

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

	Current Year Quarter 30-Jun-2020 RM'000	Preceding Year Quarter 30-Jun-2019 RM'000	Current Year-To- Date 30-Jun-2020 RM'000	Preceding Year-To- Date 30-Jun-2019 RM'000
Revenue	17,474	19,372	35,182	41,287
Cost of sales	10,496	11,724	21,602	24,191
Gross profit	6,978	7,648	13,580	17,096
Other income	776	18	1,608	747
Administrative expenses	(4,317)	(4,965)	(8,884)	(9,865)
Distribution expenses	(1,203)	(1,590)	(2,522)	(3,183)
Operating profit	2,234	1,111	3,782	4,795
Finance costs	(367)	(475)	(745)	(797)
Profit before tax	1,867	636	3,037	3,998
Income tax expense	(268)	(269)	(468)	(976)
Profit for the financial period	1,599	367	2,569	3,022
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	(36)	59	295	(5)
Other comprehensive income for the financial period	1,563	426	2,864	3,017
Total comprehensive income for the financial period				
Profit attributable to:				
Owners of the Group	1,606	400	2,575	2,948
Non-controlling interests	(7)	(33)	(6)	74
	1,599	367	2,569	3,022
Total comprehensive income attributable to:				
Owners of the Group	1,570	459	2,870	2,974
Non-controlling interests	(7)	(33)	(6)	43
	1,563	426	2,864	3,017
Earnings per share attributable to owners of the parent:				
Basic and diluted (sen) ⁽²⁾	0.49	0.12	0.78	0.90

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 30-Jun-2020 RM'000	Audited As at 31-Dec-2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	72,831	76,578
Right-of-use assets	466	757
Total non-current assets	73,297	77,335
Current assets		
Inventories	26,597	28,125
Current tax assets	2,057	2,405
Trade and other receivables	15,353	15,199
Derivative financial assets	22	137
Cash and short-term deposits	15,920	51,994
Other investments	32,503	-
Total current assets	92,452	97,860
TOTAL ASSETS	165,749	175,195
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	103,553	103,553
Other reserves	711	424
Merger deficit	(54,067)	(54,067)
Retained earnings	70,350	68,999
	120,547	118,909
Non-controlling interests	365	371
TOTAL EQUITY	120,912	119,280
Non-current liabilities		
Loans and borrowings	19,004	21,378
Lease liabilities	70	205
Deferred income	3,142	3,527
Deferred tax liabilities	5,676	5,932
Total non-current liabilities	27,892	31,042
Current liabilities		
Loans and borrowings	12,277	16,804
Lease liabilities	366	555
Deferred income	770	770
Current tax liabilities	-	119
Trade and other payables	3,496	6,612
Derivative financial liabilities	36	13
Total current liabilities	16,945	24,873
TOTAL LIABILITIES	44,837	55,915
TOTAL EQUITY AND LIABILITIES	165,749	175,195
Net assets per share ⁽²⁾	0.37	0.36

HPMT Holdings Berhad

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

(Incorporated in Malaysia)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020



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 30 June 2020.

HPMT Holdings Berhad

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

(Incorporated in Malaysia)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 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	-	-	-	-	2,575	2,575	(6)	2,569
Other comprehensive gain for the financial period	-	295	-	-	-	295	-	295
Appropriation to statutory reserve	-	-	(8)	-	8	-	-	-
Total comprehensive income	-	295	(8)	-	2,583	2,870	(6)	2,864
Transaction with owners								
Dividends paid	-	-	-	-	(1,232)	(1,232)	-	(1,232)
At 30 June 2020	103,553	521	190	(54,067)	70,350	120,547	365	120,912
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	-	-	-	-	2,948	2,948	74	3,022
Other comprehensive loss for the financial period	-	26	-	-	-	26	(31)	(5)
Appropriation to statutory reserve	-	-	17	-	(17)	-	-	-
Total comprehensive income	-	26	17	-	2,931	2,974	43	3,017
Transaction with owners								
Acquisition of subsidiaries	63,234	-	-	(63,608)	-	(374)	374	-
Issuance of ordinary shares	42,310	-	-	-	-	42,310	-	42,310
Share issuance expenses	(1,991)	-	-	-	-	(1,991)	-	(1,991)
At 30 June 2019	103,553	378	192	(57,402)	66,957	113,678	3,664	117,342

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 30-Jun-2020 RM'000	Preceding Year-To-Date 30-Jun-2019 RM'000
Cash flows from operating activities		
Profit before tax	3,037	3,998
Adjustments for:		
Depreciation of property, plant and equipment	4,260	4,290
Depreciation of right-of-use assets	326	-
Loss/(Gain) on disposal of property, plant and equipment	7	(1)
Allowances for slow-moving inventories	75	82
Impairment loss on trade receivables	25	-
Recovered bad debt	-	(36)
Finance costs	745	797
Interest income	(546)	(57)
Net unrealised foreign exchange loss on derivatives	138	14
Net unrealised foreign exchange loss	560	26
Other non-cash items	(41)	-
Operating profit before working capital changes	8,586	9,113
<u>Changes in working capital:</u>		
Inventories	1,453	1,871
Trade and other receivables	(4)	(34)
Trade and other payables	(3,484)	(2,757)
Cash generated from operations	(2,035)	(920)
Income tax paid	(496)	(991)
Interests paid	(39)	(12)
Interests received	75	11
Net cash from operating activities	<u>6,091</u>	<u>7,201</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(516)	(795)
Net changes in other investments	(32,515)	-
Refund of stamp duty	-	564
Proceeds from disposal of property, plant and equipment	-	3
Interests received	471	46
Net cash used in investing activities	<u>(32,560)</u>	<u>(182)</u>

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

	Current Year-To-Date 30-Jun-2020 RM'000	Preceding Year-To-Date 30-Jun-2019 RM'000
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	-	40,318
Drawdown of revolving credit	898	250
Net change in bankers' acceptances	(4,280)	(626)
Payment of lease/finance lease liabilities	(315)	(157)
Repayment of term loans	(4,288)	(4,258)
Interests paid	(706)	(785)
Dividends paid	(1,232)	-
Net cash (used in)/from financing activities	(9,923)	34,742
Net (decrease)/increase in cash and cash equivalent	(36,392)	41,761
Cash and cash equivalents at the beginning of the financial year	51,960	13,144
Effects of exchange differences on translation	288	(5)
Cash and cash equivalents at the end of the financial year	15,856	54,900

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

	Current Year-To-Date 30-Jun-2020 RM'000	Preceding Year-To-Date 30-Jun-2019 RM'000
Cash and bank balances	13,720	18,921
Short-term deposits placed with licensed banks	2,200	36,000
Cash and short-term deposits	15,920	54,921
Less: Bank overdrafts	(64)	(21)
Cash and cash equivalents at the end of the financial periods	15,856	54,900

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:-

Amendments to MFRS 3	Business Combinations
Amendments to MFRS 7	Financial Instruments: Disclosures
Amendments to MFRS 9	Financial Instruments
Amendments to MFRS 10	Consolidated Financial Statements
Amendment to MFRS 101	Presentation of Financial Statements
Amendment to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to MFRS 139	Financial Instruments: Recognition and Measurement

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.

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.

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

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 ending 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 30-Jun-2020 RM'000	Preceding Year Quarter 30-Jun-2019 RM'000	Current Year-To-Date 30-Jun-2020 RM'000	Preceding Year-To-Date 30-Jun-2019 RM'000
Revenue				
Manufacturing	15,366	17,876	30,398	38,550
Trading	1,624	934	3,745	1,577
Coating	484	562	1,039	1,160
Total	17,474	19,372	35,182	41,287

A10. Property, Plant and Equipment

- (i) Acquisitions and disposals

During current year, the Group acquired assets at cost of RM 0.5 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.

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

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.

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

Corporate Guarantee issued to financial institutions in respect of banking facilities granted to subsidiary companies.

As at 30 June 2020
RM'000

34,483

Save for the above, there were no changes in contingent assets and contingent liabilities of the Group, since the last audited accounts as at 31 December 2019.

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	28,139
Total	28,139

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	
	30-Jun-2020	30-Jun-2019	RM'000	%
	RM'000	RM'000		
Revenue	17,474	19,372	(1,898)	-9.8%
Profit before Taxation	1,867	636	1,231	193.6%

The Group recorded revenue and profit before taxation (“PBT”) of approximately RM 17.47 million and RM 1.87 million respectively during the current quarter under review, representing a decrease of 9.8% and increase of 193.6% as compared to RM 19.37 million and RM 0.64 million generated in the corresponding quarter ended 30 June 2019.

B2. Comparison with Immediate Preceding Quarter

	Current Quarter	Preceding Quarter	Changes	
	30-Jun-2020	31-Mar-2020	RM'000	%
	RM'000	RM'000		
Revenue	17,474	17,708	(234)	-1.3%
Profit before Taxation	1,867	1,170	697	59.6%

The Group revenue for the current quarter was RM 17.47 million, a decreased of RM 0.23 million as compared to RM 17.71 million generated during the preceding quarter. Revenue from manufacturing segment increased by RM 0.33 million or 2.2% due to backorders from MCO Period which was fulfilled in current quarter and demand recovering from dealers to replenish their inventory level. Revenue from trading segment decreased by RM0.50 million or 23.4% with decreased in trading sales. Revenue from coating segment decreased by RM 0.07 million or 12.8% with decreased in coating sales.

The Group’s reported profit before tax of RM 1.87 million for the current quarter, which is approximately RM 0.70 million higher as compared to profit before tax of preceding quarter of RM 1.17 million. The increase in PBT is mainly due to RM 0.18 million of government subsidies received on wages and implemented efficiency measures to reduce cost.

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 increase uncertainties to the Global economy.

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.

Hopefully with the efforts above, the Group is poised to reap the benefits when global economy gradually recovers.

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 30-Jun-2020 RM'000	Preceding Year Quarter 30-Jun-2019 RM'000	Current Year-To-Date 30-Jun-2020 RM'000	Preceding Year-To-Date 30-Jun-2019 RM'000
Current Income Tax	460	134	724	573
Deferred Tax	(192)	135	(256)	403
Total	268	269	468	976

The effective tax rate of the Group is 15.4% 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 30-Jun-2020 RM'000	As at 30-Jun-2019 RM'000
Long-term Borrowings (secured)			
(i) Term Loan	MYR	11,949	13,147
	EUR	7,055	11,800
(ii) Finance Lease Liabilities	MYR	-	135
Sub-total		19,004	25,082
Short-term borrowings (secured)			
(i) Term Loan	MYR	1,585	2,964
	EUR	5,014	6,251
(ii) Finance Lease Liabilities	MYR	-	313
(iii) Bank Acceptance	MYR	-	-
	USD	4,016	4,053
(iv) Revolving Credit	MYR	1,598	700
	CNY	-	-
(v) Bank Overdraft	MYR	64	21
Sub-total		12,277	14,302
Total borrowings		31,281	39,384

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 30 June 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	733	22
Forward Currency Contracts		
Less than 1 year	1,990	(36)

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 liabilities of RM 0.14 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

A first single tier dividend for the financial year ending 31 December 2020, amounting to RM 1.64 million computed based on 328,489,000 ordinary shares as at 31 December 2020 has been declared by the Board of Directors on 26 August 2020:

- (i) Amount per Share: Single tier dividend of 0.5 sen per ordinary share
- (ii) Previous corresponding period as at 30 June 2019: 0.5 sen
- (iii) Entitlement Date: 10 September 2020
- (iv) Payment Date: 25 September 2020

The total dividend declared for the current financial year ending 31 December 2020: 0.5 sen per share.

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 30-Jun-2020 RM'000	Preceding Year Quarter 30-Jun-2019 RM'000	Current Year-To-Date 30-Jun-2020 RM'000	Preceding Year-To-Date 30-Jun-2019 RM'000
Profit after tax attributable to the owner of the Group (RM'000)	1,606	400	2,575	2,948
Weighted average number of ordinary shares in issue ('000)	328,489	328,489	328,489	328,489
Basic EPS (sen) ⁽¹⁾	0.49	0.12	0.78	0.90
Diluted EPS (sen) ⁽²⁾	0.49	0.12	0.78	0.90

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 30-Jun-2020 RM'000	Preceding Year Quarter 30-Jun-2019 RM'000	Current Year-To-Date 30-Jun-2020 RM'000	Preceding Year-To-Date 30-Jun-2019 RM'000
Interest income	(232)	(29)	(546)	(57)
Other income	(335)	(322)	(716)	(654)
Interest expense	343	465	716	787
Interest on lease liabilities	24	-	29	-
Depreciation of property, plant and equipment	2,130	2,117	4,260	4,290
Depreciation of right-of-use assets	140	-	326	-
Allowance for slow-moving inventories	55	82	75	82
Impairment loss on trade receivables	8	5	25	5
Realised gain on foreign exchange	(209)	(281)	(346)	(35)
Unrealised loss on foreign exchange	302	395	560	26
Unrealised (gain)/loss on derivatives	(15)	14	138	14

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