

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

	Current Year Quarter 31-Mar- 2020 RM'000	Preceding Year Quarter 31-Mar- 2019 RM'000	Current Year -To- Date 31-Mar- 2020 RM'000	Preceding Year-To- Date 31-Mar- 2019 RM'000
Revenue	17,708	21,915	17,708	21,915
Cost of sales	11,106	12,467	11,106	12,467
Gross profit	6,602	9,448	6,602	9,448
Other income	832	729	832	729
Administrative expenses	(4,567)	(4,900)	(4,567)	(4,900)
Distribution expenses	(1,319)	(1,593)	(1,319)	(1,593)
Operating profit	1,548	3,684	1,548	3,684
Finance costs	(378)	(322)	(378)	(322)
Profit before tax	1,170	3,362	1,170	3,362
Income tax expense	(200)	(707)	(200)	(707)
Profit for the financial period	970	2,655	970	2,655
Other comprehensive income, net of tax :				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations	331	(64)	331	(64)
Other comprehensive income for the financial period	1,301	2,591	1,301	2,591
Total comprehensive income for the financial period				
Profit attributable to:				
Owners of the Group	969	2,548	969	2,548
Non-controlling interests	1	107	1	107
	970	2,655	970	2,655
Total comprehensive income attributable to:				
Owners of the Group	1,300	2,515	1,300	2,515
Non-controlling interests	1	76	1	76
	1,301	2,591	1,301	2,591
Earnings per share attributable to owners of the parent:				
Basic and diluted (sen) ⁽²⁾	0.29	1.01	0.29	1.01

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) Based on weighted average number of ordinary shares in HPMT ("Shares") in issue during the period under review.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	Unaudited As at 31-Mar-2020 RM'000	Audited As at 31-Dec-2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	74,496	76,578
Right-of-use assets	609	757
Total non-current assets	75,105	77,335
Current assets		
Inventories	27,437	28,125
Current tax assets	2,224	2,405
Trade and other receivables	16,363	15,199
Derivative financial assets	39	137
Cash and short-term deposits	12,105	51,994
Other investments	31,270	-
Total current assets	89,438	97,860
TOTAL ASSETS	164,543	175,195
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	103,553	103,553
Other reserves	744	424
Merger deficit	(54,067)	(54,067)
Retained earnings	68,747	68,999
	118,977	118,909
Non-controlling interests	372	371
TOTAL EQUITY	119,349	119,280
Non-current liabilities		
Loans and borrowings	20,048	21,378
Lease liabilities	132	205
Deferred income	3,334	3,527
Deferred tax liabilities	5,868	5,932
Total non-current liabilities	29,382	31,042
Current liabilities		
Loans and borrowings	13,337	16,804
Lease liabilities	469	555
Deferred income	770	770
Current tax liabilities	-	119
Trade and other payables	1,166	6,612
Derivative financial liabilities	70	13
Total current liabilities	15,812	24,873
TOTAL LIABILITIES	45,194	55,915
TOTAL EQUITY AND LIABILITIES	164,543	175,195
Net assets per share ⁽²⁾	0.36	0.36

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) Based on the issued share capital of 328,489,000 ordinary shares as at 31 March 2020.

HPMT Holdings Berhad

(Company No.: 201701041672 (1255845-W))

(Incorporated in Malaysia)

INTERIM REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾**

	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 interest RM'000	Total equity RM'000
At 1 January 2020	103,553	226	198	(54,067)	68,999	118,909	371	119,280
Total comprehensive income for the financial period								
Profit for the financial period	-	-	-	-	969	969	1	970
Other comprehensive gain for the financial period	-	331	-	-	-	331	-	331
Appropriation to statutory reserve	-	-	(11)	-	11	-	-	-
Total comprehensive income	-	331	(11)	-	980	1,300	1	1,301
Transaction with owners								
Dividends paid	-	-	-	-	(1,232)	(1,232)	-	(1,232)
At 31 March 2020	103,553	557	187	(54,067)	68,747	118,977	372	119,349
At 1 January 2019	*	352	175	6,206	64,026	70,759	3,247	74,006
Total comprehensive income for the financial period								
Profit for the financial period	-	-	-	-	2,548	2,548	107	2,655
Other comprehensive loss for the financial period	-	(33)	-	-	-	(33)	(31)	(64)
Appropriation to statutory reserve	-	-	22	-	(22)	-	-	-
Total comprehensive income	-	(33)	22	-	2,526	2,515	76	2,591
Transaction with owners								
Acquisition of subsidiaries	63,234	-	-	(63,609)	-	(375)	375	-
At 31 March 2019	63,234	319	197	(57,403)	66,552	72,899	3,698	76,597

Notes:

(1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.

* RM2

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW⁽¹⁾

	Current Year-To-Date 31-Mar-2020 RM'000	Preceding Year-To-Date 31-Mar-2019 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	1,170	3,362
Adjustments for:		
Depreciation of property, plant and equipment	2,130	2,113
Depreciation of right-of-use assets	186	-
Loss/(Gain) on disposal of property, plant and equipment	7	(1)
Allowances for slow-moving inventories	20	-
Impairment loss on trade receivables	17	-
Finance costs	378	322
Interest income	(314)	(28)
Net unrealised foreign exchange loss on derivatives	153	-
Net unrealised foreign exchange loss/(gain)	258	(369)
Other non-cash items	(32)	-
Operating profit before working capital changes	3,973	5,399
<u>Changes in working capital:</u>		
Inventories	668	1,376
Trade and other receivables	(699)	(1,656)
Trade and other payables	(5,627)	(3,134)
Cash generated from/(used in) operations	(5,658)	(3,414)
Income tax paid	(202)	(369)
Interests paid	(20)	(7)
Interests received	54	6
Net cash from/(used in) operating activities	(1,853)	1,615
Cash flows from investing activities		
Purchase of property, plant and equipment	(51)	(497)
Net changes in other investments	(31,280)	-
Refund of stamp duty	-	564
Proceeds from disposal of property, plant and equipment	-	2
Interests received	260	22
Net cash (used in)/from investing activities	(31,071)	91

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (continued) ⁽¹⁾

	Current Year-To-Date 31-Mar-2020 RM'000	Preceding Year-To-Date 31-Mar-2019 RM'000
Cash flows from financing activities		
Drawdown of revolving credit	100	417
Net change in bankers' acceptances	(3,641)	(2,502)
Payment of lease/finance lease liabilities	(166)	(79)
Repayment of term loans	(2,040)	(1,979)
Interests paid	(358)	(315)
Dividends paid	(1,232)	-
Net cash from/(used in) financing activities	(7,337)	(4,458)
Net decrease in cash and cash equivalent	(40,261)	(2,752)
Cash and cash equivalents at the beginning of the financial year	51,960	13,144
Effects of exchange differences on translation	328	228
Cash and cash equivalents at the end of the financial year	12,027	10,620

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

	Current Year-To-Date 31-Mar-2020 RM'000	Preceding Year-To-Date 31-Mar-2019 RM'000
Cash and bank balances	12,105	10,620
Short-term deposits placed with licensed banks	-	-
Cash and short-term deposits	12,105	10,620
Less: Bank overdrafts	(78)	-
Cash and cash equivalents at the end of the financial periods	12,027	10,620

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

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

A1. Basis of Preparation

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

This interim financial report should be read in conjunction with the Group's audited financial statement for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

A2. Significant Accounting Policies

The accounting policies adopted by the Group in the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2019, except for the adoption of the following new and revised MFRSs, Amendments to MFRS and IC interpretations.

New MFRS, Amendments to MFRSs and IC Interpretation effective for financial periods beginning on or after 1 January 2020:-

MFRS 17	Insurance Contracts
Amendments to MFRS 1	First-time Adoption of MFRSs
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to MFRS 7	Financial Instruments: Disclosures
Amendments to MFRS 9	Financial Instruments
Amendments to MFRS 10	Consolidated Financial Statements
Amendment to MFRS 15	Revenue from Contracts with Customers
Amendment to MFRS 101	Presentation of Financial Statements
Amendment to MFRS 107	Statements of Cash Flows
Amendment to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to MFRS 116	Property, Plant and Equipment
Amendment to MFRS 119	Employee Benefits
Amendment to MFRS 128	Investments in Associates and Joint Ventures
Amendment to MFRS 132	Financial Instruments: Presentation
Amendment to MFRS 136	Impairment of Assets
Amendment to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to MFRS 138	Intangible Assets
Amendment to MFRS 139	Financial Instruments: Recognition and Measurement
Amendment to MFRS 140	Investment Property

The initial application of the abovementioned standards and amendments do not have any material impacts to the current and future periods financial statements upon their first adoption.

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

A3. Auditors' Report

There was no qualification on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2019.

A4. Seasonal or Cyclical Factors

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

A5. Material Unusual Items

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

A6. Material Changes in Estimates

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

A7. Debt and Equity Securities

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

A8. Dividends Paid

Dividends paid during the financial year ended 31 December 2020 are as follow :

- i) Third single tier interim dividend of 0.375 sen per share amounting to RM 1,231,834 for the financial year ended 31 December 2019 was paid on 25 March 2020.

A9. Segmental Information

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

	Current Quarter 31-Mar-2020 RM'000	Preceding Year Quarter 31-Mar-2019 RM'000	Current Year-To-Date 31-Mar-2020 RM'000	Preceding Year-To-Date 31-Mar-2019 RM'000
Revenue				
Manufacturing	15,032	20,674	15,032	20,674
Trading	2,121	643	2,121	643
Coating	555	598	555	598
Total	17,708	21,915	17,708	21,915

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

A10. Property, Plant and Equipment

(i) Acquisitions and disposals

During current year, the Group acquired assets at cost of RM 0.05 million.

(ii) Impairment losses

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

(iii) Valuation

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

A11. Material Events Subsequent to the end of the Quarter

There were no other material events subsequent to the end of the current quarter and financial period under review that have not been reflected in the interim financial report except for Movement Control Order ("MCO") implemented nationwide to combat the spread of Coronavirus Disease ("Covid-19") in which our operations halted during this period.

Concurrent with MCO period, manufacturing and trading activities has been suspended, however, manufacturing activities of the Group has resumed partial operations in April 2020 after approval has been obtained from the Ministry of International Trade and Industry ("MITI"), in adherence to the guidelines issued by the authority. We had abided to the regulations as well as keeping employees "to stay home and stay safe". During this time of uncertainty, the Group has decided to postpone the budgeted capital expenditure on purchases of new machineries and equipment to end of Year 2021 to solidify cash flow position. Apart from that the Group is committed to enhance the competitiveness of products and implement efficiency measures to reduce the impact on Group's profitability. Currently, the Group has sufficient working capital to fulfil its financial obligations and meet the operating expenditure. The Management has also performed impairment assessment and no material impairment is expected on the assets, inventories and receivables. At this juncture, the Group is unable to reasonably estimate the financial impact of Covid-19 pandemic outbreak as the situation is still evolving.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter and financial period under review.

A13. Contingent Liabilities and Contingent Assets

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

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

A14. Material Capital Commitment

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

	RM'000
Approved and contracted for	
• Purchase of machineries and equipment	-
Approved but not contracted for	
• Purchase of machineries and equipment	27,849
Total	<u><u>27,849</u></u>

A15. Significant Related Party Transactions

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

A16. Fair Value of Financial Liabilities

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

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

B1. Review of Performance

	Individual Quarter		Changes	
	31-Mar-2020 RM'000	31-Mar-2019 RM'000	RM'000	%
Revenue	17,708	21,915	(4,207)	-19.2%
Profit before Taxation	1,170	3,362	(2,192)	-65.2%

The Group recorded revenue and profit before taxation (“PBT”) of approximately RM 17.71 million and RM 1.17 million respectively during the current quarter under review, representing a decrease of 19.2% and 65.2% as compared to RM 21.92 million and RM 3.36 million generated in the corresponding quarter ended 31 March 2019.

B2. Comparison with Immediate Preceding Quarter

	Current Quarter	Preceding Quarter	Changes	
	31-Mar-2020 RM'000	31-Dec-2019 RM'000	RM'000	%
Revenue	17,708	18,030	(322)	-1.8%
Profit before Taxation	1,170	2,709	(1,539)	-56.8%

The Group revenue for the current quarter was RM 17.71 million, a decreased of RM 0.32 million as compared to RM 18.03 million generated during the preceding quarter. Revenue from manufacturing segment decreased by RM 1.63 million or 9.8% with demand softening as a result of cautious buying pattern seen from the distributors and end-users due to uncertain global economy outlook and outbreak of Covid-19 pandemic. Revenue from trading segment increased by RM1.30 million or 157.4% with increased in trading sales. Revenue from coating segment increased by RM 0.01 million or 1.6% with a increase in revenue from existing customer.

The Group’s reported profit before tax of RM 1.17 million for the current quarter, which is approximately RM 1.54 million lower as compared to profit before tax of preceding quarter of RM 2.71 million. The decrease in PBT is mainly due to decrease of revenue derived from Asia region.

B3. Prospects for the Current Financial Year

The continuing lockdown measures imposed by most countries in response to the Covid-19 pandemic has triggered significant global economic impacts which cannot be as yet, ascertained. Added to this are the continued US-China trade tensions which add even more uncertainty to the Global economy which in turn impacts to the precision cutting tools demand from global manufacturing industry.

To meet the challenges going forward, the Group is committed to enhancing the efficiency of our production process to improve the competitiveness of our products and maintain profitability.

However, due to the continued economic uncertainties, the Board remains cautious on the Group's prospects in the near term.

B4. Profit Forecast

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

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

B5. Tax Expense

	Current Quarter 31-Mar-2020 RM'000	Preceding Year Quarter 31-Mar-2019 RM'000	Current Year-To-Date 31-Mar-2020 RM'000	Preceding Year-To-Date 31-Mar-2019 RM'000
Current Income Tax	264	439	264	439
Deferred Tax	(64)	268	(64)	268
Total	200	707	200	707

The effective tax rate of the Group is 17.1% which is slightly lower than the statutory tax rate, this is mainly due to tax allowances arising from capital investment.

B6. Status of Corporate Proposals

There are no corporate proposals announced but pending completion as at the date of this interim report.

B7. Utilisation of Proceeds from the Public Issue

Details of utilisation of proceeds	Estimated timeframe for utilisation upon Listing	Amount of proceeds RM'000	Actual Utilisation RM'000	Percentage utilised %
(i) Purchase of new machineries and equipment	Within 36 months	34,000	7,508	22.1%
(ii) Working Capital:				
- Finished goods inventories	Within 24 months	1,000	1,000	100.0%
- Staff costs and raw materials	Within 24 months	1,910	1,910	100.0%
(iii) Estimated listing expenses	Immediate	5,400	5,400	100.0%
Total		42,310	15,818	

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

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

B8. Group Borrowings

	Currency	Unaudited	
		As at 31-Mar-2020 RM'000	As at 31-Mar-2019 RM'000
Long-term Borrowings (secured)			
(i) Term Loan	MYR	12,012	14,114
	EUR	8,036	9,183
(ii) Finance Lease Liabilities	MYR	-	201
Sub-total		20,048	23,498
Short-term borrowings (secured)			
(i) Term Loan	MYR	2,368	2,479
	EUR	5,261	5,460
(ii) Finance Lease Liabilities	MYR	-	326
(iii) Bank Acceptance	MYR	427	1,245
	USD	4,403	904
(iv) Revolving Credit	MYR	800	700
	CNY	-	167
(v) Bank Overdraft	MYR	78	-
Sub-total		13,337	11,281
Total borrowings		33,385	34,779

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

B9. Derivative Financial Instruments

As at 31 March 2020, the outstanding foreign currency forward contracts are as follows:

	Contract / Notional Amount RM'000	Fair Value Asset / (Liabilities) RM'000
Derivatives used for hedging:		
Cross currency interest rate swap	857	39
Forward Currency Contracts		
Less than 1 year	4,643	(70)

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

The fair value derivative asset of RM 0.15 million has been recognised in the financial statement.

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

B10. Material Litigation

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

B11. Dividend

No dividend has been declared by the Company during the current quarter and financial year-to-date under review.

B12. Earnings Per Share (“EPS”)

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

	Current Quarter 31-Mar-2020 RM'000	Preceding Year Quarter 31-Mar-2019 RM'000	Current Year-To-Date 31-Mar-2020 RM'000	Preceding Year-To-Date 31-Mar-2019 RM'000
Profit after tax attributable to the owner of the Group (RM'000)	969	2,548	969	2,548
Weighted average number of ordinary shares in issue ('000)	328,489	252,936	328,489	252,936
Basic EPS (sen) ⁽¹⁾	0.29	1.01	0.29	1.01
Diluted EPS (sen) ⁽²⁾	0.29	1.01	0.29	1.01

Notes:

- (1) Basic EPS is calculated by dividing the profit attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the period under review.
- (2) Diluted EPS is equivalent to the basic EPS as the Company does not have any convertible securities as at the end of the financial period under review.

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

B13. Profit Before Tax

	Current Quarter 31-Mar-2020 RM'000	Preceding Year Quarter 31-Mar-2019 RM'000	Current Year-To-Date 31-Mar-2020 RM'000	Preceding Year-To-Date 31-Mar-2019 RM'000
Interest income	(314)	(28)	(314)	(28)
Other income	(381)	(332)	(381)	(332)
Interest expense	373	322	373	322
Interest on lease liabilities	5	-	5	-
Depreciation of property, plant and equipment	2,130	2,113	2,130	2,113
Depreciation of right-of-use assets	186	-	186	-
Allowance for slow-moving inventories	20	-	20	-
Impairment loss on trade receivables	17	-	17	-
Realised (gain)/loss on foreign exchange	(137)	246	(137)	246
Unrealised loss/(gain) on foreign exchange	258	(369)	258	(369)
Unrealised loss on derivatives	153	-	153	-

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