

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME⁽¹⁾

	Current Year Quarter 31-Dec- 2019 RM'000	Preceding Year Quarter 31-Dec- 2018⁽²⁾ RM'000	Current Year -To- Date 31-Dec- 2019 RM'000	Preceding Year-To- Date 31-Dec- 2018⁽²⁾ RM'000
Revenue	18,030	N/A	78,682	N/A
Cost of sales	9,955	N/A	44,667	N/A
Gross profit	8,075	N/A	34,015	N/A
Other income	838	N/A	2,752	N/A
Administrative expenses ⁽³⁾	(4,123)	N/A	(18,567)	N/A
Distribution expenses	(1,596)	N/A	(6,526)	N/A
Operating profit	3,194	N/A	11,674	N/A
Finance costs	(485)	N/A	(1,679)	N/A
Profit before tax	2,709	N/A	9,995	N/A
Income tax expense	(385)	N/A	(2,009)	N/A
Profit for the financial period	2,324	N/A	7,986	N/A
Other comprehensive income, net of tax :				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations	20	N/A	(157)	N/A
Other comprehensive income for the financial period	2,344	N/A	7,829	N/A
Total comprehensive income for the financial period				
Profit attributable to:				
Owners of the Group	2,320	N/A	7,858	N/A
Non-controlling interests	4	N/A	128	N/A
	2,324	N/A	7,986	N/A
Total comprehensive income attributable to:				
Owners of the Group	2,340	N/A	7,732	N/A
Non-controlling interests	4	N/A	97	N/A
	2,344	N/A	7,829	N/A
Earnings per share attributable to owners of the parent:				
Basic and diluted (sen) ⁽⁴⁾	0.71	N/A	2.39	N/A

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Accountant's Report as disclosed in the Prospectus of the Company dated 17 May 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) No comparative figures for the corresponding quarter/period of the preceding year are presented as this is the fourth interim financial report on the consolidated results for the financial period ended 31 December 2019 announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Berhad ("Listing Requirements").
- (3) Administrative Expenses included one-off non-recurring listing expenses of RM 1.23 million.
- (4) Based on weighted average number of ordinary shares in HPMT ("Shares") in issue during the period under review.

N/A Not applicable

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	Unaudited As at 31-Dec-2019 RM'000	Audited ⁽²⁾ As at 31-Dec-2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	76,865	77,008
Right-of-use assets	470	-
Deferred tax assets	-	10
Total non-current assets	77,335	77,018
Current assets		
Inventories	28,125	24,464
Current tax assets	2,405	2,259
Trade and other receivables	15,281	16,977
Derivative financial instruments	57	-
Cash and short-term deposits	51,994	13,235
Total current assets	97,862	56,935
TOTAL ASSETS	175,197	133,953
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	103,553	*
Other reserves	(53,631)	6,733
Retained earnings	68,987	64,026
	118,909	70,759
Non-controlling interests	371	3,247
TOTAL EQUITY	119,280	74,006
Non-current liabilities		
Loans and borrowings	21,461	25,894
Lease liabilities	122	-
Deferred income	3,527	4,297
Deferred tax liabilities	5,932	4,688
Total non-current liabilities	31,042	34,879
Current liabilities		
Loans and borrowings	17,013	13,614
Derivative financial instruments	13	-
Lease liabilities	347	-
Deferred income	770	770
Current tax liabilities	119	232
Trade and other payables	6,613	10,452
Total current liabilities	24,875	25,068
TOTAL LIABILITIES	55,917	59,947
TOTAL EQUITY AND LIABILITIES	175,197	133,953
Net assets per share ⁽³⁾	0.36	N/A

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Accountant's Report as disclosed in the Prospectus of the Company dated 17 May 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) The Group was formalised on 29 March 2019 upon completion of the Acquisition as disclosed in Note B6 (i). The acquisition of entities under common control does not result in any change in economic substance. Accordingly, HPMT Group is a continuation of the acquired entities and is accounted for in accordance with the basis disclosed in Note A1.
- (3) Based on the issued share capital of 328,489,000 ordinary shares after listed on the Main Market on Bursa Securities (as detailed in Note B6).

* RM 2

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾

	Attributable to the owners of the Company					Sub-total RM'000	Non- controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Exchange reserve RM'000	PRC statutory reserve RM'000	Reorganisation reserve RM'000	Retained earnings RM'000			
At 1 January 2019⁽²⁾	*	352	175	6,206	64,026	70,759	3,247	74,006
Total comprehensive income for the financial period								
Profit for the financial period	-	-	-	-	7,858	7,858	128	7,986
Other comprehensive loss for the financial period	-	(126)	-	-	-	(126)	(31)	(157)
Appropriation to statutory reserve	-	-	23	-	(23)	-	-	-
Total comprehensive income	-	(126)	23	-	7,835	7,732	97	7,829
Transaction with owners								
Acquisition of subsidiaries	63,234	-	-	(60,261)	-	2,973	(2,973)	-
Issuance of ordinary shares	42,310	-	-	-	-	42,310	-	42,310
Shares issuance expenses	(1,991)	-	-	-	-	(1,991)	-	(1,991)
Dividends paid on shares	-	-	-	-	(2,874)	(2,874)	-	(2,874)
At 31 December 2019	103,553	226	198	(54,055)	68,987	118,909	371	119,280

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Accountant's Report as disclosed in the Prospectus of the Company dated 17 May 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) The Group was formalised on 29 March 2019 upon completion of the Acquisition as disclosed in Note B6 (i). The acquisition of entities under common control does not result in any change in economic substance. Accordingly, HPMT Group is a continuation of the acquired entities and is accounted for in accordance with the basis disclosed in Note A1.

* RM 2

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW⁽¹⁾

	Current Year-To-Date	Preceding Year-To-Date
	31-Dec-2019	31-Dec-2018⁽²⁾
	RM'000	RM'000
Cash flows from operating activities		
Profit/(loss) before tax		
- Continuing operations	9,995	N/A
- Discontinued operation	-	N/A
	<u>9,995</u>	<u>N/A</u>
Adjustments for:		
Depreciation of property, plant and equipment	8,507	N/A
Depreciation of right-of-use assets	338	N/A
Gain on disposal of property, plant and equipment	(1)	N/A
Allowance of slow moving stock	143	N/A
Impairment losses on receivables	6	N/A
Bad debt recovered	(36)	N/A
Finance costs	1,659	N/A
Interest on lease liabilities	20	N/A
Interest income	(879)	N/A
Unrealised loss/(gain) on derivatives	(44)	N/A
Unrealised loss/(gain) on foreign exchange	(498)	N/A
Operating profit before working capital changes	19,210	N/A
<u>Changes in working capital</u>		
Inventories	(3,804)	N/A
Trade and other receivables	1,712	N/A
Trade and other payables	(2,754)	N/A
Net cash flows generated from operations	<u>(4,846)</u>	<u>N/A</u>
Income tax paid	(1,012)	N/A
Interests paid	(30)	N/A
Interests received	211	N/A
Net cash flows from operating activities	<u>13,533</u>	<u>N/A</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,165)	N/A
Net changes in other investments	-	N/A
Refund for purchase of property, plant and equipment*	564	N/A
Proceeds from disposal of property, plant and equipment	2	N/A
Interests received	668	N/A
Net cash flows used in investing activities	<u>(4,931)</u>	<u>N/A</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW ⁽¹⁾

	Current Year-To-Date	Preceding Year-To-Date
	31-Dec-2019	31-Dec-2018⁽²⁾
	RM'000	RM'000
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	40,319	N/A
Drawdown of revolving credit	250	N/A
Net change in bankers' acceptances	3,641	N/A
Net change in finance lease liabilities	(653)	N/A
Drawdown of term loans	(8,666)	N/A
Interests paid	(1,649)	N/A
Dividend paid	(2,874)	N/A
Net cash flows from financing activities	30,368	N/A
Net increase in cash and cash equivalent	38,970	N/A
Cash and cash equivalents at the beginning of the financial periods ⁽³⁾	13,144	N/A
Effects of exchange rate changes on cash and cash equivalents	(154)	N/A
Cash and cash equivalents at the end of the financial periods	51,960	N/A

For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents comprise of the following:

	Current Year-To-Date	Preceding Year-To-Date
	31-Dec-2019	31-Dec-2018⁽²⁾
	RM'000	RM'000
Cash and bank balances	51,994	N/A
Short-term deposits placed with licensed banks	-	-
Cash and short-term deposits	51,994	N/A
Less: Bank overdrafts	(34)	N/A
Cash and cash equivalents at the end of the financial periods	51,960	N/A

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Accountant's Report as disclosed in the Prospectus of the Company dated 17 May 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) No comparative figures for the corresponding quarter/period of the preceding year are presented as this is the fourth interim financial report on the consolidated results for the financial period ended 31 December 2019 announced by the Company in compliance with the Listing Requirements.
- (3) Cash and cash equivalents as at 31 December 2018, as disclosed in the Combined Statements of Financial Position of the Accountant's Report as disclosed in the Prospectus of the Company dated 17 May 2019.

N/A Not applicable

*The Group subsequently received a stamp duty refund for the acquisition of property which was completed on 31 December 2018.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim financial report of the Group is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirements.

This is the fourth interim financial report on the Company’s consolidated results for the fourth quarter ended 31 December 2019 announced in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year’s corresponding period.

Acquisition of subsidiaries under common control (in which all parties involved, being the acquirer and seller are ultimately controlled by the same party and parties both before and after the acquisition) are consolidated using merger method of accounting. Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination had been effected throughout the current and previous financial years.

On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to reorganisation reserve or reorganisation deficit.

This interim financial report should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus of the Company dated 17 May 2019 and the accompanying explanatory notes attached to this interim financial report.

A2. Significant Accounting Policies

The accounting policies adopted by the Group in the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following new and revised MFRSs, Amendments to MFRS and IC interpretations.

MFRS, Amendments to MFRSs and IC Interpretation effective for financial periods beginning on or after 1 January 2019:-

MFRS 16	Leases
Amendments to MFRS 9	Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119	Post-employment Benefits: Defined Benefits Plans
Amendments to MFRS 128*	Investments in Associates and Joint Ventures: Long-term Interest in Associates and Joint Ventures
Amendments to MFRS 3*	Business Combinations
Amendments to MFRS 11*	Joint Arrangements
Amendment to MFRS 112*	Income Taxes
Amendment to MFRS 123*	Borrowing Costs
IC Interpretation 23*	Uncertainty Over Income Tax Treatments

*Annual improvements to MFRS Standards 2015 – 2017 Cycle

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (continued)

A2. Significant Accounting Policies (continued)

The initial application of the abovementioned standards and amendments do not have any material impacts to the current and prior periods financial statements upon their first adoption except as discussed below:

MFRS 16: Leases

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of the leases and requires lessees to account for all the leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for low value assets leases and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessee is also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from accounting under MFRS 117. Lessor will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The Group has adopted MFRS 16 using the modified retrospective method with no comparatives information restated. On adoption, the Group applied practical expedients wherein a single discount rate is applied to a portfolio of leases with similar characteristics; applied recognition exemption for leases which lease term ends within 12 months of the date of initial application; and used hindsight in determining the option to extend or terminate the lease. The Group measured lease liabilities at the present value of the remaining lease payment, discounted using the Group's incremental borrowing rate between 2.5%-5.6%. The right-of-use asset were measured at the amount equal to the lease liability resulting in an increase in both Group's assets and liabilities of RM 264,586 as at 1 January 2019.

A3. Auditors' Report

There was no qualification on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2018.

A4. Seasonal or Cyclical Factors

The business operations of the Group were not materially affected by any seasonal and cyclical factors during the current quarter and financial year-to-date under review.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (continued)

A5. Material Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date under review.

A6. Material Changes in Estimates

There were no changes in estimates that have a material effect in the current quarter and financial period under review.

A7. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities for the current quarter and financial year-to-date under review except for those disclosed in Note B6.

A8. Dividends Paid

Dividends paid during the financial year ended 31 December 2019 are as follow :

- i) First single tier interim dividend of 0.5 sen per share amounting to RM 1,642,445 for the financial year ended 31 December 2019 was paid on 7 October 2019;
- ii) Second single tier interim dividend of 0.375 sen per share amounting to RM 1,231,834 in respect of financial year ended 31 December 2019 was paid on 30 December 2019.

A9. Segmental Information

The Group's operating segments are manufacturing, trading and coating services. These operating segments are required to be organised and managed for the purpose of making decisions about resource allocation and performance assessment. The Group's segmental revenue are as follows:

	Current Quarter 31-Dec-2019 RM'000	Preceding Quarter 31-Dec-2018⁽¹⁾ RM'000	Current Year-To-Date 31-Dec-2019 RM'000	Preceding Year-To-Date 31-Dec-2018⁽¹⁾ RM'000
Revenue				
Manufacturing	16,660	N/A	73,153	N/A
Trading	824	N/A	3,049	N/A
Coating	546	N/A	2,480	N/A
Total	18,030	N/A	78,682	N/A

Notes:

- (1) No comparative figures for the preceding year and preceding quarter are presented as this is the fourth interim financial report on the consolidated results for the financial period ended 31 December 2019 announced by the Company in compliance with the Listing Requirements.

N/A Not applicable

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (continued)

A10. Property, Plant and Equipment

(i) Acquisitions and disposals

During current year, the Group acquired assets at cost of RM8.93 million.

(ii) Impairment losses

There were no impairment losses during the current quarter and financial year-to-date under review.

(iii) Valuation

The Group has not carried out any valuation on its property, plant and equipment during the current quarter and financial year-to-date under review.

A11. Material Events Subsequent to the end of the Quarter

Saved as disclosed in Note B6 “Status of Corporate Proposals”, there were no other material events subsequent to the end of the current quarter and financial period under review that have not been reflected in the interim financial report.

A12. Changes in the Composition of the Group

Saved as disclosed in Note B6 “Status of Corporate Proposals”, there were no changes in the composition of the Group during the current quarter and financial period under review.

A13. Contingent Liabilities and Contingent Assets

There were no material contingent liabilities or contingent assets to be disclosed as at the date of this interim financial report .

A14. Material Capital Commitment

The capital commitments of the Group as at the end of the quarter under review were as follows:

	RM'000
Approved and contracted for	
• Purchase of machineries and equipment	-
Approved but not contracted for	
• Purchase of machineries and equipment	26,702
Total	<u><u>26,702</u></u>

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (continued)

A15. Significant Related Party Transactions

There were no significant related party transactions during the current quarter and financial period under review.

A16. Fair Value of Financial Liabilities

There were no gains or losses arising from fair value changes of the Group's financial liabilities for the current quarter and financial period under review.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS

B1. Review of Performance

The Group recorded revenue and profit before taxation (“PBT”) of approximately RM 18.03 million and RM 2.71 million respectively during the current quarter under review, while the revenue and PBT for the cumulative quarter stood at RM 78.68 million and RM 10.00 million respectively. The Group’s revenue was mainly derived from manufacturing segment, which contributed RM 73.15 million or 93.0% of the Group’s total revenue.

There are no comparative figures for the preceding year’s corresponding quarter as this is the fourth interim financial statements on the consolidated results for the fourth quarter ended 31 December 2019 being announced by the Company in compliance with the Listing Requirements.

B2. Comparison with Immediate Preceding Quarter

	Current Quarter	Preceding Quarter	Changes	
	31-Dec-2019	30-Sep-2019	RM'000	%
	RM'000	RM'000	RM'000	
Revenue	18,030	19,365	(1,335)	-7%
Profit before Taxation	2,709	3,288	(579)	-18%

The Group revenue for the current quarter was RM 18.03 million, a decrease of RM 1.34 million as compared to RM 19.37 million generated during the preceding quarter. Revenue from manufacturing segment decreased by RM 1.28 million or 7.2% despite demand softening as a result of cautious buying pattern seen from the distributors and end-users due to uncertain global economy outlook. Revenue from trading segment increased by RM 0.18 million or 27.2% with increase in trading sales. Revenue from coating segment decreased by RM 0.23 million or 29.5% with a decrease in revenue from existing customer.

The Group’s reported profit before tax of RM 2.71 million for the current quarter, which it is approximately RM 0.58 million lower as compared to profit before tax of preceding quarter of RM 3.29 million. The decrease in PBT is mainly due to decrease of revenue derived from Asia region.

B3. Prospects for the Next Financial Year

Year 2020 will be challenging for the cutting tools industry with the weak market sentiment arising from various macro uncertainties, such as prolonged trade tension between China and the US and outbreak of Coronavirus disease 2019 (“Covid-19”).

The Group will continue to leverage on strong partners in existing markets for further business growth. At the same time, the Group intends to diversify the customer base by exploring new markets in Europe and Asia as there is potential demand in these regions.

The Board remains cautiously optimistic on the Group's outlook.

B4. Profit Forecast

The Group has not issued any profit forecast in any form of public documentation and announcement.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (continued)

B5. Tax Expense

	Current Quarter 31-Dec-2019 RM'000	Preceding Quarter 31-Dec-2018⁽¹⁾ RM'000	Current Year-To-Date 31-Dec-2019 RM'000	Preceding Year-To-Date 31-Dec-2018⁽¹⁾ RM'000
Current Income Tax	(175)	N/A	754	N/A
Deferred Tax	560	N/A	1,255	N/A
Total	385	N/A	2,009	N/A

The effective tax rate of the Group is 20.1% which is slightly lower than the statutory tax rate, this is mainly due to tax allowances arising from capital investment.

Notes:

(1) No comparative figures for the corresponding quarter/period of the preceding year are presented as this is the fourth interim financial report on the consolidated results announced by the Company in compliance with the Listing Requirements.

N/A Not applicable

B6. Status of Corporate Proposals

In conjunction with and as an integral part of our Company's listing on the Main Market of Bursa Securities, the following listing scheme was undertaken by the Company:

(i) Acquisitions

(a) Acquisition of HPMT Industries Sdn Bhd ("HPMT Industries")

On 29 March 2019, our Company completed the acquisition of the entire issued share capital of HPMT Industries of RM 2,500,000 comprising 2,500,000 ordinary shares in HPMT Industries for a purchase consideration of RM 51,563,000 from Mec. Tech Corporation Sdn Bhd ("Mec. Tech"). The acquisition of HPMT Industries was wholly satisfied by the issuance of 206,251,998 new Shares at an issue price of RM0.25 per Share to Herroz Mechanical Technologies Sdn Bhd ("Herroz Mechanical"), the holding company of Mec. Tech.

The purchase consideration of HPMT Industries of RM51,563,000 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the adjusted NA of HPMT Industries as at 31 December 2017 of RM 51,562,138.

(b) Acquisition of Herroz Sdn Bhd ("Herroz")

On 29 March 2019, our Company completed the acquisition of the entire issued share capital of Herroz of RM 1,626,518 comprising 1,626,518 ordinary shares in Herroz for a purchase consideration of RM 4,828,000 from Mec. Tech. The acquisition of Herroz was wholly satisfied by the issuance of 19,312,000 new Shares at an issue price of RM 0.25 per Share to Herroz Mechanical, the holding company of Mec. Tech.

The purchase consideration of Herroz of RM 4,828,000 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA of Herroz as at 31 December 2017 of RM 4,827,494.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (continued)

B6. Status of Corporate Proposals (continued)

(i) Acquisitions (continued)

(c) Acquisition of HPMT Deutschland GmbH ("HPMT GmbH")

On 29 March 2019, our Company completed the acquisition of the entire issued share capital of HPMT GmbH of EUR 25,000 comprising 3 shares in HPMT GmbH for a purchase consideration of EUR 455,821.60 (equivalent to RM 2,208,000⁽¹⁾) from Mec. Tech. The acquisition of HPMT GmbH was wholly satisfied by the issuance of 8,832,000 new Shares at an issue price of RM 0.25 per Share to Herroz Mechanical, the holding company of Mec. Tech.

The purchase consideration of HPMT GmbH of EUR455,821.60 (equivalent to RM2,208,000⁽¹⁾) was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA of HPMT GmbH as at 31 December 2017 of EUR455,791.

Note:

- (1) Based on the middle rate of EUR1.00:RM4.8440 at 5.00 p.m. on 29 December 2017 as published by Bank Negara Malaysia ("BNM").

(d) Acquisition of MTC Tooling Systems Limited ("MTC Tooling")

On 20 March 2019, our Company completed the acquisition of the entire issued share capital of MTC Tooling of HKD 1,000,000 comprising 1,000,000 ordinary shares in MTC Tooling for a purchase consideration of HKD 7,402,244 (equivalent to RM 3,834,000⁽¹⁾). The acquisition of MTC Tooling was wholly satisfied by the issuance of 15,336,000 new Shares at an issue price of RM0.25 per Share.

The purchase consideration of MTC Tooling of HKD 7,402,244 (equivalent to RM3,834,000⁽¹⁾) was arrived at on a willing-buyer willing-seller basis, after taking into consideration the adjusted pro forma unaudited NA of MTC Tooling's group of companies ("MTC Tooling Group") as at 31 December 2017 of HKD 7,400,526.

Note:

- (1) Based on the middle rate of HKD100.00:RM51.7951 at 5.00 p.m. on 29 December 2017 as published by BNM.

(e) Acquisition of Pentagon Coating Technologies Sdn Bhd ("Pentagon")

On 29 March 2019, our Company completed the acquisition of 75.0% of the equity interest in Pentagon for a purchase consideration of RM801,000 from Herroz Mechanical. The acquisition of Pentagon was wholly satisfied by the issuance of 3,204,000 new Shares at an issue price of RM0.25 per Share to Herroz Mechanical.

The purchase consideration of Pentagon of RM801,000 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the adjusted NA of Pentagon as at 31 December 2017 of RM1,067,345.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (continued)

B6. Status of Corporate Proposals (continued)

(ii) Initial Public Offering

On 17 May 2019, the Company issued its Prospectus and undertook an initial public offering ("IPO") comprising:

- (a) a public issue of 75,553,000 new Shares, representing approximately 23.0% of the Company's enlarged number of Shares, at an issue price of RM 0.56 each ("IPO Price") ("Public Issue") to be allocated in the following manner:
- (1) 16,426,000 new Shares available for application by Malaysian citizens, companies, societies, co-operatives and institutions;
 - (2) 8,300,000 new Shares available for application by the eligible directors and employees of the Group; and other persons who have contributed to the success of the Group; and
 - (3) 50,827,000 new Shares available for application by way of private placement to institutional and selected investors; and
- (b) an offer for sale of 41,062,000 existing Shares, representing approximately 16.2% of the Company's enlarged number of Shares, at the IPO Price by way of placement to Bumiputera investors approved by the Ministry of International Trade and Industry and institutional and selected investors.

(iii) Listing

The Company's entire enlarged issued share capital of RM 183,953,840 comprising of 328,489,000 ordinary shares was listed on the Main Market of Bursa Securities on 12 June 2019.

B7. Utilisation of Proceeds from the Public Issue

Details of utilisation of proceeds	Estimated timeframe for utilisation upon Listing	Amount of proceeds RM'000	Actual Utilisation RM'000	Percentage utilised %
(i) Purchase of new machineries and equipment	Within 36 months	34,000	4,926	14.5%
(ii) Working Capital:				
- Finished goods inventories	Within 24 months	1,000	-	
- Staff costs and raw materials	Within 24 months	1,910	-	
(iii) Estimated listing expenses	Immediate	5,400	5,400	100.0%
Total		42,310	10,326	

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the company dated 17 May 2019.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (continued)

B8. Group Borrowings

		Unaudited	
Currency		As at 31-Dec-2019	As at 31-Dec-2018 ⁽¹⁾
		RM'000	RM'000
Long-term Borrowings (secured)			
(i) Term Loan	MYR	12,537	N/A
	EUR	8,841	N/A
(ii) Finance Lease Liabilities	MYR	83	N/A
Sub-total		21,461	N/A
Short-term borrowings (secured)			
(i) Term Loan	MYR	2,452	N/A
	EUR	5,507	N/A
(ii) Finance Lease Liabilities	MYR	208	N/A
(iii) Bank Acceptance	MYR	-	N/A
	USD	8,112	N/A
(iv) Revolving Credit	MYR	700	N/A
	CNY	-	N/A
(v) Bank Overdraft	MYR	34	N/A
Sub-total		17,013	N/A
Total borrowings		38,474	N/A

Notes:

(1) No comparative figures for the corresponding quarter/period of the preceding year are presented as this is the fourth interim financial report on the consolidated results announced by the Company in compliance with the Listing Requirements.

N/A Not applicable

We utilise credit facilities such as overdrafts and banker's acceptances to partially finance our working capital. In addition, we utilise term loans to finance purchase of our manufacturing equipment and factory building. The credit facilities are secured by corporate guarantees, joint and several guarantees by Directors, specific debentures and properties.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (continued)

B9. Derivative Financial Instruments

As at 31 December 2019, the outstanding foreign currency forward contracts are as follows:

	Contract / Notional Amount RM'000	Fair Value Asset / (Liabilities) RM'000
Forward Currency Contracts		
Less than 1 year	3,297	44

The Group's enter into forward currency contracts to hedge against the net exposure to movements in exchange rate arising from sales, purchase and finance cost.

The fair value derivative asset of RM 0.044 million has been recognised in the financial statement.

B10. Material Litigation

As at the date of this interim financial report, the Group is not engaged in any material litigation or arbitration proceedings either as plaintiff or defendant, and the Directors are not aware of any proceedings pending or threatened against the Group, which may materially and adversely affect the financial position or business performance of the Group.

B11. Dividend

A third interim single tier dividend for the financial year ended 31 December 2019, amounting to RM 1.23 million compute based on 328,489,000 ordinary shares as at 31 December 2019, has been declared by the Board of Directors on 19 February 2020:

- (i) Amount per Share: Single tier dividend of 0.375 sen per ordinary share
- (ii) Previous corresponding period as at 31 December 2018: NIL
- (iii) Entitlement Date: 11 March 2020
- (iv) Payment Date: 25 March 2020

The total dividend declared for the current financial year ended 31 December 2019: 1.25 sen per share

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (continued)

B12. Earnings Per Share (“EPS”)

The basic and diluted EPS for the current quarter and financial year-to-date is computed as below:

	Current Quarter 31-Dec-2019 RM'000	Preceding Quarter 31-Dec-2018⁽¹⁾ RM'000	Current Year-To-Date 31-Dec-2019 RM'000	Preceding Year-To-Date 31-Dec-2018⁽¹⁾ RM'000
Profit after tax attributable to the owner of the Group (RM'000)	2,320	N/A	7,858	N/A
Weighted average number of Shares in issue ('000) ⁽¹⁾	328,489	N/A	328,489	N/A
Basic EPS (sen) ⁽²⁾	0.71	N/A	2.39	N/A
Diluted EPS (sen) ⁽³⁾	0.71	N/A	2.39	N/A

Notes:

- (1) Based on the 328,489,000 ordinary shares listed on the Main Market on Bursa Securities (as detailed in Note B6).
- (2) Basic EPS is calculated by dividing the profit attributable to owners of the Group by the weighted average number of Shares in issue during the period under review.
- (3) Diluted EPS of the fourth quarter ended 31 December 2019 and financial year-to-date ended 31 December 2019 is equivalent to the basic EPS as the Company does not have any convertible securities as at the end of the financial period under review.
- (4) No comparative figures for the corresponding quarter/period of the preceding year are presented as this is the fourth interim financial report on the consolidated results for the financial period ended 31 December 2019 announced by the Company in compliance with the Listing Requirements.

N/A Not applicable

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (continued)

B13. Profit Before Tax

	Current Quarter 31-Dec-2019 RM'000	Preceding Quarter 31-Dec-2018⁽¹⁾ RM'000	Current Year-To-Date 31-Dec-2019 RM'000	Preceding Year-To-Date 31-Dec-2018⁽¹⁾ RM'000
Interest income	(397)	N/A	(879)	N/A
Other income	(318)	N/A	(1,295)	N/A
Interest expense	465	N/A	1,659	N/A
Interest on lease liabilities	20	N/A	20	N/A
Depreciation of property, plant and equipment	2,234	N/A	8,507	N/A
Depreciation of right-of-use assets	338	N/A	338	N/A
Allowance of slow moving stock	58	N/A	143	N/A
Impairment losses on receivables	1	N/A	6	N/A
Bad debt recovered	-	N/A	(36)	N/A
Realised loss on foreign exchange	102	N/A	137	N/A
Unrealised gain on foreign exchange	(154)	N/A	(498)	N/A
Unrealised gain on derivatives	32	N/A	(44)	N/A

Notes:

(1) No comparative figures for the corresponding quarter/period of the preceding year are presented as this is the fourth interim financial report on the consolidated results for the financial period ended 31 December 2019 announced by the Company in compliance with the Listing Requirements.

N/A Not applicable

Save as disclosed above, the other disclosure items pursuant to Paragraph 16, Part A of Appendix 9B of the Listing Requirements are not applicable.