

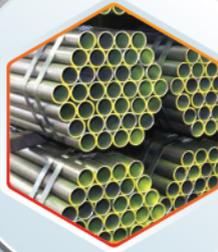


**HTVB**

**HIAP TECK VENTURE BERHAD**

Registration No. 199701005844 (421340-U)

**PIPE**



**HARDWARE**



**ANNUAL  
REPORT  
2021**



**STEEL**

**SCAFFOLD**



**TRANSPORT**



# CONTENTS

2	CORPORATE STRUCTURE
3	CORPORATE INFORMATION
4	DIRECTORS' PROFILE
9	KEY MANAGEMENT PROFILE
10	CHAIRMAN'S STATEMENT
13	MANAGEMENT DISCUSSION AND ANALYSIS
19	STATEMENT ON CORPORATE GOVERNANCE
36	STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
39	AUDIT COMMITTEE REPORT
42	NOMINATING COMMITTEE STATEMENT
44	SUSTAINABILITY STATEMENT
56	FINANCIAL STATEMENTS FOR FYE 31 JULY 2021
142	PROPERTIES OF THE GROUP
144	ANALYSIS OF SHAREHOLDINGS
147	NOTICE OF TWENTY-FIFTH ANNUAL GENERAL MEETING
	Form Of Proxy



## 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

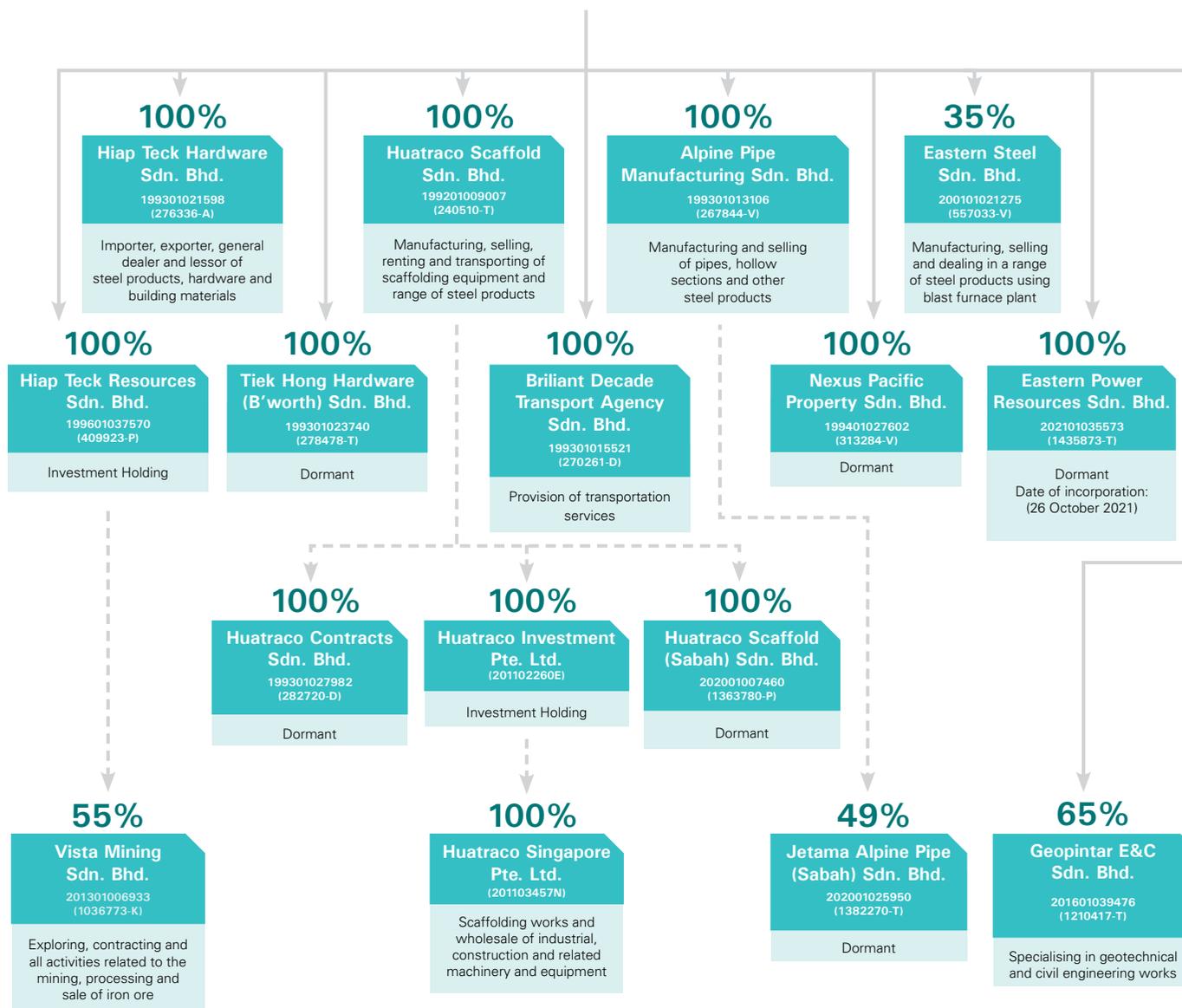
# CORPORATE STRUCTURE



**HTVB**

**HIAP TECK VENTURE BERHAD**

Registration No. 199701005844 (421340-U)



\* Note: With effect from 8 November 2021, HTVB's equity stake in Eastern Steel Sdn. Bhd. ("ESSB") has been reduced to 27.3% following Jianlong's subscription of 508.0 million new ordinary shares in the share capital of ESSB.

### BOARD OF DIRECTORS

#### CHAIRMAN/INDEPENDENT NON-EXECUTIVE DIRECTOR

- Tan Sri Abd Rahman Bin Mamat

#### EXECUTIVE DEPUTY CHAIRMAN

- Tan Sri Dato' Law Tien Seng

#### SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

- Mr. Lee Ching Kion

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

- Mr. Leow Hoi Loong @ Liow Hoi Loong
- Mr. Sherman Lam Yuen Suen

#### 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 Abd Rahman Bin Mamat
- Mr. Lee Ching Kion
- Mr. Sherman Lam Yuen Suen

### REMUNERATION COMMITTEE

#### CHAIRMAN

- Tan Sri Abd Rahman Bin Mamat

#### MEMBERS

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

### NOMINATING COMMITTEE

#### CHAIRMAN

- Tan Sri Abd Rahman Bin Mamat

#### MEMBERS

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

### RISK MANAGEMENT COMMITTEE

#### CHAIRMAN

- Mr. Lee Ching Kion

#### MEMBERS

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

### ESOS COMMITTEE

#### CHAIRMAN

- Tan Sri Abd Rahman Bin Mamat

#### MEMBERS

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

### COMPANY SECRETARY

- Ng Yim Kong (LS 0009297)  
c/o Strategy Corporate Secretariat Sdn. Bhd.  
Unit 07-02, Level 7, Persoft Tower  
6B, Persiaran Tropicana  
47410 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel No. : (6)03-7804 5929  
Fax No.: (6)03-7805 2559

### REGISTRAR

- Boardroom Share Registrars Sdn. Bhd.  
199601006647 (378993-D)  
11<sup>th</sup> 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)
- Al Rajhi Banking & Investment Corporation (Malaysia) Bhd 200501036909 (719057-X)
- Kuwait Finance House (Malaysia) Berhad 200401033666 (672174-T)

### STOCK EXCHANGE

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

# DIRECTOR'S PROFILE

## Y. BHG. TAN SRI ABD RAHMAN BIN MAMAT Chairman/ Independent Non-Executive Director Malaysian, age 69

.....  
Chairman of the Remuneration Committee  
Chairman of the Nominating Committee  
Chairman of the ESOS Committee  
Member of the Audit Committee  
.....

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

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

He has attended all 5 board meetings of HTVB held during the financial year ended 31 July 2021.



# DIRECTOR'S PROFILE (Cont'd)

## Y. BHG. TAN SRI DATO' LAW TIEN SENG Executive Deputy Chairman Malaysia, age 68

Y. Bhg. 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 steel production and distribution, mining, 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 conviction for any offence over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2021.

## LEOW HOI LOONG @ LIOW HOI LOONG Independent Non-Executive Director Malaysian, age 67

.....  
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  
.....

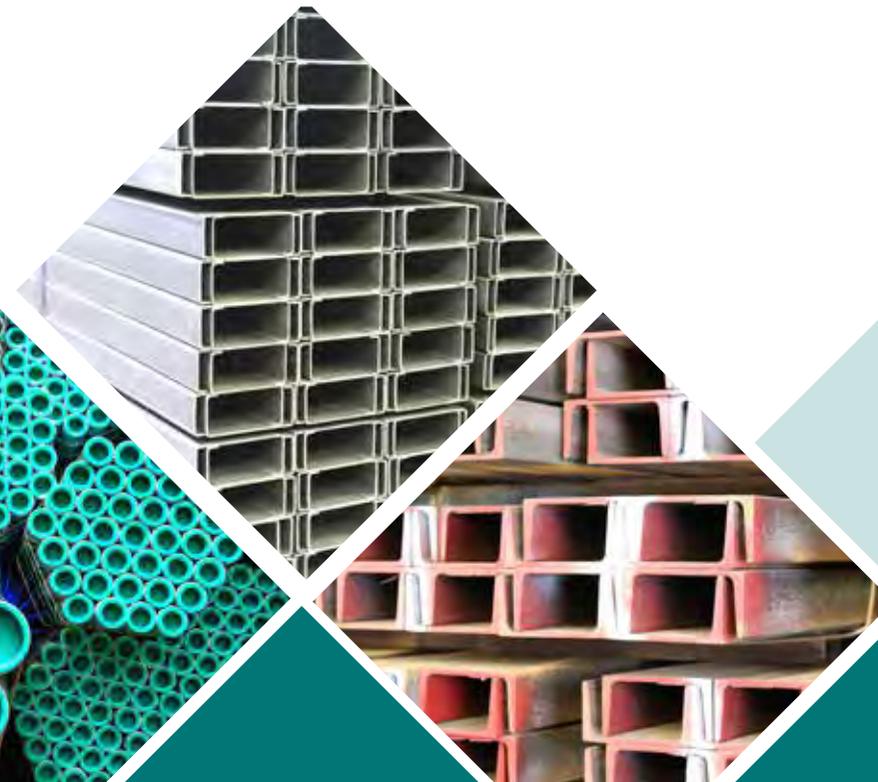
Mr. Leow Hoi Loong @ Liow Hoi Loong was appointed to our Board as Independent Non-Executive Director on 13 December 2012.

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 conviction for any offence over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2021.



# DIRECTOR'S

## PROFILE (Cont'd)

### LEE CHING KION

Senior Independent Non-Executive Director  
Malaysian, age 67

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 Jepsen-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 conviction for any offence over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2021.

### LAW WAI CHEONG

Executive Director  
Malaysian, age 35

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, United Kingdom; 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, 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 conviction for any offence over the past ten years.

He has attended all 5 board meetings of HTVB held during the financial year ended 31 July 2021.



# DIRECTOR'S PROFILE (Cont'd)

## FOO KOK SIEW Executive Director Malaysian, age 60

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 conviction for any offence over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2021.

## TAN SHAU MING Executive Director Malaysian, age 58

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 property development, human resources and administration. Thereafter, he joined Ji Kang Dimensi Sdn. Bhd., a Hot Rolled Steel Plate manufacturing company based in Gebeng, Kuantan as Executive Director until 2012. His responsibilities in the company included factory operations, logistics and transportation.

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 conviction for any offence over the past ten years.

He has attended all the 5 board meetings of HTVB held during the financial year ended 31 July 2021.



# DIRECTOR'S

## PROFILE (Cont'd)

**SHERMAN LAM YUEN SUEN**  
Independent Non-Executive Director  
Malaysian, age 48

Member of the Audit Committee

Mr. Sherman Lam Yuen Suen was appointed to the Board of the Company as Independent Non-Executive Director on 21 December 2020.

Mr. Lam holds a Master's in Business Administration (Finance) from Charles Sturt University, Australia. He is a Chartered Accountant of the Malaysian Institute of Accountants, a Fellow of the Chartered Institute of Management Accountants, United Kingdom, a Fellow of CPA Australia, a Chartered Member of the Institute of Internal Auditors of Malaysia and a CFP™ certified member of the Financial Planning Association, Malaysia.

Mr. Lam started his career with Fulton Prebon (M) Sdn. Bhd., a financial services subsidiary of Seacorp (a PNB company) in 1994. He then joined Utama Merchant Bank Berhad, (an investment bank jointly owned by Utama Banking Group Berhad and HSBC Investment Bank Asia Ltd) in 1997, as its Chief Dealer and Treasury Manager. Thereafter in mid-2000, he joined Nikkei Pacific Corporate Advisors, then a leading regional corporate finance advisory firm as an Associate Director where he advised on several large corporate restructuring and capital raising exercises in Indonesia and Malaysia.

Since mid-2002, Mr. Lam has been the Managing Director of Cirrus Ventures group, a regional private equity/venture capital investments and corporate strategic consulting services firm. He has more than 25 years of demonstrated, broad-based senior management experience in corporate

advisory, treasury management, capital markets, corporate finance and investments with financial institutions as well as corporate board experience in listed public and privately held entities in Malaysia, Singapore, Indonesia and China. Mr. Lam is also the Managing Partner of Sherman Lam & Co, a Chartered Accountant firm and the current Deputy Secretary of the China-ASEAN (Malaysia) Entrepreneurs Association.

Mr. Lam currently serves as an Independent Non-Executive Director on the Board of Directors of Asian Pac Holdings Berhad and Gadang Holdings Berhad. He has previously served on the Board of Directors of Bintai Kinden Corporation Berhad from 2010 to 2013, as an Independent Non-Executive Director.

Mr. Lam 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 conviction for any offence over the past ten years.

He has attended 3 out of 5 board meetings of HTVB held during the financial year ended 31 July 2021 after he was appointed as a Board member.

# KEY MANAGEMENT

## PROFILE

### PHANG CHIN KHIONG

Chief Operating Officer (“COO”)  
Malaysian, age 52

Mr. Phang Chin Khiong was appointed as the Group’s 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 conviction for any offence over the past ten years.

### YEO BEE HWAN

Group Chief Financial Officer (“CFO”)  
Malaysian, age 53

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 Chartered Public Accountants (AICPA) and a member of the Malaysian Institute of Accountants.

She started her career as 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 conviction for any offence over the past ten years.

### TAN YUEN HONG, ALEX

Chief Commercial Officer  
Malaysian, age 55

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 Bhd. 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 conviction for any offence over the past ten years.

### SEH KWANG WEOI, MICHAEL

Chief Commercial Officer  
Malaysian, age 53

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 conviction for any offence 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 2021.

”

The World Steel Association forecasted that steel demand will expand by

**5.8%**



Construction sector growth in 2Q 2021

**40.3%**

Following a 3.5% contraction in 2020 caused by the COVID-19 pandemic, the global economy is forecasted by the World Bank to expand 5.6% in 2021. The global outlook remains subject to significant downside risks amidst the possibility of further COVID-19 waves of new virus variants.

The global steel industry, however, was fortunate to end 2020 with only a 0.2% contraction as China, the world largest consumer country of steel, emerged out of lockdown ahead of other countries and its economy quickly rebounded with the government's implementation of various measures to stimulate the economy.

In the coming years, steel demand is expected to grow firmly, both in the developed and developing economies, as the global economy recovers from the pandemic and driven by pent-up demand and governments' recovery programs. The World Steel Association forecasted that steel demand will expand by 5.8% in 2021 to reach 1,874.0 million MT and further grow 2.7% to reach 1,924.6 million MT in 2022.

The Malaysian economy contracted 5.6% in 2020 as various Movement Control Order (“MCO”) phases were implemented in the country. In 2021, the Malaysian economy started with a lower contraction of 0.5% in the first quarter and expanded strongly by 16.1% in the second quarter due to low base effect. However, with the resurgence of COVID-19 and the re-imposition of nationwide containment measures in the third quarter, near term growth has been affected with Bank Negara Malaysia projecting the Malaysian economy to expand at a lower range of between 3.0% and 4.0% in 2021.

Similarly, the growth in the construction sector continued and registered a strong positive growth of 40.3% in 2Q 2021 (1Q 2021: -10.4%). Growth was supported by the continuation of construction works in large infrastructure projects and on-going implementation of small-scale projects under the 2021 Budget, PEMERKASA and PEMERKASA+ stimulus packages. In 2021, the apparent steel consumption in Malaysia is forecasted to grow 3.2% to 7.03 million MT.

Moving forward, steelmakers in Asia will see exciting opportunities ahead as China continues to pursue production restrictions with the trend suggesting that Chinese steelmakers are focusing more on specialized, high-value added products and relying more on imports for general purpose items.

### CORPORATE DEVELOPMENT

On 8 September 2021, Hiap Teck Hardware Sdn. Bhd. ("HTH"), a wholly-owned subsidiary of the HTVB, and Klangreality Consortium Sdn. Bhd. ("KCSB") had entered into a Sale and Purchase Agreement to acquire from KCSB a piece of freehold vacant land, to be duly converted to medium industry, known as Lot T01 located at Mukim Jeram, Daerah Kuala Selangor, Negeri Selangor to be known as Kapar 2 International Industrial Park ("KIIP 2"), free from encumbrances and with vacant possession for a total cash consideration of approximately RM48.61 million for HTH's future relocation and business expansion.

Eastern Steel Sdn. Bhd. ("ESSB"), a joint-venture company between Shanxi Jianlong Industry Company Limited ("Jianlong"), HTVB and Chinaco Investment Pte. Ltd. ("Chinaco"), operates a fully integrated blast furnace steel plant with a rated annual production capacity of 700,000 MT. In FY2021, ESSB achieved a production record of 724,680 MT despite having to shut operations for a month in June 2021 due to Government's enforcement of MCO 3.0. I am pleased to announce that ESSB, which has been a drag on the Group in past years, has turnaround and is contributing positively to Group performance. The billet caster plant, added in December 2018, provided ESSB the flexibility to optimize its production mix, and the completion of the 55MW power plant in October 2019 has resulted in substantial savings in energy cost. ESSB's current project to further enhance cost effectiveness is the development of a 400,000 MT coke oven plant. The first 100,000 MT was completed in June and the second 100,000 MT in October 2021. The next 200,000 MT is expected to complete in FY 2022.

The new coke oven plant is expected to significantly reduce production costs and improve ESSB's profitability going forward, and enhance its contribution to the Group.

### FINANCIAL PERFORMANCE

Despite the shut-down in operations for the months of June and July 2021 during MCO 3.0, we concluded Financial Year 2021 with the Group recording its highest ever net profit of RM163.52 million, an increase of 3,455% compared with a year ago of RM4.60 million. This included the share of JV entity's first ever net operating profit of RM76.01 million.



FY2021 was a tumultuous year as economies and businesses in the country and around the world grappled with the hampering impacts of the COVID-19 pandemic. Despite the challenges of the on and off economies, we took stringent steps to safeguard the long-term sustainability of our business. Our efforts in production costs control, procurement strategies and prudent cash flow management, proved instrumental as we navigated through the challenges due to COVID-19 pandemic. The Group shut operations on 1 June 2021 in line with the Government's MCO 3.0 and resumed operations on 16 August 2021 subsequent to meeting the guideline of having 80% employees fully vaccinated. For the full FY2021, the Group's revenue grew 16.1% to RM1.08 billion from RM0.93 billion achieved in the preceding financial year. Despite the weak market conditions and shut-downs, strong steel prices have led to improved revenue and expanded margins. The Group's operating profit increased 411.0% to RM131.76 million in FY2021 from RM25.79 million, previously.

the Group highest  
ever net profit  
**RM163.52**  
million

The Group's efforts in turning around ESSB have shown continued success and for FY2021, ESSB achieved revenue of RM1.82 billion and posted a profit after tax of RM217.16 million as compared to RM10.97 million in the preceding financial year. As in FY2020, ESSB recorded another impairment write-back of RM66.15 million for FY2021 (FY2020: RM50.00 million) to reflect the sustainable strength of its operations. ESSB's much improved performance in FY2021 can substantially be attributed to the completion of its 55 MW power plant in October 2019 and we are confident of more significant production cost savings as the 400,000MT coke oven plant will progressively complete in FY2022.

For FY2021, the Group recorded a share of gain of RM76.01 million from ESSB as compared to RM3.84 million in the preceding financial year. In FY2021, despite production shutting down for a month in June 2021, ESSB still managed to achieve its production at 724,680 MT (FY2020: 798,512 MT) of steel products, comprising 450,087 MT of slabs and 274,593 MT of billets, and had successfully sold these products in Malaysia and exported to neighboring markets including China, Taiwan, Indonesia, Thailand, Japan, Korea and Singapore.

As at FYE2021, the Group had a total borrowings of RM411.10 million, with cash and bank balances and unit trust funds of RM176.63 million. Shareholders' Funds stood at RM1.13 billion with Net Assets per Share of RM0.65.

ESSB posted a profit after tax of **RM217.16 million**

the Group recorded a share of JV's first ever net operating profit **RM76.01 million**

ESSB achieved revenue of **RM1.82 billion**

### BOARD COMPOSITION AND CORPORATE GOVERNANCE

The members of our Board are with 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 important 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. I also take this opportunity to welcome Mr. Lam who joined our Board in December 2020. With his extensive corporate finance experience, I am confident that Mr. Lam will contribute positively to the development of the Group.

### REWARDING SHAREHOLDERS

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 1.0 sen per share for the financial year ended 31 July 2021. If approved by shareholders at the AGM to be held on 17 December 2021, the dividend will be paid on 21 January 2022.

### IN APPRECIATION

FY2021 has been one of the most challenging and interesting years the Group has ever experienced, and we overcome the challenges through the hard work from the dedicated team and support of many parties. I would like to thank the directors for their guidance and counsel during the year, and our valued shareholders, customers, suppliers, business associates, financiers and relevant regulatory authorities for their continuous support, invaluable guidance and belief in the Group. Their trust and continued support were the main contributors in helping the Group steer through this pandemic.

Our management team and employees have been the bedrock of our achievements and once again, they have demonstrated remarkable dedication to their work. I thank them for their commitment, sacrifices, hard work and diligence, especially during these challenging times.

Lastly, I would also like to extend my appreciation to our JV partner in ESSB, the Beijing Jianlong Group, for their excellent contributions, technical support and the continuous cost savings measures undertaken that have led to the turnaround of ESSB in FY2021. We will continue to do our best and are confident that together, ESSB and the Group will emerge from this pandemic better, stronger and more resilient than before. Management is also positive on the Group's performance in the coming year due to the continued strength of steel prices and the expected recovery from the re-opening of the economy. To all our stakeholders, we hope you stay healthy and safe through this unprecedented pandemic.

**TAN SRI ABD RAHMAN BIN MAMAT**  
Chairman

29 October 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## THE MALAYSIAN ECONOMY IN 2020

Arising from the Covid-19 pandemic and the imposition of various phases of Movement Control Order (“MCO”), the Malaysian economy suffered a severe setback in 2020 with a 5.6% contraction in GDP (2019: +4.3%). The construction sector was not spared and contracted by 19.4% in the same year (2019: +0.6%) as the pandemic brought construction activities into a standstill owing to the containment measures.

The weak construction sector had a direct adverse impact on steel demand with apparent steel consumption (“ASC”) in Malaysia declining by 26.0% to 6.81 million tonnes in 2020 from 9.20 million tonnes in the preceding year. The Malaysian Government launched numerous stimulus packages, including Prihatin Economic Stimulus Package, Permai Aid Package with Bank Negara Malaysia’s initiative in lowering Overnight Policy Rate and the introduction of loan moratoriums to lessen the impact on the economy and the Rakyat.

## 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. Through its subsidiaries (collectively referred as “the Group”), the Group is principally engaged in the manufacturing of pipe, hollow sections and scaffolding equipment, 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, water transmission 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 m<sup>3</sup> blast furnace and a rated capacity of 700,000 MT per annum, currently producing slabs and billets. ESSB has consistently been producing above its rated capacity since resuming production in July 2018 with the highest production of 139% above rated capacity recorded in May 2021. The billet caster plant, added in December 2018, provided ESSB the flexibility to optimize its production mix, and the 55MW power plant commissioned in October 2019 has resulted in substantial saving in energy costs. ESSB’s current project to further enhance cost efficiency is the development of a 400,000 MT coke oven plant. The first 100,000 MT was completed in June and the second 100,000 MT in October 2021. The next 200,000 MT is expected to complete in FY2022. The coke oven plant will further reduce production costs significantly moving forward.

FY2021 was an extremely challenging year with the COVID-19 pandemic badly disrupting world economies, created uncertainties in the financial markets and disruption in the global supply chain. The Malaysian government again imposed FMCO 3.0 from 1 June to 15 August 2021. However, with the experience gained in FY2020 in responding to the pandemic and lockdown, the Group quickly adjusted and maintained focus on costs and a healthy cash-flow position to ensure sustainability.

As China emerged out from lockdown, steel prices began to recover and later, with the easing of lockdowns across the world, steel prices sharply accelerated in 2H FY2021. Therefore, despite only operating for 10 months in FY2021, the Group posted a 16.1% increase in revenue to RM1.08 billion while ESSB, operating for only 11 months, sold a total of 739,675 MT of slabs and billets in Malaysia, and also exported to neighbouring countries including China, Taiwan, Indonesia, Thailand, Japan, Korea and Singapore.

Together with strict costs control, effective procurement and distribution strategies, and the turnaround of ESSB, the Group posted a fourth consecutive year of profit to record the best performance to-date with a remarkable Profit after Tax of RM163.52 million (FY2020: RM4.60 million) representing an increase of 3,455% over the preceding year. ESSB contributed RM76.01 million to Group profits (FY2020: RM3.84 million) owing to improved margins, greater production efficiencies, energy cost savings contributed by the 55 MW power plant, and the reversal of impairment loss at ESSB of another RM66.15 million (FY2020: RM50.0 million). This reversal of impairment loss was done subsequent to annual impairment assessment to reflect the sustainable operations efficiency and profitability.

## PERFORMANCE REVIEW BY SEGMENT

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

# MANAGEMENT DISCUSSION

## AND ANALYSIS (Cont'd)

### • SEGMENTS' PERFORMANCE

Despite a shortened trading period of only 10 months in FY2021, the Group achieved a 16.1% increase in revenue to RM1.08 billion as compared to RM0.93 billion reported in the preceding financial year. The Group's Profit from Operations improved by 411.0% to RM131.76 million from RM25.79 million in the previous year due to expanded margins arising from higher steel prices. Share of Profits from JV entity jumped significantly to RM76.01 million (FY2020: RM3.84 million) as ESSB turned around and posted its first year of operational profits. On the whole, the Group registered a remarkable Profit before Tax of RM194.59 million in FY2021 as compared to RM8.69 million in the preceding financial year, representing an increase of 2,139%.

At the end of FY2021, inventories and receivables were at RM450.14 million and RM210.01 million, representing increases of 27.1% and 7.0% from RM354.19 million and RM196.26 million, respectively recorded in previous financial year, mainly attributable to higher steel prices. Group's net borrowings (net of cash) as at end of FY2021 reduced to RM234.47 million from RM339.19 million in the preceding year. Net Gearing stood at a healthy 0.21 as at end FY2021. The Group's borrowings comprise 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. The Group's 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 and AS 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 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 scaffold equipment provider in both the domestic and regional markets.

For the financial year under review, despite shutting down operations for 2 months in June and July 2021, the manufacturing segment recorded revenue of RM533.07 million and contributed RM92.05 million in segment profit. The good performance was principally due to higher steel prices and disciplined costs control. The Group will remain focus and continue to be efficient in cost management, continuous enhancements in quality, strategic procurement and distribution, and timely respond to 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 continuous costs saving.
- Further enhancement of product quality and certification for the export markets.
- Explore new products, market segments and to further expand presence in Southeast Asia and beyond.

### 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 RM550.51 million in FY2021 as compared to RM489.80 million in the previous financial year, representing a slight increase of 12.39%. Attributable to higher revenue reported, the trading segment achieved a Profit before Tax of RM33.35 million in FY2021, reversing from a Loss before Tax of RM10.34 million in the previous financial year due to margin improvements.

### 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 RM8.81 million as compared to a Loss before Tax of RM3.21 million in the previous financial year. The rental income during the year under review included a 50% discount given to the subsidiaries to offset the challenges of the COVID-19 pandemic.

### Transportation Segment

The transportation segment is engaged in the provision of transport services by trucks or trailers that solely support the transportation

# MANAGEMENT DISCUSSION

## AND ANALYSIS (Cont'd)

### Transportation Segment (Cont'd)

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 continue to focus on increasing the number of trips or deliveries captured to further develop 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 registered revenue of RM2.83 million, representing a decrease of 11.3% over the revenue of RM3.19 million achieved in FY 2020, despite the lower revenue, the segment recorded an increase in Profit before Tax of RM1.73 million as compared to RM1.49 million in FY2020.

### 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 55MW power plant in October 2019 which contributed substantial savings in energy costs. In its latest project development, the JV entity has completed the first 100,000 MT of its planned 400,000 MT coke oven plant in June 2021. The second 100,000 MT completed in October 2021 with the next 200,000 MT targeted to complete in FY2022.

For the financial year under review, ESSB improved its revenue to RM1.82 billion in FY2021 from RM1.43 billion reported in the preceding year, representing an increase of 27.3% despite shutting its operations for the month of June in 2021. This achievement was driven by strong acceptance and demand for its products in both the domestic and overseas market such as China, Taiwan, Indonesia, Thailand, Japan, Korea and Singapore. Malaysia and the South East Asian markets are net importer of slabs and billets.

In FY2021, ESSB produced a total of 724,680 MT of steel products, of which, slabs and billets were 450,087 MT and 274,593 MT, respectively. In the same financial year, a total of 739,675 MT of steel products were sold comprising 436,453 MT of slabs and 303,222 MT of billets. Domestic sales volume was 216,378 MT (29%) while export sales volume was 523,297 MT (71%).

As at FYE 2021, ESSB's shareholders' funds stood at RM1.42 billion with bank borrowings of RM62.54 million, comprising short term trade facilities.

This excellent achievement signifies the Group's commitment together with our JV partner, the Beijing Jianlong Group, to bring ESSB's operations to global standards and propel the company to the next level of growth.

### • FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

	2017	2018	2019	2020	2021
Revenue (RM'000)	1,073,657	1,127,859	1,186,607	932,907	1,081,939
Profit From Operations (RM'000)	170,757	119,740	77,928	25,791	131,760
(Loss) / Profit Before Tax (RM'000)	(74,821)	48,366	39,150	8,689	194,590
(Loss) / Profit After Tax (RM'000)	(103,161)	27,189	24,818	4,601	163,517
EBITDA (RM'000)	(29,817)	83,261	75,140	43,776	221,368
Shareholders' Funds (RM'000)	807,371	836,473	861,792	861,110	1,125,881
NTA Per Share (RM)	0.60	0.61	0.64	0.64	0.65
(Loss) / Earnings Per Share (sen)	(8.00)	2.12	1.89	0.32	11.55
Dividend (sen)	-	0.50	0.50	0.30	1.00
Borrowings (RM'000)	453,672	612,092	626,066	506,261	411,101

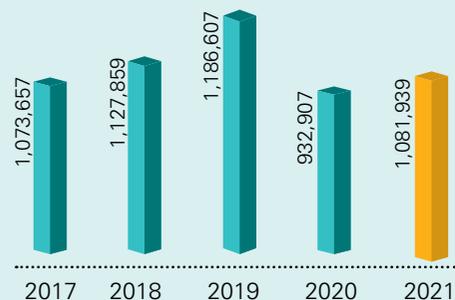
# MANAGEMENT DISCUSSION

AND ANALYSIS (Cont'd)

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

### REVENUE

(RM'000)



### PROFIT FROM OPERATION

(RM'000)



### (LOSS) / PROFIT BEFORE TAXATION

(RM'000)



### EBITDA

(RM'000)



### (LOSS) / PROFIT AFTER TAXATION

(RM'000)



### SHAREHOLDERS' FUNDS

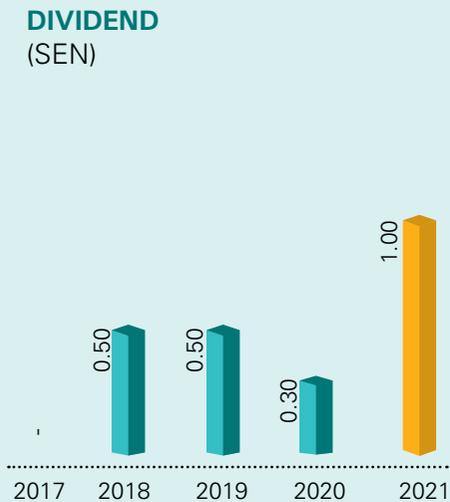
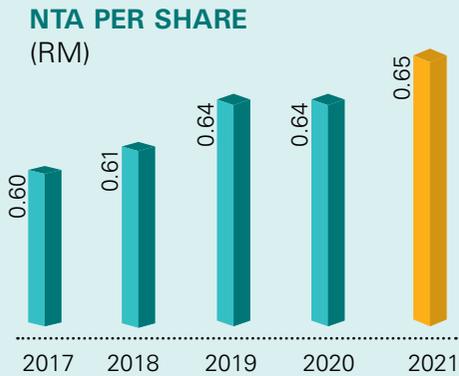
(RM'000)



# MANAGEMENT DISCUSSION

AND ANALYSIS (Cont'd)

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



# MANAGEMENT DISCUSSION

## AND ANALYSIS (Cont'd)

### MARKET REVIEW

#### World

The World Steel Association's Short Range Outlook for 2021 and 2022, forecasted that steel demand will grow by 5.8% in 2021 to reach 1,874.0 million tonnes, after declining by 0.2% in 2020. In 2022 steel demand will see further growth of 2.7% to reach 1,924.6 million tonnes.

While it is hoped that the worst of the pandemic is passing, there is still significant downside risks amidst further evolution of the virus and new virus variants.

In the coming years, steel demand is expected to grow firmly, both in the developed and developing economies, as the global economy emerges from lockdowns and driven by pent-up demand and governments' recovery programs. Exciting opportunities are ahead for steelmakers in Asia as China continues to pursue its production restrictions.

#### Asean

In ASEAN-6, disruptions to construction projects hit the fast-growing steel market, and steel demand contracted by 11.9% in 2020. Apparent steel consumption in ASEAN-6 dropped to 70.7 million tonnes from 80.3 million tonnes in 2019. Malaysia and Philippines were the most severely hit countries due to several lockdowns, while Vietnam and Indonesia saw only a modest decline in steel demand as their construction industry remain robust.

The outbreak of the COVID-19 pandemic in early 2020 initially began as a health crisis that later brought about an unprecedented economic crisis. Most economies globally were confronted by both supply and demand shocks following the measures imposed to contain the pandemic.

### BUSINESS OUTLOOK

In 2021, the Malaysian economy started off on a positive note with a smaller contraction of 0.5% in 1Q followed by a strong 16.1% growth in the second quarter of 2021.

Economic performance was supported mainly by improvements in domestic demand and continued robust exports performance in tandem with improving global demand. Economic activity picked up at the start of the second quarter, but ground to a halt thereafter following the re-imposition of stricter containment measures nationwide under Phase 1 of the Full Movement Control Order (FMCO).

Similarly, growth in the construction sector continued and registered a strong positive growth of 40.3% in 2Q 2021 (1Q 2021: -10.4%). Growth was supported by the continuation of construction works in large infrastructure projects and on-going implementation of small-scale projects under the 2021 Budget, PEMERKASA and PEMERKASA+ stimulus packages.

However, on a seasonally adjusted quarter-on-quarter basis, construction growth declined by 3.2%. Activity was disrupted by the restrictions under Phase 1 of the FMCO, where only essential construction projects were allowed to operate, albeit at a reduced capacity. Nevertheless, the recent re-opening of the economy would support a gradual recovery in the fourth quarter of this year, with higher global growth and sustained policy support providing a further lift to economic growth including the steel industry. The recovery is expected to accelerate further going into 2022, supported by a further normalisation of economic activities as well as the positive spill-overs from continued improvement in external demand.

Despite favourable domestic demand, there are still challenges ahead such as the potentially recurring MCO to curb renewed infections. The potential risks of a resurgence of the COVID-19 pandemic are closely monitored at each business segment. The Group recognises the importance of Health Safety & Environment ("HSE"), and also the risks on operations and the supply chain. Relevant SOPs and stringent COVID-19 SOPs such as, full vaccination for all employees, weekly self-antigen test and for all visitors before entering to offices and factories have been implemented to mitigate the impact on production and supply disruptions.

Overall, with the remarkable achievement in FY2021, the Group is determined to continue this trajectory and strive for further improvements in FY2022. The Group will continue to be mindful and remain focus on its key drivers and strategies to enhance operational efficiency, continuous cost savings, and to sustain earnings growth, a healthy balance sheet and strong cash position to capture new opportunities and expansion when the opportunities arise. The JV will also see enhancement in performance with additional cost savings derived from the progressive completion of the coke oven plant and new opportunities as China continues with steel production restrictions, and relying more on imports for general purpose items.

# STATEMENT ON CORPORATE GOVERNANCE

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 2021. 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](http://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 judgment 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 practise 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 a high standard of corporate governance is maintained throughout the Group and 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.

# STATEMENT ON CORPORATE

## GOVERNANCE (Cont'd)

### Key Responsibilities of the Chairman

The Board is led by a competent Chairman, Tan Sri Abd 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 Abd 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 the 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.

# STATEMENT ON CORPORATE

## GOVERNANCE (Cont'd)

### Company Secretary (Cont'd)

The Company Secretary updates the Board of Directors regularly on amendments to the Malaysian Code on Corporate Governance and the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“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 Malaysia Securities Berhad, 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](http://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](http://www.htgrp.com.my).

With the enforcement of Section 17A of the Malaysian Anti-Corruption Commission Act 2018 (“MACC Act 2018”) which established the principle 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](http://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 Company’s website at [www.htgrp.com.my](http://www.htgrp.com.my). The Whistleblowing Policy is intended to support the Company’s Core Values, Code of Ethics and Governance.

## II. BOARD COMPOSITION

### Board Balance

The Board comprises eight (8) members; four (4) of whom are Executive Directors and four (4) 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 and is also in compliance with Practice 4.1 of the Code which recommended at least half the Board to comprise independent directors. A brief profile of the Board members are set out on pages 4 to 8 of this Annual Report.

# STATEMENT ON CORPORATE

## GOVERNANCE (Cont'd)

### Tenure of Independent Non-Executive Director

It is the present policy of the Company that the tenure of an Independent Non-Executive Director shall not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, the Independent Non-Executive 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.

For the financial year ended 31 July 2021, Tan Sri Abd Rahman Bin Mamat has been an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years. In view of that and with the recommendations of the Nominating Committee, the Board intends to retain Tan Sri Abd Rahman Bin Mamat as an Independent Non-Executive Director on the grounds that Tan Sri Abd 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 instil 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.

In addition, Mr. Leow Hoi Loong @ Liow Hoi Loong who was appointed an Independent Non-Executive Director of the Company on 13 December 2012 would have served as an Independent Non-Executive Director of the Company for more than 9 years at the forthcoming 25th Annual General Meeting to be held on 17 December 2021. In view of that and with the recommendations of the Nominating Committee, the Board intends to retain Mr. Leow Hoi Loong @ Liow Hoi Loong as an Independent Non-Executive Director on the grounds that Mr. Leow Hoi Loong @ Liow Hoi Loong:

- 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 instil good corporate governance practices, leadership and effectiveness at the Board level.

### 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 with the Board. 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 effective discussions and decision making during the meetings.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

## Board Meetings (Cont'd)

During the financial year ended 31 July 2021, five (5) board meetings were held. Details of the Board of Directors' Meetings and their attendances at these meetings are set out below. All Directors in office during the said period have attended 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 25 March 2021 was cancelled. Instead, due to the extraordinary circumstances, the Directors participated electronically via Microsoft Teams to approve the Unaudited Group Results for the Second Quarter ended 31 January 2021. The next two Board meetings that were held on the 29 June 2021 and 9 July 2021 respectively were also held electronically via Microsoft Teams to review the relevant agendas as set out in the notice of the Meetings thereat.

Details of the Board of Directors' Meeting held during the financial year ended 31 July 2021:

Name of Directors	Date of Meeting					Total Meetings Attended by Directors	Percentage of Attendance
	28/09/2020	16/12/2020	25/03/2021	29/06/2021	09/07/2021		
Tan Sri Abd Rahman Bin Mamat (Independent Non-Executive Director/Chairman)	✓	✓	✓	✓	✓	5/5	100%
Tan Sri Dato' Law Tien Seng (Executive Deputy Chairman)	✓	✓	✓	✓	✓	5/5	100%
Mr. Foo Kok Siew (Executive Director)	✓	✓	✓	✓	✓	5/5	100%
Mr. Tan Shau Ming (Executive Director)	✓	✓	✓	✓	✓	5/5	100%
Mr. Law Wai Cheong (Executive Director)	✓	✓	✓	✓	✓	5/5	100%
Mr. Leow Hoi Loong @ Liow Hoi Loong (Independent Non-Executive Director)	✓	✓	✓	✓	✓	5/5	100%
Mr. Lee Ching Kion (Senior Independent Non-Executive Director)	✓	✓	✓	✓	✓	5/5	100%
Mr. Sherman Lam Yuen Suen (Independent Non-Executive Director) (Appointed on 21 December 2020)	-	-	✓	✓	✓	3/3	100%

# STATEMENT ON CORPORATE

## GOVERNANCE (Cont'd)

### 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 2021, the Board through the Nominating Committee, has 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. For the financial year ended 31 July 2021, the Nominating Committee has reviewed, assessed and recommended the appointment of Mr. Sherman Lam Yuen Suen as an Independent Non-Executive Director of the Company.

### 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.
• Mr. Foo Kok Siew	92
• Mr. Leow Hoi Loong @ Liow Hoi Loong	92

The profile of the above Directors who are retiring by rotation are available on pages 4 to 8 of the Annual Report 2021.

### 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 challenge rigorously 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 39 to 41 of this Annual Report. The details of the Internal Audit function and activities are set out in the Statement of Risk Management and Internal Controls on pages 36 to 38 of the Annual Report 2021. The Chairman of the Audit Committee is not the Chairman of the Board. The Audit Committee of the Company comprises solely of Independent Non-Executive 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](http://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 Abd Rahman Bin Mamat.

# STATEMENT ON CORPORATE

## GOVERNANCE (Cont'd)

### 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 Abd Rahman Bin Mamat	Chairman	Independent Non-Executive Director
Mr. Leow Hoi Loong @ Liow Hoi Loong	Member	Independent Non-Executive Director
Mr. Lee Ching Kion	Member	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 need 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 2021, the Board through the Nominating Committee has 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 2021, 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 2021:

Name of Directors	Date of Meeting			Total Meetings Attended by Directors	Percentage of Attendance
	28/09/2020	16/12/2020	29/06/2021		
Tan Sri Abd Rahman Bin Mamat (Independent Non-Executive Director)	✓	✓	✓	3/3	100%
Mr. Leow Hoi Loong @ Liow Hoi Loong (Independent Non-Executive Director)	✓	✓	✓	3/3	100%
Mr. Lee Ching Kion (Senior Independent Non-Executive Director)	✓	✓	✓	3/3	100%

# STATEMENT ON CORPORATE

## GOVERNANCE (Cont'd)

### 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 Main Market Listing Requirements and related notifications by Bursa Malaysia Securities Berhad.

The Directors had during the financial year ended 31 July 2021, 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 trainings/seminars attended by the Directors:-

1.	Name of Directors	Trainings or Seminars Attended	Dates of Attendance
1.	Tan Sri Abd Rahman Bin Mamat	<ul style="list-style-type: none"> <li>• MIDF - Directors &amp; Officers Liability Insurance – Presentation By Ernst &amp; Young, Berkley Insurance Asia</li> <li>• Asia School of Business- Pathway To A Governance Practitioner Programme (Module 3: Corporate Governance Legal Requirements-What The Law Says)</li> <li>• Guidelines On Conduct of Directors of Listed Corporation and their Subsidiaries</li> <li>• MASB - MASB Engagement Session On IFRS Foundation's Consultation Paper – Sustainability Reporting</li> <li>• MIDF - Cybersecurity Landscape and Awareness for MIDF Board of Directors and Senior Management programme</li> <li>• MICG - In-house training webinar on Board Dynamics - What are the Key Governance Reporting &amp; Compliance Requirements</li> <li>• FIDE/ICLIF-FIDE ELECTIVE: Risk Management in Technology (RMiT) &amp; Digital Transformation: What they mean for Governance and Strategy of Bank and Insurance Boards?</li> <li>• MIDF - Special Briefing on Risk-adjusted return on capital (RAROC) Implementation &amp; Applications</li> <li>• FIDE FORUM - BNM-FIDE FORUM Dialogue on The Role of Independent Director in Embracing Present and Future Challenges</li> <li>• FIDE FORUM - BNM-FIDE FORUM Dialogue on The Future of Malaysia's Financial Sector</li> <li>• ICLIF - Implementing Amendments In The Malaysian Code On Corporate Governance</li> <li>• ICLIF - Understanding Board Decision-Making Process</li> <li>• FIDE FORUM - JC3 Flagship Conference 2021</li> <li>• MICG - Delivering Business Resilience in Transformative Times - Setting an Efficient Growth Framework</li> <li>• PNB - PNB Knowledge Forum 2021-Raising above COVID 19: Reimagining Work in Malaysia &amp; Beyond</li> </ul>	<ul style="list-style-type: none"> <li>21 August 2020</li> <li>8-9 September 2020</li> <li>28 September 2020</li> <li>13 November 2020</li> <li>18 January 2021</li> <li>26 January 2021</li> <li>20 April 2021</li> <li>28 May 2021</li> <li>2 June 2021</li> <li>9 June 2021</li> <li>14 June 2021</li> <li>15-16 June 2021</li> <li>23-25 June 2021</li> <li>1 July 2021</li> <li>14 July 2021</li> </ul>
2.	Tan Sri Dato' Law Tien Seng	<ul style="list-style-type: none"> <li>• Guidelines On Conduct of Directors of Listed Corporation and their Subsidiaries</li> <li>• Anti-Bribery and Corruption - Section 17A</li> </ul>	<ul style="list-style-type: none"> <li>28 September 2020</li> <li>19 December 2020</li> </ul>
3.	Mr. Foo Kok Siew	<ul style="list-style-type: none"> <li>• Anti-Bribery and Corruption - Section 17A</li> <li>• Insolvency Amendment Bill 2020</li> <li>• Guidelines On Conduct of Directors of Listed Corporation and their Subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>25 July 2020</li> <li>12 September 2020</li> <li>28 September 2020</li> </ul>
4.	Mr. Leow Hoi Loong Loong @ Liow Hoi	<ul style="list-style-type: none"> <li>• Guidelines On Conduct of Directors of Listed Corporation and their Subsidiaries</li> <li>• Anti-Money Laundering and Financial Crimes in the age of COVID</li> <li>• The Psychology of Investing - Exploring Behavioural Finance</li> </ul>	<ul style="list-style-type: none"> <li>28 September 2020</li> <li>18 March 2021</li> <li>21 June 2021</li> </ul>

# STATEMENT ON CORPORATE

## GOVERNANCE (Cont'd)

### Directors' Training (Cont'd)

Name of Directors	Trainings or Seminars Attended	Dates of Attendance
5. Mr. Law Wai Cheong	<ul style="list-style-type: none"> <li>Guidelines On Conduct of Directors of Listed Corporation and their Subsidiaries</li> <li>Anti-Bribery and Corruption - Section 17A</li> </ul>	28 September 2020 19 December 2020
6. Mr. Tan Shau Ming	<ul style="list-style-type: none"> <li>Anti-Bribery and Corruption - Section 17A</li> <li>Insolvency Amendment Bill 2020</li> <li>Guidelines On Conduct of Directors of Listed Corporation and their Subsidiaries</li> </ul>	25 July 2020 12 September 2020 28 September 2020
7. Mr. Lee Ching Kion	<ul style="list-style-type: none"> <li>Guidelines On Conduct of Directors of Listed Corporation and their Subsidiaries</li> <li>Asia School of Business Management: Corruption Risk Management</li> </ul>	28 September 2020 26-27 April 2021
8. Mr. Sherman Lam Yuen Suen	<ul style="list-style-type: none"> <li>CPA Australia - Global Leaders Insight</li> <li>Malaysian Institute of Accountants - Integrated Reporting: The Asean Experience</li> <li>CPA Australia - Tax Landscape in Malaysia</li> <li>Chartered Institute of Management Accountants - IFRS Updates</li> <li>MIA Conference 2021 - Virtual MIA International Accountants Conference (Navigating a Sustainable Future with Agility and Resilience) 2021</li> <li>Malaysian Institute of Corporate Governance - The Updated Malaysian Code of Corporate Governance</li> <li>Institute of Internal Auditors Malaysia - Governance in Audit</li> <li>Malaysian Institute of Accountants - Advanced Corporate Tax: Issues and Strategies</li> <li>CPA Australia - Assessable Income and exclusions, business deductions and capital allowances</li> </ul>	23 December 2020 19 April 2021 20 April 2021 27 May 2021 8-10 June 2021 30 June 2021 15 July 2021 22 July 2021 23 July 2021

### 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 Abd Rahman Bin Mamat	Chairman	Independent Non-Executive Director
Mr. Leow Hoi Loong @ Liow Hoi Loong	Member	Independent Non-Executive Director
Mr. Foo Kok Siew	Member	Executive Director

For the financial year ended 31 July 2021, the ESOS Committee held one meeting on 16 December 2020 for the following purposes:-

- To note the total number of options or shares granted, exercised, vested, and outstanding up to date;
- To note the number of options of shares granted to Directors and Senior Management;
- To note that Performance Target for FYE 2020 has not been achieved;
- To approve Batch-6 offer of options to eligible directors and employees of the Group; and
- To recommend to the Board of Directors for approval of the option price.

### 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:

# STATEMENT ON CORPORATE

## GOVERNANCE (Cont'd)

### Remuneration Committee (Cont'd)

- 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 deem 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 Company's website at [www.htgrp.com.my](http://www.htgrp.com.my).

The members of the Remuneration Committee are as follows:

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

For the financial year ended 31 July 2021, the Remuneration Committee held two meetings on 16 December 2020 and 29 June 2021 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 2021, 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.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

## Directors' Remuneration (Cont'd)

The details of the remuneration of Directors of the Company in respect of the financial year ended 31 July 2021 are set out as follows:

	Director Fees RM'000	Director Emoluments RM'000	Allowances RM'000	Total RM'000
<b>Group</b>				
<b>Independent Non-Executive Directors:</b>				
Tan Sri Abd Rahman Bin Mamat	110	-	6	116
Leow Hoi Loong @ Liow Hoi Loong	100	-	6	106
Lee Ching Kion	95	-	6	101
Sherman Lam Yuen Suen	63	-	3	66
	<b>368</b>	<b>-</b>	<b>21</b>	<b>389</b>
<b>Executive Directors:</b>				
Tan Sri Dato' Law Tien Seng	-	3,222	198	3,420
Foo Kok Siew	-	1,303	72	1,375
Tan Shau Ming	-	677	42	719
Law Wai Cheong	-	779	42	821
	<b>-</b>	<b>5,981</b>	<b>354</b>	<b>6,335</b>
<b>Total</b>	<b>368</b>	<b>5,981</b>	<b>375</b>	<b>6,724</b>

## Company

### Independent Non-Executive Directors:

Tan Sri Abd Rahman Bin Mamat	110	-	6	116
Leow Hoi Loong @ Liow Hoi Loong	100	-	6	106
Lee Ching Kion	95	-	6	101
Sherman Lam Yuen Suen	63	-	3	66

**368**      **-**      **21**      **389**

### Executive Directors:

Tan Sri Dato' Law Tien Seng	-	3,222	198	3,420
Foo Kok Siew	-	1,303	72	1,375
Law Wai Cheong	-	779	42	821

**-**      **5,304**      **312**      **5,616**

**Total**      **368**      **5,304**      **333**      **6,005**

# STATEMENT ON CORPORATE

## GOVERNANCE (Cont'd)

### 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 Senior 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 are 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 Company's website at [www.htgrp.com.my](http://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 is 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.

# STATEMENT ON CORPORATE

## GOVERNANCE (Cont'd)

### 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 to disclosed with reasonable accuracy at any time the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the Companies Act 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 plan, 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 plan, 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 for 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 state of risk management and internal control of the Group and to highlight areas for Management's correction and/or improvement.

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 36 to 38.

# STATEMENT ON CORPORATE

## GOVERNANCE (Cont'd)

### 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 Company's website at [www.htgrp.com.my](http://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 Tricor Axcelasia Sdn. Bhd. ("Tricor Axcelasia") (the succeeding company of 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, an Executive Director of Tricor Axcelasia. Mr Chang holds the certifications of Certified Information Systems Auditor, Certified Internal Auditor, and Certification in Risk Management Assurance. He is a 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 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 performs its work as guided by 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 39 to 41 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](http://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.

# STATEMENT ON CORPORATE

## GOVERNANCE (Cont'd)

### I. COMMUNICATION WITH STAKEHOLDERS (Cont'd)

The Company meets financial analysts 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.

At the start of the last year's Annual General Meeting held on 17 December 2020, the Board's reply to the Minority Shareholders' Working Group's ("MSWG") query Letter dated 7 December 2020 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](http://www.htgrp.com.my).

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 17 November 2021 while its AGM will only be held on 17 December 2021, 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.

However, the COVID-19 pandemic and the ensuing enforcement of the Movement Control Order ("MCO") have changed the traditional way of holding an Annual General Meeting, i.e. physically. Based on the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission on 18 April 2020 (Revised on 16 July 2021), the Twenty-Fourth Annual General Meeting (24<sup>th</sup> AGM) of the Company which was held on Thursday, 17 December 2020 ("24<sup>th</sup> AGM") was conducted for the first time fully virtual with the Broadcast Venue at the Auditorium, Level 3A Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The Chairman, the Executive Deputy Chairman, the Executive Director and Independent Non-Executive Directors were present at the Broadcast Venue besides the Group's Chief Financial Officer, the Company Secretary and the Scrutineer ("Strategy Corporate House Sdn. Bhd."). The Auditors and Members participated in the 24<sup>th</sup> AGM remotely via the online platform Boardroom Smart Investor Portal website at <https://meeting.boardroomlimited.my>.

Shareholders, proxies, attorneys or authorised representatives were not allowed to attend the 24<sup>th</sup> AGM in persons at the Broadcast Venue on the day of the meeting, but eligible shareholders, proxies, attorneys and authorised representatives ("collectively referred to as shareholders thereafter") were able to attend the 24<sup>th</sup> AGM via Remote Participation And Voting Facilities ("RPV") at Boardroom Smart Investor Portal website including exercising their rights to participate and vote. Shareholders were provided with a dedicated contact number and/or email to submit queries or request for technical assistance to participate in the fully virtual general meeting. Questions or remarks posted by shareholders during the 24<sup>th</sup> AGM were meaningfully responded to by the Board, and such questions and remarks were made visible to all the participants of the meeting. All the resolutions were tabled at the 24<sup>th</sup> AGM. The meeting proceedings and resolutions passed at the 24<sup>th</sup> AGM was posted on the Company's website at [www.htgrp.com.my](http://www.htgrp.com.my). All the resolutions tabled at the 24<sup>th</sup> AGM were voted by poll. Voting on all the resolutions commenced at any time after the 24<sup>th</sup> AGM started and ended with the Chairman's announcement that the voting was closed. Following the end of voting, the Scrutineer verified the poll results before giving to the Chairman to declare whether the resolutions were passed and carried. The 24<sup>th</sup> AGM and remote participation ended with the Chairman's announcement of the closure of the 24<sup>th</sup> AGM.

# STATEMENT ON CORPORATE

## GOVERNANCE (Cont'd)

### Poll Voting

According to Paragraph 8.29A (1) of the MMLR, all resolutions set out in the notice of a general meeting should be put to vote by poll. Hence, the resolutions tabled at the Company's 24<sup>th</sup> AGM convened on 17 December 2020 were by poll voting. The Company had appointed Boardroom Share Registrars Sdn. Bhd. as Poll Administrator to conduct the poll by way of electronic voting (e-voting). Independent Scrutineer was appointed to observe the polling process and to verify the favour and against the resolution. The Chairman of the Company announced the result of the poll. Shareholders are entitled to appoint proxy/proxies or corporate representative where the shareholder is a corporation to vote on his/its behalf at general meeting.

Shareholder/proxies/corporate representatives/attorneys can proceed to vote on the resolutions at any time from the commencement of the 24<sup>th</sup> AGM at 10:00a.m. on Thursday, 17 December 2020 but before the end of the voting session which will be announced by the Chairman of the meeting.

### Proxy

As the 24<sup>th</sup> AGM was a virtual AGM, shareholders attended, spoke (in the form of real time submission of typed texts) and voted (collectively, "participate") remotely at the 24<sup>th</sup> AGM using Remote Participation and Voting Facilities ("RPV") provided by Boardroom Share Registrars Sdn. Bhd. via its Boardroom Smart Investor Portal website at <https://boardroomlimited.my>

Shareholders who appointed proxies, corporate representatives or power of attorneys via RPV in 24<sup>th</sup> AGM ensured that the duly executed proxy forms, original certificate of appointment of corporate representatives or the power of attorneys respectively were deposited with Boardroom Share Registrars Sdn. Bhd. not later than Thursday, 15 December 2020 at 10:00a.m. to participate via RPV in the AGM.

## ADDITIONAL INFORMATION

### 1. SHARE BUY-BACK

A total number of shares purchased and retained as treasury shares during the financial year ended 31 July 2021 was nil.

As at end of the financial year:

- There was no shares bought back in the financial year ended 31 July 2021;
- A total of 5,492,000 shares bought back were held as treasury shares and carried at cost; and
- 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 2021.

	No. of Shares	RM
As at 1 August 2020	<b>1,360,332,734</b>	<b>680,166,367</b>
(+) Ordinary shares issued pursuant conversion of RCUIDS	213,548,013	106,774,006
(+) Ordinary shares issued pursuant conversion of Warrants	152,451,739	76,225,870
(+) Ordinary shares issued pursuant conversion of ESOS	3,844,390	1,922,195
<b>As at 31 July 2021</b>	<b>1,730,176,876</b>	<b>865,088,438</b>

### 3. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any Depository Receipt Programme during the financial year ended 31 July 2021.

# STATEMENT ON CORPORATE

## GOVERNANCE (Cont'd)

### 4. IMPOSITION OF SANCTIONS/PENALTIES

There were no public sanctions and/or public penalties imposed on the Company and its subsidiaries, Directors or Management by relevant regulatory bodies during the financial year ended 31 July 2021.

### 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 2021 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 2021 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. REVALUATION POLICY

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

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

The Company has on its Annual General Meeting held on 17 December 2020 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 2021 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.	260,918

*This statement was approved by the Board on 29 September 2021.*

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 2021. 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.

# STATEMENT ON RISK MANAGEMENT

## AND INTERNAL CONTROL (Cont'd)

### 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.

# STATEMENT ON RISK MANAGEMENT

## AND INTERNAL CONTROL (Cont'd)

### 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 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.

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](http://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 2021. 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.

# AUDIT COMMITTEE

## REPORT

The Board of Directors of Hiap Teck Venture Berhad is pleased to present the Audit Committee report for the financial year ended 31 July 2021 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](http://www.htgrp.com.my).

The members of the Audit Committee are appointed from amongst the Directors. All the four 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 Abd Rahman Bin Mamat	Member	Independent Non-Executive Director
Mr. Lee Ching Kion	Member	Senior Independent Non-Executive Director
Mr. Sherman Lam Yuen Suen	Member	Independent Non-Executive Director

### MEETING AND ATTENDANCE

During the financial year ended 31 July 2021, 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
	28/09/2020	16/12/2020	25/03/2020	29/06/2021		
Mr. Leow Hoi Loong @ Liow Hoi Loong	✓	✓	✓	✓	4/4	100%
Tan Sri Abd Rahman Mamat	✓	✓	✓	✓	4/4	100%
Mr. Lee Ching Kion	✓	✓	✓	✓	4/4	100%
Mr. Sherman Lam Yuen Suen (Appointed on 21 December 2020)	-	-	✓	✓	2/2	100%

# AUDIT COMMITTEE

## REPORT (Cont'd)

### 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 2021. 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 2021 to the Audit Committee and attended meetings where matters relating to the audit of the statutory accounts were discussed. Other Board members and Management 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 2021 were as follows:

- o 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.
- o 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 2021.
- o Reviewed and approved the internal audit plan, strategy and scope of work.
- o Reviewed the internal audit reports and follow-up audit reports and consider the findings and recommendations and management's responses thereto.
- o Reviewed the Audit Committee's Term of References ("TOR") and recommended to the Board for approval.
- o 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.
- o 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.
- o 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.
- o Reviewed the audit and non-audit fees of the External Auditors and recommended these fees to the Board of Directors' for consideration and approval.
- o 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.
- o 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.
- o Met with the External Auditors on 28 September 2020 and 29 June 2021 without the presence of the Executive Directors and Management.
- o Reviewed the suitability, objectivity and independence of the External Auditors and recommended them for their re-appointment.
- o 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 29 September 2021 the allocation of the options for the financial year ended 31 July 2021 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.

# AUDIT COMMITTEE

## REPORT (Cont'd)

### REVIEW OF ALLOCATION OF OPTIONS (Cont'd)

- Shares options granted to the Directors and Senior Management as at 29 September 2021:

(i) Aggregate maximum allocation applicable to directors and senior management in percentage	50%
(ii) Total number of shares options granted	56,291,177
(iii) The actual percentage granted	46%

- Breakdown of options granted to and vested on Independent Non-Executive Directors as at 29 September 2021:

Name of director	Amount of options/ shares granted	Amount of options exercised/shares vested	
		Vested	Exercised
Tan Sri Abd 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	-
<b>Total</b>	<b>3,239,997</b>	<b>3,239,997</b>	<b>-</b>

### INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to Tricor Axcelasia Sdn. Bhd. ("Tricor Axcelasia"), an independent professional services firm for an annual fee of RM175,000 (2020 – 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 2021, the Internal Auditors executed the approved audit plan and performed internal control review for the following subsidiary companies and functions:

- o Internal Control of Procurement Function for Alpine Pipe Manufacturing Sdn. Bhd. and Huatraco Scaffold Sdn. Bhd.;
- o Corporate Liability (Anti-Bribery and Anti-Corruption and Corruption Risk Management System);
- o Human Resource Function;
- o Sales Commission;
- o Government Affairs Liaison;
- o Technical & Design Department;
- o Finance Function.

and 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 four (4) times to carry out its responsibility in reviewing the internal audit function and to assure itself on the soundness of internal control system.

This Statement was approved by the Board on 29 September 2021.

# NOMINATING COMMITTEE

## STATEMENT

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](http://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 Abd Rahman Bin Mamat	Chairman	Independent Non-Executive Director
Mr. Leow Hoi Loong @ Liow Hoi Loong	Member	Independent Non-Executive Director
Mr. Lee Ching Kion	Member	Senior Independent Non-Executive Director

### MEETING AND ATTENDANCE

The NC met on 28 September 2020, 16 December 2020 and 29 June 2021 during the financial year under review with full attendance of the NC members.

### SUMMARY OF ACTIVITIES

The NC had carried out the following:-

- (a) Reviewed and approved the performance evaluation forms before authorising them to the Directors to complete self and Peer Evaluation.
- (b) Conducted an evaluation of the performance of the Directors for the financial year ended 31 July 2021 at its meeting held on 29 September 2021, 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 Non-Executive Directors should bring to the Board. The Board Evaluation Form evaluates: Board Structure; Board Operation; Management Relationship; Board Roles and Responsibilities; Board Chairman's Roles and Responsibilities and Board Committee, while the Directors' Self and Peer Evaluation Form evaluates: Integrity and Ethics; Fit and Proper; Contribution/ Interaction/ Performance; Knowledge, Judgement and Decision Making; Understanding of role; Caliber of personality; Leadership; and Board Chairman's role. 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 Nominating Committee'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. All Directors agreed that there is full compliance and quality in the Directorate of the Company.
- (c) Reviewed the terms of reference of the Nominating Committee annually.
- (d) 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.
- (e) Looked at the Succession Plan of the Group which is presently subject to further changes and study by the Board and Management.
- (f) Reviewed the retirement by rotation at the forthcoming Twenty-Fifth Annual General Meeting of the Company in accordance with Clause 92 of the Company's Constitution, and recommended the re-election of Mr. Foo Kok Siew and Mr. Leow Hoi Loong @ Liow Hoi Loong who being eligible to be re-elected, have consented to be re-elected.

# NOMINATING COMMITTEE

## STATEMENT (Cont'd)

### SUMMARY OF ACTIVITIES (Cont'd)

- (g) Reviewed the Board size in relation to the Practice 4.1 of Malaysian Code on Corporate Governance 2017.
- (h) 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.
- (i) Conducted on 29 September 2021 an evaluation of the term of office and performance of the Audit Committee (“AC”) for the financial year ended 31 July 2021, and reviewed and assessed the composition and quality; understanding of the business including risks; process and procedures; oversight of the financial reporting process, including internal controls; oversight of audit functions; ethics and compliance; and monitoring activities. Following the evaluation, the Nominating Committee concluded that the AC and its Members had been effective in discharging their responsibilities to ensure the quality, integrity and appropriateness in financial accounting and reporting, and have carried out their duties in accordance with their terms of reference.
- (j) Reviewed and recommended to the Board that the re-appointments of Tan Sri Abd Rahman Bin Mamat whose tenure as Independent Director had exceeded nine (9) years 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 that he:
- 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 instil good corporate governance practices, leadership and effectiveness at the Board level.
  - iii. Is providing strong leadership to the Company and its 35.0% equity-owned joint venture entity under tough and challenging time.
- (k) Reviewed and recommended to the Board that the re-appointments of Mr. Leow Hoi Loong @ Liow Hoi Loong whose tenure as Independent Director had exceeded nine (9) years 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 that he:
- 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 instil good corporate governance practices, leadership and effectiveness at the Board level.
- (l) Reviewed the continuous professional development of members of the AC to ensure that they keep abreast of relevant developments in accounting and auditing practices and rules and that they shall be financially literate and are able to understand matters under purview of the AC including the financial reporting process.
- (m) Reviewed the curriculum vitae of Mr. Sherman Lam Yuen Suen (“Mr. Lam”) to determine if he is suitable to be appointed an Independent Non-Executive Director (“INED”) of the Company. NC noted that Mr. Lam is independent of Management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company. Mr Lam has not been convicted by a court of law; does not hold more than 5 directorship in listed companies; has the time commitment; and is not an undischarged bankrupt. These were some of the things that NC reviewed. AC also met and interviewed Mr. Lam personally. In conclusion, NC recommended to the Board of Directors the appointment of Mr. Lam as an INED.

This statement was approved by the Board on 29 September 2021.

# SUSTAINABILITY

## STATEMENT

### OVERVIEW

Hiap Teck Venture Berhad (“Hiap Teck” or the “Company”) is a leading steel company in Malaysia with operations in the states of Selangor and Terengganu. The Group’s principal activities comprise manufacturing and trading of upstream and mid/downstream steel products for a wide range of applications in the building, construction and infra-structure related sectors, water, oil and gas and the general manufacturing and fabrication 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 report focuses on the material sustainability topics and their effects arising from the activities of the Company during FY2021. The objective is to identify and measure actions taken to manage the subject matter as the Company recognizes that business decisions will impact surrounding communities and the environment that the Company operates in.

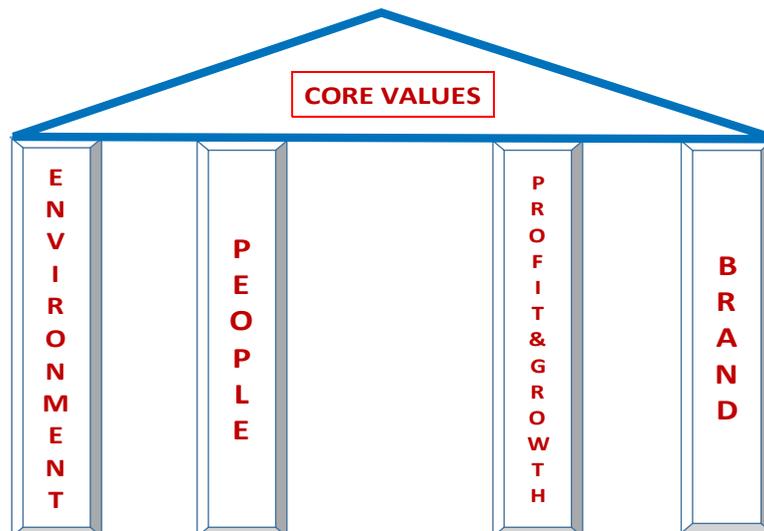
We continue to emphasize on driving sustainable growth to pursue our objectives and are committed to engaging our stakeholders and operate with the highest degree of integrity and transparency. Through these efforts, we progressively embed sustainable practices into the day-to-day operations of the Company.

### GUIDELINE AND METHODOLOGY

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

At Hiap Teck, we understand that stakeholders’ expectations go beyond sole reliance on the financial performance of the organization. The Group is committed and aware of the importance of delivering long-term sustainable value and growth to our stakeholders through frequent communications. The Group adopts a proactive approach to map sustainability strategies based on the **Economic, Environmental, and Social (“EES”)** model and using materiality assessment on factors relevant to our businesses. These practices are progressively embedded into the day-to-day operations and decision-making processes. This is fundamental to the formulation of our business strategies and plays a crucial role in business development to achieve sustainable growth.

The Group’s Sustainability Policy is steered by the 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”).

# SUSTAINABILITY

## STATEMENT (Cont'd)

### STAKEHOLDER ENGAGEMENT

Hiap Teck acknowledges that responses from stakeholders are critical in planning the roadmap and strategies to strengthen the EES management and through timely and regular engagements, allow us to understand our stakeholders' expectations and concerns 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	<ul style="list-style-type: none"> <li>- Corporate website</li> <li>- Quarterly Results Announcement</li> <li>- Material Matters Announcement</li> <li>- Annual Report</li> <li>- Annual General Meeting</li> <li>- Extraordinary General Meeting</li> <li>- Regular Analysts Briefings</li> </ul>	<ul style="list-style-type: none"> <li>- Corporate governance practices</li> <li>- Risk management practices</li> <li>- Sustainable return and growth</li> </ul>
Regulatory Bodies	<ul style="list-style-type: none"> <li>- Forum and dialogues/ meetings</li> <li>- Networking events</li> <li>- Seminar</li> <li>- Briefing and consultation</li> </ul>	<ul style="list-style-type: none"> <li>- Update on human capital development</li> <li>- Health and safety compliance</li> <li>- Environment and social compliance</li> <li>- Industry regulatory development</li> </ul>
Trade Associations	<ul style="list-style-type: none"> <li>- Forum and dialogues/ meetings</li> <li>- Networking events</li> <li>- Seminar</li> <li>- Briefing and consultation</li> </ul>	<ul style="list-style-type: none"> <li>- Update on industry and business trend</li> <li>- Discuss and conclude on impacts of government policies</li> </ul>
Customers	<ul style="list-style-type: none"> <li>- Regulatory Site Visits and Audits</li> <li>- Quality Certification Audits</li> <li>- Marketing Events</li> <li>- Meetings and site visits</li> <li>- Hotline and Company website</li> </ul>	<ul style="list-style-type: none"> <li>- Receive feedback on products quality, product knowledge and customer service standards</li> <li>- Enable bi-lateral communications</li> <li>- Provide products and services updates</li> <li>- Receive and respond to feedback</li> </ul>
Business Partner (Suppliers, Distributors, Contractors)	<ul style="list-style-type: none"> <li>- Trade fairs</li> <li>- Site/ Plant visits</li> <li>- New and Periodical Performance Evaluation</li> <li>- Company website</li> </ul>	<ul style="list-style-type: none"> <li>- Assess business needs</li> <li>- Provide Company information</li> <li>- Provide and receive product and service specifications</li> </ul>
Employees	<ul style="list-style-type: none"> <li>- Daily morning briefings</li> <li>- Weekly management meetings</li> <li>- Monthly operation meetings</li> <li>- Safety meetings</li> <li>- Seminars and trainings</li> <li>- Performance appraisals</li> </ul>	<ul style="list-style-type: none"> <li>- Communicate safe work procedures</li> <li>- Highlight risk, hazards incident</li> <li>- Discuss key concerns</li> <li>- Allow questions from floor and provide answers</li> <li>- Ensure follow up actions with resolution</li> </ul>
Community	<ul style="list-style-type: none"> <li>- COVID-19 vaccination Programme</li> <li>- Blood Donation</li> <li>- Donation</li> <li>- Annual Gotong Royong</li> <li>- Education funds</li> </ul>	<ul style="list-style-type: none"> <li>- Protection against COVID-19 viruses</li> <li>- Improve Blood bank stock</li> <li>- Provide assistance to the needy</li> <li>- Environment cleanliness</li> <li>- Provide rewards for high school achievers</li> </ul>

# SUSTAINABILITY

## STATEMENT (Cont'd)

### MATERIAL TOPICS

Having taken into consideration the stakeholders' engagements, we have identified and summarised the following Material Topics to be discussed in this sustainability statement in accordance to its level of significance to the Group's economic, environmental and social performance and their value to our stakeholders.

Material Topics	Key Issues	Engagement Platforms
Environment (Occupational Health and Safety)	<ul style="list-style-type: none"> <li>- COVID-19 SOPs by MOH</li> <li>- Workplace safety</li> <li>- Unsafe act and condition</li> <li>- Appropriate use of personal protective equipment</li> <li>- COVID-19 Vaccination</li> </ul>	<ul style="list-style-type: none"> <li>- COVID-19 Committee and Enforcement Team</li> <li>- Daily tool box briefing</li> <li>- Safety bulletins</li> <li>- Safety trainings</li> <li>- Safety campaigns</li> <li>- Environmental campaigns</li> </ul>
Product & Service Quality	<ul style="list-style-type: none"> <li>- Quality of Products and Services</li> <li>- Mandatory Compliance to Standards of Operating Procedures ("SOP")</li> <li>- Mandatory Compliance to Regulations</li> </ul>	<ul style="list-style-type: none"> <li>- Customers satisfaction surveys</li> <li>- Certification audits</li> <li>- Regulatory site visits and audit</li> <li>- Supplier engagements</li> </ul>
People	<ul style="list-style-type: none"> <li>- Training and personnel development</li> <li>- Diversity and equal opportunity</li> <li>- Remuneration and benefits</li> <li>- Workplace safety and health training</li> </ul>	<ul style="list-style-type: none"> <li>- Knowledge gap analysis with minimum training hours</li> <li>- Enhanced HR recruitment policy</li> <li>- Annual Appraisal based on KPI set</li> <li>- Workplace meeting and employees briefing</li> </ul>
Profit and Growth	<ul style="list-style-type: none"> <li>- Operational and financial performance</li> <li>- Cash flow and Treasury management</li> <li>- Inventory management</li> <li>- Risk management</li> <li>- Future Expansion Plan</li> </ul>	<ul style="list-style-type: none"> <li>- Daily sales and collection report</li> <li>- Weekly Senior Management Meeting</li> <li>- Monthly Management Meeting</li> <li>- Quarterly Risk Management review</li> <li>- Monthly internal process audit</li> <li>- Annual external audit</li> </ul>
Corporate Governance (Anti-Bribery and Corruption; Ethics and Integrity)	<ul style="list-style-type: none"> <li>- Business conduct and ethics</li> <li>- Interested related party</li> <li>- Internal control</li> <li>- Whistle blowing</li> <li>- Integrity of business dealings</li> </ul>	<ul style="list-style-type: none"> <li>- Code of conduct and ethics</li> <li>- Mandated RRPT</li> <li>- Internal Audit report directly to Audit Committee</li> <li>- Risk Management Policy</li> <li>- Adoption of Anti-Bribery and Corruption Policies and practices</li> </ul>

### CARE FOR OUR PEOPLE

Hiap Teck fully commits to the safety and well-being of our employees. During the year, we took early steps to vaccinate over 99% of all our employees with two doses to protect them from the pandemic and have also put in place more stringent COVID-19 SOPs from the guidelines issued by MOH (Ministry of Health) and form an enforcement team to monitor and prioritize compliance of COVID-19 SOPs for employees, visitors, contractors, transporters and all relevant parties.

This special task force team has layout the preventive and recovery measures with actions and activities required as follows.

# SUSTAINABILITY

STATEMENT (Cont'd)

List of preventive and recovery measures to mitigate risk on the COVID-19 pandemic

## Activities

- Keep all employees informed on the latest updates of the COVID-19 SOP
- Compulsory use of face mask
- Compulsory perform COVID-19 antigen self-test weekly
- Health declaration and screening
- Use of hand sanitizer and disinfectant at entry point
- Daily MY Sejahtera update to ensure "Low Risk" at entrance
- Sanitizing all offices and factories areas every day
- Social Distancing at work place
- Ensure sufficient Personal Protective Equipment at all times
- Procedures of Infected staff and Contacts
- Designated Quarantine areas
- Deceased Staff
- COVID-19 vaccination program for staff
- COVID-19 vaccination guidelines for visitors or contractors
- Supply chain disruptions
- Staying safe and healthy



1



2

1

CONDUCT RTK ANTIGEN SELF-TEST FOR FACTORY WORKERS

2

CONDUCT RTK ANTIGEN SELF-TEST FOR OUTSIDER TRUCK/LORRY DRIVER BEFORE ENTRY

# SUSTAINABILITY

STATEMENT (Cont'd)



3 CONDUCT RTK ANTIGEN TEST FOR FOREIGN WORKERS BY MEDICAL OFFICER

4 CONDUCT RTK ANTIGEN TEST FOR OFFICE STAFFS BY MEDICAL OFFICER

5 CHECKING INDIVIDUAL RISK STATUS COVID-19 BEFORE CONDUCT SWAB SELF-TEST



6 SAFETY BRIEFING CONDUCTED BY SENIOR FACTORY MANAGER

7 SANITIZING ACTIVITIES AT WORK PLACES



# SUSTAINABILITY

## STATEMENT (Cont'd)

As always, to ensure a safe and conducive working environment, we have implemented Standard Operating Procedures for 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")

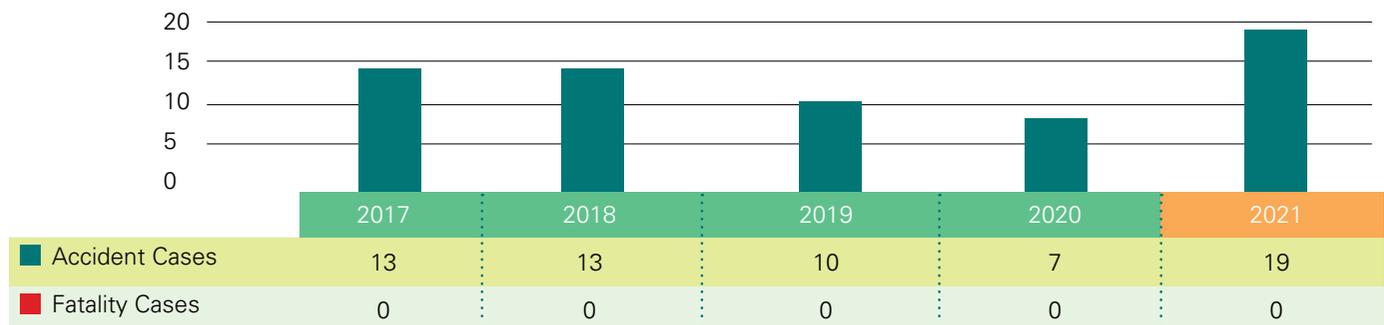
An excellent "HSE" performance is the top priority for Hiap Teck as we deal with large and heavy metal objects, equipment and machineries all the times. We always abide by our Occupational Health and Safety policies and comply with the safety requirements to ensure a safe and healthy environment for all at all times.

Numerous programmes were held throughout the year to promote and nurture a healthy and safe work place. 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 work place. 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 also strive to prevent damage to our assets and are mindful of the impact of our activities to the work place and environment. We routinely practice our emergency response to potential incidents such as fire, steel pipe felt 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 measures and controls to prevent future recurrences.

We monitor work-related accidents and manages 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 meeting. We have also conducted monthly audits in safety issues and hold regular inspections to identify unsafe activities and conditions.

The table below highlights the HSE KPIs recorded over the years:



With our continued efforts in cultivating the importance of HSE procedures, we strived to contain the number of accident cases and maintained "zero" fatality over the years, except for FY2021 where the number of minor accident cases increased to 19 from 7 in the preceding year. We are committed to a sustainable safe workplace and have embedded the environmental safety mindset into our business culture to achieve continuous improvement in HSE and safety by reducing accidents, occupational injuries and work-related illness rates.

Our JV entity, ESSB, also places great attention on HSE risks. The team constantly strengthens risk control measures and enhance the entity's ability to mitigate risks. The HSE committee has established responsibilities for governance of HSE related matters and conduct regular HSE meetings to formulate action plans and strategies for safe and sustainable development.



# SUSTAINABILITY

## STATEMENT (Cont'd)

### Safety Inspection

Regular safety inspections were carried out to ensure all safety procedures and SOPs are strictly adhered to and highlight any potential hazards. Specific areas are selected for inspection monthly and led by top management to evaluate safety compliance at work.

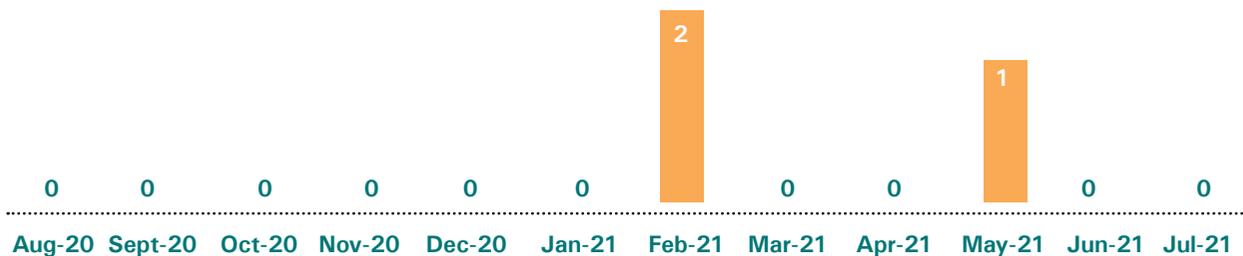


### Safety Training

ESSB carried out regular safety training to enhance safety knowledge and awareness to ensure that all employees strictly adhere to safety procedures and SOPs. Periodic safety examination are carried out to evaluate their competence. Examinations covering both theories and practical applications are conducted to ensure comprehension of the trainings.

### Accident At Work

During FY2021, there were a total of 3 accident cases at ESSB with no fatality.



### Employees Development

We believe that our employees are our assets and 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 reach their full potential with the right knowledge and skills. 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.

# SUSTAINABILITY

## STATEMENT (Cont'd)

### Employee Relations

At Hiap Teck, we emphasize teamwork and prioritise a respectful and harmonious working environment. To this end, our Group organizes 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. Our open door policy helps to facilitate and promote both formal and informal interaction among employees at all levels as well as employees with Management.

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 comprising an Executive Director, Director of Human Resource, Group CFO and Group Compliance Officer has been tasked to look into any report regarding unfair practices, corruption or misconduct.

### Employee Wellness and Work-Life Balance

We place special attention on the well-being and benefits of the employees. We believe that a pleasant atmosphere and happy employees have a better sense of accomplishment and find considerable satisfaction in their work.

In order to develop a balance work life and create a caring, harmonious and cohesive working atmosphere, employees are encouraged to participate in various sports and recreational activities organised by the Group. A committee has been set up to continuously encourage participation and organise various sport activities and physical fitness classes such badminton matches, futsal, football, Zumba etc.

### Code of Ethics and Anti-Corruption

Hiap Teck upholds 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. We also expect our business partner and suppliers to carry out business in a transparent and responsible manner. The employees' handbook has incorporated the Code of Conduct and Ethics and Anti-Bribery and Corruption Policy ("ABC") 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 ABC Policy 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. The Group has adopted a zero-tolerance approach against all form of bribery and corruption and takes a strong stance against such acts. The ABC policy elaborates the principles, guidelines on dealing with improper solicitation, bribery and other corrupt activities and issues may arise in the business affairs. A copy of the ABC policy is made available at our Group's corporate website at [www.htgrp.com.my](http://www.htgrp.com.my).

### 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 an enhancement 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

This year we were unable to organize the annual blood donation event and Gotong Royong due to the severe COVID-19 pandemic with very high infected cases at Klang Valley. However, our Group will continue to support strongly 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. During the country's COVID-19 vaccination process, many of our colleagues have volunteered as front liners at the Pusat Pemberian Vaksin ("PPV") to assist the community.



# SUSTAINABILITY

## STATEMENT (Cont'd)

### Donation and Sponsorships

In addition to caring for community, Hiap Teck also provides financial support to charitable organisations through donation and sponsorship. 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 education 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 the Country.

### ENVIRONMENTAL SUSTAINABILITY

At Hiap Teck, we pay 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 continues 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 wash rooms, 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.

- **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, street 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 to reduce consumption and risk to the environment.

- **Housekeeping and Beautification**

This year, despite the disruption arising from the COVID-19 pandemic, we continued our efforts 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.



Neighbour Factory  
New Fencing  
Project Adjacent  
to Alpine Factory.

# SUSTAINABILITY

## STATEMENT (Cont'd)

- Production and Operational Management**

The Group also put in continuous efforts in operational improvements to reduce production costs and improve efficiency as show in the pictures below:



Bituman Charging Covenyor for cement lining pipe process, operational improvement.



New Cold Saw Machine to replace conventional friction saw fly cutter, operational improvement.

- ESSB**

The JV entity, ESSB, places great importance on good environmental practices. ESSB engages independent third party environmental monitoring company to constantly undertake environmental sampling and monitoring. These samplings and monitoring include sampling of river water, groundwater, final discharge of retention ponds, monitoring of ambient air noise level, ambient air quality and stack emission quality during the operations. All samples taken are then analysed at laboratory which is accredited under the Skim Akreditasi Makmal Malaysia (SAMM No. 62).

### SUSTAINABLE PROFIT AND GROWTH

Our Group is dedicated to maintaining a high standard of corporate governance. We emphasize 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 and in 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 product 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 transparent processes 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 relationships with our key suppliers with high level of trust and timely delivery. Regular measures for evaluation of 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.

# SUSTAINABILITY

## STATEMENT (Cont'd)

### Seminars and Trainings

As always, we 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, due to COVID-19 pandemic, most exhibitions and seminars were canceled to curb the spreading of the viruses. However, this did not stop our Group from taking initiatives to organise small in-house group trainings and on-line trainings. This clearly signifies the Group's commitment on continuous development on human talents.

TRAININGS	DATE
ANTI BRIBERY AND CORRUPTION - SECTION 17A	Aug-20
GAS METAL ARC TRAINING (GMAW) AND BASIC WELD INSPECTION TRAINING FOR SUPERVISOR	Sep-20
INSOLVENCY AMENDMENT BILL 2020	Sep-20
SEMINAR ORANG BERWIBAWA (OYB) KE ARAH PEMATUHAN YANG BERTERUSAN	Sep-20
FRAUD RISK MANAGEMENT	Nov-20
ESSENTIAL SAFETY & HEALTH FOR CHEMICALS HANDLER	Mar-21
SEMINAR KKP NEGARA 2021 PENCAPAIAN, CABARAN DAN HALATUJU ERA BAHARU KKP DI MALAYSIA	Mar-21
TRAINED PERSON ON HEARING CONSERVATION ADMINISTRATOR (HCA) AS COMPLIANCE TO OSH (NOISE EXPOSURE) REGULATION 2019	Mar-21
TRAINED PERSON ON HEARING CONVERSATION ADMINISTRATOR (HCA) TO OSH (NOISE EXPOSURE) REGULATION 2019	Mar-21
ESSENTIAL SAFETY AND HEALTH FOR CHEMICAL HANDLER TRAINING	Mar-21
FORKLIFT & CRANE SAFETY TRAINING	Apr-21
FORKLIFT SAFETY & CERTIFICATION TRAINING	Apr-21
ERGONOMIC TRAINED PERSON	May-21
ACCOUNTING FOR LEASES MFRS 16 LEASES AND SECTION 20 MPERS	Jun-21
PAVING THE WAY FOR PROFITABILITY THROUGH SUSTAINABILITY	Jun-21
PRE & POST IPO RULE AND KEY UPDATES TO LISTING REQUIREMENTS	Jun-21

# SUSTAINABILITY

## STATEMENT (Cont'd)

### 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 exceed customers' expectations.
- Quality Commitment – Establish and enforce quality control processes for our products and services in compliance with our ISO certifications.

### 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 sections in the country, ranging from 2.5mm to 1.6 meter in diameter. The product certifications we have obtained such as BS EN, BA EN, EN, SPAN, JIS and AS allow the Group to have better competitive advantage to supply to 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
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	Scaffolding & framework	ISO 9001 - 2015

### Customer Satisfaction

Customers expect 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 competitive prices.

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

Our Group's corporate website, [www.htgrp.com.my](http://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.

# FINANCIAL STATEMENTS

57	DIRECTORS' REPORT
62	STATEMENTS OF FINANCIAL POSITION
63	STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
64	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
66	COMPANY STATEMENT OF CHANGES IN EQUITY
67	STATEMENTS OF CASH FLOWS
70	NOTES TO THE FINANCIAL STATEMENTS
135	STATEMENT BY DIRECTORS
135	STATUTORY DECLARATION
136	INDEPENDENT AUDITORS' REPORT



## 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

# DIRECTORS'

## REPORT

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 2021.

### 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	163,427	29,115
Non-controlling interests	90	-
	<hr/> 163,517	<hr/> 29,115

### Reserves and provisions

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

### Dividends

Since the end of the previous financial year, the Company paid a single tier final dividend of 0.3 sen per ordinary share totalling RM4,174,069 in respect of financial year ended 31 July 2020 on 25 January 2021.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 July 2021 is 1.0 sen per ordinary share estimated at approximately RM17,247,000. 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 Abd 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  
Sherman Lam Yuen Suen (Appointed on 21 December 2020)

### 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

# DIRECTORS'

## REPORT (Cont'd)

### 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 1.8.2020	Bought	Sold	At 31.7.2021
Deemed interests in the Company:				
Tan Sri Dato' Law Tien Seng – own	342,647,686	150,065,638	-	492,713,324
Lee Ching Kion – other*	45,354	-	-	45,354
Tan Shau Ming – other*	792,000	176,000	-	968,000

	Number of options over ordinary shares				
	At 1.8.2020	Granted	Exercised	Forfeited	At 31.7.2021
Interests in the Company:					
Tan Sri Abd 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	800,000	-	-	5,399,997
Law Wai Cheong – own	4,000,000	1,300,000	-	-	5,300,000

	Number of Warrants 2016				
	At 1.8.2020	Bought	Sold	Exercised	At 31.7.2021
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 1.8.2020	Bought	Sold	Conversion	At 31.7.2021
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 2021 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 23 and 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 213,548,013 ordinary shares, issuance of 152,451,739 new ordinary shares pursuant to exercise of Warrants B and issuance of 3,844,390 new ordinary shares pursuant to exercise of ESOS.

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 2021, 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 13 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.

#### 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:

Date of offer	Exercise price	No. of share options over ordinary shares				At 31.7.2021
		At 1.8.2020	Granted	Forfeited	Exercised	
19 April 2013	RM0.50	49,718,758	-	-	(1,536,389)	48,182,369
10 January 2014	RM0.67	10,079,977	-	(995)	(899,004)	9,179,978
12 January 2015	RM0.53	7,073,955	-	-	(161,998)	6,911,957
1 January 2018	RM0.40	30,147,484	-	-	(781,999)	29,365,485
2 January 2019	RM0.31	14,670,600	-	-	(465,000)	14,205,600
2 January 2021	RM0.45	-	14,843,400	(578,000)	-	14,265,400
		111,690,774	14,843,400	(578,995)	(3,844,390)	122,110,789

### 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 RM19,000.

There were no indemnity and insurance costs effected for auditors of the Group during the financial year.

### 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, the financial performance of the Group and of the Company for the financial year ended 31 July 2021 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.

### Subsequent event

Subsequent event after the end of the financial year is disclosed in Note 32 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: 29 October 2021

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 JULY 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Assets</b>					
Property, plant and equipment	3	260,478	272,532	531	375
Right-of-use assets	4	300	484	-	-
Investment properties	5	8,511	8,728	94,382	95,730
Investments in subsidiaries	6	-	-	94,121	94,121
Interest in equity accounted investments	7	497,137	421,130	508,964	508,964
Other investments	8	784	729	-	-
Trade and other receivables	9	-	-	24,234	25,594
<b>Total non-current assets</b>		<b>767,210</b>	<b>703,603</b>	<b>722,232</b>	<b>724,784</b>
Inventories	10	450,139	354,194	-	-
Current tax assets		6,203	13,474	5,618	5,630
Trade and other receivables	9	210,009	196,258	44,548	14,557
Other investments	8	18,100	21,874	16,300	21,059
Derivative financial assets	11	155	-	-	-
Cash and cash equivalents	12	158,531	145,197	34,441	1,838
<b>Total current assets</b>		<b>843,137</b>	<b>730,997</b>	<b>100,907</b>	<b>43,084</b>
<b>Total assets</b>		<b>1,610,347</b>	<b>1,434,600</b>	<b>823,139</b>	<b>767,868</b>
<b>Equity</b>					
Share capital	13	865,088	680,166	865,088	680,166
Reserves	13	261,636	181,877	(144,099)	(89,558)
<b>Total equity attributable to owners of the Company</b>		<b>1,126,724</b>	<b>862,043</b>	<b>720,989</b>	<b>590,608</b>
Non-controlling interests		(843)	(933)	-	-
<b>Total equity</b>		<b>1,125,881</b>	<b>861,110</b>	<b>720,989</b>	<b>590,608</b>
<b>Liabilities</b>					
Lease liabilities		123	315	-	-
Deferred tax liabilities	14	17,650	36,446	773	17,410
<b>Total non-current liabilities</b>		<b>17,773</b>	<b>36,761</b>	<b>773</b>	<b>17,410</b>
Loans and borrowings	15	411,101	506,261	-	11,163
Lease liabilities		192	181	-	-
Trade and other payables	16	51,809	28,942	101,377	148,687
Contract liabilities	17	782	1,341	-	-
Derivative financial liabilities	11	-	1	-	-
Current tax liabilities		2,809	3	-	-
<b>Total current liabilities</b>		<b>466,693</b>	<b>536,729</b>	<b>101,377</b>	<b>159,850</b>
<b>Total liabilities</b>		<b>484,466</b>	<b>573,490</b>	<b>102,150</b>	<b>177,260</b>
<b>Total equity and liabilities</b>		<b>1,610,347</b>	<b>1,434,600</b>	<b>823,139</b>	<b>767,868</b>

The notes set out on pages 70 to 134 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Revenue</b>	18	1,081,939	932,907	52,955	24,023
Cost of sales	19	(912,041)	(877,322)	-	-
<b>Gross profit</b>		169,898	55,585	52,955	24,023
Other operating income		7,035	5,599	1,619	1,631
Operating costs in respect of income generating investment properties		(282)	(283)	(1,348)	(1,347)
Administrative expenses		(25,382)	(20,906)	(16,569)	(11,920)
Selling and marketing expenses		(16,031)	(12,875)	-	-
Other operating expenses		(2,500)	(652)	(1,888)	-
Net loss on impairment of trade receivables		(978)	(677)	-	-
<b>Results from operating activities</b>		131,760	25,791	34,769	12,387
Finance costs	20	(13,177)	(20,940)	(3,934)	(6,060)
Share of profit of equity-accounted investees, net of tax	7	76,007	3,838	-	-
<b>Profit before tax</b>		194,590	8,689	30,835	6,327
Tax (expense)/income	21	(31,073)	(4,088)	(1,720)	590
<b>Profit for the year</b>	22	163,517	4,601	29,115	6,917
<b>Other comprehensive loss, net of tax</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operations		(67)	(160)	-	-
Fair value gain/(loss) on other investments		55	(365)	-	-
<b>Other comprehensive loss for the year, net of tax</b>		(12)	(525)	-	-
<b>Total comprehensive income for the year</b>		163,505	4,076	29,115	6,917
<b>Profit attributable to:</b>					
Owners of the Company		163,427	4,287	29,115	6,917
Non-controlling interests	6	90	314	-	-
<b>Profit for the year</b>		163,517	4,601	29,115	6,917
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		163,415	3,762	29,115	6,917
Non-controlling interests	6	90	314	-	-
<b>Total comprehensive income for the year</b>		163,505	4,076	29,115	6,917
<b>Earnings per ordinary share (sen):</b>					
Basic	24	11.55	0.32		
Diluted	24	10.45	0.32		

The notes set out on pages 70 to 134 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2021

Group	Note	Attributable to owners of the Company									
		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	
<b>At 1 August 2019</b>		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	
<b>Total comprehensive income for the year</b>		-	-	-	(525)	-	4,287	3,762	314	4,076	
Conversion of RCUIDS	13	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)	
<b>Total transactions with owners of the Company</b>		8,067	-	-	(6,131)	(262)	(6,432)	(4,758)	-	(4,758)	
<b>At 31 July 2020</b>		680,166	(7,499)	30,341	25,569	5,401	128,065	862,043	(933)	861,110	

/----- Note 13 -----/

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2021 (Cont'd)

Group	Note	Attributable to owners of the Company										Total equity RM'000
		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		
<b>At 1 August 2020</b>												861,110
Foreign currency translation differences for foreign operations		-	-	-	(67)	-	-	-	-	-	(67)	(67)
Fair value gain on other investments		-	-	-	55	-	-	-	-	-	55	55
Total other comprehensive loss		-	-	-	(12)	-	-	-	-	-	(12)	(12)
Profit for the year		-	-	-	-	-	163,427	-	163,427	-	163,427	163,517
<b>Total comprehensive income for the year</b>												163,505
Conversion of RCUIDS	13	106,774	-	-	(27,752)	-	(63,020)	-	16,002	-	16,002	16,002
Exercise of Warrants	13	76,226	-	(16,221)	-	-	21,343	-	81,348	-	81,348	81,348
Exercise ESOS	13	1,922	-	-	-	(579)	399	-	1,742	-	1,742	1,742
Expired of Warrants		-	-	(14,120)	-	-	18,580	-	4,460	-	4,460	4,460
Equity-settled share based payments		-	-	-	-	1,888	-	-	1,888	-	1,888	1,888
Share options forfeited		-	-	-	-	(303)	-	-	303	-	-	-
Dividends to owners of the Company	25	-	-	-	-	-	(4,174)	-	(4,174)	-	(4,174)	(4,174)
<b>Total transactions with owners of the Company</b>												101,266
<b>At 31 July 2021</b>												1,125,881

/----- Note 13 -----/

The notes set out on pages 70 to 134 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 JULY 2021

Company	Note	Attributable to the owners of the Company						Total equity RM'000
		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	
<b>At 1 August 2019</b>								
Profit and total comprehensive income for the year								
	13	672,099	(7,499)	30,341	33,883	5,663	(146,038)	588,449
Conversion of RCUIDS		8,067	-	-	(6,131)	-	-	1,936
Share options forfeited		-	-	-	-	(262)	262	-
Dividends to owners of the Company	25	-	-	-	-	-	(6,694)	(6,694)
<b>Total transactions with owners of the Company</b>								
		8,067	-	-	(6,131)	(262)	(6,432)	(4,758)
<b>At 31 July 2020/1 August 2020</b>								
Profit and total comprehensive income for the year								
		680,166	(7,499)	30,341	27,752	5,401	(145,553)	590,608
Conversion of RCUIDS	13	106,774	-	-	(27,752)	-	(63,020)	16,002
Exercise of Warrants	13	76,226	-	(16,221)	-	-	21,343	81,348
Exercise ESOS	13	1,922	-	-	-	(579)	399	1,742
Expired of Warrants		-	-	(14,120)	-	-	18,580	4,460
Equity-settled share based payments		-	-	-	-	1,888	-	1,888
Share options forfeited		-	-	-	-	(303)	303	-
Dividends to owners of the Company	25	-	-	-	-	-	(4,174)	(4,174)
<b>Total transactions with owners of the Company</b>								
		184,922	-	(30,341)	(27,752)	1,006	(26,569)	101,266
<b>At 31 July 2021</b>								
		865,088	(7,499)	-	-	6,407	(143,007)	720,989

/----- Note 13 -----/

The notes set out on pages 70 to 134 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		194,590	8,689	30,835	6,327
<b>Adjustments for:</b>					
Allowance for impairment loss on trade receivables		1,390	989	-	-
Reversal of allowance for impairment loss in trade receivables		(412)	(312)	-	-
Bad debts recovered		(140)	-	-	-
Depreciation of investment properties	5	217	217	1,348	1,346
Depreciation of property, plant and equipment	3	13,200	13,746	95	95
Depreciation of right-of-use assets	4	184	184	-	-
Dividend income		(22)	(33)	(41,400)	(12,165)
Equity settled share-based payments	31	1,888	-	1,888	-
Finance costs	20	13,177	20,940	3,934	6,060
Finance income:					
Amount due from subsidiaries		-	-	(1,188)	(1,329)
Other investments		(213)	(76)	-	(32)
Deposits with licensed banks		(1,239)	(2,179)	(166)	(5)
Finance lease receivables		-	(156)	-	-
Gain on disposal of property, plant and equipment		(2,119)	(34)	-	-
Net overdue interest income		(509)	(527)	-	-
Net unrealised foreign exchange loss/(gain)		324	(487)	-	(1)
Property, plant and equipment written off	3	37	329	-	-
Share of profit of equity-accounted joint venture, net of tax	7	(76,007)	(3,838)	-	-
Write-down of inventories to net realisable value	10	5,771	5,010	-	-
<b>Operating profit before changes in working capital</b>		<b>150,117</b>	<b>42,462</b>	<b>(4,654)</b>	<b>296</b>
Changes in working capital:					
Inventories		(101,716)	79,571	-	-
Trade and other receivables		(14,762)	63,654	6,663	225
Trade and other payables		30,175	(31,148)	20,008	(792)
Contract liabilities		(559)	(383)	-	-
<b>Cash generated from/(used in) operations</b>		<b>63,255</b>	<b>154,156</b>	<b>22,017</b>	<b>(271)</b>
Interest paid		(24,320)	(25,718)	(15,097)	(10,867)
Net overdue interest income		509	527	-	-
Net income tax paid		(21,447)	(7,852)	-	-
<b>Net cash generated from/(used in) operating activities</b>		<b>17,997</b>	<b>121,113</b>	<b>6,920</b>	<b>(11,138)</b>
<b>Cash flows from investing activities</b>					
Dividends received		22	33	-	9,697
Finance income:					
Amount due from subsidiaries		-	-	1,188	1,329
Other investments		213	76	-	32
Deposits with licensed banks		1,239	2,179	166	5
Finance lease receivables		-	156	-	-
Decrease/(Increase) in other investments		3,774	(20,365)	4,759	(20,096)
Proceeds from disposal of property, plant and equipment		4,621	1,140	-	-
Purchase of investment properties	5	-	-	-	(208)
Purchase of property, plant and equipment	3	(3,685)	(16,841)	(251)	(32)
<b>Net cash generated from/(used in) investing activities</b>		<b>6,184</b>	<b>(33,622)</b>	<b>5,862</b>	<b>(9,273)</b>
<b>Cash flows from financing activities</b>					
Advances from subsidiaries		-	-	(53,973)	57,963
Dividends paid to owners of the Company	25	(4,174)	(6,694)	(4,174)	(6,694)
Issuance of shares from exercise of ESOS		1,742	-	1,742	-
Issuance of shares from exercise of Warrants	13	76,226	-	76,226	-
Repayment of borrowings		(83,997)	(114,998)	-	(30,000)
Payment of lease liabilities		(201)	(201)	-	-
<b>Net cash (used in)/generated from financing activities</b>		<b>(10,404)</b>	<b>(121,893)</b>	<b>19,821</b>	<b>21,269</b>

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2021 (Cont'd)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Net increase/(decrease) in cash and cash equivalents</b>		13,777	(34,402)	32,603	858
Effect of exchange rate changes		(443)	678	-	1
<b>Cash and cash equivalents at beginning of year</b>		145,197	178,921	1,838	979
<b>Cash and cash equivalents at end of year</b>	12	158,531	145,197	34,441	1,838

## Cash outflows for leases as a lessee

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Included in net cash from operating activities</b>					
Payment relating to short-term leases	22	105	111	-	-
Payment relating to leases of low-value assets	22	23	24	-	-
<b>Included in net cash from financing activities</b>					
Payment of lease liabilities		201	172	-	-
Interest paid in relation to lease liabilities	20	20	29	-	-
<b>Total cash outflows for leases</b>		349	336	-	-

## Dividend income from subsidiaries

During the financial year, the dividend income from subsidiaries amounting to RM12,045,000 (2020: RM18,623,000) were settled against balances due to the subsidiaries.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2021 (Cont'd)

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

Group	At 1 August 2019 RM'000	Net changes from financing cash flows RM'000	Other changes RM'000	At 31 July/ August 2020 RM'000	Net changes from financing cash flows RM'000	Other changes RM'000	At 31 July 2021 RM'000
RCUIDS	15,970	-	(4,807)	11,163	-	(11,163)	-
Bankers' acceptances	325,222	(95,682)	-	229,540	(8,934)	-	220,606
Promissory notes	3,411	44,671	-	48,082	(48,082)	-	-
Post shipment buyer loan	37,403	(657)	-	36,746	21,627	-	58,373
Accepted bills	180,166	(34,818)	-	145,348	(43,226)	-	102,122
Revolving credit	60,000	(30,000)	-	30,000	-	-	30,000
Term loans	-	5,382	-	5,382	(5,382)	-	-
Hire purchase liabilities	3,894	(3,894)	-	-	-	-	-
Lease liabilities	668	(201)	29	496	(201)	20	315
<b>Total liabilities from financing activities</b>	<b>626,734</b>	<b>(115,199)</b>	<b>(4,778)</b>	<b>506,757</b>	<b>(84,198)</b>	<b>(11,143)</b>	<b>411,416</b>
<b>Company</b>							
RCUIDS	15,970	-	(4,807)	11,163	-	(11,163)	-
Revolving credit	30,000	(30,000)	-	-	-	-	-
<b>Total liabilities from financing activities</b>	<b>45,970</b>	<b>(30,000)</b>	<b>(4,807)</b>	<b>11,163</b>	<b>-</b>	<b>(11,163)</b>	<b>-</b>

The notes set out on pages 70 to 134 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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

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 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in joint venture and associate. The financial statements of the Company as at and for the financial year ended 31 July 2021 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 29 October 2021.

## 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 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 April 2021***

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

#### ***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)*

#### ***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 and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

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

***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 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021 and 1 April 2021, except for amendments to MFRS 4 which is not applicable to the Group and the Company.
- 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, except for amendments to MFRS 1 and MFRS 141 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 August 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Group and the Company.

The initial application of the abovementioned accounting standards, amendments and interpretations 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.

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 5 – Valuation of investment properties
- Note 6 – Investments in subsidiaries
- Note 7 – Impairment assessment on investment in joint venture
- Note 27 – Measurement of expected credit loss ("ECL") and fair value

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 2. Significant accounting policies

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

#### (a) Basis of consolidation

##### (i) Subsidiaries

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

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers 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.

##### (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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

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

##### (v) Associates

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

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

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

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

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

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

##### (vi) Joint arrangements

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

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.

##### (vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity 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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

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

##### (viii) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted investees 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.

##### (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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

#### (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.

###### (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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

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

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

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

###### (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)).

###### *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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

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

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

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

###### **(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.

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 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

##### (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
- 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.

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

#### (e) Leases (Cont'd)

##### (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.

###### (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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

#### (e) Leases (Cont'd)

##### (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)).

#### (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.

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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

#### (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.

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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

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

##### (i) Financial assets (continued)

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.

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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

#### (k) Equity instruments

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

##### (i) Issue expenses

Costs directly attributable to 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.

#### (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.

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

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

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

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

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

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

#### (n) Provisions

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

#### (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.

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 an 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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

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

##### (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.

#### (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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

#### (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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENT (Cont'd)

## 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
<b>Cost</b>									
At 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/ 1 August 2020	76,417	142,300	218,388	40,302	5,858	23,301	906	22,036	529,508
Additions	-	54	103	1,235	-	864	1,371	58	3,685
Disposals	-	-	-	(4,564)	(735)	-	-	-	(5,299)
Written off	-	-	(168)	(555)	(166)	-	-	-	(889)
Transfers	-	12	714	-	-	-	(726)	-	-
At 31 July 2021	76,417	142,366	219,037	36,418	4,957	24,165	1,551	22,094	527,005

# NOTES TO THE FINANCIAL STATEMENT (Cont'd)

## 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
<b>Accumulated depreciation</b>									
At 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/ 1 August 2020	-	40,944	168,912	18,829	4,269	22,348	-	1,674	256,976
Charge for the year	-	2,883	2,704	5,485	526	781	-	821	13,200
Disposals	-	-	-	(2,063)	(734)	-	-	-	(2,797)
Written off	-	-	(168)	(518)	(166)	-	-	-	(852)
At 31 July 2021	-	43,827	171,448	21,733	3,895	23,129	-	2,495	266,527
Carrying amounts									
At 1 August 2019	76,417	103,674	51,760	13,882	2,051	1,458	393	21,237	270,872
At 31 July 2020/ 1 August 2020	76,417	101,356	49,476	21,473	1,589	953	906	20,362	272,532
At 31 July 2021	76,417	98,539	47,589	14,685	1,062	1,036	1,551	19,599	260,478

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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 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
<b>Cost</b>					
At 1 August 2019	407	657	166	168	1,398
Additions	-	-	32	-	32
At 31 July 2020/1 August 2020	407	657	198	168	1,430
Additions	-	-	31	220	251
At 31 July 2021	407	657	229	388	1,681
<b>Accumulated depreciation</b>					
At 1 August 2019	163	656	141	-	960
Charge for the year	81	1	13	-	95
At 31 July 2020/1 August 2020	244	657	154	-	1,055
Charge for the year	82	-	13	-	95
At 31 July 2021	326	657	167	-	1,150
<b>Carrying amounts</b>					
At 1 August 2019	244	1	25	168	438
At 31 July 2020/1 August 2020	163	-	44	168	375
At 31 July 2021	81	-	62	388	531

#### 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	2021 RM'000	2020 RM'000
Lease income	13,318	19,724

The operating lease payments to be received are as follows:

Group	2021 RM'000	2020 RM'000
Less than one year	4,359	701
Total undiscounted lease payments	4,359	701

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 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 2020/1 August 2020	468	16	484
Depreciation	(175)	(9)	(184)
At 31 July 2021	293	7	300

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
<b>Cost</b>				
At 1 August 2019/ 31 July 2020 / 1 August 2020 / 31 July 2021	5,020	485	8,532	14,037
<b>Accumulated depreciation</b>				
At 1 August 2019	2,106	-	2,986	5,092
Charge for the year	73	-	144	217
At 31 July 2020/1 August 2020	2,179	-	3,130	5,309
Charge for the year	73	-	144	217
At 31 July 2021	2,252	-	3,274	5,526
<b>Carrying amounts</b>				
At 1 August 2019	2,914	485	5,546	8,945
At 31 July 2020/1 August 2020	2,841	485	5,402	8,728
At 31 July 2021	2,768	485	5,258	8,511

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

Company	Freehold land RM'000	Buildings RM'000	Total RM'000
<b>Cost</b>			
At 1 August 2019	48,062	67,175	115,237
Additions	-	208	208
At 31 July 2020/1 August 2020/31 July 2021	48,062	67,383	115,445
<b>Accumulated depreciation</b>			
At 1 August 2019	-	18,369	18,369
Charge for the year	-	1,346	1,346
At 31 July 2020/1 August 2020	-	19,715	19,715
Charge for the year	-	1,348	1,348
At 31 July 2021	-	21,063	21,063
<b>Carrying amounts</b>			
At 1 August 2019	48,062	48,806	96,868
At 31 July 2020/1 August 2020	48,062	47,668	95,730
At 31 July 2021	48,062	46,320	94,382

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 (2020: RM21,010,000 and RM226,300,000) 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Rental income	959	881	3,824	7,952
Direct operating expenses:				
- income generating investment properties	(282)	(283)	(1,347)	(1,347)

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

#### 5.1 Operating lease payments receivable

The operating lease payments to be received are as follows:

Group	2021 RM'000	2020 RM'000
Less than one year	961	599
Between one and five years	611	363
Total undiscounted lease payments	1,572	962

#### 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
<b>2021</b>				
<b>Group</b>				
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
<b>Company</b>				
Freehold land	-	141,800	-	141,800
Buildings	-	84,500	-	84,500
	-	226,300	-	226,300
<b>2020</b>				
<b>Group</b>				
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
<b>Company</b>				
Freehold land	-	141,800	-	141,800
Buildings	-	84,500	-	84,500
	-	226,300	-	226,300

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 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 (2020: 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	
	2021 RM'000	2020 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	
			2021 %	2020 %
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

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2021 %	2020 %
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.#	Malaysia	Specialising in geotechnical and civil engineering works	65	51
<b>Subsidiary of Hiap Teck Resources Sdn. Bhd.</b>				
Vista Mining Sdn. Bhd.	Malaysia	Exploring, contracting and all activities related to the mining, processing and sale of iron ore	55	55
<b>Subsidiaries of Huatraco Scaffold Sdn. Bhd.</b>				
Huatraco Contracts Sdn. Bhd.	Malaysia	Dormant	100	100
Huatraco Investment Pte. Ltd.#	Singapore	Investment holding	100	100
Huatraco Scaffold (Sabah) Sdn. Bhd.	Malaysia	Dormant	100	100
<b>Subsidiary of Huatraco Investment Pte. Ltd.</b>				
Huatraco Singapore Pte. Ltd.#	Singapore	Scaffolding works and wholesale of industrial, construction and related machinery and equipment	100	100

# Not audited by member firms of KPMG PLT.

On 14 April 2021, the Company has further subscribed for 40,000 new ordinary shares in Geopintar E&C Sdn. Bhd. resulting in an increased in shareholding to 65% from 51%.

In the prior year, the statutory financial year end of Geopintar is 31 December and it does not coincide with the Group and it has changed its statutory financial year end to 31 July on 15 June 2021 to conform to the Group.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

#### 6.1 Non-controlling interest in subsidiaries

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

2021	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%	35%	
Carrying amount of NCI	(837)	(6)	(843)
Profit allocated to NCI	86	4	90
<b>Summarised financial information before intra-group elimination</b>			
<b>As at 31 July</b>			
Non-current assets	20,743	-	
Current assets	1,535	250	
Non-current liabilities	(95)	-	
Current liabilities	(24,671)	(174)	
Net (liabilities)/assets	(2,488)	76	
<b>Year ended 31 July</b>			
Revenue	2,831	579	
Profit for the year	190	9	
Cash flows from operating activities	2,798	101	
Cash flows used in investing activities	(59)	-	
Cash flows used in financing activities	(2,550)	-	
Net increase in cash and cash equivalents	189	101	

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

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

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
<b>Summarised financial information before intra-group elimination</b>			
<b>As at 31 July</b>			
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	
<b>Year ended 31 July</b>			
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	

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 7. Investment in equity accounted investments

#### 7.1 Investment in joint venture

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted shares in Malaysia at cost	717,840	717,840	717,840	717,840
Share of post-acquisition reserves	(205,518)	(281,525)	-	-
Less: Impairment loss	(15,185)	(15,185)	(208,876)	(208,876)
	497,137	421,130	508,964	508,964

Details of the joint venture are as follows:

Name of entity	Country of incorporation	Principal activities	Effective ownership interest	
			2021 %	2020 %
Eastern Steel Sdn. Bhd.	Malaysia	Manufacturing, selling and dealing in a range of steel products using blast furnace plant	35	35

Eastern Steel Sdn. Bhd ("ESSB") is one of the strategic suppliers of the Group providing access to steel products.

ESSB is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in ESSB as a joint venture.

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.

	2021 RM'000	2020 RM'000
<b>Summarised financial information</b>		
<b>As at 31 July</b>		
Non-current assets	1,725,007	1,443,626
Current assets	533,844	287,216
Cash and cash equivalents	107,334	46,998
Non-current liabilities	(137,556)	(143,671)
Current liabilities	(700,904)	(383,943)
Non-current financial liabilities	(137,556)	(143,671)
Current financial liabilities (excluding trade and other payables and provisions)	(209,261)	(46,209)
<b>Year ended 31 July</b>		
Profit and total comprehensive income for the year	217,163	10,966
<b>Included in the total comprehensive income are:</b>		
Revenue	1,820,845	1,432,389
Depreciation	74,927	73,411
Interest income	245	1,303
Interest expense	(1,483)	(1,884)
<b>Reconciliation of net assets to carrying amount as at 31 July</b>		
Group's share of net assets	497,137	421,130
Carrying amount in the statement of financial position	497,137	421,130
<b>Group's share of results for year ended 31 July</b>		
Group's share of profit and total comprehensive income for the year	76,007	3,838

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 7. Investment in equity accounted investments (Cont'd)

#### 7.1 Investment in joint venture (Cont'd)

ESSB contributed RM76,007,000 to Group's profit (FY2020: RM3,838,000) owing to improved margins, greater production efficiencies, energy cost savings contributed by the 55 MW power plant, which resulted in the reversal of impairment loss at ESSB of RM66 million (FY2020: RM50 million).

#### **Impairment assessment – Group and Company**

The Group and the Company assessed the recoverable amount for the investment in joint venture based on value-in-use calculation. These calculation use cash flow projections based on financial budget approved by management. The projected sales tonnage, prices and profit margin used were determined based on past business performance and management's expectations on market development. The cash flow projections is discounted using a rate after considering the uncertainties and risks of the projections. As the recoverable amount of the investment in joint venture 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.

#### 7.2 Investment in associate

Name of entity	Country of incorporation	Principal activities	Effective ownership interest	
			2021 %	2020 %
Jetama Alpine Pipe (Sabah) Sdn. Bhd.	Malaysia	Dormant	49	-

On 1 September 2020, the 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 investment in this new company is for the Group to expand to East Malaysia for trading and supply of steel pipes, hollow sections and related products.

### 8. Other investments

	2021		2020	
	Carrying amount RM'000	Market value of quoted investments RM'000	Carrying amount RM'000	Market value of quoted investments RM'000
<b>Group</b>				
<b>Non-current</b>				
Fair value through other comprehensive income				
Club membership, unquoted	140	-	140	-
Equity instruments, quoted in Malaysia	644	644	589	589
	<u>784</u>		<u>729</u>	
<b>Current</b>				
Fair value through profit or loss				
Unit trust funds of licensed financial institutions within Malaysia	18,100	18,100	21,874	21,874
	<u>18,884</u>		<u>22,603</u>	
<b>Company</b>				
<b>Current</b>				
Fair value through profit or loss				
Unit trust funds of licensed financial institutions within Malaysia	16,300	16,300	21,059	21,059
	<u>16,300</u>		<u>21,059</u>	

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 9. Trade and other receivables

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Non-current</b>					
<b>Non-trade</b>					
Amount due from a subsidiary	9.1	-	-	24,234	25,594
		-	-	24,234	25,594
<b>Current</b>					
<b>Trade</b>					
Trade receivables		167,089	133,915	-	-
Less: Allowance for impairment loss		(2,726)	(1,748)	-	-
		164,363	132,167	-	-
Amount due from joint venture	9.2	38,886	53,037	-	-
Amount due from a related party	9.2	246	1,597	-	-
		203,495	186,801	-	-
<b>Non-trade</b>					
Other receivables		1,036	3,051	10	3
Dividend receivables		-	-	41,400	12,165
Amount due from subsidiaries	9.3	-	-	1,336	1,620
		1,036	3,051	42,746	13,788
Deposits		1,591	768	1,102	40
Prepayments		3,887	5,638	700	729
		6,514	9,457	44,548	14,557
		210,009	196,258	44,548	14,557
		210,009	196,258	68,782	40,151

The Group's normal trade credit term ranges from 14 to 90 (2020: 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% (2020: 6%) per annum. The amount is not expected to be repayable over the next 12 months.

#### 9.2 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.

#### 9.3 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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 10. Inventories

	Group	
	2021 RM'000	2020 RM'000
Raw materials	179,276	120,345
Work-in-progress	20,190	15,128
Finished goods	65,502	93,246
Merchandise goods	116,269	122,376
Goods in transit	66,320	587
Spare parts	2,582	2,512
	450,139	354,194
Recognised in profit or loss:		
Inventories recognised as cost of sales	897,719	864,133
Write-down to net realisable value	5,771	5,010

### 11. Derivative financial assets/(liabilities)

Group	2021		2020	
	Nominal value RM'000	Assets RM'000	Nominal value RM'000	Liabilities RM'000
<b>Derivatives at fair value through profit or loss</b>				
- Forward exchange contracts	6,727	155	(521)	(1)
	6,727	155	(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.

### 12. Cash and cash equivalents

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits placed with licensed banks	28,130	71,846	-	-
Cash and bank balances	130,401	73,351	34,441	1,838
	158,531	145,197	34,441	1,838

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 13. Capital and reserves

#### Share Capital

	Group and Company			
	Amount 2021 RM'000	Number of shares 2021 '000	Amount 2020 RM'000	Number of shares 2020 '000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares				
At 1 August	680,166	1,360,332	672,099	1,344,198
Conversion of RCUIDS	106,774	213,548	8,067	16,134
Exercise of Warrants	76,226	152,452	-	-
Exercise of ESOS	1,922	3,844	-	-
At 31 July	865,088	1,730,176	680,166	1,360,332

#### 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 13.4), all rights are suspended until those shares are reissued.

The shares issued during the financial year were related to RCUIDS, exercise of Warrants and ESOS which were converted into ordinary shares by the holders.

#### Reserves

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-distributable:					
Warrant reserves	13.1	-	30,341	-	30,341
Other reserves					
Translation reserves	13.2.1	(369)	(302)	-	-
Fair value reserves	13.2.2	(1,826)	(1,881)	-	-
RCUIDS reserves	13.2.3	-	27,752	-	27,752
Share option reserves	13.3	6,407	5,401	6,407	5,401
Treasury shares	13.4	(7,499)	(7,499)	(7,499)	(7,499)
		(3,287)	53,812	(1,092)	55,995
Distributable:					
Retained earnings/ (Accumulated losses)		264,923	128,065	(143,007)	(145,553)
		261,636	181,877	(144,099)	(89,558)

#### 13.1 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 and 152,451,739 warrants were exercised during the financial year (2020: Nil) and the number of warrants outstanding as at 31 July 2021 was nil (2020: 285,163,313) as it had expired on 23 June 2021.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 13. Capital and reserves (Cont'd)

#### 13.1 Warrant reserves (Cont'd)

The salient terms of the Warrants 2016 were as follows:

- (a) The warrants could 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 has lapsed and ceased to be valid; and
- (b) Each warrant holder was entitled to subscribe for one new ordinary share in the Company at the exercise price of RM0.50 at any time during the Exercise Period.

#### 13.2 Other reserves

##### 13.2.1 Translation reserves

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

##### 13.2.2 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.

##### 13.2.3 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.

During the year, 213,548,013 of RCUIDS (2020: 16,134,200) were converted into ordinary shares resulted in the decrease in the reserves. The number of RCUIDS outstanding as at 31 July 2021 was nil (2020: 213,548,013) as it had expired on 23 June 2021.

#### 13.3 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. During the financial year, 3,844,390 share options were exercised by the employees (2020: no options exercised) (see Note 31).

#### 13.4 Treasury shares

Treasury shares comprise cost of acquisition of the Company's own shares. At 31 July 2021, a total of 5,492,000 (2020: 5,492,000) buy-back shares were held as treasury shares and carried at cost.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 14. Deferred tax liabilities

### Recognised deferred liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Group</b>						
Property, plant and equipment	-	-	(22,014)	(22,417)	(22,014)	(22,417)
Other payables	2,955	1,321	(30)	(17)	2,925	1,304
Tax loss carry-forward	1,439	3,012	-	-	1,439	3,012
RCUIDS	-	-	-	(18,345)	-	(18,345)
Tax assets/(liabilities)	4,394	4,333	(22,044)	(40,779)	(17,650)	(36,446)
Set-off of tax	(4,394)	(4,333)	4,394	4,333	-	-
Net tax liabilities	-	-	(17,650)	(36,446)	(17,650)	(36,446)
<b>Company</b>						
Property, plant and equipment	-	-	(2,193)	(1,921)	(2,193)	(1,921)
Other payables	-	323	(19)	-	(19)	323
Tax loss carry-forward	1,439	2,533	-	-	1,439	2,533
RCUIDS	-	-	-	(18,345)	-	(18,345)
Tax assets/(liabilities)	1,439	2,856	(2,212)	(20,266)	(773)	(17,410)
Set-off of tax	(1,439)	(2,856)	1,439	2,856	-	-
Net tax liabilities	-	-	(773)	(17,410)	(773)	(17,410)

### Unrecognised deferred tax assets

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unabsorbed capital allowances	872	2,661	-	-
Tax loss carry-forward	67	5,906	-	-
	939	8,567	-	-

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 2020 and subsequent years of assessment until the year of assessment 2025 and any amount which has not been utilised shall be disregarded.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 14. Deferred tax liabilities (Cont'd)

#### Movement in temporary differences during the year

	At 1.8.2019 RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised in equity RM'000	At 31.7.2020/ 1.8.2020 RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised in equity RM'000	At 31.7.2021 RM'000
<b>Group</b>							
Property, plant and equipment	(21,961)	(456)	-	(22,417)	403	-	(22,014)
Other payables	2,582	(1,278)	-	1,304	1,621	-	2,925
RCUIDS	(20,281)	-	1,936	(18,345)	-	18,345	-
Tax loss carry-forward	1,696	1,316	-	3,012	(1,573)	-	1,439
	(37,964)	(418)	1,936	(36,446)	451	18,345	(17,650)
<b>Company</b>							
Property, plant and equipment	(1,868)	(53)	-	(1,921)	(272)	-	(2,193)
Other payables	510	(187)	-	323	(342)	-	(19)
RCUIDS	(20,281)	-	1,936	(18,345)	-	18,345	-
Tax loss carry-forward	1,696	837	-	2,533	(1,094)	-	1,439
	(19,943)	597	1,936	(17,410)	(1,708)	18,345	(773)

### 15. Loans and borrowings

	Note	2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
<b>Current</b>					
<i>Secured:</i>					
Bankers' acceptances	15.1	220,606	229,540	-	-
Promissory notes	15.1	-	48,082	-	-
Post shipment buyer loan	15.1	58,373	36,746	-	-
Accepted bills	15.1	102,122	145,348	-	-
Revolving credit	15.1	30,000	30,000	-	-
Term loans	15.1	-	5,382	-	-
<i>Unsecured:</i>					
RCUIDS	15.2	-	11,163	-	11,163
		411,101	506,261	-	11,163

#### 15.1 Security

The Company has extended corporate guarantees amounting to RM411,101,000 (2020: RM495,098,000) 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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

#### 15.2 RCUIDS

On 24 June 2016 ("Issue date"), the Company issued a 5-year RCUIDS with free detachable warrants for cash consideration of RM142,581,657. 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.

### 16. Trade and other payables

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Current Trade</b>					
Trade payables		10,742	6,051	-	-
Accruals		429	1,195	-	-
Amount due to a related party	16.1	4,971	-	-	-
		<u>16,142</u>	<u>7,246</u>	<u>-</u>	<u>-</u>
<b>Non-trade</b>					
Other payables		15,953	2,967	259	104
Accruals		13,185	12,754	9,520	3,012
Deposits received		6,529	5,975	-	-
Amount due to subsidiaries	16.2	-	-	91,598	145,571
		<u>35,667</u>	<u>21,696</u>	<u>101,377</u>	<u>148,687</u>
		<u>51,809</u>	<u>28,942</u>	<u>101,377</u>	<u>148,687</u>

#### 16.1 Trade amount due to a related party

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

#### 16.2 Non-trade amount due to subsidiaries

The non-trade amount due to subsidiaries is unsecured, subject to interest range 3.0% to 3.5% per annum and repayable in 2022 (2020: subject to interest range from 4.0% to 5.0% per annum and repayable in 2021). The amount due to subsidiaries will be offset against future dividends and rental receivables from these subsidiaries.

### 17. Contract liabilities

	Group	
	2021 RM'000	2020 RM'000
Contract liabilities	782	1,341

The contract liabilities primarily relate 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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 18. Revenue

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Revenue from contracts with customers</b>				
Sale of goods	1,065,790	910,022	-	-
Transportation services rendered	-	9	-	-
Rental of equipment for hire	13,318	19,724	-	-
Participation fees from sales of iron ore	2,831	3,152	-	-
<b>Other revenue</b>				
Rental of properties	-	-	3,824	7,952
Dividend income	-	-	41,400	12,165
Management fees	-	-	7,731	3,906
	1,081,939	932,907	52,955	24,023
<b>Group</b>				
			2020 RM'000	2021 RM'000
<b>Timing of revenue recognition</b>				
At a point in time			1,068,621	913,174
Over time			13,318	19,733
			1,081,939	932,907

# NOTES TO THE FINANCIAL STATEMENT (Cont'd)

## 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 the Group's 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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 19. Cost of sales

	Group	
	2021	2020
	RM'000	RM'000
Cost of goods sold	905,735	870,873
Amortisation of mining assets	821	875
Depreciation of equipment for hire	5,485	5,574
	912,041	877,322

Included in the cost of goods sold are the following:

Direct and indirect labour costs	19,695	19,829
Upkeep of property, plant and equipment	4,321	3,901
Depreciation of property, plant and equipment	4,252	4,793

### 20. Finance costs

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Bank overdrafts	5	22	-	-
Bankers' acceptances	8,215	11,038	-	-
Promissory notes	76	157	-	-
Post shipment buyer loan	625	1,756	-	-
Accepted bills	2,667	4,703	-	-
Term loans	-	144	-	-
Revolving credit	1,004	2,207	-	802
Lease liabilities	20	29	-	-
RCUIDS	565	884	565	884
Amount due to subsidiaries	-	-	3,369	4,374
	13,177	20,940	3,934	6,060

### 21. Tax expense/(income)

#### Recognised in profit or loss

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
<b>Current tax expense</b>				
Current year	31,480	3,185	12	-
Prior year	44	485	-	7
Total current tax recognised in profit or loss	31,524	3,670	12	7
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	(1,514)	(72)	635	(1,012)
Under provision in prior years	1,063	490	1,073	415
Total deferred tax recognised in profit or loss	(451)	418	1,708	(597)
Total income tax expense/(income)	31,073	4,088	1,720	(590)

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

#### Reconciliation of tax expense

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before tax	194,590	8,689	30,835	6,327
Share of profit after tax of equity accounted investees	(76,007)	(3,838)	-	-
	118,583	4,851	30,835	6,327
Income tax calculated using Malaysian tax rate of 24%	28,460	1,164	7,400	1,518
Effect of tax rate in foreign jurisdictions	(65)	(85)	-	-
Non-taxable income	(173)	(218)	(9,936)	(2,920)
Non-deductible expenses	3,575	1,004	3,183	390
(Recognition of previously unrecognised deferred tax assets)/Temporary difference for which no deferred tax assets were recognised	(1,831)	1,248	-	-
Under provision of deferred tax in prior years	1,063	490	1,073	415
Under provision of current tax in prior years	44	485	-	7
	31,073	4,088	1,720	(590)

### 22. Profit for the year

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Profit for the year is arrived at after charging/(crediting):</b>					
<b>Auditors' remuneration</b>					
- Audit fees					
KPMG PLT		412	412	155	155
Other auditors		15	15	-	-
- Non audit fees					
KPMG PLT		15	15	15	15
<b>Material expenses/(income)</b>					
Bad debts recovered		(140)	-	-	-
Depreciation of investment properties	5	217	217	1,348	1,346
Depreciation of property, plant and equipment	3	13,200	13,746	95	95
Depreciation of right-of-use assets	4	184	184	-	-
Dividend income		(22)	(33)	(41,400)	(12,165)
Equity-settled share-based payments	31	1,888	-	1,888	-
Finance income:					
- Amount due from subsidiaries		-	-	(1,188)	(1,329)
- Other investments		(213)	(76)	-	(32)
- Deposits with licensed banks		(1,239)	(2,179)	(166)	(5)
- Finance lease receivables		-	(156)	-	-
Gain on disposal of property, plant and equipment		(2,119)	(34)	-	-
Net foreign exchange (gain)/loss					
- Realised		(575)	(590)	-	-
- Unrealised		324	(487)	-	(1)

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 22. Profit for the year (Cont'd)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net overdue interest income		(509)	(527)	-	-
Property, plant and equipment written off		37	329	-	-
Personnel expenses (including key management personnel):					
- Contributions to state plans		4,479	3,498	1,183	809
- Salaries, wages and others		42,734	36,549	9,980	7,145
Rental income from investment properties		(959)	(881)	(3,824)	(7,952)
Write-down of inventories to net realisable value	10	5,771	5,010	-	-
<b>Expenses/(Income) arising from leases</b>					
Expenses relating to short-term leases	a	105	111	-	-
Expenses relating to leases of low-value assets	a	23	24	-	-
<b>Net loss/(gain) on impairment of financial instruments</b>					
Loss on impairment of trade receivables		1,390	989	-	-
Reversal of allowance for impairment loss on trade receivables		(412)	(312)	-	-

#### 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		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Executive directors:				
- Remuneration	5,644	4,171	5,000	3,674
- Other short-term employee benefits	691	509	616	447
	6,335	4,680	5,616	4,121
Non-executive directors:				
- Fees	401	338	368	305
- Other emoluments	21	12	21	12
	422	350	389	317
	6,757	5,030	6,005	4,438

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 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	
	2021	2020
Profit attributable to ordinary shareholders (RM'000)	163,427	4,287
Weighted average number of ordinary shares ('000)		
Issued ordinary shares at 1 August	1,360,332	1,344,198
Effect of treasury shares held	(5,492)	(5,492)
Effect of ordinary shares issued	60,190	1,990
Weighted average number of ordinary shares at 31 July	1,415,030	1,340,696
Basic earnings per ordinary share (sen)	11.55	0.32

#### Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at reporting date 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	2021	2020
	RM'000	RM'000
Profit attributable to ordinary shareholders (basic)	163,427	4,287
Interest expense on RCUIDS, net of tax	429	672
Profit attributable to ordinary shareholders (diluted)	163,856	4,959

	Group	
	2021	2020
	'000	'000
Weighted average number of ordinary shares at 1 August (basic)	1,360,332	1,344,198
Effect of treasury shares held	(5,492)	(5,492)
Effect of conversion of RCUIDS	213,548	229,682
Weighted average number of ordinary shares at 31 July (diluted)	1,568,388	1,568,388
Diluted earnings per ordinary share (sen)	10.45	0.32

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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 25. Dividends

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
<b>2021</b>			
Final 2020 ordinary (single tier)	0.30	4,174	25 January 2021
<b>2020</b>			
Final 2019 ordinary (single tier)	0.50	6,694	23 January 2020

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 2021 ordinary (estimated single tier)	1.0	17,247

### 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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 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 single major customer with revenue equal or more than 10% (2020: 10%) of the Group's total revenue during the financial year except for sales to joint venture (refer to Note 30).

2021	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
<b>Revenue</b>							
External customers	550,507	528,601	-	-	2,831	-	1,081,939
Inter-segment	-	4,473	52,955	2,768	-	(60,196)	-
Total segment revenue	550,507	533,074	52,955	2,768	2,831	(60,196)	1,081,939
<b>Results</b>							
Segment profit	33,353	92,049	(8,811)	264	1,728	76,007	194,590
Included in the measure of segment profit are:							
Bad debts recovered	92	48	-	-	-	-	140
Finance income	463	802	167	20	-	-	1,452
Dividend income	-	-	22	-	-	-	22
Finance costs	8,189	4,423	565	-	-	-	13,177
Depreciation	770	9,575	1,848	383	1,025	-	13,601
Loss on impairment of trade receivables	890	500	-	-	-	-	1,390
Reversal of allowance for impairment loss on trade receivables	-	(412)	-	-	-	-	(412)
Share of profit of equity-accounted joint venture, net of tax	-	-	-	-	-	-	76,007
<b>Assets</b>							
Segment assets	377,422	696,498	654,166	3,096	22,279	(150,100)	1,603,361
Unallocated assets	-	-	-	-	-	-	6,986
Total assets	377,422	696,498	654,166	3,096	22,279	(150,100)	1,610,347
<b>Liabilities</b>							
Segment liabilities	260,216	252,191	77,678	177	24,541	(150,839)	463,964
Unallocated liabilities	-	-	-	-	-	-	20,502
Total liabilities	260,216	252,191	77,678	177	24,541	(150,839)	484,466

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

2021	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
<b>Other information</b>							
Addition to non-current assets other than financial instruments and deferred tax assets	67	3,309	250	-	59	-	3,685
Loss on impairment of trade receivables	890	500	-	-	-	-	1,390
Reversal of allowance for impairment loss on trade receivables	-	(412)	-	-	-	-	(412)
Property, plant and equipment written off	-	37	-	-	-	-	37
<b>2020</b>							
<b>Revenue</b>							
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
<b>Results</b>							
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 loss of equity-accounted joint venture, net of tax	-	-	-	-	-	-	3,838
<b>Assets</b>							
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
<b>Liabilities</b>							
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
<b>Other information</b>							
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

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 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").

2021	Carrying amount RM'000	FVTPL RM'000	AC RM'000	FVOCI RM'000
<b>Financial assets</b>				
<b>Group</b>				
Other investments	18,884	18,100	-	784
Trade and other receivables (excluding prepayments)	206,122	-	206,122	-
Derivative financial assets	155	155	-	-
Cash and cash equivalents	158,531	-	158,531	-
	383,692	18,255	364,653	784
<b>Company</b>				
Other investments	16,300	16,300	-	-
Trade and other receivables (excluding prepayments)	68,082	-	68,082	-
Cash and cash equivalents	34,441	-	34,441	-
	118,823	16,300	102,523	-
<b>Financial liabilities</b>				
<b>Group</b>				
Loans and borrowings	(411,101)	-	(411,101)	-
Trade and other payables	(51,809)	-	(51,809)	-
	(462,910)	-	(462,910)	-
<b>Company</b>				
Trade and other payables	(101,377)	-	(101,377)	-
	(101,377)	-	(101,377)	-

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

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

#### 27.1 Categories of financial instruments (Cont'd)

2020	Carrying amount RM'000	FVTPL RM'000	AC RM'000	FVOCI RM'000
<b>Financial assets</b>				
<b>Group</b>				
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
<b>Company</b>				
Other investments	21,059	21,059	-	-
Trade and other receivables (excluding prepayments)	39,422	-	39,422	-
Cash and cash equivalents	1,838	-	1,838	-
	62,319	21,059	41,260	-
<b>Financial liabilities</b>				
<b>Group</b>				
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)	-
<b>Company</b>				
Loans and borrowings	(11,163)	-	(11,163)	-
Trade and other payables	(148,687)	-	(148,687)	-
	(159,850)	-	(159,850)	-

#### 27.2 Net gains and losses arising from financial instruments

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net gains/(losses) on:				
Financial assets at fair value through profit or loss	368	76	-	32
Financial assets measured at amortised cost	1,203	3,262	1,354	1,335
Equity instruments designated at fair value through other comprehensive income	77	(332)	-	-
Financial liabilities measured at amortised cost	(13,177)	(20,940)	(3,934)	(6,060)
	(11,529)	(17,934)	(2,580)	(4,693)

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 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	
	2021 RM'000	2020 RM'000
Domestic	191,238	177,059
Asia	12,257	9,742
	203,495	186,801

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 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
<b>2021</b>			
Current (not past due)	58,915	-	58,915
1 - 30 days past due	58,272	-	58,272
31 - 60 days past due	55,787	-	55,787
61 - 90 days past due	16,016	-	16,016
More than 90 days past due	17,231	(2,726)	14,505
	206,221	(2,726)	203,495
<b>2020</b>			
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

### 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.

Group	Trade receivables		Total RM'000
	Lifetime ECL RM'000	Credit impaired RM'000	
Balance at 1 August 2019	-	1,071	1,071
Net remeasurement of loss allowance	500	177	677
Balance at 31 July 2020/ 1 August 2020	500	1,248	1,748
Net remeasurement of loss allowance	-	978	978
Balance at 31 July 2021	500	2,226	2,726

##### Investments in financial assets

###### *Risk management objectives, policies and processes for managing the risk*

Investments in financial assets are allowed only in liquid securities. 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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 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 RM38,500,000 (2020: RM38,500,000) for the Group and RM449,601,000 (2020: RM533,598,000) for the Company 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. 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 is disclosed in Note 9 to the financial statements.

*Recognition and measurement of impairment loss*

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

- The subsidiaries are unlikely to repay their loans or advances to the Company in full;
- The subsidiaries loan or advance is overdue for more than 365 days; or
- The subsidiaries 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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 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' loans and advances.

Company	Gross carrying amount RM'000	Impairment loss allowance RM'000	Net balance RM'000
<b>2021</b>			
Low credit risk	1,336	-	1,336
<b>2020</b>			
Low credit risk	1,620	-	1,620

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

##### 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 did not recognise any allowance for impairment losses.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 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
<b>Group</b>							
<b>2021</b>							
<i>Non-derivative financial liabilities</i>							
Secured bank loans and facilities	411,101	2.04% to 3.29%	412,436	412,436	-	-	-
Lease liabilities	315	5.00%	328	200	128	-	-
Trade and other payables	51,809	-	51,809	51,809	-	-	-
Financial guarantee	-	-	38,500	38,500	-	-	-
	463,225		503,073	502,945	128	-	-
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	-	-	6,727	6,727	-	-	-
Inflow	(155)	-	(6,882)	(6,882)	-	-	-
	463,070		502,918	502,790	128	-	-
<b>Group</b>							
<b>2020</b>							
<i>Non-derivative financial liabilities</i>							
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 guarantee	-	-	38,500	38,500	-	-	-
	535,699		576,951	576,623	200	128	-
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	1	-	522	522	-	-	-
Inflow	-	-	(521)	(521)	-	-	-
	535,700		576,952	576,624	200	128	-

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 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
<b>Company</b>							
<b>2021</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	101,377	-	101,377	101,377	-	-	-
Financial guarantees	-	-	449,601	449,601	-	-	-
	101,377	-	550,978	550,978	-	-	-
<b>2020</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	148,687	-	148,687	148,687	-	-	-
RCUIDS	11,163	5.00%	11,721	11,721	-	-	-
Financial guarantees	-	-	533,598	533,598	-	-	-
	159,850	-	694,006	694,006	-	-	-

### 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 uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 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:

Group	Denominated in		
	USD RM'000	SGD RM'000	AUD RM'000
<b>2021</b>			
Trade receivables	1,045	11,212	-
Cash and cash equivalents	3,070	9,220	917
<b>Total exposure</b>	<b>4,115</b>	<b>20,432</b>	<b>917</b>
<b>2020</b>			
Trade receivables	3,222	6,519	-
Cash and cash equivalents	6,858	8,455	902
Trade payables	(7)	-	-
<b>Total exposure</b>	<b>10,073</b>	<b>14,974</b>	<b>902</b>

###### *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 % (2020: 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) equity and 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.

Group	Equity/ Profit or loss	
	2021 RM'000	2020 RM'000
SGD	1,553	1,138
USD	312	765
AUD	70	69

A 10% (2020: 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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Fixed rate instruments</b>				
<i>Financial assets</i>				
Deposits placed with licensed banks	28,130	71,846	-	-
<i>Financial liabilities</i>				
Revolving credit	30,000	30,000	-	-
Bankers' acceptances	220,606	229,540	-	-
Promissory notes	-	48,082	-	-
Post shipment buyer loan	58,373	36,746	-	-
Accepted bills	102,122	145,348	-	-
Term loans	-	5,382	-	-
RCUIDS	-	11,163	-	11,163
	411,101	506,261	-	11,163

*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.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 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% (2020: 5%) higher/lower, with all other variables held constant, the Group's other reserves in equity would have been RM30,000 (2020: RM28,000) higher/lower, arising as a result of an increase/decrease in the fair value of the financial instruments classified as fair value through other comprehensive income and the Group's and the Company's profit and loss would have been RM688,000 (2020: RM831,000) and RM619,000 (2020: RM800,000) higher/lower respectively, arising as a result of an increase/decrease in the fair value of the financial instruments classified as fair value through profit or loss.

#### 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.

# NOTES TO THE FINANCIAL STATEMENT (Cont'd)

## 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.

2021 Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>Financial assets</b>								
Club membership, unquoted	-	-	140	-	-	-	140	140
Investment in quoted shares	644	-	-	-	-	-	644	644
Investment in unit trust funds	-	18,100	-	-	-	-	18,100	18,100
	644	18,100	140	-	-	-	18,884	18,884
<b>Company</b>								
<b>Financial assets</b>								
Investment in unit trust funds	-	16,300	-	-	-	-	16,300	16,300
Amount due from a subsidiary	-	-	-	-	-	24,234	24,234	24,234
	-	16,300	-	-	-	24,234	40,534	40,534

# NOTES TO THE FINANCIAL STATEMENT (Cont'd)

## 27. Financial instruments (Cont'd)

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

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

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 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 (2020: 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
Amount due from a subsidiary 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 covenants and regulatory requirements.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 28. Capital management (Cont'd)

During the financial year, the Group's strategy, which was unchanged from the previous financial year 2020, was to maintain the debt-to-equity ratio of less than 1.0. The debt-to-equity ratios at 31 July 2021 and 31 July 2020 were as follows:

	Note	Group	
		2021 RM'000	2020 RM'000
Total loans and borrowings	15	411,101	506,261
Lease liabilities		315	496
Less: Cash and cash equivalents	12	(158,531)	(145,197)
Less: Other investments - current	8	(18,100)	(21,874)
<b>Net debt</b>		<b>234,785</b>	<b>339,686</b>
<b>Total equity</b>		<b>1,125,881</b>	<b>861,110</b>
<b>Debt-to-equity ratio</b>		<b>0.21</b>	<b>0.39</b>

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

## 29. Contingent liabilities

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<i>Unsecured</i>				
In respect of indemnity provided for bank guarantees issued for a joint venture company	5,000	5,000	-	-
In respect of Notices of Additional Assessment with penalties from Inland Revenue Board	13,432	-	13,432	-

On 29 September 2021, the Company received additional assessments with penalties for the years of assessment from 2013 to 2019 totalling RM13,432,777 from Inland Revenue Board ("IRB"). Based on legal advice obtained, the Company has merits in maintaining its stand and has a strong basis to contend the notices issued by IRB.

Accordingly, the Company has initiated legal proceedings to challenge the basis and validity of the said notices and penalties imposed. The judicial review application lodged by the Company against the Minister of Finance was fixed for case management on 26 October 2021 before the KL High Court. Despite the objection by the Attorney General Chambers ("AGC"), the High Court granted an interim stay of all further proceedings including the enforcement of the Notices until 2 March 2022. Consequent to this interim stay order, the Company does not need to pay the disputed taxes.

## 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, associates, subsidiaries, key management personnel and companies in which certain directors have significant interests.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 30. Related parties (Cont'd)

#### 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 16.

	2021 RM'000	2020 RM'000
<b>Group</b>		
Purchases of steel products from a company in which certain directors of the Company have significant interests: JK Ji Seng Sdn. Bhd.	260,918	165,004
Sales of steel products to joint venture: Eastern Steel Sdn. Bhd.	(120,716)	(175,820)
<b>Company</b>		
Rental income from subsidiaries: Alpine Pipe Manufacturing Sdn. Bhd. Huatraco Scaffold Sdn. Bhd. Hiap Teck Hardware Sdn. Bhd.	(2,326) (877) (621)	(4,844) (1,832) (1,276)
Management fees from subsidiaries: Hiap Teck Hardware Sdn. Bhd. Alpine Pipe Manufacturing Sdn. Bhd. Huatraco Scaffold Sdn. Bhd. Briliant Decade Transport Agency Sdn. Bhd.	(1,881) (3,587) (2,137) (126)	(1,260) (1,260) (1,260) (126)
Gross dividends income from subsidiaries: Hiap Teck Hardware Sdn. Bhd. Alpine Pipe Manufacturing Sdn. Bhd. Huatraco Scaffold Sdn. Bhd. Briliant Decade Transport Agency Sdn. Bhd. Hiap Teck Resources Sdn. Bhd.	(15,000) (25,000) (1,200) (200) -	- (1,500) (9,300) (120) (1,245)
Finance income from a subsidiary: Vista Mining Sdn. Bhd.	(1,188)	(1,329)
Finance costs to subsidiaries: Hiap Teck Hardware Sdn. Bhd. Alpine Pipe Manufacturing Sdn. Bhd. Huatraco Scaffold Sdn. Bhd.	1,829 1,428 112	2,969 877 527

### 31. Employee benefits

#### Share-based payments arrangement

##### Share option programme (equity-settled)

On 19 April 2013, the Group and 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. On 2 January 2021, the Company granted additional 14,843,400 of share options to eligible Directors and employees on similar terms (except for exercise price).

The salient terms of the ESOS are as follows:

- (i) Eligible Directors 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 employees other than Directors, the employees 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;
- (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, 2017 and 2019 subject to the yearly performance targets set by the Board of Directors of the Company; and
- (vii) The options granted to eligible Directors and employees will lapse when they are no longer employed with the Group.

# NOTES TO THE

## FINANCIAL STATEMENTS (Cont'd)

### 31. Employee benefits (Cont'd)

#### Share-based payments arrangement (Cont'd)

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

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

	Weighted average exercise price 2021	Number of options ( '000) 2021	Weighted average exercise price 2020	Number of options ( '000) 2020
Outstanding at 1 August	RM0.47	111,691	RM0.46	115,198
Granted during the year	RM0.45	14,843	-	-
Exercised during the year	RM0.50	(3,844)	-	-
Forfeited during the year	RM0.45	(579)	RM0.44	(3,507)
Outstanding at 31 July	RM0.46	122,111	RM0.47	111,691
Exercisable at 31 July	RM0.46	122,111	RM0.47	111,691

The options outstanding at 31 July 2021 have an exercise price in range of RM0.31 to RM0.67 (2020: RM0.31 to RM0.67) and a weighted average contractual life of 4 years (2020: 4 years).

During the financial year, 3,844,390 share options were exercised by the employees. The weighted average share price at the date of exercise for the year was RM0.50 (2020: no options 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:

	2021	2020
<b>Fair value of share options and assumptions</b>		
Fair value at grant date	RM0.11	-
Weighted average share price	RM0.43	-
Share price at grant date	RM0.49	-
Expected volatility (weighted average volatility)	58.66%	-
Option life (expected weighted average life)	1 year	-
Expected dividends	0.73%	-
Risk-free interest rate (based on Malaysian government bonds)	2.14%	-

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

	Group and Company	
	2021	2020
	RM'000	RM'000
Share options granted in financial year ended 31 July 2018	828	-
Share options granted in financial year ended 31 July 2019	145	-
Share options granted in financial year ended 31 July 2021	915	-
Total expense recognised as share-based payments	1,888	-

The share options expense is recognised in profit or loss of the Group and the Company.

### **32. Subsequent events**

#### **32.1 Acquisition of freehold vacant land**

On 8 September 2021, the Group's wholly-owned subsidiary, Hiap Teck Hardware Sdn. Bhd. has entered into Sales and Purchase Agreement with Klangrealty Consortium Sdn. Bhd. to acquire a piece of freehold vacant land, duly converted to medium industry, known as Lot T01 located at Mukim Jeram, Daerah Kuala Selangor, Negeri Selangor to be known as Kapar 2 International Industrial Park ("KIIP 2") ("Said Lot"), free from encumbrances and with vacant possession for a total cash consideration of RM48,612,615.44 ("Purchase Consideration") ("Proposed Acquisition").

#### **32.2 Incorporation of Eastern Power Resources Sdn. Bhd.**

On 26 October 2021, the Company had incorporated a wholly-owned subsidiary, Eastern Power Resources Sdn. Bhd., with a paid-up share capital of RM51,000. The objective of this new company is to sell excess electricity generated by Eastern Steel Sdn. Bhd. to the grid.

# 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 62 to 134 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 2021 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: 29 October 2021

## 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 62 to 134 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 29 October 2021.

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

Before me:

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

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF HIAP TECK VENTURE BERHAD

### 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 2021 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 62 to 134.

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 2021, and of their financial performance and their cash flows for the financial 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.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIAP TECK VENTURE BERHAD (Cont'd)

## 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

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 related to overstatement that revenue may be recognised before control over the goods is transferred to the customers.

#### How the matter was addressed in our audit

We performed the following audit procedures, among others:

- obtained an understanding of the key revenue processes and tested the design and operating effectiveness of key controls in respect of the revenue processes.
- verified revenue transactions to relevant supporting documents (sales invoices and acknowledged delivery orders/bills of lading) that evidenced the transfer of control over a product or service to customers.
- verified sales returns and credit notes subsequent to year end to determine if there was any evidence of material revenue reversal.
- performed sales cut-off procedures to verify that sales were recognised in the correct financial periods.
- verified unusual journal entries on revenue.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIAP TECK VENTURE BERHAD (Cont'd)

## Key Audit Matters (Cont'd)

### 2. Recoverability of investment in joint venture

Refer to Note 2(j)(ii) – significant accounting policy: Impairment of other assets, and Note 7.1 – Investment in joint venture.

#### The key audit matter

The Group and the Company invested in a joint venture which is principally engaged in manufacturing, selling and dealing in a range of steel products using blast furnace plant.

As at 31 July 2021, the carrying amount of investment in joint venture represented 31% and 62% of the total assets of the Group and Company respectively.

This is a key audit matter because it requires significant judgement by management to estimate the recoverable amount of the investment in joint venture.

#### How the matter was addressed in our audit

We performed the following audit procedures, among others:

- compared management's projected cash flows to relevant supporting documents and challenged the key assumptions used.
- obtained confirmation that the key assumptions were subject to oversight from the Directors.
- engaged our corporate finance specialists in reviewing the reasonableness of the discount rate applied in the cash flows projection.
- performed retrospective review to assess the achievability of management's projection and identify possible management's bias.
- performed sensitivity analysis on the key assumptions used which include sales tonnage, prices, profit margin and discount rate.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIAP TECK VENTURE BERHAD (Cont'd)

## 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”).

#### The key audit matter

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 is also certain degree of estimation uncertainty in the measurement of recoverability of trade receivables.

#### How the matter was addressed in our audit

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.
- obtained understanding of the Group's credit control policy and management's review of expected credit losses.
- verified the accuracy of the aging report.
- compared past payment trends, historical bad debts record, subsequent receipts and agreed instalment payment plans for certain debtors.

## 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 Director's Report, Statement on Risk Management and Internal Control, and Chairman's Statement (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will 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 other information identified above and, in doing so, consider whether the other information 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIAP TECK VENTURE BERHAD (Cont'd)

## 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 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 the 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.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIAP TECK VENTURE BERHAD (Cont'd)

## 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, actions taken to eliminate threats or safeguards applied.

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

Petaling Jaya, Selangor

Date: 29 October 2021

### Chua See Guan

Approval Number: 03169/02/2023 J  
Chartered Accountant

# PROPERTIES OF THE GROUP

AS AT 31 JULY 2021

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 2021 (RM)	Date of Acquisition	Date of Last Revaluation	Amount of Last Revaluation
<b>Company and its subsidiaries</b>									
Lot 6085, Mukim of Kapar District of Klang Selangor Darul Ehsan	Single storey factory with a 2 storey office	Freehold	23.5	9	19,005	16,752,457	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	23.5	9	18,732	17,257,204	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	22.5	9	18,516	17,444,668	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	22	10.013	22,341	24,473,239	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	22	9.483	12,179	18,454,439	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	15	18.0	53,243	60,770,629	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	21	-	144,929	141,559	20-Aug-99	28-Jul-20	190,000

# PROPERTIES OF THE GROUP

AS AT 31 JULY 2021 (Cont'd)

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 2021 (RM)	Date of Acquisition	Date of Last Revaluation	Amount of Last Revaluation
<b>Company and its subsidiaries (Cont'd)</b>									
4727-01, Jalan Sri Putri 5/7 Taman Putri Kulai 81000 Kulai Johor Darul Takzim	Shop office apartment	Freehold	23	-	143.07	91,103	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	18	1	2,536.30	1,858,255	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	19	1.554	3,995.76	4,082,874	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	15	2.241	2,453	1,851,786	06-Jul-96	06-Aug-20	6,200,000
<b>Jointly controlled entity</b>									
Lot 6293 & Lot 6294 Mukim Teluk Kalung Kemaman, Terengganu	Blast furnace plant	Leasehold (60 years) expiring 01/04/2068	-	608.62	-	114,116,850	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	-	4,603,903	03-Apr-13	-	-
Lot 50497 Mukim Teluk Kalung Kemaman, Terengganu	Staff housing	Leasehold (99 years) expiring 29/07/2111	-	50	-	478,182	28-May-12	-	-

# ANALYSIS OF SHAREHOLDINGS

AS AT 20 OCTOBER 2021

Issued and Fully Paid-Up Share Capital : RM 863,100,537 (1,726,201,074 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 20 October 2021

Size of shareholdings	No. of Shareholders	%	No. of Shares	%
1 to 99	175	1.45	5,735	0.00
100 to 1000	1,220	10.16	808,433	0.05
1,001 to 10,000	5,487	45.67	32,143,600	1.86
10,001 to 100,000	4,105	34.17	145,348,250	8.42
100,001 to less than 5% of issued shares	1,024	8.52	1,074,059,532	62.22
5% and above of issued shares	3	0.03	473,835,524	27.45
<b>Total</b>	<b>12,014</b>	<b>100.00</b>	<b>1,726,201,074</b>	<b>100.00</b>

## List of Thirty (30) Largest Shareholders as at 20 October 2021

No.	Names	No. of Shares	Percentage (%)
1.	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE BRANCH (SG PVB CL AC)	227,713,324	13.19
2.	CIMSEC NOMINEES (ASING) SDN. BHD. CIMB FOR TS LAW INVESTMENTS LIMITED (PB)	135,000,000	7.82
3.	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	111,122,200	6.43
4.	MAYBANK SECURITIES NOMINEES (ASING) SDN. BHD. MAYBANK KIM ENG SECURITIES PTE LTD FOR BLUEBAY INVESTMENTS GROUP CORPORATION	86,096,758	4.99
5.	MAYBANK NOMINEES (ASING) SDN. BHD. PLEGGED SECURITIES ACCOUNT - MAYBANK INTERNATIONAL LABUAN BRANCH FOR TS LAW INVESTMENT LTD (414886)	66,000,000	3.82
6.	MAYBANK SECURITIES NOMINEES (ASING) SDN. BHD. MAYBANK KIM ENG SECURITIES PTE LTD FOR LAVINGTON INTERNATIONAL LIMITED	38,167,800	2.21
7.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG BALANCED FUND	33,000,000	1.91
8.	HSBC NOMINEES (ASING) SDN. BHD. J.P. MORGAN SECURITIES PLC	23,332,000	1.35
9.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG GROWTH FUND	22,400,000	1.30
10.	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 19)	19,546,200	1.13

# ANALYSIS OF SHAREHOLDINGS

AS AT 20 OCTOBER 2021 (Cont'd)

## List of Thirty (30) Largest Shareholders as at 20 October 2021 (Cont'd)

No.	Names	No. of Shares	Percentage (%)
11.	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA SHARIAH GROWTH OPPORTUNITIES FUND (50156 TR01)	19,425,100	1.13
12.	AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH AGGRESSIVE FUND	17,000,000	0.99
13.	TEH KHOON CHUAN TRADING CO. SDN. BHD.	12,849,000	0.74
14.	TEH CHAK SEONG	12,600,000	0.73
15.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN (6000051)	12,153,900	0.70
16.	CITIGROUP NOMINEES (ASING) SDN. BHD. UBS AG	12,027,640	0.70
17.	YAP KIM FOONG	11,969,200	0.69
18.	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA GROWTH OPPORTUNITIES FUND (50154 TR01)	11,923,700	0.69
19.	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (TMEF)	11,300,000	0.66
20.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG ASIA-PACIFIC DIVIDEND FUND	11,200,000	0.65
21.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. URUSHARTA JAMAAH SDN. BHD. (MAYBANK 2)	11,168,700	0.65
22.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG DIVIDEND FUND	11,000,000	0.64
23.	RHB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN	9,905,900	0.57
24.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR OOI YING NEE	8,000,000	0.46
25.	WONG AH WAH	7,800,000	0.45
26.	HSBC NOMINEES (TEMPATAN) SDN. BHD. HSBC (M) TRUSTEE BHD FOR MAYBANK MALAYSIA VALUE FUND	7,700,000	0.45
27.	TAN HOCK LOONG	7,700,000	0.45
28.	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	6,999,572	0.41
29.	TAN KIAN SER	6,813,000	0.40
30.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR KENANGA SYARIAHEXTRA FUND (N14011960240)	6,063,100	0.35
Total:		<b>977,977,094</b>	<b>56.66</b>

# ANALYSIS OF SHAREHOLDINGS

AS AT 20 OCTOBER 2021 (Cont'd)

## Directors' Shareholdings as at 20 October 2021

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

Names	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Tan Sri Abd Rahman Bin Mamat	-	-	-	-
2. Tan Sri Dato' Law Tien Seng	-	-	492,713,324 <sup>(a)</sup>	28.54
3. Lee Ching Kion	-	-	45,354 <sup>(b)</sup>	0.00
4. Leow Hoi Loong @ Liow Hoi Loong	-	-	-	-
5. Foo Kok Siew	-	-	-	-
6. Tan Shau Ming	-	-	968,000 <sup>(c)</sup>	0.06
7. Law Wai Cheong	-	-	-	-
8. Sherman Lam Yuen Suen	-	-	-	-

Notes:

- (a) Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of his shareholdings in Amardale Offshore Inc. 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 20 October 2021

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

Names	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Tan Sri Dato' Law Tien Seng	-	-	492,713,324 <sup>(a)</sup>	28.54
TS Law Investments Limited	-	-	492,713,324	28.54
Amardale Offshore Inc.	-	-	492,713,324 <sup>(b)</sup>	28.54
Cartaban Nominees (Asing) Sdn Bhd	227,713,324 <sup>(c)</sup>	13.19	-	-
HSBC Nominees (Asing) Sdn Bhd	64,000,000 <sup>(c)</sup>	3.71	-	-
CIMSEC Nominees (Asing) Sdn Bhd	135,000,000 <sup>(c)</sup>	7.82	-	-
Maybank Nominees (Asing) Sdn Bhd	66,000,000 <sup>(c)</sup>	3.82	-	-

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 of 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.

## RCUIDS

During the financial year ended 31 July 2021, 213,548,013 of RCUIDS (2020: 16,134,200) were converted into ordinary shares. The number of RCUIDS outstanding as at 31 July 2021 was nil (2020: 213,548,013) as it had expired on 23 June 2021.

## Warrants

During the financial year ended 31 July 2021, 152,451,739 warrants (2020: Nil) were exercised. The number of Warrants outstanding as at 31 July 2021 was nil (2020: 285,163,313) as it had expired on 23 June 2021.

# NOTICE OF TWENTY-FIFTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twenty-Fifth Annual General Meeting of the Company will be held via virtual platform of the Broadcast Venue located at the Auditorium, Level 3A Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Friday, 17 December 2021 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 2021 together with the Directors' and Auditors' Reports attached thereon. **Please refer to Note B on this Agenda**
2. To approve the Directors' fees of RM368,333.00 for the financial year ended 31 July 2021. **Ordinary Resolution 1**
3. To approve the Directors' allowances payable of RM32,000.00 in respect of the period from 18 December 2021 up to the next Annual General Meeting of the Company to be held in 2022. **Ordinary Resolution 2**
4. To approve a First and Final Single-Tier Dividend of 1.0 sen per share for the financial year ended 31 July 2021. **Ordinary Resolution 3**
5. To re-elect the following Directors who are retiring in accordance with Clause 92 of the Company's Constitution:-
  - (a) Mr. Foo Kok Siew; and
  - (b) Mr. Leow Hoi Loong @ Liow Hoi Loong**Ordinary Resolution 4**  
**Ordinary Resolution 5**
6. To re-elect Mr. Sherman Lam Yuen Suen who is retiring in accordance with Clause 97 of the Company's Constitution. **Ordinary Resolution 6**
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. **Ordinary Resolution 7**
8. **AS SPECIAL BUSINESS:-**

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

- 8.1 **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."

- 8.2 **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed 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 2.3.3 of the Circular to Shareholders dated 17 November 2021, 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 Renewal of Shareholders' Mandate.

# NOTICE OF TWENTY-FIFTH

## ANNUAL GENERAL MEETING (Cont'd)

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

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company following the general meeting at which such Proposed Renewal of Shareholders’ Mandate was passed, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 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.”

**8.3 Authority for Tan Sri Abd Rahman bin Mamat to continue in office as Independent Director. Ordinary Resolution 10**

“**THAT** authority be hereby given to Tan Sri Abd Rahman bin Mamat who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2017.”

**8.4 Authority for Mr Leow Hoi Loong @ Liow Hoi Loong to continue in office as Independent Director. Ordinary Resolution 11**

“**THAT** subject to his re-election as Director of the Company in Ordinary Resolution 5, authority be hereby given to Mr Leow Hoi Loong @ Liow Hoi Loong who has served as an Independent Director of the Company for a cumulative term of 9 years, to continue to act as an Independent Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2017.”

9. 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 1.0 sen per share in respect of the financial year ended 31 July 2021 shall be payable on 21 January 2022 to Depositors registered in the Record of Depositors at the close of business on 6 January 2022.

Depositors shall qualify for entitlement only in respect of:-

- a) Shares transferred to the Depositor’s Securities Account before 4.00 p.m. on 6 January 2022 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: 17 November 2021

# NOTICE OF TWENTY-FIFTH

## ANNUAL GENERAL MEETING (Cont'd)

### Notes on Appointment of Proxy:

1. Based on the Guidance and Frequently Asked Questions ("FAQs") on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020 (revised on 16 July 2021), the 25<sup>th</sup> Annual General Meeting ("25<sup>th</sup> AGM") of the Company will be held on a fully virtual basis via online meeting platform using Remote Participation and Electronic Voting ("RPEV") facility which is available on Boardroom Share Investor Portal website at <https://meeting.boardroomlimited.my>.
2. The main and only venue of the 25<sup>th</sup> AGM is the Broadcast Venue which is strictly for the purpose of complying with Section 327 (2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Shareholders/ proxies/ corporate representatives/ attorneys will not be allowed to attend the 25<sup>th</sup> AGM in person at the Broadcast Venue on the day of the meeting. Members shall attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively "participate") remotely at this General Meeting via Remote Participation and Electronic Voting Facility ("RPEV") provided by Boardroom Share Registrars Sdn. Bhd. (the "Share Registrar") via <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC-D6A357657). **Members are advised to read and follow the procedures provided in the Administrative Guide of the 25<sup>th</sup> AGM in order to participate remotely via RPEV.**
3. Where a Member, an authorised nominee or an exempt authorised nominee appoints more than one proxy, the appointment shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.
4. Where a Member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 (Central Depositories Act), it may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to credit of the said Securities Account.
5. 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
6. A Member entitled to attend, participate, speak and vote at this General Meeting is entitled to appoint a proxy or attorney or in case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote on his/ her behalf. A proxy may but need not be a member of the Company.
7. The Proxy Form shall be signed by the appointer or 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.
8. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar, Boardroom Share Registrars Sdn. Bhd. at Ground Floor or 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or via electronic means through the Boardroom Smart Investor portal at <https://investor.boardroomlimited.com> not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/ or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
9. The completed instrument of proxy once deposited will not preclude the Member from attending and voting in person at the 25<sup>th</sup> AGM 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/ her at any General Meeting of the Company PROVIDED:-
  - (a) such cable or other telegraphic communication shall have been received by the Company Share Registrar not less than forty-eight (48) hours before the time for the holding of the 25<sup>th</sup> AGM 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.

**ALL** the particulars as required in the proxy form must be completed, signed and dated accordingly.

Last date and time for lodging the proxy form is **Wednesday, 15 December 2021 at 10.00 a.m.**

# NOTICE OF TWENTY-FIFTH

## ANNUAL GENERAL MEETING (Cont'd)

10. For a corporate member who has appointed an authorised representative instead of a proxy to attend this meeting, please deposit the original or duly certified certificate of appointment of authorised representative with the Share Registrar of the Company, Boardroom Share Registrars Sdn. Bhd. at Ground Floor or 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:
  - (a) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
  - (b) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:
    - (1) at least two (2) authorised officers, one (1) whom shall be a director; or
    - (2) any director and/ or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
11. A member who has appointed a proxy or attorney or authorised representative to participate in the 25<sup>th</sup> AGM must request his/ her proxy or attorney or authorised representative to register himself/ herself for the RPEV at the Share Registrar's Boardroom Share Registrars Online website at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC-D6A357657).
12. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 25<sup>th</sup> AGM will be put to vote by way of poll.

### **Explanatory Notes on the Agenda:**

#### **(a) Audited Financial Statement for the Financial Year ended 31 July 2021**

The 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.

#### **(b) The Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016**

The proposed Resolution 8 under item 8.1 of the Agenda, if passed, will empower the Directors of the Company, from the date of the above Twenty-Fifth 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-Fourth Annual General Meeting ("AGM") held on 17 December 2020. 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-Fourth Annual General Meeting.

#### **(c) The Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The Proposed Ordinary Resolution 9 under item 8.2 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 2.3.3 of the Circular to Shareholders dated 17 November 2021 with the specified classes of the Related Parties mentioned therein which are necessary for the Group's day-to-day operations. For further information on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, please refer to the Circular to Shareholders dated 17 November 2021 enclosed together with the Company's FY2021 Annual Report.

# NOTICE OF TWENTY-FIFTH

## ANNUAL GENERAL MEETING (Cont'd)

**(d) Authority to continue to act as Independent Director of the Company pursuant to the Malaysian Code on Corporate Governance 2017**

Tan Sri Abd Rahman bin Mamat who was appointed on 28 January 2011, has served as an Independent Director of the Company for a cumulative term of more than nine (9) years. Hence, if this Ordinary Resolution 10 is passed, it would allow Tan Sri Abd Rahman bin Mamat to continue to serve as Independent Director until the conclusion of the next Annual General Meeting of the Company to be held in 2022. The Nominating Committee had reviewed and supported the re-appointment of Tan Sri Abd Rahman bin Mamat as Independent Director. Tan Sri Abd 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. The Board has recommended that Tan Sri Abd Rahman bin Mamat should continue to act as Independent Director of the Company.

**(e) Authority to continue to act as Independent Director of the Company pursuant to the Malaysian Code on Corporate Governance 2017**

Mr Leow Hoi Loong @ Liow Hoi Loong who was appointed on 13 December 2012, has served as an Independent Director of the Company for a cumulative term of nine (9) years. Hence, if this Ordinary Resolution 11 is passed, it would allow Mr Leow Hoi Loong @ Liow Hoi Loong to continue to serve as Independent Director until the conclusion of the next Annual General Meeting of the Company to be held in 2022. The Nominating Committee had reviewed and supported the re-appointment of Mr Leow Hoi Loong @ Liow Hoi Loong as Independent Director. Mr Leow Hoi Loong @ Liow Hoi Loong has met the definition of "independent director" as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Board has recommended that Mr Leow Hoi Loong @ Liow Hoi Loong should continue to act as Independent 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 request 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 3 December 2021. Only a depositor whose name appears on the Record of Depositors as at 3 December 2021 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

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# FORM OF PROXY



**HTVB**

HIAP TECK VENTURE BERHAD  
Registration No. 199701005844 (421340-U)

**HIAP TECK VENTURE BERHAD**  
Registration No. 199701005844 (421340-U)

## TWENTY-FIFTH 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-Fifth Annual General Meeting of the Company to be held via virtual platform at the Broadcast Venue located at the Auditorium, Level 3A Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Friday, 17 December 2021 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 RM368,333.00 for the financial year ended 31 July 2021.		
2	To approve the Directors' allowances payable of RM32,000.00 in respect of the period from 18 December 2021 up to the next Annual General Meeting of the Company to be held in 2022.		
3	To approve a First and Final Single-Tier Dividend of 1.0 sen per share for the financial year ended 31 July 2021.		
4	To re-elect Mr. Foo Kok Siew who is retiring in accordance with Clause 92 of the Company's Constitution.		
5	To re-elect Mr. Leow Hoi Loong @ Liow Hoi Loong who is retiring in accordance with Clause 92 of the Company's Constitution.		
6	To re-elect Mr. Sherman Lam Yuen Suen who is retiring in accordance with Clause 97 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 Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
10	To authorise Tan Sri Abd Rahman bin Mamat to continue in office as Independent Director.		
11	To authorise Mr. Leow Hoi Loong @ Liow Hoi Loong to continue in office as Independent 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 ..... 2021

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

\* Delete if not applicable

Number of Ordinary shares held :	
CDS Account No.	

**Notes on Appointment of Proxy:**

1. Based on the Guidance and Frequently Asked Questions ("FAQs") on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020 (revised on 16 July 2021), the 25<sup>th</sup> Annual General Meeting ("25<sup>th</sup> AGM") of the Company will be held on a fully virtual basis via online meeting platform using Remote Participation and Electronic Voting ("RPEV") facility which is available on Boardroom Share Investor Portal website at <https://meeting.boardroomlimited.my>.
2. The main and only venue of the 25<sup>th</sup> AGM is the Broadcast Venue which is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Shareholders/ proxies/ corporate representatives/ attorneys will not be allowed to attend the 25<sup>th</sup> AGM in person at the Broadcast Venue on the day of the meeting. Members shall attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively "participate") remotely at this General Meeting via Remote Participation and Electronic Voting Facility ("RPEV") provided by Boardroom Share Registrars Sdn. Bhd. (the "Share Registrar") via <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC-D6A357657). **Members are advised to read and follow the procedures provided in the Administrative Guide of the 25<sup>th</sup> AGM in order to participate remotely via RPEV.**
3. Where a Member, an authorised nominee or an exempt authorised nominee appoints more than one proxy, the appointment shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.
4. Where a Member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 (Central Depositories Act), it may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to credit of the said Securities Account.
5. 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
6. A Member entitled to attend, participate, speak and vote at this General Meeting is entitled to appoint a proxy or attorney or in case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote on his/ her behalf. A proxy may but need not be a member of the Company.
7. The Proxy Form shall be signed by the appointer or 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.
8. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar, Boardroom Share Registrars Sdn. Bhd. at Ground Floor or 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or via electronic means through the Boardroom Smart Investor portal at <https://investor.boardroomlimited.com> not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/ or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
9. The completed instrument of proxy once deposited will not preclude the Member from attending and voting in person at the 25<sup>th</sup> AGM 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/ her at any General Meeting of the Company PROVIDED:-
  - (a) such cable or other telegraphic communication shall have been received by the Company Share Registrar not less than forty-eight (48) hours before the time for the holding of the 25<sup>th</sup> AGM 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.  
**ALL** the particulars as required in the proxy form must be completed, signed and dated accordingly.  
Last date and time for lodging the proxy form is **Wednesday, 15 December 2021 at 10.00 a.m.**
10. For a corporate member who has appointed an authorised representative instead of a proxy to attend this meeting, please deposit the **original or duly certified certificate of** appointment of authorised representative with the Share Registrar of the Company, Boardroom Share Registrars Sdn. Bhd. at Ground Floor or 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:
  - (a) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
  - (b) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:
    - (1) at least two (2) authorised officers, one (1) whom shall be a director; or
    - (2) any director and/ or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
11. A member who has appointed a proxy or attorney or authorised representative to participate in the 25<sup>th</sup> AGM must request his/ her proxy or attorney or authorised representative to register himself/ herself for the RPEV at the Share Registrar's Boardroom Share Registrars Online website at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC-D6A357657).
12. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 25<sup>th</sup> AGM will be put to vote by way of poll.

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Affix  
STAMP

The Company Secretary  
**HIAP TECK VENTURE BERHAD**

199701005844 (421340-U)

c/o Boardroom 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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