

HIAP TECK VENTURE BERHAD
(Company No:421340-U)
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income for 1st quarter from 1 August 2011 to 31 October 2011

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/10/2011	31/10/2010	31/10/2011	31/10/2010
	RM'000	RM'000	RM'000	RM'000
Revenue	296,036	244,496	296,036	244,496
Cost of Sales	(267,809)	(228,404)	(267,809)	(228,404)
Gross Profit	28,227	16,092	28,227	16,092
Other Income	3,363	2,115	3,363	2,115
Operating Expenses	(15,535)	(13,493)	(15,535)	(13,493)
Other Expenses	(590)	(67)	(590)	(67)
Profit from Operations	15,465	4,647	15,465	4,647
Finance Costs	(5,199)	(4,146)	(5,199)	(4,146)
Profit Before Tax	10,266	501	10,266	501
Income tax	(2,755)	(2,067)	(2,755)	(2,067)
Profit for the Period	7,511	(1,566)	7,511	(1,566)
Other Comprehensive Income				
Net gain on available-for-sale financial assets				
- Gain on fair value changes	(353)	-	(353)	-
- Foreign currency translation	2	-	2	-
	(351)	-	(351)	-
Total Comprehensive Income	7,160	(1,566)	7,160	(1,566)
Profit Attributable to:				
Owners of the parent	8,108	(1,155)	8,108	(1,155)
Minority Interest	(597)	(411)	(597)	(411)
	7,511	(1,566)	7,511	(1,566)
Total Comprehensive Income Attributable to:				
Owners of the parent	7,757	(1,155)	7,757	(1,155)
Minority interests	(597)	(411)	(597)	(411)
	7,160	(1,566)	7,160	(1,566)
Earnings Per Share (EPS)				
(a) Basic (sen)	2.52	(0.36)	2.52	(0.36)
(b) Diluted (sen)	N/A	N/A	N/A	N/A

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 July 2011 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
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Condensed Consolidated Statements of Financial Position as at 31 October 2011

	31/10/2011 (Unaudited)	31/07/2011 (Audited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	454,188	457,971
Investment properties	5,614	5,641
Available-for-sale - financial assets	2,737	3,090
Deferred tax assets	2,742	2,988
Intangible	50,556	50,556
	<u>515,837</u>	<u>520,246</u>
Current assets		
Inventories	392,099	443,184
Trade and other receivables	238,619	232,484
Derivative assets	86	107
Tax recoverable	12,322	11,326
Available-for-sale - financial assets	53,900	83,221
Cash and cash equivalents	40,248	48,696
	<u>737,274</u>	<u>819,018</u>
Total assets	<u>1,253,111</u>	<u>1,339,264</u>
EQUITY AND LIABILITIES		
Current liabilities		
Borrowings	414,612	479,152
Trade and other payables	49,384	73,789
Derivative liabilities	40	650
	<u>464,036</u>	<u>553,591</u>
Net current assets	<u>273,238</u>	<u>265,427</u>
Non-current liabilities		
Borrowings	23,694	27,443
Deferred tax liabilities	41,474	41,483
	<u>65,168</u>	<u>68,926</u>
Total liabilities	<u>529,204</u>	<u>622,517</u>
Net assets	<u>723,907</u>	<u>716,747</u>
Equity attributable to owners of the parent		
Share capital	163,700	163,700
Share premium	25,341	25,341
Treasury shares	(7,479)	(7,479)
Revaluation reserve	31,635	31,635
Foreign reserve	8	6
Fair value adjustment reserve	61	414
Retained profits	464,440	456,332
	<u>677,706</u>	<u>669,949</u>
Minority interests	46,201	46,798
Total equity	<u>723,907</u>	<u>716,747</u>
Total equity and liabilities	<u>1,253,111</u>	<u>1,339,264</u>
Net assets per share attributable to owners of the parent (RM)	2.25	2.23

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 July 2011 and the accompanying explanatory notes attached to the

HIAP TECK VENTURE BERHAD
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Condensed Consolidated Statements of Cash Flows for the period ended 31 October 2011

	Current Year To-date 31/10/2011 RM'000	Preceding Year Corresponding Period 31/10/2010 RM'000
<u>Operating Activities</u>		
Profit Before Tax	10,266	501
Adjustments for:		
Non-cash items	6,116	5,196
Non-operating items	4,079	3,420
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Operating profit before changes in working capital	20,461	9,117
Net change in current assets	45,592	90,308
Net change in current liabilities	(24,405)	(22,978)
Interest paid	(5,090)	(4,088)
Taxes paid, net of taxes refunded	(3,514)	(3,040)
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	33,044	69,319
<u>Investing Activities</u>		
Other investments	27,550	(4,617)
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	27,550	(4,617)
<u>Financing Activities</u>		
Bank borrowings	(68,289)	(63,496)
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	(68,289)	(63,496)
Net Change in Cash and Cash Equivalents	(7,695)	1,206
Effect of exchange rate changes	(753)	-
Cash and Cash Equivalents at beginning of period	48,696	43,177
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Cash and Cash Equivalents at end of period	40,248	44,383

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2011 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
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Condensed Consolidated Statements of Changes in Equity for the period ended 31 October 2011

	Attributable to equity holders of the parent						Retained Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
	Non-distributable					Fair Value Adjustment Reserve RM'000				
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Foreign Reserve RM'000	Fair Value Adjustment Reserve RM'000				
As at end of current quarter ended 31 October 2011										
Opening balance as at 1 August 2011	163,700	(7,479)	25,341	31,635	6	414	456,332	669,949	46,798	716,747
Total comprehensive income	-	-	-	-	2	(353)	8,108	7,757	(597)	7,160
Transactions with owners	-	-	-	-	-	-	-	-	-	-
Closing balance as at 31 October 2011	163,700	(7,479)	25,341	31,635	8	61	464,440	677,706	46,201	723,907
As at preceding year corresponding quarter ended 31 October 2010										
Opening balance as at 1 August 2010	163,700	(7,458)	25,341	31,635	-	-	433,741	646,959	48,466	695,425
Total comprehensive income	-	-	-	-	-	-	(1,155)	(1,155)	(411)	(1,566)
Transactions with owners	-	-	-	-	-	-	-	-	-	-
Closing balance as at 31 October 2010	163,700	(7,458)	25,341	31,635	-	-	432,586	645,804	48,055	693,859

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2011 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Company No: 421340-U)

Notes to the Quarterly Report – 31 October 2011

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

1. Basis of preparation

These interim financial statements are prepared in compliance with FRS 134 “Interim Financial Reporting” issued by Malaysian Accounting Standards Board (“MASB”) and Chapter 9 Part K 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 2011.

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 2011, except for the adoption of the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretation:

Effective for financial periods beginning on or after 1 January 2011

Amendment to FRS 1, Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters

Amendments to FRS 1, Additional Exemption for First-time Adopters

Amendments to FRS 2, Group Cash-settled Share-based Payment Transactions

Amendments to FRS 7, Improving Disclosures about Financial Instruments

Improvements to FRSs (2010)

IC Interpretation 4, Determining whether an Arrangement contains a Lease

IC Interpretation 18, Transfers of Assets from Customers

Effective for financial periods beginning on or after 1 July 2011

IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments

Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement

The above new FRS and Interpretations are expected to have no significant impact on the financial statements of the Group.

1. Basis of preparation (cont'd)

The standards and interpretations that have been issued but not yet effective are listed below:

Effective for financial periods beginning on or after 1 January 2012

FRS 124, Related Party Disclosures

IC Interpretation 15, Agreements for the Construction of Real Estate

The adoption of the above Standards and Interpretations does not have material impact on the financial statements in the period of initial application.

2. Audit qualification

There were no audit qualifications on the annual financial statements of the Group for the year ended 31 July 2011.

3. Seasonal or cyclical factors

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

4. Material unusual items

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

5. 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.

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

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

As at 31 October 2011, a total of 5,450,000 buy-back shares were held as treasury shares and carried at cost.

7. Dividend paid

No dividend has been paid during the period under review.

8. Segment information

The Group's activities, which are located in Malaysia, are identified into the following business segments:

	← 3 months ended 31 October 2011 →					
	Trading	Manufacturing	Property and Investment	Transportation	Elimination	Group
	<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	140,965	155,069	-	2	-	296,036
- Intersegment sales	1,716	5,086	2,526	1,108	(10,436)	-
Total sales	<u>142,681</u>	<u>160,155</u>	<u>2,526</u>	<u>1,110</u>	<u>(10,436)</u>	<u>296,036</u>
RESULTS						
Interest income	270	258	8	1	-	537
Depreciation & amortisation	345	4,356	1,138	28	-	5,867
Segment profit/(loss)	4,996	6,600	(1,498)	168	-	10,266

9. Valuation of property, plant and equipment

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

10. Significant events

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

11. Changes in the composition of the Group

On 3 November 2011, the Group via its subsidiary, Huatraco Scaffold Sdn. Bhd., incorporated a wholly owned subsidiary, Huatraco Natscreen Sdn. Bhd. with a paid up capital of RM2. The principal activities of the subsidiary are manufacturing, selling and dealing in scaffolding, a range of steel products and steel fabricators.

Save as disclosed above, there were no significant changes in the composition of the Group as at the date of this report..

12. Changes in contingent liabilities and assets

The contingent liabilities as at 31 October 2011 are as follow:

Unsecured Contingent Liabilities :-	Group	
	31.10.11 RM'000	31.07.11 RM'000
In respect of indemnity provided for bank guarantees issued	16,690	16,678
In respect of guarantees issued in favour of Royal Customs and Excise Department	9,000	6000
Total	25,690	22,678

13. Capital commitments

Capital commitments as at 31 October 2011 are as follow:

	RM'000
<u>Capital expenditure:</u>	
Approved and contracted for	675,911
Approved but not contracted for	78,399
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	754,310
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14. 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	Current year-to- date
	31.10.11	31.10.11
	RM'000	RM'000
Sales of steel products	2	2
Purchases of steel products	29,653	29,653
Professional fees	1	1

These transactions have been entered into in the normal course of business and at arms 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.

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

15. Review of performance

During the current quarter under review, the Group achieved a turnover of RM296.04 million as compared to RM244.49 million for the corresponding period of the previous year. Increase in turnover of 21% was contributed by higher selling prices.

In tandem with the increased in turnover, profit before tax for the current quarter was higher than the corresponding period of previous year. Profit before tax (“PBT”) for the current quarter was RM10.27 million and PBT for the corresponding period of previous year profit was RM0.50 million.

16. Comparison with preceding quarter’s results

The Group recorded a turnover of RM296.04 million for the current quarter as compared to RM274.56 million in the immediate preceding quarter. The Group’s profit before tax of RM10.27 million for the current quarter was lower than the profit before tax in the immediate preceding quarter of RM11.33 million. The reduction was mainly due to lower profit margin, effect of price competition in the industry.

17. Prospects

The uncertainties in global economic conditions and the prolonged debt crisis in the EU countries coupled with the stronger US dollar, have led to sluggish demand in steel products and volatility in steel prices.

Nonetheless, the Group expects improvement in the local steel market with the implementation of projects under Tenth Malaysia Plan and Economic Transformation Programme.

However, the Group remains cautious on the macro outlook that may affect the domestic economy. The Group will continue its efforts to increase its competitiveness and will strive to achieve satisfactory results for the remaining quarter.

18. Variance of actual and forecast profit

Not applicable.

19. Tax

	Group		
	Current year quarter 31.10.11 RM'000	Current year-to- date 31.10.11 RM'000	
	Income tax	2,518	2,518
	Deferred tax	237	237
	2,755	2,755	

The Group's effective tax rate was higher than the statutory income tax rate due to non-deductibility of certain expenses.

20. Unquoted investment or properties

There were no disposals of unquoted investments or properties during the quarter under review.

21. Quoted and marketable investments

There were neither purchases nor sales of quoted securities for the quarter under review.

22. Status of corporate proposal

During the current quarter, the approvals were obtained from the following:

- Approval from Ministry of International Trade and Industry obtained on 4 October 2011 for the Proposed Private Placement;
- Approval from Bursa Securities obtained on 18 October 2011 for the listing of and quotation for the placement shares to be issued pursuant to the Proposed Private Placement, the Rights Shares and Warrants to be issued pursuant to the Proposed Rights Issue with Warrants and the new Hiap Teck shares to be issued pursuant to the conversion of the Bonds, the exercise of the Warrants and the exercise of the Options to be granted under the Proposed ESOS;
- Approval from Securities Commission obtained on 28 October 2011 for the Proposed Bond Issue.

22. Status of corporate proposal (cont'd)

- Approval from the shareholders on Extraordinary General Meeting (“EGM”) which was held on 23 November 2011 for the resolutions as set out in the Notice of EGM dated 1 November 2011.

The above corporate exercise is in progress.

23. Borrowings

The Group’s borrowings as at 31 October 2011 are as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Unsecured:</u>			
Bankers' Acceptances	-	388,242	388,242
Onshore foreign currency loan (RM denominated)	-	12,022	12,022
<u>Secured:</u>			
Term loan (RM denominated)	23,694	14,348	38,042
	<u>23,694</u>	<u>414,612</u>	<u>438,306</u>

Bankers’ Acceptances are secured by corporate guarantees of the Company.

Term Loan is secured by specific charge over certain property of a subsidiary and corporate guarantees of the Company.

As at 31 October 2011, the Company has extended corporate guarantees amounting to RM438.3 million to financial institutions for banking facilities granted to certain subsidiaries. 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.

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24. Financial instrument

With the adoption of FRS 139, financial instruments are recognised on their respective contract dates with its accounting policy as disclosed in Note 1 to this report.

Details of the outstanding financial instruments as at 31 October 2011 are as follow:

Type of instrument	Contract/notional amount RM'000	Fair value RM'000	Fair value net gain/(loss) RM'000
Forward foreign currency contract (USD)			
- Less than 1 year	17,910	17,969	59
Forward foreign currency contract (SGD)			
- Less than 1 year	4,928	4,914	(14)
	<u>22,838</u>	<u>22,883</u>	<u>45</u>

25. Material litigation

There is no material litigation for the quarter under review.

26. Dividend

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

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27. Earning per share

	Current Year Quarter 31.10.11	Current Year to-date 31.10.11
Profit attributable to owners of the parent (RM'000)	8,108	8,108
Weighted average number of shares in issue ('000)	321,950	321,950
Basic earning per share (sen)	2.52	2.52

28. Realised and unrealised profit disclosure

	Current Year Quarter 31.10.11 RM'000	Immediate Preceding Quarter 30.07.11 RM'000
Realised	493,503	486,245
Unrealised	6,288	6,050
	499,791	492,295
Less: Consolidation adjustments	(35,351)	(35,963)
Total retained profits	464,440	456,332

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