

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

Condensed Consolidated Statements of Comprehensive Income for 1st quarter from 1 August 2012 to 31 October 2012

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/10/2012	31/10/2011	31/10/2012	31/10/2011
	RM'000	RM'000	RM'000	RM'000
Revenue	273,039	296,036	273,039	296,036
Cost of Sales	(256,081)	(267,809)	(256,081)	(267,809)
Gross Profit	16,958	28,227	16,958	28,227
Other Income	4,984	3,363	4,984	3,363
Operating Expenses	(11,414)	(15,535)	(11,414)	(15,535)
Other Expenses	(1,142)	(590)	(1,142)	(590)
Profit from Operations	9,386	15,465	9,386	15,465
Finance Costs	(6,404)	(5,199)	(6,404)	(5,199)
Share of loss of jointly controlled entity	(684)	-	(684)	-
Profit Before Tax	2,298	10,266	2,298	10,266
Income tax	(1,284)	(2,755)	(1,284)	(2,755)
Profit for the Period	1,014	7,511	1,014	7,511
Other Comprehensive Income				
Net gain on available-for-sale financial assets - fair value changes	(141)	(353)	(141)	(353)
Foreign currency translation	(15)	2	(15)	2
	(156)	(351)	(156)	(351)
Total Comprehensive Income	858	7,160	858	7,160
Profit Attributable to:				
Owners of the parent	1,014	8,108	1,014	8,108
Non-controlling interests	-	(597)	-	(597)
	1,014	7,511	1,014	7,511
Total Comprehensive Income Attributable to:				
Owners of the parent	858	7,757	858	7,757
Non-controlling interests	-	(597)	-	(597)
	858	7,160	858	7,160
Earnings Per Share (EPS)				
(a) Basic (sen)	0.14	2.52	0.14	2.52
(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 2012 and the accompanying explanatory notes attached to the interim financial statements.

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

Condensed Consolidated Statements of Financial Position as at 31 October 2012

	31/10/2012 (Unaudited)	31/7/2012	1/8/2011
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	310,515	314,680	457,971
Investment in jointly controlled entity	135,473	136,157	-
Investment properties	5,512	5,537	5,641
Available-for-sale - financial assets	2,497	2,637	3,090
Deferred tax assets	6,691	6,487	2,988
Intangible	-	-	50,556
	<u>460,688</u>	<u>465,498</u>	<u>520,246</u>
Current assets			
Inventories	411,921	421,978	443,184
Trade and other receivables	244,944	227,889	232,484
Amount due from jointly controlled entity	197,641	148,982	-
Derivative assets	4	49	107
Tax recoverable	3,468	6,288	11,326
Available-for-sale - financial assets	95,867	173,163	83,221
Cash and cash equivalents	47,358	62,574	48,696
	<u>1,001,203</u>	<u>1,040,923</u>	<u>819,018</u>
Total assets	<u>1,461,891</u>	<u>1,506,421</u>	<u>1,339,264</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	356,871	356,871	163,700
Share premium	37,986	37,986	25,341
Treasury shares	(7,484)	(7,484)	(7,479)
Warrant reserve	18,459	18,459	-
Foreign reserve	48	63	6
Fair value adjustment reserve	58	199	414
Equity component of redeemable convertible secured bonds, net of tax	(353)	(353)	-
Retained profits	482,110	481,096	487,967
	<u>887,695</u>	<u>886,837</u>	<u>669,949</u>
Non-controlling interest	-	-	46,798
Total equity	<u>887,695</u>	<u>886,837</u>	<u>716,747</u>
Non-current liabilities			
Borrowings	118,840	121,412	27,443
Deferred tax liabilities	13,411	14,164	41,483
	<u>132,251</u>	<u>135,576</u>	<u>68,926</u>
Current liabilities			
Borrowings	388,359	434,620	479,152
Trade and other payables	53,586	49,183	73,789
Derivative liabilities	-	205	650
	<u>441,945</u>	<u>484,008</u>	<u>553,591</u>
Total liabilities	<u>574,196</u>	<u>619,584</u>	<u>622,517</u>
Total equity and liabilities	<u>1,461,891</u>	<u>1,506,421</u>	<u>1,339,264</u>
Net assets per share attributable to owners of the parent (RM)	1.25	1.25	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 2012 and the accompanying explanatory notes attached to the interim financial statement.

HIAP TECK VENTURE BERHAD
(Company No:421340-U)
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Condensed Consolidated Statements of Cash Flows for the period ended 31 October 2012

	Current Year To-date 31/10/2012 RM'000	Preceding Year Corresponding Period 31/10/2011 RM'000
<u>Operating Activities</u>		
Profit Before Tax	2,298	10,266
Adjustments for:		
Dividend income	(45)	-
Depreciation of investment property	26	26
Depreciation of property, plant and equipment	5,193	5,841
Fair value changes on derivatives	(160)	(588)
Gain on disposal of property, plant and equipment	(144)	249
Interest expense	6,263	5,090
Finance income:		
Available-for-sale financial assets	(1,196)	(498)
Deposits	(50)	(38)
Net overdue interest income	(40)	(244)
Net unrealised foreign exchange loss	1,109	113
Reversal of allowance for doubtful debts	(7)	-
Share of loss of jointly controlled entity	684	-
Operating profit before changes in working capital	13,931	20,217
Net change in current assets	(5,412)	45,592
Net change in current liabilities	4,404	(24,405)
Cash generated from operations	12,923	41,404
Interest paid	(10,016)	(5,090)
Net overdue interest income received	40	244
Taxes paid, net of taxes refunded	578	(3,514)
Net cash from operating activities	3,525	33,044
<u>Investing Activities</u>		
Finance income:		
Available-for-sale financial assets	1,196	498
Deposits	50	38
Dividend income	45	-
Proceeds from disposal of property, plant and equipment	2,678	631
Proceeds from disposal of available-for-sale financial assets	77,296	29,321
Purchase of property, plant and equipment	(3,561)	(2,938)
Advances to jointly controlled entity	(48,771)	-
Net cash from investing activities	28,933	27,550
<u>Financing Activities</u>		
Repayment of borrowings	(47,917)	(68,289)
Net cash used in financing activities	(47,917)	(68,289)
Net Change in Cash and Cash Equivalents	(15,459)	(7,695)
Effect of exchange rate changes	243	(753)
Cash and Cash Equivalents at beginning of period	62,574	48,696
Cash and Cash Equivalents at end of period	47,358	40,248

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2012 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Changes in Equity for the period ended 31 October 2012

	Attributable to equity holders of the parent							Distributable				
	Non-distributable							Distributable				
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Warrant Reserve RM'000	Revaluation Reserve RM'000	Foreign Reserve RM'000	Fair Value Adjustment Reserve RM'000	Equity Component of Redeemable Convertible Secured Bonds, net of tax RM'000	Retained Profits RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
As at end of current quarter ended 31 October 2012												
Opening balance as at 1 August 2012	356,871	(7,484)	37,986	18,459	-	63	199	(353)	481,096	886,837	-	886,837
Total comprehensive income	-	-	-	-	-	(15)	(141)	-	1,014	858	-	858
Transactions with owners	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance as at 31 October 2012	356,871	(7,484)	37,986	18,459	-	48	58	(353)	482,110	887,695	-	887,695
As at preceding year corresponding quarter ended 31 October 2011												
Opening balance as at 1 August 2011	163,700	(7,479)	25,341	-	-	6	414	-	487,967	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	-	-	8	61	-	496,075	677,706	46,201	723,907

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2012 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 2012

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 2012.

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 2012, except for the adoption of Malaysian Financial Reporting Standards (“MFRS”) framework issued by MASB. This MFRS framework was introduced by the MASB in order to fully converge with Malaysia’s existing Financial Reporting Standards with the International Financial Reporting Standards framework issued by the International Accounting Standards Board (IASB).

The adoption of MFRS framework did not result in any significant effect on the financial position and financial performance of the Group other than those as described hereunder:

a) Property, plant and equipment

Under FRS, the Group recorded its land and buildings at valuation. Upon the adoption of MFRS, the property of the Group comprising land and building are stated at cost. The Group uses previous revaluation at or before the date of transition as deemed cost at the date of revaluation. The revaluation surplus was reclassified to retained profits.

1. Basis of preparation (cont'd)

a) Property, plant and equipment (cont'd)

The following comparative figures have been restated following the adoption of MFRS:

Condensed consolidated statement of financial position as at 1 August 2011

	As at 31/7/2011 (Audited) RM'000	Effect of MFRS adoption RM'000	As at 1/8/2011 (Restated) RM'000
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<i>Equity</i>			
Revaluation reserve	31,635	(31,635)	-
Retained profits	456,332	31,635	487,967
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Condensed consolidated statement of financial position as at 31 July 2012

	As at 31/7/2012 (Audited) RM'000	Effect of MFRS adoption RM'000	As at 31/7/2012 (Restated) RM'000
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<i>Equity</i>			
Revaluation reserve	31,635	(31,635)	-
Retained profits	449,461	31,635	481,096
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1. Basis of preparation (cont'd)

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

Effective for financial periods beginning on or after 1 January 2013

MFRS 10: Consolidated Financial Statements

MFRS 11: Joint Arrangements

MFRS 12: Disclosure of Interests in Other Entities

MFRS 13: Fair Value Measurement

MFRS 119: Employee Benefits

MFRS 127: Separate Financial Statements

MFRS 128: Investments in Associates and Joint Ventures

Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2015

MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)

2. Audit qualification

There were no audit qualifications on the annual financial statements of the Group for the year ended 31 July 2012.

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.

7. Dividend paid

No dividend has been paid during the period under review.

8. Segment information

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

	← 3 months ended 31 October 2012 →					
	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	138,360	134,644	30	5	-	273,039
- Intersegment sales	2,417	16,163	2,850	986	(22,416)	-
Total sales	<u>140,777</u>	<u>150,807</u>	<u>2,880</u>	<u>991</u>	<u>(22,416)</u>	<u>273,039</u>
RESULTS						
Finance income	186	174	880	6	-	1,246
Finance costs	1,896	2,108	2,400	-	-	6,404
Dividend income	-	-	45	-	-	45
Depreciation & amortisation	262	4,440	489	28	-	5,219
Share of loss of jointly controlled entity	-	-	-	-	-	(684)
Segment profit	<u>1,325</u>	<u>2,312</u>	<u>(789)</u>	<u>134</u>	<u>(684)</u>	<u>2,298</u>

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

There were no material changes in the composition of the Group since the previous financial year ended 31 July 2012.

12. Changes in contingent liabilities and assets

The contingent liabilities as at 31 October 2012 are as follow:

Unsecured Contingent Liabilities :-	Group	
	31.10.12 RM'000	31.07.12 RM'000
In respect of indemnity provided for bank guarantees issued	17,876	17,562
In respect of guarantees issued in favour of Royal Custom and Excise Department	3,000	6,000
Total	20,876	23,562

13. Capital commitments

Share of capital commitments of the jointly controlled entity as at 31 October 2012 are as follow:

	RM'000
<u>Capital expenditure:</u>	
Approved and contracted for	238,303
Approved but not contracted for	16,615
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	254,918
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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
	31.10.12	31.10.12
	RM'000	RM'000
Purchases of steel products	40,576	40,576

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

The Group recorded revenue of RM273.04 million in the current quarter under review, whereas revenue for the corresponding quarter in previous year was RM296.04 million, a decrease of 8%. Both trading and manufacturing divisions registered lower sales for the current quarter with trading division dropping by 2% while manufacturing division decreased by 13%. The significant drop in manufacturing division was attributed by lower export volume resulted from the weakened international steel prices.

Profit before tax for the current quarter amounted to RM2.30 million, compared to RM10.27 million in the corresponding quarter in previous year. Lower selling prices coupled with higher production cost in the current quarter have affected the Group's profit margin. The availability of cheaper imported steel products further affected the domestic steel industry.

16. Comparison with preceding quarter's results

Revenue of the Group decreased by 6% from RM291.58 million in the immediate preceding quarter to RM273.04 million in the current quarter. The continued softening of steel prices has great impact on the market sentiment. Buying appetite was low in the current quarter and the long holidays during the Hari Raya festive season have also slowdown sales delivery.

Profit margin was squeezed due to unfavourable selling prices. Current quarter's profit before tax was RM2.30 million and profit before tax for immediate preceding quarter was RM0.24 million after written down of inventories value of RM12.49 million.

17. Prospects

The global economic outlook is still clouded with uncertainty. Although steel products are strategic component in every country's development, the industry has entered into a challenging phase with the current slowdown in world economy. Volatility and uncertainty in the international steel market has greatly affected the local steel industry. However, domestic steel consumption is expected to improve with the roll out of projects under the Economic Transformation Program and 10th Malaysia Plan.

The Group expects a challenging year ahead. Nevertheless, the Group will continue its effort to improve its production and operation efficiency to stay competitive in the tough business environment.

18. Variance of actual and forecast profit

Not applicable.

19. Tax

	Group	
	Current year quarter 31.10.12	Current year-to- date 31.10.12
	RM'000	RM'000
	Income tax	2,241
Deferred tax	(957)	(957)
	1,284	1,284

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

20. Status of corporate proposal

Except for the ESOS implementation, the rest of the corporate exercises have been completed.

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21. Utilisation of proceeds from corporate exercise

As of 31 October 2012, the status of utilisation of proceeds raised from the corporate exercise was as follows:

	As approved	Amount Utilised as at 31.10.12	Amount Unutilised	Timeframe for utilisation
	RM'000 (a)	RM'000 (b)	RM'000 (a) - (b)	
<u>Private placement:</u>				
- to subscribe to a fund raising exercise to be undertaken by a jointly controlled entity, Eastern Steel Sdn. Bhd.	31,996	31,996	-	12 months
- to defray estimated expenses incidental to the private placement *	200	30	170	1 month
	32,196	32,026	170	
<u>Rights issue with warrants</u>				
- to part finance the construction of the project plant under Eastern Steel Sdn. Bhd.	137,222	137,222	-	12 months
- to refinance existing bank borrowings *	35,651	32,123	3,528	3 months
- to defray estimated expenses incidental to the rights issue with warrants *	4,200	3,411	789	1 month
	177,073	172,756	4,317	
<u>Redeemable convertible secured bonds</u>				
- to be on-lent to Eastern Steel Sdn. Bhd. to part finance the project plant	143,800	61,187	82,613	12 months
- to defray estimated expenses incidental to the issuance of bonds *	3,200	2,454	746	1 month
	147,000	63,641	83,359	
	356,269	268,423	87,846	

* Any variation in the amount raised and estimated expenses will be adjusted against the amount allocated for the fund raising exercise to be undertaken by a jointly controlled entity, Eastern Steel Sdn. Bhd.

22. Borrowings

The Group's borrowings as at 31 October 2012 are as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured:</u>			
Bankers' Acceptances	-	336,293	336,293
Revolving credit	-	30,000	30,000
Onshore foreign currency loan (RM denominated)	-	18,200	18,200
Liability component of redeemable convertible secured bonds	118,840	3,866	122,706
	<u>118,840</u>	<u>388,359</u>	<u>507,199</u>

Bankers' Acceptances and revolving credit are secured by corporate guarantees of the Company.

As at 31 October 2012, the Company has extended corporate guarantees amounting to RM384.50 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.

Redeemable convertible secured bonds are constituted by a Trust Deed entered into between the Company and the trustee. Pursuant to the Trust Deed dated 21 March 2012, the Company will create the security documents to secure the bonds. The appointed Security Trustee has agreed to act as security trustee and to hold the benefit of the security documents and the security thereby created on trust for the secured parties in the manner and upon the terms and conditions in the deed.

23. Material litigation

There is no material litigation for the quarter under review.

24. Dividend

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

25. Earnings per share (“EPS”)

a) Basic EPS

The basic earnings per share has been 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.

	Current Year Quarter 31.10.12	Current Year- to-date 31.10.12
Profit attributable to owners of the parent (RM'000)	1,014	1,014
Weighted average number of ordinary shares in issue ('000)	708,282	708,282
Basic earnings per share (sen)	0.14	0.14

b) Diluted EPS

The diluted earnings per share has been 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 upon full exercise of the remaining options under Warrants and redeemable convertible secured bonds, adjusted for the number of such ordinary shares that would have been issued at fair value.

There was no dilution effect on earnings per share for the current period as the calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

26. Realised and unrealised profit disclosure

	Current Year Quarter 31.10.12 RM'000	Immediate Preceding Quarter 31.07.12 RM'000
Realised	528,155	518,075
Unrealised	4,309	11,119
	532,464	529,194
Less: Consolidation adjustments	(50,354)	(48,098)
Total retained profits	482,110	481,096

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27. Profit from operations

	Current Year Quarter 31.10.12 RM'000	Current Year- to-date 31.10.12 RM'000
<i>Profit for the year is arrived at after charging:</i>		
Depreciation of property, plant and equipment	5,193	5,193
Depreciation of investment property	26	26
Finance costs	6,404	6,404
Net foreign exchange loss		
Unrealised	1,109	1,109
<i>and after crediting:</i>		
Fair value changes on derivatives	160	160
Gain on disposal of property, plant and equipment	144	144
Finance income:		
Available-for-sale financial assets	1,196	1,196
Deposits	50	50
Net foreign exchange gain		
Realised	1,345	1,345
Rental income	188	188
Dividend income	45	45
Reversal of allowance for doubtful debts	7	7