining exploration and evaluation assets	-	-	-	-	-	-	-	799	799
At 31 July 2019/ 1 August 2019	-	38,069	167,264	14,013	3,807	21,597	-	799	245,549
Charge for the year	-	2,875	3,093	5,574	578	751	-	875	13,746
Disposals	-	-	(223)	(701)	(116)	-	-	-	(1,040)
Written off	-	-	(1,222)	(57)	-	-	-	-	(1,279)
At 31 July 2020	-	40,944	168,912	18,829	4,269	22,348	-	1,674	256,976
Carrying amounts									
At 1 August 2018	76,417	104,362	50,598	12,894	5,277	1,190	2,956	-	253,694
At 31 July 2019/ 1 August 2019	76,417	103,674	51,760	13,882	2,051	1,458	393	21,237	270,872
At 31 July 2020	76,417	101,356	49,476	21,473	1,589	953	906	20,362	272,532

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

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

Company	Motor vehicles RM'000	Office renovations RM'000	Office equipment RM'000	Capital-in-progress RM'000	Total RM'000
Cost					
At 1 August 2018	407	657	166	-	1,230
Additions	-	-	-	168	168
At 31 July 2019/1 August 2019	407	657	166	168	1,398
Additions	-	-	32	-	32
At 31 July 2020	407	657	198	168	1,430
Accumulated depreciation					
At 1 August 2018	81	655	134	-	870
Charge for the year	82	1	7	-	90
At 31 July 2019/1 August 2019	163	656	141	-	960
Charge for the year	81	1	13	-	95
At 31 July 2020	244	657	154	-	1,055
Carrying amounts					
At 1 August 2018	326	2	32	-	360
At 31 July 2019/1 August 2019	244	1	25	168	438
At 31 July 2020	163	-	44	168	375

3.1 Rental equipment

The Group leases their scaffold equipment to third parties. Each of the leases contains an initial non-cancellable period of 1 to 6 months. Subsequent renewals are negotiated and agreed with the lessees.

The Group generally does not require a financial guarantee on the lease arrangement. Nevertheless, the Group requires 3 months of advance rental as normal payments from the lessees. These leases do not include residual value guarantees.

The following are recognised in profit or loss:

Group	2020 RM'000	2019 RM'000
Lease income	19,724	16,457

The operating lease payments to be received are as follows:

Group	2020 RM'000	2019 RM'000
Less than one year	701	1,954
One to two years	-	31
Total undiscounted lease payments	701	1,985

4. Right-of-use assets

Group	Buildings RM'000	Plant and equipment RM'000	Total RM'000
At 1 August 2019	643	25	668
Depreciation	(175)	(9)	(184)
At 31 July 2020	468	16	484

The Group leases a number of warehouse and factory facilities that run between one year and six years, with an option to renew the lease after that date.

4.1 Significant judgements and assumptions in relation to lease

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5. Investment properties

Group	Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost				
At 1 August 2018/ 31 July 2019/1 August 2019/ 31 July 2020	5,020	485	8,532	14,037
Accumulated depreciation				
At 1 August 2018	2,033	-	2,842	4,875
Charge for the year	73	-	144	217
At 31 July 2019/1 August 2019	2,106	-	2,986	5,092
Charge for the year	73	-	144	217
At 31 July 2020	2,179	-	3,130	5,309
Carrying amounts				
At 1 August 2018	2,987	485	5,690	9,162
At 31 July 2019/1 August 2019	2,914	485	5,546	8,945
At 31 July 2020	2,841	485	5,402	8,728

5. Investment properties (Cont'd)

Company	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 August 2018/31 July 2019/1 August 2019	48,062	67,175	115,237
Additions	-	208	208
At 31 July 2020	48,062	67,383	115,445
Accumulated depreciation			
At 1 August 2018	-	17,025	17,025
Charge for the year	-	1,344	1,344
At 31 July 2019/1 August 2019	-	18,369	18,369
Charge for the year	-	1,346	1,346
At 31 July 2020	-	19,715	19,715
Carrying amounts			
At 1 August 2018	48,062	50,150	98,212
At 31 July 2019/1 August 2019	48,062	48,806	96,868
At 31 July 2020	48,062	47,668	95,730

Investment properties of the Group comprise of leasehold land and buildings which are being leased to third party. The estimated fair value of investment properties of the Group and of the Company are RM21,010,000 and RM226,300,000 (2019: RM14,150,000 and RM196,500,000) respectively. Investment properties are stated at cost and are not revalued.

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Rental income	881	947	7,952	7,952
Direct operating expenses:				
- income generating investment properties	(283)	(243)	(1,347)	(1,343)

5. Investment properties (Cont'd)

5.1 Operating lease payments receivable

The operating lease payments to be received are as follows:

Group	2020 RM'000	2019 RM'000
Less than one year	599	911
Between one and five years	363	401
Total undiscounted lease payments	962	1,312

5.2 Fair value information

Fair values of investment properties are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Group				
Freehold land	-	3,700	-	3,700
Leasehold land with unexpired lease period of more than 50 years	-	10,800	-	10,800
Buildings	-	6,510	-	6,510
	-	21,010	-	21,010
Company				
Freehold land	-	141,800	-	141,800
Buildings	-	84,500	-	84,500
	-	226,300	-	226,300

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019				
Group				
Freehold land	-	3,400	-	3,400
Leasehold land with unexpired lease period of more than 50 years	-	4,200	-	4,200
Buildings	-	6,550	-	6,550
	-	14,150	-	14,150
Company				
Freehold land	-	121,500	-	121,500
Buildings	-	75,000	-	75,000
	-	196,500	-	196,500

5. Investment properties (Cont'd)

5.2 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 prices (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 has been no transfer between Level 1 and 2 fair values during the financial year (2019: no transfer in either directions).

Level 3 fair value

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

6. Investment in subsidiaries

	Company	
	2020 RM'000	**2019 RM'000**
At cost:		
Unquoted shares in Malaysia	94,121	94,121

Details of the subsidiaries are as follows:

Name of subsidiary	**Country of incorporation**	**Principal activities**	**Effective ownership interest 2020 %**	**Effective ownership interest 2019 %**
Hiap Teck Hardware Sdn. Bhd.	Malaysia	Importer, exporter, general dealer and lessor 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

6. Investment in subsidiaries (Cont'd)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2020 %	Effective ownership interest 2019 %
Briliant Decade Transport Agency Sdn. Bhd.	Malaysia	Provision of transportation services	100	100
Huatraco Scaffold Sdn. Bhd.	Malaysia	Manufacturing, selling, renting and transporting of scaffolding equipment and range of steel products	100	100
Hiap Teck Resources Sdn. Bhd.	Malaysia	Investment holding	100	100
Nexus Pacific Property Sdn. Bhd.	Malaysia	Dormant	100	100
Geopintar E&C Sdn. Bhd. (formerly known as Darul Bakat Sdn. Bhd.)#	Malaysia	Dormant	51	51
Subsidiary of Hiap Teck Resources Sdn. Bhd.				
Vista Mining Sdn. Bhd.	Malaysia	Exploring, contracting and all activities related to the mining, processing and sale of iron ore	55	55
Subsidiaries of Huatraco Scaffold Sdn. Bhd.				
Huatraco Contracts Sdn. Bhd.	Malaysia	Dormant	100	100
Huatraco Investment Pte. Ltd.#	Singapore	Investment holding	100	100
Huatraco Scaffold (Sabah) Sdn. Bhd.	Malaysia	Dormant	100	-
Subsidiary of Huatraco Investment Pte. Ltd.				
Huatraco Singapore Pte. Ltd.#	Singapore	Scaffolding works and wholesale of industrial, construction and related machinery and equipment	100	100

Not audited by member firms of KPMG PLT.

On 17 June 2019, the Company subscribed for 51,000 new ordinary shares in Geopintar E&C Sdn. Bhd. ("Geopintar") (formerly known as Darul Bakat Sdn. Bhd.) at RM1.00 per share for a total sum of RM51,000 representing a shareholding of 51% in Geopintar. The investment in Geopintar is to allow the Group to expand its revenue base by engaging in activities complementary to the Group. The Directors have determined that the Group controls Geopintar as it has the current ability to direct Geopintar's activities that most significantly affect its returns. Consequently, Geopintar is regarded as a subsidiary of the Group.

The statutory financial year end of Geopintar, a newly acquired subsidiary, is 31 December and it does not coincide with the Group. Geopintar is in the midst of changing its statutory financial year end to conform with the Group.

6. Investment in subsidiaries (Cont'd)

On 2 March 2020, the Group's wholly-owned subsidiary, Huatraco Scaffold Sdn. Bhd. incorporated a wholly-owned subsidiary, Huatraco Scaffold (Sabah) Sdn. Bhd., with a paid-up share capital of RM2. The objective of this new company is part of the Group's expansion into East Malaysia for the manufacturing, selling, renting scaffolding equipment and a range of steel products.

6.1 Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

2020	Vista Mining Sdn.Bhd. RM'000	Geopintar E&C Sdn. Bhd. RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	45%	49%	
Carrying amount of NCI	(923)	(10)	(933)
Profit/(Loss) allocated to NCI	324	(10)	314
Summarised financial information before intra-group elimination			
As at 31 July			
Non-current assets	21,710	-	
Current assets	1,519	121	
Non-current liabilities	(65)	-	
Current liabilities	(25,841)	(53)	
Net (liabilities)/assets	(2,677)	68	
Year ended 31 July			
Revenue	3,186	-	
Profit/(Loss) for the year	719	(20)	
Cash flows from/(used in) operating activities	5,760	(37)	
Cash flows from investing activities	25	-	
Cash flows (used in)/from financing activities	(5,994)	50	
Net (decrease)/increase in cash and cash equivalents	(209)	13	

6. Investment in subsidiaries (Cont'd)

6.1 Non-controlling interest in subsidiaries (Cont'd)

2019	Vista Mining Sdn.Bhd. RM'000	Geopintar E&C Sdn. Bhd. RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	45%	49%	
Carrying amount of NCI	(1,247)	-	(1,247)
Loss allocated to NCI	(486)	-	(486)
Summarised financial information before intra-group elimination			
As at 31 July			
Non-current assets	25,827	-	
Current assets	3,019	88	
Non-current liabilities	(3,092)	-	
Current liabilities	(29,150)	(3)	
Net (liabilities)/ assets	(3,396)	85	
Year ended 31 July			
Revenue	1,427	-	
Loss for the year	(1,705)	(4)	
Cash flows used in operating activities	(1,065)	(12)	
Cash flows used in investing activities	(1,019)	-	
Cash flows from financing activities	2,389	-	
Net increase/(decrease) in cash and cash equivalents	305	(12)	

7. Investment in joint venture

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Unquoted shares in Malaysia at cost		717,840	717,840	717,840	717,840
Share of post-acquisition reserves		(281,525)	(285,363)	-	-
Less: Impairment loss	7.1	(15,185)	(15,185)	(208,876)	(208,876)
		421,130	417,292	508,964	508,964

Details of the joint venture are as follows:

Name of entity	Country of incorporation	Principal activities	Effective ownership interest 2020 %	Effective ownership interest 2019 %
Eastern Steel Sdn. Bhd.	Malaysia	Manufacturing, selling and dealing in a range of steel products using blast furnace plant	35	35

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.

On 3 April 2018, the Company entered into an Equity and Debt Transfer Agreement ("SPA") with Shanxi Jianlong Industry Company Limited ("Jianlong") for the disposal of 89,520,000 ordinary shares in ESSB representing 20% of the issued and paid up capital of ESSB.

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

	2020 RM'000	2019 RM'000
Summarised financial information		
As at 31 July		
Non-current assets	1,443,626	1,345,628
Current assets	363,085	442,390
Non-current liabilities	(143,671)	(126,587)
Current liabilities	(383,943)	(393,300)
Net assets	1,279,097	1,268,131
Year ended 31 July		
Profit/(Loss) and total comprehensive income/(expense) for the year	10,966	(33,316)
Included in the total comprehensive income/(expense) are:		
Interest expense	(1,884)	(6,192)
Group's share of results for year ended 31 July		
Group's share of profit/(loss) and total comprehensive income/(expense) for the year	3,838	(13,256)

7. Investment in joint venture (Cont'd)

7.1 Impairment loss and subsequent reversal

Impairment loss recognised by the joint venture

In the financial year 2016, in view of the depressed market prices and soft demand of steel slabs and the increased volatility of foreign exchange rates, ESSB had ceased its trial operation to minimise losses. Accordingly, the management of ESSB had prepared discounted cash flow projections to assess the recoverable amount of the capital-in-progress in the financial year 2017.

The recoverable amount was based on the value in use of the capital-in-progress, determined by discounting the future cash flows expected to be generated from the capital-in-progress. The carrying amount of the capital-in-progress as at 31 July 2017 amounting to RM1,310 million was determined to be higher than its recoverable amount of RM1,044 million. Hence, impairment loss of RM266 million was recognised in capital-in-progress in the financial year 2017.

The impairment loss was subsequently recognised in the Group through the share of loss in the joint venture using the equity method and recognised in the investment in the joint venture and amount due from the joint venture (refer to Note 9).

On 16 July 2018, ESSB resumed production and the management of ESSB carried out a reassessment on the recoverable amount of the property, plant and equipment. The cash flow projections used in the reassessment for the previous financial year were based on two-year projections with the estimated production volume at 96% of the capacity in the financial year 2019 and 100% in the financial year 2020.

A further 23 years (i.e. financial years 2021 to 2043) were projected with zero growth from the second-year projections. Based on the reassessment, no additional impairment loss was considered necessary in the financial year 2018.

As at 31 December 2018, the carrying amount of the property, plant and equipment was reassessed and impairment loss amounting to RM50 million was reversed due to the changes in the estimates used to determine the recoverable amount of the assets as a result of ESSB recommencing its operations.

As at 31 July 2020, reassessment on the recoverable amount of the property, plant and equipment was further performed based on 23 years of cash flow projections with the initial 9 years at an estimated projection volume at 100% of the capacity. The subsequent 14 years (i.e. financial years 2030 to 2043) were projected with zero growth.

The value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the unit and was based on the following key assumptions:

- A post-tax discount rate of 8.5% (2019: 10% - 12%) was applied in determining the recoverable amount of the unit. The discount rate was based on an industry average weighted average cost of capital;
- Estimated selling price of steel slab and steel billet are USD405/MT and USD415/MT respectively, throughout the projection periods;
- Planned production capacity for FY2021 to FY2029: annual production at full capacity of 780,000 MT, estimated sales volume at 780,000 MT;
- Estimated purchase price of iron ore (raw material) is USD75/MT (local) and USD90/MT (import) throughout the projection periods;
- Cost of goods sold estimated based on the market price for raw materials in June 2020 and planned production capacity;
- Gross profit margin is estimated at 12% throughout the projection periods.

The values assigned to the key assumptions represent management's assessment of future trends in the steel industry and are based on both external and internal sources (i.e. historical data).

Based on the reassessment, ESSB reversed a further RM50 million out of the initially recognised impairment loss.

The above estimates are particularly sensitive in the following areas:
- A 2% decrease in sales price would have increased the impairment loss by RM180 million in the joint venture.
- A 10% decrease in free cash flows would have increased the impairment loss by RM57 million in the joint venture.

Impairment loss recognised at Group level

As the recoverable amount of the investment in joint venture based on the fair value less costs of disposal estimated using the income approach is higher than its carrying amount at the Group level after applying the equity method, additional impairment loss was therefore not necessary for the current financial year.

Impairment loss recognised at Company level

Based on the reassessment, no additional impairment loss is considered necessary for the current financial year.

8. Other investments

	2020 Carrying amount RM'000	2020 Market value of quoted investments RM'000	2019 Carrying amount RM'000	2019 Market value of quoted investments RM'000
Group				
Non-current				
Club membership, unquoted	140	-	140	-
Equity instruments, quoted in Malaysia	589	589	953	953
	729		1,093	
Current				
Unit trust funds of licensed financial institutions within Malaysia	21,874	21,874	1,509	1,509
	22,603		2,602	
Company				
Current				
Unit trust funds of licensed financial institutions within Malaysia	21,059	21,059	963	963

9. Trade and other receivables

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Non-current					
Non-trade					
Amount due from a subsidiary	9.1	-	-	25,594	26,365
Finance lease receivables	9.2	-	3,510	-	-
		-	3,510	25,594	26,365
Current					
Trade					
Trade receivables		133,915	200,335	-	-
Less: Allowance for impairment loss		(1,748)	(1,071)	-	-
		132,167	199,264	-	-
Amount due from joint venture	9.3	53,037	43,019	-	-
Amount due from a related party	9.3	1,597	505	-	-
		186,801	242,788	-	-

9. Trade and other receivables (Cont'd)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current					
Non-trade					
Other receivables		3,048	4,048	-	37
Dividend receivables		-	-	12,165	28,320
Amount due from joint venture	9.4	3	21	3	21
Amount due from subsidiaries	9.5	-	-	1,620	94
		3,051	4,069	13,788	28,472
Deposits		768	624	40	40
Prepayments		5,638	8,950	729	131
Finance lease receivables	9.2	-	1,010	-	-
		9,457	14,653	14,557	28,643
		196,258	257,441	14,557	28,643
		196,258	260,951	40,151	55,008

The Group's normal trade credit term ranges from 14 to 90 (2019: 14 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

9.1 Non-current non-trade amount due from a subsidiary

The non-trade amount due from a subsidiary is unsecured and subject to interest at 6% (2019: 5.5%) per annum. The amount is not expected to be repayable over the next 12 months.

9.2 Finance lease receivables

In the prior year, the Group's finance lease receivables comprise leases on certain items of equipment amounting to RM5,440,000 under finance lease expiring in 5 years. At the end of the lease term, the Group had given the lessee the option to purchase the equipment at RM1, a price deemed to be a bargain purchase option. There were no contingent rents in the leases. The financial lease receivables have been fully settled in this financial year.

Gross investment under finance leases together with the present value of minimum lease payments receivables are as follows:

	Group 2020 RM'000	Group 2019 RM'000
Gross lease receivables:		
Not later than one year	-	1,088
Later than one year and not later than five years	-	3,627
	-	4,715
Less: Unguaranteed residual values	-	-
Minimum lease payments receivable	-	4,715
Less: Amount representing unearned finance income	-	(195)
Present value of minimum lease payments receivable	-	4,520
Less: Accumulated impairment losses	-	-
Present value of minimum lease payments receivable	-	4,520

9. Trade and other receivables (Cont'd)

9.2 Finance lease receivables (Cont'd)

	Group	
	2020 RM'000	2019 RM'000
Present value of minimum lease payments receivable:		
Not later than one year	-	1,010
Later than one year and not later than five years	-	3,510
	-	4,520

The finance lease receivables at the end of the reporting period are neither past due nor impaired.

9.3 Current trade amount due from joint venture and a related party

The trade amount due from joint venture and a related party are subject to normal trade terms.

9.4 Current non-trade amount due from joint venture

The non-trade amount due from joint venture is unsecured, interest-free and repayable on demand.

9.5 Current non-trade amount due from subsidiaries

The non-trade amount due from subsidiaries relates to payments on behalf, is interest-free and subject to 30 days credit term.

10. Inventories

	Group	
	2020 RM'000	2019 RM'000
Raw materials	120,345	146,548
Work-in-progress	15,128	24,322
Finished goods	93,246	126,646
Merchandise goods	122,376	87,552
Goods in transit	587	51,357
Spare parts	2,512	2,350
	354,194	438,775
Recognised in profit or loss:		
Inventories recognised as cost of sales	864,133	1,070,956
Write-down to net realisable value	5,010	3,664

11. Cash and cash equivalents

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits placed with licensed banks	71,846	51,209	-	31
Cash and bank balances	73,351	127,712	1,838	948
	145,197	178,921	1,838	979

12. Capital and reserves

Share Capital

	Group and Company			
	Amount 2020 RM'000	Number of share 2020 '000	Amount 2019 RM'000	Number of share 2019 '000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares				
At 1 August	672,099	1,344,198	668,527	1,337,054
Conversion of RCUIDS	8,067	16,134	3,572	7,144
At 31 July	680,166	1,360,332	672,099	1,344,198

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. All ordinary shares 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 Note 12.4), all rights are suspended until those shares are reissued.

The shares issued during the financial year were related to RCUIDS which were converted into ordinary shares by the holders.

Reserves

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-distributable:					
Warrant reserves	12.1	30,341	30,341	30,341	30,341
Other reserves					
Translation reserves	12.2.1	(302)	(142)	-	-
Fair value reserves	12.2.2	(1,881)	(1,516)	-	-
RCUIDS reserves	12.2.3	27,752	33,883	27,752	33,883
Share option reserves	12.3	5,401	5,663	5,401	5,663
Treasury shares	12.4	(7,499)	(7,499)	(7,499)	(7,499)
		53,812	60,730	55,995	62,388
Distributable:					
Retained earnings/ (Accumulated losses)		128,065	130,210	(145,553)	(146,038)
		181,877	190,940	(89,558)	(83,650)

12.1 Warrant reserves

The warrants were issued free to the subscribers for the RCUIDS in the financial year 2016.

The warrant reserves arose from the allocation of the proceeds received from the issuance of the RCUIDS by reference to the fair value of the warrants and net of expenses incurred in the financial year 2016.

Issuance of 285,163,313 Warrants 2016 arose from the subscription of the RCUIDS in the financial year 2016. No warrants were exercised during the financial year (2019: Nil) and the number of warrants outstanding as at 31 July 2020 was 285,163,313 (2019: 285,163,313).

12. Capital and reserves (Cont'd)

Reserves (Cont'd)

12.1 Warrant reserves (Cont'd)

The salient terms of the Warrants 2016 are as follows:

(a) 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

(b) 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.

12.2 Other reserves

12.2.1 Translation reserves

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

12.2.2 Fair value reserves

The fair value reserves comprise the cumulative net change in the fair value of equity designated at fair value through other comprehensive income until the investments are derecognised or impaired.

12.2.3 RCUIDS reserves

The RCUIDS reserves comprise the equity component of the 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.

During the year, 16,134,200 of RCUIDS (2019: 7,144,000) were converted into ordinary shares resulted in the decrease in the reserves. The number of RCUIDS outstanding as at 31 July 2020 was 213,548,013 (2019: 229,682,213).

12.3 Share option reserves

The share option reserves comprise the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserves is transferred to share capital. When the share options expire, the amount from the share option reserves is transferred to retained earnings. No share options were exercised by the employees during the financial year (2019: Nil).

12.4 Treasury shares

Treasury shares comprise cost of acquisition of the Company's own shares. At 31 July 2020, a total of 5,492,000 (2019: 5,492,000) buy-back shares were held as treasury shares and carried at cost.

13. Loans and borrowings

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Non-current					
Secured:					
Hire purchase liabilities	13.1	-	3,092	-	-
Unsecured:					
RCUIDS	13.2	-	15,970	-	15,970
		-	19,062	-	15,970
Current					
Secured:					
Bankers' acceptances	13.3	229,540	325,222	-	-
Promissory notes	13.3	48,082	3,411	-	-
Post shipment buyer loan	13.3	36,746	37,403	-	-
Accepted bills	13.3	145,348	180,166	-	-
Revolving credit	13.3	30,000	60,000	-	30,000
Term loans	13.3	5,382	-	-	-
Hire purchase liabilities	13.1	-	802	-	-
Unsecured:					
RCUIDS	13.2	11,163	-	11,163	-
		506,261	607,004	11,163	30,000
		506,261	626,066	11,163	45,970

13.1 Hire purchase liabilities

	Group 2020 RM'000	Group 2019 RM'000
Minimum hire purchase payments:		
Repayable within one year	-	1,036
Repayable between one to two years	-	1,036
Repayable between two to five years	-	2,418
	-	4,490
Less: Future finance charges	-	(596)
Present value of hire purchase liabilities	-	3,894
Present value of hire purchase liabilities:		
Repayable within one year	-	802
Repayable between one to two years	-	857
Repayable between two to five years	-	2,235
	-	3,894
Representing hire purchase liabilities:		
Current	-	802
Non-current	-	3,092
	-	3,894

In the prior year, the hire purchase liabilities bear effective interest rates range from 6.54% to 6.90%.

13. Loans and borrowings (Cont'd)

13.2 RCUIDS

On 24 June 2016 ("Issue date"), the Company issued a 5-year RCUIDS with free detachable warrants for cash consideration of RM142,581,657. The RCUIDS and warrants are convertible into ordinary shares at the conversion ratio of one share for each RCUIDS and for each warrant 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 statement of financial position as follows:

	Group and Company	
	2020 RM'000	2019 RM'000
Carrying amount as at 1 August	15,970	20,543
Interest expense recognised (see Note 20)	884	1,168
Interest paid	(5,691)	(5,741)
Carrying amount as at 31 July	11,163	15,970

13.3 Security

The Company has extended corporate guarantees amounting to RM495,098,000 (2019: RM610,096,000) 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.

14. Deferred tax liabilities

Recognised deferred liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Group						
Property, plant and equipment	-	-	(22,417)	(21,961)	(22,417)	(21,961)
Other payables	1,321	2,582	(17)	-	1,304	2,582
Tax loss carry-forward	3,012	1,696	-	-	3,012	1,696
RCUIDS	-	-	(18,345)	(20,281)	(18,345)	(20,281)
Tax assets/(liabilities)	4,333	4,278	(40,779)	(42,242)	(36,446)	(37,964)
Set-off of tax	(4,333)	(4,278)	4,333	4,278	-	-
Net tax liabilities	-	-	(36,446)	(37,964)	(36,446)	(37,964)

14. Deferred tax liabilities (Cont'd)

Recognised deferred liabilities (Cont'd)

Deferred tax assets and liabilities are attributable to the following: (Cont'd)

	Assets		Liabilities		Net	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Company						
Property, plant and equipment	-	-	(1,921)	(1,868)	(1,921)	(1,868)
Other payables	323	510	-	-	323	510
Tax loss carry-forward	2,533	1,696	-	-	2,533	1,696
RCUIDS	-	-	(18,345)	(20,281)	(18,345)	(20,281)
Tax assets/(liabilities)	2,856	2,206	(20,266)	(22,149)	(17,410)	(19,943)
Set-off of tax	(2,856)	(2,206)	2,856	2,206	-	-
Net tax liabilities	-	-	(17,410)	(19,943)	(17,410)	(19,943)

Unrecognised deferred tax assets

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Property, plant and equipment	-	243	-	-
Unabsorbed capital allowances	7,952	7,417	-	-
Tax loss carry-forward	8,000	3,072	-	-
Other taxable temporary differences	(1,649)	(1,629)	-	-
	14,303	9,103	-	-

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group entities can utilise the benefits thereon.

The unutilised tax loss carry-forward will be limited to 7 years of assessment starting from the year of assessment 2019. Unutilised tax loss for year of assessment 2018 and before may be utilised for the purpose of deduction for year of assessment 2019 and subsequent years of assessment until the year of assessment 2025 and any amount which has not been utilised shall be disregarded.

14. Deferred tax liabilities (Cont'd)

Movement in temporary differences during the year

	At 1.8.2018 RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised in equity (Note 21) RM'000	At 31.7.2019/ 1.8.2019 RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised in equity (Note 21) RM'000	At 31.7.2020 RM'000
Group							
Property, plant and equipment	(20,071)	(1,890)	-	(21,961)	(456)	-	(22,417)
Investment properties	(154)	154	-	-	-	-	-
Other payables	4,516	(1,934)	-	2,582	(1,278)	-	1,304
RCUIDS	(21,138)	(5,801)	6,658	(20,281)	-	1,936	(18,345)
Tax loss carry-forward	-	1,696	-	1,696	1,316	-	3,012
	(36,847)	(7,775)	6,658	(37,964)	(418)	1,936	(36,446)
Company							
Property, plant and equipment	(1,808)	(60)	-	(1,868)	(53)	-	(1,921)
Other payables	695	(185)	-	510	(187)	-	323
RCUIDS	(21,138)	(5,801)	6,658	(20,281)	-	1,936	(18,345)
Tax loss carry-forward	-	1,696	-	1,696	837	-	2,533
	(22,251)	(4,350)	6,658	(19,943)	597	1,936	(17,410)

15. Trade and other payables

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current					
Trade					
Trade payables		6,051	13,153	-	-
Accruals		1,195	19,343	-	-
Amount due to a related party	15.1	-	1,712	-	-
		7,246	34,208	-	-
Non-trade					
Other payables		2,967	5,195	104	156
Accruals		12,754	15,181	3,012	3,752
Deposits received		5,975	5,516	-	3
Amount due to subsidiaries	15.2	-	-	145,571	104,705
		21,696	25,892	148,687	108,616
		28,942	60,100	148,687	108,616

15.1 Trade amount due to a related party

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

15.2 Non-trade amount due to subsidiaries

The non-trade amount due to subsidiaries are unsecured, subject to interest range from 4% to 5% per annum and repayable in 2021 (2019: subject to interest at 5% per annum and repayable in 2020). The amount due to subsidiaries will be offset against future dividends and rental receivables from these subsidiaries.

16. Contract liabilities

	Group 2020 RM'000	Group 2019 RM'000
Contract liabilities	1,341	1,724

The contract liabilities primarily relates to the advance consideration received from customers for cash before delivery orders. The contract liabilities are expected to be recognised as revenue in the subsequent financial period.

17. Derivative financial liabilities

Group	2020 Nominal Value RM'000	2020 Liabilities RM'000	2019 Nominal Value RM'000	2019 Liabilities RM'000
Derivatives at fair value through profit or loss				
- Forward exchange contracts	521	1	-	-
	521	1	-	-

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currencies of the Group entities. Most of the forward contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

18. Revenue

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue from contracts with customers				
Sale of goods	913,174	1,170,127	-	-
Transportation services rendered	9	23	-	-
Rental of equipment for hire	19,724	16,457	-	-
Other revenue				
Rental of properties	-	-	7,952	7,952
Dividend income	-	-	12,165	76,560
Management fees	-	-	3,906	3,906
	932,907	1,186,607	24,023	88,418

Group	2020 RM'000	2019 RM'000
Timing of revenue recognition		
At a point in time	913,174	1,170,127
Over time	19,733	16,480
	932,907	1,186,607

18. Revenue (Cont'd)

18.1 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Trading, manufacturing and selling of pipes, hollow sections, scaffolding equipment, hardware, building materials and other steel products	Revenue is recognised when the goods are delivered and accepted by the customers at their premises or collected by customers from our premises.	Credit period of 60 days from invoice date.	Early payment discounts are given to customers.	The Group allows returns within 7 days from the delivery date.	Not applicable.
Rental of equipment for hire	Revenue is recognised over time when equipment for hire services are rendered to customers using the output method.	Credit period of 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Transportation services rendered	Revenue is recognised over time when services are rendered to customers using the output method.	Credit period of 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Participation fees from sales of iron ore	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 14 days from invoice date.	Not applicable.	Not applicable.	Not applicable.

19. Cost of sales

	Group	
	2020 RM'000	2019 RM'000
Cost of goods sold	870,873	1,076,722
Amortisation of mining assets	875	743
Depreciation of equipment for hire	5,574	3,923
	877,322	1,081,388
Included in the cost of goods sold are the following:		
Amortisation of mining assets	875	743
Direct and indirect labour costs	19,829	24,221
Upkeep of property, plant and equipment	3,901	4,320
Depreciation of property, plant and equipment	4,793	2,652

20. Finance costs

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Bank overdrafts	22	-	-	-
Bankers' acceptances	11,038	13,135	-	-
Promissory notes	157	63	-	-
Post shipment buyer loan	1,756	239	-	-
Accepted bills	4,703	6,776	-	-
Term loans	144	837	-	837
Revolving credit	2,207	3,119	802	1,630
Hire purchase liabilities	-	185	-	-
Lease liabilities	29	-	-	-
RCUIDS (Note 13.2)	884	1,168	884	1,168
Amount due to subsidiaries	-	-	4,374	4,775
	20,940	25,522	6,060	8,410

21. Tax expense/(income)

Recognised in profit or loss

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current tax expense				
Current	3,185	11,851	-	-
Prior year	485	(5,294)	7	(4,567)
Total current tax recognised in profit or loss	3,670	6,557	7	(4,567)
Deferred tax expense				
Origination and reversal of temporary differences	(72)	1,444	(1,012)	(807)
Under provision in prior years	490	6,331	415	5,157
Total deferred tax recognised in profit or loss	418	7,775	(597)	4,350
Total income tax expense/(income)	4,088	14,332	(590)	(217)

21. Tax expense/(income) (Cont'd)

Reconciliation of tax expense

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Profit before tax	8,689	39,150	6,327	23,992
Share of (profit)/loss after tax of equity accounted investees	(3,838)	13,256	-	-
	4,851	52,406	6,327	23,992
Income tax calculated using Malaysian tax rate of 24%	1,164	12,577	1,518	5,758
Effect of tax rate in foreign jurisdictions	(85)	(99)	-	-
Non-taxable income	(218)	(2,667)	(2,920)	(18,394)
Non-deductible expenses	1,004	3,305	390	11,829
Temporary difference for which no deferred tax asset was recognised	1,248	179	-	-
Under provision of deferred tax in prior years	490	6,331	415	5,157
Under/(Over) provision of current tax in prior years	485	(5,294)	7	(4,567)
	4,088	14,332	(590)	(217)

Income tax recognised directly in equity

	Group and Company 2020 RM'000	Group and Company 2019 RM'000
RCUIDS		
- Deferred tax	(1,936)	(6,658)

22. Profit for the year

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Profit for the year is arrived at after charging/(crediting):					
Auditors' remuneration					
- Audit fees					
KPMG PLT		362	375	105	120
Other auditors		15	15	-	-
- Non audit fees					
KPMG PLT		15	15	15	15
Material expenses/(income)					
Amortisation of mining assets		-	743	-	-
Depreciation of investment properties	5	217	217	1,346	1,344
Depreciation of property, plant and equipment	3	13,746	9,508	95	90
Depreciation of right-of-use assets	4	184	-	-	-
Dividend income		(33)	(84)	(12,165)	(76,560)
Equity-settled share-based payments	31	-	744	-	744
Finance income:					
- Amount due from joint venture		-	(2,584)	-	(2,584)
- Amount due from subsidiaries		-	-	(1,329)	(1,371)
- Other investments		(76)	(324)	(32)	(83)
- Deposits with licensed banks		(2,179)	(1,921)	(5)	(27)
- Finance lease receivables		(156)	(63)	-	-

22. Profit for the year (Cont'd)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Profit for the year is arrived after charging/(crediting): (Cont'd)					
Material expenses/(income) (Cont'd)					
Gain on disposal of property, plant and equipment		(34)	(5,240)	-	-
Loss on partial disposal of investment in joint venture		-	-	-	47,243
Net foreign exchange (gain)/loss					
- Realised		(590)	(1,393)	-	(360)
- Unrealised		(487)	509	(1)	37
Net overdue interest income		(527)	(1,119)	-	-
Property, plant and equipment written off	3	329	9	-	-
Personnel expenses (including key management personnel):					
- Contributions to state plans		3,498	3,838	809	834
- Salaries, wages and others		36,549	42,538	7,145	6,904
Rental income from investment properties		(881)	(947)	(7,952)	(7,952)
Write-down of inventories to net realisable value	10	5,010	3,664	-	-
Expenses/(Income) arising from leases					
Expenses relating to short-term leases	a	111	-	-	-
Expenses relating to leases of low-value assets	a	24	-	-	-
Rental expense		-	273	-	-
Net loss on impairment of financial instruments and contract assets					
Loss on impairment of trade receivables		989	841	-	-
Reversal of allowance for impairment loss on trade receivables		(312)	(273)	-	-

Note a

The Group leases land and buildings and office equipment with contract terms of 1 to 5 years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

23. Key management personnel compensation

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Executive directors:				
- Remuneration	4,171	4,693	3,674	4,110
- Other short-term employee benefits	509	556	447	486
	4,680	5,249	4,121	4,596
Non-executive directors:				
- Fees	338	321	305	305
- Other emoluments	12	22	12	22
	350	343	317	327
	5,030	5,592	4,438	4,923

24. Earnings per ordinary share

Basic earnings per ordinary share

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

	Group	
	2020 RM'000	**2019 RM'000**
Profit attributable to ordinary shareholders (RM'000)	4,287	25,304
Weighted average number of ordinary shares ('000)		
Issued ordinary shares at 1 August	1,344,198	1,337,054
Effect of treasury shares held	(5,492)	(5,492)
Effect of ordinary shares issued	1,990	6,223
Weighted average number of ordinary shares at 31 July	1,340,696	1,337,785
Basic earnings per ordinary share (sen)	0.32	1.89

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 July 2019 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Profit attributable to ordinary shareholders (diluted)

Group	**2020 RM'000**	**2019 RM'000**
Profit attributable to ordinary shareholders (basic)	4,287	25,304
Interest expense on RCUIDS, net of tax	672	887
Profit attributable to ordinary shareholders (diluted)	4,959	26,191

	Group	
	2020 '000	**2019 '000**
Weighted average number of ordinary shares at 1 August (basic)	1,344,198	1,337,054
Effect of treasury shares held	(5,492)	(5,492)
Effect of conversion of RCUIDS	229,682	236,826
Weighted average number of ordinary shares at 31 July (diluted)	1,568,388	1,568,388
Diluted earnings per ordinary share (sen)	0.32	1.67

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

25. Dividends

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2020			
Final 2019 ordinary (single tier)	0.50	6,694	23 January 2020
2019			
Final 2018 ordinary (single tier)	0.50	6,694	25 January 2019

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

	Sen per share	Total amount RM'000
Final 2020 ordinary (estimated single tier)	0.30	4,065

26. Operating segments

(a) Business segments

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

(i) The trading segment is involved in importing, exporting, general dealing and leasing of steel products, hardware and building materials;

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

(iii) The property and investment segment is involved in investment and property holdings;

(iv) The transportation segment is involved in provision of transportation services; and

(v) The mining exploration segment is involved in exploring, contracting and all activities related to the mining, processing and sales 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 Chief Operating Officer. 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.

26. Operating segments (Cont'd)

Segment assets

The total of segment assets is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Executive Director and Chief Operating Officer. Segment total assets 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 Chief Operating Officer. Hence, disclosure is made on segment liabilities.

Segment capital expenditure

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

Major customers

There is no major customer with revenue equal or more than 10% (2019: 10%) of the Group's total revenue during the financial year.

2020	Trading RM'000	Manufacturing RM'000	Property and investment RM'000	Transportation RM'000	Mining and exploration RM'000	Eliminations RM'000	Total RM'000
Revenue							
External customers	489,801	439,911	-	9	3,186	-	932,907
Inter-segment	-	23,190	24,023	1,967	-	(49,180)	-
Total segment revenue	489,801	463,101	24,023	1,976	3,186	(49,180)	932,907
Results							
Segment profit	(10,341)	16,968	(3,207)	(61)	1,492	3,838	8,689
Included in the measure of segment profit are:							
Finance income	838	1,361	37	19	-	-	2,255
Dividend income	-	-	33	-	-	-	33
Finance costs	10,974	8,279	1,687	-	-	-	20,940
Depreciation	812	9,986	1,848	422	1,079	-	14,147
Loss on impairment of trade receivables	499	490	-	-	-	-	989
Reversal of allowance for impairment loss on trade receivables	(201)	(111)	-	-	-	-	(312)
Share of profit of equity-accounted joint venture, net of tax	-	-	-	-	-	-	3,838
Assets							
Segment assets	429,462	586,496	552,854	3,049	23,229	(174,699)	1,420,391
Unallocated assets	-	-	-	-	-	-	14,209
Total assets	429,462	586,496	552,854	3,049	23,229	(174,699)	1,434,600
Liabilities							
Segment liabilities	343,914	207,291	135,208	219	25,838	(175,472)	536,998
Unallocated liabilities	-	-	-	-	-	-	36,492
Total liabilities	343,914	207,291	135,208	219	25,838	(175,472)	573,490

26. Operating segments (Cont'd)

2020	Trading RM'000	Manufacturing RM'000	Property and investment RM'000	Transportation RM'000	Mining and exploration RM'000	Eliminations RM'000	Total RM'000
Other information							
Addition to non-current assets other than financial instruments and deferred tax assets	2,307	14,240	240	-	54	-	16,841
Loss on impairment of trade receivables	499	490	-	-	-	-	989
Reversal of allowance for impairment loss on trade receivables	(201)	(111)	-	-	-	-	(312)
Property, plant and equipment written off	275	54	-	-	-	-	329
2019							
Revenue							
External customers	616,604	568,772	-	23	1,208	-	1,186,607
Inter-segment	-	46,663	88,418	2,524	-	(137,605)	-
Total segment revenue	616,604	615,435	88,418	2,547	1,208	(137,605)	1,186,607
Results							
Segment profit	1,992	52,218	(2,312)	217	291	(13,256)	39,150
Included in the measure of segment profit are:							
Finance income	701	1,399	2,694	35	-	-	4,829
Dividend income	30	-	54	-	-	-	84
Finance costs	10,090	11,620	3,627	-	185	-	25,522
Depreciation and amortisation	602	6,481	1,839	351	1,195	-	10,468
Loss on impairment of trade receivables	841	-	-	-	-	-	841
Reversal of allowance for impairment loss on trade receivables	(273)	-	-	-	-	-	(273)
Share of loss of equity-accounted joint venture, net of tax	-	-	-	-	-	-	(13,256)
Assets							
Segment assets	306,153	719,759	738,319	2,870	29,471	(219,308)	1,577,264
Unallocated assets	-	-	-	-	-	-	12,208
Total assets	306,153	719,759	738,319	2,870	29,471	(219,308)	1,589,472
Liabilities							
Segment liabilities	248,694	425,295	69,795	550	5,876	(62,321)	687,889
Unallocated liabilities	-	-	-	-	-	-	39,791
Total liabilities	248,694	425,295	69,795	550	5,876	(62,321)	727,680
Other information							
Addition to non-current assets other than financial instruments and deferred tax assets	1,062	7,789	168	996	1,751	-	11,766
Loss on impairment of trade receivables	841	-	-	-	-	-	841
Reversal of allowance for impairment loss on trade receivables	(273)	-	-	-	-	-	(273)
Property, plant and equipment written off	-	9	-	-	-	-	9

27. Financial instruments

27.1 Categories of financial instruments

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

(a) Fair value through profit or loss ("FVTPL")
 - Mandatorily required by MFRS 9
(b) Amortised cost ("AC"); and
(c) Fair value through other comprehensive income ("FVOCI").

2020	Carrying amount RM'000	FVTPL RM'000	AC RM'000	FVOCI RM'000
Financial assets				
Group				
Other investments	22,603	21,874	-	729
Trade and other receivables				
(excluding prepayments)	190,620	-	190,620	-
Cash and cash equivalents	145,197	-	145,197	-
	358,420	21,874	335,817	729
Company				
Other investments	21,059	21,059	-	-
Trade and other receivables				
(excluding prepayments and dividend receivables)	27,257	-	27,257	-
Cash and cash equivalents	1,838	-	1,838	-
	50,154	21,059	29,095	-
Financial liabilities				
Group				
Loans and borrowings	(506,261)	-	(506,261)	-
Trade and other payables	(28,942)	-	(28,942)	-
Derivative financial liabilities	(1)	(1)	-	-
	(535,204)	(1)	(535,203)	-
Company				
Loans and borrowings	(11,163)	-	(11,163)	-
Trade and other payables	(148,687)	-	(148,687)	-
	(159,850)	-	(159,850)	-

27. Financial instruments (Cont'd)

27.1 Categories of financial instruments (Cont'd)

2019	**Carrying amount RM'000**	**FVTPL RM'000**	**AC RM'000**	**FVOCI RM'000**
Financial assets				
Group				
Other investments	2,602	1,509	-	1,093
Trade and other receivables (excluding prepayments)	252,001	-	252,001	-
Cash and cash equivalents	178,921	-	178,921	-
	433,524	1,509	430,922	1,093
Company				
Other investments	963	963	-	-
Trade and other receivables (excluding prepayments and dividend receivables)	26,557	-	26,557	-
Cash and cash equivalents	979	-	979	-
	28,499	963	27,536	-
Financial liabilities				
Group				
Loans and borrowings	(626,066)	-	(626,066)	-
Trade and other payables	(60,100)	-	(60,100)	-
	(686,166)	-	(686,166)	-
Company				
Loans and borrowings	(45,970)	-	(45,970)	-
Trade and other payables	(108,616)	-	(108,616)	-
	(154,586)	-	(154,586)	-

27.2 Net gains and losses arising from financial instruments

	Group		**Company**	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Net gains/(losses) on:				
Financial assets at fair value through profit or loss	76	330	32	83
Financial assets measured at amortised cost	3,262	5,997	1,335	4,304
Equity instruments designated at fair value through other comprehensive income	(332)	(188)	-	-
Financial liabilities measured at amortised cost	(20,940)	(25,522)	(6,060)	(8,410)
	(17,934)	(19,383)	(4,693)	(4,023)

27. Financial instruments (Cont'd)

27.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

27.4 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 the individual characteristics of each customer. The Company's exposure to credit risk arises principally from loans and advances to joint venture and subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries and joint venture. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group or the Company assesses whether any of the trade receivables is credit impaired.

The gross carrying amounts of credit impaired trade receivables is written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that is written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

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

Concentration of credit risk

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

	Group	
	2020 RM'000	**2019 RM'000**
Domestic	177,059	223,455
Asia	9,742	19,333
	186,801	242,788

27. Financial instruments (Cont'd)

27.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 90 days. The Group's debt recovery process is as follows:

a) Above 90 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the sales and credit control teams; and
b) Above 120 days past due, the Group will commence a legal proceeding against the customer.

The Group uses an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 120 days will be considered as credit impaired.

Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to 120 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historical data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables which are grouped together as they are expected to have similar risk nature.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2020			
Current (not past due)	123,060	-	123,060
1 - 30 days past due	29,204	-	29,204
31 - 60 days past due	396	-	396
61 - 90 days past due	10,991	-	10,991
More than 90 days past due	24,898	(1,748)	23,150
	188,549	(1,748)	186,801
2019			
Current (not past due)	129,630	-	129,630
1 - 30 days past due	72,837	(22)	72,815
31 - 60 days past due	30,320	-	30,320
61 - 90 days past due	4,045	(46)	3,999
More than 90 days past due	7,027	(1,003)	6,024
	243,859	(1,071)	242,788

27. Financial instruments (Cont'd)

27.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The movements in the allowance for impairment losses in respect of trade receivables during the year are shown below.

	Trade receivables		
Group	**Lifetime ECL RM'000**	**Credit impaired RM'000**	**Total RM'000**
Balance at 1 August 2018	-	2,718	2,718
Amounts written off	-	(2,215)	(2,215)
Net remeasurement of loss allowance	-	568	568
Balance at 31 July 2019/ 1 August 2019	-	1,071	1,071
Net remeasurement of loss allowance	500	177	677
Balance at 31 July 2020	500	1,248	1,748

Net investment in a lease

Risk management objectives, policies and processes for managing the risk

The Group manages credit risk on net investment in a lease together with its leasing arrangements.

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.

As at the end of the reporting period, the Group's 12-month ECL in relation to the net investment in a lease is RM Nil (2019: RM Nil). There were no movements in respect of the impairment loss on net investment in a lease during the year.

Investments in financial assets

Risk management objectives, policies and processes for managing the risk

Investments in 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.

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 investments in financial assets are unsecured.

Impairment losses

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

27. Financial instruments (Cont'd)

27.4 Credit risk (Cont'd)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and joint venture. 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 RM495,098,000 (2019: RM610,096,000) representing the outstanding banking facilities of the subsidiaries and joint venture as at the end of the reporting period.

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

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when the financial performance of a subsidiary or joint venture deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary or joint venture is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary or joint venture is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

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

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to its subsidiaries 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 significant exposure to credit risk in respect of the amount due from subsidiaries and joint venture is disclosed in Note 9 to the financial statements.

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries and joint venture have low credit risk. The Company assumes that there is a significant increase in credit risk when the subsidiaries and joint venture's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries and joint venture's loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries and joint venture are not able to pay when demanded. The Company considers the subsidiaries and joint venture's loans or advances to be credit impaired when:

- The subsidiaries and joint venture are unlikely to repay their loans or advances to the Company in full;
- The subsidiaries and joint venture's loan or advance is overdue for more than 365 days; or
- The subsidiaries and joint venture are continuously loss making and are having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

27. Financial instruments (Cont'd)

27.4 Credit risk (Cont'd)

Inter-company balances (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for subsidiaries and joint venture's loans and advances.

Company

2020	**Gross carrying amount RM'000**	**Impairment loss allowance RM'000**	**Net balance RM'000**
Low credit risk	1,623	-	1,623
	1,623	-	1,623
2019			
Low credit risk	115	-	115
	115	-	115

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

The movements in the allowance for impairment loss of the amount due from joint venture during the financial year were:

	Company	
	2020 RM'000	**2019 RM'000**
At 1 August	-	75,519
Reversed on disposal and converted to equity	-	(75,519)
At 31 July	-	-

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. 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.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of the lease terms. The Group manages the credit risk together with the leasing arrangement.

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.

As at the end of the reporting period, the Group and the Company did not recognise any allowance for impairment losses.

27. Financial instruments (Cont'd)

27.5 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.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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.

	Carrying amount RM'000	Contractual interest rate/ Discount rate %	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
Group							
2020							
Non-derivative financial liabilities							
Secured bank loans and facilities	495,098	2.18% to 5.70%	497,258	497,258	-	-	-
Lease liabilities	496	5.00%	530	202	200	128	-
Trade and other payables	28,942	-	28,942	28,942	-	-	-
RCUIDS	11,163	5.00%	11,721	11,721	-	-	-
Financial guarantees	-	-	6,825	6,825	-	-	-
	535,699		545,276	544,948	200	128	-
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
Outflow	1	-	522	522	-	-	-
Inflow	-	-	(521)	(521)	-	-	-
	535,700		545,277	544,949	200	128	-
2019							
Non-derivative financial liabilities							
Secured bank loans and facilities	606,202	3.52% to 5.85%	616,390	616,390	-	-	-
Hire purchase liabilities	3,894	6.54% to 6.90%	4,490	1,036	1,036	2,418	-
Trade and other payables	60,100	-	60,100	60,100	-	-	-
RCUIDS	15,970	5.00%	16,769	7,129	7,129	2,511	-
Financial guarantees	-	-	16,475	16,475	-	-	-
	686,166		714,224	701,130	8,165	4,929	-

27. Financial instruments (Cont'd)

27.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM'000	Contractual interest rate	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
Company							
2020							
Non-derivative financial liabilities							
Trade and other payables	148,687	-	148,687	148,687	-	-	-
RCUIDS	11,163	5.00%	11,721	11,721	-	-	-
Financial guarantees	-	-	495,098	495,098	-	-	-
	159,850		655,506	655,506	-	-	-
2019							
Non-derivative financial liabilities							
Revolving credit	30,000	4.11% to 5.85%	30,102	30,102	-	-	-
Trade and other payables	108,616	-	108,616	108,616	-	-	-
RCUIDS	15,970	5.00%	16,769	7,129	7,129	2,511	-
Financial guarantees	-	-	610,096	610,096	-	-	-
	154,586		765,583	755,943	7,129	2,511	-

27.6 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.

27.6.1 Currency risk

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

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. The Group and the Company did not enter into any forward foreign exchange contracts in the previous financial year. However, this policy is subject to review from time to time.

27. Financial instruments (Cont'd)

27.6 Market risk (Cont'd)

27.6.1 Currency risk (Cont'd)

Exposure to foreign currency risk

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

	Denominated in		
Group	***USD***	***SGD***	***AUD***
2020	**RM'000**	**RM'000**	**RM'000**
Trade receivables	3,222	6,519	-
Cash and cash equivalents	6,858	8,455	902
Trade payables	(7)	-	-
Total exposure	10,073	14,974	902
2019			
Trade receivables	3,683	15,650	-
Cash and cash equivalents	8,940	10,157	848
Trade payables	(544)	-	-
Total exposure	12,079	25,807	848

Currency risk sensitivity analysis

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

A 10 % (2019: 10%) strengthening of the above currencies against the functional currency of the Group entities at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2020	**2019**
Group	**RM'000**	**RM'000**
SGD	1,138	1,961
USD	765	918
AUD	69	64

A 10% (2019: 10%) weakening of the above currencies against the functional currency of the Group entities at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

27. Financial instruments (Cont'd)

27.6 Market risk (Cont'd)

27.6.2 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, other investments 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 rate borrowings. The Group reviews its debts portfolio, taking into account the investment holding period and nature of its assets.

Exposure to interest rate risk

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

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Fixed rate instruments				
Financial assets				
Deposits placed with licensed banks	71,846	51,209	-	31
Financial liabilities				
Revolving credit	30,000	60,000	-	30,000
Bankers' acceptances	229,540	325,222	-	-
Promissory notes	48,082	3,411	-	-
Post shipment buyer loan	36,746	37,403	-	-
Accepted bills	145,348	180,166	-	-
Term loans	5,382	-	-	-
Hire purchase liabilities	-	3,894	-	-
RCUIDS	11,163	15,970	11,163	15,970
	506,261	626,066	11,163	45,970

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do 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 Group and the Company do not have exposure to interest rate risk arising from floating rate instruments, and hence, sensitivity analysis is not presented.

27. Financial instruments (Cont'd)

27.6 Market risk (Cont'd)

27.6.3 Other price risk

Equity price risk arises from the Group's investments in quoted equity securities and unit trust funds of licensed financial institutions within Malaysia.

The quoted equity securities are listed on the Bursa Malaysia Securities Berhad and are classified as measured at fair value through other comprehensive income.

The Group's investment in unit trust funds of licensed financial institutions within Malaysia is a fixed income fund which provides regular income stream and stable investment returns. The Group invested in the funds for cash management purpose. The instruments are classified as fair value through profit or loss.

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 equity price had been 5% (2019: 5%) higher/lower, with all other variables held constant, the Group's other reserves in equity would have been RM854,000 (2019: RM94,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments.

27.7 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.

27. Financial instruments (Cont'd)

27.7 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.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
2020	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**		
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets										
Club membership, unquoted	-	-	140	140	-	-	-	-	140	140
Investment in quoted shares	589	-	-	589	-	-	-	-	589	589
Investment in unit trust funds	-	21,874	-	21,874	-	-	-	-	21,874	21,874
	589	21,874	140	22,603	-	-	-	-	22,603	22,603
Financial liabilities										
RCUIDS	-	-	-	-	-	-	11,163	11,163	11,163	11,163
Company										
Financial assets										
Investment in unit trust funds	-	21,059	-	21,059	-	-	-	-	21,059	21,059
Amount due from a subsidiary	-	-	-	-	-	-	25,594	25,594	25,594	25,594
	-	21,059	-	21,059	-	-	25,594	25,594	46,653	46,653
Financial liabilities										
RCUIDS	-	-	-	-	-	-	11,163	11,163	11,163	11,163

27. Financial instruments (Cont'd)

27.7 Fair value information (Cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
2019 Group	**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**	**Total RM'000**	**RM'000**	**RM'000**
Financial assets										
Club membership, unquoted	-	-	140	140	-	-	-	-	140	140
Investment in quoted shares	953	-	-	953	-	-	-	-	953	953
Investment in unit trust funds	-	1,509	-	1,509	-	-	-	-	1,509	1,509
Finance lease receivables	-	-	-	-	-	-	4,520	4,520	4,520	4,520
	953	1,509	140	2,602	-	-	4,520	4,520	7,122	7,122
Financial liabilities										
Hire purchase liabilities	-	-	-	-	-	-	3,894	3,894	3,894	3,894
RCUIDS	-	-	-	-	-	-	15,970	15,970	15,970	15,970
	-	-	-	-	-	-	19,864	19,864	19,864	19,864
Company										
Financial assets										
Investment in unit trust funds	-	963	-	963	-	-	-	-	963	963
Amount due from a subsidiary	-	-	-	-	-	-	26,365	26,365	26,365	26,365
	-	963	-	963	-	-	26,365	26,365	27,328	27,328
Financial liabilities										
RCUIDS	-	-	-	-	-	-	15,970	15,970	15,970	15,970

27. Financial instruments (Cont'd)

27.7 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 prices (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 (2019: 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.

(a) Financial instruments carried at fair value

Type	Description of valuation technique and inputs used
Club membership, unquoted	Market comparison technique.

(b) Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Finance lease receivables, amount due from a subsidiary, hire purchase liabilities 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.

28. 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.

28. Capital management (Cont'd)

During the financial year, the Group's strategy, which was unchanged from the financial year 2019, was to maintain the debt-to-equity ratio of less than 1.0. The debt-to-equity ratios at 31 July 2020 and 31 July 2019 were as follows:

	Note	Group 2020 RM'000	Group 2019 RM'000
Total loans and borrowings	13	506,261	626,066
Lease liabilities		496	-
Less: Cash and cash equivalents	11	(145,197)	(178,921)
Less: Other investments - current	8	(21,874)	(1,509)
Net debt		339,686	445,636
Total equity		861,110	861,792
Debt-to-equity ratio		0.39	0.52

There was no change in the Group's approach to capital management during the financial year.

29. Contingent liabilities

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Unsecured				
In respect of financial guarantees issued for subsidiaries	-	-	495,098	610,096
In respect of indemnity provided for bank guarantees issued	6,825	16,475	-	-

30. 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 or jointly 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. Related parties may be individuals or other entities.

Related parties also include key management personnel 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 Group has related party relationship with joint venture, key management personnel and companies in which certain directors have significant interests.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 23) are shown below. The balances related to the below transactions are shown in Notes 9 and 15.

30. Related parties (Cont'd)

Significant related party transactions (Cont'd)

Group	**2020 RM'000**	**2019 RM'000**
Purchases of steel products from a company in which certain directors of the Company have significant interests:		
JK Ji Seng Sdn. Bhd.	165,004	260,291
Sales of steel products to joint venture:		
Eastern Steel Sdn. Bhd.	(175,820)	(159,712)
Company		
Rental income from subsidiaries:		
Alpine Pipe Manufacturing Sdn. Bhd.	(4,844)	(4,844)
Huatraco Scaffold Sdn. Bhd.	(1,832)	(1,832)
Hiap Teck Hardware Sdn. Bhd.	(1,276)	(1,276)
Management fees from subsidiaries:		
Hiap Teck Hardware Sdn. Bhd.	(1,260)	(1,260)
Alpine Pipe Manufacturing Sdn. Bhd.	(1,260)	(1,260)
Huatraco Scaffold Sdn. Bhd.	(1,260)	(1,260)
Briliant Decade Transport Agency Sdn. Bhd.	(126)	(126)
Gross dividends income from subsidiaries:		
Hiap Teck Hardware Sdn. Bhd.	-	(15,600)
Alpine Pipe Manufacturing Sdn. Bhd.	(1,500)	(42,000)
Huatraco Scaffold Sdn. Bhd.	(9,300)	(18,600)
Briliant Decade Transport Agency Sdn. Bhd.	(120)	(360)
Hiap Teck Resources Sdn. Bhd.	(1,245)	-
Finance income from a subsidiary:		
Vista Mining Sdn. Bhd.	(1,329)	(1,371)
Finance costs to subsidiaries:		
Hiap Teck Hardware Sdn. Bhd.	2,969	2,249
Alpine Pipe Manufacturing Sdn. Bhd.	877	2,295
Huatraco Scaffold Sdn. Bhd.	527	231

31. 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 the Employees 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 12 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 were additional 43,718,783 share options granted arising from adjustments to the outstanding number of share options pursuant to the rights issue. On 10 January 2017, the Company extended its existing ESOS which expired on 11 April 2017 for another five (5) years from 12 April 2017 to 11 April 2022.

31. Employee benefit (Cont'd)

Share option programme (equity-settled) (Cont'd)

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 have 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 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 (5) 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 and 2017 subject to the yearly performance targets set by the Board of Directors of the Company; and

(vii) The options 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:

	Weighted average exercise price 2020	**Number of options ('000) 2020**	**Weighted average exercise price 2019**	**Number of options ('000) 2019**
Outstanding at 1 August	RM0.46	115,198	RM0.49	104,919
Granted during the year	-	-	RM0.31	16,671
Forfeited during the year	RM0.44	(3,507)	RM0.45	(6,392)
Outstanding at 31 July	RM0.47	111,691	RM0.46	115,198
Exercisable at 31 July	RM0.47	111,691	RM0.46	115,198

The options outstanding at 31 July 2020 have an exercise price in range of RM0.31 to RM0.67 (2019: RM0.31 to RM0.67) and a weighted average contractual life of 4 years (2019: 4 years).

During the current and previous financial years, no share options were exercised.

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:

	2020	**2019**
Fair value of share options and assumptions		
Fair value at grant date	-	RM0.09
Weighted average share price	-	RM0.34
Share price at grant date	-	RM0.31
Option life (expected weighted average life)	-	4 years
Risk-free interest rate	-	3.8%

31. Employee benefit (Cont'd)

Value of employee services received for issue of share options

	Group and Company 2020 RM'000	Group and Company 2019 RM'000
Share options granted in financial year ended 31 July 2018	-	632
Share options granted in financial year ended 31 July 2019	-	112
Share options granted in financial year ended 31 July 2020	-	-
Total expense recognised as share-based payments	-	744

The share options expense is recognised in profit or loss.

32. Significant events

32.1 COVID-19

The unprecedented COVID-19 pandemic has severely disrupted the world economy, created uncertainties in the financial market, supply and demand chains and global logistics. All the Group's business activities namely manufacturing, trading and transportation segments shut down on 18 March 2020 with the imposition of the Movement Control Order ("MCO"), and resumed operations on 4 May 2020 by observing stringent Standard Operating Procedures ("SOP") under the Conditional MCO ("CMCO") with Ministry of International Trade and Industry approval. During the MCO period, the Group registered a sales volume of close to nil.

Despite the partial reopening of the economy on 4 May, most construction sites faced challenges restarting due to adjustments required to comply with the strict COVID-19 SOPs. Most of the construction sites remained idle as developers faced challenges to restart, including financial constraints, deteriorated balance sheets, initial lack of clarity over the SOPs and COVID-19 testing, and disruptions in the supply of construction materials. Social distancing measures seem to be more challenging to put in place, hindering post lockdown resumption of work. The pace of economic recovery will definitely be impacted by further extension of Recovery MCO until 31 December 2020 by the Government to contain the spread of COVID-19 virus.

However, the recovery of steel demand will be more visible in the second half of 2020 supported by stimulus measures, policy rate cuts and continued progress in public projects. The revival of the construction activities, especially infrastructure investment, as the government has put forward several new infrastructure initiatives and the continuation of large scale infrastructure projects such as East Coast Rail Link (ECRL) and Bandar Malaysia projects by the Government will provide lift to growth for the steel industry moving forward.

As of the date of this report, the management of the Group has assessed the overall impact on the Group's operation and financial position. The management has concluded that there were severe impact due to the following:

- No demand for steel products during MCO and significant lower sales when business resumed on 4 May 2020 during CMCO, however it was fortunate that the sales volume has gradually improved.
- Lack of investment in capital improvements and construction from both Government and private sector that directly lead to reducing demand for steel products.
- Increase credit risk attributable to slow collection due to temporary business closure for customers while the Group is obliged to fulfil the repayment of bank borrowings or creditors.

However, the Group is unable to assess the full financial impact of the COVID-19 on the Group's financial results for the financial year ending 31 July 2021 as the pandemic is yet to run its full course.

32. Significant events (Cont'd)

32.1 COVID-19 (Cont'd)

The Group's strategy is to remain focused and contain costs to ensure sustainable profit and growth while observing the stringent COVID-19 SOPs imposed by the Ministry of Health. The Group is confident that its strong balance sheet and cash flow position will weather the Group through these difficult conditions and will be able to take advantage of any opportunities that may arise when the economy recovers.

32.2 Incorporation of Huatraco Scaffold (Sabah) Sdn. Bhd.

On 2 March 2020, the Group's wholly-owned subsidiary, Huatraco Scaffold Sdn. Bhd., had incorporated a wholly-owned subsidiary, Huatraco Scaffold (Sabah) Sdn. Bhd., with a paid-up share capital of RM2. The objective of this new company is part of the Group's expansion into East Malaysia for the manufacturing, selling, renting scaffolding equipment and a range of steel products.

33. Subsequent event

On 1 September 2020, the Group's wholly-owned subsidiary, Alpine Pipe Manufacturing Sdn. Bhd. subscribed for 49 ordinary shares at an issue price of RM1 per share, representing 49% equity interest, in the share capital of Jetama Alpine Pipe (Sabah) Sdn. Bhd., with the remaining 51% equity interest held by Jetama Sdn. Bhd., an indirect wholly-owned subsidiary of the State Government of Sabah. The objective of this new company is part of the Group's expansion into East Malaysia to trade in and supply of steel pipes, hollow sections and related products.

34. Significant changes in accounting policies

34.1 MFRS 16, *Leases*

During the year, the Group and the Company adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 August 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 using the modified retrospective approach.

At 1 August 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 August 2019. The weighted-average rate applied is 5%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 August 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

34. Significant changes in accounting policies (Cont'd)

34.1 MFRS 16, *Leases (Cont'd)*

As a lessor

Group entities who is an intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117 and concluded that the sublease is an operating lease under MFRS 16.

Impact on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 August 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 July 2019, and lease liabilities recognised in the statement of financial position at 1 August 2019.

	RM'000
Operating lease commitments at 31 July 2019 as disclosed in the Group's consolidated financial statements	1,126
Discounted using the incremental borrowing rate at 1 August 2019	806
Recognition exemption for short-term leases	(72)
Recognition exemption for leases of low-value assets	(66)
Lease liabilities recognised at 1 August 2019	668

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 59 to 138 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2020 and of their financial performance and cash flows for the financial year then ended.

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

………………………………………………………..
Tan Sri Dato' Law Tien Seng
Director

………………………………………………………..
Foo Kok Siew
Director

Kuala Lumpur

Date: 26 October 2020

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Foo Kok Siew**, the Director primarily responsible for the financial management of Hiap Teck Venture Berhad, do solemnly and sincerely declare that the financial statements set out on pages 59 to 138 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Foo Kok Siew, NRIC: 610523-10-6663, at Kuala Lumpur in the Federal Territory on 26 October 2020.

……………………..………..
Foo Kok Siew

Before me:

Rajeev Saigal A/L Ramlabaya Saigal
Commissioner for Oaths
(No.W681)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hiap Teck Venture Berhad, which comprise the statements of financial position as at 31 July 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 138.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 July 2020, and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By- Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Cont'd)

1. Revenue recognition

Refer to Note 2(o) – significant accounting policy: Revenue and other income and Note 18 – Revenue.

The key audit matter	How the matter was addressed in our audit
Revenue of the Group mainly comprises income generated from trading, manufacturing and selling of pipes, hollow sections, scaffolding equipment, hardware, building materials and other steel products. Revenue from sale of goods is recognised when the goods are delivered and accepted by the customers at their premises. Revenue recognition is identified as a key audit matter as the Group's revenue transactions are voluminous with variety of goods sold and services rendered, with different terms and pricing, for different customers. There is a risk that revenue may be recognised before control over the goods is transferred to the customers.	We performed the following audit procedures, among others: • We obtained an updated understanding of the key revenue processes and tested the design and operating effectiveness of key controls in respect of the revenue processes. • We performed test of details using sampling method on revenue transactions by verifying to relevant supporting documents (sales invoices and acknowledged delivery orders/bill of lading) that evidenced the transfer of control over a product or service to customers. • We performed substantive procedures on sales returns and credit notes subsequent to year end to determine if there is any evidence of material revenue reversal. • We performed sales cut-off procedures to ascertain that sales are recognised in the correct financial periods. • We reviewed unusual journal entries on revenue. • We sent external confirmations to trade receivables to confirm the outstanding balances.

Key Audit Matters (Cont'd)

2. Recoverability of investment in joint venture

Refer to Note 2(a)(v) – significant accounting policy: Basis of consolidation - Joint arrangements, Note 7 – Investment in joint venture.

The key audit matter	How the matter was addressed in our audit
The Group invested in a joint venture which is principally engaged in manufacturing, selling and dealing in a range of steel products using blast furnace plant. In view of the depressed market prices and soft demand of steel slabs and the increased volatility of foreign exchange rates, the joint venture ceased its trial operation in the financial year 2016 to minimise losses. On 16 July 2018, the joint venture has resumed production. As at 31 July 2020, the gross amount of the investment cost was RM717.84 million and the carrying amount was RM421.13 million after netting off the share of post-acquisition reserves and impairment loss. The recoverability of the investment in joint venture is identified as a key audit matter in view of the volatile market conditions in which the joint venture operates, and the recent resumption of production. The management of the joint venture has prepared discounted cash flow projections to assess the recoverable amount of the investment in joint venture.	We performed the following audit procedures, among others: • We reviewed management's discounted cash flow projections and the relevant supporting documents and challenged the key assumptions used. • We engaged our corporate finance specialists in reviewing the reasonableness of the discount rate applied in the financial projections model. • We performed retrospective review to assess the achievability of management's forecast and identify possible management's bias. • We performed sensitivity analysis on the key assumptions used which include sales prices, sales volume and discount rate. • We discussed with management of the joint venture and the Company on its future plans and review minutes of Boards' meetings to corroborate the management's action plans.

Recoverability of investment in joint venture is also a key audit matter in the audit of the separate financial statements of the Company. We have determined that there are no other key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Key Audit Matters (Cont'd)

3. Valuation of trade receivables

Refer to Note 2(j)(i) – significant accounting policy: Impairment – Financial assets, Note 27 – Measurement of expected credit loss ("ECL") and fair value.

The key audit matter	How the matter was addressed in our audit
The Group is exposed to risk of potential default by customers, particularly where trade receivables have been long outstanding. Valuation of trade receivables is identified as a key audit matter as the balance constitutes a significant portion of the Group's assets. There may exist a bias element in valuation of trade receivables in order to meet internal profit or compensation targets and/or external expectations. There is also certain degree of estimation uncertainty in the valuation of trade receivables arising from assessing the adequacy of allowance for impairment loss.	We performed the following audit procedures, among others: • Inquired with management on the methodology and assessment on impairment for trade receivables based on individual and collective assessment. • We obtained understanding of the Group's credit control policy and management's review of expected credit losses. • We reviewed trade receivables ageing report to ascertain the accuracy of underlying data in the ageing report. • We reviewed past trend payments, historical bad debts record, subsequent receipts and agreed instalment payment plans for certain debtors. • We requested audit confirmations from selected debtors to agree the sales invoices and outstanding balances.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chin Shoon Chong
Approval Number: 02823/04/2021 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 26 October 2020

PROPERTIES OF THE GROUP
As at 31 July 2020

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 2020 (RM)	Date of Acquisition	Date of Last Revaluation	Amount of Last Revaluation
Company and its subsidiaries									
Lot 6085, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory with a 2 storey office	Freehold	22.5	9	19,005	17,016,600	29-May-03	15-Jul-20	43,800,000
Lot 6088, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory with a 2 storey office	Freehold	22.5	9	18,732	17,523,247	29-May-03	15-Jul-20	43,800,000
Lot 6089, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse	Freehold	21.5	9	18,516	17,721,175	29-May-03	15-Jul-20	45,600,000
Lot 6095, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse	Freehold	21	10.013	22,341	24,808,121	05-Jul-96	15-Jul-20	51,800,000
Lot 6096, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory/ warehouse with 4 storey office building	Freehold	21	9.483	12,179	18,660,521	05-Jan-95	15-Jul-20	41,300,000
Lot 6097, Mukim of Kapar District of Klang Selangor Darul Ehsan	Agricultural Land	Freehold	-	5.0	-	6,858,961	14-Jan-12	15-Jul-20	16,000,000
Lot 54959 (formerly PT40530), Mukim of Kapar, District of Klang, Selangor	Single storey detached factory with a double storey office building	Freehold	14	18.0	53,243	61,831,167	23-Oct-08	15-Jul-20	109,500,000
51-C, Tingkat Dua Jalan BRP 6/10 Bukit Rahman Putra Seksyen U20 40160 Shah Alam	Shop office	Freehold	20	-	144,929	146,802	20-Aug-99	28-Jul-20	190,000

PROPERTIES OF THE GROUP (Cont'd)

As at 31 July 2020

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 2020 (RM)	Date of Acquisition	Date of Last Revaluation	Amount of Last Revaluation
Company and its subsidiaries (Cont'd)									
4727-01, Jalan Sri Putri 5/7 Taman Putri Kulai 81000 Kulai Johor Darul Takzim	Shop office apartment	Freehold	22	-	143.07	94,478	02-Aug-99	16-Aug-20	120,000
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	17	1	2,536.30	1,907,620	27-Feb-07	06-Aug-20	4,100,000
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	18	1.554	3,995.76	4,191,883	06-Jun-07	06-Aug-20	6,700,000
Lot 169, Mukim of Plentong District of Johor Bahru Johor Darul Takzim	Vacant agricultural land	Freehold	-	5.1	-	670,000	09-Jun-95	06-Aug-20	3,700,000
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	14	2.241	2,453	1,901,834	06-Jul-96	06-Aug-20	6,200,000
Jointly controlled entity									
Lot 6293 & Lot 6294 Mukim Teluk Kalung Kemaman, Terengganu	Blast furnance plant	Leasehold (60 years) expiring 01/04/2068	-	608.62	-	116,557,852	02-Apr-08	20-Oct-11	145,060,000
Lot 60129, 60130, 60131 Mukim Teluk Kalung Kemaman, Terengganu	Vacant industrial land	Leasehold (60 years) expiring 14/04/2073	-	600	-	4,693,011	03-Apr-13	-	-
Lot 50497 Mukim Teluk Kalung Kemaman, Terengganu	Staff housing	Leasehold (99 years) expiring 29/07/2111	-	50	-	483,495	28-May-12	-	-

ANALYSIS OF SHAREHOLDINGS

As at 19 October 2020

Issued and Fully Paid-Up Share Capital	: RM686,507,317.00 (1,373,014,634 Ordinary Shares) *
Class of shares	: Ordinary shares
Voting right	: One vote per Ordinary Share held

* Excludes treasury shares of 5,492,000 Ordinary Shares

Analysis By Size Of Shareholdings As At 19 October 2020

Size of shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	177	1.84	5,762	0.00
100 - 1,000	659	6.86	459,676	0.03
1,001 - 10,000	3,564	37.08	22,874,727	1.67
10,001 - 100,000	4,179	43.48	159,808,210	11.64
100,001 to less than 5% of issued shares	1,030	10.72	905,163,601	65.92
5% and above of issued shares	2	0.02	284,702,658	20.74
Total	**9,611**	**100.00**	**1,373,014,634**	**100.010**

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 19 OCTOBER 2020

No.	Names	No. of Shares	Percentage (%)
1.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE BRANCH (SG PVB CL AC)	157,647,686	11.48
2.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	127,054,972	9.25
3.	CIMSEC NOMINEES (ASING) SDN BHD CIMB BANK FOR TS LAW INVESTMENTS LIMITED (PBCL-0G0069)	67,200,000	4.89
4.	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT-MAYBANK INTERNATIONAL LABUAN BRANCH FOR TS LAW INVESTMENT LTD (414886)	66,000,000	4.81
5.	HLIB NOMINEES (ASING) SDN BHD SHOUGANG INTERNATIONAL (SINGAPORE) PTE LTD	64,392,000	4.69
6.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR LAVINGTON INTERNATIONAL LIMITED	43,308,000	3.15
7.	K.H.L. SDN BHD	31,456,800	2.29
8.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	28,718,800	2.09
9.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR TS LAW INVESTMENT LIMITED (PB)	27,800,000	2.03
10.	SHENG HSIA HWEI	18,266,500	1.33
11.	SIM AH SENG	14,642,720	1.07
12.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AH NYUK LEN (MQ0340)	14,391,400	1.05

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 19 OCTOBER 2020 (Cont'd)

No.	Names	No. of Shares	Percentage (%)
13.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN LEONG KIAT (M02)	14,000,000	1.02
14.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIA SIYA HENG (E-SS2)	10,970,000	0.80
15.	CGS-CIMB SECURITIES SDN BHD CLR (IS0B2139) FOR HLG ASSET MANAGEMENT SDN BHD	10,000,000	0.73
16.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	9,483,500	0.69
17.	YAP KIM FOONG	8,974,800	0.65
18.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	8,346,100	0.61
19.	KONG TIAM MING	7,835,200	0.57
20.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	7,451,100	0.54
21.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH TZE JIUN (472745)	7,000,000	0.51
22.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOR SEK CHOON	6,000,000	0.44
23.	WONG AH WAH	5,400,000	0.39
24.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI BENG (7002516)	4,500,000	0.33
25.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHENG WAH	4,500,000	0.33
26.	PHUAH GUK SHUE @ PUA GUK SHUE	4,400,000	0.32
27.	LEE CHENG WAH	4,000,000	0.29
28.	THEAW POH CHOO	3,800,000	0.28
29.	UOBM NOMINEES (TEMPATAN) SDN BHD UOBM FOR LEE KIM TIONG @ LEE KIM YEW (PBM)	3,700,000	0.27
30.	GOH CHOK CHUAN	3,689,600	0.27
	Total:	**784,929,178**	**57.17**

Directors' Shareholdings as at 19 October 2020
(As per the Register of Directors' Shareholdings of the Company)

Names	Direct No. of Shares	Direct %	Indirect No. of Shares	Indirect %
1. Tan Sri Abdul Rahman Bin Mamat	-	-	-	-
2. Tan Sri Dato' Law Tien Seng	-	-	342,647,686 (a)	24.96
3. Lee Ching Kion	-	-	45,354 (b)	0.00
4. Leow Hoi Loong @ Liow Hoi Loong	-	-	-	-
5. Foo Kok Siew	-	-	-	-
6. Tan Shau Ming	-	-	792,000 (c)	0.06
7. Law Wai Cheong	-	-	-	-

Notes:

(a) Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of his shareholdings in Amardale Offshore Inc. which has a controlling interest in TS Law Investments Limited, a substantial shareholder in the Company.
(b) Deemed interest pursuant to Sections 59(11)(c) and 197 of the Companies Act 2016 by virtue of his spouse, Madam Mok Quee Hwa's direct shareholdings in the Company.
(c) Deemed interest pursuant to Sections 59(11)(c) and 197 of the Companies Act 2016 by virtue of his spouse, Madam Ng Siew Cho's direct shareholdings in the Company.

Substantial Shareholdings as at 19 October 2020
(As per the Register of Substantial Shareholders of the Company)

Names	Direct No. of Shares	Direct %	Indirect No. of Shares	Indirect %
Tan Sri Dato' Law Tien Seng	-	-	342,647,686 (a)	24.96
TS Law Investments Limited	-	-	342,647,686	24.96
Amardale Offshore Inc.	-	-	342,647,686 (b)	24.96
Cartaban Nominees (Asing) Sdn Bhd	157,647,686 (c)	11.48	-	-
HSBC Nominees (Asing) Sdn Bhd	24,000,000 (c)	1.75	-	-
CIMSEC Nominees (Asing) Sdn Bhd	95,000,000 (c)	6.92	-	-
Maybank Nominees (Asing) Sdn Bhd	66,000,000 (c)	4.81	-	-

Notes:

(a) Deemed interest pursuant to Section 8 of the Companies Act 2016 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 its shareholdings in TS Law Investments Limited which is a substantial shareholder of HTVB.
(c) Substantial Shareholder of HTVB of which TS Law Investments Limited is deemed interested.

Five (5)-year 5% RM0.50 Nominal value of Redeemable Convertible Unsecured Islamic Debt Securities ("RCUIDS") As At 19 October 2020

Issue Date	:	24 June, 2016
Maturity Date	:	23 June, 2021
Conversion Price	:	RM0.50

Analysis By Size of RCUIDS Holdings As At 19 October 2020

Size of shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	20	1.51	947	0.00
100 - 1,000	153	11.53	98,713	0.05
1,001 - 10,000	643	48.45	2,847,333	1.41
10,001 - 100,000	393	29.62	13,453,941	6.67
100,001 to less than 5% of issued shares	115	8.67	63,300,674	31.39
5% and above of issued shares	3	0.22	121,947,005	60.48
Total	**1,327**	**100.00**	**201,648,613**	**100.00**

LIST OF THIRTY (30) LARGEST OF RCUIDS HOLDERS AS AT 19 OCTOBER 2020

No.	Names	No. of Shares	Percentage (%)
1.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	66,914,186	33.18
2.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE BRANCH (SG PVB CL AC)	35,032,819	17.37
3.	CIMSEC NOMINEES (ASING) SDN BHD CIMB BANK FOR TS LAW INVESTMENTS LIMITED (PBCL-0G0069)	20,000,000	9.92
4.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR LAVINGTON INTERNATIONAL LIMITED	9,624,000	4.77
5.	CONVERSION	6,274,500	3.11
6.	OOI CHIENG SIM	4,604,100	2.28
7.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIN HOOI	3,590,000	1.78
8.	LIEW WEI KIN	3,029,000	1.50
9.	YAP KIM FOONG	1,994,400	0.99
10.	TEO KWEE HOCK	1,324,100	0.66
11.	HAW SWEE TIT	1,300,000	0.65
12.	WONG AH WAH	1,200,000	0.60

LIST OF THIRTY (30) LARGEST OF RCUIDS HOLDERS AS AT 19 OCTOBER 2020 (Cont'd)

No.	Names	No. of Shares	Percentage (%)
13.	THAM KIN YIP	1,196,000	0.59
14.	LEE WEN SIONG	1,000,000	0.50
15.	K.H.L. SDN BHD	927,000	0.46
16.	LING ING CHONG	830,000	0.41
17.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOR KIM HOCK (B B KLANG-CL)	820,500	0.41
18.	LOO CHEE LAIN	774,000	0.38
19.	NG SOO CHEN	765,900	0.38
20.	PACIFIC STRIKE SDN BHD	669,100	0.33
21.	TAN WOEI KEAK	624,000	0.31
22.	TAN HUNG CHEW	600,000	0.30
23.	WAN SHUW YEE	600,000	0.30
24.	HOO WAN FATT	512,000	0.25
25.	MONT PRISTINE DEVELOPMENT SDN. BHD.	501,400	0.25
26.	CHIN SHI TYING	500,000	0.25
27.	CHIN WAH YIN	500,000	0.25
28.	LO CHIOW LIEH	480,000	0.24
29.	LIM JIT HAI	450,000	0.22
30.	LAI KWONG CHOY	435,400	0.22
	Total:	**167,072,405**	**82.86**

Directors' RCUIDS Holdings as at 19 October 2020
(As per the Register of Directors' RCUIDS Holdings of the Company)

	Direct		Indirect	
Names	No. of RCUIDS	%	No. of RCUIDS	%
1. Tan Sri Abdul Rahman Bin Mamat	-	-	-	-
2. Tan Sri Dato' Law Tien Seng	-	-	75,032,819 [(a)]	37.21
3. Lee Ching Kion	-	-	-	-
4. Leow Hoi Loong @ Liow Hoi Loong	-	-	-	-
5. Foo Kok Siew	-	-	-	-
6. Tan Shau Ming	-	-	176,000 [(b)]	0.09
7. Law Wai Cheong	-	-	-	-

Notes:

(a) Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of his RCUIDS holdings in Amardale Offshore Inc. which has a controlling interest in TS Law Investments Limited, a substantial shareholder the Company.

(b) Deemed interest pursuant to Sections 59(11)(c) and 197 of the Companies Act 2016 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	: 2,575	
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 2020

Size of Warrant Holdings	No. of Warrant Holders	%	No. of Warrants	%
Less than 100	32	1.24	1,435	0.00
100 - 1,000	204	7.92	122,833	0.04
1,001 - 10,000	851	33.05	4,637,985	1.63
10,001 - 100,000	1,104	42.87	49,082,529	17.21
100,001 to less than 5% of issued shares	380	14.76	138,051,512	48.41
5% and above of issued shares	4	0.16	93,267,019	32.71
Total	**2,575**	**100.00**	**285,163,313**	**100.00**

LIST OF THIRTY (30) LARGEST WARRANTS B HOLDERS AS AT 19 OCTOBER 2020

No.	Names	No. of Shares	Percentage (%)
1.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE BRANCH (SG PVB CL AC)	35,032,819	12.29
2.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	21,080,000	7.39
3.	CIMSEC NOMINEES (ASING) SDN BHD CIMB BANK FOR TS LAW INVESTMENTS LIMITED (PBCL-0G0069)	20,000,000	7.01
4.	TAN CHIN TEONG	17,154,200	6.02
5.	KENANGA NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT)	4,000,000	1.40
6.	MING KEE CHOY	3,293,500	1.16
7.	WONG FU TECK	2,600,000	0.91
8.	HOO WAN FATT	2,172,400	0.76
9.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH KAH KEAT (E-KLC)	2,040,000	0.72
10.	QUAH KOK KUAN	1,912,000	0.67
11.	LIEW SIEW FOON	1,733,300	0.61
12.	MOHD ZULHAIMI BIN MOHD ZULKAFLI	1,662,200	0.58
13.	LOOI LIEW SOON	1,600,000	0.56

LIST OF THIRTY (30) LARGEST WARRANTS B HOLDERS AS AT 19 OCTOBER 2020 (Cont'd)

No.	Names	No. of Shares	Percentage (%)
14.	MOHD ZULHAIMI BIN MOHD ZULKAFLI	1,500,000	0.53
15.	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR WONG PUI CHENG	1,450,000	0.51
16.	LO CHIOW LIEH	1,300,000	0.46
17.	WONG AH WAH	1,200,000	0.42
18.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUNG CHOW CHEANG (KLCC-CL)	1,122,000	0.39
19.	OOI HUNG HOCK	1,105,400	0.39
20.	CHAN KUANG	1,000,000	0.35
21.	CHONG PEI THIN	1,000,000	0.35
22.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RABITAH BINTI SUMDIN @ SHAMSHUDIN	1,000,000	0.35
23.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD REDZUAN SHAH BIN MOHD ROSLAN	1,000,000	0.35
24.	LIEW KOAK WAY	963,000	0.34
25.	AFIINTRA TECHNOLOGIES SDN BHD	950,000	0.33
26.	TIU KEE CHING	950,000	0.33
27.	BON SIONG LEE	900,000	0.32
28.	LEE HUY TING	900,000	0.32
29.	LIM HOI SIN	900,000	0.32
30.	KHAIRUL AZUAN BIN OTHMAN	845,800	0.30
	Total:	**132,366,619**	**46.44**

Directors' Warrant B Holdings as at 19 October 2020
(As per the Register of Directors' Warrant B Holdings of the Company)

	Direct		Indirect	
Names	No. of Warrants	%	No. of Warrants	%
1. Tan Sri Abdul Rahman Bin Mamat	-	-	-	-
2. Tan Sri Dato' Law Tien Seng	-	-	75,032,819 [(a)]	26.31
3. Lee Ching Kion	-	-	-	-
4. Leow Hoi Loong @ Liow Hoi Loong	-	-	-	-
5. Foo Kok Siew	-	-	-	-
6. Tan Shau Ming	-	-	176,000 [(b)]	0.06
7. Law Wai Cheong	-	-	-	-

Notes:

(a) Deemed interest pursuant to Sections 59(11)(c), 8 and 197 of the Companies Act 2016 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 pursuant to Sections 59(11)(c) and 197 of the Companies Act 2016 by virtue of his spouse, Madam Ng Siew Cho's direct shareholdings in the Company.

NOTICE IS HEREBY GIVEN THAT the Twenty-Fourth 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, 17 December 2020 at 10.00 a.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 financial year ended 31 July 2020 together with the Directors' and Auditors' Reports attached thereon. **Please refer to Note B on this Agenda**

2. To approve the Directors' fees of RM305,000.00 for the financial year ended 31 July 2020. **Ordinary Resolution 1**

3. To approve the Directors' allowances payable of RM24,000.00 in respect of the period from 1 August 2020 up to the next Annual General Meeting of the Company to be held in 2021. **Ordinary Resolution 2**

4. To approve a First and Final Single-Tier Dividend of 0.3 sen per share for the financial year ended 31 July 2020. **Ordinary Resolution 3**

5. To re-elect the following Directors who are retiring in accordance with Clause 92 of the Company's Constitution:-

   (a) Tan Sri Abdul Rahman Bin Mamat **Ordinary Resolution 4**
   (b) Mr. Lee Ching Kion **Ordinary Resolution 5**
   (c) Mr. Law Wai Cheong **Ordinary Resolution 6**

6. To re-appoint Messrs. KPMG PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

7. **AS SPECIAL BUSINESS:-**

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

   7.1 **Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016** **Ordinary Resolution 8**

   "THAT subject always to the approvals of the relevant authorities, the Directors be hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016 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."

   7.2 **Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed New and Renewal of RRPT 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 16 November 2020, 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 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 New and 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 New and 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 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) 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 **Authority for Tan Sri Abdul Rahman Bin Mamat to continue in office as Independent Non-Executive Director.** **Ordinary Resolution 10**

"THAT subject to the re-election of Tan Sri Abdul Rahman Bin Mamat pursuant to Ordinary Resolution 4, authority be hereby given to Tan Sri Abdul Rahman Bin Mamat who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years on 28 January 2020, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2017."

8. To transact any other business of the Company of which due notice shall be given in accordance with the Company's Constitution and the Companies Act 2016.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a First and Final Single-Tier Dividend of 0.3 sen per share in respect of the year ended 31 July 2020 shall be payable on 25 January 2021 to Depositors registered in the Record of Depositors at the close of business on 4 January 2021.

Depositor shall qualify for entitlement only in respect of:-

a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 4 January 2021 in respect of transfers; and

b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
HIAP TECK VENTURE BERHAD

NG YIM KONG (LS 0009297)
SSM PC 202008000309
Company Secretary

Selangor Darul Ehsan

Date: 16 November 2020

Notes:

A. Appointment of Proxy

1. A Member entitled to attend, participate, speak and vote at the Meeting is entitled to appoint a Proxy or Proxies to attend, participate, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company.

2. Where a Member appoints two (2) or more Proxies, the appointment shall be invalid unless he (she) specify the proportion of his (her) shareholdings to be represented by each Proxy.

3. Where a Member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy in respect of each Securities Account it holds with Ordinary Shares of the Company standing to the credit of the said Securities Account.

4. 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.

5. The Proxy Form shall be signed by the appointer or of his (her) attorney duly authorised in writing or, if the Member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.

6. The instrument appointing a Proxy must be deposited at the Office of the Company's share registrar, Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan Malaysia, not less than forty-eight (48) hours before the time for the taking of the poll at the Meeting or at any adjournment thereof.

7. The completed instrument of proxy once deposited will not preclude the Member from attending and voting in person at the General Meeting should the Member subsequently wish to do so. A Member who is not resident in Malaysia or Singapore may by cable or other telegraphic communication appoint a proxy/proxies to vote for him at any General Meeting of the Company PROVIDED:-
   (a) such cable or other telegraphic communication shall have been received at the Office not less than forty-eight (48) hours before the time for the holding of the General Meeting or adjourned meeting as the case may be at which the person named in such cable or other telegraphic communication proposes to vote; and
   (b) the Directors are satisfied as to the genuineness of such cable or other telegraphic communication.

B. Audited Financial Statements for the Financial Year ended 31 July 2020

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 340(1) of the Companies Act 2016. Hence, this Agenda is not put forward for voting by the shareholders of the Company.

EXPLANATORY NOTES ON SPECIAL BUSINESS OF THE AGENDA

(a) The Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016

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 Twenty-Third Annual General Meeting ("AGM") held on 17 December 2019. The renewal of this 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 Sections 75 and 76 of the Companies Act 2016 under the general mandate which was approved at the Twenty-Third Annual General Meeting.

(b) The Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Proposed Ordinary Resolution 9 under item 7.2 of the Agenda, 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 16 November 2020 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 New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, please refer to the Circular to Shareholders dated 16 November 2020 enclosed together with the Company's 2020 Annual Report.

(c) Authority to continue to act as Independent Non-Executive Director of the Company pursuant to the Malaysian Code on Corporate Governance 2017

Tan Sri Abdul Rahman Bin Mamat who was appointed on 28 January 2011, has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years on 28 January 2020. Hence, if this Ordinary Resolution 10 is passed, it would allow Tan Sri Abdul Rahman Bin Mamat to continue to serve as Independent Non-Executive Director until the conclusion of the next Annual General Meeting of the Company to be held in 2021. The Nominating Committee had reviewed and supported the re-appointment of Tan Sri Abdul Rahman Bin Mamat as Independent Non-Executive Director. Tan Sri Abdul Rahman Bin Mamat has met the definition of "independent director" as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. Subject to the Shareholders' approval of Ordinary Resolution 4 above, the Board has recommended that Tan Sri Abdul Rahman Bin Mamat should continue to act as Independent Non-Executive Director of the Company.

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 Clause 62(5) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 4 December 2020. Only a depositor whose name appears on the Record of Depositors as at 4 December 2020 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
Registration No. 199701005844 (421340-U)

HIAP TECK VENTURE BERHAD
Registration No. 199701005844 (421340-U)

TWENTY-FOURTH ANNUAL GENERAL MEETING
FORM OF PROXY

I/We, ...(NRIC No./Passport No./Company No. ....)
(FULL NAME IN CAPITAL LETTERS)

of ....
(FULL ADDRESS)

being a member/members of **HIAP TECK VENTURE BERHAD** hereby appoint:

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Twenty-Fourth 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, 17 December 2020 at 10.00 a.m. and at any adjournment thereof *for/*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 RM305,000.00 for the financial year ended 31July 2020.		
2	To approve the Directors' allowances payable of RM24,000.00 in respect of the period from 1 August 2020 up to the next Annual General Meeting of the Company to be held in 2021.		
3	To approve a First and Final Single-Tier Dividend of 0.3 sen per share for the financial year ended 31 July 2020.		
4	To re-elect Tan Sri Abdul Rahman Bin Mamat who is retiring in accordance with Clause 92 of the Company's Constitution.		
5	To re-elect Mr. Lee Ching Kion who is retiring in accordance with Clause 92 of the Company's Constitution.		
6	To re-elect Mr. Law Wai Cheong who is retiring in accordance with Clause 92 of the Company's Constitution.		
7	To re-appoint Messrs. KPMG PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration.		
8	To grant the authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
9	To approve the Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
10	To authorise Tan Sri Abdul Rahman Bin Mamat to continue in office as Independent Non-Executive Director.		

[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...2020

Number of Ordinary shares held :	
CDS Account No.	

....
[Signature/Common Seal of Member]
* Delete if not applicable

Notes :

1. *A Member entitled to attend, participate, speak and vote at the Meeting is entitled to appoint a Proxy or Proxies to attend, participate, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company.*
2. *Where a Member appoints two (2) or more Proxies, the appointment shall be invalid unless he (she) specify the proportion of his (her) shareholdings to be represented by each Proxy.*
3. *Where a Member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy in respect of each Securities Account it holds with Ordinary Shares of the Company standing to the credit of the said Securities Account.*
4. *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.*
5. *The Proxy Form shall be signed by the appointer or of his (her) attorney duly authorised in writing or, if the Member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.*
6. *The instrument appointing a Proxy must be deposited at the Office of the Company's share registrar, Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan Malaysia, not less than forty-eight (48) hours before the time for the taking of the poll at the Meeting or at any adjournment thereof.*
7. *The completed instrument of proxy once deposited will not preclude the Member from attending and voting in person at the General Meeting should the Member subsequently wish to do so. A Member who is not resident in Malaysia or Singapore may by cable or other telegraphic communication appoint a proxy/proxies to vote for him at any General Meeting of the Company PROVIDED:-*
   - *(a) such cable or other telegraphic communication shall have been received at the Office not less than forty-eight (48) hours before the time for the holding of the General meeting or adjourned meeting as the case may be at which the person named in such cable or other telegraphic communication proposes to vote; and*
   - *(b) the Directors are satisfied as to the genuineness of such cable or other telegraphic communication.*

Fold here

Affix
STAMP

The Company Secretary
HIAP TECK VENTURE BERHAD
199701005844 (421340-U)
c/o Boardroom Share Registrars Sdn. Bhd.
(formerly known as Symphony Share Registrars Sdn. Bhd.)
11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13, 46200 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

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HIAP TECK VENTURE BERHAD
Registration No. 199701005844 (421340-U)

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