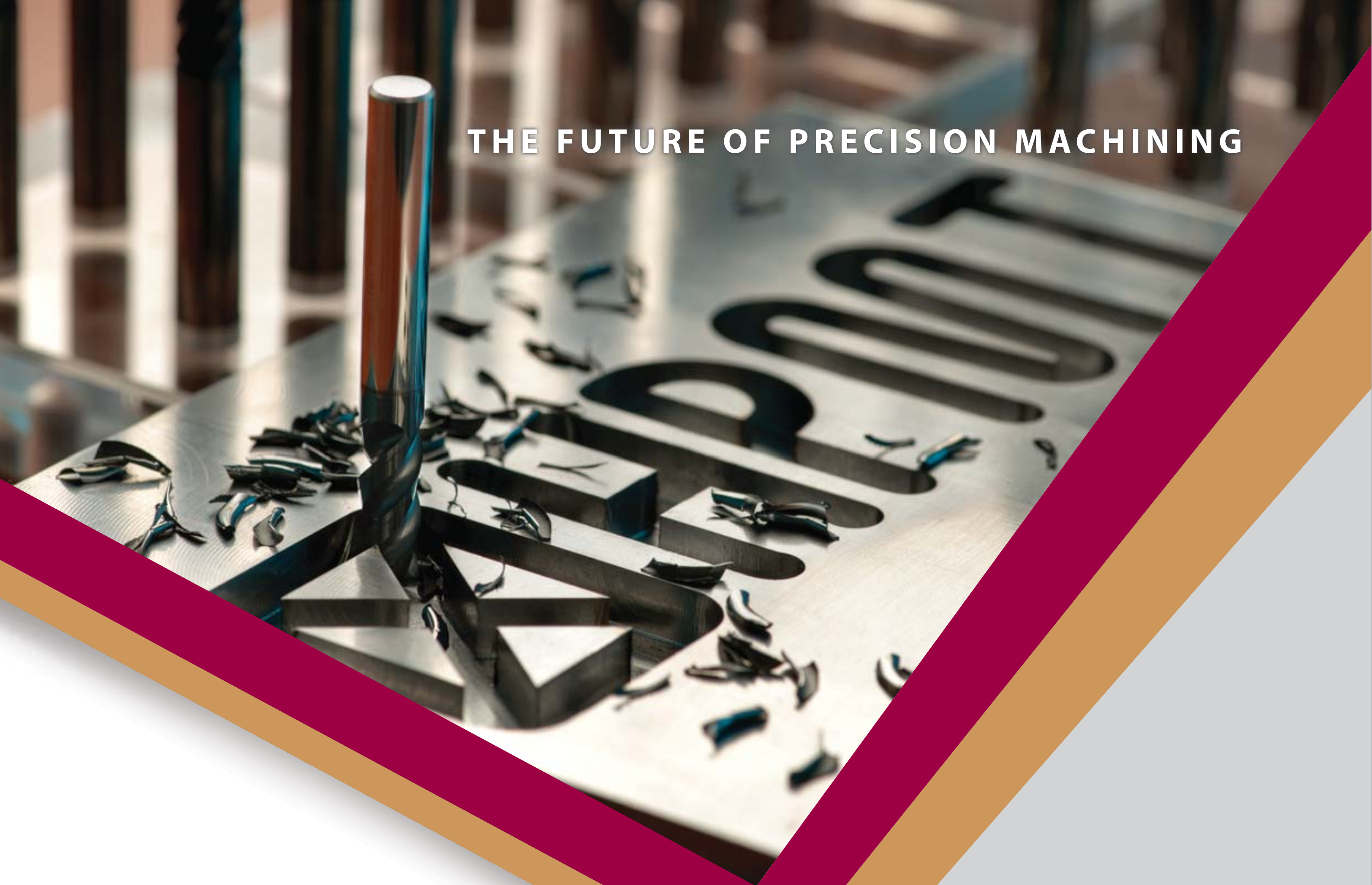


THE FUTURE OF PRECISION MACHINING

HPMT

HPMT HOLDINGS BERHAD

Registration No. 201701041672 (1255845-W)

ANNUAL REPORT 2019

CONTENT

CORPORATE STRUCTURE

HPMT HOLDINGS BERHAD

- 100% HPMT Industries Sdn Bhd
- 100% Herroz Sdn Bhd
- 100% MTC Tooling Systems Limited
  - 100% HPMT (Shenzhen) Limited
- 100% HPMT Deutschland GmbH
- 75% Pentagon Coating Technologies Sdn Bhd

CORPORATE INFORMATION

DIRECTORS

KU HE @ KHOO YEE HER
Executive Chairman

KHOO SENG GIAP
Managing Director

TAN KIM CHUAN
Executive Director/Chief Financial Officer

DATO' KHOO AH CHYE
Non-Independent Non-Executive Director

PETER HO KOK WAI
Senior Independent Non-Executive Director

CHUA PUT MOY
Independent Non-Executive Director

LEE EE SIAN
Independent Non-Executive Director

OEI KOK EONG
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Peter Ho Kok Wai *(Chairman)*
Chua Put Moy *(Member)*
Oei Kok Eong *(Member)*

REMUNERATION COMMITTEE

Lee Ee Sian *(Chairman)*
Peter Ho Kok Wai *(Member)*
Oei Kok Eong *(Member)*
Chua Put Moy *(Member)*

NOMINATION COMMITTEE

Lee Ee Sian *(Chairman)*
Peter Ho Kok Wai *(Member)*
Oei Kok Eong *(Member)*
Chua Put Moy *(Member)*

COMPANY SECRETARY

Wong Youn Kim *(MAICSA 7018778)*
SSM Practising Certificate
No. 201908000410

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia
Tel no. : +603 2241 5800
Fax no. : +603 2282 5022

HEAD/MANAGEMENT OFFICE

No. 5, Jalan Sungai Kayu Ara 32/39
Taman Berjaya, Seksyen 32
40460 Shah Alam, Selangor
Malaysia
Tel no. : +603 5740 2218
Fax no. : +603 5740 2238
E-mail : hpmt@hpmt-industries.com
Website : www.hpmt-industries.com

AUDITOR

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants
Baker Tilly Tower
Level 10, Tower 1,
Avenue 5, Bangsar South City
59200 Kuala Lumpur, Malaysia
Tel no. : +603 2297 1000
Fax no. : +603 2282 9980

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel no. : +603 2783 9299
Fax no. : +603 2783 9222

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : HPMT
Stock Code : 5291

BOARD OF DIRECTORS

From back left:

Peter Ho Kok Wai, Oei Kok Eong, Chua Put Moy, Lee Ee Sian

From front left:

Tan Kim Chuan, Ku He @ Khoo Yee Her, Khoo Seng Giap, Dato' Khoo Ah Chye

PROFILE OF DIRECTORS

KU HE @ KHOO YEE HER
Executive Chairman

Age	Nationality
76	Malaysian

Date of Appointment
- 16/11/2017

Gender
- Male

Qualification
- Bachelor of Science, Victoria University of Wellington

Working Experience
- Chemist, Fusan Fishing Nets Manufacturing Bhd
- Production Manager, Fusan Fishing Nets Manufacturing Bhd
- Technical Sales Director, Nanfong Engineering Sdn Bhd

Membership of Board Committees in HPMT Holdings Berhad
- None

No of Board Meeting Attended during the financial year ended 31 December 2019 ("FYE 2019")
- 3/3

Directorship in other Listed Issuers/Public Companies
- None

Any family relationship with any director/major shareholder of the Company
- Father of Mr. Khoo Seng Giap, Managing Director of HPMT Holdings Berhad ("HPMT")
- Cousin of Dato' Khoo Ah Chye, Non-Independent Non-Executive Director of HPMT

Any conflict of interests with the Company
- None

Any conviction for offences within the past five (5) years other than traffic offences
- None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY2019
- None

PROFILE OF DIRECTORS
cont'd

KHOO SENG GIAP
Managing Director

Age	Nationality
37	Malaysian

Date of Appointment
- 10/1/2018

Gender
- Male

Qualification
Sekolah Menengah Kebangsaan Seafield, Subang Jaya

Working Experience
- Sales Coordinator, HPMT Industries Sdn Bhd
- Warehouse and Logistic Manager, HPMT Industries Sdn Bhd
- Export and Marketing Manager, HPMT Industries Sdn Bhd

Membership of Board Committees in HPMT Holdings Berhad
- None

No of Board Meeting Attended during the financial year ended 31 December 2019 ("FYE 2019")
- 3/3

Directorship in other Listed Issuers/Public Companies
- None

Any family relationship with any director/major shareholder of the Company
- Son of Mr. Ku He @ Khoo Yee Her, the Executive Chairman and Substantial Shareholder of HPMT

Any conflict of interests with the Company
- None

Any conviction for offences within the past five (5) years other than traffic offences
- None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY2019
- None

PROFILE OF DIRECTORS
cont'd

DATO' KHOO AH CHYE
Non-Independent Non-Executive Director

Age	Nationality
72	Malaysian

Date of Appointment
- 10/1/2018

Gender
- Male

Qualification
- Tong Institute Klang, Selangor

Working Experience
- Mechanic, Fusan Fishing Net Manufacturing Bhd
- Founder and Director of Ing Heng Electrical Engineering Sdn Bhd
- Co-founder and Director of Ing Heng Credit and Leasing Sdn Bhd

Membership of Board Committees in HPMT Holdings Berhad
- None

No of Board Meeting Attended during the financial year ended 31 December 2019 ("FYE 2019")
- 3/3

Directorship in other Listed Issuers/Public Companies
- None

Any family relationship with any director/major shareholder of the Company
- Father of Mr. Neexon Khoo, Director of Manufacturing and cousin of Mr. Ku He @ Khoo Yee Her, the Executive Chairman and Substantial Shareholder of HPMT

Any conflict of interests with the Company
- None

Any conviction for offences within the past five (5) years other than traffic offences
- None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY2019
- None

PROFILE OF DIRECTORS
cont'd

TAN KIM CHUAN
Executive Director/Chief Financial Officer

Age	Nationality
52	Malaysian

Date of Appointment
- 16/11/2017

Gender
- Male

Qualification
- Graduate from Chartered Institute of Management Accounts (CIMA)
- Member of the Malaysian Institute of Accountants (MIA)

Working Experience
- Audit Assistant, Messrs. Hew & Tan
- Accounts Officer, Wing Tiek Ductile Iron Pipe Sdn Bhd
- Assistant Accountant, Wing Tiek Metal Industries Sdn Bhd
- Treasury Manager, Wing Tiek Holdings Bhd
- Finance Manager, United Challenge Sdn Bhd (a member of Lung Kee Group)
- Financial Controller, Mec. Tech Corporation Sdn Bhd

Membership of Board Committees in HPMT Holdings Berhad
- None

No of Board Meeting Attended during the financial year ended 31 December 2019 ("FYE 2019")
- 3/3

Directorship in other Listed Issuers/Public Companies
- None

Any family relationship with any director/major shareholder of the Company
- None

Any conflict of interests with the Company
- None

Any conviction for offences within the past five (5) years other than traffic offences
- None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY2019
- None

PROFILE OF DIRECTORS
cont'd

PETER HO KOK WAI
Senior Independent Non-Executive Director

Age	Nationality
61	Malaysian

Date of Appointment
- 30/4/2018

Gender
Male

Qualification
- Member of the Malaysian Institute of Accountants (MIA)
- Fellow of The Institute of Chartered Accountants in England and Wales (ICAEW)
- Member of The Malaysian Institute of Certified Public Accountants (MICPA)

Working Experience
- Auditor, Everett Pinto & Co.
- Audit Senior, KPMG PLT (KPMG)
- Head of Department, KPMG
- Head of KPMG, Ipoh Branch
- Partner of KPMG
- Head of Audit and Accounting Committee of KPMG

Membership of Board Committees in HPMT Holdings Berhad
1. Audit and Risk Management Committee (Chairman)
2. Nomination Committee (Member)
3. Remuneration Committee (Member)

No of Board Meeting Attended during the financial year ended 31 December 2019 ("FYE 2019")
- 3/3

Directorship in other Listed Issuers / Public Companies
1. Independent Non-Executive Director of Hong Leong Industries Berhad
2. Independent Non-Executive Director of Hong Leong Capital Berhad
3. Independent Non-Executive Director of GuocoLand (Malaysia) Berhad
4. Independent Non-Executive Director of Allianz Malaysia Berhad
5. Independent Non-Executive Director of Allianz Life Insurance Malaysia Berhad

Any family relationship with any director/major shareholder of the Company
- None

Any conflict of interests with the Company
- None

Any conviction for offences within the past five (5) years other than traffic offences
- None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY2019
- None

PROFILE OF DIRECTORS
cont'd

CHUA PUT MOY
Independent Non-Executive Director

Age	Nationality
65	Malaysian

Date of Appointment
- 19/10/2018

Gender
- Female

Qualification
- First-Class Honours in Computational and Statistical Science, University of Liverpool
- Member of The Institute of Chartered Accountants in England and Wales (ICAEW)
- Member of The Malaysian Institute of Certified (MIA)

Working Experience
- Audit Executive, Ernst & Young, United Kingdom
- Qualified Accountant, PricewaterhouseCoopers, Kuala Lumpur
- Group Management Accountant, Genting Berhad
- Head Office Personnel & Administration Manager, Genting Berhad
- Senior Vice President of Human Resources and Information Technology, Genting Sanyen Industrial Paper Sdn Bhd
- Executive Director of the Finance, Investment & Human Resources Division, VXL Management Sdn Bhd
- Associate Director of Tax and Advisory Business Development, PricewaterhouseCoopers Beijing
- Asia Pacific Human Resources Director, Avery Dennison Hong Kong BV
- Special Project Director/ Director of Business Services and Group Corporate Planner/ Human Resource Director, Paramount Corporation Berhad
- Chief Executive Officer, KDU University College Sdn Bhd

Membership of Board Committees in HPMT Holdings Berhad
1. Audit and Risk Management Committee (Member)
2. Nomination Committee (Member)
3. Remuneration Committee (Member)

No of Board Meeting Attended during the financial year ended 31 December 2019 ("FYE 2019")
3/3

Directorship in other Listed Issuers/Public Companies
1. Independent Non-Executive Director of Guocoland (Malaysia) Berhad
2. Independent Non-Executive Director of GD Express Carrier Berhad

Any family relationship with any director/major shareholder of the Company
- None

Any conflict of interests with the Company
- None

Any conviction for offences within the past five (5) years other than traffic offences
- None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY2019
- None

PROFILE OF DIRECTORS
cont'd

LEE EE SIAN
Independent Non-Executive Director

Age	Nationality
57	Malaysian

Date of Appointment
- 30/4/2018

Gender
- Male

Qualification
- Bachelor of Science with Education (Honors), University of Malaya

Working Experience
- Sales personnel, Herroz Sdn Bhd
- Sales Manager, Herroz Sdn Bhd
- Business Unit Manager, Sandvik Malaysia Sdn Bhd
- National Sales Manager (Sandvik Coromant), Sandvik China Limited
- General Manager (Sandvik Coromant), Sandvik China Limited
- President of Business Operation (Sandvik Coromant)
- Managing Director cum Head of Sales Cluster for South East Asia, Festo Pte Ltd
- Director, Festo Sdn Bhd
- Director, Festo Pty Ltd
- Director, Festo Company Limited
- Director, Festo Inc.

Membership of Board Committees in HPMT Holdings Berhad
1. Nomination Committee (Chairman)
2. Remuneration Committee (Chairman)

No of Board Meeting Attended during the financial year ended 31 December 2019 ("FYE 2019")
- 3/3

Directorship in other Listed Issuers/Public Companies
- None

Any family relationship with any director/major shareholder of the Company
- None

Any conflict of interests with the Company
- None

Any conviction for offences within the past five (5) years other than traffic offences
- None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY2019
- None

PROFILE OF DIRECTORS
cont'd

OEI KOK EONG
Independent Non-Executive Director

Age	Nationality
67	Malaysian

Date of Appointment
- 30/4/2018

Gender
- Male

Qualification
- Bachelor of Engineering (Mechanical), University of Singapore

Working Experience
- Project and Maintenance Engineer, Jardine Parrish (Singapore) Pte Ltd
- Management Trainee, Tobacco Importers & Manufacturers Sdn Bhd
- Production Manager, Tobacco Importers & Manufacturers Sdn Bhd
- Operations Manager, Kayaba (Malaysia) Sdn Bhd
- General Manager cum Director, Kayaba (Malaysia) Sdn Bhd
- Chief Operating Officer, Autoliv Hirotako Sdn Bhd
- Executive Director, APM Holdings Berhad
- Coach, Vistage Malaysia Sdn Bhd
- Director, K E Operations Sdn Bhd

Membership of Board Committees in HPMT Holdings Berhad
1. Audit and Risk Management Committee (Member)
2. Nomination Committee (Member)
3. Remuneration Committee (Member)

No of Board Meeting Attended during the financial year ended 31 December 2019 ("FYE 2019")
- 3/3

Directorship in other Listed Issuers/Public Companies
1. Independent Non-Executive Director of SMIS Corporation Berhad
2. Independent Non-Executive Director of New Hoong Fatt Holdings Berhad

Any family relationship with any director/major shareholder of the Company
- None

Any conflict of interests with the Company
- None

Any conviction for offences within the past five (5) years other than traffic offences
- None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY2019
- None

PROFILE OF KEY MANAGEMENT

NEEXON KHOO
Director of Manufacturing
Age 39, Malaysian

Date first appointed to the Key Senior Management
03/08/2010

Gender
Male

Qualification
- Bachelor of Science (Mechanical Engineering), State University of New York
- Master in Business Administration, Victoria University, Australia

Working Experience
- Project Executive, Megasteel Sdn Bhd
- Production Engineer, HPMT Industries Sdn Bhd
- Manufacturing Manager, HPMT Industries Sdn Bhd

Directorship in other Listed Issuers/Public Companies
None

Any family relationship with any director/major shareholder of the Company
Son of Dato' Khoo Ah Chye, Non-Independent Non-Executive Director of HPMT

Any conflict of interests with the Company
None

Any conviction for offences within the past five (5) years other than traffic offences
None

WONG CHEW KONG
Director of Technical
Age 44, Malaysian

Date first appointed to the Key Senior Management
03/08/2010

Gender
Male

Qualification
- Bachelor in Engineering, Univeristy Putra Malaysia

Working Experience
- Production Engineer, HPMT Industries Sdn Bhd
- Manufacturing Manager, HPMT Industries Sdn Bhd
- General Manager, MTTS Solid Carbide Tools Industries Sdn Bhd
- R&D Director, HPMT Industries Sdn Bhd

Directorship in other Listed Issuers/Public Companies
None

Any family relationship with any director/major shareholder of the Company
None

Any conflict of interests with the Company
None

Any conviction for offences within the past five (5) years other than traffic offences
None

PROFILE OF KEY MANAGEMENT
cont'd

POONG KEEN KIONG
Head of Malaysia Office
Age 50, Malaysian

Date first appointed to the Key Senior Management
10/01/2018

Gender
Male

Qualification
- Certificate in Technology (Mechanical Engineering), Tunku Abdul Rahman College

Working Experience
- Production Technician, Taiyo, Yuden (Singapore) Pte Ltd
- Sales Representative, Herroz Sdn Bhd
- Sales Executive/Senior Sales Representative, Herroz Sdn Bhd
- General Manager, Herroz Sdn Bhd

Directorship in other Listed Issuers/Public Companies
None

Any family relationship with any director/major shareholder of the Company
None

Any conflict of interests with the Company
None

Any conviction for offences within the past five (5) years other than traffic offences
None

YOONG KAM SING
Head of Hong Kong & Shenzhen Office
Age 58, Malaysian

Date first appointed to the Key Senior Management
17/05/2000

Gender
Male

Qualification
- Graduated from secondary school

Working Experience
- Sales Representative, Herroz Sdn Bhd
- Director, Metacut Tooling Systems (HK) Ltd
- Director, MTC Tooling Systems Limited
- Director, HPMT (Shenzhen) Limited

Directorship in other Listed Issuers/Public Companies
None

Any family relationship with any director/major shareholder of the Company
None

Any conflict of interests with the Company
None

Any conviction for offences within the past five (5) years other than traffic offences
None

CHAIRMAN'S STATEMENT

Dear valued shareholders,

I am pleased to present the annual report for HPMT Holdings Berhad ("HPMT") for the financial year ended 2019 ("FYE 2019").

CORPORATE DEVELOPMENTS

Our journey started from a humble beginning as a trading of cutting tools and other supporting equipment and accessories. Throughout the years, we have grown from a trading company to currently involved in manufacturing and distribution of cutting tools with 56 units of 5-axis CNC Universal Grinding Machine and 12 units of 5-axis CNC Cylindrical Grinding Machine.

The progress of HPMT over the years to where it is today has always been supported by the promoters and management of HPMT with the vision that one day, staff and the investing public will be able to participate and share in the success of the Group. All the hard work and sacrifices made have been recognised when HPMT was successfully listed on the Main Market of Bursa Malaysia Securities Berhad on 12 June 2019. This marked a significant milestone in the corporate history of the Group.

The listing is not an end in itself but rather a new beginning. With this, I am confident that the foundation laid so far in respect of HPMT's involvement in the cutting tool industry will enable greater prospects as one of the key player in cutting tools industry.

FINANCIAL PERFORMANCE REVIEW

Despite the challenging economic environment, the group achieved revenue of RM78.68 million in FYE 2019 as compared to previous year RM85.3 million. Profit before tax ("PBT") and profit after tax ("PAT") achieved for the financial year was RM10.0 million and RM7.99 million, respectively.

With IPO proceeds of RM42.31 million, we are now in a net cash position of RM13.81 million and our net asset stood at RM119.28 million as at 31 December 2019. We are looking forward to utilise the IPO proceeds for our future expansion.

MARKET OUTLOOK AND PROSPECT

Amid the uncertainty surrounding the instability of the global market economy, the business environment will remain challenging. The Board and management will continue its efforts to improve efficiencies of its existing businesses and explore opportunities to expand the business.

The Board remains optimistic that the Group will successfully weather the coming global economic uncertainties and emerge stronger.

CHAIRMAN'S STATEMENT
cont'd

DIVIDENDS

The Group is committed to deliver value and sustainable returns to our shareholders. The Board of Directors has recommended and declared tax exempted dividends amounting to a total of 1.25 sen which were paid on 7 October 2019, 30 December 2019 and 25 March 2020. The total dividends of 1.25 sen represents a pay-out ratio of 52.3% of our PAT, which is in excess of our intention to distribute at least 30% of our annual audited PAT, after the Board has considered on the financial performance, capital expenditure requirements, general financial condition and any other relevant factors.

APPRECIATION

I would like to express our sincere appreciation and gratitude to stakeholders, including our valued customers, shareholders, business partners and suppliers for their support in HPMT.

To the management team and HPMT staff, the Board would like to thank you for your hard work, dedication and loyalty. You are our greatest asset.

On behalf of the Board of Directors, it is my pleasure to present to you our first Annual Report as a public listed company for the FYE 2019.

IN RESPONSE TO COVID-19

The recent global pandemic Coronavirus Disease "Covid-19" has adversely affected the business landscape of almost all business sectors which include our Company. Concurrent with the six weeks of consecutive Movement Control Order, we have suspended our operations since then, abided to the regulations as well as keeping our employees to stay home and stay safe.

The effect of Covid-19 outbreak to our nation's as well as the Global social and economy is unprecedented, Amid the uncertainties, Management has taken precautionary measure as soon as possible to address the impact by postponing major investment plan such as the expansion of manufacturing facilities to end of Year 2021. I am pleased that Management has also undertaken several changes to our operations and updated the health and safety procedures to further protect our employees.

Nevertheless, I remain optimistic that, with the support of our staff, our management team and the Board, we will definitely get through this predicament and come out stronger.

Once again, I would like to thank all our employees for the support and kind cooperation during this time of uncertainty. Your understanding is very much appreciated. Meanwhile, we will remain steadfast, positive and continue to work as a team.

KU HE @ KHOO YEE HER
Executive Chairman

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF 2019

2019 was another important year for HPMT Holdings and its subsidiaries ("Group"), as we achieved another milestone. On 12 June 2019, we successfully debuted on the Main Market of Bursa Malaysia Securities Berhad. Being listed on the stock exchange is a fundamental stepping stone for future growth in the cutting tools industry.

HPMT is committed to assist our customers to explore new machining applications and tooling to remain productive and profitable in the production of precision components, with this we strive to continuously improve our know how in machining applications, cutting tool design and cutting tool production to provide better products and services to deliver sustainable value creation to all our stakeholders.

BUSINESS OVERVIEW

Our Group is involved in the manufacturing and distribution of cutting tools as well as trading of auxiliary cutting tools, equipment and accessories for metalworking. We sell cutting tools under our own HPMT brand and our distributors' private labels in Malaysia and overseas. We have sold cutting tools to more than 30 countries mainly in Europe and Asia through our sales network.

Our manufacturing facilities produce a wide range of cutting tools with different sizes and specifications. Our cutting tools can be further segmented into standard tools that are used for general applications across metalworking industries and special tools that are customised for our customers and are used for specific applications for more complex machining needs, such as micro tools and cutting of other types of workpiece material such as graphite, titanium and inconel. On a yearly basis, we introduce new and enhanced cutting tools developed by our Research and Development ("R&D") team.

Our trading activities are conducted by our subsidiaries and sell various international brands of cutting tools, supporting equipment and accessories. As for coating services, we offer surface coating services to producers of cutting tools, moulds and dies and component wear parts.

OPERATING OVERVIEW

Manufacturing

We are a manufacturer of cutting tools. Cutting tools are part of an engineering function that involves any form of metal working process. They are used to support the machining process by performing metal chip removal according to the engineering precision tolerance level. We mainly manufacture cutting tools made from tungsten carbide. At present, all of our cutting tool products are manufactured from our manufacturing facilities in Shah Alam, Selangor. Our cutting tools are manufactured under the HPMT brand as well as under private labels and sold either via our distributors or directly to the end-users.

Trading

Our trading activities include selling various international brands of cutting tools, supporting equipment and accessories, including the following:

Brand	Country	Types of products
D'andrea	Italy	Holding systems and boring tools
Dijet	Japan	Indexable tools
Haimer	Germany	Holding systems
HwaCheon	Korea	CNC machines
Ilix	Germany	High speed steel drills and taps
PWB	Switzerland	Pre-setters
Walter	Germany	Indexable tools, high speed steel drills and taps

Coating

Our subsidiary also offers surface coating services to producers of cutting tools, moulds and dies and component wear parts. Coating plays an important role in tool material design as it determines the tool's ability to:

- withstand the high heat generated in metal-cutting process;
- possess chemical wear resistance against the particular workpiece; and
- allow smooth coating surface to ease frictional forces at chip/tool contact areas.

MANAGEMENT DISCUSSION & ANALYSIS
cont'd

Our principal markets

We sold to more than 30 countries (including Malaysia) around the world through our sales network with our revenue derived from domestic and overseas markets, which includes Europe (such as Germany, Italy, Czech Republic, Denmark and Portugal), Asia (such as China, Japan, Turkey, Thailand and Indonesia) and other countries (such as Australia, United States of America and etc).

BUSINESS STRATEGIES

As part of our business strategies, we have in place the following expansion and development plan that would provide us with the platform to grow our business.

Strengthen our market presence

In order to further develop our market presence in Malaysia, Europe and China, we intend to reinforce our sales operations and expand our sales teams in Malaysia, Germany, Hong Kong and/or China to better understand and serve our end users.

At the same time, we also intend to improve our sales channel supporting functions to better assist our distributors to acquire more end customers through our existing sales network, we will also actively pursue our international expansion to new countries through new distributors by continuing to participate in exhibitions such as EMO and AMB.

As the pressure to reduce the turnaround time from order received to fulfilment is intensifying and accelerating overtime, we see the need to shorten the delivery lead time of our products to our customers. Hence it is necessary to strengthen the inventory management capabilities to improve stock availability in our Malaysia, Germany and China offices.

To enhance the design & application capabilities

We are committed to help our customers to overcome their challenges in production, including the need to machine more demanding workpiece materials, hold tighter tolerances, and maintain good surface finishing on precision components. Additional to that we strive to ensure that the components are manufactured with minimum amount of energy and time used to maximize throughput and productivity. This requires the endless pursuit of skills development in cutting tool applications and designs.

Increase Capacity through efficiency

Taking into consideration our historical growth in capacity, which grew at a compounded annual growth rate of 9.9% from about 1,254,500 pieces in FYE 2015 to about 1,831,400 pieces in FYE 2019, we intend to expand our production capacity by purchasing new machineries and equipment to further automate our processes to reduce waste and maximize production yield. The expansion enables us to position ourselves more competitively in the industry by being able to maintain attractive pricing with enhanced quality to win and accept more job orders while maintaining existing delivery lead times for our products through improved stock availability.

CHALLENGES

Raw Material

Raw material availability and price fluctuations. We mainly use tungsten carbide rods to manufacture our cutting tools, the cost of which represented approximately 40% of our total cost of sales. Tungsten and cobalt which form part of the main mineral components required to produce tungsten carbide are global commodities which may experience fluctuations in pricing and availability due to variations in demand, unforeseen circumstances that are beyond our control.

Human Capital

Dependence on our key management and skilled personnel. Our continued success and growth depend on our ability to recruit and retain skilled personnel, including R&D and technical personnel. Having a team of experienced management personnel is critical in guiding and implementing our strategies and to ensure we maintain and improve our technical capabilities. A loss of such experienced management personnel without suitable and timely replacements could have a material adverse impact on our competitiveness, business and operations.

Manufacturing facility

Disruption to our manufacturing facility. Our business operations are heavily dependent on the operation of our single manufacturing facility based in Shah Alam, Malaysia, and any unexpected disruption to such manufacturing facility as a result of machine down-time may affect our production schedule and prevent us from completing our customers' purchase orders on time.

MANAGEMENT DISCUSSION & ANALYSIS
cont'd

Develop competitive products

Failure to develop competitive products that meet customer requirements. Our existing and/or potential competitors may develop products which are similar or superior to our products. The introduction of new products by our competitors that have better performance may reduce the price of and the demand for our existing products, which may materially and adversely affect our financial condition.

Sales Network

Failure to develop our sales network. One of our future plans include developing our sales network. However, we cannot assure you that we will be successful in maintaining or expanding our position in our existing markets or broaden our sales network to new markets.

With the prolonged trade tension between China and the US and the outbreak of Coronavirus disease 2019 ("Covid-19"), the impact on global economic uncertainties has heightened and it is expected to affect our sales network expansion plan. Amidst these challenges, we will continue to put in our best efforts to maintain and further expand sales network through various sales promotion and marketing activities.

FINANCIAL PERFORMANCE REVIEW

Our Company was only incorporated on 16 November 2017 hence the Financial Year ended 31 December 2018 ("FYE 2018") was presented based on the historical combined unaudited financial statements of HPMT Group.

Despite the challenging economic environment, the group achieved revenue of RM78.68 million in FYE 2019 as compared to RM85.30 million recorded in FYE 2018, a decrease of RM6.62 million or 7.76% year-on-year. The decrease in the revenue was mainly due to decrease in revenue for the manufacturing and trading segments.

Our gross profit ("GP") decreased by RM3.68 million or 9.8% from RM37.70 million in FYE 2018 to RM34.02 million in FYE 2019 and our GP margin has slightly decreased to 43.2% in FYE 2019 as compared to 44.2% in FYE 2018.

Our profit before tax ("PBT") decreased by RM5.68 million from RM15.68 million in FYE 2018 to RM10.0 million in FYE 2019. Our PBT margin dropped by 5.7% from 18.4% in FYE 2018 to 12.7% in FYE 2019 mainly due to the decreased in revenue in manufacturing segment with demand softening as a result of cautious buying pattern seen from the distributors and end-users due to uncertain global economy outlook.

As at 31 December 2019, the group's financial position remained healthy with net assets of RM119.28 million (or net assets per share of RM0.36). Our cash and cash equivalents had also increased to RM51.96 million in FYE 2019 as compared to RM13.14 million in FYE 2018.

MARKET OUTLOOK

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 the outbreak of Covid-19 which will continue to adversely affect the global economy. The travel restrictions, lockdowns and other precautionary measures imposed in most countries to slow the pandemic has resulted in widespread operation disruptions in many industries such as automotive, aviation, mould and die and manufacturing industries, which further dampen the growth prospects of cutting tools industry.

Despite the current market uncertainties, the Group is committed to face the challenges by enhancing the competitiveness of our products and implementing efficiency measures to reduce the impact on the Group's profitability. At the same time, the Group will prioritise employees' health and safety to ensure that the Group is well prepared to resume operation and be poised to reap the benefits when recovery comes.

ACKNOWLEDGEMENT

I want to thank my colleagues throughout the whole company for their hard work in persevering through these challenging times. HPMT is fortunate to have such talented and dedicated people and I am deeply aware of my responsibilities to them and to our many other stakeholders.

Last but not least, I would like to extend my gratitude to all our shareholders for their confidence in our Group.

KHOO SENG GIAP
Group Managing Director

2019 EVENT HIGHTLIGHTS

MARCH 4TH – 9TH

2019 TAIPEI INTERNATIONAL MACHINE TOOL SHOW (TIMTOS), TAIPEI TAIWAN

Participate in TIMTOS trade show in Taipei, Taiwan which one of Asia's most prestigious Industrial trade exhibition.

MAY 17TH

PROSPECTUS LAUNCH, SHERATON IMPERIAL HOTEL KUALA LUMPUR

One of our most significant events for Initial Public Offering, the launch of our Prospectus ahead of our listing on the Main Market of Bursa Malaysia Securities Berhad. The event was a success with a turnout of approximately 100 guests.

2019 EVENT HIGHTLIGHTS
cont'd

LISTING DAY, BURSA MALAYSIA KUALA LUMPUR

On 12th June 2019, HPMT Holdings Berhad was official listed on the Main Market of Bursa Malaysia Securities Berhad. This marked a significant milestone in the corporate history of the Group.

SEPTEMBER 16TH – 21ST

2019 EXPOSITION MONDIALE DE LA MACHINE-OUTIL (EMO), HANNOVER, GERMANY

We are proud to participate in EMO Germany, which is a European trade show for the manufacturing industries. Hailed the largest international trade exhibition in the world, it is an important event which connects companies, people, products and innovative information for the manufacturing industry.

SUSTAINABILITY STATEMENT

OUR SUSTAINABILITY PHILOSOPHY

At HPMT, we believe that it is the responsibility of a business entity to implement sustainability initiatives into its operations. We believe that it is our responsibility to convey moral and corporate sustainability practices not only at top level management, but also to all of our employees.

Our endeavour for sustainability is reflected in our company philosophy of Integrity, Reliability, Accountability and Capability. We aim to remain responsible for every commitment we made and to be dependable by maintaining the trust others place in us. We strive to achieve sustainable business practices by using our philosophy of effective cooperation between the Manufacturer, the Supply Chain, the Distribution Partners and the Customers.

SCOPE OF REPORT

HPMT Holdings Berhad is proud to present our Sustainability Report for the financial year ended 31 December 2019. This report is prepared in accordance with the Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). Additional references pertaining to toolkits and standards provided by Bursa and The Global Reporting Initiative were also taken into consideration.

Our sustainability reporting covers the manufacturing operations in our direct subsidiaries in Malaysia, namely HPMT Industries Sdn Bhd, Herroz Sdn Bhd and Pentagon Coating Technologies Sdn Bhd located at Shah Alam, Selangor. This report presents our sustainability performance for the reporting period between 1st January 2019 to 31st December 2019.

RISK MANAGEMENT

The manufacturing industry has faced considerable risks in recent times. This is attributed to changing market trends and a slowdown in economic activity globally. Reduced buying patterns of end-users has been a considerable risk to not only the Group, but to other manufacturers within the industry.

In addition, minimizing environmental impacts such as raw material consumption, solid waste and water and energy usage is a main concern of the Group. These affect the economic, environmental and social aspects of our operations.

Addressing the issues mentioned, the Group is confident in our approach to ensure that proper initiatives are being undertaken to minimise risk. For instance, HPMT has placed great emphasis on research and development to identify and produce new and innovative products in order to differentiate from our competitors. Additionally, the Group has also begun to execute monitoring programmes to identify key environmental issues and is developing key performance indices to track and monitor progress.

MITIGATION ACTIONS IN RESPONCE TO COVID-19

Since the emergence of Coronavirus Disease 2019 ("Covid-19"), and the subsequent implementation of Movement Control Order ("MCO") by Malaysia government to counteract the outbreak of Covid-19, we are cognisant that our existing business continuity plan needs further adaptation in handling the potential risk and threat posed by this unprecedented pandemic phenomenon.

We have since undertaken various proactive countermeasures in managing the business operations, including necessary changes in both policies and procedures, to ensure viability and sustainability of the Group.

During this time of uncertainty, it is critical to maintain a healthy cash flow position to ensure liquidity and hence continuous business operations. With due consideration, we have therefore decided to postpone the budgeted capital expenditure on purchase of new machineries and equipment to end of Year 2021, to solidify the Group's cash reserve. As added effort to further conserve cash outflow, we have obtained a 2-month deferment of banking facility payment, totalled approximately USD 600,000 for remittance due in April and May 2020.

Apart from that, we have been engaging closely with customers and suppliers to avoid supply chain disruptions and ensure the Group is well prepared for business operations recovery.

SUSTAINABILITY STATEMENT
cont'd

MITIGATION ACTIONS IN RESPONCE TO COVID-19 (CONT'D)

In the trying times amidst Covid-19, we recognise the essential needs of our employees, hence, we are dedicated to providing our employees job stability and continuation of employment. As a safeguard to ensure the wellbeing of the employees, when business operations resume after upliftment of MCO, we have allocated funds to procure Personal Protective Equipment such as face masks and hand sanitisers. We have too, updated our health and safety policy detailing the precautionary measures to prevent Covid-19 infection, which requires all employees to observe procedures, among others, body temperature check, social distancing rule and personal hygiene practices.

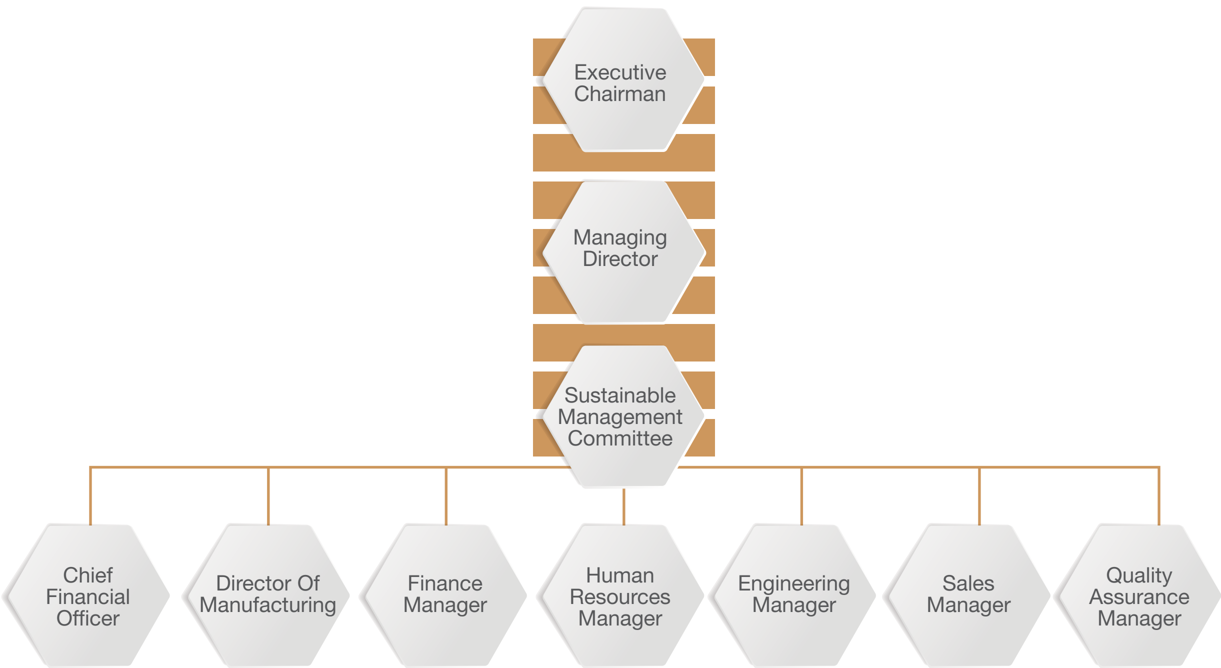
SUSTAINABILITY GOVERNANCE STRUCTURE

As a responsible business entity, we are committed to developing sustainability strategies across all levels of management. In the effort to embed and achieve sustainable management and growth into our daily operations, the Group has established a governing body to oversee and implement sustainable programs. In this capacity, we are able to attain transparency, corporate accountability, and to ensure compliance at all times to all regulatory corporate governance requirements. Members of our Sustainable Management Committee include:

Chairman: Managing Director
Committee Members, comprising Senior Representatives/Head of Departments of

- Finance and Accounts
- Human Resources and Administration
- Engineering
- Sales
- Manufacturing
- Quality, Environment Safety & Health

The corporate structure for our Sustainability Management Committee is illustrated below: -



SUSTAINABILITY STATEMENT
cont'd

SUSTAINABILITY GOVERNANCE STRUCTURE (CONT'D)

The roles and responsibilities of Sustainable Management Committee are listed as follows: -

Managing Director
Coordinate information and inputs from HOD
Develop and improve sustainability strategies
Monitor sustainability programme performance

Head of Departments
Assist and gather information for sustainability reporting
Implement sustainability practices approved by Managing Director
Identify Economic, Environmental and Social risks by department

STAKEHOLDER ENGAGEMENT

The Group actively engages with our stakeholders to increase business intelligence and transparency, and to bring diverse perspectives into our decision-making process. Our stakeholders' feedback and concerns are critical in the effort of enhancing our business financially and non-financially. Therefore, it is essential that the Group conveys our methodology of engagement to further advocate transparency.

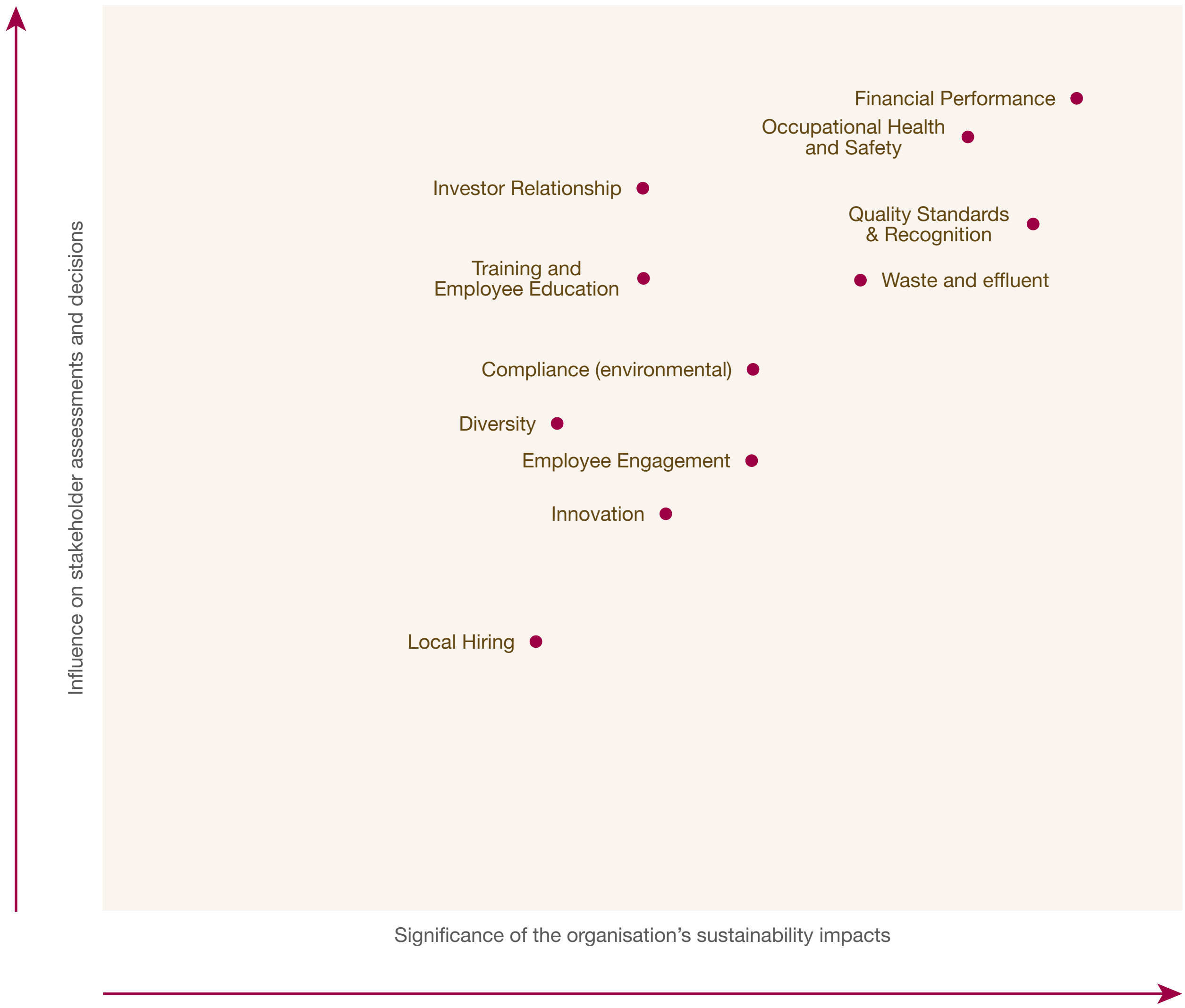
We have identified stakeholders which have significant impact on our business operations, and listed the actions taken to address their key concerns: -

Stakeholders	Key Areas of Interest	Forms of Engagement
Customers	• After sales services • Inquires/online contact • Product design/features	• Customer site technical support • Company website • New products/project improvements
Employees	• Employee engagement • Employer branding • Work culture • Employee career development	• Employee engagement survey • Workplace safety and health • Recreational activities/events • Training programmes
Investors/Shareholders	• Financial performance • Investment opportunities • Investment performance	• Initial Public Offering road show • Investors meetings • Annual report
Local Communities	• Equal employment opportunity • Industrial opportunity	• Upskilling programmes • Internships
Regulatory Bodies	• Regulatory compliance • Ethical business conduct	• On-site inspection • Corporate announcements

SUSTAINABILITY STATEMENT
cont'd

MATERIALITY ASSESSMENT

After undertaking the materiality assessment/review process, we have identified several material sustainability matters which are significant in our operations. For this year of reporting, we have identified the following material matters: Financial Performance, Local Hiring & Internships, Investor Relationship, Waste and Effluent, Compliance (Environmental), Occupational Safety and Health, Diversity, Employee Engagement, Quality Standards & Recognition, Training and Employee Education and Innovation. Illustrated below is the materiality matrix: -



SUSTAINABILITY STATEMENT
cont'd

ECONOMIC

INVESTOR RELATIONSHIP

The Group values its investors and is committed to addressing their needs and expectations. It is paramount that the Group maintains a transparent and healthy relationship with our investors, as they are vital to our operational success. Some of our engagement methods include conducting Initial Public Offering road shows and holding investors meetings.

QUALITY STANDARDS & RECOGNITION

We place customer satisfaction as one of the top priorities to achieve not only economic success, but also to attain a favourable disposition in our field as a top-quality manufacturer. It is in our Group's philosophy to be dependable by maintaining the trust others placed in us. To achieve this, we have in place our Research and Development and Quality Assurance and Control departments. We understand that the safety of the end-users of our products is of upmost importance, and that it is our responsibility to assure them of top-quality products. Therefore, we have obtained the ISO 9001:2015 Quality Management Systems certification, to improve the consistency of our operations and to increase customer satisfaction.

Certificate

Standard ISO 9001:2015

Certificate Registr. No. 01 100 033515

Certificate Holder: HPMT

HPMT Industries Sdn. Bhd.
No. 5, Jalan Sungai Kayu Ara 32/39, Taman Berjaya,
Seksyen 32, Shah Alam, Selangor Darul Ehsan, Malaysia

Scope: Manufacturing of Standard and Custom-made Metal Removing Cutting Tools

Proof has been furnished by means of an audit that the requirements of ISO 9001:2015 are met.

Validity: The certificate is valid from 2018-09-04 until 2021-08-14.

2018-09-14

TÜV Rheinland Cert GmbH
Am Grauen Stein · 51105 Köln

www.tuv.com

IAF DAkkS

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Precisely Right.

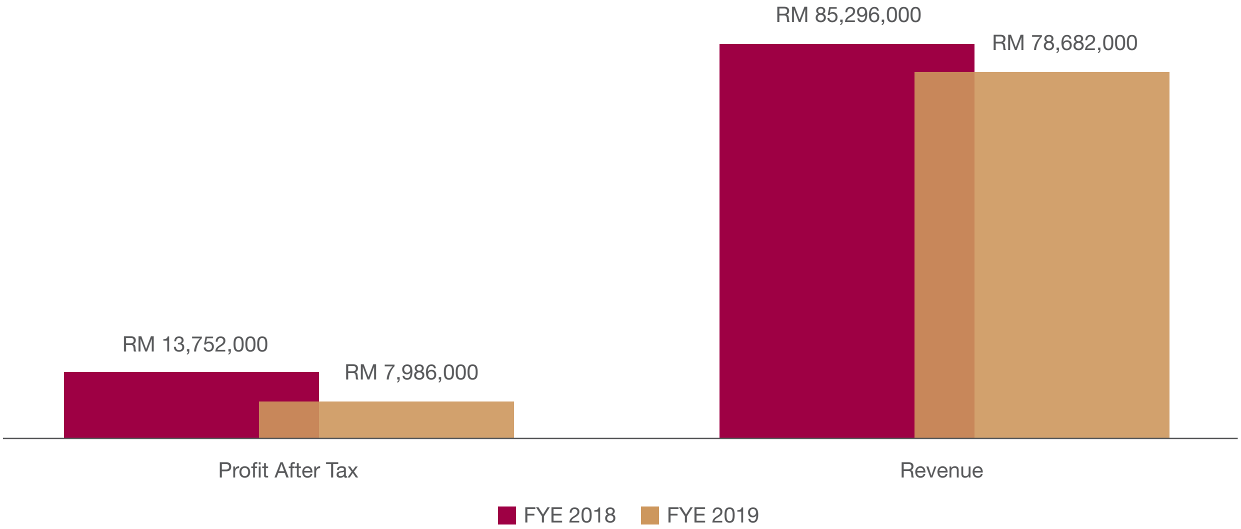
INNOVATION

The Group has established and utilised Internet of Things ("IOT") and automation in our operations to ensure competitiveness. We believe that the adoption of automation and digitalisation throughout our operations will further position us to be more cost effective and subsequently more competitive in the production of top-quality goods. The Group's Research and Development teams have also delved into improving productivity through new application know-how. By increasing digitalisation in our operations and business dealings, we are able to increase productivity and eliminate our usage of paper wherever possible.

SUSTAINABILITY STATEMENT
cont'd

FINANCIAL PERFORMANCE

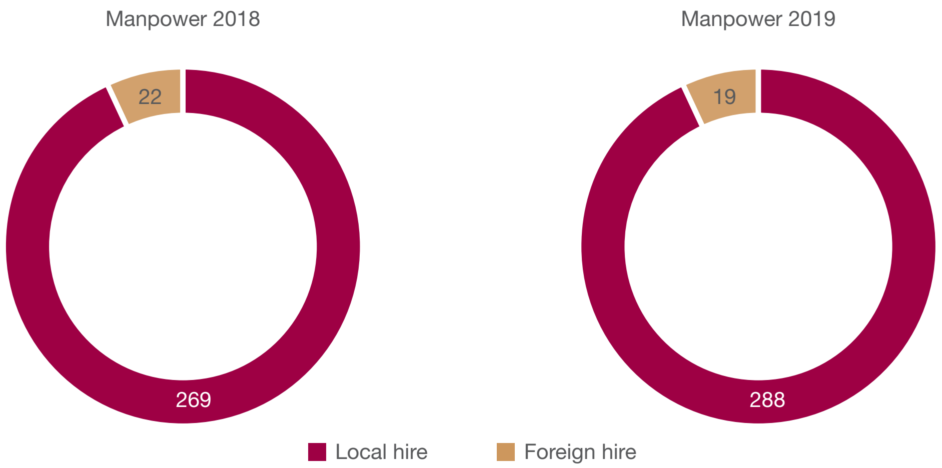
For financial year 2018, we have recorded an annual revenue of RM85.30 million and a profit after tax of RM13.75 million. Whereas for financial year 2019, we have observed a decrease in revenue that bring the amount to RM78.68 million, and consequently registering a profit after tax of RM7.99 million. The decline in financial performance is attributed to a decrease in revenue across the manufacturing market segments. Demand softening as a result of reducing buying patterns from distribution partners and end-users due to the current economic condition is another contributing factor. Despite the lower recorded financial performance, we are optimistic that the Group will deliver an enriched performance in the near future.



LOCAL HIRING & INTERNSHIPS

HPMT places emphasis on contributing to our local communities in which we operate. Being a Malaysian company, we believe that hiring locally can embolden our stance and empower our talents. For the year of 2019, we have recorded that 93% of our manpower are local and 7% being foreign hires, as compared to 92% local and 8% foreign in 2018.

In addition, the Group supports internships, and has provided a platform to allow interns to grow with us. For the year of 2019, we have employed 20 interns throughout all our fields of operations. The group values the importance of cultivating young talents, and the discovery of young talents is critical to reassure and to develop creative solutions for sustainable innovations in the near future. It is a key point of interest of the Group to hire and provide ample education and training for under graduates.



SUSTAINABILITY STATEMENT
cont'd

ENVIRONMENTAL

At HPMT, we are mindful of environmental impacts stemming from our business endeavours. As the Group's core business revolves around the manufacturing and distribution of industrial products, we are keenly aware of our management of raw and natural resources, in order to prevent wastage or excessive usage.

WASTE AND EFFLUENT

The Group actively monitors our manufacturing and production divisions, in order to minimise any negative environmental impact.

We recognise the following as waste:

i) Waste generated from business operations; and
ii) Scheduled waste and related effluent
iii) Packaging for raw materials

Waste disposal is outsourced to Department of Environment ("DOE") licensed waste collectors such as Estalco Sdn Bhd, Famous Phase Sdn Bhd, Green Nature Elite Sdn Bhd, and Secure Waste Management Sdn Bhd.

COMPLIANCE (ENVIRONMENTAL)

As a responsible business entity, we are aware of our environmental impact and is in compliance with relevant laws and regulations, such as the Environmental Quality Act 1974. We are subject to random inspections by the DOE to ensure our compliance with related environmental laws. We are proud to disclose that there had not been any non-compliance for financial year 2019.

SOCIAL

The Group recognizes the importance of social engagements with our employees. We take great effort in maintaining and developing valuable employee relationships, providing training and education to our employees and ensuring safety at the workplace.

SUSTAINABILITY STATEMENT
cont'd

DIVERSITY

The Group is committed to provide a conducive working environment for all our human resources, and we believe that a healthy workplace is essential to retain employees. HPMT provides equal opportunity to all employees in terms of career progression, and do not discriminate against race, gender and age. We believe that it is important to hire based on their experience, skills and potential, rather than their ethnicity. However, given the nature of our industry, our workforce is predominantly male as our operations require heavy labour. Nonetheless, we do not look at gender when seeking to employ and encourage women to apply. Illustrated below is the breakdown of our employees by subsidiaries and related demographics for the financial year of 2019: -

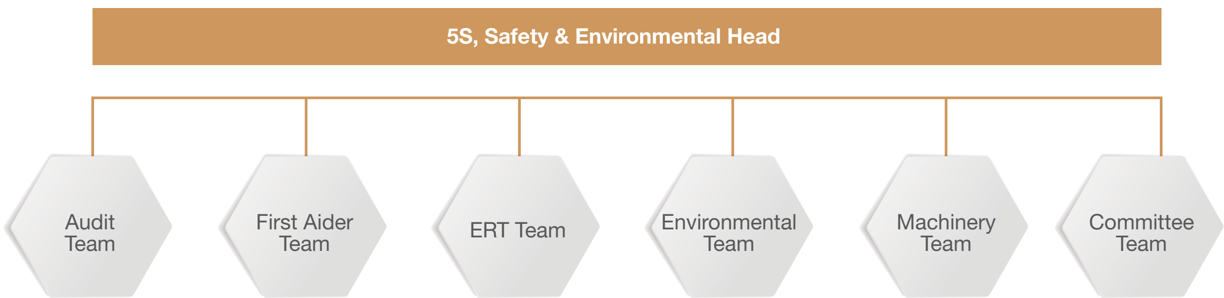
Employee Data

Subsidiary	HPMT Industries Sdn. Bhd.	Herroz Sdn. Bhd.	Pentagon Coating Technologies Sdn. Bhd.
Total Number of Employees	268	21	18
Staff Category			
Permanent Staff	99.6%	100%	78%
Non-Permanent Staff	0.4%	0%	22%
Age Group			
<30	56%	14%	60%
30-39	34%	43%	17%
40-49	6%	33%	17%
>50	4%	10%	6%
Gender			
Male	69%	57%	83%
Female	31%	43%	17%

OCCUPATIONAL HEALTH AND SAFETY

The Group is devoted to providing a safe and healthy workplace for all its employees whilst simultaneously protecting the environment in which it operates. We adhere to applicable safety and health laws and regulations, with the belief that a secure environment will result in improved employees' morale and a heightened sense of security in addition to physically protecting employees' personal wellbeing.

In order to safeguard our employees from environmental and workplace hazards, our structured 5S, Safety and Environmental committee executes safety and wellness programs to reduce workplace injuries and accidents. Our committee is spearheaded by our Quality Assurance Manager, and assisted by sub teams, which are specialists in 5S, Safety and Environmental subject matters; namely Audit, First Aid, Emergency Response, and Environmental and Machinery as illustrated below: -



SUSTAINABILITY STATEMENT
cont'd

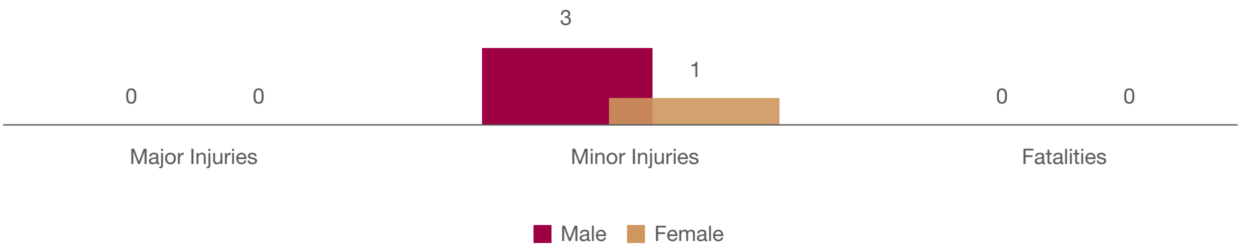
OCCUPATIONAL HEALTH AND SAFETY (CONT'D)

The following are the functions and responsibilities of our 5S, Safety and Environmental committee: -

- Monitoring environmental conditions surrounding and within the workplace.
- Responding to workplace emergencies, providing medical/ first aid support to injured patrons/ employees.
- Reporting serious injuries to the appropriate authorities.
- Participate in internal assessments.
- Follow up on employee safety and health related matters and carry out inspections.
- Reporting/ replacing any unserviceable or damaged firefighting equipment.
- Carrying out any further functions that may be required in the interests of environment, safety and health.

ACCIDENTS

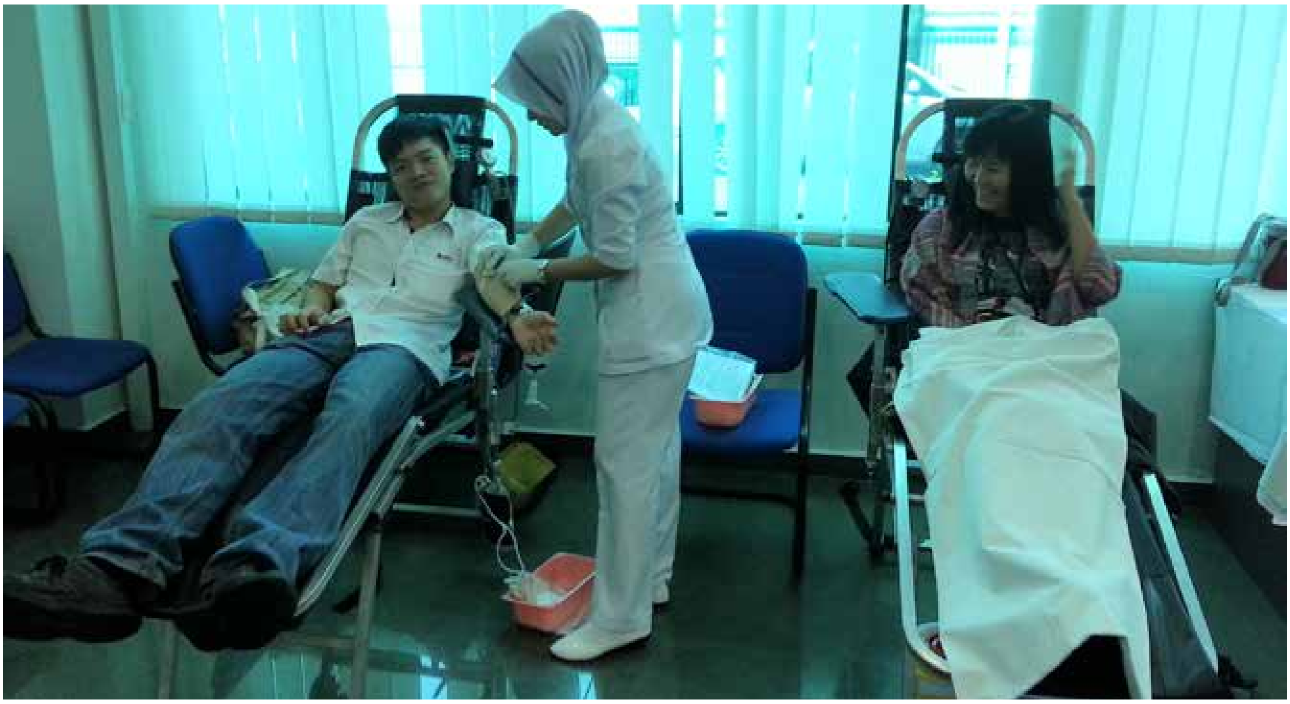
As an industrial products manufacturer, we have indoctrinated workplace safety procedures into our 6S (i.e. 5S + Safety) induction training. It is our policy to have all new employees attending this training. The Group's employees are educated on safety signages and demarcations, fire safety and emergency responses. During the day-to-day operations, specialized production employees are required to wear Personnel Protective Equipment ("PPE") when traversing or conducting work-related functions. During the financial year 2019, we have observed 4 minor injuries. The figure below indicates the injuries sustained: -



SUSTAINABILITY STATEMENT
cont'd

EMPLOYEE ENGAGEMENT

At HPMT, we actively encourage employees attend our company events and trips. It is our belief that operational success is attained through strong interpersonal relationships. For the Financial Year of 2019, we had activities e.g. Hari Raya celebrations, "Gotong-Royong", Blood Donations campaign, and Family day.



Blood Donation 2019

SUSTAINABILITY STATEMENT
cont'd

EMPLOYEE ENGAGEMENT (CONT'D)

We believe that these activities allow our employees to foster bonding, and to gain a deeper understanding of each other in order to cultivate a harmonious workplace. We encourage our employees to bring their family members to our events.

The Group encourages our employees to participate in our charitable efforts. We believe that it is our responsibility to give back to the society and our stakeholders.

Company Trip to Langkawi 2019

Our beloved Mr. Khoo's birthday

Hari Raya Celebrations

"Gotong-Royong" 2019

HPMT's own Recreational Club is responsible of preparing and planning our informal engagement sessions, organizing sporting activities, outings, and birthday celebrations for our staff. At HPMT, we heartily endorse camaraderie of our fellow co-workers and employees, and thus encourage all of our staff to participate in our events.

SUSTAINABILITY STATEMENT
cont'd

TRAINING AND EMPLOYEE EDUCATION

At HPMT, we are devoted to providing training for our employees to be well-versed in their workplace functions. We actively encourage all our employees to attend the training programmes related to their scope of work to preserve work competency and provide upskilling opportunity. In addition to providing training programmes pertaining to work-related requirements, the Group has conducted various other non technical, quality management and regulatory awareness programmes for employees. Tabulated below is the list of trainings attended by our employees: -

Training	Skills learnt	Brief descriptions of training
Globetrotter: Be At Your Best	Individual Development	To focus & improve performance
HPMT Strategy Rally	Management Tools & Engagement activity	Reset Department focus
MEF Workshop on Implementation of EIS	EIS Legislation	EIS Awareness & Compliance
NC Programming Course	• Able to perform 3 and 5 axis cam programming • Able to draw 2d sketching, e.g. line, circle, square, curve • Able to set configuration and layout cam software • Able to draw 3d surface modelling • Able to run simulation for 3 and 5 axis cam programming.	The training covers NC programming course and hands on practice.
Basic and Advance Operating for ZOLLER Presetter	Skill up, individual development	Correct checking of special and profile cutting tools
Basic Occupational First Aid, CPR & AED	Able to give first Aid assistance for burns, wounds, cuts before sending staff to clinic or hospital.	The training emphasizes on the emergency procedure that can be carried out immediately if there is any injury or sickness happen in the workplace.
Brilliance Begins with Training: Training Needs Analysis	TNA setup	To relate TNA for performance purpose
C-212: Troubleshooting for Thin Film Deposition Processes	Coating skill	To improve Coating process
Customer Focus Retreat	Account Management	To improve Customer Relationship skills across all customer facing Departments

SUSTAINABILITY STATEMENT
cont'd

TRAINING AND EMPLOYEE EDUCATION (CONT'D)

Training	Skills learnt	Brief descriptions of training
Effect of Changes in Foreign Exchange Rates and Consolidation of Foreign Subsidiaries	Translation methods on different transactions (in nature) for foreign subsidiaries in SOPL and SOFP.	IAS 21, account for foreign currency transactions, translate financial statements of a foreign operation into the entity's functional currency.
Fundamental of SYSMAC STUDIO	Sysmac Studio development platform	Introduction to NX1P Series CPU hardware configuration
Industry 4WRD and Incentives	Incentive from government and criteria for industry 4.0	Information on Industry 4WRD and Incentives available for moving toward industry 4WRD
Intermediate PLC & CX - Programmer Module	Advance instruction in programme PLC communication	Improve PLC programme
MEF Workshop on Industrial Relations (Amendment) Act 2019 & Proposed Amendments to Trade Union Act 1959	Industrial Relations ("IR") (Amendment) Legislation	Update IR Act changes
MFRS / IFRS Technical Updates 2019	Application on initial recognition, measurement and disclosures of latest MFRS.	Updates on MFRS 9 and MFRS 15
On Scene Development Commander Training	Understanding ERT function, ERT crisis critical task, search & rescue team tactical operation, PPE familiarization, emergency response guide for hazmat incident, tactical strategies handling leaking & spillage	The training emphasizes on strategy and tactical solution for common situation that can be counter at Malaysian workplace like gas fire, chemical vapour leaking, chemical liquid spillage, compartment fire, mass casualty incident, search and rescue operation and etc.
Vistage	Management Tools & updates	Exchange better Management tools & ideas

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Malaysian Code of Corporate Governance defines corporate governance as ”the process and structure used to direct and manage the business and affairs of the company towards promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interests of the other stakeholders.”

The Board of Directors remains committed to subscribe to the principles of good corporate governance that is central to the effective operation of the Company and to ensure the highest standards of accountability and transparency. The Board supports the Corporate Governance Framework and continues to improve existing practices and achieve the objectives of the Company.

The Board is pleased to set out below the manner in which the Group has applied the three main principles in the Malaysian Code on Corporate Governance (“MCCG”) during the financial year ended 31 December 2019. This statement is prepared in compliance with Main Market Listing Requirement (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and it is to be read in conjunction with the Corporate Governance Report 2019 of the Company which is made available on the Company’s website at www.hpmt-industries.com.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Company has an experienced Board that is primarily responsible for charting and reviewing the strategic direction of the Group and delegates the implementation of these directions to the management. The Board also ensures the implementation of appropriate risk management and internal control systems, including financial, operational and compliance to safeguard the shareholders’ interest and the Group’s assets. The Board has adopted certain responsibilities for effective discharge of its functions through formalizing its Board Charter (available at the Company’s website: www.hpmt-industries.com) which, inter alia, sets a list of specific functions that are reserved for the Board and Chairman; and the authorisation limit which defines relevant matters and applicable limits reserved for Chairman and Executive Director that are further cascaded to senior management team within the Company.

The Board have established Board Committees namely the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee, which are entrusted with specific oversight responsibilities for HPMT Group’s affairs. The Board Committees are granted the authorities to act on each Board’s behalf in accordance with their respective Terms of Reference (“TOR”) and to report to the Board with the necessary recommendation. The TOR of the Board Committees are available at the Company’s website. Further, as part of the Boards’ responsibilities in ensuring compliance by the Company and Group with the Main Market Listing Requirements (“MMLR”), Companies Act 2016 and rules of other relevant authorities.

The Group aims to ensure a balance of power and authority between the Chairman and Executive Director with a clear division of responsibility between the running of the Board and the Company’s business respectively. The Group also emphasizes and practices a division of responsibility between the Executive and Non-Executive Directors. The distinct and separate roles of the Chairman and Executive Director, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board, acts as facilitator at the meetings and ensure that Board proceedings are in compliance with good conduct and best practices. Whilst the Executive Director is responsible for making and implementing operational and corporate decision as well as developing, coordinating and implementing business and corporate strategies. The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision-making process.

All Directors have the right to access to information within the Group and can as individual Director or as a full Board have unrestricted access to all information pertaining to the Group’s business and affair. This is to enable them to carry out their duties effectively and diligently. As and when necessary, the Board may obtain independent professional advice, in furtherance of their duties, at the expense of the Group.

The Board has also formalised its Anti-Fraud and Whistleblowing Policy that was published on the Company’s website for stakeholders’ information.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. Board Composition

The Board comprises eight (8) Directors i.e. four (4) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director, one (1) Executive Director/Chief Financial Officer, one (1) Managing Director and one (1) Executive Chairman. The Independent Non-Executive Directors satisfy the independence test under the MMLR of Bursa Malaysia Securities Berhad ("Bursa Securities"). They constitute 50% of the Board. All Independent Non-Executive Directors are independent of management and have no family or business relationships with the Executive Director and major shareholders which would interfere with the exercise of their independent judgment.

The Board acknowledges the call by the Government and MCCG for boards to comprises at least 30% woman on board. The Board is mindful that any gender representation should be in the best interest of the Company. Although the Company has not reached the 30% woman representation target at Board level as required, the Board is putting its effort in getting other suitable women who could meet the objective criteria, merit and with due regard for diversity in skills, experience, age to join the Board.

The Board does not have specific policy on diversity policy and measures, However, the issue of diversity is discussed by the Nomination Committee. The Board will take steps towards formalising such policy, targets and measures to reflect the Company's commitment towards gender diversity.

In connection with this policy, the Board have appointed one (1) woman director to the Board, which represent 12.5% of the total number of board members.

In accordance to Board Charter, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years from the date of first appointment as Director. In the event the Board wishes to retain the independence status of an Independent Director who has served for more than nine (9) years, Board justification and shareholders' approval are required. Two tier voting process will be applied in the Annual General Meeting for retaining any Independent Director serving beyond twelve (12) years.

As at the date of this statement, there is no Director serving for more than nine (9) years.

With the current composition, the Nomination Committee opines that all the Board members have the necessary knowledge, experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively. All Directors on the Board have extensive experience with their many years of experience on the Boards of other companies and/or also as professionals in their respective fields of expertise.

None of the Directors of the Company hold more than five (5) directorships of listed companies as provided under Paragraph 15.06 of the MMLR.

The Board meets on a quarterly basis with additional meetings being convened when necessary to address urgent matters. All the Directors have complied with the minimum attendance requirements as stipulated by the MMLR. The Board met on three occasions during the year ended 31 December 2019 and the details of attendance at Board Meetings is set out below:-

Name of Directors	Attendance	Percentage of attendance (%)
Mr. Ku He @ Khoo Yee Her	3/3	100%
Mr. Khoo Seng Giap	3/3	100%
Mr. Tan Kim Chuan	3/3	100%
Dato' Khoo Ah Chye	3/3	100%
Mr. Peter Ho Kok Wai	3/3	100%
Ms. Chua Put Moy	3/3	100%
Mr. Lee Ee Sian	3/3	100%
Mr. Oei Kok Eong	3/3	100%

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. Board Composition *cont'd*

All Directors are encouraged to participate in relevant training programmes for continuous professional development and to further enhance their skills and knowledge. The Directors are aware that they shall receive appropriate training which may be required from time to time to keep them abreast with the current developments in the industry as well as new statutory and regulatory developments including changes in accounting standards.

Training programmes and seminars attended by the Directors of the Company during the financial year ended 31 December 2019 are as follows:-

Name of Directors	Training Programmes/Seminars/Workshops/Conferences Attended
Mr. Ku He @ Khoo Yee Her	• Directors' Duties and Responsibilities • Mandatory Accreditation Programme for Directors of Public Listed Companies
Mr. Khoo Seng Giap	• Directors' Duties and Responsibilities • Mandatory Accreditation Programme for Directors of Public Listed Companies
Mr. Tan Kim Chuan	• Directors' Duties and Responsibilities • Mandatory Accreditation Programme for Directors of Public Listed Companies • Baker Tilly 2019 Business and Tax Seminar • MFRS/IFRS Technical Updates 2019
Dato' Khoo Ah Chye	• Directors' Duties and Responsibilities • Mandatory Accreditation Programme for Directors of Public Listed Companies
Mr. Peter Ho Kok Wai	• Special Dialogue with Lembaga Hasil Dalam Negeri: Update on Special Voluntary Disclosure Program A pathway to tax compliance • Digital Ethics and Sustainability in a New Economy of Privacy • Financial Institution Directors' Education ("FIDE") Programme – Module A (Insurance) • FIDE Programme – Module B (Insurance) • Actuarial Training for Directors – Risk Based Capital & Ordinary Life Insurance in Malaysia • Cyber Security for FI • MFRS 17 Understanding IS impact • Transfer Pricing Briefing for Directors by Ernst & Young • Malaysian Anti-Corruption Commission Act • Board Perspective on Cyber Resilience by PricewaterhouseCoopers PLT • Business Continuity and Crisis Management Training for Directors by Business Continuity Management Institute • BNM-FIDE FORUM Dialogue on Innovation and Fintech in the Financial Services Industry • Session on Corporate Governance and Anti-Corruption • Integrated Reporting Awareness Training by KPMG Management & Risk Consulting Sdn Bhd
Ms. Chua Put Moy	• Directors' Duties & Powers – Recent Developments in the law and how it affects you • KPMG Audit committee breakfast round table • Cyber Security in the Boardroom: Accelerating from Acceptance to Action • Directors dialogue on Integrated International Reporting • Audit Oversight Board for audit committees
Mr. Lee Ee Sian	• Mandatory Accreditation Programme for Directors of Public Listed Companies

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. Board Composition *cont'd*

Training programmes and seminars attended by the Directors of the Company during the financial year ended 31 December 2019 are as follows:- *cont'd*

Name of Directors	Training Programmes/Seminars/Workshops/Conferences Attended
Mr. Oei Kok Eong	• Employing Big Data • Engagement Session with Audit Committee Members on Integrated Reporting • Sales Intelligence - Strategies for the Modern Company & Salesperson • The Secret of Body Language • Cyber Security in the Boardroom: Accelerating from Acceptance to Action • 5G and Its Effects • Demystifying the Diversity Conundrum: The Road to Business Excellence • Transfer Pricing and Tax Planning • BURSA MALAYSIA THOUGHT LEADERSHIP SERIES - Sustainability Inspired Innovations: Enablers of the 21st Century • Vistage CEO Summit 2019 • Case Study Workshop for Independent Directors • Introduction on Corporate Liability Provision - Malaysian Anti-Corruption Commission Amendment Act 2018, the overview and implications of Section 17A • Budget 2020 Malaysia

All Directors of the Company had attended the Mandatory Accreditation Programme prescribed by Bursa Securities for directors of public listed companies.

During the financial year ended 31 December 2019, the Directors also attending the briefings conducted by the Company Secretary pertaining to the updates on the Listing Requirements and Companies Act, 2016. In addition, the External Auditors also briefed the Board members on the changes to the Malaysian Financial Reporting Standards have impact on the Group's financial statements for the financial year.

Company Secretary

The Board is supported by a qualified secretary who is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and is qualified to act as Company Secretary under the Companies Act, 2016. As a practicing company secretary, she has also attended continuous professional development programmes as required by MAICSA.

She is responsible for ensuring that the Company's Constitution, procedures, policies and regulations are complied with. Also ensuring that, all obligations required by the regulatory and under the Listing requirements are fulfilled in a timely manner. The Board is regularly updated and advised by the Company Secretary on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretary is suitably qualified and capable of carrying out the duties as required. The Board is satisfied with the service and support rendered by the Company Secretary in discharging her functions.

Nomination Committee

The Company's Nomination Committee ("NC") comprises four (4) Independent Non-Executive Directors. The members of the NC are as follows:-

1. Mr. Lee Ee Sian (Chairman)
2. Mr. Peter Ho Kok Wai
3. Ms. Chua Put Moy
4. Mr. Oei Kok Eong

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. Board Composition *cont'd*

Nomination Committee *cont'd*

The Nomination Committee is responsible for the Board evaluation process covering the Board, the Board Committees and individual Directors. The Nomination Committee, upon conclusion of the evaluation exercise performed for the year 2019, was satisfied that the composition of the Board and its Board Committees possess a right blend of knowledge, expertise and experience and the appropriate mix of skills. In addition, there was mutual respect amongst individual Directors which contributed to a healthy environment for constructive deliberation and decision-making process.

The Company's Constitution provides that one third (1/3) or nearest to one-third (1/3) of the Directors for the time being shall retire from office and be eligible for re-election provided always that all the Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election. All the retiring Directors will abstain from deliberations and decisions on their own eligibility to stand for re-election at the Board Meeting.

In considering whether to recommend a Director who is eligible to stand for re-election, the NC would consider a variety of factors, including:

- the Director's contributions to the Board and ability to continue to contribute productively;
- the Director's attendance at Board and committee meetings;
- the Director's compliance with the Code;
- whether the Director continues to possess the attributes, capabilities and qualifications considered necessary or desirable for Board service; and
- the independence of the Director.

The Nomination Committee met once during the financial year ended 31 December 2019. The details of the members' attendance were as follows :

Name of NC Members	Attendance
Mr. Lee Ee Sian	1/1
Mr. Peter Ho Kok Wai	1/1
Ms. Chua Put Moy	1/1
Mr. Oei Kok Eong	1/1

The terms of reference of the NC are available at the Company's website at www.hpmt-industries.com.

III. Directors' Remuneration

The Remuneration Committee ("RC") comprises four (4) Members, majority of which is Non-Executive Directors. The members of the RC are as follows:-

1. Mr. Lee Ee Sian (Chairman)
2. Mr. Peter Ho Kok Wai
3. Ms. Chua Put Moy
4. Mr. Oei Kok Eong

The RC is responsible for evaluating, deliberating and recommending to the Board the compensation and benefits that are fairly guided by market norms and industry practices for the business the company is in. The RC is also responsible for evaluating the Executive Director's remuneration which is linked to the performance of the Executive Director and performance of the Group. Individual Director do not participate in the decisions regarding his individual remuneration.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

III. Directors' Remuneration *cont'd*

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors and Senior Management needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, and after giving due consideration to the Group's performance.

Pursuant to Section 230(1) of the Companies Act, 2016, fees and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

The annual review during the financial year ended 31 December 2019 was conducted by the RC on 21 November 2019.

The details of the Directors' remuneration comprising remuneration received from the Company and Group level for the financial year ended 31 December 2019 were as follows:-

COMPANY:

Name of Directors	Salaries (RM)	Fees (RM)	Meeting Allowances (RM)	Bonuses (RM)	Benefit-in-kind (RM)	Total (RM)
Mr. Ku He @ Khoo Yee Her	-	36,000	-	-	-	36,000
Mr. Khoo Seng Giap	-	36,000	-	-	-	36,000
Mr. Tan Kim Chuan	-	36,000	-	-	-	36,000
Dato' Khoo Ah Chye	-	36,000	1,500	-	-	37,500
Mr. Peter Ho Kok Wai	-	41,000	1,500	-	-	42,500
Ms. Chua Put Moy	-	36,000	1,500	-	-	37,500
Mr. Lee Ee Sian	-	41,000	1,500	-	-	42,500
Mr. Oei Kok Eong	-	36,000	1,500	-	-	37,500

GROUP:

Name of Directors	Salaries (RM)	Fees (RM)	Meeting Allowances (RM)	Bonuses (RM)	Benefit-in-kind (RM)	Total (RM)
Mr. Ku He @ Khoo Yee Her	972,000	36,000	-	356,300	-	1,364,300
Mr. Khoo Seng Giap	447,120	36,000	-	79,600	17,400	580,120
Mr. Tan Kim Chuan	346,800	36,000	-	79,600	11,100	473,500
Dato' Khoo Ah Chye	-	36,000	1,500	-	-	37,500
Mr. Peter Ho Kok Wai	-	41,000	1,500	-	-	42,500
Ms. Chua Put Moy	-	36,000	1,500	-	-	37,500
Mr. Lee Ee Sian	-	41,000	1,500	-	-	42,500
Mr. Oei Kok Eong	-	36,000	1,500	-	-	37,500

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

III. Directors' Remuneration *cont'd*

The details of the remuneration of the top Senior Management (including salary, bonus, benefit in kind and other emoluments) in each successive bands of RM50,000.00 during the financial year ended 31 December 2019 are as follows:-:

Range of Remuneration (RM)	Designation
50,000 – 100,000	-
100,001 – 150,000	-
150,001 – 200,000	-
200,001 – 250,000	-
250,001 – 300,000	-
300,001 – 350,000	-
350,001 – 400,000	Head of Malaysia Office
400,001 – 450,000	Director of Manufacturing Director of Technical Head of Hong Kong & ShenZhen Office

The Remuneration Committee met once during the financial year ended 31 December 2019. The details of the members' attendance were as follows :

Name of RC Members	Attendance
Mr. Lee Ee Sian	1/1
Mr. Peter Ho Kok Wai	1/1
Ms. Chua Put Moy	1/1
Mr. Oei Kok Eong	1/1

The terms of reference of the RC are available at the Company's website at www.hpmt-industries.com.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Risk Management Committee

The Board is assisted by the Audit and Risk Management Committee ("ARMC") which comprises wholly of three (3) Independent Non-Executive Director, to oversee the integrity of the financial statements, compliance with relevant accounting standards and the Group's risk management and internal controls.

The members of the ARMC are as follows:-

1. Mr. Peter Ho Kok Wai (Chairman)
2. Mr. Oei Kok Eong
3. Ms. Chua Put Moy

The Chairman of the ARMC is not the Chairman of the Board. The ARMC is chaired by the Senior Independent Director, Mr. Peter Ho Kok Wai. The ARMC comprises at least one (1) member fulfils qualifications prescribed by Bursa via Paragraph 15.09(1)(c) of the MMLR of Bursa Securities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

I. Audit and Risk Management Committee *cont'd*

The composition of the ARMC is reviewed annually with the view to maintain an independent and effective ARMC, and in line with the principles of the MCCG, all members of the ARMC have continuously improved their financial literacy by attending trainings on the developments and changes in the Malaysian Financial Reporting Standards in order for them to discharge their duties effectively.

The independence, suitability and appointment/re-appointment of the External Auditors is reviewed by the ARMC annually based on the External Auditor Appointment and Independence Policy established by the Company.

The terms of reference of the ARMC are available at the Company's website at www.hpmt-industries.com.

II. Risk Management and Internal Control Framework

The Board acknowledges its overall responsibility to maintain effective governance, risk management and compliance framework. Supported by the Management and internal audit function, the Board ensures the adequacy and effectiveness of the Group's risk management and internal control practices. The Board is responsible to ensure that the Group complies with all applicable provisions of law and regulations and ensures that appropriate risk management systems are in place throughout the Group. The ARMC assists the Board to oversee and review the effectiveness of the Group's risk management and internal control systems. To facilitate effective monitoring, the Board through ARMC regularly receives reports from the Internal Auditors on any business risks related to its business activities that have impacted or likely to impact the Group from achieving of its objectives and strategies.

The Statement on Risk Management and Internal Control is set out on pages 47 to 50 of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANING RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Company aims to ensure that the shareholders and investors are kept informed of all major corporate developments, financial performance and other relevant information by promptly disseminating such information to shareholders and investors via announcements to Bursa Securities, media releases, quarterly results, analyst briefings, Annual General Meeting ("AGM") and the Company's website at www.hpmt-industries.com.

The Board believes that a constructive and effective investor relationship is essential in enhancing shareholder value and recognises the importance of timely dissemination of information to shareholders or stakeholders. The Board is accountable to shareholders as well as other stakeholders of the Company for the performances and operations of the Company. As such, the Board endeavours to provide timely and accurate disclosure of all material information of the Group to the shareholders and investors.

II. Conduct of General Meetings

The AGM represents the principal forum for dialogue and interaction with shareholders. At each AGM, the Board presents the performance and progress of the Company and provides ample opportunity for shareholders to raise questions pertaining to the business activities of the Company. All the Directors and key management personnel are available to provide responses to questions raised by the shareholders during the AGM.

As the Company was only listed on 12 June 2019, the upcoming AGM will be the Company's first AGM as a public listed company. The Notice of the Third AGM and Annual Report 2019 of the Company are given to the shareholders at least 28 days prior to the AGM. The Company believes that shareholders will have sufficient time to make the necessary arrangement to submit the proxy forms or to attend the AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 2016 to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of financial year and of the results and cash flows of the Company and of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2019 the Company and the Group have used the appropriate accounting policies and applied them consistently and prudently. The Directors also consider that all relevant approved accounting standards have been followed in the preparation of these financial statements.

COMPLIANCE STATEMENT

The Board confirms that the Group has made significant effort to maintain high standards of corporate governance throughout the year under review. The Board acknowledges that achieving excellence in corporate governance is a continuous process and is committed to play a pro-active role in steering the Group towards the highest level of integrity and ethical standards.

The Board has complied with most of the recommended practices of the MCCG throughout the financial year, except for the following: -

(a) Practice 3.1 – To have a Code of Conduct of Ethics was which published on the Company's website.
(b) Step Up Practice 4.3 – To have a policy which limits the tenure of its independent directors to nine years.
(c) Practice 4.5 – To have a policy on gender diversity, its targets and measures to meet those targets.
(d) Practice 6.1 – To have policies and procedures to determine the remuneration of directors and senior management.
(e) Practice 7.2 – To disclose the top five (5) senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.
(f) Step Up Practice 7.3 – To fully disclose the detailed remuneration of each member of senior management on a named basis.
(g) Step Up Practice 9.3 – To establish a Risk Management Committee, which comprises majority of independent directors.
(h) Practice 11.2 – To adopt integrated reporting based on a globally recognised framework.
(i) Practice 12.3 – To leverage on technology to facilitate voting in absentia and remote shareholders' participation at General Meetings.

This Corporate Governance Overview Statement was approved by the Board on 20 April 2020.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION

The Audit and Risk Management Committee ("ARMC") of HPMT Holdings Berhad ("HPMT" or "the Company"), chaired by a Senior Independent Director, comprises three members, all of whom are Non-Executive Directors, with a majority of whom are Independent Directors. The current composition meets the requirement of Paragraphs 15.09 and 15.10 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The ARMC currently comprises the following Non-Executive Directors, namely:-

Mr. Peter Ho Kok Wai (Chairman)
Mr. Oei Kok Eong
Ms. Chua Put Moy

The ARMC is authorised by the Board to independently investigate any activity within its Terms of Reference and shall have unrestricted access to information pertaining to the Group, from the internal and external auditors, Management and all employees.

MEETINGS

During the financial year, the ARMC conducted 3 meetings of which all were duly convened with sufficient notices given to all ARMC members together with the agenda, report and proposals for deliberation at the meetings. The Executive Director was invited to all ARMC meetings to facilitate direct communication as well as to provide clarification on audit issues and the operations of the Group.

Representatives from the External Auditors and Internal Auditors, as the case may be, were in attendance to present the relevant reports and proposals to the ARMC at the meetings which included inter alia, the Auditors' audit plans and audit reports and the audited financial statements for the financial year ended 31 December 2019.

The external auditors were given opportunities to raise any matters in the ARMC meeting and were also given unrestricted access to the ARMC members. Minutes of the ARMC meetings were tabled for confirmation at the following ARMC meeting and subsequently presented to the Board for notation.

Details of attendance of the ARMC members at the ARMC meetings during the financial year are as follows:

Name of ARMC Members	Attendance
Mr. Peter Ho Kok Wai	3/3
Ms. Chua Put Moy	3/3
Mr. Oei Kok Eong	3/3

SUMMARY ACTIVITIES

The ARMC activities during the financial year under review comprised the following:-

Quarterly Financial Statements and Audited Financial Statements

- reviewed the audited financial statements of the Company prior to submission to the Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act, 2016 and the applicable approved accounting standards issued by Malaysian Accounting Standards Board; and
- reviewed the unaudited financial results before recommending them for Board's approval, focusing particularly on:-

  - any change in accounting policies
  - significant adjustments arising from audit
  - compliance with accounting standards and other legal requirements

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
cont'd

SUMMARY ACTIVITIES *cont'd*

External Auditors

- reviewed the external audit plan, outlining the audit scope, audit process and areas of emphasis based on the external auditors' presentation of audit plan;
- reviewed the external audit review memorandum and the response from the Management;
- considered and recommended to the Board for approval of the audit fees payable to the external auditors;
- reviewed the performance and effectiveness of the external auditors in the provision of statutory audit services, and recommended to the Board for approval on the re-appointment of external auditors; and
- reviewed and evaluated factors relating to independence of the external auditors.

The ARMC recommended to the Board for approval of the audit fee of RM332,069 and RM60,000 and non-audit fees of RM198,305 and RM162,200 in respect of the financial year ended 31 December 2019 for the Group and Company level respectively.

The Board at its meeting held on 22 November 2019, approved the audit fees based on the recommendation of the Audit and Risk Management Committee.

Internal Auditors

The Group outsources its Internal Audit Function to a professional services firm. The Internal Auditors were engaged to conduct regular review and appraisals of the effectiveness of the governance, risk management and internal control process within the Company and the Group.

The Internal Audit Function reports directly to the ARMC. The appointed Internal Auditors are given full access to all the documents relating to the Company and Group's governance, financial statements and operational assessments.

During the financial year, the ARMC had reviewed:-

- internal audit report on the area of Human Resource and Payroll Management of the Group; and
- suggestion on improvement opportunities in the areas of internal controls, systems, adequacy and efficiency improvements.

Internal Control and Risk Management

- reviewed the internal audit plan for adequacy of scope and coverage and risk areas;
- reviewed risk management report and internal audit reports;
- reviewed the effectiveness and adequacy of risk management, operational and compliance processes; and
- reviewed the adequacy and effectiveness of corrective actions taken by the Management on all significant matters raised.

RELATED PARTY TRANSACTION AND CONFLICT OF INTEREST

At each quarterly meeting, the ARMC reviewed the recurrent related party transactions ("RPT") and conflict of interest situation that may arise within the Company and its Group including any transaction, procedure or course of conduct that raises questions of Management integrity.

The ARMC review the RPT and conflict of interest situation presented by the Management prior to the Company entering into such transaction. The ARMC also ensure that the adequate oversight over the controls on the identification of the interested parties and possible conflict of interest situation before entering into the transaction.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
cont'd

INTERNAL AUDIT FUNCTION

The purpose of the Internal Audit function is to provide the Board, through the ARMC, with reasonable assurance of the effectiveness of the risk management, control and governance processes in the Group. To ensure that the responsibilities of internal auditors are fully discharged, the ARMC reviews the adequacy of the scope, functions and resources of the Internal Audit function as well as the competency of the Internal Auditors.

The Internal Auditors also highlighted to the ARMC the audit findings which required follow-up action by Management as well as outstanding audit issues which required corrective action to ensure an adequate and effective internal control system within the Group.

All Internal Audit activities in financial year ended 31 December 2019 were outsourced to an independent assurance provider and the total costs incurred were amounted to RM19,144.18.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

BOARD RESPONSIBILITY

The Board recognises the importance of a sound risk management framework and internal control systems for good corporate governance, and acknowledges its primary responsibility for the adequacy and integrity of the Group's systems of risk management and internal control. The systems encompass identification of principal risks in the Group, measured and managed with appropriate internal control initiatives, as well as review of its effectiveness, particularly the financial, operational, and compliance aspects of the Group throughout the financial year. However, the Board also acknowledges that the risk management and internal control systems are designed to manage the Group's risks within an acceptable risk parameter, rather than eliminate the risk of failure to achieve the business objectives of the Group. Accordingly, they can only provide reasonable but not absolute mitigation against material misstatement of management and financial information, financial losses or fraud.

The Group has established an on-going process to identify, evaluate and manage significant risks faced by the Group and its achievement of objectives and strategies. The process involves, amongst others, updating the risk register and internal control documentation whenever there are changes to business environment or regulatory guidelines. The process is reviewed by the Board annually and is generally in line with the guidelines as contained in the publication – Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The Audit and Risk Management Committee ("ARMC") has been established to assist the Board in their responsibilities to identify, assess and monitor key risks and implement adequate internal control system to safeguard shareholders' investments and the company's assets. ARMC is supported by internal audit function which conduct quarterly assessment on the efficiency and effectiveness of the internal control system of the Group in mitigating risk.

Other Board Committees such as the Nomination and Remuneration too have clearly defined accountabilities and responsibilities to oversee various key business activities within the Group.

RISK MANAGEMENT GOVERNANCE

The Group regards risk management as an integral part of all business operations. Hence, the Board explicitly assumes the responsibility of identifying principal risks and ensures the implementation of a dynamic system to manage risk exposure within the acceptable level of tolerance.

To fulfil its oversight responsibility, the Board, as a whole or through delegation to ARMC, reviews the adequacy and integrity of the Group's risk management system which encapsulates the key processes of risk identification, assessment, mitigation, monitoring and reporting.

The members of ARMC, comprising of a Senior Independent Non-Executive Director and two Independent Non-Executive Directors, are as follows:

1. Mr. Peter Ho Kok Wai *(Chairman)*
2. Ms. Chua Put Moy
3. Mr. Oei Kok Eong

Whilst the Board assumes the responsibility for the establishment of the risk management and internal control systems, the Management acknowledges responsibility for implementing the processes to identify, evaluate, mitigate, monitor and report on risks and the effectiveness of the internal control system, taking appropriate and timely corrective actions as required. The Management under the helm of the Managing Director, Mr Khoo Seng Giap, assures the Board and the ARMC during the financial year under review that the Group's risk management systemis operating adequately and effectively, in all material aspects. Based on the risk management framework adopted by the Group, Management implements the necessary processes to:

- Determine the risk appetites relevant to the business and achievement of the objectives and strategies,
- Analyse all key processes to identify the pertinent risks and prioritize their significance according to likelihood and impact
- Design, implement and monitor the risk management framework in accordance with the Group's strategic vision and overall risk appetite, and
- Identify changes to risks or emerging risks, following which it takes appropriate actions and promptly brings these to the attention of the Board.

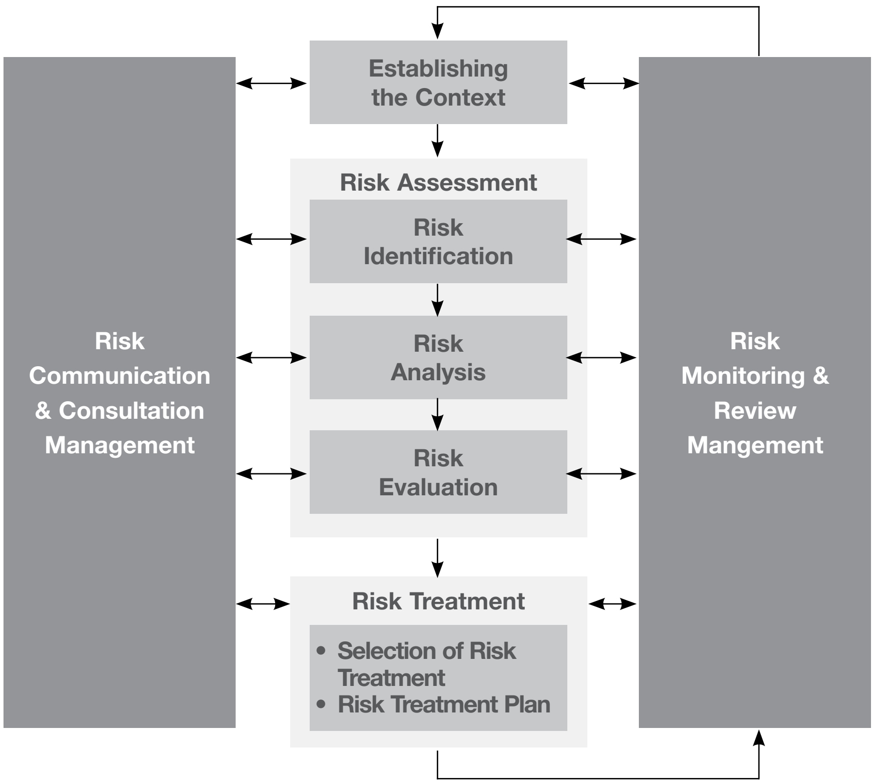
STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL
cont'd

RISK MANAGEMENT FRAMEWORK

The risk management processes in identifying, analyse, evaluating and managing significant risks face by the organisation are embraced in the operating and business processes. The effectiveness of the risk management is monitored and evaluated by all levels of management on an ongoing basis.

These processes are reviewed on a quarterly basis, along with progress updates on the mitigation measures implemented on the identified inherent risks. Adequacy and effectiveness of the mitigation measures will be assessed and further enhanced where necessary.

The key aspects of the risk management framework are summarised below:



1. Risk Communication & Consultation Management

   A continual and iterative process is conducted to provide, share or obtain information and to engage stakeholders regarding risk management at enterprise level.

2. Context Establishment & Risk Assessment Management

   Define the external and internal factors when managing risks, understand the Group's objectives, set the scope and risk criteria; identify, analyse and evaluate the risk.

3. Risk Treatment Management

   Make decisions on risks that have been identified, analysed and evaluated; document the method the chosen treatment options will be implemented; and subsequently prepare and implement the risk treatment plan.

4. Risk Monitoring & Review Management

   Monitor the risk and its control; review the existing risks or any new emerging risk; and subsequently record and report to management results of monitoring and review.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL
cont'd

INTERNAL CONTROL

The Board recognises the criticality of a sound internal control system in ensuring effectiveness and efficiency when managing the Group's business and long-term growth, The Group has adopted a top-down approach with internal control concepts cascaded right from the strategic management level down to the operations level.

The Board meets quarterly to discuss a schedule of matters that requires its attention, to ensure proper accountability of those responsible in the conduct and performance of their assigned business units/support functions.

The Board has established the ARMC, Nomination Committee and Remuneration Committee, as part of the Board Committee in accordance to the Bursa Malaysia's Main Market Listing Requirements and Securities Commission's Malaysian Code on Corporate Governance 2017.

The Group maintains a formal organisation structure with well-defined delegation of responsibilities and accountability. The internal control system of the Company's various operations divisions is enhanced by implementing roles and responsibilities, appropriate limits of authority, review and continuous enhancement of policies and procedures.

Further, the Board has formalized an Anti-Fraud and Whistleblowing Policy as a commitment to the highest standard of integrity, openness and accountability in the conduct of its businesses and operations. It aspires to conduct its affairs in an ethical, responsible and transparent manner.

INTERNAL AUDIT FUNCTION

The Board places great emphasis on Internal Audit function and has engaged an independent professional accounting and consulting firm, PKF Risk Management Sdn Bhd, to provide independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system. An internal audit universe has been developed based on the established risk profile of the Group.

The Internal Audit function reports directly to the ARMC, conducts quarterly audits to assess the effectiveness of the risk management and internal control procedures; recommends actions to management for improvement; and follow up on the status of management rectification actions.

The Internal Audit function reviews the internal controls in the key activities of the Group based on the annual audit plan approved by the ARMC and carry out the duties guided by the International Standards for the Professional Practice of Internal Auditing. It organises the auditing work in according to the principles of the internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with senior management and the Board on the audit concerns.

REVIEW OF EFFECTIVENESS

The Board is of the view that the systems of risk management and internal control are in place for the year under review and up to the date of approval of this statement. The risk management and internal control systems are sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets. Notwithstanding this, the Board is vigilant and continues to review the effectiveness and adequacy of the systems of risk management and internal control, in view of the dynamic and changing business environment.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL
cont'd

REVIEW OF STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement of Risk Management and Internal Control as required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad for the financial year ended 31 December 2019. Their review was performed under a limited assurance engagement in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement of Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. The external auditors are not required to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on the procedures performed and evidence obtained, nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Control, intended to be included in the annual report, is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is this Statement on Risk Management and Internal Control factually inaccurate.

This Statement is made in accordance with the approval and resolution of the Board of Directors dated 20 April 2020.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

The Company was listed on the Main Market of Bursa Malaysia Securities Berhad ("Listing") on 12 June 2019. In conjunction with the Listing, the Company undertook a public issue of 75,553,000 new ordinary shares at an issue price of RM0.56 per share, raising gross proceeds of RM42.3 million ("IPO proceeds").

As at 31 December 2019, the status of the utilisation of the IPO Proceeds is as follows:

No	Details of utilisation	Estimated timeframe for utilisation upon Listing	Proposed Utilisation RM'000	Actual Utilisation RM'000	Percentage Utilised (%)
1	Purchase of new machineries and equipment	Within 36 months	34,000	4,926	14.5%
2	Working capital	Within 24 months			
	• Finished goods inventories		1,000	-	0.0%
	• Staff costs and raw materials		1,910	-	0.0%
3	Estimated listing expenses	Immediate	5,400	5,400	100.0%
	Total		42,310	10,326	

2. AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2019, the audit fees and non-audit fees paid/payable to the external auditor or a firm or corporation affiliated to the auditor firm by the Company and the Group were as follows:-

Type of Fees	Group (RM)	Company (RM)
Audit Fees	332,069	60,000
Non-Audit Fees	198,305	162,200

Included in the non-audit fees, an amount of RM150,000 (2018: RM136,000) is related to fee of reporting accountants.

3. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

During the financial year ended 31 December 2019, there were no material contracts and contracts relating to loan entered into by the Company and its subsidiaries involving Directors and major shareholders.

4. RECURRENT RELATED PARTY TRANSACTIONS

The Company and its subsidiaries did not have any recurrent related party transactions during financial year ended 31 December 2019.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	7,986	6,536
Profit attributable to:		
Owners of the Company	7,858	6,536
Non-controlling interests	128	-
	7,986	6,536

DIVIDENDS

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM'000
First single tier interim dividend of 0.5 sen per ordinary share in respect of financial year ended 31 December 2019, paid on 7 October 2019	1,642
Second single tier interim dividend of 0.375 sen per ordinary share in respect of financial year ended 31 December 2019, paid on 30 December 2019	1,232
	2,874

On 19 February 2020, the Company had declared a third single tier interim dividend of 0.375 sen per ordinary share, amounting to RM 1,231,834 in respect of the financial year ended 31 December 2019, paid on 25 March 2020. The financial statements for the current financial year do not reflect this declared dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS' REPORT
cont'd

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued:

(a) 249,731,998 ordinary shares at a price of RM0.25 per ordinary share as the purchase consideration for the acquisition of the entire equity interest in MTC Tooling System Ltd., HPMT Industries Sdn. Bhd., Herroz Sdn. Bhd. and HPMT Deutschland GmbH;

(b) 3,204,000 ordinary shares at a price of RM0.25 per ordinary share as the purchase consideration for the acquisition of 75% equity interest in Pentagon Coating Technologies Sdn. Bhd.; and

(c) 75,553,000 ordinary shares at an issue price of RM0.56 per ordinary share by way of public issue.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

During the financial year, no debentures were issued by the Company.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Chua Put Moy
Dato' Khoo Ah Chye *
Khoo Seng Giap *
Ku He @ Khoo Yee Her *
Lee Ee Sian
Oei Kok Eong
Peter Ho Kok Wai
Tan Kim Chuan *

* *Director of the Company and certain subsidiaries*

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Lum Yoke Heng
Neexon Khoo
Poong Keen Kiong
Wong Chew Kong
Yoong Kam Sing

DIRECTORS' REPORT
cont'd

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 01.01.2019 ('000)	Subscribed/ Bought ('000)	Sold ('000)	At 31.12.2019 ('000)
The Ultimate Holding Company				
HPMT Capital Sdn. Bhd.				
Direct interests:				
Ku He @ Khoo Yee Her	52	-	-	52
Khoo Seng Giap	1	-	-	1
The Immediate Holding Company				
Herroz Mechanical Technologies Sdn. Bhd.				
Direct interests:				
Dato' Khoo Ah Chye	1,953	-	-	1,953
Tan Kim Chuan	38	-	-	38
The Company				
HPMT Holdings Berhad				
Direct interests:				
Chua Put Moy	-	50	-	50
Dato' Khoo Ah Chye	-	300	-	300
Ku He @ Khoo Yee Her	-	2,680	-	2,680
Khoo Seng Giap	-	783	-	783
Lee Ee Sian	-	350	-	350
Oei Kok Eong	-	50	-	50
Tan Kim Chuan	-	390	-	390
Indirect interests:				
Dato' Khoo Ah Chye (1)	-	808	-	808
Ku He @ Khoo Yee Her (2)	-	208,538	-	208,538

(1) *Deemed interest held through his children.*

(2) *Deemed interest pursuant to Section 8(4)(c) of the Companies Act 2016; held through HPMT Capital Sdn. Bhd. which in turn holds Herroz Mechanical Technologies Sdn. Bhd.*

DIRECTORS' REPORT
cont'd

DIRECTORS' INTERESTS *cont'd*

By virtue of his interests in the ordinary shares of the ultimate holding company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Ku He @ Khoo Yee Her is deemed to have an interest in the ordinary shares of the Company and its subsidiaries to the extent that the ultimate holding company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares or debentures of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 24 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than any deemed benefit which may arise from transactions as disclosed in Note 31 to the financial statements.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity insurance coverage and insurance premium paid for the directors and officers of the Company were RM10,000,000 and RM19,090 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

HOLDING COMPANIES

The directors regard HPMT Capital Sdn. Bhd. and Herroz Mechanical Technologies Sdn. Bhd. as the ultimate holding company and immediate holding company of the Company, respectively. Both companies are incorporated and domiciled in Malaysia.

INTERESTS IN HOLDING COMPANY AND OTHER RELATED CORPORATIONS

Other than as disclosed elsewhere in this report, the Company does not have any interest in shares in the holding company and its other related corporations during the financial year.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 33 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events subsequent to the end of the financial year are disclosed in Note 34 to the financial statements.

DIRECTORS' REPORT
cont'd

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 23 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

KU HE @ KHOO YEE HER
Director

TAN KIM CHUAN
Director

Shah Alam

Date: 6 May 2020

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		Group		Company	
			Unaudited		
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
			(Note 36)		
ASSETS					
Non-current assets					
Property, plant and equipment	5	76,578	77,008	-	-
Right-of-use assets	6	757	-	-	-
Deferred tax assets	7	-	10	-	-
Investment in subsidiaries	8	-	-	68,134	-
Total non-current assets		77,335	77,018	68,134	-
Current assets					
Inventories	9	28,125	24,464	-	-
Current tax assets		2,405	2,259	-	-
Trade and other receivables	10	15,199	16,896	83	498
Derivative financial assets	11	137	81	-	-
Cash and short-term deposits	12	51,994	13,235	36,770	20
Total current assets		97,860	56,935	36,853	518
TOTAL ASSETS		175,195	133,953	104,987	518
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	13	103,553	*	103,553	*
Other reserves	14	424	527	-	-
Merger (deficit)/reserve	15	(54,067)	6,206	-	-
Retained earnings/(Accumulated losses)		68,999	64,026	1,332	(2,330)
		118,909	70,759	104,885	(2,330)
Non-controlling interests		371	3,247	-	-
TOTAL EQUITY		119,280	74,006	104,885	(2,330)

* *Represents RM 2*

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
cont'd

		Group	Group	Company	Company
			Unaudited		
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
			(Note 36)		
Non-current liabilities					
Loans and borrowings	16	21,378	25,894	-	-
Lease liabilities	17	205	-	-	-
Deferred income	18	3,527	4,297	-	-
Deferred tax liabilities	7	5,932	4,688	-	-
Total non-current liabilities		31,042	34,879	-	-
Current liabilities					
Loans and borrowings	16	16,804	13,614	-	-
Lease liabilities	17	555	-	-	-
Deferred income	18	770	770	-	-
Current tax liabilities		119	232	20	-
Trade and other payables	19	6,612	10,452	82	2,848
Derivative financial liabilities	11	13	-	-	-
Total current liabilities		24,873	25,068	102	2,848
TOTAL LIABILITIES		55,915	59,947	102	2,848
TOTAL EQUITY AND LIABILITIES		175,195	133,953	104,987	518

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
			Unaudited		
		2019	2018	2019	2018
	Note	RM'000	RM'000 (Note 36)	RM'000	RM'000
Revenue	20	78,682	85,296	7,504	-
Cost of sales		(44,667)	(47,600)	-	-
Gross profit		34,015	37,696	7,504	-
Other income	21	2,752	4,880	687	-
Selling and distribution expenses		(6,526)	(6,247)	-	-
Administrative expenses		(18,561)	(19,612)	(1,575)	(1,907)
Impairment losses on receivables		(6)	-	-	-
Profit/(Loss) from operations		11,674	16,717	6,616	(1,907)
Finance costs	22	(1,679)	(1,038)	-	-
Profit/(Loss) before tax	23	9,995	15,679	6,616	(1,907)
Income tax expense	25	(2,009)	(1,927)	(80)	-
Profit/(Loss) for the financial year		7,986	13,752	6,536	(1,907)
Other comprehensive income/(loss), net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign subsidiaries		(157)	1,172	-	-
Other comprehensive (loss)/income for the financial year		(157)	1,172	-	-
Total comprehensive income/(loss) for the financial year		7,829	14,924	6,536	(1,907)
Profit/(Loss) for the financial year attributable to:					
Owners of the Company		7,858	12,214	6,536	(1,907)
Non-controlling interests		128	1,538	-	-
		7,986	13,752	6,536	(1,907)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
cont'd

		Group		Company	
			Unaudited		
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
			(Note 36)		
Total comprehensive income/(loss) attributable to:					
Owners of the Company		7,732	12,815	6,536	(1,907)
Non-controlling interests		97	2,109	-	-
		7,829	14,924	6,536	(1,907)
Earnings per share (sen)					
Basic earnings per share	26	2.62	4.83		
Diluted earnings per share	26	2.62	4.83		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Note	Share capital RM'000	Exchange reserve RM'000	PRC Statutory reserve RM'000	Merger reserve RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018 (Unaudited)		*	(249)	141	5,206	59,422	64,520	2,652	67,172
Total comprehensive income for the financial year									
Profit for the financial year		-	-	-	-	12,214	12,214	1,538	13,752
Other comprehensive income for the financial year		-	601	-	-	-	601	571	1,172
Appropriation to statutory reserve		-	-	34	-	(34)	-	-	-
Total comprehensive income		-	601	34	-	12,180	12,815	2,109	14,924
Transaction with owners									
Issue of ordinary shares by subsidiaries		-	-	-	1,000	-	1,000	-	1,000
Dividends paid on shares by subsidiaries		-	-	-	-	(7,576)	(7,576)	(1,514)	(9,090)
Total transactions with owners		-	-	-	1,000	(7,576)	(6,576)	(1,514)	(8,090)
At 31 December 2018		*	352	175	6,206	64,026	70,759	3,247	74,006

* *Represents RM 2*

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
cont'd

Group (Continued)	Note	Share capital RM'000	Exchange reserve RM'000	PRC Statutory reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2019		*	352	175	6,206	64,026	70,759	3,247	74,006
Total comprehensive income for the financial year									
Profit for the financial year		-	-	-	-	7,858	7,858	128	7,986
Other comprehensive income for the financial year		-	(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									
Issue of ordinary shares									
- acquisition of subsidiaries		63,234	-	-	(60,273)	12	2,973	(2,973)	-
- public issue		42,310	-	-	-	-	42,310	-	42,310
- shares issuance expenses		(1,991)	-	-	-	-	(1,991)	-	(1,991)
Dividends paid	27	-	-	-	-	(2,874)	(2,874)	-	(2,874)
Total transactions with owners		103,553	-	-	(60,273)	(2,862)	40,418	(2,973)	37,445
At 31 December 2019		103,553	226	198	(54,067)	68,999	118,909	371	119,280

* *Represents RM 2*

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
cont'd

Company	Note	Share capital RM'000	(Accumulated losses) Retained earnings/ RM'000	Total equity RM'000
At 1 January 2018		*	(423)	(423)
Total comprehensive loss for the financial year				
Profit for the financial year		-	(1,907)	(1,907)
At 31 December 2018		*	(2,330)	(2,330)
Total comprehensive income for the financial year				
Profit for the financial year		-	6,536	6,536
Transactions with owners				
Issue of ordinary shares				
- acquisition of subsidiaries		63,234	-	63,234
- public issue		42,310	-	42,310
- shares issuance expenses		(1,991)	-	(1,991)
Dividends paid	27	-	(2,874)	(2,874)
At 31 December 2019		103,553	1,332	104,885

* *Represents RM 2*

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group Unaudited 2018 RM'000 (Note 36)	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax		9,995	15,679	6,616	(1,907)
Adjustments for:					
Dividends income		-	-	(7,504)	-
Depreciation of property, plant and equipment		8,221	7,864	-	-
Depreciation of right-of-use assets		624	-	-	-
Gain on disposal of property, plant and equipment		(1)	(3,364)	-	-
Impairment loss on trade receivables		6	-	-	-
Allowances for slow-moving inventories		143	310	-	-
Recovered bad debt		(36)	-		
Finance costs		1,679	1,038	-	-
Interest income		(879)	(436)	(687)	-
Net unrealised foreign exchange gain		(498)	(310)	-	-
Fair value gain on derivatives		(44)	-	-	-
Operating profit/(loss) before changes in working capital		19,210	20,781	(1,575)	(1,907)
Changes in working capital:					
Inventories		(3,804)	(3,718)	-	-
Trade and other receivables		1,714	2,345	442	(498)
Trade and other payables		(7,327)	(8,493)	38	40
Cash generated from/(used in) operations		9,793	10,915	(1,095)	(2,365)
Tax refund		677	-	-	-
Income tax paid		(1,691)	(2,970)	(60)	-
Interest paid		(81)	(45)	-	-
Interest received		211	23	35	-
Dividend received		-	-	7,504	-
Net cash from/(used in) operating activities		8,909	7,923	6,384	(2,365)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
cont'd

	Note	Group 2019 RM'000	Group Unaudited 2018 RM'000 (Note 36)	Company 2019 RM'000	Company 2018 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment	(a)	(6,303)	(28,643)	-	-
Proceeds from disposal of property, plant and equipment		2	4,532	-	-
Refund of stamp duty		564	-	-	-
Proceeds from disposal of other investments		-	8,995	-	-
Interest received		668	413	652	-
Net cash (used in)/from investing activities		(5,069)	(14,703)	652	-
Cash flows from financing activities	(b)				
Advances from a subsidiary		-	-	-	2,383
Proceeds from issuance of ordinary shares		42,310	1,000	42,310	-
Shares issuance expenses		(1,991)	-	(1,991)	-
Drawdown of bankers' acceptances		3,640	2,544	-	-
Drawdown of revolving credit		250	250	-	-
Payment of lease/finance lease liabilities		(653)	(310)	-	-
Drawdown of term loans		4,751	22,650	-	-
Repayment of term loans		(8,705)	(6,994)	-	-
Interest paid		(1,598)	(993)	-	-
Repayment to immediate holding company		-	(255)	-	-
Repayment to a subsidiary		-	-	(7,731)	-
Repayment to director		-	(554)	-	-
Dividends paid		(2,874)	-	(2,874)	-
Dividends paid by subsidiaries		-	(9,090)	-	-
Net cash from financing activities		35,130	8,248	29,714	2,383

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

cont'd

		Group		Company	
			Unaudited		
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
			(Note 36)		
Net increase in cash and cash equivalents		38,970	1,468	36,750	18
Cash and cash equivalents at the beginning of the financial year		13,144	11,701	20	2
Effect of exchange differences on translation		(154)	(25)	-	-
Cash and cash equivalents at the end of the financial year	12	51,960	13,144	36,770	20

(a) Purchase of property, plant and equipment

		Group		Company	
			Unaudited		
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
			(Note 36)		
Purchase of property, plant and equipment	5	8,932	34,643	-	-
Financed by hire purchase arrangement		-	(88)	-	-
Less: Balance payable		(2,629)	(5,912)	-	-
Cash payments on purchase of property, plant and equipment		6,303	28,643	-	-

Total cash outflows for leases

During the financial year, the Group had total cash outflows for leases of RM 1,279,658.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
cont'd

(b) Reconciliation of liabilities arising from financing activities:

			Non-cash		
	1.1.2019 Restated	Cash flows	Acquisition/ Disposal	Foreign exchange Movement	31.12.2019
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Term loans	33,714	(3,954)	-	(423)	29,337
Lease liabilities	870	(653)	543	-	760
Bankers' acceptances	4,648	3,640	-	(177)	8,111
Revolving credits	450	250	-	-	700
	39,682	(717)	543	(600)	38,908

			Non-cash		
	1.1.2018	Cash flows	Acquisition/ Disposal	Foreign exchange Movement	31.12.2018
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Term loans	18,396	15,656	-	(338)	33,714
Finance lease liabilities	827	(310)	88	-	605
Bankers' acceptances	2,026	2,544	-	78	4,648
Revolving credits	200	250	-	-	450
	21,449	18,140	88	(260)	39,417

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

HPMT Holdings Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Malaysia. The principal place of business of the Company is located at No. 5, Jalan Sungai Kayu Ara 32/39 Taman Berjaya, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan.

The ultimate holding company and immediate holding company of the Company are HPMT Capital Sdn. Bhd. and Herroz Mechanical Technologies Sdn. Bhd. respectively. Both companies are incorporated and domiciled in Malaysia.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8.

There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 6 May 2020.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

<u>New MFRSs</u>

MFRS 16	Leases

<u>Amendments/Improvements to MFRSs</u>

MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investments in Associates and Joint Ventures

<u>New IC Int</u>

IC Int 23	Uncertainty Over Income Tax Treatments

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. BASIS OF PREPARATION *cont'd*

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") *cont'd*

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 Leases and IC Int 4 Determining whether an Arrangement contains a Lease.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Group and the Company have applied MFRS 16 using the modified retrospective approach with any cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 January 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group and the Company have elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group and the Company have complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Classification and measurement

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group.

On adoption of MFRS 16, for most of its leases other than short-term and low value asset leases, the Group:
- recognised the right-of-use assets and lease liabilities in the statement of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year; and
- separated the total amount of cash paid for leases into principal and interest portions (presented within financing activities) in the statements of cash flows for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. BASIS OF PREPARATION *cont'd*

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") *cont'd*

MFRS 16 Leases *cont'd*

Impact of the adoption of MFRS 16 *cont'd*

(i) Classification and measurement *cont'd*

For leases that were classified as operating lease under MFRS 117

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

The right-of-use assets were measured at an amount equal to the lease liability.

The Group has applied the following practical expedients wherein the Group:
(a) applied a single discount rate to a portfolio of leases with similar characteristics;
(b) applied the exemption not to recognise right-to-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
(c) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
(d) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117

The Group recognised the carrying amount of the lease assets and finance lease liabilities under MFRS 117 immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

(ii) Short-term lease and low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of buildings that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new, such as photocopy machines. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. **BASIS OF PREPARATION** *cont'd*

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") *cont'd*

MFRS 16 Leases *cont'd*

Impact of the adoption of MFRS 16 *cont'd*

The effects of adoption of MFRS 16 as at 1 January 2019 (increase/(decrease)) are as follows:

	Group Increase/ (Decrease) RM'000
Assets	
Non-current assets	
Property, plant and equipments	(573)
Right-of-use assets	838
Total non-current assets	265
Non-current liabilities	
Loans and borrowings	(291)
Lease liabilities	353
Total non-current liabilities	62
Current liabilities	
Loans and borrowings	(314)
Lease liabilities	517
Total current liabilities	203
Total liabilities	265

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. BASIS OF PREPARATION *cont'd*

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") *cont'd*

MFRS 16 Leases *cont'd*

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 5.28%.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments disclosed applying MFRS 117 as of 31 December 2018, as follows:

	Group RM'000
Assets	
Operating lease commitments as at 31 December 2018	661
Weighted average incremental borrowing rate as at 1 January 2019	5.28%
Discounted operating lease commitments as at 1 January 2019	651
Less:	
Commitments relating to short term leases	(386)
Add:	
Commitments relating to lease previously classified as finance leases	605
Lease liabilities as at 1 January 2019	870

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs, that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of MFRSs	1 January 2021#
MFRS 3	Business Combinations	1 January 2020/ 1 January 2021#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2021#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2021#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2021#
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. BASIS OF PREPARATION *cont'd*

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective *cont'd*

The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs, that have been issued, but yet to be effective: *cont'd*

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs *cont'd*		
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2021#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2021#
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2021#
MFRS 138	Intangible Assets	1 January 2021#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2021#

\# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

(a) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs, when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below.

Amendments to MFRS 3 Business Combinations

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

The initial application of the above new MFRS and amendments/improvements to MFRSs is not expected to have significant impact to the current and prior years financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. BASIS OF PREPARATION *cont'd*

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Group's and the Company's financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries and business combination

Subsidiaries are entities over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations, which do not involve entity under common control, from the acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.1 Basis of consolidation *cont'd*

(a) Subsidiaries and business combination *cont'd*

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture or a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.1 Basis of consolidation *cont'd*

(b) Merger accounting

The subsidiaries are accounted for using the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling-of-interests are accounted for using merger accounting principles. 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. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.

Acquisition of entities under common control does not result in any change in economic substance. Accordingly, HPMT Group is a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts;
- the retained earnings and other equity balances of acquired entities immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the difference arising from the change in equity structure of the Group will be accounted for in merger reserve/deficit.

(c) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3.2 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currencies transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operations. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

3.2 Foreign currency transactions and operations *cont'd*

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in exchange reserve is reattributed to non-controlling interests.

3.3 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instrument.

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

The classification depends on the Group's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.3 Financial instruments *cont'd*

(a) Subsequent measurement *cont'd*

The Group and the Company categorise the financial instruments as follows: *cont'd*

(i) Financial assets *cont'd*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company classify their debt instruments in the following measurement categories:

- Amortised cost

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.8(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- Fair value through profit or loss (FVPL)

  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.3 Financial instruments *cont'd*

(a) Subsequent measurement *cont'd*

(ii) Financial liabilities *cont'd*

Financial liabilities at fair value through profit or loss *cont'd*

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

(c) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire, or

(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.3 Financial instruments *cont'd*

(c) Derecognition *cont'd*

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

(e) Derivatives

The Group uses forward foreign exchange contracts to hedge the exposure of sales and purchases in foreign currency as well as cross currency interest rate swap contract to hedge the exposure of future interest payments and foreign currency. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit or loss.

3.4 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.8(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.13.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress is not depreciated as these assets are not yet available for use.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.4 Property, plant and equipment *cont'd*

(c) Depreciation *cont'd*

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Buildings	50 years
Leasehold land and building	50 years
Plant and machinery	10 years
Office and factory equipment & furniture and fittings	10 years
Motor vehicles	5 years
Computer and software	5 years
Electrical installation and renovation	10 years

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.5 Leases

Accounting policies applied from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

(b) the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

(c) the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:

   (i) the Group has the right to operate the asset; or
   (ii) the Group has designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.5 Leases *cont'd*

Accounting policies applied from 1 January 2019 *cont'd*

As a lessee

The Group recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The depreciation period of the right-of-use assets for the current periods are as follows:

Buildings	1-2 years
Motor vehicles	3-5 years

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. Generally, other than leases under hire purchase, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

(a) fixed payments, including in-substance fixed payments;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable under a residual value guarantee; and
(d) the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an option renewal period of the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.5 Leases *cont'd*

Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the period in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Lessor accounting

Same accounting policies applied until 31 December 2018 and from 1 January 2019.

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on a weighted average cost basis.
- finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.7 Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.8 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost, contract assets and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- non-trade receivables that are determined to have low credit risk at the reporting date; and
- other non-trade receivables and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables and contract assets, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the counterparty is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to the Group and the Company in accordance with the contract and the cash flows that the Group and the Company expect to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.8 Impairment of assets *cont'd*

(a) Impairment of financial assets *cont'd*

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default of past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.8 Impairment of assets *cont'd*

(b) Impairment of non-financial assets *cont'd*

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at end of each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.9 Share capital

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.10 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contribution, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.11 Revenue and other income

The Group recognises revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

The Group measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group expect to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis, if the stand-alone selling price is not directly observable, the Group and the Company estimate it by using the cost plus margin approach.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.11 Revenue and other income *cont'd*

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company assess the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

Financing components

The Group has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group expects that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(a) Sale of goods – manufacturing or trading

Revenue from the sale of manufactured goods or trading goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with a credit term ranging from 30 to 120 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

Revenue is recognised based on the price specified in the contract, net of any discounts, excluding amounts collected on behalf of third parties such as sales and services tax.

Where consideration is collected from customer in advance for sale of good, a contract liability is recognised for the customer deposits. Contract liability would be recognised as revenue upon sale of good to the customer.

(b) Rendering of services

Revenue from rendering of services is recognised at a point in time when service is rendered to the customer, which is the point when the performance obligation in the contract with customer is satisfied.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.12 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the grant relates to an asset, it is recognised as deferred income in the statements of financial position and transferred to profit or loss over the expected useful life of the related asset. Where the grant relates to an expense item, it is recognised in profit or loss, under the heading of "other income", on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

3.13 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.14 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all deductible temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.14 Income tax *cont'd*

(b) Deferred tax *cont'd*

The carrying amount of deferred tax assets is reviewed at the end reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax.

Where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.15 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares, which comprise warrants granted to shareholders.

3.16 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Managing Director of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.17 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would be use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for the identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.18 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amounts recognised in the financial year include the following:

4.1 Inventories

Inventories are stated at the lower of cost and net realisable value. Reviews are made periodically by the Group on damaged and slow-moving inventories. These reviews require judgement and estimates. In determining the net realisable value of the inventories, an estimation of the recoverable amount of inventories on hand is performed by the Group based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the inventories on hand that may not be realised, as a result of events occurring after the end of the reporting period to the extent such events confirm conditions existing at the end of the reporting period. Possible changes in these estimates could result in revisions to the valuation of inventories.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

5. PROPERTY, PLANT AND EQUIPMENT

Group 2019	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office and factory equipment & furniture and fittings RM'000	Motor vehicles RM'000	Computer and software RM'000	Electrical Installations & renovation RM'000	Total RM'000
Cost								
At 31 December 2018	15,140	13,424	93,344	2,408	2,762	2,087	3,046	132,211
Effect of adoption of MFRS 16	-	-	-	-	(1,430)	-	-	(1,430)
At 1 January 2019	15,140	13,424	93,344	2,408	1,332	2,087	3,046	130,781
Additions	-	-	8,595	188	7	135	7	8,932
Disposals/Reclassification	-	(564)	(570)	(70)	(6)	-	-	(1,210)
Exchange differences	-	-	-	(7)	(10)	-	-	(17)
At 31 December 2019	15,140	12,860	101,369	2,519	1,323	2,222	3,053	138,486
Accumulated depreciation								
At 31 December 2018	-	952	47,530	1,487	2,140	1,600	1,494	55,203
Effect of adoption of MFRS 16	-	-	-	-	(857)	-	-	(857)
At 1 January 2019	-	952	47,530	1,487	1,283	1,600	1,494	54,346
Depreciation for the financial year	-	257	7,297	170	16	191	290	8,221
Disposals/Reclassification	-	-	(570)	(70)	(4)	-	-	(644)
Exchange differences	-	-	-	(6)	(9)	-	-	(15)
At 31 December 2019	-	1,209	54,257	1,581	1,286	1,791	1,784	61,908
Carrying amount at 31 December 2019	15,140	11,651	47,112	938	37	431	1,269	76,578

NOTES TO THE FINANCIAL STATEMENTS
cont'd

5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Group Unaudited 2018	Freehold land RM'000	Buildings RM'000	Leasehold land and building RM'000	Plant and machinery RM'000	Office and factory equipment & furniture and fittings RM'000	Motor vehicles RM'000	Computer and software RM'000	Electrical Installations & renovation RM'000	Capital work-in-progress RM'000	Total RM'000
Cost										
At 1 January 2018	3,340	5,660	62	78,070	1,966	2,681	1,794	3,046	1,020	97,639
Additions	11,800	7,764	-	14,254	445	86	294	-	-	34,643
Disposal/Reclassification	-	-	(62)	1,020	-	-	-	-	(1,020)	(62)
Exchange differences	-	-	-	-	(3)	(5)	(1)	-	-	(9)
At 31 December 2018	15,140	13,424	-	93,344	2,408	2,762	2,087	3,046	-	132,211
Accumulated depreciation										
At 1 January 2018	-	839	57	40,821	1,330	1,758	1,399	1,201	-	47,405
Depreciation for the financial year	-	113	4	6,709	159	385	201	293	-	7,864
Disposals/Reclassification	-	-	(61)	-	-	-	-	-	-	(61)
Exchange differences	-	-	-	-	(2)	(3)	-	-	-	(5)
At 31 December 2018	-	952	-	47,530	1,487	2,140	1,600	1,494	-	55,203
Carrying amount at 31 December 2018	15,140	12,472	-	45,814	921	622	487	1,552	-	77,008

NOTES TO THE FINANCIAL STATEMENTS
cont'd

5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

(a) Assets pledged as security

Freehold land and building and plant and machinery with an aggregate carrying amount of RM26,790,033 (2018:RM27,611,233) and RM30,859,553 (2018: RM30,105,387) respectively has been pledged as security to secure term loans of the Group as disclosed in Note 16.

(b) Assets under finance lease

The carrying amount of assets under finance lease arrangements are as follows:

	Group Unaudited 2018 RM'000
Motor vehicles	605

6. RIGHT-OF-USE ASSETS

The Group leases several assets including buildings and motor vehicles.

Information about leases for which the Group are lessees is presented below:

	Group		
	Buildings **RM'000**	**Motor Vehicles** **RM'000**	**Total** **RM'000**
Cost			
At 31 December 2018	-	-	-
Effects of adoption of MFRS 16 *Leases*	265	1,430	1,695
At 1 January 2019	265	1,430	1,695
Additions	451	92	543
At 31 December 2019	716	1,522	2,238
Accumulated depreciation			
At 31 December 2018	-	-	-
Effects of adoption of MFRS 16 *Leases*	-	857	857
At 1 January 2019	-	857	857
Depreciation for the financial year	325	299	624
At 31 December 2019	325	1,156	1,481
Carrying amount at 31 December 2019	391	366	757

2018 – Nil

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. RIGHT-OF-USE ASSETS *cont'd*

The Group leases buildings for its office space and staff hostel. The leases typically run for a period of 1 to 2 years.

The Group also leases motor vehicles under hire purchase arrangement with lease term of 3 to 5 years, and have options to purchase the assets at the end of the contract term.

7. DEFERRED TAX ASSETS/(LIABILITIES)

	2019 RM'000	Unaudited 2018 RM'000
At 1 January	(4,678)	(3,785)
Recognised in profit or loss	(1,254)	(893)
At 31 December	(5,932)	(4,678)
Deferred tax assets	-	10
Deferred tax liabilities	(5,932)	(4,688)
	(5,932)	(4,678)

The components of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

	Group	
	2019 RM'000	Unaudited 2018 RM'000
Difference between the carrying amounts of property, plant and equipment and their tax base	(6,393)	(4,959)
Deductible temporary differences in respect of expenses	111	(86)
Unutilised tax losses	43	43
Unabsorbed capital allowances	307	324
	(5,932)	(4,678)

The estimated amount of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	Group	
	2019 RM'000	Unaudited 2018 RM'000
Unused tax losses	706	420

NOTES TO THE FINANCIAL STATEMENTS
cont'd

7. DEFERRED TAX ASSETS/(LIABILITIES) *cont'd*

The unutilised tax losses are available indefinitely for offset against future taxable profits of the subsidiaries except for the tax losses which will expire in following financial year:

	Group 2019 RM'000
2025	43

8. INVESTMENT IN SUBSIDIARIES

	Company 2019 RM'000	Company 2018 RM'000
At cost		
Unquoted shares	68,134	-

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Ownership interest and voting interest 2019 %	Ownership interest and voting interest 2018 %	Principal activities
Held by the Company				
HPMT Industries Sdn. Bhd.	Malaysia	100	-	Manufacturing and distribution of cutting tools
Herroz Sdn. Bhd.	Malaysia	100	-	Distribution of cutting tools and trading of supporting equipment, accessories and other products for metalworking
Pentagon Coating Technologies Sdn. Bhd.	Malaysia	75	-	Provision of physical vapor deposition ("PVD") coating services
MTC Tooling Systems Limited ("MTC Tooling") *	Hong Kong	100	-	Investment holding, distribution of cutting tools and trading of supporting equipment, accessories and other product for metalworking
HPMT Deutschland GmbH *	Germany	100	-	Distribution of cutting tools and trading of supporting equipment, accessories and other products for metalworking
Held through MTC Tooling Systems Limited				
HPMT (Shenzhen) Limited *	People's Republic of China ("PRC")	100	-	Distribution of cutting tools and trading of supporting equipment, accessories and other products for metalworking

* *Audited by firms of chartered accountants other than Baker Tilly Monteiro Heng PLT.*

NOTES TO THE FINANCIAL STATEMENTS
cont'd

8. INVESTMENT IN SUBSIDIARIES *cont'd*

(a) Acquisition of subsidiaries

(i) Acquisition of HPMT Industries Sdn. Bhd. ("HPMT Industries")

On 29 March 2019, the Company completed the acquisition of 2,500,000 ordinary shares in HPMT Industries for a purchase consideration of RM 51,563,000, representing the entire equity interest in HPMT Industries. Consequently, HPMT Industries became a wholly-owned subsidiary of the Company. 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.

(ii) Acquisition of Herroz Sdn. Bhd. ("Herroz")

On 29 March 2019, the Company completed the acquisition of 1,626,518 ordinary shares in Herroz for a purchase consideration of RM 4,828,000, representing the entire equity interest in Herroz. Consequently, Herroz became a wholly-owned subsidiary of the Company. 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.

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

On 29 March 2019, the Company completed the acquisition of shares in HPMT GmbH for a purchase consideration of EUR 455,821.60 (equivalent to RM 2,208,000), representing the entire equity interest in HPMT GmbH. Consequently, HPMT GmbH became a wholly-owned subsidiary of the Company. 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.

The above acquisition includes 49% equity interest acquired from minority shareholders of HPMT GmbH. The effect of the acquisition is as follows:

	2019 RM'000
Fair value of consideration transferred	1,082
Increase in net assets	(1,205)
Excess recognised to equity	(123)

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

On 20 March 2019, the Company completed the acquisition of 1,000,000 ordinary shares in MTC Tooling for a purchase consideration of HKD 7,402,244 (equivalent to RM 3,834,000), representing the entire equity interest in MTC Tooling. Consequently, MTC Tooling became a wholly-owned subsidiary of the Company. 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 above acquisition includes 49% equity interest acquired from minority shareholders of MTC Tooling. The effect of the acquisition is as follows:

	2019 RM'000
Fair value of consideration transferred	1,879
Increase in net assets	(1,768)
Premium recognised to equity	111

NOTES TO THE FINANCIAL STATEMENTS
cont'd

8. INVESTMENT IN SUBSIDIARIES *cont'd*

(a) Acquisition of subsidiaries *cont'd*

(v) Acquisition of Pentagon Coating Technologies Sdn. Bhd. ("Pentagon")

On 29 March 2019, the Company completed the acquisition of 1,125,000 ordinary shares in Pentagon for a purchase consideration of RM801,000, representing 75% equity interest in Pentagon. Consequently, Pentagon became a subsidiary of the Company. 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.

(b) Non-controlling interest in subsidiaries

The Group does not have material non-controlling interest.

9. INVENTORIES

	Group	
		Unaudited
	2019	2018
	RM'000	RM'000
At cost		
Raw materials	6,113	5,192
Work-in-progress	871	848
Finished goods	20,966	18,128
Consumable goods	1,115	1,093
Less: Allowance for slow-moving inventories	(940)	(797)
	28,125	24,464

(a) The cost of inventories of the Group recognised as expense on cost of sales during the financial year was RM34,636,802 (2018: RM42,123,629).

(b) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year in respect of allowance for slow-moving inventories was RM143,240 (2018: RM309,946).

NOTES TO THE FINANCIAL STATEMENTS
cont'd

10. TRADE AND OTHER RECEIVABLES

	2019	Unaudited 2018
	RM'000	RM'000
Group		
Trade receivables		
Trade receivables	14,230	15,666
Less: Allowance for impairment losses	(31)	(25)
Total trade receivables	14,199	15,641
Other receivables		
Other receivables	205	200
Deposits	131	123
Prepayments	664	932
Total other receivables	1,000	1,255
Total trade and other receivables	15,199	16,896
Company		
Other receivables		
Amount due from a subsidiary	27	-
Prepayments	56	498
Total other receivables	83	498

(a) Trade receivables

Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranges from 30 to 120 days (2018: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Receivables that are impaired

The movement in the allowance for impairment losses of trade receivables is as follows:

	Group 2019	Group Unaudited 2018
	RM'000	RM'000
At 1 January	25	116
Charge for the financial year	6	-
Written off	-	(91)
At 31 December	31	25

(b) The amount due from a subsidiary is non-trade in nature, unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

The information about the credit exposures are disclosed in Note 29(i).

NOTES TO THE FINANCIAL STATEMENTS
cont'd

11. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES)

	Group	
		Unaudited
	2019	2018
	RM'000	RM'000
Group		
Derivatives used for hedging:		
Cross currency interest rate swap	80	81
Forward foreign exchange contracts		
- sell contracts	57	-
- buy contracts	(13)	-
	124	81

Forward foreign exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currencies of Group entities. Most of the forward foreign exchange contracts have maturities of less than one year after the end of the reporting period.

Cross currency interest rate swap ("CCIRS") is used to hedge against floating interest rate and foreign exchange movement for the Group's Euro currency loan. The CCIRS have an arrangement to settle the future interest payments simultaneously on due dates at a net basis.

	Group	
		Unaudited
	2019	2018
	RM'000	RM'000
Group		
Notional amounts of outstanding interest rate swap transaction	1,043	1,787

12. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
		Unaudited		
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	51,994	13,235	36,770	20
Less: Bank overdraft (Note 16)	(34)	(91)	-	-
Cash and cash equivalents	51,960	13,144	36,770	20

NOTES TO THE FINANCIAL STATEMENTS
cont'd

13. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of shares Unit'000	RM'000	Number of shares Unit'000	RM'000
Ordinary shares				
Issued and fully paid:				
At 1 January	**	*	**	*
Issued during the year				
- acquisition of subsidiaries	252,936	63,234	-	-
- public issue	75,553	42,310	-	-
- shares issuance expense	-	(1,991)	-	-
At 31 December	328,489	103,553	**	*

* *Represents RM 2*
** *Represents 2 ordinary shares*

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the Company issued:

(a) 249,731,998 new ordinary shares at a price of RM0.25 per ordinary share as the purchase consideration for the acquisition of the entire equity interest in MTC Tooling System Ltd., HPMT Industries Sdn. Bhd., Herroz Sdn. Bhd. and HPMT Deutschland GmbH;

(b) 3,204,000 new ordinary shares at a price of RM0.25 per ordinary share as the purchase consideration for the acquisition of the 75% equity interest in Pentagon Coating Technologies Sdn. Bhd.; and

(c) 75,553,000 new ordinary shares, at a price of RM 0.56 each per ordinary share via public issue of shares in conjunction with its listing on the Main Market of Bursa Malaysia Securities Berhad.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

14. OTHER RESERVES

		Group	
			Unaudited
		2019	2018
	Note	RM'000	RM'000
Exchange reserve	(a)	226	352
PRC statutory reserve	(b)	198	175
		424	527

(a) Exchange reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency.

(b) PRC Statutory reserve

In accordance with relevant laws and regulations of the People's Republic of China ("PRC"), the subsidiary in the PRC is required to transfer 10% of its net profit for the financial year prepared in accordance with the accounting regulation of the PRC to the statutory reserve. The transfer will continue until the reserve balance reached 50% of its registered capital. Such reserve may be used to offset accumulated losses or increased the registered capital of the said subsidiary, subject to the approval from the PRC authority, and are not available for dividend distribution to the shareholder of the said subsidiary.

15. MERGER (DEFICIT)/RESERVE

The merger (deficit)/reserve was resulted from the difference between the cost of investment in subsidiaries and the nominal value of the share capital of the Company's subsidiaries upon consolidation under the merger method of accounting.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

16. LOANS AND BORROWINGS

		Group	
			Unaudited
		2019	2018
	Note	RM'000	RM'000
Current:			
Secured			
Term loans	(a), (b)	7,959	8,111
Finance lease liabilities	(a), (b), (c)	-	314
Bankers' acceptances	(a), (b)	8,111	4,648
Bank overdrafts	(a), (b)	34	91
Revolving credit	(a), (b)	700	450
		16,804	13,614
Non-current:			
Secured			
Term loans	(a), (b)	21,378	25,603
Finance lease liabilities	(a), (b), (c)	-	291
		21,378	25,894
Total loans and borrowings		38,182	39,508
Total loans and borrowings			
Term loans	(a), (b)	29,337	33,714
Finance lease liabilities	(a), (b), (c)	-	605
Bankers' acceptances	(a), (b)	8,111	4,648
Bank overdrafts	(a), (b)	34	91
Revolving credit	(a), (b)	700	450
		38,182	39,508
Repayable			
- not later than one year		16,804	13,614
- later than one year and not later than five years		13,862	17,559
- later than five years		7,516	8,335
		38,182	39,508

NOTES TO THE FINANCIAL STATEMENTS
cont'd

16. LOANS AND BORROWINGS *cont'd*

(a) The loans and borrowings are secured by:

(i) legal charge over the building as disclosed in Note 5;
(ii) corporate guarantee by a corporate shareholder;
(iii) joint and several guarantee by a related company, certain directors of the Group and a director of the corporate shareholder; and
(iv) legal charge over the properties, plant and equipment as disclosed in Note 5 are financed under the term loan.

(b) The range of effective interest rates at the end of the financial year are as follows:

	Group	
		Unaudited
	2019	2018
	%	%
Term loans	2.35-6.18	2.45-6.28
Finance lease liabilities	N/A	3.96-4.94
Bankers' acceptance	3.31-3.58	3.15-5.15
Bank overdraft	8.39	8.54
Revolving credit	3.69	4.02

(c) Finance Lease Liabilities

Certain motor vehicles of the Group as disclosed in Note 5 are pledged for finance leases. Such leases do not have terms for renewal which would give the Group an option to purchase at nominal values at the end of the lease term. The interest rates implicit in the leases range from Nil (2018: 3.96%-4.94%).

Future minimum lease payments under finance lease together with the present value of net minimum lease payments are as follows:

	Group
	Unaudited
	2018
	RM'000
Minimum lease payments	
Not later than one year	354
Later than one year and not later than five years	326
	680
Less: Future finance charges	(75)
Present value of minimum lease payments	605

NOTES TO THE FINANCIAL STATEMENTS
cont'd

16. LOANS AND BORROWINGS *cont'd*

(c) Finance Lease Liabilities *cont'd*

	Group Unaudited 2018 RM'000
Present value of minimum lease payments payable:	
Not later than one year	314
Later than one year and not later than five years	291
	605
Less: Amount due within twelve months	(314)
Amount due after twelve months	291

17. LEASE LIABILITIES

	Group 2019 RM'000	Group Unaudited 2018 RM'000
Non-current		
Lease liabilities	205	-
Current		
Lease liabilities	555	-
	760	-

Certain motor vehicles of the Group as disclosed in Note 6 are pledged under hire purchases. The range of interest rates implicit in the leases is 3.96% to 4.94% (2018: Nil). The weighted average incremental borrowing rate applied to the other lease liabilities is 5.00% per annum.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

17. LEASE LIABILITIES *cont'd*

Future minimum lease payments under leases together with the present value of net minimum lease payments are as follows:

	Group 2019 RM'000	Group Unaudited 2018 RM'000
Minimum lease payments		
Not later than one year	596	-
Later than one year and not later than five years	216	-
	812	-
Less: Future finance charges	(52)	-
Present value of minimum lease payments	760	-
Present value of minimum lease payments payable:		
Not later than one year	555	-
Later than one year and not later than five years	205	-
	760	-
Less: Amount due within twelve months	(555)	-
Amount due after twelve months	205	-

18. DEFERRED INCOME

	Group 2019 RM'000	Group Unaudited 2018 RM'000
Non-current:		
Government grants:		
At 1 January	5,067	5,837
Recognised in profit or loss	(770)	(770)
Less: Amount to be released within next twelve months	(770)	(770)
At 31 December	3,527	4,297
Current:		
Government grants	770	770
	4,297	5,067

Government grants relate to assets

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

19. TRADE AND OTHER PAYABLES

	2019 RM'000	Unaudited 2018 RM'000
Group		
Trade		
Trade payables	848	1,350
Non-trade		
Other payables	3,954	7,092
Accruals	1,810	2,010
	5,764	9,102
Total trade and other payables	6,612	10,452
Company		
Other payables		
Other payables	23	40
Accruals	59	4
Amount owing to a subsidiary	-	2,804
Total other payables	82	2,848

(a) Trade payables

Trade payables are non-interest bearing and the normal credit terms granted to the Group ranges from 30 to 120 days (2018: 30 to 120 days).

(b) Amount owing to a subsidiary

The amount owing to a subsidiary is non-trade in nature, unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 29(ii).

NOTES TO THE FINANCIAL STATEMENTS
cont'd

20. REVENUE

	Group		Company	
		Unaudited		
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customer:				
Sales of goods	76,202	83,151	-	-
Services rendered	2,480	2,145	-	-
	78,682	85,296	-	-
Revenue from other source:				
Dividend income	-	-	7,504	-
	78,682	85,296	7,504	-

(a) Disaggregation of revenue

The Group reports the following major segments: manufacturing, trading and coating in accordance with MFRS 8 Operating Segments. For the purpose of disclosure of disaggregation of revenue, it disaggregates revenue into major goods or services and timing of revenue recognition (i.e. goods or services transferred at a point in time or over time).

	Manufacturing	Trading	Coating	Total
	RM'000	RM'000	RM'000	RM'000
Group				
2019				
Standard tools	51,957	-	-	51,957
Special tools	21,196	-	-	21,196
Indexable inserts, tool holding systems and CNC machines	-	3,049	-	3,049
Coating service	-	-	2,480	2,480
	73,153	3,049	2,480	78,682
Unaudited				
2018				
Standard tools	56,128	-	-	56,128
Special tools	21,502	-	-	21,502
Indexable inserts, tool holding systems and CNC machines	-	5,522	-	5,522
Coating service	-	-	2,144	2,144
	77,630	5,522	2,144	85,296

NOTES TO THE FINANCIAL STATEMENTS
cont'd

20. REVENUE *cont'd*

(a) Disaggregation of revenue *cont'd*

	Group	
		Unaudited
	2019	2018
	RM'000	RM'000
Timing of revenue recognition:		
At a point in time	78,682	85,296

(b) Transaction price allocated to the remaining performance obligation

The Group does not have performance obligations that are unsatisfied for contracts that have an original duration of more than one year at the reporting date.

The Group applies the practical expedient in paragraph 121(a) of MFRS 15 and accordingly, do not disclose information about remaining performance obligations that have original expected durations of one year or less.

21. OTHER INCOME

	Group		Company	
		Unaudited		
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Net unrealised foreign exchange gain	498	310	-	-
Net fair value gain on derivatives	44	-	-	-
Gain on disposal of property, plant and equipment	1	3,364	-	-
Interest income	879	436	687	-
Government grants	770	770	-	-
Rental income	515	-	-	-
Insurance claim	9	-	-	-
Bad debts recovered	36	-	-	-
	2,752	4,880	687	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

22. FINANCE COSTS

	Group	
		Unaudited
	2019	2018
	RM'000	RM'000
Commitment fees	21	23
Interest expenses on:		
- term loans	1,407	750
- banker's acceptances	148	190
- bank overdrafts	7	22
- revolving credit	36	14
- Lease/finance lease liabilities	60	39
	1,679	1,038

23. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at profit before tax:

	Group		Company	
		Unaudited		
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
- Malaysian operations				
- Statutory audit				
- Current year	142	58	60	2
- Prior year	4	-	-	-
- Other services	160	151	160	151
- Foreign operations				
- Statutory audit				
- Current year	190	271	-	-
Depreciation of property, plant and equipment	8,221	7,864	-	-
Depreciation of right-of-use assets	624	-	-	-
Short term lease expenses	564	-		
Rental expenses	-	888	-	-
Impairment loss on trade receivables	6	-	-	-
Allowance for slow-moving inventories	143	310	-	-
Net realised foreign exchange loss	137	393	1	-
IPO listing expenses	1,227	1,666	1,227	1,666

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
		Unaudited		
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	18,449	18,432	8	5
Defined contribution plans	2,145	1,637	-	-
Other staff related expenses	3,089	3,453	-	-
Directors' fees	334	288	190	144
Benefits in kind	62	62	-	-
	24,079	23,872	198	149

Included in employee benefits expenses are directors' remuneration as follows :-

Directors of the Company				
Executive directors				
- fees	108	108	-	-
- other emoluments	2,400	2,502	-	-
- benefits in kind	29	29	-	-
	2,537	2,639	-	-
Non-executive directors				
- fees	190	144	190	144
- other emoluments	8	5	8	5
	198	149	198	149
Directors of subsidiaries				
Executive directors				
- fees	36	36	-	-
- other emoluments	2,109	2,634	-	-
- benefits in kind	33	33	-	-
	2,178	2,703	-	-
	4,913	5,491	198	149

NOTES TO THE FINANCIAL STATEMENTS
cont'd

25. INCOME TAX EXPENSE

	Group		Company	
		Unaudited		
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
Malaysian income tax:				
- current financial year	840	1,287	80	-
- over provision in prior financial year	(156)	(441)	-	-
	684	846	80	-
Foreign income tax:				
- current financial year	71	203	-	-
- over provision in prior financial year	-	(15)	-	-
	755	1,034	80	-
Deferred tax:				
Origination of temporary differences	804	1,164	-	-
- under/(over) provision in prior financial year	450	(271)	-	-
	1,254	893	-	-
Tax expense recognised in profit or loss	2,009	1,927	80	-

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2018: 24%) of the estimated taxable profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

25. INCOME TAX EXPENSE *cont'd*

The reconciliations of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
		Unaudited		
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(Loss) before tax	9,995	15,679	6,616	(1,907)
Tax at Malaysian statutory income tax rate of 24% (2018: 24%)	2,399	3,763	1,588	(458)
Tax effects arising from:				
- different tax rates in foreign jurisdictions	60	(393)	-	-
- non-deductible expenses	2,632	961	373	458
- non-taxable income	(2,071)	(495)	(1,881)	-
- tax incentives	(1,328)	(1,217)	-	-
- deferred tax assets not recognised	23	35	-	-
(Over)/Under provision in prior years:				
- current tax	(156)	(456)	-	-
- deferred tax	450	(271)	-	-
Income tax expense for the financial year	2,009	1,927	80	-

26. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
		Unaudited
	2019	2018
Profit for the financial year attributable to owners of the Company: (RM'000)	7,858	12,214
Weighted average number of ordinary shares:		
Number of shares in issue as at 1 January ('000)	252,936	252,936
Effect of issuance of ordinary shares ('000)	47,195	-
Weighted average number of ordinary shares in issue at 31 December	300,131	252,936
Basic earnings per share for the financial year (sen)	2.62	4.83

(b) Diluted

The diluted earnings per share of the Group for the financial year are equivalent to the basic earnings per ordinary shares of the Group as the Company has no dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

27. DIVIDENDS

	Group	
		Unaudited
	2019	2018
	RM'000	RM'000
Recognised during the financial year ended 31 December 2019:		
- First single-tier interim dividend of 0.50 sen per ordinary share	1,642	-
- Second single-tier interim dividend of 0.375 sen per ordinary share	1,232	-
	2,874	-

On 19 February 2020, the Company had declared a third single tier interim dividend of 0.375 sen per ordinary share, amounting to RM 1,231,834 in respect of the financial year ended 31 December 2019. The financial statements for the current financial year do not reflect this declared dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

28. FINANCIAL INSTRUMENTS

Classification of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

Group	Fair value through profit or loss RM'000	Amortised cost RM'000	Total RM'000
2019			
Financial Assets			
Trade and other receivables *	-	14,535	14,535
Derivatives financial assets	137	-	137
Cash and short-term deposits	-	51,994	51,994
	137	66,529	66,666
Financial Liabilities			
Trade and other payables	-	(6,612)	(6,612)
Derivatives financial liabilities	(13)	-	(13)
Loans and borrowings	-	(38,182)	(38,182)
Lease liabilities	-	(760)	(760)
	(13)	(45,554)	(45,567)

* *Exclude prepayments*

NOTES TO THE FINANCIAL STATEMENTS
cont'd

28. FINANCIAL INSTRUMENTS *cont'd*

Classification of financial instruments *cont'd*

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned: *cont'd*

Group	Fair value through profit or loss RM'000	Amortised cost RM'000	Total RM'000
Unaudited			
2018			
Financial Assets			
Trade and other receivables *	-	15,964	15,964
Derivatives financial assets	81	-	81
Cash and short-term deposits	-	13,235	13,235
	81	29,199	29,280
Financial Liabilities			
Trade and other payables	-	(10,452)	(10,452)
Loans and borrowings	-	(39,508)	(39,508)
	-	(49,960)	(49,960)
Company			
2019			
Financial Assets			
Amount due from a subsidiary		27	27
Cash and bank balances		36,770	36,770
		36,797	36,797
Financial Liabilities			
Other payables and accruals		82	82
2018			
Financial Assets			
Cash and bank balances		20	20
Financial Liabilities			
Other payables and accruals		2,848	2,848

* *Exclude prepayments*

NOTES TO THE FINANCIAL STATEMENTS
cont'd

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, liquidity risk, and foreign currency risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, including deposits with banks, foreign exchange transactions and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Credit quality of a customer is assessed based on individual credit limits which are defined in accordance with this assessment.

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

As at the end of the reporting period the Group has significant concentration of credit risk in the form of outstanding balances owing by 1 (2018: 1) customers representing 14% (2018: 13%) of the total receivables.

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the impairment losses, trade receivables have been grouped based on the days past due. The Group also individually assessed ECL of individual customers based on indicators such as changes in financial capability of the receivables, payment trends of the receivable and default or significant delay in payments. The determination of impairment losses also incorporate economic conditions during the period of historical data, current conditions and forward looking information on the economic conditions over the expected settlement period of the receivables. The Group believes that changes in economic conditions over these periods would not materially impact the impairment calculation of the receivables.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(i) Credit risk *cont'd*

Trade receivables *cont'd*

The information about the credit risk exposure on the Group's trade receivables as at 31 December 2019 and 31 December 2018 are as follows:

Group	Gross carrying amount	ECL allowance	Net balance
2019	**RM'000**	**RM'000**	**RM'000**
Current	11,803	-	11,803
1 - 30 days past due	1,641	-	1,641
31 - 60 days past due	575	-	575
61 - 90 days past due	114	-	114
91 - 120 days past due	30	-	30
> 120 days past due	36	-	36
Individually assessed (credit impaired)	31	(31)	-
	14,230	(31)	14,199
2018			
Current	11,067	-	11,067
1 - 30 days past due	2,567	-	2,567
31 - 60 days past due	1,384	-	1,384
61 - 90 days past due	454	-	454
91 - 120 days past due	131	-	131
> 120 days past due	38	-	38
Individually assessed (credit impaired)	25	(25)	-
	15,666	(25)	15,641

Other receivables and other financial assets

For other receivables and other financial assets (including deposits and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

29. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *cont'd*

(i) **Credit risk** *cont'd*

Other receivables and other financial assets *cont'd*

The Group and the Company consider these financial assets to have low credit risk and any loss allowance would be negligible.

Refer to Note 3.8(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

(ii) **Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's and the Company's finance department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000
Group					
2019					
Trade and other payables	6,612	6,612	6,612	-	-
Term loans	29,337	35,303	9,188	17,812	8,303
Lease liabilities	760	812	596	216	-
Bankers' acceptances	8,111	8,111	8,111	-	-
Bank overdraft	34	34	34	-	-
Derivatives financial liabilities	13	13	13	-	-
Revolving credit	700	700	700	-	-
	45,567	51,585	25,254	18,028	8,303

NOTES TO THE FINANCIAL STATEMENTS
cont'd

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(ii) Liquidity risk *cont'd*

Maturity analysis *cont'd*

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows: *cont'd*

	Carrying amount RM'000	Contractual undiscounted cash flows RM'000	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000
Group					
Unaudited					
2018					
Trade and other payables	10,452	10,452	10,452	-	-
Term loans	33,714	41,193	9,425	22,229	9,539
Finance lease liabilities	605	680	354	326	-
Bankers' acceptances	4,648	4,648	4,648	-	-
Bank overdraft	91	91	91	-	-
Revolving credit	450	450	450	-	-
	49,960	57,514	25,420	22,555	9,539
Company					
2019					
Other payables and accruals	82	82	82	-	-
2018					
Other payables and accruals	2,848	2,848	2,848	-	-

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales, purchases and borrowings that are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD"), Euro ("EUR"), Singapore Dollar ("SGD"), Chinese Yuan ("CNY"), Japanese Yen ("JPY") and Swiss Franc ("CHF").

NOTES TO THE FINANCIAL STATEMENTS
cont'd

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(iii) Foreign currency risk *cont'd*

Management has set up a policy that requires all companies within the Group and the Company to manage their treasury activities and exposures. The Group's and the Company's policy may include hedging their material foreign currency exposures arising from its transactions and balances using derivative instruments that have maturity periods that match the corresponding maturity periods of the hedged items. In addition, the Group and the Company also takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

The Group's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows:

	Group	
		Unaudited
	2019	2018
	RM'000	RM'000
Financial assets and liabilities not held in functional currencies		
Trade receivables		
USD	2,573	3,629
EUR	5,356	5,827
SGD	106	213
CNY	434	882
JPY	3	-
	8,472	10,551
Cash and bank balances		
USD	3,476	2,278
EUR	3,359	4,163
	6,835	6,441

NOTES TO THE FINANCIAL STATEMENTS
cont'd

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(iii) Foreign currency risk *cont'd*

	Group 2019 RM'000	Group Unaudited 2018 RM'000
Financial assets and liabilities not held in functional currencies		
Trade payables		
USD	211	491
EUR	242	254
SGD	3	7
	456	752
Other payables		
USD	3	-
EUR	33	5,010
CHF	2,666	1,173
CNY	1	-
	2,703	6,183
Loan and borrowings		
EUR	14,347	16,587

The Group uses forward foreign exchange contracts to manage foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currency of the group entities. All of the forward foreign exchange contracts have maturities of less than one year after the end of the reporting period. When necessary, the forward contracts are rolled over at maturity.

The notional principal amounts of the Group's outstanding forward foreign exchange contracts are as follows:

	Group 2019 RM'000	Group Unaudited 2018 RM'000
EUR	2,592	2,003
USD	705	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(iii) Foreign currency risk *cont'd*

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in USD, EUR, CNY and CHF, with all other variables held constant on the Group's profit for the financial year.

	2019		2018 Unaudited	
	Change in rate	Effect on profit for the financial year RM'000	Change in rate	Effect on profit for the financial year RM'000
Group				
USD	5%	222	5%	206
	-5%	(222)	-5%	(206)
EUR	5%	(224)	5%	(451)
	-5%	224	-5%	451
CNY	5%	16	5%	34
	-5%	(16)	-5%	(34)
CHF	5%	(101)	5%	(45)
	-5%	101	-5%	45

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's profit for the financial year.

	2019		2018 Unaudited	
	Change in basis points	Effect on profit for the financial year RM'000	Change in basis points	Effect on profit for the financial year RM'000
Group				
Loans and borrowings	+ 50	(111)	+ 50	(128)
	- 50	111	- 50	128

NOTES TO THE FINANCIAL STATEMENTS
cont'd

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(v) Fair value measurement

The carrying amounts of cash and short-term deposits, receivables and payables and short-term borrowings are reasonable approximation of their fair value due to relatively short-term nature of these financial instruments.

Other long-term financial liabilities are reasonable approximation of fair value because they are floating rate instruments which are re-priced to market interest rates.

The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity period of the contract.

The fair value of CCIRS is estimated by calculating the present value of the estimated future cash flows based on observable market based yield curves.

Fair value hierarchy

As at 31 December 2019, the Group held the followings assets and liabilities carried at fair value:

Asset/Liability measured at fair value

	Fair Value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Derivatives assets	137	-	137	-
Derivatives liabilities	(13)	-	(13)	-

During the financial year ended 31 December 2019, there was no transfer between fair value measurement hierarchy.

30. COMMITMENTS

(a) Commitments

	Group	
		Unaudited
	2019	2018
	RM'000	RM'000
Approved and contracted for:		
- Property, plant and equipment	-	235

30. COMMITMENTS *cont'd*

(b) Operating Lease commitments - as lessee

Future minimum rental payable under the operating lease at reporting date is as follow:

	Group	
		Unaudited
	2019	2018
	RM'000	RM'000
- Not later than one year	165	552
- More than one year not later than 5 years	-	109
	165	661

31. RELATED PARTIES

(a) Identity of Related Parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Subsidiaries;
(ii) Entity in which certain directors have substantial financial interests; and
(iii) Key management personnel which comprise persons (including the directors of the Company) having the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

(b) Related Party Transactions and Balances

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group	
		Unaudited
	2019	2018
	RM'000	RM'000
Transactions with companies in which certain directors of the Company have substantial financial interests:		
- Sales of goods	-	561
- Rental expenses	-	552
- Utilities paid	1	11
- Purchase of property, plant and equipment	-	19,000
- Sale of property, plant and equipment	-	4,532
- Lease payments	190	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

31. RELATED PARTIES *cont'd*

(b) Related Party Transactions and Balances *cont'd*

	Company	
	2019	2018
	RM'000	RM'000
Transactions with subsidiaries		
- Dividends received	7,904	-

Information on outstanding balances with related parties of the Group and of the Company are disclosed in Note 10 and 19.

(c) Compensation of key management personnel

	Group		Company	
		Unaudited		
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	4,212	4,833	8	5
Employees Provident Fund	298	301	-	-
Other staff related benefits	7	7	-	-
Director's fee	334	288	190	144
Benefits in kind	62	62	-	-
	4,913	5,491	198	149

NOTES TO THE FINANCIAL STATEMENTS
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32. SEGMENTS INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports that are regularly reviewed by the Group Managing Director decision maker for the purpose of making decisions about resource allocation and performance assessment.

The three reportable operating segments are as follows:

	Segments	Products and services
i.	Manufacturing	- Manufacturing and distribution of cutting tools.
ii.	Trading	- Trading of cutting tools, supporting equipment and accessories for metalworking.
iii.	Coating	- Provision of PVD coating services.

Segment profit

Segment profit is used to measure performance as Group Managing Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on profit after tax of the operating segments.

Segment assets

The total of segment assets is measured based on all assets (excluding investment in associates and joint ventures) of a segment, as included in the internal reports that are reviewed by the Group Managing Director.

Segment liabilities

Segment liabilities is not included as it is not included in the internal reports that are reviewed by the Group Managing Director.

NOTES TO THE FINANCIAL STATEMENTS
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32. SEGMENTS INFORMATION *cont'd*

	Manufacturing		Trading		Coating		Eliminations		Consolidated	
		Unaudited		Unaudited		Unaudited		Unaudited		Unaudited
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue:										
Revenue from external customers	73,153	77,630	3,049	5,522	2,480	2,144	-	-	78,682	85,296
Inter-segment revenue	18,906	20,902	1,299	41	408	421	(20,613)	(21,364)	-	-
Total segment revenue	92,059	98,532	4,348	5,563	2,888	2,565	(20,613)	(21,364)	78,682	85,296
									-	-
Results:										
Included in the measure of segment profit are:										
Interest income	865	416	14	19	-	1	-	-	879	436
Interest expenses	(1,484)	(826)	-	-	(195)	(212)	-	-	(1,679)	(1,038)
Depreciation	(8,237)	(7,245)	(98)	(162)	(510)	(457)	-	-	(8,845)	(7,864)
Rental expenses	(552)	(872)	(35)	(39)	(84)	(84)	107	107	(564)	(888)
Impairment loss on trade receivables	(1)	-	(5)	-	-	-	-	-	(6)	-
Bad debts recovered	36	-	-	-	-	-	-	-	36	-
Government grant amortisation	770	770	-	-	-	-	-	-	770	770
Segment profit	7,266	13,215	-	-	720	537	-	-	7,986	13,752
Assets										
Additions to non-current assets	8,472	34,370	-	-	460	273	-	-	8,932	34,643
Segment assets	170,370	128,840	-	-	4,825	5,113	-	-	175,195	133,953

NOTES TO THE FINANCIAL STATEMENTS
cont'd

32. SEGMENTS INFORMATION *cont'd*

(a) Information about major customers

The major customer with revenue equal to or more than 10% of the Group revenue is as follows:

		Group	
		2019	**2018**
	Segment	**RM'000**	**RM'000**
Customer A	Manufacturing	8,672	9,851

(b) Geographical information

Revenue and non-current assets (other than financial instruments and deferred tax assets) information based on the geographical location of customers and assets are as follows:

	Revenue RM'000	**Non-current assets RM'000**
31 December 2019		
Malaysia	13,264	76,834
Europe	39,841	138
Asia (excluding Malaysia)	24,946	363
Others	631	-
	78,682	77,335
Unaudited		
31 December 2018		
Malaysia	16,970	76,886
Europe	43,248	51
Asia (excluding Malaysia)	24,693	71
Others	385	-
	85,296	77,008

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

In conjunction with and as an integral part of the Company's listing on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), the following transactions were undertaken by the Company:

(a) Pre-initial Public Offering Reorganisation

(i) On 29 March 2019, the Company completed the acquisition of the entire issued share capital of HPMT Industries Sdn. Bhd. ("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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *cont'd*

(a) Pre-initial Public Offering Reorganisation *cont'd*

(ii) On 29 March 2019, the Company completed the acquisition of the entire issued share capital of Herroz Sdn. Bhd. ("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.

(iii) On 29 March 2019, the Company completed the acquisition of the entire issued share capital of HPMT Deutschland GmbH ("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) 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.

(iv) On 20 March 2019, the Company completed the acquisition of the entire issued share capital of MTC Tooling Systems Limited ("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). 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.

(v) On 29 March 2019, the Company completed the acquisition of 75% of the equity interest in Pentagon Coating Technologies Sdn. Bhd. ("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.

(b) Initial Public Offering ("IPO")

On 17 May 2019, the Company issued its Prospectus for its IPO entailing the public issue of 75,553,000 new ordinary shares, representing approximately 23% 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:

(i) 16,426,000 new shares available for application by Malaysian citizens, companies, societies, co-operatives and institutions;
(ii) 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
(iii) 50,827,000 new shares available for application by way of private placement to institutional and selected investors; and

On 12 June 2019, the Company was listed on the Main Market of Bursa Securities.

34. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. The Covid-19 outbreak also resulted in travel restrictions, lockdowns and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in the markets in which the Group operates.

For the Group's financial statements for the financial year ended 31 December 2019, the Covid-19 outbreak and the related impacts are considered non-adjusting events in accordance with MFRS 110 Events after the Reporting Period. Consequently, there is no impact on the recognition and measurement of assets and liabilities as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

34. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR *cont'd*

Coronavirus outbreak *cont'd*

The Group is unable to reasonably estimate the financial impact of Covid-19 for the financial year ending 31 December 2020 to be disclosed in the financial statements as the situation is still evolving and the uncertainty of the outcome of the current events. It is however certain that the local and worldwide measures against the spread of the Covid-19 will have adverse effects on the Group's sales, operations and supply chains. The Group will continuously monitor the impact of Covid-19 on its operations and its financial performance. The Group will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's operations.

35. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a healthy capital ratio in order to support their business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2019 and 31 December 2018.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The gearing ratio at 31 December 2019 and 31 December 2018 are as follows:

		Group	
			Unaudited
		2019	**2018**
	Note	**RM'000**	**RM'000**
Loans and borrowings	16	38,182	39,508
Total debts		38,182	39,508
Total equity		119,280	74,006
Gearing ratio		32%	53%

A subsidiary of the Company is required to maintain a tangible net worth of RM15 million and a gearing ratio of not exceeding 1.5 times under a bank covenant.

36. COMPARATIVES

The acquisition of the entire issued and paid-up share capital of HPMT Industries Sdn. Bhd., Herroz Sdn. Bhd., HPMT Deutschland GmbH, MTC Tooling Systems Limited and 75% issued and paid-up share capital of Pentagon Coating Technologies Sdn. Bhd. by the Company is a business combination involving entities under common control and did not result in any change in economic substance. Accordingly, the Group is a continuation of the acquired entities and accounted for as follows:

(a) the assets and liabilities of the acquired entities are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
(b) the retained earnings and other equity balances of acquired entities immediately before the business combination are those of the Group; and
(c) the equity structure, however, reflects the equity structure of the Company and the difference arising from the change in equity structure of the Group will be accounted for in merger deficit/reserve.

The comparatives are not audited as the group was not in existence in the previous financial year.

STATEMENT BY DIRECTORS
(PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016)

We, **KU HE @ KHOO YEE HER** and **TAN KIM CHUAN**, being two of the directors of HPMT Holdings Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 59 to 131 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

KU HE @ KHOO YEE HER
Director

TAN KIM CHUAN
Director

Shah Alam

Date: 6 May 2020

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, **TAN KIM CHUAN**, being the director primarily responsible for the financial management of HPMT Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 59 to 131 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

TAN KIM CHUAN
(MIA Membership No: 11925)

Subscribed and solemnly declared by the abovenamed at Klang in Selangor Darul Ehsan on 6 May 2020.

Before me,

P. Dev Anand Pillai (B253)
Commissioner for Oaths
Klang

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HPMT HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HPMT Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 131.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws* (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group

Inventories (Note 4.1 and 9 to the financial statements)

The Group's inventories, comprise mainly raw materials and finished goods, are measured at lower of cost and net realisable value. Significant judgement is required in estimating their net realisable values and in identifying allowance required for slow-moving inventories.

Our response:

Our audit procedures included, among others:

- understanding the design and implementation of controls associated with monitoring, detection and determination of allowance for slow-moving inventories as at 31 December 2019;
- observing year end physical inventory count to examine physical existence and condition of the inventories and understanding the design and implementation of controls during the count;
- reviewing subsequent sales and management's assessment on estimated net realisable value on selected inventory items; and
- enquiring the Group on their assessment of allowance for slow-moving inventories and their action plans to realise those slow-moving inventories.

Company

We have determined that there are no key audit matters in audit of the separate financial statements of the Company to be communicated in our auditors' report.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HPMT HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)
cont'd

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HPMT HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)
cont'd

Auditors' Responsibilities for the Audit of the Financial Statements *cont'd*

- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

Other Matters

(1) Without qualifying our report, we draw attention to Note 36 to the financial statements which states that the Group's comparative figures disclosed in the financial statements have not been audited.

(2) This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Lee Kong Weng
No. 02967/07/2021 J
Chartered Accountant

Kuala Lumpur

Date: 6 May 2020

LIST OF PROPERTIES

No	Address	Description and Existing Use	Age of Building (Year)	Land area/ Built up area (sq meters)	Tenure	Net Book Value as at 31.12.2019 (RM'000)
1	H.S.(D) 57946, PT 57354, Mukim Klang, Daerah Klang, Negeri Selangor/ No. 5, Jalan Sungai Kayu Ara 32/39, Taman Berjaya, Seksyen 32, 40460 Shah Alam, Selangor	Freehold industrial land with warehouse, factory and office building. Existing use : Factory and office	12	5,806/2,537	Freehold	7,934
2	H.S.(D) 57945, PT 57353, Mukim Klang, Daerah Klang, Negeri Selangor/ No. 7 (Lot 23A), Jalan Sungai Kayu Ara 32/39, Taman Berjaya, Seksyen 32, 40460 Shah Alam, Selangor	Freehold industrial land with factory and office building. Existing use : Factory and office	11	6,866/4,990.58	Freehold	18,856

ANALYSIS OF SHAREHOLDINGS
AS AT 8 MAY 2020

Issued Share Capital	:	RM 105,543,682.000
Number of Issued Shares	:	328,489,000
Class of Shares	:	Ordinary shares
Voting Rights	:	One (1) vote per ordinary share held

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No of Shareholders	%	Shareholdings	%
Less than 100	2	0.105	127	0.000
100 – 1,000	228	12.018	185,300	0.056
1,001 – 10,000	883	46.547	5,111,600	1.556
10,001 – 100,000	646	34.053	22,360,056	6.807
100,001 – 16,424,449 (*)	137	7.221	90,846,517	27.656
16,424,449 and above (**)	1	0.052	209,985,400	63.925
Total	1,897	100.000	328,489,000	100.000

Notes * *Less than 5% of the issued share*
** *5% and above of the issued share*

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Name	Shareholdings			
	Direct	%	Indirect	%
Ku He @ Khoo Yee Her	5,041,500	1.535	209,985,400 [(a)]	63.925
Khoo Seng Giap	838,000	0.255	-	-
Tan Kim Chuan	474,800	0.145	-	-
Dato' Khoo Ah Chye	300,000	0.100	1,166,800 [(b)]	0.355
Peter Ho Kok Wai	-	-	-	-
Chua Put Moy	50,000	0.015	-	-
Lee Ee Sian	350,000	0.107	-	-
Oei Kok Eong	50,000	0.015	-	-

Notes:-
(a) *Deemed interest pursuant to Section 8(4)(c) of the Companies Act 2016; held through HPMT Capital Sdn. Bhd. which in turn holds Herroz Mechanical Technologies Sdn. Bhd.*
(b) *Deemed interest pursuant to Section 197 of the Companies Act 2016, held through his son, Neexon Khoo and Neecia Khoo.*

ANALYSIS OF SHAREHOLDINGS
AS AT 8 MAY 2020
cont'd

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Shareholdings			
	Direct	%	Indirect	%
Herroz Mechanical Technologies Sdn. Bhd.	209,985,400	63.925	-	-
HPMT Capital Sdn. Bhd.	-	-	209,985,400 [(a)]	63.925
Nora Virginia Scheidegger	-	-	209,985,400 [(b)]	63.925
Ku He @ Khoo Yee Her	5,041,500	1.535	209,985,400 [(b)]	63.925

Notes:-

(a) Deemed interest pursuant to Section 8(4)(c) of the Companies Act 2016; held through Herroz Mechanical Technologies Sdn. Bhd.

(b) Deemed interest pursuant to Section 8(4)(c) of the Companies Act 2016; held through HPMT Capital Sdn. Bhd. which in turn holds Herroz Mechanical Technologies Sdn. Bhd.

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Herroz Mechanical Technologies Sdn. Bhd.	209,985,400	63.925
2.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad For Hong Leong Dividend Fund*	7,740,400	2.356
3.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Tan Leong Kiat (M02)*	7,074,600	2.153
4.	Yoong Kam Sing	6,596,000	2.007
5.	Ku He @ Khoo Yee Her	5,041,500	1.535
6.	Universal Trustee (Malaysia) Berhad *TA Dynamic Absolute Mandate*	4,289,517	1.306
7.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Commerce Trustee Berhad For Maybank Malaysia Smallcap Fund*	4,000,000	1.217
8.	Maybank Nominees (Tempatan) Sdn. Bhd. *Medical Fund (IFM Affin Hwang)*	3,100,000	0.943
9.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Bu Yaw Seng (MY3086)*	2,657,100	0.808
10.	Maybank Nominees (Tempatan) Sdn. Bhd. *MTrustee Berhad For Pacific Pearl Fund (UT-PM-PPF) (419471)*	2,500,000	0.761
11.	Maybank Nominees (Tempatan) Sdn. Bhd. *National Trust Fund (IFM Affin Hwang)*	2,400,000	0.731
12.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Lim Sin Seong (6000461)*	2,200,000	0.670
13.	HLB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Chee Sai Mun*	2,018,400	0.614
14.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Commerce Trustee Berhad For Pacific Income Fund*	1,638,400	0.499

ANALYSIS OF SHAREHOLDINGS

AS AT 8 MAY 2020

cont'd

THIRTY (30) LARGEST SHAREHOLDERS *cont'd*

No.	Name	No. of Shares Held	%
15.	Maybank Nominees (Tempatan) Sdn. Bhd. *MTrustee Berhad For Pacific Dividend Fund (UT-PM-DIV) (419467)*	1,540,000	0.469
16.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad For Hong Leong Growth Fund*	1,280,000	0.390
17.	Cartaban Nominees (Tempatan) Sdn. Bhd. *Icapital.biz Berhad*	1,246,300	0.380
18.	Koperasi Pegawai Pejabat Pengarah Tanah Dan Galian K.L Bhd	1,200,000	0.365
19.	Teguh Cemerlang (M) Sdn. Bhd.	1,162,100	0.354
20.	Poong Keen Kiong	1,063,800	0.324
21.	Tan Jin Thai	990,000	0.301
22.	Khoo Seng Giap	838,000	0.255
23.	Neexon Khoo	744,800	0.227
24.	Lee, Ting-Yu	741,000	0.226
25.	Tew Chin Pong	740,000	0.225
26.	Sumitec (PG) Sdn. Bhd.	673,000	0.205
27.	Khoo Seng Chee	670,000	0.204
28.	Ngiow Ching Fong	630,000	0.192
29.	Wong Chew Kong	616,000	0.188
30	HLIB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Chong Moo Ling*	600,000	0.183
		275,976,317	84.013

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