

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

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for fourth quarter ended 31 July 2022

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/07/2022	31/07/2021	31/07/2022	31/07/2021
	RM'000	RM'000	RM'000	RM'000
Revenue	386,495	164,830	1,583,278	1,081,939
Cost of Sales	(369,531)	(130,849)	(1,396,517)	(912,041)
Gross Profit	16,964	33,981	186,761	169,898
Other Income	4,259	2,824	10,366	7,035
Operating Expenses	(14,545)	(15,161)	(46,541)	(45,173)
Profit from Operations	6,678	21,644	150,586	131,760
Finance Costs	(3,775)	(3,006)	(13,383)	(13,177)
Share of profit of equity-accounted investees, net of tax	22,746	49,451	52,700	76,007
Profit Before Tax	25,649	68,089	189,903	194,590
Tax expense	(1,119)	(7,618)	(33,539)	(31,073)
Profit for the Period	24,530	60,471	156,364	163,517
Other Comprehensive Income				
Fair value (loss) / profit on other investments	(66)	(49)	(6)	55
Foreign currency translation differences for foreign operations	32	(65)	43	(67)
	(34)	(114)	37	(12)
Total Comprehensive Income	24,496	60,357	156,401	163,505
Profit Attributable to:				
Owners of the parent	24,476	60,484	156,013	163,427
Non-Controlling Interests	54	(13)	351	90
	24,530	60,471	156,364	163,517
Total Comprehensive Income Attributable to:				
Owners of the parent	24,442	60,370	156,050	163,415
Non-Controlling Interests	54	(13)	351	90
	24,496	60,357	156,401	163,505
Earnings Per Share (EPS)				
(a) Basic (sen)	1.41	4.27	9.00	11.55
(b) Diluted (sen)	1.41	3.86	9.00	10.45

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 July 2022

	31/07/2022 (Unaudited)	31/07/2021 (Audited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	280,983	260,478
Right-of-use assets	5,067	300
Investment properties	10,190	8,511
Investment in joint venture	549,837	497,137
Other investments	778	784
Deferred tax assets	2,853	-
	<u>849,708</u>	<u>767,210</u>
Current assets		
Inventories	641,703	450,139
Trade and other receivables	368,601	210,009
Derivative financial assets	-	155
Current tax assets	6,103	6,203
Other investments	11,922	18,100
Cash and cash equivalents	150,061	158,531
	<u>1,178,390</u>	<u>843,137</u>
Total assets	<u>2,028,098</u>	<u>1,610,347</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	872,654	865,088
Treasury shares	(7,499)	(7,499)
Translation reserves	(326)	(369)
Share option reserves	-	6,407
Fair value reserves	(1,832)	(1,826)
Retained earnings	409,557	264,923
	<u>1,272,554</u>	<u>1,126,724</u>
Non-Controlling Interests	(443)	(843)
Total equity	<u>1,272,111</u>	<u>1,125,881</u>
Non-current liabilities		
Lease liabilities	-	123
Deferred tax liabilities	15,908	17,650
	<u>15,908</u>	<u>17,773</u>
Current liabilities		
Loans and borrowings	608,483	411,101
Trade and other payables	115,207	51,809
Lease liabilities	5,084	192
Contract liabilities	1,129	782
Current tax payable	10,176	2,809
	<u>740,079</u>	<u>466,693</u>
Total liabilities	<u>755,987</u>	<u>484,466</u>
Total equity and liabilities	<u>2,028,098</u>	<u>1,610,347</u>
Net assets per share attributable to owners of the parent (RM)	0.73	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 July 2022

	Current Year To-date 31/07/2022 RM'000	Preceding Year Corresponding Period 31/07/2021 RM'000
<u>Operating Activities</u>		
Profit Before Tax	189,903	194,590
Adjustments for:		
Allowance for impairment loss on trade receivables	695	1,390
Bad debts recovered	-	(140)
Dividend income	(33)	(22)
Depreciation of investment properties	217	217
Depreciation of property, plant and equipment	12,753	13,200
Depreciation of right-of use assets	277	184
Equity settled share-based payments	-	1,888
Finance income:		
Other investments	(25)	(213)
Deposits with licensed banks	(1,997)	(1,239)
Gain on disposal of property, plant and equipment	(2,773)	(2,119)
Finance costs	13,383	13,177
Net overdue interest income	(560)	(509)
Net unrealised foreign exchange (gain) / loss	(293)	324
Property, plant and equipment written off	93	37
Reversal of allowance for impairment loss in trade receivables	(734)	(412)
Reversal of impairment of investment properties	(1,896)	-
Write-down of inventories to net realisable value	28,903	5,771
Share of profit of equity-accounted joint venture, net of tax	(52,700)	(76,007)
Operating profit before changes in working capital	185,213	150,117
Net changes in inventory	(219,020)	(101,716)
Net changes in trade and other receivables	(172,251)	(14,762)
Net changes in trade and other payables	63,675	30,175
Contract liabilities	-	(559)
Cash generated from operations	(142,383)	63,255
Interest paid	(13,355)	(24,320)
Net overdue interest income	560	509
Net income tax paid	(30,666)	(21,447)
Net cash generated from operating activities	(185,844)	17,997
<u>Investing Activities</u>		
Dividend income	33	22
Finance income:		
Other investments	25	213
Deposits with licensed banks	1,997	1,239
Decrease in other investments	6,178	3,774
Proceeds from disposal of property, plant and equipment	3,868	4,621
Purchase of property, plant and equipment	(21,851)	(3,685)
Net cash (used in) / generated from investing activities	(9,750)	6,184
<u>Financing Activities</u>		
Dividend paid	(17,310)	(4,174)
Payment of lease liabilities	(303)	(201)
Drawdown / (Repayment) of borrowings (net)	197,382	(83,997)
Equity injected by non-controlling interest	49	-
Proceed from issuance of ESOS	7,090	1,742
Proceed from exercised of Warrants	-	76,226
Net cash used in financing activities	186,908	(10,404)
Net (Decrease) / Increase in Cash and Cash Equivalents	(8,686)	13,777
Effect of exchange rate changes	216	(443)
Cash and Cash Equivalents at beginning of period	158,531	145,197
Cash and Cash Equivalents at end of period	150,061	158,531

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
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Condensed Consolidated Statements of Changes in Equity for the period ended 31 July 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 July 2022											
Opening balance as at 1 August 2021	865,088	(7,499)	-	(369)	6,407	(1,826)	-	264,923	1,126,724	(843)	1,125,881
Total comprehensive income	-	-	-	43	-	(6)	-	156,013	156,050	351	156,401
Transactions with owners											
Issuance of ordinary shares pursuant to:-											
- Share options exercised	7,566	-	-	-	(476)	-	-	-	7,090	-	7,090
Expired of ESOS	-	-	-	-	(5,931)	-	-	5,931	-	-	-
Minority Interest on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	49	49
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	7,566	-	-	-	(6,407)	-	-	(11,379)	(10,220)	49	(10,171)
Closing balance as at 31 July 2022	872,654	(7,499)	-	(326)	-	(1,832)	-	409,557	1,272,554	(443)	1,272,111
As at preceding year corresponding quarter ended 31 July 2021											
Opening balance as at 1 August 2020	680,166	(7,499)	30,341	(302)	5,401	(1,881)	27,752	128,065	862,043	(933)	861,110
Total comprehensive income	-	-	-	(67)	-	55	-	163,427	163,415	90	163,505
Transactions with owners											
Issuance of ordinary shares pursuant to:-											
- Conversion of RCUIDS	106,774	-	-	-	-	-	(27,752)	(63,020)	16,002	-	16,002
- Exercise of warrants	76,226	-	(16,221)	-	-	-	-	21,343	81,348	-	81,348
- Share options exercised	1,922	-	-	-	(579)	-	-	399	1,742	-	1,742
Expired of warrants	-	-	(14,120)	-	-	-	-	18,580	4,460	-	4,460
Equity-settled share based payment	-	-	-	-	1,888	-	-	-	1,888	-	1,888
Shares option forfeited	-	-	-	-	(303)	-	-	303	-	-	-
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	184,922	-	(30,341)	-	1,006	-	(27,752)	(26,569)	101,266	-	101,266
Closing balance as at 31 July 2021	865,088	(7,499)	-	(369)	6,407	(1,826)	-	264,923	1,126,724	(843)	1,125,881

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.

Explanatory Notes on the Quarterly Report – Fourth Quarter ended 31 July 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. As at quarter ended 31 July 2022, a total of 5,492,000 buy-back shares were held as treasury shares and carried at cost.

8. Dividend paid

There was no dividend paid during quarter under review. For financial year-to-date, 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:

	← 12 months ended 31 July 2022 →						
	Trading RM'000	Manufac- turing RM'000	Property and Investment RM'000	Transport- ation RM'000	Mining explor- ation RM'000	Others/ Elimination RM'000	Group RM'000
SALES							
- External sales	849,249	730,113	-	16	3,900	-	1,583,278
- Intersegment sales	-	4,469	40,733	2,333	-	(47,535)	-
Total sales	849,249	734,582	40,733	2,349	3,900	(47,535)	1,583,278
RESULTS							
Finance income	656	1,340	1	25	-	-	2,022
Finance costs	8,008	5,347	28	-	-	-	13,383
Depreciation & amortisation	772	8,734	2,026	377	1,338	-	13,247
Share of profit of joint venture	-	-	-	-	-	-	52,700
Segment profit	43,756	89,852	1,153	(21)	2,463	52,700	189,903

	← 12 months ended 31 July 2021 →						
	Trading RM'000	Manufac- turing RM'000	Property and Investment RM'000	Transport- ation RM'000	Mining explor- ation RM'000	Others/ Elimination RM'000	Group RM'000
SALES							
- External sales	550,507	528,601	-	-	2,831	-	1,081,939
- Intersegment sales	-	4,473	52,955	2,768	-	(60,196)	-
Total sales	550,507	533,074	52,955	2,768	2,831	(60,196)	1,081,939
RESULTS							
Finance income	463	802	167	20	-	-	1,452
Finance costs	8,189	4,423	565	-	-	-	13,177
Depreciation & amortisation	770	9,575	1,848	383	1,025	-	13,601
Share of profit of joint venture	-	-	-	-	-	-	76,007
Segment profit	33,353	92,049	(8,811)	264	1,728	76,007	194,590

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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.

13. Changes in contingent liabilities and assets

The contingent liabilities are as follow:

Contingent Liabilities :-	Group	
	As at 31.07.2022 RM'000	As at 31.07.2021 RM'000
In respect of Notices of Additional Assessment with penalties from Inland Revenue Board	13,423	13,423

14. Capital commitments

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

	RM'000
Property, plant and equipment	
- Authorised and contracted for	13,500
- Authorised but not contracted for	2,000
	15,500

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	Current year-to- date
	31.07.2022	31.07.2022
	RM'000	RM'000
Purchases of steel products by certain wholly owned subsidiaries of the Group from JK Ji Seng Sdn.Bhd.	28,795	100,206
Rent of office space by Hiap Teck Venture Berhad from Pedoman Cekap Sdn. Bhd.	119	119

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.

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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 July 2022.

	Individual Quarter		Changes		Cumulative Quarter		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter	Amount	%	Current Year To-date	Preceding Year Corresponding Period	Amount	%
	31/07/2022	31/07/2021			31/07/2022	31/07/2021		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	386,495	164,830	221,665	134%	1,583,278	1,081,939	501,339	46%
Gross profit	16,964	33,981	(17,017)	-50%	186,761	169,898	16,863	10%
Profit from operations	6,678	21,644	(14,966)	-69%	150,586	131,760	18,826	14%
Share of profit of equity-accounted investees, net of tax	22,746	49,451	(26,705)	-54%	52,700	76,007	(23,307)	-31%
Profit before tax	25,649	68,089	(42,440)	-62%	189,903	194,590	(4,687)	-2%
Profit for the period	24,530	60,471	(35,941)	-59%	156,364	163,517	(7,153)	-4%
Profit attributable to:								
Owners of the parent	24,476	60,484	(36,008)	-60%	156,013	163,427	(7,414)	-5%
Non-controlling interests	54	(13)	67	515%	351	90	261	290%
	24,530	60,471	(35,941)	-59%	156,364	163,517	(7,153)	-4%

Group revenue for the current quarter under review rose 134% to RM386.495 million as compared with the preceding year's corresponding quarter of RM164.830 million mainly contributed by both higher sales volumes and average selling price. On Year-On-Year ("YOY") basis, revenue grew 46% as a result of higher average selling price.

The Trading division achieved a 133% increase in revenue to RM232.942 million as compared to RM100.048 million in the preceding year's corresponding quarter, whilst the Manufacturing division reported a 139% increase in revenue to RM153.719 million as compared to the preceding year's corresponding quarter revenue of RM64.312 million.

The Group registered lower profit from operations of RM6.678 million for the current quarter as compared to preceding year's corresponding quarter of RM21.644 million due primarily to higher costs of goods sold and the write-down of inventories to net realisable value of RM20.316 million (YTD:RM28.903 million).

On the whole, the Group recorded a profit before tax ("PBT") of RM25.649 million in the current quarter, significantly lower than the preceding year's corresponding quarter of RM68.089 million. The reduction in PBT was mainly attributed to lower profit margin for the Group's downstream operating subsidiaries as a result of the higher costs of goods sold and the write-down of inventories to net realisable value. Share of profit from JV entity was lower at RM22.746 million in the current quarter as compared to RM49.451 million in the preceding year corresponding quarter despite a higher one-off impact on reversal of impairment loss on property, plant and equipment of RM100 million (FY2021: RM66.15 million) at JV entity level, mainly due to downward trend of steel prices and higher cost of raw materials towards the quarter end. For the full financial year, the Group's PBT was marginally lower by 2% at RM189.903 million against RM194.590 million achieved in preceding financial year.

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 31/07/2022	Immediate Preceding Quarter 30/04/2022	Amount	%
	RM'000	RM'000	RM'000	%
Revenue	386,495	456,952	(70,457)	-15%
Gross profit	16,964	50,741	(33,777)	-67%
Profit from operations	6,678	40,900	(34,222)	-84%
Share of profit of equity-accounted investees, net of tax	22,746	3,319	19,427	585%
Profit before tax	25,649	41,333	(15,684)	-38%
Profit for the period	24,530	32,454	(7,924)	-24%
Profit attributable to:				
Owners of the parent	24,476	32,210	(7,734)	-24%
Non-controlling interests	54	244	(190)	-78%
	24,530	32,454	(7,924)	-24%

For the current quarter under review, Group revenue declined by 15% to RM386.495 million from RM456.952 million in the immediate preceding quarter ("3Q2022") due to lower sales volumes for both the Trading and Manufacturing divisions.

Profit from operations in the current quarter declined sharply by 84% to RM6.678 million as compared to RM40.900 million in the immediate preceding quarter. This was mainly attributed to higher costs of goods sold and the write-down of inventories to net realisable value. Consequently, Profit before tax for the Group in 4Q2022 was lower at RM25.649 million as compared to RM41.333 million in 3Q2022 despite higher contribution from JV entity.

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18. Prospects

The World Steel Association forecasted global steel demand growth to slow in 2022 to 0.4% against a growth of 2.7% in the preceding year, as the industry faces headwinds from continued impact of the pandemic, the Russia-Ukraine war, US monetary tightening and weaker than expected growth in China. For 2023, consumption is projected to grow at a nominal rate of 2.2% subject to high uncertainties.

In Malaysia, the Malaysian Iron and Steel Industry Federation (“MISIF”) has forecasted domestic steel demand to continue its gradual recovery through 2023, but is likely to stay below pre-Covid-19 pandemic levels. Apparent steel consumption (“ASC”) for Malaysia is forecasted to grow 11% in 2022 to 7.8 million MT and then a further 9% in 2023 to 8.5 million MT.

However, the country is not spared from the external environment and is susceptible to a weaker-than-expected global growth, further escalation of geopolitical conflicts, supply chain disruptions and further monetary tightening. Major infrastructure projects such as: the Mass Rapid Transit Line 3 (MRT3) and Rapid Transit System Link (RTS) will spur construction activities and help boost multi-year demand for domestic steel.

Against this backdrop, the Group recorded a commendable performance for financial year 2022 to post a Profit after tax of RM156.364 million. The Group takes cognizance of the challenges and heightened volatility in steel prices and financial markets, and will continue to adopt prudent procurement strategies and inventory management to optimize financial performance and preserve balance sheet strength. Given the higher cost of inventories, Management is highly cautious on the Group’s performance in the coming quarter as the recent decline in steel prices will have adverse effect on the Group’s margins.

At the JV entity level, its Phase I of 400,000 MT coke oven plant has been completed as scheduled in August 2022.

19. Variance of actual and forecast profit

Not applicable.

20. Tax

	Group	
	Current year quarter 31.07.2022	Current year-to- date 31.07.2022
	RM'000	RM'000
	Income tax	
- current year	5,640	38,596
- prior year	-	(463)
Deferred tax	(4,521)	(4,594)
	1,119	33,539

The Group's effective tax rate for the year 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 31.07.2022 RM'000	As at 31.07.2021 RM'000
Short-Term Loan		
Bankers' acceptances	289,826	220,606
Post shipment buyer loan	119,115	58,373
Accepted bills	169,542	102,122
Revolving credit	30,000	30,000
	608,483	411,101

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:

As announced on 30 September 2021, 26 October 2021, 3 March 2022, 8 April 2022, 16 June 2022, 18 August 2022, 28 August 2022 and 2 September 2022

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 (“MOF”) before the KL High Court in October 2021. The first case management was held on 26 October 2021 in which the Company was granted with an interim stay of all further proceedings including the enforcement of the Notices pending the hearing of Attorney General Chambers (AGC)’s appeal in a similar matter pending before the Court of Appeal.

At the latest case management, the Court fixed for hearing on 28 November 2022 in relation to the leave for the Company’s judicial review application. In the meantime, the Court directed the parties to file their affidavit in reply and written submission before the hearing date.

The Company’s tax counsel applied for the interim stay order to be extended until the decision date on 28 November 2022 in order to preserve the rights of the Company. The KL High Court granted an extension for the interim stay of all further proceedings including the enforcement of the Notices until 28 November 2022. Consequent to this interim stay order, the Company need not pay the disputed taxes.

24. Dividend

The Board of Directors is pleased to propose a Single Tier Final Dividend of 1.00 sen per share for the financial year ended 31 July 2022, subject to shareholders’ approval at the forthcoming Annual General Meeting.

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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 31.07.2022	Preceding Year Corresponding Quarter 31.07.2021	Current Year-To- Date 31.07.2022	Preceding Year Corresponding Period 31.07.2021
Profit attributable to owners of the parent (RM'000)	24,476	60,484	156,013	163,427
Weighted average number of ordinary shares in issue ('000)	1,733,873	1,415,030	1,733,873	1,415,030
Basic earnings per share (sen)	1.41	4.27	9.00	11.55

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 31.07.2022	Current Year Quarter 31.07.2021	Current Year- to-date 31.07.2022	Current Year- to-date 31.07.2021
Profit attributable to owners of the parent (basis) (RM'000)	24,476	60,484	156,013	163,427
Interest expense on RCUIDS, net of tax (RM'000)	-	71	-	429
Profit attributable to owners of the parent (diluted) (RM'000)	24,476	60,555	156,013	163,856
Weighted average number of ordinary shares in issue (basis) ('000)	1,739,365	1,360,332	1,739,365	1,360,332
Effect of treasury shares held	(5,492)	(5,492)	(5,492)	(5,492)
Effect of conversion of RCUIDS	-	213,548	-	213,548
Weighted average number of ordinary shares in issue (diluted) ('000)	1,733,873	1,568,388	1,733,873	1,568,388
Diluted earnings per share (sen)	1.41	3.86	9.00	10.45

26. Profit from operations

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.07.2022 RM'000	Preceding Year Corresponding Quarter 31.07.2021 RM'000	Current Year-to-date 31.07.2022 RM'000	Preceding Year Corresponding Period 31.07.2021 RM'000
<i>Profit for the period is arrived at after charging:</i>				
Allowance for impairment loss on trade receivables	695	1,390	695	1,390
Depreciation of property, plant and equipment	3,066	3,323	12,753	13,200
Depreciation of investment properties	54	54	217	217
Depreciation of right-of-use assets	138	46	277	184
Finance costs	3,775	3,006	13,383	13,177
Write-down of inventories to net realisable value	20,316	(405)	28,903	5,771
Property, plant and equipment written off	-	14	93	37
<i>and after crediting / (charging):</i>				
Bad debts recovered	-	140	-	140
Gain on disposal of property, plant and equipment	681	812	2,773	2,119
Finance income:				
Other investments	7	56	25	213
Deposits with licensed banks	433	249	1,997	1,239
Net foreign exchange gain / (loss)				
Realised	735	346	965	575
Unrealised	108	166	293	(324)
Net overdue interest income	31	36	560	509
Rental income	240	240	963	959
Reversal for impairment on trade receivables	629	254	734	412
Reversal of impairment of investment properties	1,896	-	1,896	-
Share of profit of equity-accounted joint venture, net of tax	22,746	49,451	52,700	76,007

27. Authorisation for Issue

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

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