

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

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for 2nd quarter from 1 November 2021 to 31 January 2022

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/01/2022	31/01/2021	31/01/2022	31/01/2021
	RM'000	RM'000	RM'000	RM'000
Revenue	333,205	356,023	739,831	587,466
Cost of Sales	(288,670)	(309,750)	(620,775)	(524,168)
Gross Profit	44,535	46,273	119,056	63,298
Other Income	2,412	780	3,700	1,817
Operating Expenses	(10,505)	(9,063)	(19,748)	(18,532)
Profit from Operations	36,442	37,990	103,008	46,583
Finance Costs	(3,216)	(3,448)	(6,722)	(6,990)
Share of profit of equity-accounted investees, net of tax	3,362	2,879	26,635	6,747
Profit Before Tax	36,588	37,421	122,921	46,340
Tax expense	(8,283)	(7,322)	(23,541)	(9,162)
Profit for the Period	28,305	30,099	99,380	37,178
Other Comprehensive Income / (Loss)				
Fair value profit / (loss) on other investments	(77)	115	(17)	66
Foreign currency translation differences for foreign operations	(4)	2	54	20
	(81)	117	37	86
Total Comprehensive Income	28,224	30,216	99,417	37,264
Profit Attributable to:				
Owners of the parent	28,239	30,052	99,327	37,018
Non-Controlling Interests	66	47	53	160
	28,305	30,099	99,380	37,178
Total Comprehensive Income Attributable to:				
Owners of the parent	28,158	30,169	99,364	37,104
Non-Controlling Interests	66	47	53	160
	28,224	30,216	99,417	37,264
Earnings Per Share (EPS)				
(a) Basic (sen)	1.63	2.21	5.73	2.73
(b) Diluted (sen)	1.53	1.92	5.39	2.37

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 July 2021 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Registration No. 199701005844 (421340-U))
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Condensed Consolidated Statements of Financial Position as at 31 January 2022

	31/01/2022 (Unaudited)	31/07/2021 (Audited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	255,650	260,478
Right-of-Use assets	208	300
Investment properties	8,402	8,511
Investment in joint venture	523,771	497,137
Other investments	767	784
	<u>788,798</u>	<u>767,210</u>
Current assets		
Inventories	377,931	450,139
Trade and other receivables	318,759	210,009
Derivative assets	-	155
Current tax assets	6,634	6,203
Deposits with licensed banks	17,828	18,100
Cash and bank balances	202,937	158,531
	<u>924,089</u>	<u>843,137</u>
Total assets	<u>1,712,887</u>	<u>1,610,347</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	869,191	865,088
Treasury shares	(7,499)	(7,499)
Translation reserves	(315)	(369)
Share option reserves	5,931	6,407
Fair value reserves	(1,843)	(1,826)
Retained earnings	346,940	264,923
	<u>1,212,405</u>	<u>1,126,724</u>
Non-Controlling Interests	(790)	(843)
Total equity	<u>1,211,615</u>	<u>1,125,881</u>
Non-current liabilities		
Lease liabilities	-	123
Deferred tax liabilities	17,601	17,650
	<u>17,601</u>	<u>17,773</u>
Current liabilities		
Loans and borrowings	422,734	411,101
Trade and other payables	41,550	51,809
Lease liabilities	220	192
Contract liabilities	-	782
Current tax payable	19,167	2,809
	<u>483,671</u>	<u>466,693</u>
Total liabilities	<u>501,272</u>	<u>484,466</u>
Total equity and liabilities	<u>1,712,887</u>	<u>1,610,347</u>
Net assets per share attributable to owners of the parent (RM)	0.70	0.65

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 July 2021 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Registration No. 199701005844 (421340-U))
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Condensed Consolidated Statements of Cash Flows for the period ended 31 January 2022

	Current Year To-date 31/01/2022 RM'000	Preceding Year Corresponding Period 31/01/2021 RM'000
<u>Operating Activities</u>		
Profit Before Tax	122,921	46,340
Adjustments for:		
Dividend income	(33)	-
Depreciation of investment properties	110	110
Depreciation of property, plant and equipment	6,323	6,717
Depreciation of right-of use assets	92	92
Finance income:		
Other investments	(11)	(106)
Deposits with licensed banks	(1,157)	(435)
Gain on disposal of property, plant and equipment	(1,205)	(1,025)
Finance costs	6,722	6,990
Net overdue interest income	(493)	(416)
Net unrealised foreign exchange loss	405	778
Property, plant and equipment written off	93	16
Reversal for impairment loss on trade receivables	(105)	(158)
Write-down of inventories to net realisable value	8,394	6,051
Share of profit of equity-accounted joint venture, net of tax	<u>(26,635)</u>	<u>(6,747)</u>
Operating profit before changes in working capital	115,421	58,207
Net changes in current assets	(44,801)	(64,794)
Net changes in current liabilities	<u>(11,111)</u>	<u>5,875</u>
Cash generated from / (used in) operations	59,509	(712)
Interest paid	(6,715)	(9,071)
Net overdue interest income	493	416
Net income tax paid	<u>(7,663)</u>	<u>(1,679)</u>
Net cash generated from / (used in) operating activities	<u>45,624</u>	<u>(11,046)</u>
<u>Investing Activities</u>		
Dividend income	33	-
Finance income:		
Other investments	11	106
Deposits with licensed banks	1,157	435
Decrease in other investments	272	19,554
Proceeds from disposal of property, plant and equipment	1,414	1,992
Purchase of property, plant and equipment	<u>(1,798)</u>	<u>(1,871)</u>
Net cash generated from investing activities	<u>1,089</u>	<u>20,216</u>
<u>Financing Activities</u>		
Dividend paid	(17,310)	(4,174)
Payment of lease liabilities	(102)	(101)
Drawdown / (Repayment) of borrowings	11,633	(56,275)
Proceed from issuance of ESOS	<u>3,627</u>	<u>-</u>
Net cash used in financing activities	<u>(2,152)</u>	<u>(60,550)</u>
Net Increase / (Decrease) in Cash and Cash Equivalents	44,561	(51,380)
Effect of exchange rate changes	(155)	(620)
Cash and Cash Equivalents at beginning of period	<u>158,531</u>	<u>145,197</u>
Cash and Cash Equivalents at end of period	<u>202,937</u>	<u>93,197</u>

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2021 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Registration No. 199701005844 (421340-U))
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Condensed Consolidated Statements of Changes in Equity for the period ended 31 January 2022

	←----- Attributable to equity holders of the parent ----->										
	←----- Non-distributable ----->							<-Distributable->			
	Share Capital RM'000	Treasury Shares RM'000	Warrant Reserves RM'000	Translation Reserves RM'000	Share Option Reserves RM'000	Fair Value Reserves RM'000	RCUIDS Reserves RM'000	Retained Earnings RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
As at end of current quarter ended 31 January 2022											
Opening balance as at 1 August 2020	865,088	(7,499)	-	(369)	6,407	(1,826)	-	264,923	1,126,724	(843)	1,125,881
Total comprehensive income	-	-	-	54	-	(17)	-	99,327	99,364	53	99,417
Transactions with owners											
Issuance of ordinary shares pursuant to:-											
- Share options exercised	4,103	-	-	-	(476)	-	-	-	3,627	-	3,627
Final dividend for the financial year ended 31 July 2021 (Single tier of 1.0 sen)	-	-	-	-	-	-	-	(17,310)	(17,310)	-	(17,310)
Transactions with owners	4,103	-	-	-	(476)	-	-	(17,310)	(13,683)	-	(13,683)
Closing balance as at 31 January 2022	869,191	(7,499)	-	(315)	5,931	(1,843)	-	346,940	1,212,405	(790)	1,211,615
As at preceding year corresponding quarter ended 31 January 2021											
Opening balance as at 1 August 2019	680,166	(7,499)	30,341	(302)	5,401	(1,881)	27,752	128,065	862,043	(933)	861,110
Total comprehensive income	-	-	-	20	-	66	-	37,018	37,104	160	37,264
Transactions with owners											
Issuance of ordinary shares pursuant to:-											
- Conversion of RCUIDS	18,746	-	-	-	-	-	(18,746)	-	-	-	-
RCUIDS DTA adjustments	-	-	-	-	-	-	4,499	-	4,499	-	4,499
Final dividend for the financial year ended 31 July 2020 (Single tier of 0.3 sen)	-	-	-	-	-	-	-	(4,174)	(4,174)	-	(4,174)
Transactions with owners	18,746	-	-	-	-	-	(14,247)	(4,174)	325	-	325
Closing balance as at 31 January 2021	698,912	(7,499)	30,341	(282)	5,401	(1,815)	13,505	160,909	899,472	(773)	898,699

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2021 and the accompanying explanatory notes attached to the interim financial statements.

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(Registration No. 199701005844 (421340-U))

Notes to the Quarterly Report – 31 January 2022

**PART A : EXPLANATORY NOTES AS PER MALAYSIAN FINANCIAL REPORTING
STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING**

1. Basis of preparation

These interim financial statements are unaudited and have been prepared in accordance with MFRS 134 “Interim Financial Reporting” issued by Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Company’s annual audited financial statements for the year ended 31 July 2021. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 July 2021.

2. Significant Accounting Policies

This interim financial report has been prepared based on accounting policies and methods of computation which are consistent with those adopted in the annual audited financial statements for the year ended 31 July 2021.

The Group has not adopted the following standards, interpretations and amendments that have been issued but not yet effective:

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*

2. Significant Accounting Policies (cont'd)

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*

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 plans 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.
- 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.
- 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.

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.

3. Audit qualification

There were no audit qualifications on the annual financial statements of the Group for the year ended 31 July 2021.

4. Seasonal or cyclical factors

The Group's business operations are not materially affected by any major seasonal factors except during Hari Raya and Chinese New Year festive seasons where business activities generally slow down.

5. Material unusual items

There were no items of an unusual nature or amount affecting assets, liabilities, equity, net income or cash flows during the quarter.

6. Material changes in estimates

There were no material changes in estimates of amount reported in prior interim period that have material impact in the current quarter under review.

7. Issuances, cancellation, repurchase, resale and repayment of debt and equity securities

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter under review except the following:

- a) Issuance of 5,552,640 new ordinary shares pursuant to exercise of Employees' Share Option Scheme.
- b) As at quarter ended 31 January 2022, a total of 5,492,000 buy-back shares were held as treasury shares and carried at cost.

8. Dividend paid

A single tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 July 2021 was approved by shareholders at the 25th Annual General Meeting of the Company held on 17 December 2021. A total amount of RM17,309,995 was paid on 21 January 2022 to depositors registered in the Record of Depositors at the close of business on 6 January 2022.

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9. Segment information

The Group's activities are identified into the following business segments:

	← 6 months ended 31 January 2022 →						
	<u>Trading</u>	<u>Manufac-</u>	<u>Property</u>	<u>Transport-</u>	<u>Mining</u>	<u>Elimina-</u>	<u>Group</u>
	<u>RM'000</u>	<u>turing</u>	<u>and</u>	<u>ation</u>	<u>explor-</u>	<u>tion</u>	<u>RM'000</u>
		<u>RM'000</u>	<u>Investment</u>	<u>RM'000</u>	<u>ation</u>	<u>RM'000</u>	<u>RM'000</u>
			<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
SALES							
- External sales	375,368	363,041	-	15	1,407	-	739,831
- Intersegment sales	-	1,928	5,929	1,172	-	(9,029)	-
Total sales	375,368	364,969	5,929	1,187	1,407	(9,029)	739,831
RESULTS							
Finance income	401	755	1	11	-	-	1,168
Finance costs	4,152	2,570	-	-	-	-	6,722
Depreciation & amortisation	388	4,504	933	189	511	-	6,525
Share of profit of joint venture	-	-	-	-	-	-	26,635
Segment profit	33,756	63,072	(1,453)	68	843	26,635	122,921

	← 6 months ended 31 January 2021 →						
	<u>Trading</u>	<u>Manufac-</u>	<u>Property</u>	<u>Transport-</u>	<u>Mining</u>	<u>Elimina-</u>	<u>Group</u>
	<u>RM'000</u>	<u>turing</u>	<u>and</u>	<u>ation</u>	<u>explor-</u>	<u>tion</u>	<u>RM'000</u>
		<u>RM'000</u>	<u>Investment</u>	<u>RM'000</u>	<u>ation</u>	<u>RM'000</u>	<u>RM'000</u>
			<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
SALES							
- External sales	290,681	295,217	-	1	1,567	-	587,466
- Intersegment sales	-	1,418	5,929	1,707	-	(9,054)	-
Total sales	290,681	296,635	5,929	1,708	1,567	(9,054)	587,466
RESULTS							
Finance income	229	303	1	8	-	-	541
Finance costs	4,404	2,251	335	-	-	-	6,990
Depreciation & amortisation	387	4,857	924	194	557	-	6,919
Share of profit of joint venture	-	-	-	-	-	-	6,747
Segment profit	4,632	34,999	(1,366)	349	979	6,747	46,340

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10. Valuation of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendments from the previous annual report.

11. Significant events

There were no material events subsequent to the end of the interim period up to the date of this report.

12. Changes in the composition of the Group

There were no significant changes in the composition of the Group during the quarter under review, except for the following:

- (i) On 8 November 2021, the Company's shareholding in Joint Venture, Eastern Steel Sdn. Bhd. ("ESSB") has decreased from 35.0% to 27.3% after Shanxi Jianglong Industry Company Limited subscribed for 508.0 million new ordinary shares in the share capital of ESSB for a total cash consideration of Renminbi 500.0 million ("Share Subscription"), equivalent to approximately RM 325.6 million (based on the exchange rate of Renminbi 1.00: RM 0.6512 at the time the funds were received).

The change in shareholdings of ESSB is as set out in the table below:

Shareholders	Shareholdings BEFORE Share Issuance (No. of Shares)	%	Shareholdings AFTER Share Issuance (No. of Shares)	%
Jianlong	1,080,000,000	60.00	1,588,000,000	68.80
HTVB	630,000,000	35.00	630,000,000	27.30
Chinaco	90,000,000	5.00	90,000,000	3.90
Total	1,800,000,000	100.00	2,308,000,000	100.00

- (ii) On 19 January 2022, Eastern Steel Sdn. Bhd. ("ESSB") has subscribed for 49,000 Ordinary Shares in the Company's wholly-owned subsidiary Eastern Power Resources Sdn. Bhd. ("EPRSB") which increased EPRSB's Ordinary Share capital from 51,000 Ordinary Shares to 100,000 Ordinary Shares. The Company is holding 51% of the total Ordinary Share capital after the share subscription.

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13. Changes in contingent liabilities and assets

The contingent liabilities are as follow:

Unsecured Contingent Liabilities :-	Group	
	As at 31.01.2022 RM'000	As at 31.01.2021 RM'000
In respect of indemnity provided for bank guarantees issued	6,805	6,825
In respect of Notices of Additional Assessment with penalties from Inland Revenue Board	13,423	-
Total	20,228	6,825

14. Capital commitments

The amount of commitments not provided for in the interim financial reports as at 31 January 2022 is as follows:

	RM'000
Property, plant and equipment - Authorised but not contracted for	12,500

15. Related party transactions

Related party transactions for the quarter under review in which certain Directors have direct/indirect interest are as follows:

	Group	
	Current year quarter 31.01.2022 RM'000	Current year-to- date 31.01.2022 RM'000
	Purchases of steel products by certain wholly owned subsidiaries of the Group from JK Ji Seng Sdn.Bhd.	18,668

These transactions have been entered into in the normal course of business and at arm's length basis and on terms no more favourable to the related party than those generally available to the public and are not detrimental to minority shareholders.

PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

16. Review of performance

Table 1: Financial review for current quarter and financial year to date for the quarter ended 31 January 2022.

	Individual Quarter		Changes		Cumulative Quarter		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter	Amount	%	Current Year To-date	Preceding Year Corresponding Period	Amount	%
	31/01/2022	31/01/2021			31/01/2022	31/01/2021		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	333,205	356,023	(22,818)	-6%	739,831	587,466	152,365	26%
Gross profit	44,535	46,273	(1,738)	4%	119,056	63,298	55,758	88%
Profit from operations	36,442	37,990	(1,548)	-4%	103,008	46,583	56,425	121%
Profit before tax	36,588	37,421	(833)	-2%	122,921	46,340	76,581	165%
Profit for the period	28,305	30,099	(1,794)	-6%	99,380	37,178	62,202	167%
Profit attributable to:								
Owners of the parent	28,239	30,052	(1,813)	-6%	99,327	37,018	62,309	168%
Non-controlling interests	66	47	19	40%	53	160	(107)	-67%
	28,305	30,099	(1,794)	-6%	99,380	37,178	62,202	167%

Group revenue for the current quarter under review declined by 6% to RM333.205 million as compared to preceding year's corresponding quarter of RM356.023 million mainly due to lower sales volume despite higher selling price.

The Trading division reported a 21% decrease in revenue to RM155.381 million as compared to RM196.970 million in the preceding year's corresponding quarter, whilst the Manufacturing division reported a 12% increase in revenue to RM177.867 million as compared to the preceding year's corresponding quarter revenue of RM159.242 million.

The Group registered lower profit from operations of RM36.442 million for the current quarter as compared to RM37.990 million in the preceding year's corresponding quarter, mainly stemmed from lower volume though partly offset by higher selling price.

On the whole, the Group recorded a profit before tax of RM36.588 million in current quarter as compared to RM37.421 million in the preceding year's corresponding quarter. The sustained performance was mainly attributed to the strength of steel prices. The JV entity contributed RM3.362 million (included one-off net negative impact of RM4.893 million due to dilution loss and reversal of impairment) for the quarter under review as compared to RM2.879 million in the preceding year's corresponding quarter. The JV entity's improved performance was attributable to higher steel prices, costs savings arising from the 55MW power plant completed in October 2019 and the completion of 200,000 MT coke oven plant in October 2021.

17. Comparison with immediate preceding quarter's results

Table 2: Financial review for current quarter compared with immediate preceding quarter

	Individual Quarter		Changes	
	Current Year Quarter	Immediate Preceding Quarter	Amount	%
	31/01/2022	31/10/2021		
	RM'000	RM'000	RM'000	%
Revenue	333,205	406,626	(73,421)	-18%
Gross profit	44,535	74,521	(29,986)	-40%
Profit from operations	36,442	66,566	(30,124)	-45%
Profit before tax	36,588	86,333	(49,745)	-58%
Profit for the period	28,305	71,075	(42,770)	-60%
Profit attributable to:				
Owners of the parent	28,239	71,088	(42,849)	-60%
Non-controlling interests	66	(13)	79	608%
	28,305	71,075	(42,770)	-60%

For the current quarter under review, Group revenue was lower by 18% at RM333.205 million from RM406.626 million in the immediate preceding quarter (“1Q2022”) due to lower sales volume and selling price for both the Trading and Manufacturing divisions.

Profit from operations in the current quarter dropped by 45% to RM36.442 million as compared to RM66.566 million in the immediate preceding quarter due to lower margins attributable by decrease in steel prices and sales volume.

Profit before tax of the Group has reduced to RM36.588 million in 2Q2022 as compared to RM86.333 million in 1Q2022, primarily affected by lower share of profit from JV entity of RM3.362 million (included one-off net negative impact of RM4.893 million due to dilution loss and reversal of impairment) in the current quarter as compared to RM23.273 million in the immediate preceding quarter partly due to lower shareholding from 35.0% to 27.3%. The downward movement of steel prices during 2Q2022 has impacted the margin for both the JV and downstream operating entities.

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18. Prospects

The World Steel Association (“Worldsteel”) forecasts that steel demand will grow by 4.5% in 2021 to reach 1.86 billion MT and will further increase by 2.2% in 2022 to 1.90 billion MT. China, the world’s biggest user of steel, will see a 1.0% contraction in 2021 while Asean-5, after contracting 10.1% in 2020, is forecasted to grow 6.6% in 2021 and a further 5.4% in 2022.

At the inception of year 2022, the highly transmissible Omicron variant spreading rapidly and Malaysia has not been spared. Strategies adopted throughout the world by the policy-maker to mitigate the impact of the pandemic will be crucial in setting the tune of economy recovery. Furthermore rising energy costs and the war in Ukraine could further delay the recovery efforts.

Malaysia’s gross domestic product (“GDP”) expanded 3.1% in 2021 after logging 3.6% year-on-year growth in the fourth quarter supported by easing of COVID-19 containment measures and strong external demand conditions. The construction sector recorded a double-digit decline of 12.9% (Q3 2021: -21.0%) in fourth quarter of 2021. The decline was mainly influenced by a drop in Residential buildings (-24.3%), Civil engineering (-18.8%) as well as non-residential buildings (-11.9%).

Bank Negara Malaysia has projected the Malaysian economy to expand in the range of 5.5% - 6.5% in 2022. Overall apparent steel consumption in Malaysia is estimated to grow at about 3.0% in 2021 and a further 5% to 5.5% in 2022 to achieve 7.5 million MT, in-line with the country’s GDP growth.

The construction sector is poised to grow an estimated 13.9% in 2022 to be driven by acceleration and revival of major infrastructure projects, such as Light Rail Transit Line 3 (LRT3), Mass Rail Transit Line 3 (MRT3), Johore-Singapore Rapid Transit System (RTS) as well as Pan Borneo highway in Sabah & Sarawak. The Residential buildings subsector is also expected to expand further in line with the Government measures to address shortage of affordable housing.

Despite all the challenges, the Group recorded a remarkable 6 months performance to-date with a profit after tax of RM99.380 million, a 167% increase over the preceding year corresponding period, mainly due to higher steel prices and higher contributions from the JV entity. While steel prices are currently stabilising with an upward bias, the Group is vigilant of the trend of steel prices and will continue to focus on prudent procurement strategies and inventory management to mitigate any potential adverse impact on performance and financial strength. Management remains positive on the Group’s performance in the coming quarter as the resumption of economic activity gathers momentum and business confidence improved.

At the JV entity, further cost savings will be achieved with the completion of its second 200,000MT coke over plant which is targeted by June 2022.

19. Variance of actual and forecast profit

Not applicable.

20. Tax

	Group	
	Current year quarter	Current year-to- date
	31.01.2022	31.01.2022
	RM'000	RM'000
Income tax	8,308	23,590
Deferred tax	(25)	(49)
	8,283	23,541

The Group's effective tax rate was lower than the statutory income tax rate of 24% mainly due to share of profit of joint venture which resulted in higher profit before tax at Group level. The Group's effective tax rate was approximate the statutory income tax rate should the calculation exclude the share of profit of the joint venture.

21. Status of corporate proposal

There was no corporate proposal as at the date of this announcement.

22. Loans and borrowings

The Group's borrowings are as follows:

	As at 31.01.2022	As at 31.01.2021
	RM'000	RM'000
Short-Term Loan		
<u>Secured:</u>		
Bankers' acceptances	262,184	298,552
Promissory notes	-	1,112
Post shipment buyer loan	58,013	45,484
Accepted bills	72,537	63,675
Revolving credit	30,000	30,000
<u>Unsecured:</u>		
RCUIDS	-	9,071
	422,734	447,894

All borrowings are secured by corporate guarantees of the Company. 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.

23. Material litigation

There is no material litigation for the quarter under review, except for the following:

Hiap Teck Venture Berhad, the Company has earlier engaged in discussions with Lembaga Hasil Dalam Negeri (“LHDN”) on certain audit findings for the Years of Assessment (“YA”) from 2013 to 2019 involving additional tax assessments and penalties of up to RM13.5 million. Based on legal advice obtained, Management has been advised that HTVB has merits in maintaining its stand on the audit issues raised by LHDN.

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.

On 2 March 2022, the Company’s tax counsel updated the High Court on the status of the AGC’s appeal in a similar pending before the Court of Appeal and consequently, the KL High Court fixed another case management date on 7 April 2022 for the parties to update the court on the progress or outcome of the appeal. At the same time, the High Court enquired whether the AGC would be amenable to proceed with the matter and to update the court on the same during the next case management.

The Company’s tax counsel applied for an interim stay order until the next case management date in order to preserve the rights of the Company. Despite the objection by the AGC, the High Court granted an interim stay of all further proceedings including the enforcement of the Notices until 7 April 2022. Consequent to this interim stay order, the Company need not pay the disputed taxes.

24. Dividend

The Board of Directors does not recommend any dividend for the period under review.

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25. Earnings per share (“EPS”)

a) Basic EPS

The basic earnings per share is calculated by dividing the Group’s net profit attributable to ordinary equity holders for the period by the weighted average number of ordinary shares in issue.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.01.2022	Preceding Year Corresponding Quarter 31.01.2021	Current Year To-Date 31.01.2022	Preceding Year Corresponding Period 31.01.2021
Profit attributable to owners of the parent (RM'000)	28,239	30,052	99,327	37,018
Weighted average number of ordinary shares in issue ('000)	1,733,345	1,358,176	1,733,345	1,358,176
Basic earnings per share (sen)	1.63	2.21	5.73	2.73

b) Diluted EPS

The diluted earnings per share is calculated by dividing the Group’s net profit attributable to ordinary equity holders for the period by the weighted average number of ordinary shares that would have been in issue during the year, excluding treasury shares held by the Company at the opening of the quarter and financial year under review.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.01.2022	Current Year Quarter 31.01.2021	Current Year- to-date 31.01.2022	Current Year- to-date 31.01.2021
Profit attributable to owners of the parent (basis) (RM'000)	28,239	30,052	99,327	37,018
Interest expense on RCUIDS, net of tax (RM'000)	-	123	-	254
Profit attributable to owners of the parent (diluted) (RM'000)	28,239	30,175	99,327	37,272
Weighted average number of ordinary shares in issue (basis) ('000)	1,733,345	1,363,668	1,733,345	1,363,668
Effect of treasury shares held	(5,492)	(5,492)	(5,492)	(5,492)
Effect of conversion of RCUIDS	-	213,548	-	213,548
Effect of ESOS vested	113,357	-	113,357	-
Weighted average number of ordinary shares in issue (diluted) ('000)	1,841,210	1,571,724	1,841,210	1,571,724
Diluted earnings per share (sen)	1.53	1.92	5.39	2.37

26. Profit from operations

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.01.2022 RM'000	Preceding Year Corresponding Quarter 31.01.2021 RM'000	Current Year-to-date 31.01.2022 RM'000	Preceding Year Corresponding Period 31.01.2021 RM'000
<i>Profit for the period is arrived at after charging:</i>				
Depreciation of property, plant and equipment	3,216	3,311	6,323	6,717
Depreciation of investment properties	56	56	110	110
Depreciation of right-of-use assets	46	46	92	92
Finance costs	3,216	3,448	6,722	6,990
Write-down of inventories to net realisable value	2,046	2,295	8,394	6,051
Property, plant and equipment written off	13	9	93	16
<i>and after crediting / (charging):</i>				
Gain on disposal of property, plant and equipment	782	578	1,205	1,025
Finance income:				
Other investments	4	30	11	106
Deposits with licensed banks	557	96	1,157	435
Net foreign exchange gain / (loss)				
Realised	149	(111)	112	(31)
Unrealised	41	(171)	(405)	(778)
Net overdue interest income	305	104	493	416
Rental income	243	240	483	480
Reversal for impairment on trade receivables	105	18	105	158
Share of profit of equity-accounted joint venture, net of tax	3,362	2,879	26,635	6,747

27. Authorisation for Issue

The Interim Financial Statements were authorised for issue by the Board of Directors on 29 March 2022.

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