



HIAP TECK VENTURE BERHAD

(421340-U)

GST REG. NO.: 001660665856

13 December 2024

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

Dear Sirs,

**Re: 28th Annual General Meeting of
Hiap Teck Venture Berhad (“HTVB” or the “Company”)**

We refer to your letter dated 6 December 2024 and are pleased to answer the points you have raised in the interest of minority shareholders and all other stakeholders of the Group.

Operational & Financial Matters

1. Despite the higher sales volumes of 273,025 MT compared to 249,591 MT in the previous financial year, the **Trading Segment** reported a loss of RM10.54 million, a significant drop from the RM1.76 million profit recorded in FY2023. This downturn in profitability was largely due to the downtrend in steel prices, particularly towards the end of the financial year, which further led to a write-down of inventories to net realisable value amounting to RM2.94 million.

The trading division faces challenges due to the prolonged downtrend in steel prices. To address this, the Group will focus on streamlining operations and optimising costs (Page 13 of the Annual Report (AR) 2024).

- (a) What is the prospect of reversing the amount of RM2.94 million in FY2025? and
- (b) Does the segment expect to record another write-down of inventories to net realisable value in FY2025? If so, what is the estimated amount?

China's economic stimulus measures announced in September 2024 have improved sentiments and provided support for steel prices. Based on current market conditions and price levels, we do not envisage the Trading Segment to reverse the RM2.94 million write-down, and we do not expect any additional write-down of inventories to net realizable value in FY2025.

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(c) What will the Group's focus be on streamlining the operations? Which processes and activities in the operation can be eliminated to make it more effective and efficient, and what strategies will be involved in this whole exercise? and

(d) Which cost component will be involved in the cost optimisation initiative? What targeted cost savings can be realised while not undermining HTVB's product quality and customers' expectations?

The Group is streamlining operations within the **Trading Segment** to mitigate market challenges. Key initiatives include greater focus on fast-moving products, optimising inventory levels to lower financing costs, reduce warehouse space to lower rental, and refining administrative overheads and marketing expenditures. These measures are aimed at improving cost efficiency without compromising product quality and customers' expectations.

Joint Venture (JV)

The Group's share of profit from its investment in Eastern Steel Sdn. Bhd. (ESSB), a JV company, increased to RM 77.28 million in FY2024 from RM 44.52 million in FY2023. This represents a year-on-year 73.58% increase (Page 102 of AR 2024).

(a) What is the current performance of ESSB?

ESSB's current performance remained impressive as reported in the Group's Q1 FY2025 results.

(b) What is the outlook for the share of the result from this JV company in FY2025?

Based on current market conditions, the outlook for the share of results from the ESSB joint venture in FY2025 is positive. The successful ignition of the new 1450mm Hot Rolled Coil (HRC) plant in November 2024 marks a significant milestone. HRC production is expected to begin in Q1 2025, further expanding ESSB's product portfolio. Additionally, the economies of scale achieved through ongoing infrastructure enhancements, coupled with higher volumes, will further strengthen ESSB's operational efficiency and financial performance, benefiting the Group's results in FY2025.

2. With the recent Budget 2025 announcement of a carbon tax, expected to impact the iron, steel, and energy sectors from 2026, HTVB is well-prepared to respond. It is proactively assessing the potential impact on production costs and developing strategies to maintain its market competitiveness (Page 11 of AR 2024).
- (a) What is the progress of assessing the potential impact on production costs? Have any adverse impacts been identified? If yes, what are the adverse impacts?
- (b) Has HTVB been able to fully develop strategies to maintain its market competitiveness? If so, what are those strategies, and how are these strategies expected to address its market competitiveness?

HTVB continuously assesses the potential impact of carbon tax on its operations. To remain competitive, the Group has implemented various measures, including investments in new more efficient plant & equipment and trucks, and energy-efficient practices such as the recent installation of a rooftop solar panel system. At the JV level, ESSB is focused on reducing emissions and is recycling waste gas and heat for power generation, and has also installed an 8 km conveyor belt to transport raw materials from the port directly to the plant. HTVB is confident in its ability to remain competitive and will refine its strategies once the carbon tax mechanism becomes clearer.

SUSTAINABILITY MATTERS

3. Carbon Emission

Total Emissions / ⁹				
	Unit	FY2022	FY2023	FY2024
Scope 1 Emissions	tCO ₂ e	485	434	431
Scope 2 Emissions	tCO ₂ e	9,004	8,326	10,255
Total Emissions	tCO ₂ e	9,489	8,760	10,686
Emission Intensity (Scope 1 + Scope 2 emissions / Total revenue)	tCO ₂ e / RM million	6.0	5.5	6.3

The carbon emission intensity, calculated as the total of Scope 1 and Scope 2 emissions divided by total revenue, was 6.3 tonnes of CO₂ equivalent per RM million of revenue in FY2024. While the intensity increased slightly from the previous year's intensity, the Company will continue its ongoing efforts to reduce its carbon footprint relative to its business growth (Page 63 of AR 2024).

What progress has the Company made in reducing its carbon footprint?

HTVB has made notable progress in reducing its carbon footprint, with a key milestone being the installation of a rooftop solar photovoltaic (PV) system across its facilities. Completed in September 2024, the system with a total capacity of 4,681 kWp, is expected to generate over 6 million kWh of electricity annually. Following approval from the Energy Commission in October 2024, it is now fully operational. This initiative is anticipated to

reduce Scope 2 emissions by approximately 40%, reinforcing HTVB's commitment to energy efficiency and sustainability.

CORPORATE GOVERNANCE MATTERS

4. Practice 5.9 of Malaysian Code on Corporate Governance (MCCG) states that the board comprises at least 30% women directors.

Company's response: Departure. The Board acknowledges the importance of gender diversity and recognises the recommendation of the Code to have at least 30% women Directors. For the financial year ended 31 July 2024, one out of eight Directors is a woman i.e. 12.5% (Page 32 of CG Report 2024).

MSWG's comment: Since the Board acknowledges the importance of gender diversity and recognises the recommendation of the Code to have at least 30% women Directors, are there any plans to increase the current percentage of women directors? When does the Board expect that it can adopt Practice 5.9?

The Board acknowledges the importance of gender diversity and is committed to increasing the representation of women directors. The selection of suitable candidates will depend on their skills, knowledge, and experience, with the ultimate decision based on merit and the value the candidate can bring to the Board. In the event of a vacancy, the Nomination and Remuneration Committee (NRC) will prioritise identifying and appointing a suitably qualified woman director if such a candidate is available and meets the Company's requirements.

We thank Minority Shareholder Watchdog Group ("MSWG") for its continuing interests in our Company and we take this opportunity to highlight that the Board of Directors of HTVB fully supports the work of MSWG in promoting good corporate governance best practices in PLCs.

Thank you.

Yours sincerely,

**For and on behalf of
HIAP TECK VENTURE BERHAD**



Foo Kok Siew
Executive Director
c.c. Company Secretary