HPMT

HPMT HOLDINGS BERHAD

Registration No. 201701041672 (1255845-W)

THE FUTURE OF PRECISION MACHINING

ANNUAL REPORT 2020

AT A GLANCE

REVENUE
-8.6%
RM71.90 MILLION

PROFIT BEFORE TAX
-3.6%
RM9.64 MILLION

TOTAL ASSETS
166.64
RM MILLION

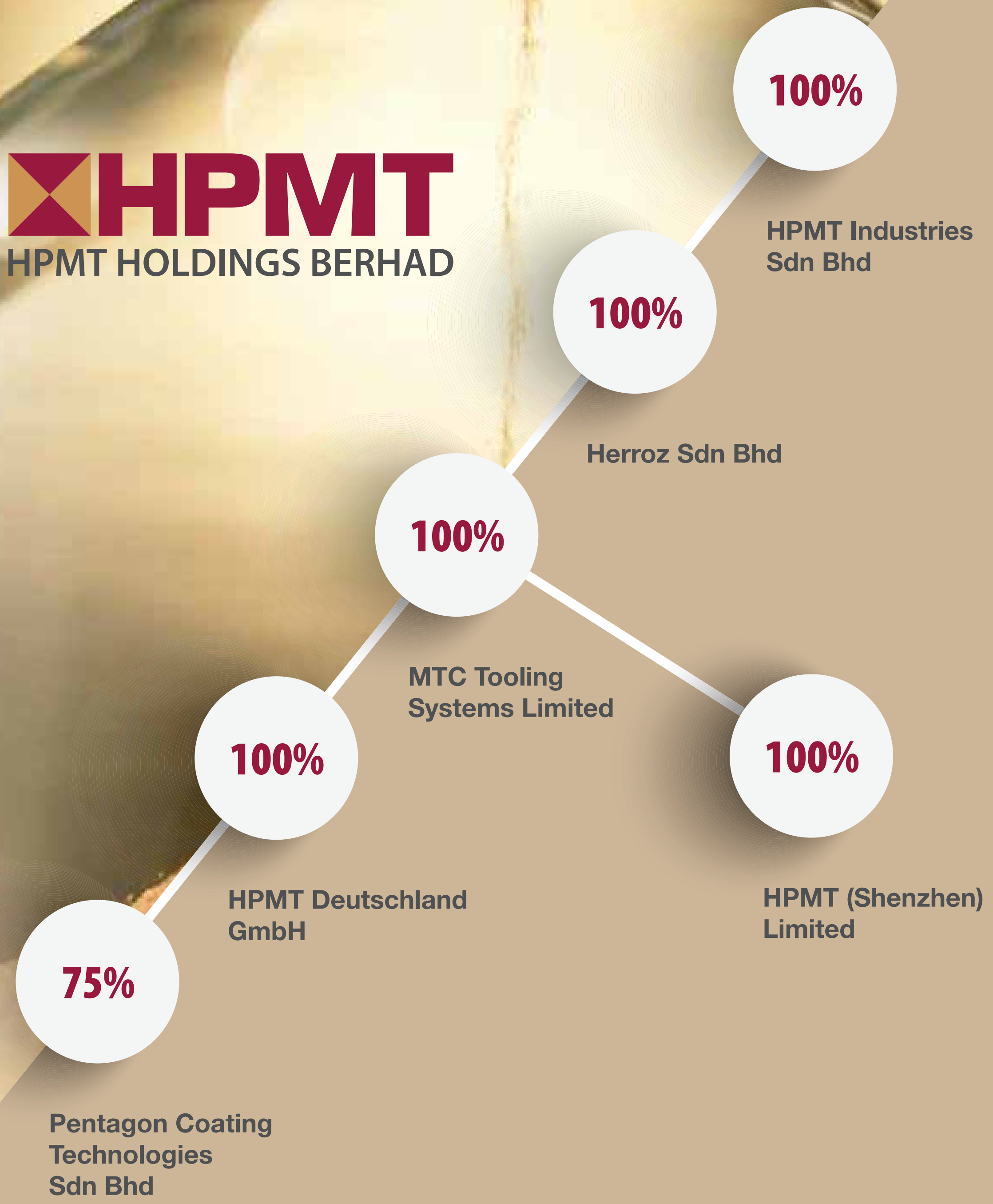
DIVIDEND
1.38 SEN
PER ORDINARY SHARE

The online version of HPMT Annual Report 2020 is available on the website.

Run the QR Code Reader app and point your camera at the QR Code.

WHAT'S INSIDE

CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF 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
(Resigned on 31 December 2020)
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

Oei Kok Eong *(Chairman)*
(Re-designated on 1 January 2021)
Peter Ho Kok Wai *(Member)*
Chua Put Moy *(Member)*
Lee Ee Sian *(Chairman)*
(Resigned on 31 December 2020)

NOMINATION COMMITTEE

Oei Kok Eong *(Chairman)*
(Re-designated on 1 January 2021)
Peter Ho Kok Wai *(Member)*
Chua Put Moy *(Member)*
Lee Ee Sian *(Chairman)*
(Resigned on 31 December 2020)

COMPANY SECRETARIES

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

PROFILE OF DIRECTORS

KU HE @ KHOO YEE HER
Executive Chairman
Age 77, 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 in the financial year 2020 ("FY2020")
5/5

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 FY2020
None

KHOO SENG GIAP
Managing Director
Age 38, 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 in the financial year 2020 ("FY2020")
5/5

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 FY2020
None

PROFILE OF DIRECTORS
cont'd

DATO' KHOO AH CHYE
Non-Independent Non-Executive Director
Age 73, 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 in the financial year 2020 ("FY2020")
5/5

Directorship in other Listed Issuers/Public Companies
None

Any family relationship with any director/major shareholder of the Company
- Father of Mr. Neexon Khoo, the 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 FY2020
None

TAN KIM CHUAN
Executive Director/Chief Financial Officer
Age 53, 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 in the financial year 2020 ("FY2020")
5/5

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 FY2020
None

PROFILE OF DIRECTORS
cont'd

PETER HO KOK WAI
Senior Independent Non-Executive Director
Age 62, 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 in the financial year 2020 ("FY2020")
5/5

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 FY2020
None

CHUA PUT MOY
Independent Non-Executive Director
Age 66, 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 in the financial year 2020 ("FY2020")
5/5

Directorship in other Listed Issuers/Public Companies
1. Independent Non-Executive Director of GuocoLand (Malaysia) Berhad
2. Independent Non-Executive Director of GDEX Berhad (formerly known as 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 FY2020
None

PROFILE OF DIRECTORS
cont'd

OEI KOK EONG
Independent Non-Executive Director
Age 68, 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 (Chairman)
3. Remuneration Committee (Chairman)

No. of Board Meeting Attended in the financial year 2020 ("FY2020")
5/5

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 FY2020
None

PROFILE OF KEY SENIOR MANAGEMENT

NEEXON KHOO

Director of Manufacturing
Age 40, Malaysian

Date first appointed to the Key Senior Management
3/8/2010

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

Present Appointment(s)
None

Any family relationship with any director/major shareholder of the Company
- Son of Dato' Khoo Ah Chye, the 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 45, Malaysian

Date first appointed to the Key Senior Management
3/8/2010

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

Present Appointment(s)
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 SENIOR MANAGEMENT
cont'd

POONG KEEN KIONG
Head of Malaysia Office
Age 51, Malaysian

Date first appointed to the Key Senior Management
10/1/2018

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

Present Appointment(s)
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 59, Malaysian

Date first appointed to the Key Senior Management
17/5/2000

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

Present Appointment(s)
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 2020 ("FYE 2020").

The year 2020 has been a tough year in view of the Coronavirus outbreak ("Covid-19") pandemic starting at the beginning of the year and economic uncertainty due to Brexit and the on-going US-China trade war resulting in the manufacturing especially automotive and aviation sectors being affected.

In spite of the economic conditions, we have continued to record encouraging sales from our manufacturing segment.

CORPORATE DEVELOPMENTS

Our journey started from a humble beginning with the 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 CNC Universal Grinding Machines and 12 units of CNC Cylindrical Grinding Machines.

Our company philosophy was based on diamond, where it is the hardest element known to all mankind. The formation of diamonds under high pressure and temperature where the carbon molecules are precisely bonded together in the shape of pyramid. This implies how important team work is. The HPMT logo which is set at the heart of the crude diamond symbolizes Strength, Durability, Everlasting and Prosperity. To ensure these beneficial attributes for all associates, we strive to build value using our philosophy with active collaboration between the Manufacturer, the Supply Chains, the Distribution Arms and the Customers. All being represented on the four triangles of the diamond's geometric logo. With our philosophy of Integrity, Reliability, Accountability and Capability being instrumental in the rapid rise of HPMT. The ultimate goal to be the global leader in high precision solid carbide cutting tool will not be a mission too impossible to achieve.

CHAIRMAN'S STATEMENT
cont'd

With the specialists readily available in-house, a Research & Development ("R&D") Division was the inevitable progression. Within this R&D Division, our solid carbide cutting tools are continuously perfected to complement the constant technological transformation in the metalworking industry.

FINANCIAL PERFORMANCE REVIEW

Despite the challenging economic environment, the group achieved revenue of RM71.90 million in FYE 2020 as compared to previous year RM78.68 million. Profit before tax ("PBT") and profit after tax ("PAT") achieved for the financial year was RM9.64 million and RM8.32 million, respectively.

In these trying times, the group is able to maintain its gross profit margin in Year 2020 at 42.1% (2019: 43.2%) by implementing various cost efficiency measures. At the same time, we strived to develop products that meet customers' requirements and facilitating remote learning and teaching to our end users.

MARKET OUTLOOK AND PROSPECT

Amid the uncertainty surrounding the instability of the global market economy and Covid-19 pandemic, the business environment will remain challenging. However, we are cautiously optimistic with the market recovery upon vaccination rolled out. 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 global economic uncertainties and emerge stronger.

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 1.38 sen which were paid on 25 September 2020, 23 December 2020 and 22 March 2021. The total dividends of 1.38 sen represents a pay-out ratio of 54.5% 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 Annual Report for the FYE 2020.

KU HE @ KHOO YEE HER
Executive Chairman

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OPERATION OVERVIEW

Our Group is involved in the manufacturing and distribution of cutting tools as well as coating services and trading of auxiliary cutting tools, equipment and accessories for metalworking. During the Covid-19 pandemic, we have managed to operate the factory since April 2020 with adherence to safety and preventive measures without any infected cases so far, this is mission critical to ensure stable supply to keep our customer's production operating as well.

We managed to move to remote working smoothly and our efforts to move our customer maintenance was transitioned smoothly. With the effects of the pandemic, we also made an attempt to engage sales people through the new medium of webinars for the newly launched DR-LX product line.

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, India and Philippines) and other countries (such as Australia, United States of America, Mexico, Russia and etc).

FINANCIAL PERFORMANCE REVIEW

Despite the challenging economic environment, the group achieved revenue of RM71.90 million in FYE 2020 as compared to RM78.68 million recorded in FYE 2019, a decrease of RM6.78 million or 8.6% year-on-year. The decrease in the revenue was mainly due to decrease in revenue for the manufacturing and coating segments.

Our gross profit ("GP") decreased by RM3.73 million or 11.0% from RM34.02 million in FYE 2019 to RM30.29 million in FYE 2020 and our GP margin has slightly decreased to 42.1% in FYE 2020 as compared to 43.2% in FYE 2019.

Our profit before tax ("PBT") decreased by RM0.36 million from RM10.0 million in FYE 2019 to RM9.64 million in FYE 2020. Despite a decrease in our revenue, PBT margin increased by 0.7% from 12.7% in FYE 2019 to 13.4% in FYE 2020 mainly due to slight decreased in expenses such as exhibition expenses and travelling expenses due to the Movement Control Order (MCO).

As at 31 December 2020, the Group's financial position remained healthy with net assets of RM123.84 million (or net assets per share of RM0.38). Our short-term investment and cash and cash equivalents had also increased to RM53.26 million in FYE 2020 as compared to RM51.96 million in FYE 2019.

ANTICIPATED OR KNOWN RISKS

The Group remains vigilant of its risk factors, which comprises business, corporate, financial and industry risks. The Group maintains a Risk Register, which is updated on yearly basis.

The Board of Directors had oversight on risks through its Audit and Risk Management Committee and appropriate measures have been put in place towards identifying and addressing risks at all levels of the Group, including at operational levels.

The following are the Group's primary risk factors and mitigation measures. Further information on risk management including the Group's risk framework, systems and processes is detailed in the Statement of Risk Management and Internal Control of this annual report.

Raw Material

Dependence on our major suppliers of tungsten carbide may result in delay of goods supply to customer if there is a delay in the raw material shipment. We closely coordinate with suppliers on the fulfilment plan with blanket order and actively evaluate alternative material suppliers.

Develop competitive products

Failure to develop competitive products that meet customers' requirements or our existing and/or potential competitors may develop products which are similar or superior to our products or 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. As for the mitigation, our Research and Development department continues to develop and work closely with our customer for tool improvement. Higher allocation of resources investment to improve capabilities in tool application, design and engineering capabilities, to improve cutting tool features and performance and application advisory to optimize value.

MANAGEMENT DISCUSSION & ANALYSIS
cont'd

Currency Risk

The Group is exposed to risk associated with foreign exchange as we are an export-oriented company. Our transactions are mainly in Euro and USD, the Group's exposure to other currencies are minimal. As part of our mitigation of risk, the Group utilised forward exchange contracts from time to time to hedge our foreign currency exposure. Besides that, we benefited from a partial natural hedge as our raw material purchases are denominated in USD and term loan for our machines are denominated in Euro.

Covid-19 Pandemic

There are uncertainties as to the Covid-19 pandemic has potential impact to societies, employees and business associates. In order to mitigate the risk, the Group adhere strictly to the Standard Operating Procedures ("SOPs") and government regulations to ensure the health and safety of our employees amidst the pandemic.

MARKET OUTLOOK

Year 2021 seems to be another year of adaptation and finding means to strongly co-exist with Covid-19, during final quarter of Year 2020 the numbers of infected cases have surged along with people's optimism which led to a stricter lockdown around the world.

Despite this worrying trend, our order book has managed to stay at a promising level that leads us to expect a more hopeful and brighter outlook for Year 2021 in the precision engineering and manufacturing sector.

We foresee that manufacturing companies will remain cautious despite the optimism, and will be operating under strict safety and preventive measures for another 9 to 12 months. This impels us to explore, adopt and develop tools that will enable us to reach, interact and serve our customers seamlessly through virtual and digital mediums.

We project that the growth for Year 2021 will be characterised by partial market recovery, and recurring sales from key distributors that was initiated in Year 2020 is expected to gain better market traction through promotional efforts in Year 2021. We also intend to extend and strengthen our promotional efforts for new products that was developed in Year 2020 to gain stronger adoption from existing and new end users.

We will take bolder stance in our allocation for product development in strategic industry segments and digital marketing initiatives to build a robust foothold in subsidiary markets and also actively pursue and establish new distribution partnerships in our existing markets to reach and serve more manufacturing companies.

We await eagerly in anticipation for a successful vaccination program around the globe and hope that it can restore stability and normality to our world, invoking confidence for stronger investment in machineries and tooling to produce precision components to build technologies and equipment used for transportation, communication systems, medical technology and power generation for better quality of living and improve the state of the world.

ACKNOWLEDGEMENT

I would like to thank my colleagues throughout the whole company for their hard work in persevering through these challenging times. HPMT is blessed to have such talented and dedicated people and I am deeply aware of my responsibilities to them and to our many other stakeholders. I would also like to thank our Board of Directors for their guidance and support to our Group.

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

2020 EVENT HIGHTLIGHTS

Dental Line
27th February 2020

DENTAL LINE

with application processes for Zirconium Oxide, Cobalt Chrome/Titanium & PMMA

Specially designed tools for today's most advanced dental machining. Our extensive history working within the dental industry have lead birth of a group of tools that specifically tackles the problems of dental surgeon. Flexible tools that are able to cut minute pieces of metal with the precision of a needle.

DR-LX series
25th August 2020

DR-LX SERIES

The **DR-LX Series** is part of our Drill Line; sharing a spot with our DR-Mini Series & others. The DR-LX Series is fitted with an all-new geometry design & tip coating technology, combined to push wider ranges of cutting speed and machining conditions whilst extending overall tool life. It's a complete package of features & benefits tested with durability and speed flexibility.

Suitable for the Automotive, Energy, General Engineering and Mould & Die industries; the DR-LX is made available with Drill Diameters of 3.1mm - 10mm with hole depths of up to 30 L/D.

2020 EVENT HIGHTLIGHTS
cont'd

ONLINE TRAINING/WEBINAR WITH CUSTOMERS

THIRD ANNUAL GENERAL MEETING
13th August 2020

The Company's first AGM as a public listed company was conducted virtually.

SUSTAINABILITY REPORT 2020

OUR SUSTAINABILITY PHILOSOPHY

At HPMT, we believe that it is the responsibility of a business entity to implement sustainable initiatives into its operations. We believe that it is our responsibility to convey moral and corporate sustainable practices not only at top level management, but also to all 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 Chains, 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 2020. 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 of 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 2020 to 31st December 2020.

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 materials consumption, solid waste and water and energy usage is a main concern of the Group. These factors affect the economic, environmental and social aspects of our operations.

Addressing the issues mentioned, the Group is optimistic in our approach to ensure that proper initiatives are being undertaken to minimise risk. For instance, HPMT has placed further emphasis on research and development to identify and produce new and innovative ways 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 RESPONSE TO COVID-19

Since the emergence of Coronavirus Disease 2019 ("Covid-19"), and the subsequent implementation of Movement Control Order ("MCO") of various phases at different time period by Malaysia government to counteract the outbreak, 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.

To ensure a sustainable supply chain, we have been engaging closely with our customers and suppliers. Quality supplies were delivered within reasonable time frame to minimise delay in our operations and subsequently meeting our customers' needs. Additionally, to assist certain customers to navigate the challenging economic environment, we have temporary agreements on extended payment terms to ease their cashflow. Although a slowdown in the buying patterns were noted during the second quarter of year 2020, there were signs of recovery in the following quarters. We are pleased that our cash flow remain at a healthy limit.

SUSTAINABILITY REPORT 2020
cont'd

MITIGATION ACTIONS IN RESPONSE 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 provide our employees job stability and continuation of employment. As a safeguard to ensure the wellbeing of the employees, 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 manage the risk of Covid-19 infection, which requires all employees to observe procedures, among others, contact tracing via QR code scanning, body temperature check, social distancing rule and personal hygiene practices. In addition, the Group enforces proper sanitisation and disinfection process before commencement of operations as well as ensuring proper ventilation in the office, meeting rooms and canteen.

Sanitisation of production equipment

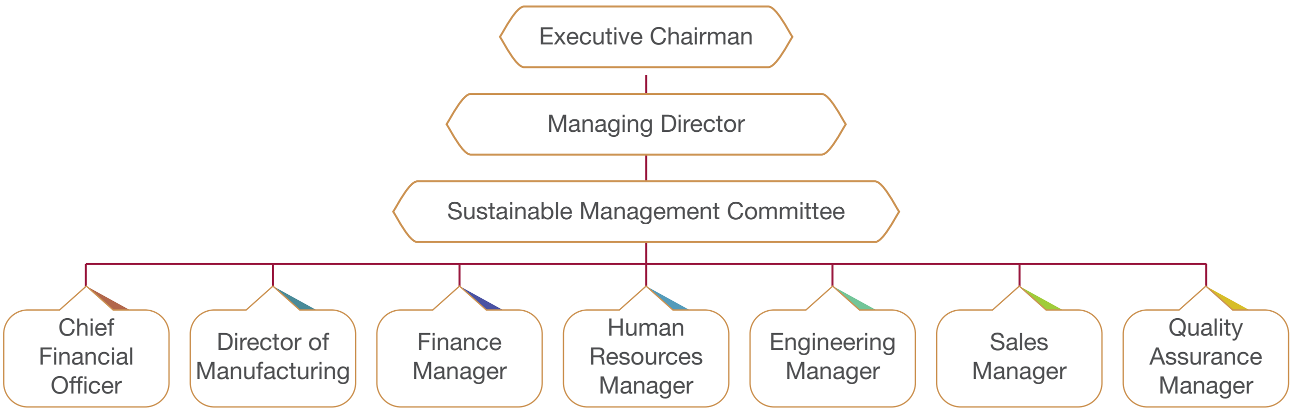
SUSTAINABILITY GOVERNANCE STRUCTURE

As a responsible business entity, we are committed to develop sustainable 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 consistent compliance 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 of our Sustainability Management Committee is illustrated below: -



SUSTAINABILITY REPORT 2020
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 Head of Department ("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/online technical support • Company website and web calls • New products/project improvements • Email marketing & social media
Suppliers	• Ethical business conduct • Sustainable supply chain	• Anti-bribery and anti-corruption policy • Video conference • Continuous communication
Employees	• Employee engagement • Employer branding • Work culture • Employee career development • Ethical business conduct	• Employee engagement survey • Workplace safety and health • Training programmes • Recreational activities/events • Anti-bribery and anti-corruption policy • Whistleblowing policy
Investors/Shareholders	• Financial performance • Investment performance • Corporate activities	• Quarterly and annual reporting • Annual General Meeting • Investor Meeting • Corporate announcement
Local Communities	• Equal employment opportunity • Industrial opportunity • Charity	• Upskilling programmes • Internships • Donation
Regulatory Bodies	• Regulatory compliance • Ethical business conduct	• On-site inspection • Corporate announcements

SUSTAINABILITY REPORT 2020
cont'd

MATERIALITY ASSESSMENT

Since the initial material assessment conducted in year 2019, we have continued to review and refine the material sustainability matters, where necessary. For this year of reporting, we have included additional material matters, i.e. Anti-bribery and Corruption, to the existing 11 material matters identified in year 2019. The matters are illustrated below in the materiality matrix: -

1. GOVERNANCE

Good corporate governance stems from the Board of Directors which sets the tone from the top. A good corporate governance allows our investors, customers, and suppliers to have confident in us.

a. ANTI-BRIBERY AND CORRUPTION

We uphold a strong stance against bribery and corruption in our business conduct. Policies such as Anti-Bribery and Corruption as well as Anti-Fraud and Whistleblowing are established and made available at the company's website. Trainings were provided to the employees to communicate and inculcate awareness of the Group's zero-tolerance against bribery and corruption activities in any form when conducting our business operations. Additionally, our employees have acknowledged on conformance to the requirement spelt out in the Anti-Bribery and Corruption policy.

SUSTAINABILITY REPORT 2020

cont'd

MATERIALITY ASSESSMENT *cont'd*

2. ECONOMIC

a. 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 e-Annual General Meeting, and holding investors meetings.

b. 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 ISO 9001:2015 Quality Management Systems certification, to improve the consistency of our operations and to increase customer satisfaction.


Certificate

ISO 9001:2015

HPMT

HPMT Industries Sdn. Bhd.

TÜVRheinland®
Precisely Right

c. INNOVATION

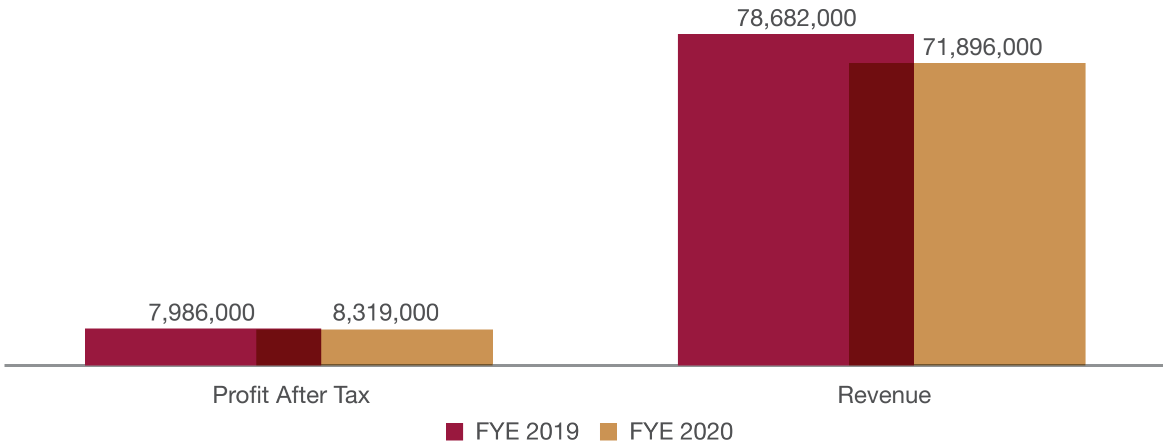
The Group have established and utilised Internet of Things ("IOT") and automation in our operations to ensure competitiveness. We believe that the adoption of automation and digitalisation throughout our operations will further position us to be more cost effective and subsequently more competitive in 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 usage of paper wherever possible.

MATERIALITY ASSESSMENT *cont'd*

2. ECONOMIC *cont'd*

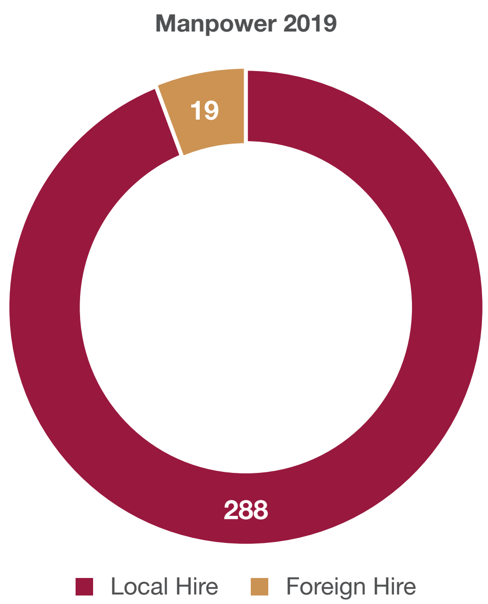
d. FINANCIAL PERFORMANCE

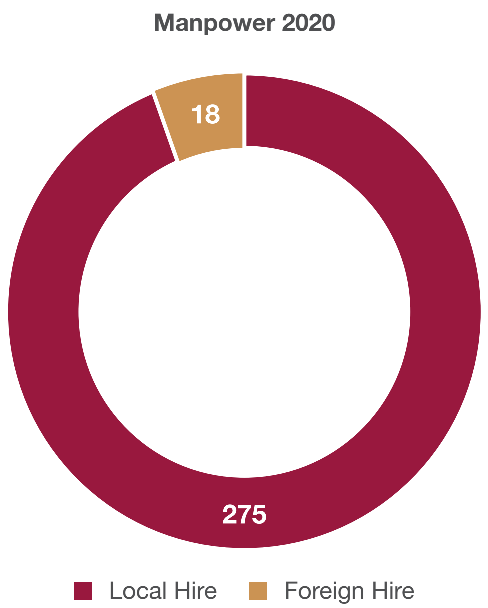
For financial year 2019, we have recorded an annual revenue of RM78.68 million and a profit after tax of RM7.99 million. Whereas for financial year 2020, we have observed a slight decrease in revenue that bring the amount to RM71.90 million, which however registered an increase in profit after tax of RM8.32 million. The decline in revenue in year 2020 was attributed to a decrease in revenue across the manufacturing market segments. However, the impact was cushioned by cost savings measures and investment tax allowance that brought improvement to the profit after tax of 4.2%. Despite the lower recorded revenue, we are optimistic that the global economy is entering a recovery phase soon and thus the Group will deliver an improved performance in the near future.



e. LOCAL HIRING & INTERNSHIPS

HPMT places emphasis on contributing to our local communities in which we operate. Being a Malaysian company, we believe that hiring local workforce can embolden our stance and empower our talents. For the year of 2020, we have a total of 18 foreigners as opposed to 19 foreigners in 2019.





SUSTAINABILITY REPORT 2020
cont'd

MATERIALITY ASSESSMENT *cont'd*

2. ECONOMIC *cont'd*

e. LOCAL HIRING & INTERNSHIPS *cont'd*

In addition, the Group supports internships, and has provided a platform to allow interns to grow with us. For the year of 2020, we have employed 11 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.

3. 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.

a. 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;
ii) Scheduled waste and related effluent; and
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.

b. 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.

SUSTAINABILITY REPORT 2020

cont'd

MATERIALITY ASSESSMENT *cont'd*

3. ENVIRONMENTAL *cont'd*

c. PRESERVATION OF NATURAL RESOURCES

Being an environmentally conscious business entity, the Group recognises the importance of preserving natural resources. One of the many resource preservation efforts undertaken by the Group, is the installation of solar panels on the rooftops of our factories towards the end of year 2020. We recognise the importance of producing clean energy and reducing carbon dioxide emission which results in reduction of carbon footprint, thus combating climate change.

Solar panels installed on rooftops of the factory

We are proud to present a reduction of 1.54% of electricity consumption from year 2019 to 2020.

2019	2020
7,822,584 kWh	7,701,885 kWh

With the installation of solar panels, we expect there will be further saving in energy consumption of approximately 16% annually.

4. SOCIAL

The Group recognises 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 REPORT 2020
cont'd

MATERIALITY ASSESSMENT *cont'd*

4. SOCIAL *cont'd*

a. DIVERSITY

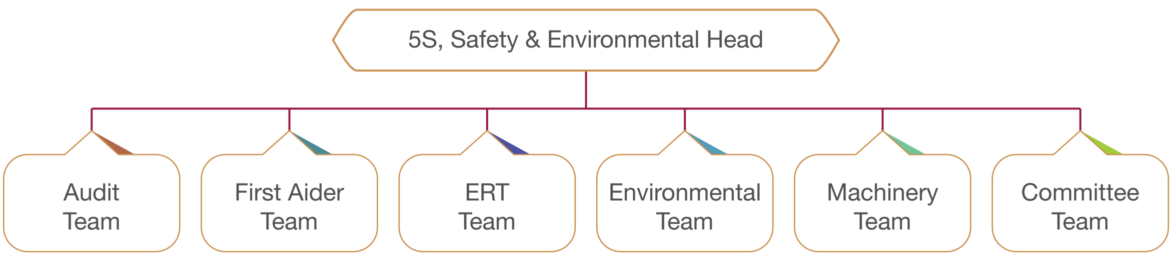
The Group is committed to our employees and human resources, and we believe that a healthy workplace is essential to retain employees. HPMT provides equal opportunity to all employees in terms of career progression, and do not discriminate against race, gender and age. We believe that it is important to hire based on the merit rather than ethnicity. However, given the nature of our industry, our workforce is predominantly male as our operations require hard 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 subsidiary and related demographics for the financial year of 2020: -

Employee Data			
Subsidiary	**HPMT Industries Sdn. Bhd.**	**Herroz Sdn. Bhd.**	**Pentagon Coating Technology Sdn. Bhd.**
Total Number of Employees	253	23	17
Staff Category			
Permanent Staff	100%	100%	100%
Non-Permanent Staff	0%	0%	0%
Age Group			
<30	49%	17%	59%
30-39	38%	39%	18%
40-49	8%	31%	18%
>50	5%	13%	5%
Gender			
Male	67%	57%	76%
Female	33%	43%	24%

b. OCCUPATIONAL HEALTH AND SAFETY

The Group is devoted to provide 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 REPORT 2020
cont'd

MATERIALITY ASSESSMENT *cont'd*

4. SOCIAL *cont'd*

b. OCCUPATIONAL HEALTH AND SAFETY *cont'd*

The followings 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.

c. 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, specialised production employees are required to wear Personnel Protective Equipment ("PPE") when traversing or conducting work-related functions. During the financial year 2020, we are proud to announce that our workplace was accident free.

d. EMPLOYEE ENGAGEMENT and WELFARE

At HPMT, we actively encourage employees to attend our company events and trips. It is our belief that operational success is attained through strong interpersonal relationships as well as employee welfare. For the financial year of 2020, we had activities ranging from Chinese New Year celebration, Hari Raya Haji celebrations, futsal, "fun run" and health awareness program (Oxford diagnostics).

Chinese New Year 2020 celebration

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 are proud to present that our average monthly employee turnover for year 2020 was 1.01% in comparison to 1.45% in year 2019. We will always strive to achieve our employee turnover of less than 1% by ensuring our employees maintain a work-life balance and providing a satisfying yet rewarding workplace for them.

SUSTAINABILITY REPORT 2020
cont'd

MATERIALITY ASSESSMENT *cont'd*

4. SOCIAL *cont'd*

d. EMPLOYEE ENGAGEMENT and WELFARE *cont'd*

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. We have collaborated with MITI and took part in the initiative to source for surgical masks, hand sanitizers, splash goggles, gloves, medical coveralls, caps, shoe covers, thermometers and etc for our front liners in the hospitals and treatment centres across Malaysia, which attributed to more than RM10,000.

Donations of surgical masks

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.

Plank Challenge held in May 2020

Chinese New Year and Staff's birthday celebration

SUSTAINABILITY REPORT 2020
cont'd

MATERIALITY ASSESSMENT *cont'd*

4. SOCIAL *cont'd*

d. EMPLOYEE ENGAGEMENT and WELFARE *cont'd*

Plank Challenge held in May 2020

e. TRAINING AND EMPLOYEE EDUCATION

At HPMT, we are devoted to provide the essential trainings 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 non-technical, quality management and regulatory awareness programmes for employees. Due to the on-going pandemic, we have conducted our training virtually. Tabulated below is the list of trainings provided by us for year 2020: -

Training	Skills Learnt	Brief Descriptions of Training
Mastercam Make Better Parts Faster for High Mix Low Volume Machining Industry	Technical skill on handling CNC machine	Highlights upcoming Manufacturing Solutions through effective programming.
Deep Hole Drilling	Technical skill on handling CNC machine	Introducing the next generation of drilling.
hyperMILL 2020.2 | Update: What's New?	Knowledge on programming of machine handling	New functions introduced to simplify and speed up daily tasks through extensions for turning and additive manufacturing.
Covid-19: Impact on MFRS 16- Leases	Technical update on MFRS 16 due to covid-19	Understand the impact of Covid-19 on lease arrangements.
Smart Factory Webinar	Knowledge on digitalisation and automation for factory	Highly digitalized and connected environment where machinery and equipment are able to improve processes through automation and self-optimization

SUSTAINABILITY REPORT 2020
cont'd

MATERIALITY ASSESSMENT *cont'd*

4. SOCIAL *cont'd*

e. TRAINING AND EMPLOYEE EDUCATION *cont'd*

Training	Skills Learnt	Brief Descriptions of Training
Industries 4.0 Webinar	Knowledge on digitalisation and automation for factory	Understanding the impact of Industry 4.0 on the value-chain as a whole, and how smart manufacturing fits in the context of digitally connected enterprise is imperative for long term success.
Easy Programming with the NEW hyperMILL Automation Center	Knowledge on programming of machine handling	Introduction to hyperMILL® automation technology which reduces programming times, standardize processes, eliminate human error and improve overall throughput.
Covid 19 Series: Paradigm Shift in Human Capital Management	HR knowledge update	Covid-19 challenges employers, HR managers, and consultants to rethink, redesign and re-imagine in a new way of transition and emergence of the remote work environment.
Microsoft HR Summit 2020	HR knowledge update	Sharing various topic as changing HR agenda, workplace diversity and inclusion, the role of technology in supporting remote collaboration and changing employee experiences, reskilling and upskilling for success and others.
Amendment to MACC Act S17A - Corporate Liability provision	New changes on MACC Act and the adequate procedure required	To create awareness among employees of the changes in the section 17A of MACC Act.

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 2020. 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 2020 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 Directors 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 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 Directors 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 Directors, 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 Directors are 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 unrestricted access to all information pertaining to the Group's business and affair and has full access to management, Company Secretary and External Auditors for information needed to carry out their duties and responsibilities. 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 Company's expenses.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

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

I. Board Responsibilities *cont'd*

The Board had adopted the Code of Ethics for Directors, Officers and Employees and Anti-Fraud and Whistleblowing Policy. The salient features of the Code of Ethics for Directors, Officers and Employees and Anti-Fraud and Whistleblowing Policy had been uploaded on the Company's website. During the financial year, the Board also adopted the Anti-Bribery and Corruption Policy to set out the Group approach in combating bribery and corruption, the said policy also been made available on the Company's website.

II. Board Composition

The Board comprises seven (7) Directors i.e. three (3) 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 fulfilled the criteria of "Independence" as prescribed under the MMLR. This is in compliance with the MMLR which requires at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors. All Independent Non-Executive Directors are independent of management and have no family or business relationships with the Executive Directors 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.

The Company currently has one (1) woman director to the Board, which represent 14.3% of the total number of board members.

In accordance to the 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 ("AGM") for retaining any Independent Director serving beyond twelve (12) years.

As at the date of this statement, the term of service of the Independent Directors is less 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

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

II. Board Composition *cont'd*

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 five (5) occasions during the financial year ended 31 December 2020 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	5/5	100%
Mr. Khoo Seng Giap	5/5	100%
Mr. Tan Kim Chuan	5/5	100%
Dato' Khoo Ah Chye	5/5	100%
Mr. Peter Ho Kok Wai	5/5	100%
Ms. Chua Put Moy	5/5	100%
Mr. Oei Kok Eong	5/5	100%
Mr. Lee Ee Sian *(Resigned on 31 December 2020)*	5/5	100%

Prior to each meeting, a reasonable notice of meetings and agenda were circulated to all Directors together with the draft minutes of the previous meeting together with the respective reports/papers and other board meeting reference materials such as management reports and financial reports to be discussed were furnished to the Directors at least seven (7) days prior to the Board meeting via e-mail so that each Director had ample time to review the papers to enable informed decision making. The deliberations and decisions at Board and Board Committee meetings are well documented in the minutes.

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 2020 are as follows:-

Name of Directors	Training Programmes/Seminars/Workshops/Conferences Attended
Mr. Ku He @ Khoo Yee Her	• Corporate Liability Provision in the Malaysian Anti-Corruption Commission ("MACC") Act 2009, Adequate Procedures and the ISO 37001:2016 Anti Bribery Management System
Mr. Khoo Seng Giap	• Corporate Liability Provision in the MACC Act 2009, Adequate Procedures and the ISO 37001:2016 Anti Bribery Management System
Mr. Tan Kim Chuan	• Workshop 1: Introduction to Integrated Reporting <IR> • A Special Virtual Conference: Understanding the Economic Measures to Counter Impact of COVID-19 • Malaysian Institute of Accountants ("MIA") Webinar Series: The Impact of COVID-19 on Compliance with Various MFRS/IFRS • Baker Tilly 2020 Tax and Budget Seminar • Corporate Liability Provision in the MACC Act 2009, Adequate Procedures and the ISO 37001:2016 Anti Bribery Management System
Dato' Khoo Ah Chye	• Corporate Liability Provision in the MACC Act 2009, Adequate Procedures and the ISO 37001:2016 Anti Bribery Management System

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

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

II. Board Composition *cont'd*

Name of Directors	Training Programmes/Seminars/Workshops/Conferences Attended
Mr. Peter Ho Kok Wai	● KPMG Webinar COVID-19 Implications ● Financial Institution Directors' Education ("FIDE") Programme Forum Webinar ● What Leadership Mindset Do I Need? ● Leadership Through Crisis: Strategy, Finance & Legal Insight to Handle Impact of COVID-19 ● KPMG Webinar - Proofing Virtual AGM ● What is my Best Restructuring Option? ● KPMG Webinar Audit Committee Institute ("ACI") ● Singapore Institute of Directors Listed Entity Director ("LED") 1 session ● FIDE Forum Webinar ● Tax Implications of Debt Restructuring ● ICAEW Webinar Asian Economic outlook post COVID ● KPMG Webinar: Asia Pacific after COVID-19: New Forces, New Dynamics, New Era ● Malaysian Anti-Corruption for Directors of Allianz Malaysia Berhad Group ● Finding the Silver Lining within the New Normal ● Tax Measures for PENJANA ● HLIB MACC Training ● Corruption Risk Management ● From Reactive to Proactive: Charting Your Course ● Banking on Governance, Insuring Sustainability ● AmBank Talk of Capital Markets ● HLCB AMLA Training ● Captain's Forum: Transformation towards Recovery ● KPMG Audit Committee Institute: ESG Perspective: Managing Recovery and Resilience ● Tax Highlights of Malaysia's Budget 2021 ● KPMG Tax Summit ● Fraud Risk Management Workshop ● Introducing Corporate Power Purchase Agreements
Ms. Chua Put Moy	● MACC 17A Corporate Liability by Bursatra ● Webinar Covid 19 Implications on Financial Reporting by Deloittes ● Webinar Cyber and Economic Crime: Fraudsters by PwC ● Webinar Valuation Assessment & Deal Restructuring Post Covid 19 by Deloittes ● Webinar Virtual Annual General Meetings KPMG ● Covid 19 - Recovery and Resilience by PwC ● KPMG Audit Committee Roundtable Webinar/Post MCO Thought Leadership ● ICAEW Webinar, Regional Economic Forum ● Leadership in Crisis Management - Boardroom ● Anti-Corruption and Bribery Training - Guocoland Bhd/ Tricor ● Financial Resilience - KPMG ● Technology & Data, KPMG ● Environment, Social & Governance - Recovery & Resilience, KPMG ● Corporate Liability Provision in the MACC Act 2009, Adequate Procedures and the ISO 37001:2016 Anti Bribery Management System ● Cyber Security Awareness Workshop by Deloittes

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

II. Board Composition *cont'd*

Name of Directors	Training Programmes/Seminars/Workshops/Conferences Attended
Mr. Oei Kok Eong	• Revisit the Seven Roles of an Effective CEO • Creating A Coaching Culture In Your Organization • Social Entrepreneurship-Doing well by Doing Good • CEO Personal Branding • Path to Organizational Excellence • Crash Course on Automotive Safety • Managing Teams Remotely • Corporate Liability Provision in the MACC Act 2009, Adequate Procedures and the ISO 37001:2016 Anti Bribery Management System

During the financial year ended 31 December 2020, the Directors also attending the briefings conducted by the Company Secretary pertaining to the updates on the Listing Requirements and Section 17A of the Malaysian Anti-Corruption Commission Act 2009. 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 and Companies Commission of Malaysia.

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 MMLR 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 Nomination Committee ("NC") comprises of three (3) Independent Non-Executive Directors. The members of the NC are as follows:-

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

The NC is responsible for the Board evaluation process covering the Board, the Board Committees and individual Director. The NC, upon conclusion of the evaluation exercise performed for the year 2020, 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 Director 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

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

II. Board Composition *cont'd*

Nomination Committee *cont'd*

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 NC had reviewed and assessed the size, mix of skill and experience, performance and contribution of the Board and Individual Director and satisfied with the current composition and performance of the Board for the financial year ended 31 December 2020.

The NC met once during the financial year ended 31 December 2020. The details of the members' attendance were as follows :

Name of NC Members	Attendance
Mr. Oei Kok Eong *(Re-designated as Chairman on 1 January 2021)* (Independent Non-Executive Director)	1/1
Mr. Peter Ho Kok Wai (Senior Independent Non-Executive Director)	1/1
Ms. Chua Put Moy (Independent Non-Executive Director)	1/1
Mr. Lee Ee Sian *(Resigned as Chairman on 31 December 2020)* (Independent Non-Executive Director)	1/1

The TOR of the NC is available at the Company's website at www.hpmt-industries.com.

III. Directors' Remuneration

The Remuneration Committee ("RC") comprises of three (3) Members, majority of which are Non-Executive Directors. The members of the RC are as follows:-

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

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 Directors' remuneration which is linked to the performance of the Executive Director and performance of the Group. Individual Director do not participate in the discussion and decision making of his own remuneration to avoid conflict of interest.

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 skill function, workload and responsibilities involved, and after giving due consideration to the Group's performance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

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

III. Directors' Remuneration *cont'd*

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 2020 was conducted by the RC on 23 November 2020.

The remuneration of individual Directors of the Company, including the remuneration for services rendered to the Group for the financial year ended 31 December 2020 are as follows:-

Category	Salaries (RM)	Fees (RM)	Meeting Allowances (RM)	Bonuses (RM)	Benefit-in-kind (RM)	Total (RM)
Executive Directors						
Mr. Ku He @ Khoo Yee Her	972,000	36,000	-	323,100	-	1,331,100
Mr. Khoo Seng Giap	441,720	36,000	-	96,200	13,650	587,570
Mr. Tan Kim Chuan	357,600	36,000	-	96,200	8,475	498,275
Non-Executive Directors						
Dato' Khoo Ah Chye	-	36,000	3,000	-	-	39,000
Mr. Peter Ho Kok Wai	-	43,000	3,000	-	-	46,000
Ms. Chua Put Moy	-	40,000	3,000	-	-	43,000
Mr. Oei Kok Eong	-	40,000	3,000	-	-	43,000
Mr. Lee Ee Sian *(Resigned on 31 December 2020)*	-	41,000	3,000	-	-	44,000

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 2020 are as follows:-:

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

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

III. Directors' Remuneration *cont'd*

The RC met once during the financial year ended 31 December 2020. The details of the members' attendance were as follows :

Name of RC Members	Attendance
Mr. Oei Kok Eong *(Re-designated as Chairman on 1 January 2021)* (Independent Non-Executive Director)	1/1
Mr. Peter Ho Kok Wai (Senior Independent Non-Executive Director)	1/1
Ms. Chua Put Moy (Independent Non-Executive Director)	1/1
Mr. Lee Ee Sian *(Resigned as Chairman on 31 December 2020)* (Independent Non-Executive Director)	1/1

The TOR of the RC is 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 Directors, 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 Securities via Paragraph 15.09(1)(c) of the MMLR of Bursa Securities. To-date, the Company has not appointed a former audit partner to be a member of the ARMC.

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 Auditors Appointment.

The TOR of the ARMC is available at the Company's website at www.hpmt-industries.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

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

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 42 to 45 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, 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.

The Notice of the AGM is sent to 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 participate the AGM. The 3rd AGM of the Company held on 13 August 2020 was conducted fully virtual and online poll voting whereby shareholders and proxies can access and participate remotely.

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 2020. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

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 4.1 – To have at least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.
(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.

The explanation for the departure of the above and adoption of alternative practice to achieve the intended outcome had been explained in the Corporate Governance Report.

This Corporate Governance Overview Statement was approved by the Board on 12 April 2021.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION

The Audit and Risk Management Committee ("ARMC") of HPMT Holdings Berhad ("HPMT" or "the Company") comprises three (3) members, all of whom are Independent Non-Executive Directors. The ARMC is chaired by a Senior Independent Director. The current composition meets the requirement of Paragraphs 15.09 and 15.10 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). 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 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 five (5) 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 Directors were 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 Audit plans and audit reports and the audited financial statements for the financial year ended 31 December 2020.

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.

Details of attendance of the ARMC members during the financial year ended 31 December 2020 are as follows:

Name of ARMC Members	Attendance
Mr. Peter Ho Kok Wai (Senior Independent Non-Executive Director)	5/5
Ms. Chua Put Moy (Independent Non-Executive Director)	5/5
Mr. Oei Kok Eong (Independent Non-Executive Director)	5/5

SUMMARY ACTIVITIES

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

Quarterly Reports and Audited Financial Statements

- reviewed the audited financial statements of the Company prior to submission to the Board 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 RM326,083.00 and RM60,000.00 and non-audit fees of RM40,280.00 and RM11,100.00 in respect of the financial year ended 31 December 2020 for the Group and Company level respectively.

The Board at its meeting held on 23 November 2020, approved the audit fees based on the recommendation of the ARMC.

Internal Auditors

The Group outsources its Internal Audit Function to a professional services firm namely PKF Risk Management Sdn. Bhd. 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 Head of the Internal Auditors, Dato' Josephine Low is a member of Institute of Internal Auditors Malaysia and is competent to conduct the internal audit activities according to the standards and code of ethics set by the Body. For financial year 2020, the number of internal audit personnel was six (6) comprising degree holders and professionals from related disciplines.

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 the Internal Audit Report which covered the following areas and the Internal Auditors' recommendation on improvement opportunities in the areas of internal controls, systems, adequacy and efficiency improvements:-

- Safety and Health Management;
- Information Technology General Controls; and
- Purchasing Management of the Group.

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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

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.

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 2020 were outsourced to an independent assurance provider and the total costs incurred were amounted to RM55,928.06.

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, comprises of a Senior Independent Non-Executive Director and two Independent Non-Executive Directors. There were five (5) meetings held for year 2020 with ARMC members' attendance details as follows:

Members	Attendance
Mr. Peter Ho Kok Wai *(Chairman)*	5 out of 5
Ms. Chua Put Moy	5 out of 5
Mr. Oei Kok Eong	5 out of 5

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL
cont'd

RISK MANAGEMENT GOVERNANCE *cont'd*

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 system is operating adequately and effectively, in all material aspects. Based on the risk management framework adopted by the Group, Management implements the necessary processes to:

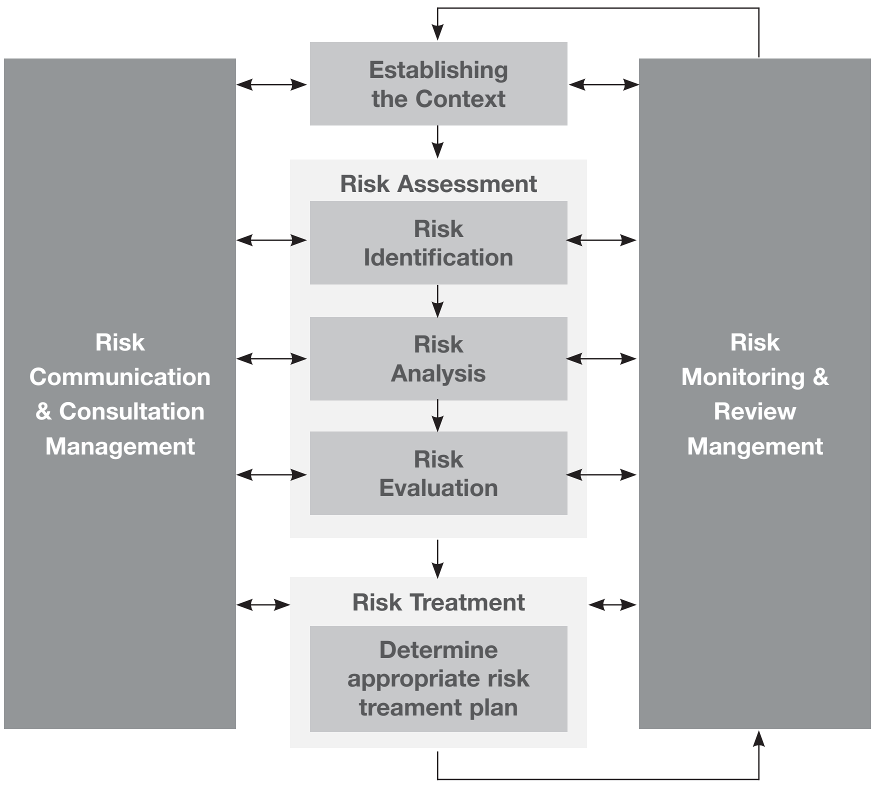
- Determine the risk appetites relevant to the business and achievement of the objectives and strategies,
- Analyse all key processes to identify the pertinent risks and prioritize their significance according to likelihood and impact,
- Design, implement and monitor the risk management framework in 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.

RISK MANAGEMENT FRAMEWORK

The risk management processes in identifying, analysing, evaluating and managing significant risks faced by the organisation is 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 an annual basis, along with progress updates on the mitigation measures implemented on the identified residual 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:



STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL
cont'd

RISK MANAGEMENT FRAMEWORK *cont'd*

In managing risk at the enterprise level, the following approach is being practised:

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 chosen treatment options; 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 the results of monitoring and review.

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.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL
cont'd

INTERNAL AUDIT FUNCTION *cont'd*

Since the adoption of the Enterprise Risk Management framework, the Internal Audit function has taken a risk-based approach when preparing its audit strategy and plans, after having considered the risk profiles of the operations of the Group. The risk profile is segregated into 7 categories, i.e. People, Regulatory, Strategic, Operations, Information Technology, Finance and Market.

The Internal Audit function reviews the internal controls of 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 accordance 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.

Follow up reviews were conducted to determine if agreed control measures highlighted in the previous internal audit reports were implemented. Outstanding management actions would be escalated to the ARMC for attention and deliberation.

The Board has received assurance from the Managing Director and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of approval of this statement for inclusion in the annual report.

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.

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 2020. 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 12 April 2021.

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 2020, 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	7,508	22.1%
2	Working capital ● Finished goods inventories ● Staff costs and raw materials	Within 24 months	 1,000 1,910	 1,000 1,910	 100.0% 100.0%
3	Estimated listing expenses	Immediate	5,400	5,400	100.0%
	Total		**42,310**	**15,818**	

2. AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2020, 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	326,083	60,000
Non-Audit Fees	40,280	11,100

3. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

During the financial year ended 31 December 2020, 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 2020.

FINANCIAL STATEMENTS

SECTION 4 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 2020.

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 activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year, net of tax	8,319	4,581
Attributable to:		
Owners of the Company	8,322	4,581
Non-controlling interests	(3)	-
	8,319	4,581

DIVIDENDS

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

	RM'000
Third single-tier interim dividend of 0.375 sen per ordinary share in respect of the financial year ended 31 December 2019, paid on 25 March 2020	1,232
First single-tier interim dividend of 0.50 sen per ordinary share in respect of the financial year ended 31 December 2020, paid on 25 September 2020	1,642
Second single-tier interim dividend of 0.38 sen per ordinary share in respect of the financial year ended 31 December 2020, paid on 23 December 2020	1,249
	4,123

On 22 February 2021, the Company had declared a third single-tier interim dividend of 0.50 sen per ordinary share, amounting to RM1,642,445 in respect of the financial year ended 31 December 2020, which was paid on 22 March 2021. 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 2021.

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.

DIRECTORS' REPORT
cont'd

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, no new issue of shares or debentures were made 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 *
Oei Kok Eong
Peter Ho Kok Wai
Tan Kim Chuan *
Lee Ee Sian *(Resigned on 31 December 2020)*

* *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 this report are:

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

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 1.1.2020 ('000)	Bought ('000)	Sold ('000)	At 31.12.2020 ('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	-	100
Dato' Khoo Ah Chye	300	-	-	300
Ku He @ Khoo Yee Her	2,680	3,133	-	5,813
Khoo Seng Giap	783	210	-	993
Oei Kok Eong	50	50	-	100
Tan Kim Chuan	390	85	-	475
Lee Ee Sian *(Resigned on 31 December 2020)*	350	-	-	350
Indirect interests:				
Dato' Khoo Ah Chye (1)	808	359	-	1,167
Ku He @ Khoo Yee Her (2)	208,538	1,447	-	209,985
Khoo Seng Giap (3)	-	439	-	439

(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.
(3) Deemed interest held through his spouse.

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 27 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 34 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 and its subsidiaries 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.

The available auditors' reports on the accounts of the subsidiaries did not contain any qualification.

HOLDING COMPANIES

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

INTERESTS IN HOLDING COMPANIES AND OTHER RELATED CORPORATIONS

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

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 26 to the financial statements.

DIRECTORS' REPORT
cont'd

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

Date: 12 April 2021

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	71,238	76,578	-	-
Right-of-use assets	6	256	757	-	-
Deferred tax assets	7	35	-	-	-
Investment in subsidiaries	8	-	-	73,634	68,134
Total non-current assets		71,529	77,335	73,634	68,134
Current assets					
Inventories	9	26,700	28,125	-	-
Current tax assets		571	2,405	47	-
Trade and other receivables	10	14,585	15,199	74	83
Derivative financial assets	11	-	137	-	-
Short-term cash investments	12	36,566	-	31,627	-
Cash and bank balances	13	16,689	51,994	10	36,770
Total current assets		95,111	97,860	31,758	36,853
TOTAL ASSETS		166,640	175,195	105,392	104,987
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	14	103,553	103,553	103,553	103,553
Other reserves	15	794	424	-	-
Merger deficit	16	(54,067)	(54,067)	-	-
Retained earnings		73,188	68,999	1,790	1,332
		123,468	118,909	105,343	104,885
Non-controlling interests		368	371	-	-
TOTAL EQUITY		123,836	119,280	105,343	104,885

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020
cont'd

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Loans and borrowings	17	16,643	21,378	-	-
Lease liabilities	18	28	205	-	-
Deferred income	19	2,757	3,527	-	-
Deferred tax liabilities	7	5,411	5,932	-	-
Total non-current liabilities		24,839	31,042	-	-
Current liabilities					
Loans and borrowings	17	11,051	16,804	-	-
Lease liabilities	18	214	555	-	-
Deferred income	19	770	770	-	-
Current tax liabilities		-	119	-	20
Trade and other payables	20	5,726	6,612	49	82
Contract liabilities	21	180	-	-	-
Derivative financial liabilities	11	24	13	-	-
Total current liabilities		17,965	24,873	49	102
TOTAL LIABILITIES		42,804	55,915	49	102
TOTAL EQUITY AND LIABILITIES		166,640	175,195	105,392	104,987

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue	22	71,896	78,682	4,286	7,504
Cost of sales		(41,608)	(44,667)	-	-
Gross profit		30,288	34,015	4,286	7,504
Other income	23	1,809	1,873	-	-
Selling and distribution expenses		(5,078)	(6,526)	-	-
Administrative expenses		(16,927)	(18,561)	(468)	(1,575)
Impairment loss on receivables		(46)	(6)	-	-
Profit from operations		10,046	10,795	3,818	5,929
Finance income	24	881	879	763	687
Finance costs	25	(1,287)	(1,679)	-	-
Profit before tax	26	9,640	9,995	4,581	6,616
Income tax expense	28	(1,321)	(2,009)	-	(80)
Profit for the financial year		8,319	7,986	4,581	6,536
Other comprehensive income/(loss), net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign subsidiaries		360	(157)	-	-
Other comprehensive income/(loss) for the financial year		360	(157)	-	-
Total comprehensive income for the financial year		8,679	7,829	4,581	6,536
Profit for the financial year attributable to:					
Owners of the Company		8,322	7,858	4,581	6,536
Non-controlling interests		(3)	128	-	-
		8,319	7,986	4,581	6,536

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2020
cont'd

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Total comprehensive income attributable to:					
Owners of the Company		8,682	7,732	4,581	6,536
Non-controlling interests		(3)	97	-	-
		8,679	7,829	4,581	6,536
Earnings per share (sen)					
Basic earnings per share	29	2.53	2.62		
Diluted earnings per share	29	2.53	2.62		

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2020

		Attributable to owners of the Company							
		Share capital	Exchange reserve	PRC statutory reserve	Merger deficit	Retained earnings	Sub-total	Non-controlling interests	Total equity
Group	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**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 loss 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	30	-	-	-	-	(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 2020

cont'd

		Attributable to owners of the Company							
Group	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 2020		103,553	226	198	(54,067)	68,999	118,909	371	119,280
Total comprehensive income for the financial year									
Profit for the financial year		-	-	-	-	8,322	8,322	(3)	8,319
Other comprehensive income for the financial year		-	360	-	-	-	360	-	360
Appropriation to statutory reserve		-	-	10	-	(10)	-	-	-
Total comprehensive income		-	360	10	-	8,312	8,682	(3)	8,679
Transaction with owners									
Dividends paid	30	-	-	-	-	(4,123)	(4,123)	-	(4,123)
Total transactions with owners		-	-	-	-	(4,123)	(4,123)	-	(4,123)
At 31 December 2020		103,553	586	208	(54,067)	73,188	123,468	368	123,836

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2020
cont'd

Company	Note	Share capital RM'000	(Accumulated losses)/ Retained earnings RM'000	Total equity RM'000
At 1 January 2019		*	(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		-	(2,874)	(2,874)
Total transactions with owners		103,553	(2,874)	100,679
At 31 December 2019		103,553	1,332	104,885
Total comprehensive income for the financial year				
Profit for the financial year		-	4,581	4,581
Transactions with owners				
Dividends paid	30	-	(4,123)	(4,123)
At 31 December 2020		103,553	1,790	105,343

* *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 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from operating activities					
Profit before tax		9,640	9,995	4,581	6,616
Adjustments for:					
Covid-19-related rent concession income		(41)	-	-	-
Dividend income		-	-	(4,286)	(7,504)
Depreciation of property, plant and equipment		8,416	8,221	-	-
Depreciation of right-of-use assets		504	624	-	-
Gain on disposal of property, plant and equipment		-	(1)	-	-
Property, plant and equipment written off		28	-	-	-
Government grant amortisation		(770)	(770)	-	-
Impairment loss on trade receivables		46	6	-	-
Allowances for slow-moving inventories		139	143	-	-
Inventories written off		106	-	-	-
Bad debts recovered		-	(36)	-	-
Finance costs		1,287	1,679	-	-
Finance income		(881)	(879)	(763)	(687)
Net unrealised foreign exchange loss/(gain)		790	(498)	6	-
Net fair value loss/(gain) on derivatives		147	(44)	-	-
Operating profit/(loss) before changes in working capital		19,411	18,440	(462)	(1,575)
Changes in working capital:					
Inventories		1,180	(3,804)	-	-
Trade and other receivables		637	1,714	-	442
Trade and other payables		(2,077)	(6,557)	(33)	38
Contract liabilities		180	-	-	-
Cash generated from/(used in) operations		19,331	9,793	(495)	(1,095)
Tax refunded		1,250	677	-	-
Income tax paid		(1,412)	(1,691)	(67)	(60)
Interest paid		(63)	(81)	-	-
Interest received		83	211	11	35
Dividends received		-	-	4,286	7,504
Net cash from operating activities		19,189	8,909	3,735	6,384

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2020
cont'd

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment	(a)	(1,869)	(6,303)	-	-
Proceeds from disposal of property, plant and equipment		-	2	-	-
Purchase of short-term cash investments		(36,573)	-	(31,633)	-
Refund of stamp duty		-	564	-	-
Short-term cash investment income received		798	668	752	652
Net cash (used in)/from investing activities		(37,644)	(5,069)	(30,881)	652
Cash flows from financing activities	(b)				
Proceeds from issuance of ordinary shares		-	42,310	-	42,310
Shares issuance expenses		-	(1,991)	-	(1,991)
Net (repayment)/drawdown of bankers' acceptances		(4,181)	3,640	-	-
Drawdown of revolving credits		598	250	-	-
Payment of lease liabilities		(523)	(653)	-	-
Drawdown of term loans		-	4,751	-	-
Repayment of term loans		(7,733)	(8,705)	-	-
Interest paid		(1,224)	(1,598)	-	-
Advances to a subsidiary		-	-	(5,491)	(7,731)
Dividends paid		(4,123)	(2,874)	(4,123)	(2,874)
Net cash (used in)/from financing activities		(17,186)	35,130	(9,614)	29,714
Net (decrease)/increase in cash and cash equivalents		(35,641)	38,970	(36,760)	36,750
Cash and cash equivalents at the beginning of the financial year		51,960	13,144	36,770	20
Effect of exchange differences on translation		370	(154)	-	-
Cash and cash equivalents at the end of the financial year	13	16,689	51,960	10	36,770

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2020

cont'd

(a) Purchase of property, plant and equipment

		Group		Company	
		2020	**2019**	**2020**	**2019**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Purchase of property, plant and equipment	5	3,071	8,932	-	-
Less: Balance payable		(1,202)	(2,629)	-	-
Cash payments on purchase of property, plant and equipment		1,869	6,303	-	-

(b) Total cash outflows for leases

During the financial year, the Group had total cash outflows for leases of RM1,095,475 (2019: RM1,279,658).

(c) Reconciliation of liabilities arising from financing activities:

			Non-cash			
	1.1.2020	**Cash flows**	**Acquisition**	**Foreign exchange movement**	**Covid-19-related rent concession income**	**31.12.2020**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Term loans	29,337	(7,733)	-	824	-	22,428
Lease liabilities	760	(523)	34	12	(41)	242
Bankers' acceptances	8,111	(4,181)	-	38	-	3,968
Revolving credits	700	598	-	-	-	1,298
	38,908	(11,839)	34	874	(41)	27,936

			Non-cash		
	1.1.2019 Restated	**Cash flows**	**Acquisition**	**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

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. 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 and immediate holding companies 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 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 12 April 2021.

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 the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 3	Business Combination
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases *
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 139	Financial Instruments: Recognition and Measurement

* Early adopted the amendment to MFRS 16 *Leases* issued by the Malaysian Accounting Standards Board ("MASB") on 5 June 2020 or/and 6 April 2021.

The adoption of the above amendments/improvements to MFRSs 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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. BASIS OF PREPARATION *cont'd*

2.2 Adoption of amendments/improvements to MFRSs *cont'd*

Amendment to MFRS 16 Leases

The Group has early adopted the amendment to MFRS 16 that exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Coronavirus Disease ("COVID-19") pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications, applying to reduction in lease payments originally due on or before 30 June 2022.

The Group elected the practical expedient not to assess whether a rent concession received from landlord is a lease modification. The effect of adoption of the above amendment is disclosed in Note 23 to the financial statements as rent concession income.

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

(a) 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 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 4	Insurance Contracts	1 January 2021/ 1 January 2023
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2021/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2021/ 1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2021/ 1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#

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*

(a) 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 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2021
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRS Standards 2018-2020*
# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

(b) 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 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

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*

(b) 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. *cont'd*

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

(c) The Group and the Company are currently assessing the impact of initial application of the above applicable amendments/improvements to MFRSs. Nevertheless, the Group and the Company expect that the initial application is unlikely to have material financial impacts to the current period and prior period financial statements of the Group and of the Company.

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.

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 disclosure 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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.1 Basis of consolidation *cont'd*

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

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.

(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 subsidiaries are presented as if the business combination had been affected 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, the consolidated financial statements of the Company are a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity are recognised and measured in the combined financial statements at the pre-combination carrying amounts;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- 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 reserve/deficit.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.1 Basis of consolidation *cont'd*

(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 currency 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 operation. 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.

(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. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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 instruments.

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 *Revenue from Contracts with Customers*.

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.

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 3.9(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. 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 *cont'd*

The Group and the Company classify their debt instruments in the following measurement categories: *cont'd*

- **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.

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 *Financial Instruments* are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. 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*

(ii) Financial liabilities *cont'd*

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 less, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.3 Financial instruments *cont'd*

(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 3.9(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 3.14.

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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.4 Property, plant and equipment *cont'd*

(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.

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
Plant and machinery	10 years
Office and factory equipment and furniture and fittings	3 - 20 years
Motor vehicles	5 - 10 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

(a) Definition of lease

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:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

(b) Lessee accounting

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group presents right-of-use assets and lease liabilities as separate lines in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.5 Leases *cont'd*

(b) Lessee accounting *cont'd*

Right-of-use asset

The right-of-use asset is initially recognised 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 measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is 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. If the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

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 by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives; and
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statements of comprehensive income.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.5 Leases *cont'd*

(b) Lessee accounting *cont'd*

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 and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(c) Lessor accounting

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.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

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.

When a contract includes lease and non-lease components, the Group applies MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

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 first-in first-out basis.
- finished goods, work-in-progress and consumables: 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 Contract liabilities

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or have billed the customers.

3.8 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, highly liquid investments with a maturity of three months or less, 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. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.9 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost, a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 *Financial Instruments* which is related to the accounting for expected credit losses on the financial assets. Expected credit losses are 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 losses, except for the following, which are measured as 12-month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities 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, 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 losses, 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. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.9 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 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 counterparty a concession(s) that the lender(s) would not otherwise consider; or
- 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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.9 Impairment of assets *cont'd*

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

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.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at 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.

3.10 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.

3.11 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, 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 contributes 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.

3.12 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 expects 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 measures revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group expects 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 uses 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 expects to better predict the amount of consideration to which it is entitled.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.12 Revenue and other income *cont'd*

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 estimates it by using the cost plus margin approach.

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 has assessed 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.

<u>Financing components</u>
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 and trading

Revenue from sale of manufactured 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 service tax.

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

Sales are made with a credit term ranging from 30 to 60 days, which is consistent with market practice, therefore, no element of financing is deemed present.

(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. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.12 Revenue and other income *cont'd*

(f) Income from short-term cash investment

Income from short-term cash investment is recognised when the right to receive payment is established.

3.13 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.

3.14 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.

3.15 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 the 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 date 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 taxable 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, unutilised tax losses and unused tax credits can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.15 Income tax *cont'd*

(b) Deferred tax *cont'd*

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.

The carrying amount of deferred tax assets is reviewed at the end of the 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 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 service tax

Revenue, expenses and assets are recognised net of the amount of sales and service tax except:

- where the sales and service tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and service tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

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

3.16 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the 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.

3.17 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. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.18 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 a 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 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 use 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 identical assets or liabilities that the Group and the Company 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.

3.19 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 (Note 9)

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.

5. PROPERTY, PLANT AND EQUIPMENT

Group 2020	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office and factory equipment and furniture and fittings RM'000	Motor vehicles RM'000	Computer and software RM'000	Electrical installations and renovation RM'000	Total RM'000
Cost								
At 1 January 2020	15,140	12,860	101,369	2,519	1,323	2,222	3,053	138,486
Additions	-	-	2,934	39	-	94	4	3,071
Written off	-	-	(933)	(24)	-	(3)	-	(960)
Transfer from right-of-use assets (Note 6)	-	-	-	-	1,091	-	-	1,091
Reclassification	-	-	-	(37)	-	37	-	-
Exchange differences	-	-	-	15	12	1	-	28
At 31 December 2020	15,140	12,860	103,370	2,512	2,426	2,351	3,057	141,716
Accumulated depreciation								
At 1 January 2020	-	1,209	54,257	1,581	1,286	1,791	1,784	61,908
Depreciation charge for the financial year	-	258	7,511	173	15	169	290	8,416
Written off	-	-	(912)	(17)	-	(3)	-	(932)
Transfer from right-of-use assets (Note 6)	-	-	-	-	1,063	-	-	1,063
Reclassification	-	-	-	(15)	-	15	-	-
Exchange differences	-	-	-	11	11	1	-	23
At 31 December 2020	-	1,467	60,856	1,733	2,375	1,973	2,074	70,478
Carrying amount								
31 December 2020	15,140	11,393	42,514	779	51	378	983	71,238

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

Group 2019	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office and factory equipment and furniture and fittings RM'000	Motor vehicles RM'000	Computer and software RM'000	Electrical installations and 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	-	-	-	-	(6)	-	-	(6)
Written off	-	(564)	(570)	(70)	-	-	-	(1,204)
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 charge for the financial year	-	257	7,297	170	16	191	290	8,221
Disposals	-	-	-	-	(4)	-	-	(4)
Written off	-	-	(570)	(70)	-	-	-	(640)
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								
31 December 2019	15,140	11,651	47,112	938	37	431	1,269	76,578

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

(a) **Assets pledged as security**

Freehold land and buildings and plant and machinery with an aggregate carrying amount of RM26,532,833 (2019: RM26,790,033) and RM19,722,468 (2019: RM30,859,553) respectively has been pledged as security to secure borrowings of the Group as disclosed in Note 17.

6. **RIGHT-OF-USE ASSETS**

The Group leases several assets including buildings and motor vehicles.

Information about leases for which the Group is a lessee is presented below:

		Group	
	Buildings	Motor vehicles	Total
	RM'000	RM'000	RM'000
Cost			
At 1 January 2020	716	1,522	2,238
Additions	34	-	34
Transfer to property, plant and equipment (Note 5)	-	(1,091)	(1,091)
Exchange differences	(26)	8	(18)
At 31 December 2020	724	439	1,163
Accumulated depreciation			
At 1 January 2020	325	1,156	1,481
Depreciation charge for the financial year	301	203	504
Transfer to property, plant and equipment (Note 5)	-	(1,063)	(1,063)
Exchange differences	(17)	2	(15)
At 31 December 2020	609	298	907
Carrying amount			
31 December 2020	115	141	256

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

Information about leases for which the Group is a lessee is presented below: *cont'd*

	Group		
	Buildings RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 31 December 2018	-	-	-
Effects of adoption of MFRS 16	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	-	857	857
At 1 January 2019	-	857	857
Depreciation charge for the financial year	325	299	624
At 31 December 2019	325	1,156	1,481
Carrying amount			
31 December 2019	391	366	757

The Group leases buildings for its office space and staff hostel. The leases for office space and staff hostel generally have lease term between 1 to 2 years (2019: 1 to 2 years).

The Group also leases motor vehicles under hire purchase arrangement with lease term of 3 to 5 years (2019: 3 to 5 years) and has options to purchase the assets at the end of the contract term.

7. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2020 RM'000	2019 RM'000
At 1 January	(5,932)	(4,678)
Recognised in profit or loss (Note 28)	556	(1,254)
At 31 December	(5,376)	(5,932)

Presented after appropriate offsetting as follows:

	Group	
	2020 RM'000	2019 RM'000
Deferred tax assets	35	-
Deferred tax liabilities	(5,411)	(5,932)
	(5,376)	(5,932)

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

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

	As at 1 January 2020 RM'000	Recognised in profit or loss RM'000	As at 31 December 2020 RM'000
Group			
Deferred tax assets			
Difference between the carrying amounts of property, plant and equipment and their tax base	(3)	3	-
Deductible temporary differences in respect of expenses	-	35	35
	(3)	38	35
Deferred tax liabilities			
Difference between the carrying amounts of property, plant and equipment and their tax base	(6,390)	(30)	(6,420)
Deductible temporary differences in respect of expenses	111	473	584
Unutilised tax losses	43	-	43
Unabsorbed capital allowances	307	75	382
	(5,929)	518	(5,411)

	As at 1 January 2019 RM'000	Recognised in profit or loss RM'000	As at 31 December 2019 RM'000
Group			
Deferred tax liabilities			
Difference between the carrying amounts of property, plant and equipment and their tax base	(4,959)	(1,434)	(6,393)
Deductible temporary differences in respect of expenses	(86)	197	111
Unutilised tax losses	43	-	43
Unabsorbed capital allowances	324	(17)	307
	(4,678)	(1,254)	(5,932)

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

	Group	
	2020 RM'000	2019 RM'000
Unutilised tax losses	956	706

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	
	2020 RM'000	2019 RM'000
2025	43	43

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
At cost		
Unquoted shares		
At 1 January	68,134	-
Acquisition of subsidiaries	-	63,234
Subscription of ordinary shares of a subsidiary	5,500	4,900
At 31 December	73,634	68,134

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Ownership interest and voting interest 2020 %	2019 %	Principal activities
Held by the Company				
HPMT Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing and distribution of cutting tools
Herroz Sdn. Bhd.	Malaysia	100	100	Distribution of cutting tools and trading of supporting equipment, accessories and other products for metalworking
Pentagon Coating Technologies Sdn. Bhd.	Malaysia	75	75	Provision of physical vapor deposition ("PVD") coating services
MTC Tooling Systems Limited *	Hong Kong	100	100	Investment holding, distribution of cutting tools and trading of supporting equipment, accessories and other products for metalworking
HPMT Deutschland GmbH *	Germany	100	100	Distribution of cutting tools and trading of supporting equipment, accessories and other products for metalworking

8. INVESTMENT IN SUBSIDIARIES *cont'd*

Details of the subsidiaries are as follows: *cont'd*

Name of subsidiaries	Principal place of business/ Country of incorporation	Ownership interest and voting interest		Principal activities
		2020	2019	
		%	%	
Held through MTC Tooling Systems Limited				
HPMT (Shenzhen) Limited *	People's Republic of China	100	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.

(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 RM51,563,000, 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 RM4,828,000, 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 RM0.25 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 EUR455,822 (equivalent to RM2,208,000), 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 RM0.25 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 HKD7,402,244 (equivalent to RM3,834,000), 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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

8. INVESTMENT IN SUBSIDIARIES *cont'd*

(a) Acquisition of subsidiaries *cont'd*

(iv) Acquisition of MTC Tooling Systems Limited ("MTC Tooling") *cont'd*

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

(vi) 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) Subscription of ordinary shares in a subsidiary

2020

The Company subscribed 5,500,000 ordinary shares in HPMT Industries Sdn. Bhd. ("HPMT Industries") for a total consideration of RM5,500,000 via capitalisation of advances given to HPMT Industries for working capital purposes.

2019

The Company subscribed 4,900,000 ordinary shares in HPMT Industries for a total consideration of RM4,900,000 via capitalisation of advances given to HPMT Industries for working capital purposes.

(c) Non-controlling interest in subsidiaries

The Group does not have material non-controlling interest.

9. INVENTORIES

	Group	
	2020 RM'000	2019 RM'000
Raw materials	4,548	6,113
Work-in-progress	899	871
Finished goods	21,254	20,966
Consumable goods	1,078	1,115
Less: Allowance for slow-moving inventories	(1,079)	(940)
	26,700	28,125

(a) The cost of inventories of the Group recognised as expense in cost of sales during the financial year was RM19,549,445 (2019: RM34,636,802).

(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 RM139,361 (2019: RM143,240).

NOTES TO THE FINANCIAL STATEMENTS
cont'd

10. TRADE AND OTHER RECEIVABLES

	2020 RM'000	2019 RM'000
Group		
Trade receivables		
Trade receivables	13,350	14,230
Less: Allowance for impairment losses	(72)	(31)
	13,278	14,199
Other receivables		
Other receivables	126	197
Advance payments to suppliers	452	-
GST refundable	12	8
Deposits	130	131
Prepayments	587	664
	1,307	1,000
	14,585	15,199
Company		
Other receivables		
Amount due from a subsidiary	18	27
Deposits	5	-
Prepayments	51	56
	74	83

(a) Trade receivables

Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranges from 30 to 120 days (2019: 30 to 120 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	
	2020 RM'000	2019 RM'000
At 1 January	31	25
Charge for the financial year (Note 26)		
- individually assessed	46	6
Written off	(5)	-
At 31 December	72	31

(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 32(i).

NOTES TO THE FINANCIAL STATEMENTS
cont'd

11. DERIVATIVES FINANCIAL (LIABILITIES)/ASSETS

	Group	
	2020	2019
	RM'000	RM'000
Derivatives used for hedging:		
Cross currency interest rate swap	-	80
Forward foreign exchange contracts		
- sell contracts	(24)	57
- buy contracts	-	(13)
	(24)	124

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	
	2020	2019
	RM'000	RM'000
Notional amounts of outstanding interest rate swap transaction	-	1,043

12. SHORT-TERM CASH INVESTMENTS

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash management fund with investment management companies	36,566	-	31,627	-

The short-term cash investments are redeemable with 2 days notice.

13. CASH AND BANK BALANCES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	16,689	51,960	10	36,770

NOTES TO THE FINANCIAL STATEMENTS
cont'd

13. CASH AND BANK BALANCES *cont'd*

For the purpose of the statements of cash flows, cash and cash equivalents comprise of the following:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	16,689	51,994	10	36,770
Less: Bank overdrafts (Note 17)	-	(34)	-	-
Cash and cash equivalents	16,689	51,960	10	36,770

14. SHARE CAPITAL

	Group and Company			
	2020		2019	
	Number of shares Unit'000	RM'000	Number of shares Unit'000	RM'000
Ordinary shares				
Issued and fully paid:				
At 1 January	328,489	103,553	**	*
Issued during the financial year				
- acquisition of subsidiaries	-	-	252,936	63,234
- public issue	-	-	75,553	42,310
- shares issuance expenses	-	-	-	(1,991)
At 31 December	328,489	103,553	328,489	103,553

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

Effective from 31 January 2017, the Companies Act 2016 abolished the concept of authorised share capital and par value of share capital.

The holders of ordinary 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.

In the previous 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 RM0.56 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 in the previous financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

15. OTHER RESERVES

		Group	
		2020	2019
	Note	RM'000	RM'000
Exchange reserve	(a)	586	226
PRC statutory reserve	(b)	208	198
		794	424

(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.

16. MERGER DEFICIT

The merger deficit 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

17. LOANS AND BORROWINGS

	Note	Group 2020 RM'000	Group 2019 RM'000
Current			
Secured			
Term loans	(a), (b)	5,785	7,959
Bankers' acceptances	(a), (b)	3,968	8,111
Bank overdrafts	(a), (b)	-	34
Revolving credits	(a), (b)	1,298	700
		11,051	16,804
Non-current			
Secured			
Term loans	(a), (b)	16,643	21,378
		27,694	38,182
Total loans and borrowings			
Term loans	(a), (b)	22,428	29,337
Bankers' acceptances	(a), (b)	3,968	8,111
Bank overdrafts	(a), (b)	-	34
Revolving credits	(a), (b)	1,298	700
		27,694	38,182
Repayable			
- not later than one year		11,051	16,804
- later than one year and not later than five years		9,747	13,862
- later than five years		6,896	7,516
		27,694	38,182

(a) The loans and borrowings are secured by:

(i) legal charge over the properties, plant and equipment as disclosed in Note 5; and
(ii) corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

17. LOANS AND BORROWINGS *cont'd*

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

	Group	
	2020	**2019**
	%	**%**
Term loans	1.95 - 4.73	2.35 - 6.18
Bankers' acceptances	1.44 - 1.49	3.31 - 3.58
Bank overdrafts	-	8.39
Revolving credits	3.65 - 4.77	3.69

18. LEASE LIABILITIES

	Group	
	2020	**2019**
	RM'000	**RM'000**
Non-current		
Lease liabilities	28	205
Current		
Lease liabilities	214	555
	242	760

Certain motor vehicles of the Group as disclosed in Note 6 are pledged under hire purchase arrangements. The range of interest rates implicit in the leases is from 3.96% to 4.68% (2019: 3.96% to 4.94%) per annum. The weighted average incremental borrowing rate applied to other lease liabilities is from 2.50% to 5.67% (2019: 5.00%) per annum.

18. LEASE LIABILITIES *cont'd*

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

	Group	
	2020	2019
	RM'000	RM'000
Minimum lease payments		
Not later than one year	203	596
Later than one year and not later than five years	51	216
	254	812
Less: Future finance charges	(12)	(52)
Present value of minimum lease payments	242	760
Present value of minimum lease payments payable:		
Not later than one year	214	555
Later than one year and not later than five years	28	205
	242	760
Less: Amount due within twelve months	(214)	(555)
Amount due after twelve months	28	205

19. DEFERRED INCOME

	Group	
	2020	2019
	RM'000	RM'000
Non-current		
Government grants:		
At 1 January	3,527	4,297
Less: Amount to be recognised within next twelve months	(770)	(770)
At 31 December	2,757	3,527
Current		
Government grants:		
At 1 January	770	770
Recognised in profit or loss (Note 23)	(770)	(770)
Add: Amount to be recognised within next twelve months	770	770
At 31 December	770	770
	3,527	4,297

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

20. TRADE AND OTHER PAYABLES

	2020 RM'000	2019 RM'000
Group		
Trade		
Trade payables	1,153	848
Non-trade		
Other payables	2,207	3,838
Sales and service tax ("SST") payable	112	116
Accruals	2,254	1,810
	4,573	5,764
	5,726	6,612
Company		
Other payables		
Other payables	-	23
Accruals	49	59
	49	82

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 120 days (2019: 30 to 120 days).

For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 32(ii).

21. CONTRACT LIABILITIES

	Group	
	2020 RM'000	2019 RM'000
Advances received from contract customers for sale of goods	180	-

Significant changes in contract balances:

	Group	
	2020 RM'000	2019 RM'000
Increase due to cash received from customers, but revenue not recognised	180	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

22. REVENUE

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue from contract customers:				
Sale of goods	69,676	76,202	-	-
Services rendered	2,220	2,480	-	-
	71,896	78,682	-	-
Revenue from other source:				
Dividend Income	-	-	4,286	7,504
	71,896	78,682	4,286	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				
2020				
Major goods or services:				
Standard tools	44,741	-	-	44,741
Special tools	19,968	-	-	19,968
Indexable inserts, tool holding systems and CNC machines	-	4,967	-	4,967
Coating service	-	-	2,220	2,220
	64,709	4,967	2,220	71,896
2019				
Major goods or services:				
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

	Group	
	2020	**2019**
	RM'000	**RM'000**
Timing of revenue recognition:		
At a point in time	71,896	78,682

NOTES TO THE FINANCIAL STATEMENTS
cont'd

22. REVENUE *cont'd*

(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.

23. OTHER INCOME

	Group	
	2020	2019
	RM'000	RM'000
Bad debts recovered	-	36
Covid-19-related rent concession income	41	-
Gain on disposal of property, plant and equipment	-	1
Government grant amortisation (Note 19)	770	770
Insurance claim	68	9
Net fair value gain on derivatives	-	44
Net realised foreign exchange gain	305	-
Net unrealised foreign exchange gain	-	498
Rental income	542	515
Sundry income	83	-
	1,809	1,873

24. FINANCE INCOME

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Income from short-term cash investments	798	349	752	334
Interest income	83	530	11	353
	881	879	763	687

NOTES TO THE FINANCIAL STATEMENTS
cont'd

25. FINANCE COSTS

	Group	
	2020 RM'000	2019 RM'000
Commitment fees	23	21
Interest expenses on:		
- term loans	1,038	1,407
- bankers' acceptances	114	148
- bank overdrafts	6	7
- revolving credits	66	36
- lease liabilities	40	60
	1,287	1,679

26. 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Auditors' remuneration:				
- Malaysian operations				
- Statutory audit				
- Current year	142	142	60	60
- Prior year	-	4	-	-
- Other services	10	160	10	160
- Foreign operations				
- Statutory audit				
- Current year	184	190	-	-
Depreciation of property, plant and equipment	8,416	8,221	-	-
Depreciation of right-of-use assets	504	624	-	-
Property, plant and equipment written off	28	-	-	-
Expense relating to short-term lease	531	564	-	-
Expense relating to lease of low value assets	1	-	-	-
Impairment loss on trade receivables	46	6	-	-
Allowance for slow-moving inventories	139	143	-	-
Inventories written off	106	-	-	-
Net realised foreign exchange loss	-	137	-	1
Net unrealised foreign exchange loss	790	-	6	-
Net fair value loss on derivatives	147	-	-	-
IPO listing expenses	-	1,227	-	1,227

NOTES TO THE FINANCIAL STATEMENTS
cont'd

27. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	17,292	18,449	15	8
Defined contribution plan	2,125	2,145	-	-
Other staff related expenses	2,217	3,089	-	-
Directors' fees	344	334	200	190
Benefits-in-kind	50	62	-	-
	22,028	24,079	215	198

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Executive directors				
- fees	108	108	-	-
- other emoluments	2,411	2,400	-	-
- benefits-in-kind	22	29	-	-
	2,541	2,537	-	-
Non-executive directors				
- fees	200	190	200	190
- other emoluments	15	8	15	8
	215	198	215	198
Directors of subsidiaries				
Executive directors				
- fees	36	36	-	-
- other emoluments	1,883	2,109	-	-
- benefits-in-kind	28	33	-	-
	1,947	2,178	-	-
	4,703	4,913	215	198

NOTES TO THE FINANCIAL STATEMENTS
cont'd

28. INCOME TAX EXPENSE

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
Malaysian income tax:				
- current financial year	1,855	840	-	80
- under/(over) provision in prior financial year	18	(156)	-	-
	1,873	684	-	80
Foreign income tax:				
- current financial year	4	71	-	-
	1,877	755	-	80
Deferred tax (Note 7):				
Origination of temporary differences	(376)	804	-	-
- (over)/under provision in prior financial year	(180)	450	-	-
	(556)	1,254	-	-
Tax expense recognised in profit or loss	1,321	2,009	-	80

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2019: 24%) of the estimated taxable profit for the financial year.

The reconciliations of income tax expense applicable to profit 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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax	9,640	9,995	4,581	6,616
Tax at Malaysian statutory income tax rate of 24% (2019: 24%)	2,314	2,399	1,099	1,588
Tax effects arising from:				
- different tax rates in foreign jurisdictions	28	60	-	-
- non-deductible expenses	1,502	2,632	112	373
- non-taxable income	(1,409)	(2,071)	(1,211)	(1,881)
- tax incentives	(970)	(1,328)	-	-
- deferred tax assets not recognised	18	23	-	-
Under/(Over) provision in prior years:				
- current tax	18	(156)	-	-
- deferred tax	(180)	450	-	-
Income tax expense for the financial year	1,321	2,009	-	80

NOTES TO THE FINANCIAL STATEMENTS
cont'd

29. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

Basic earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	2020 RM'000	2019 RM'000
Profit attributable to owners of the Company	8,322	7,858

	2020 Unit'000	2019 Unit'000
Weighted average number of ordinary shares:		
Number of shares in issue as at 1 January	328,489	252,936
Effect of issuance of ordinary shares	-	47,195
Weighted average number of ordinary shares in issue at 31 December	328,489	300,131

	2020 Sen	2019 Sen
Basic earnings per ordinary share	2.53	2.62

(b) Diluted earnings per ordinary share

The diluted earnings per share of the Group for the financial year ended 2020 and 2019 is equal to the basic earnings per share of the Group as there were no potential dilutive ordinary shares in issue.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

30. DIVIDENDS

	Group 2020 RM'000	Group 2019 RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
- First single-tier interim dividend for the financial year ended 31 December 2019 of 0.50 sen per ordinary share	-	1,642
- Second single-tier interim dividend for the financial year ended 31 December 2019 of 0.375 sen per ordinary share	-	1,232
- Third single-tier interim dividend for the financial year ended 31 December 2019 of 0.375 sen per ordinary share	1,232	-
- First single-tier interim dividend for the financial year ended 31 December 2020 of 0.50 sen per ordinary share	1,642	-
- Second single-tier interim dividend for the financial year ended 31 December 2020 of 0.38 sen per ordinary share	1,249	-
	4,123	2,874

On 22 February 2021, the Company had declared a third single-tier interim dividend of 0.50 sen per ordinary share, amounting to RM1,642,445 in respect of the financial year ended 31 December 2020, which was paid on 22 March 2021. 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 2021.

NOTES TO THE FINANCIAL STATEMENTS
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31. 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:

(i) Fair value through profit or loss ("FVTPL")
(ii) Amortised cost ("AC")

	FVTPL RM'000	AC RM'000	Total RM'000
Group			
2020			
Financial assets			
Trade and other receivables *	-	13,534	13,534
Cash and bank balances	-	16,689	16,689
Short-term cash investments	36,566	-	36,566
	36,566	30,223	66,789
Financial liabilities			
Trade and other payables #	-	(5,614)	(5,614)
Derivative financial liabilities	(24)	-	(24)
Loans and borrowings	-	(27,694)	(27,694)
Lease liabilities	-	(242)	(242)
	(24)	(33,550)	(33,574)
2019			
Financial assets			
Trade and other receivable *	-	14,527	14,527
Derivative financial assets	137	-	137
Cash and bank balances	-	51,994	51,994
	137	66,521	66,658
Financial liabilities			
Trade and other payables #	-	(6,496)	(6,496)
Derivative financial liabilities	(13)	-	(13)
Loans and borrowings	-	(38,182)	(38,182)
Lease liabilities	-	(760)	(760)
	(13)	(45,438)	(45,451)

* *Exclude advance payments to suppliers, GST refundable and prepayments*
\# *Exclude SST payable*

NOTES TO THE FINANCIAL STATEMENTS
cont'd

31. 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*

	FVTPL RM'000	AC RM'000	Total RM'000
Company			
2020			
Financial assets			
Amount due from a subsidiary	-	18	18
Deposits	-	5	5
Cash and bank balances	-	10	10
Short-term cash investments	31,627	-	31,627
	31,627	33	31,660
Financial liabilities			
Other payables and accruals	-	49	49
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

32. 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, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group uses derivative financial instruments, such as, foreign exchange contracts to hedge certain exposures. The Group and the Company do not trade in financial instruments.

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, short-term cash investments, 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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

(i) Credit risk *cont'd*

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 (2019: 1) customer which represents 13% (2019: 14%) of the gross trade receivables.

The Group applies the simplified approach to provide for expected credit losses ("ECL") prescribed by MFRS 9 *Financial Instruments*, which permits the use of the lifetime expected credit losses provision for all trade receivables. To measure the expected credit 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 ECL 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.

The information about the credit risk exposure on the Group's trade receivables as at 31 December 2020 and 31 December 2019 are as follows:

Group	Gross carrying amount RM'000	ECL allowance RM'000	Net balance RM'000
2020			
Current	11,092	-	11,092
1 - 30 days past due	1,574	-	1,574
31 - 60 days past due	368	-	368
61 - 90 days past due	159	-	159
91 - 120 days past due	71	-	71
> 120 days past due	14	-	14
Credit impaired:			
- Individually assessed	72	(72)	-
	13,350	(72)	13,278

NOTES TO THE FINANCIAL STATEMENTS
cont'd

32. 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 2020 and 31 December 2019 are as follows: *cont'd*

Group	Gross carrying amount RM'000	ECL allowance RM'000	Net balance RM'000
2019			
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
Credit impaired:			
- Individually assessed	31	(31)	-
	14,230	(31)	14,199

The significant changes in the gross carrying amounts of trade receivables do not contribute to changes in the impairment loss allowance during the financial year.

Other receivables and other financial assets

For other receivables and other financial assets (including deposits, short-term cash investments, cash and bank balances and derivatives), 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. It considers available reasonable and supportive forward-looking information.

The Company provides advances to subsidiaries. The Company monitors the results of the subsidiaries in determining the recoverability of intercompany balances. The advances to subsidiaries are repayable on demand. For such advances, expected credit losses are assessed based on the assumption that repayment of the advances is demanded at the reporting date. If the subsidiaries do not have sufficient liquid reserves when the loan is demanded, the Company will consider the expected manner of recovery and recovery period of the advances.

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

(i) Credit risk *cont'd*

Other receivables and other financial assets *cont'd*

Refer to Note 3.9(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM31,412,306 (31.12.2019: RM Nil) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 32(ii). As at the reporting date, there was no loss allowance for impairment as determined by the Company for the financial guarantee.

The financial guarantees have not been recognised since the fair value on initial recognition was not material as the guarantee is provided as credit enhancement to subsidiaries' secured borrowings.

(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 arise 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.

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

(ii) Liquidity risk *cont'd*

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:

		Contractual cash flows			
Group	**Carrying amount RM'000**	**On demand or within one year RM'000**	**Between one to five years RM'000**	**More than five years RM'000**	**Total RM'000**
2020					
Trade and other payables #	5,614	5,614	-	-	5,614
Term loans	22,428	6,759	11,993	8,607	27,359
Lease liabilities	242	203	51	-	254
Bankers' acceptances	3,968	3,968	-	-	3,968
Derivative financial liabilities	24	24	-	-	24
Revolving credits	1,298	1,298	-	-	1,298
	33,574	17,866	12,044	8,607	38,517
2019					
Trade and other payables #	6,496	6,496	-	-	6,496
Term loans	29,337	9,188	17,812	8,303	35,303
Lease liabilities	760	596	216	-	812
Bankers' acceptances	8,111	8,111	-	-	8,111
Bank overdrafts	34	34	-	-	34
Derivative financial liabilities	13	13	-	-	13
Revolving credits	700	700	-	-	700
	45,451	25,138	18,028	8,303	51,469

Exclude SST payable

		Contractual cash flows	
	Carrying amount RM'000	**On demand or within one year RM'000**	**Total RM'000**
Company			
2020			
Other payables and accruals	49	49	49
Financial guarantee contracts	-	31,412	31,412
	49	31,461	31,461
2019			
Other payables and accruals	82	82	82

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

(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 exposure to the risk of changes in foreign exchange rates relates primarily to the Group'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").

Management has set up a policy that requires all companies within the Group to manage their treasury activities and exposures. The Group'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 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	
	2020	2019
	RM'000	RM'000
Financial assets and liabilities not held in functional currencies		
Trade receivables		
USD	2,706	2,573
EUR	5,071	5,356
SGD	46	106
CNY	378	434
JPY	-	3
	8,201	8,472
Cash and bank balances		
USD	4,115	3,476
EUR	5,481	3,359
SGD	7	-
	9,603	6,835
Trade payables		
USD	255	211
EUR	494	242
SGD	-	3
	749	456

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

(iii) Foreign currency risk *cont'd*

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

	Group	
	2020	**2019**
	RM'000	**RM'000**
Other payables		
USD	2	3
EUR	49	33
CHF	64	2,666
CNY	-	1
	115	2,703
Loans and borrowings		
USD	3,968	-
EUR	9,506	14,347
	13,474	14,347

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 currencies 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	
	2020	**2019**
	RM'000	**RM'000**
EUR	3,687	2,592
USD	-	705

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

(iii) Foreign currency risk *cont'd*

Sensitivity analysis for foreign currency risk
The Group's principal foreign currency exposure relates mainly to USD, EUR, CNY and CHF.

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

	2020		2019	
	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%	99	5%	222
	-5%	(99)	-5%	(222)
EUR	5%	19	5%	(224)
	-5%	(19)	-5%	224
CNY	5%	14	5%	17
	-5%	(14)	-5%	(17)
CHF	5%	(2)	5%	(101)
	-5%	2	-5%	101

(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.

	2020		2019	
	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	(105)	+ 50	(145)
	- 50	105	- 50	145

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

(v) Fair value measurement

The carrying amounts of cash and bank balances, receivables and payables and short-term borrowings are reasonable approximation of their fair values due to the 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 short-term cash investments is determined by reference to the redemption price at the reporting date.

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 2020, the Group held the followings liabilities carried at fair value:

Assets/(Liabilities) measured at fair value

	Fair Value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
2020				
Financial asset				
Short-term cash investments	36,566	36,566	-	-
Financial liability				
Derivative liabilities	(24)	-	(24)	-
2019				
Financial asset				
Derivative assets	137	-	137	-
Financial liability				
Derivative liabilities	(13)	-	(13)	-
Company				
2020				
Financial asset				
Short-term cash investments	31,627	31,627	-	-

During the financial year ended 31 December 2020, there was no transfer between fair value measurement hierarchy.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

33. COMMITMENT

Capital commitment

The Group has made commitment for the following capital expenditure:

	Group	
	2020	**2019**
	RM'000	**RM'000**
Capital expenditure in respect of purchase of property, plant and equipment		
- Authorised but not contracted for	28,704	26,702

34. 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) The Company's holding companies;
(ii) Subsidiaries;
(iii) Subsidiaries of holding companies;
(iv) Entity in which certain directors of the Company are also directors and/or have substantial financial interests; and
(v) 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	
	2020	**2019**
	RM'000	**RM'000**
Transactions with companies in which certain directors of the Company are also directors and/or have substantial financial interests:		
- Utilities paid	-	1
- Lease payments	89	190

	Company	
	2020	**2019**
	RM'000	**RM'000**
Transactions with immediate holding company:		
- Dividends paid	2,631	1,823

34. RELATED PARTIES *cont'd*

(b) Related party transactions and balances *cont'd*

Significant related party transactions other than disclosed elsewhere in the financial statement are as follows: *cont'd*

	Company	
	2020	2019
	RM'000	RM'000
Transactions with subsidiaries		
- Dividends received	4,286	7,504

Information on outstanding balances with related parties of the Group and of the Company are disclosed in Note 10.

(c) Compensation of key management personnel

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	3,999	4,212	15	8
Defined contribution plan	303	298	-	-
Other staff related expenses	7	7	-	-
Directors' fees	344	334	200	190
Benefits-in-kind	50	62	-	-
	4,703	4,913	215	198

35. SEGMENT 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's Managing Director for the purpose of making decisions about resource allocation and performance assessment.

The three reportable operating segments are as follows:

Segments	Products and services
Manufacturing	Manufacturing and distribution of cutting tools.
Trading	Trading of cutting tools, supporting equipment and accessories for metalworking.
Coating	Provision of PVD coating services.

Segment profit
Segment profit is used to measure performance as Group's 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 asset 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's Managing Director.

Segment liabilities
Segment liabilities are not included in the internal reports that are reviewed by the Group's Managing Director, hence no disclosures are made on segment liabilities.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

35. SEGMENTS INFORMATION *cont'd*

	Manufacturing		Trading		Coating		Eliminations		Consolidated	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue:										
Revenue from external customers	64,709	73,153	4,967	3,049	2,220	2,480	-	-	71,896	78,682
Inter-segment revenue	16,888	18,906	31	1,299	318	408	(17,237)	(20,613)	-	-
Total segment revenue	81,597	92,059	4,998	4,348	2,538	2,888	(17,237)	(20,613)	71,896	78,682
Results:										
Included in the measure of segment profit are:										
Finance income	862	865	19	14	-	-	-	-	881	879
Finance costs	(1,107)	(1,468)	(22)	(16)	(158)	(195)	-	-	(1,287)	(1,679)
Depreciation of property, plant and equipment and right-of-use assets	(8,296)	(8,237)	(97)	(98)	(527)	(510)	-	-	(8,920)	(8,845)
Expense relating to short-term lease	(516)	(552)	(38)	(35)	(84)	(84)	107	107	(531)	(564)
Expense relating to lease of low value assets	-	-	-	-	(1)	-	-	-	(1)	-
Impairment loss on trade receivables	(37)	(1)	(9)	(5)	-	-	-	-	(46)	(6)
Bad debts recovered	-	36	-	-	-	-	-	-	-	36
Gain on disposal of property, plant and equipment	-	-	-	1	-	-	-	-	-	1
Property, plant and equipment written off	(28)	-	-	-	-	-	-	-	(28)	-
Allowance for slow-moving inventories	(76)	(68)	(63)	(75)	-	-	-	-	(139)	(143)
Inventories written off	(71)	-	(35)	-	-	-	-	-	(106)	-
Net unrealised foreign exchange (loss)/gain	(778)	498	(12)	-	-	-	-	-	(790)	498
Net fair value (loss)/gain on derivatives	(147)	44	-	-	-	-	-	-	(147)	44
Government grant amortisation	770	770	-	-	-	-	-	-	770	770
Covid-19-related rent concession income	41	-	-	-	-	-	-	-	41	-
Income tax (expense)/credit	(1,228)	(1,814)	(126)	(108)	33	(87)	-	-	(1,321)	(2,009)
Segment profit	7,536	7,266	-	-	783	720	-	-	8,319	7,986
Assets:										
Additions to non-current assets other than financial instruments and deferred tax assets										
- property, plant and equipment	3,050	8,472	-	-	21	460	-	-	3,071	8,932
- right-of-use assets	34	543	-	-	-	-	-	-	34	543
Segment assets	162,212	170,370	-	-	4,428	4,825	-	-	166,640	175,195

NOTES TO THE FINANCIAL STATEMENTS
cont'd

35. SEGMENTS INFORMATION *cont'd*

(a) Information about major customers

The major customer with revenue equal to or more than 10% of the Group's revenue is as follows:

		Group	
		2020	2019
	Segment	RM'000	RM'000
Customer A	Manufacturing	7,812	8,672

(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 2020		
Malaysia	14,688	71,276
Europe	33,800	98
Asia (excluding Malaysia)	21,846	120
Others	1,562	-
	71,896	71,494
31 December 2019		
Malaysia	13,264	76,834
Europe	39,841	138
Asia (excluding Malaysia)	24,946	363
Others	631	-
	78,682	77,335

NOTES TO THE FINANCIAL STATEMENTS
cont'd

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group 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 2020 and 31 December 2019.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The gearing ratio of the Group at 31 December 2020 and 31 December 2019 are as follows:

		Group	
		2020	2019
	Note	RM'000	RM'000
Loans and borrowings	17	27,694	38,182
Total debts		27,694	38,182
Total equity		123,836	119,280
Gearing ratio		22%	32%

The Company and a subsidiary company are required to comply with certain requirements on gearing ratio and tangible net worth in respect of their bank borrowings requirements.

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 54 to 122 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 2020 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

Date: 12 April 2021

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 54 to 122 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 the State of Selangor Darul Ehsan on 12 April 2021.

Before me,

P. DEV ANAND PILLAI (B253)
Commisioner for Oaths

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 2020 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 54 to 122.

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 2020, 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 (including International Independence Standards)* ("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 the 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 determining the allowance for slow-moving inventories as at 31 December 2020;
- 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 to communicate in our report which arose from the audit of the financial statements of the Company.

INDEPENDENT AUDITORS' REPORT
to the Members of HPMT Holdings Berhad
(Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *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 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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *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, actions taken to eliminate threats or safeguards applied.

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

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
02967/07/2021 J
Chartered Accountant

Kuala Lumpur

Date: 12 April 2021

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 31.12.2020 (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	13	5,806/2,537	Freehold	7,821
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	12	6,866/4,990.58	Freehold	18,712

ANALYSIS OF SHAREHOLDINGS
As at 31 March 2021

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	3	0.134	92	0.000
100 – 1,000	276	12.410	199,400	0.060
1,001 – 10,000	1,006	45.233	5,845,100	1.779
10,001 – 100,000	763	34.307	26,648,208	8.112
100,001 – 16,424,449 (*)	175	7.868	85,810,800	26.122
16,424,450 and above (**)	1	0.044	209,985,400	63.925
Total	2,224	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

	Shareholdings			
Name	**Direct**	**%**	**Indirect**	**%**
Ku He @ Khoo Yee Her	6,012,500	1.830	209,985,400 [(a)]	63.925
Khoo Seng Giap	1,027,000	0.313	439,200 [(b)]	0.134
Tan Kim Chuan	474,800	0.145	-	-
Dato' Khoo Ah Chye	300,000	0.091	1,166,800 [(c)]	0.355
Peter Ho Kok Wai	-	-	-	-
Chua Put Moy	100,000	0.030	-	-
Oei Kok Eong	100,000	0.030	-	-
Lee Ee Sian (Resigned on 31 December 2020)	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 wife, Pemika Akanitaprachai.*
(c) *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 31 March 2021
cont'd

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Shareholdings			
Name	**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	6,012,500	1.830	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.	Yoong Kam Sing	6,596,000	2.008
3.	Ku He @ Khoo Yee Her	6,012,500	1.830
4.	HLB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Chee Sai Mun*	5,166,500	1.573
5.	Maybank Nominees (Tempatan) Sdn. Bhd. *MTrustee Berhad For Pacific Pearl Fund (UT-PM-PPF) (419471)*	3,342,400	1.018
6.	Wong Wai Kong	2,700,000	0.822
7.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Commerce Trustee Berhad For Maybank Malaysia Smallcap Fund*	2,000,000	0.609
8.	Too Chin Kiong	2,000,000	0.609
9.	Cartaban Nominees (Tempatan) Sdn. Bhd. *Icapital.biz Berhad*	1,802,700	0.549
10.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Tan Leong Kiat (M02)*	1,700,000	0.518
11.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Commerce Trustee Berhad For Phillip Income Fund*	1,638,400	0.499
12.	Maybank Nominees (Tempatan) Sdn. Bhd. *MTrustee Berhad For Phillip Dividend Fund (UT-PM-DIV) (419467)*	1,540,000	0.469
13.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Chee Sai Mun (E-KLC)*	1,154,200	0.351
14.	Khoo Seng Giap	1,027,000	0.313
15.	Foo Lee Choo	1,000,000	0.304
16.	Pang Yoke Lang	1,000,000	0.304
17.	Tan Jin Thai	1,000,000	0.304
18.	Poong Keen Kiong	948,200	0.289
19.	Lian Boon Tiam	900,000	0.274

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2021

cont'd

THIRTY (30) LARGEST SHAREHOLDERS *cont'd*

No.	Name	No. of Shares Held	%
20.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Khau Hoong Sheng (7000741)*	868,000	0.264
21.	Lee, Ting-Yu	851,000	0.259
22.	Lim Bee Teng	841,400	0.256
23.	Lim Tong Seng	790,000	0.240
24.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Teh Kian Lang (E- KLC)*	772,100	0.235
25.	Tan Eng Bee	750,000	0.228
26.	Neexon Khoo	744,800	0.227
27.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Teow Chee Keong*	700,000	0.213
28.	Khoo Seng Chee	670,000	0.204
29.	Wong Chew Kong	616,000	0.188
30.	Lau Watt Hong	610,000	0.186
		259,726,600	79.068

SHARE BUY-BACK STATEMENT

STATEMENT TO SHAREHOLDERS IN RELATION TO PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK BY THE COMPANY TO PURCHASE UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK")

THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the contents of this Share Buy-Back Statement ("Statement") prior to its issuance as it is prescribed as an exempt Statement pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities.

Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or due to your reliance upon, the whole or any part of the contents of this Statement.

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Statement:

"Act"	The Companies Act, 2016 as amended from time to time and any re-enactment thereof
"AGM"	Annual General Meeting
"Board"	The Board of Directors of HPMT
"Bursa Securities"	Bursa Malaysia Securities Berhad
"CDS"	Central Depository System
"Code"	Malaysian Code on Take-Over and Mergers 2016 as amended from time to time
"Director"	Shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act, 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a Director of the Company, its subsidiary or holding company or a Chief Executive Officer of the Company, its subsidiary or holding company
"EPS"	Earnings Per Share
"HPMT" or "the Company"	HPMT Holdings Berhad [Registration No. 201701041672 (1255845-W)]
"HPMT Group"	HPMT and its subsidiaries
"HPMT Share(s)"	Ordinary shares in HPMT
"Issued Share Capital"	328,489,000 ordinary shares in HPMT
"Listing Requirements"	Main Market Listing Requirements of Bursa Securities, including any amendments made in respect thereof from time to time
"Market Days"	A day which Bursa Securities is open for the trading of securities
"LPD"	31 March 2021, being the latest practicable date prior to the printing of this Statement

SHARE BUY-BACK STATEMENT
cont'd

DEFINITIONS *cont'd*

"NA"	Net Assets
"Person Connected"	In relation to any person (referred to as "said Person"), means such person who falls under any one (1) of the following categories: (a) a family member of the said Person; (b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary; (c) a partner of the said Person; (d) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person; (e) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act; (f) a body corporate in which the said Person, or persons connected with the said Person are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or (g) a body corporate which is a related corporation of the said Person.
"Purchased Shares"	Shares purchased by HPMT pursuant to Section 127 of the Act
"Proposed Renewal of Shareholders' Mandate for Share Buy-Back"	Proposed authority to HPMT to purchase its own ordinary shares of up to Ten Percent (10%) of its total number of issued shares of the Company at any given point in time
"RM" or "Sen"	Ringgit Malaysia and sen respectively
"SC"	Securities Commission Malaysia
"Shareholders"	Shareholders of HPMT
"Substantial Shareholder(s)"	A person who has interest or interests in one or more voting shares in the Company and the nominal amount of that share, or aggregate of the nominal amount of those shares, is not less than 5% of the aggregate of the nominal amount of all the voting shares in the Company
"Treasury Shares"	The HPMT Share purchased by the Company that can be retained, distributed as dividend or resold and/or subsequently cancelled
"WAMP"	Weighted Average Market Price

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this Statement shall be a reference to Malaysian time, unless otherwise specified.

SHARE BUY-BACK STATEMENT

cont'd

1. INTRODUCTION

At the AGM held on 13 August 2020, the shareholders of HPMT had granted their approval for HPMT to purchase up to ten percent (10%) of the total number of issued shares of HPMT. In compliance with the Listing Requirements and the ordinary resolution passed by the shareholders on 13 August 2020, the authority granted to HPMT to purchase its own shares on Bursa Securities will expire at the conclusion of the Company's forthcoming Fourth AGM to be held on 4 June 2021 unless renewed by an ordinary resolution passed by the shareholders of the Company.

On 12 April 2021, the Board had announced that the Company proposes to seek the approval of the shareholders to purchase its shares of up to ten percent (10%) of its total number of issued shares at any point in time at the forthcoming Fourth AGM.

The purpose of this Statement is to provide you with details of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back and to seek your approval on the ordinary resolution pertaining to the Proposed Renewal of Shareholders' Mandate for Share Buy-Back to be tabled at the forthcoming Fourth AGM.

SHAREHOLDERS OF HPMT ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS STATEMENT CAREFULLY BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK.

2. DETAILS OF THE PROPOSAL RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK

The Board proposes to seek approval from the shareholders for a renewal of the authority for the Company to purchase from time to time up to ten per cent (10%) of its total number of issued shares.

The Proposed Renewal of Shareholders' Mandate for Share Buy-Back is subject to compliance with the Act, the Company's Constitution, the Listing Requirements and any prevailing laws, guidelines, orders, rules and regulations issued by the relevant authorities at the time of purchase.

The Proposed Renewal of Shareholders' Mandate for Share Buy-Back shall be effective immediately upon the passing of the ordinary resolution relating to the Proposed Renewal of Shareholders' Mandate for Share Buy-Back at the forthcoming Fourth AGM and shall be valid until:

a) the conclusion of the next AGM of the Company following at which time the authority will lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to terms and conditions;

b) the expiration of the period within which the next AGM of the Company is required by law to be held; or

c) revoked or varied by an ordinary resolution passed by the shareholders of the Company in the general meeting,

whichever occurs first but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

2.1 Quantum

The maximum aggregate number of Shares, which may be purchased by the Company, shall not exceed ten per cent (10%) of the total number of issued shares of the Company at any point in time.

As at LPD, the total number of ordinary shares issued by HPMT is 328,489,000 shares. Assuming no further HPMT Shares are issued, the maximum number of HPMT Shares which may be purchased and/or held the Company will not more than 32,848,900 HPMT Shares.

SHARE BUY-BACK STATEMENT
cont'd

The actual number of Shares to be purchased by the Company pursuant to the Proposed Renewal of Shareholders' Mandate for Share Buy-Back, will depend on, inter alia, market conditions and sentiments of Bursa Securities as well as the retained profits, share premium and financial resources available to the Company at the time of the purchase(s).

2.2 Sources of Funds

The maximum amount of funds to be allocated by the Company for the Proposed Renewal of Shareholders' Mandate for Share Buy-Back shall not exceed the retained earnings of the Company. Based on the latest audited financial statements of HPMT as at 31 December 2020, the Company's audited accumulated retained earnings stood at RM1,790,106.00. The Proposed Renewal of Shareholders' Mandate for Share Buy-Back will be funded by internally generated funds and/or external borrowings.

The amount of internally generated funds and/or external borrowings to be utilised will only be determined later depending on, amongst others, the availability of internally generated funds, actual number of HPMT Shares to be purchased and other relevant factors. The actual number of HPMT Shares to be purchased and/or held, and the timing of such purchases will depend on, amongst others, the market conditions and sentiments of the stock markets as well as the retained profits and financial resources available to the Company. In the event that the Proposed Renewal of Shareholders' Mandate for Share Buy-Back is to be partly financed by external borrowings, the Board will ensure that the Company has sufficient funds to repay the external borrowings and that the repayment will not have a material effect on the cash flow of the Group.

2.3 Treatment of Purchased Shares

Pursuant to Section 127 of the Act, the Directors may deal with the Purchased Shares in the following manner:

i) to cancel all or part of the Purchased Shares;

ii) to retain HPMT Shares so purchased as treasury shares where the Board may:

a. distribute all or part of the treasury shares as share dividends to the shareholders of HPMT;
b. resell all or part of the treasury shares in accordance with the Listing Requirements;
c. transfer all or part of the treasury shares for purposes of or under an employees' share scheme;
d. transfer all or part of the treasury shares as purchase consideration; or

in any other manner as may be prescribed by all applicable laws and/or regulations and guidelines applied from time to time by Bursa Securities and/or any relevant authority for the time being in force and that the authority to deal with the purchased HPMT Shares shall continue to be valid until all the purchased HPMT Shares have been dealt with by the Board.

iii) a combination of (i) and (ii) above.

If such Purchased Shares are held as treasury shares, the rights attaching to them in relation to voting, dividends and participation in any other distribution or otherwise would be suspended and the treasury shares would not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including the determination of substantial shareholdings, take-overs, notices, the requisitioning of meetings, the quorum for meetings and the result of a vote on resolution(s) at meetings.

As at the date of this Statement, the Board has yet to make any decision with regard to the treatment of the Shares to be so purchased and will take into consideration the effects of such treatment on the Group in arriving at its decision. An immediate announcement will be made to Bursa Securities upon each purchase, cancellation and/or resale of Shares pursuant to the Proposed Renewal of Shareholders' Mandate for Share Buy-Back.

2.4 Purchase/Resale Price

Pursuant to the Listing Requirements, the Company may only purchase its own Shares at a price which is not more than fifteen percent (15%) above the weighted average market price ("WAMP") for HPMT Shares for the five (5) Market Days immediately before the date of any purchase(s).

SHARE BUY-BACK STATEMENT
cont'd

In the case of resale or transfer of treasury shares, the Company may only resell the treasury shares on Bursa Securities or transfer treasury shares pursuant to Section 127(7) of the Act, at:

a) a price which is not less than the weighted average share price of HPMT Shares for the five (5) Market Days immediately preceding the date of the purchase: and

b) a discounted price of not more than five percent (5%) to the weighted average share price of HPMT Shares for the five (5) Market Days immediately prior to the resale provided that:

   (i) the resale or transfer takes place no earlier than thirty (30) days from the date of purchase; and
   (ii) the resale or transfer price is not less than the cost of purchase of the shares being resold or transferred.

2.5 Implications Relating to the Code

Based on the Register of Substantial Shareholders as at 31 March 2021, the substantial shareholder of the Company, namely Herroz Mechanical Technologies Sdn. Bhd. has a shareholding of 209,985,400 HPMT Shares, through its direct shareholdings, representing approximately 63.925% equity interest in HPMT.

As it is not intended for the Proposed Renewal of Shareholders' Mandate for Share Buy-Back to trigger the obligation to undertake a mandatory offer under the Code by any of the Company's substantial shareholders and/or persons acting in concert with them, the Board will ensure that such number of Shares are purchased, retained as treasury shares, cancelled or distributed such that the Proposed Renewal of Shareholders' Mandate for Share Buy-Back would not result in the triggering of any mandatory offer obligation on the part of the Company's substantial shareholders and/or persons acting in concert with them. In this connection, the Board is mindful of the requirements when making any purchase of the HPMT Shares pursuant to the Proposed Renewal of Shareholders' Mandate for Share Buy-Back.

2.6 Public Shareholding Spread

As at LPD, the public shareholding spread of the Company was 30.662%. The Company will not undertake any share buy-back if that will result in breach of Listing Requirements which required the Company to maintain a shareholding spread of at least twenty-five percent (25%) of its total listed shares. The Board is mindful of the shareholding spread requirement and will continue to be mindful of the requirement when making of any purchase of HPMT Shares by the Company.

2.7 Previous Purchase, Resale, Cancellation and/or Transfer of Treasury Shares made in the Preceding Twelve (12) Months

HPMT has not purchased any of its own Shares, retained its Shares as treasury shares or resale its treasury shares or cancelled its shares in the preceding twelve (12) months.

2.8 Potential Advantages and Disadvantages of the Proposed Renewal of Share Buy-Back

The potential advantages of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back are as follows:

a) The Proposed Renewal of Shareholders' Mandate for Share Buy-Back would enable the Company to utilise its financial resources more efficiently especially where there is no immediate use and it may strengthen the consolidated EPS of the Group.

b) The Proposed Renewal of Shareholders' Mandate for Share Buy-Back will also provide the Company with opportunities for potential gains if the Purchased HPMT Shares which are retained as Treasury Shares are resold at prices higher than their cost of purchase.

c) In any event, the Treasury Shares may also be distributed as share dividends to the shareholders as a reward.

SHARE BUY-BACK STATEMENT
cont'd

d) The Proposed Renewal of Shareholders' Mandate for Share Buy-Back may also stabilise the supply and demand of HPMT Shares traded on Bursa Securities and reduce the volatility of the share prices. The stability of HPMT Shares price is important to maintain investors' confidence and may also assist in facilitating future fund raising via the equity market.

The potential disadvantages of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back are as follows:

a) The Proposed Renewal of Shareholders' Mandate for Share Buy-Back if implemented is expected to temporarily reduce the immediate financial resources of HPMT Group.

b) The Proposed Renewal of Shareholders' Mandate for Share Buy-Back may also result in the Group foregoing better investment opportunities which may emerge in the future and/or any income that may be derived from other alternative uses of such funds such as deposit in interest bearing instruments.

c) The Proposed Renewal of Shareholders' Mandate for Share Buy-Back may also reduce the amount of resources available for distribution to the shareholders of the Company in the form of dividends as funds are utilised to purchase its own Shares.

Nevertheless, the Proposed Renewal of Shareholders' Mandate for Share Buy-Back is not expected to have any potential material disadvantages to the Company and its shareholders, as it will be implemented only after careful consideration of the financial resources of the Group and its resultant impact.

The Board is mindful of the interest of the Company and the shareholders and will be prudent with respect to the above exercise.

3. RATIONALE FOR THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK

The Proposed Renewal of Shareholders' Mandate for Share Buy-Back, if implemented, will enable the Company to utilise its surplus financial resources which is not immediately required for other uses to purchase its Shares from the market. It may stabilize the supply and demand of its Shares traded on Bursa Securities, thereby supporting its fundamental value.

Depending on the funding cost for the purchase of the HPMT Shares, the Proposed Renewal of Shareholders' Mandate for Share Buy-Back may strengthen the EPS of HPMT and if so, it is expected to have a positive impact on the market price of the Shares, further benefiting the shareholders of HPMT.

The purchased of HPMT Shares may be held as treasury shares and resold on Bursa Securities at a higher price with the intention of realising a potential gain in the reserves. The treasury shares may also be distributed to the shareholders as share dividends.

4. EFFECTS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK

The effects of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back on share capital, NA, working capital, earnings and shareholdings of Directors and Substantial Shareholders of the Company are set out below:

4.1 Share Capital

The effect of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back on the issued share capital of the Company will depend on whether the Purchased Shares are cancelled or retained as treasury shares. The Proposed Renewal of Shareholders' Mandate for Share Buy-Back will result in a reduction of the issued share capital of the Company if the Purchased Shares are cancelled.

SHARE BUY-BACK STATEMENT
cont'd

Based on the Company's issued share capital as at LPD, the effect of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back, assuming that the Purchased Shares will be cancelled, are as follows:

	No. of Shares
Number of HPMT shares as at LPD	328,489,000
Less :-	
Maximum number of ordinary shares which may be purchased and cancelled pursuant to the Proposed Renewal of Shareholders' Mandate for Share Buy-Back (assuming all Purchased Shares are fully cancelled)	32,848,900
Resultant number of HPMT shares	**295,640,100**

However, the Proposed Renewal of Shareholders' Mandate for Share Buy-Back will have no effect on the issued share capital of the Company if all the Purchased Shares are to be retained as treasury shares, resold or distributed to the shareholders.

4.2 NA

The effects of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back on the NA of the Group will depend on the purchase price and number of purchased Shares, the effective funding cost to HPMT to finance the purchased Shares or any loss in interest income to HPMT.

The Proposed Renewal of Shareholders' Mandate for Share Buy-Back will reduce the consolidated NA per share at the time of purchase if the purchase price exceeds the consolidated NA per share and conversely will increase the consolidated NA per share at the time of purchase if the purchase price is less than the consolidated NA per share.

Should the Purchased Shares be resold, the consolidated NA will increase if the Company realises a capital gain from the resale, and vice-versa. However, the quantum of the increase in NA will depend on the selling prices of the Purchased Shares and the number of Purchased Shares resold.

4.3 Working Capital, Cash Flow and Gearing

The Purchased Shares will result in an outflow of cash and thereby reduce working capital of the Group, the quantum of which is dependent on the purchase prices and number of the Purchased Shares as well as the funding cost, if any. However, the working capital and cash flow of the Company will increase upon reselling of the Purchased Shares which are retained as Treasury Shares. Again, the quantum of the increase in working capital and cash flow will depend on the actual selling price of Treasury Shares and the number of Treasury Shares resold.

4.4 Dividends

Barring unforeseen circumstances, the Proposed Renewal of Shareholders' Mandate for Share Buy-Back is not expected to have any impact on the policy of the Board in recommending dividends, if any to shareholders of HPMT. However, any future dividend to be declared and paid will depend on, amongst others, the actual results of the HPMT Group, its cash reserves, capital commitment and future funding requirements.

The Board may have the option to distribute future dividends in the form of Treasury Shares purchased pursuant to the Proposed Renewal of Shareholders' Mandate for Share Buy-Back.

SHARE BUY-BACK STATEMENT
cont'd

4.5 Interest of Directors, Major and/or Substantial Shareholders and Person Connected to Them

The effect of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back on the shareholdings of the Directors and the substantial shareholders of HPMT based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders as at the LPD assuming the Proposed Renewal of Shareholders' Mandate for Share Buy-Back is undertaken in full by HPMT, are as follows:

(a) Directors' Shareholdings

	As at the LPD				After the Proposed Renewal of Shareholders' Mandate for Share Buy-Back[a]			
	Direct		Indirect		Direct		Indirect	
Directors	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ku He @ Khoo Yee Her	6,012,500	1.830	209,985,400[b]	63.925	6,012,500	2.034	209,985,400[b]	71.027
Dato' Khoo Ah Chye	300,000	0.091	1,166,800[c]	0.355	300,000	0.101	1,166,800[c]	0.395
Khoo Seng Giap	1,027,000	0.313	439,200[d]	0.134	1,027,000	0.347	439,200[d]	0.149
Tan Kim Chuan	474,800	0.145	-	-	474,800	0.161	-	-
Peter Ho Kok Wai	-	-	-	-	-	-	-	-
Chua Put Moy	100,000	0.030	-	-	100,000	0.034	-	-
Oei Kok Eong	100,000	0.030	-	-	100,000	0.034	-	-

Notes:

(a) Assuming the maximum of 32,848,900 Shares are bought-back by the Company and cancelled pursuant to the Proposed Renewal of Shareholders' Mandate for Share Buy-Back.

(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.

(c) Deemed interest pursuant to Section 197 of the Companies Act 2016, held through his sons, Neexon Khoo and Neecia Khoo.

(d) Deemed interest pursuant to Section 197 of the Companies Act 2016, held through his wife, Pemika Akanitaprachai.

SHARE BUY-BACK STATEMENT
cont'd

(b) Substantial Shareholders of HPMT

	As at the LPD				After the Proposed Renewal of Shareholders' Mandate for Share Buy-Back[a]			
	Direct		Indirect		Direct		Indirect	
Substantial Shareholders	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Herroz Mechanical Technologies Sdn Bhd	209,985,400	63.925	-	-	209,985,400	71.027	-	-
HPMT Capital Sdn Bhd	-	-	209,985,400[b]	63.925	-	-	209,985,400[b]	71.027
Nora Virginia Scheidegger	-	-	209,985,400[c]	63.925	-	-	209,985,400[c]	71.027
Ku He @ Khoo Yee Her	6,012,500	1.830	209,985,400[d]	63.925	6,012,500	2.034	209,985,400[d]	71.027

Notes:

(a) Assuming the maximum of 32,848,900 Shares are bought-back by the Company and cancelled pursuant to the Proposed Renewal of Shareholders' Mandate for Share Buy-Back.
(b) Deemed interest pursuant to Section 8(4)(c) of the Companies Act 2016; held through Herroz Mechanical Technologies Sdn Bhd.
(c) 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.
(d) 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.

5. INTEREST OF DIRECTORS / MAJOR SHAREHOLDERS

Save for the proportionate increase in percentage of shareholdings and/or voting rights of shareholders of the Company as a result of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back, none of the Directors and Substantial Shareholders of the Company and/or Persons Connected with them have any interests, direct or indirect, in the purchases shares or resale of Treasury Shares, if any in the future.

6. APPROVAL REQUIRED

The Proposed Renewal of Shareholders' Mandate for Share Buy-Back is subject to the approval of the shareholders at the forthcoming Fourth AGM.

SHARE BUY-BACK STATEMENT
cont'd

7. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of HPMT Shares traded on Bursa Securities for the past twelve (12) months from April 2020 to March 2021 are as follows:

	Highest RM	Lowest RM
2020		
April	0.335	0.285
May	0.345	0.320
June	0.360	0.325
July	0.340	0.320
August	0.345	0.310
September	0.350	0.330
October	0.395	0.330
November	0.380	0.330
December	0.410	0.375
2021		
January	0.530	0.395
February	0.550	0.480
March	0.650	0.450
Last transacted market price of HPMT Shares on 9 April 2021 being the day prior to the date of announcement of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back.		0.665
Last transacted market price of HPMT Shares on 12 April 2021 being the latest practicable date prior to the printing of this Statement.		0.650

(Source : Bursa Malaysia)

8. DIRECTORS' RECOMMENDATION

The Board, after having considered all aspects of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back, is of the opinion that the Proposed Renewal of Shareholders' Mandate for Share Buy-Back is in the best interest of the Company and its shareholders.

Accordingly, your Board, recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Shareholders' Mandate for Share Buy-Back to be tabled at the forthcoming Fourth AGM.

9. ANNUAL GENERAL MEETING

The ordinary resolution to vote on the Proposed Renewal of Shareholders' Mandate for Share Buy-Back is set out in the Notice of Fourth AGM. The Fourth (4th) AGM will be conducted fully virtual at the Broadcast Venue at Block B, No. 5, Jalan Sungai Kayu Ara 32/39, Taman Berjaya, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan on Friday, 4 June 2021 at 10.30 a.m., for the purpose of considering and, if thought fit, passing the ordinary resolution pertaining to the Proposed Renewal of Shareholders' Mandate for Share Buy-Back.

SHARE BUY-BACK STATEMENT
cont'd

If you are unable to attend and vote in person at the Fourth AGM, you are requested to complete, sign and return the Form of Proxy which is available to be downloaded from the Company's website at https://www.hpmt-industries.com/investor-relations/ in accordance with the instructions printed therein as soon as possible so as to deposit at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for the taking of poll at the meeting or adjourned meeting.

The completion and return of Form of Proxy will not preclude you from participating and voting in person at the AGM should you subsequently wish to do so.

10. FURTHER INFORMATION

a) Directors' Responsibility Statement

This Statement has been seen and approved by the Directors of HPMT who collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

b) Material Litigation

The Board has confirmed that as at the LPD, neither HPMT nor its subsidiaries is engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Board has no knowledge of any proceeding pending or threatened against HPMT Group or of any facts likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the HPMT Group.

c) Material Contracts

There are no material contracts, not being contracts entered into in the ordinary course of business, which have been entered into by HPMT Group during the two (2) years preceding the date of this Statement.

d) Document Available For Inspection

Copies of the following documents will be available for inspection at the Company's Registered Office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan, during normal business hours and on Mondays to Fridays (except public holidays) for the period from the date of this Statement to the date of the AGM:

(i) the Constitution of HPMT; and

(ii) the audited financial statements of HPMT for the past two (2) financial years ended 31 December 2019 and 31 December 2020.

This Statement is dated 30 April 2021.

NOTICE OF FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting ("AGM") of the Company will be conducted fully virtual at the Broadcast Venue at Block B, No. 5, Jalan Sungai Kayu Ara 32/39, Taman Berjaya, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan on Friday, 4 June 2021 at 10.30 a.m. for the transaction of the following business:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. ***Please refer to Note A on this agenda***

2. To approve the payment of Directors' fees and benefits payable up to an amount of RM346,000.00 from 5 June 2021 until the next AGM of the Company. ***Ordinary Resolution 1***

3. To re-elect the following Directors who retire pursuant to Clause 97.1 of the Company's Constitution of the Company:-

   3.1 Mr. Oei Kok Eong ***Ordinary Resolution 2***
   3.2 Ms. Chua Put Moy ***Ordinary Resolution 3***

4. To re-appoint Messrs. Baker Tilly Monteiro Heng PLT, the retiring Auditors and to authorise the Board of Directors to determine their remuneration. ***Ordinary Resolution 4***

SPECIAL BUSINESS

To consider and, if thought fit, pass with or without modifications, the following Resolutions:-

5. **Authority for Directors to issue and allot shares in the Company pursuant to Section 76 of the Companies Act, 2016** ***Ordinary Resolution 5***

   "**THAT** subject always to the Companies Act, 2016 ("Act"), Constitution of the Company, Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 76 of the Companies Act 2016, to issue and allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company at the time of issue **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares to be issued on Bursa Securities **AND FURTHER THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

6. **Proposed Renewal of Shareholders' Mandate for Share Buy-Back** ***Ordinary Resolution 6***

   "**THAT** subject to the compliance with Section 127 of the Act and all other applicable laws, rules and regulations, approval be and is hereby given to the Company, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased and held pursuant to this resolution does not exceed 10% of its total number of issued shares of the Company including the shares previously purchased and retained as treasury shares (if any) and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company.

NOTICE OF FOURTH ANNUAL GENERAL MEETING
cont'd

THAT such authority shall commence immediately upon the passing of this Ordinary Resolution and until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM is required by law to be held unless revoked or varied by Ordinary Resolution in the general meeting of the Company but so as not to prejudice the completion of a purchase made before such expiry date, in any event in accordance with the provisions of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") and any other relevant authorities.

THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends in such manner as may be permitted and prescribed by the provisions of the Listing Requirements and any other relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company."

7. To transact any other business of the Company of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

By Order Of The Board
HPMT HOLDINGS BERHAD

WONG YOUN KIM (MAICSA 7018778)
SSM Practising Certificate No. 201908000410
Company Secretary

Kuala Lumpur
30 April 2021

NOTES:

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy(ies) to attend and vote on his(her) behalf.*

2. *A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.*

3. *A member may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) or more proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.*

4. *Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in the one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*

5. *The Form of Proxy shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the member is a corporation, it must be executed under its common seal or by its duly authorised attorney or officers.*

6. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for the taking of poll at the meeting or adjourned meeting.*

7. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 27 May 2021 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/or vote on his(her) behalf.*

NOTICE OF FOURTH ANNUAL GENERAL MEETING
cont'd

EXPLANATORY NOTES:

A. Audited Financial Statements for the Financial Year ended 31 December 2020

The Audited Financial Statements under Agenda 1 are laid in accordance with Section 340(1)(a) of the Companies Act, 2016 ("Act") for discussion only as the approval of shareholders is not required. Hence, this Agenda is not put forward for voting by the shareholders of the Company.

B. Ordinary Resolution 1 - Directors' Fees and Benefits

Section 230 (1) of the Act provides amongst others that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. The Board of Directors is seeking approval from the shareholders for the payment of Directors' fees and benefits payable to Non-Executive Directors for the period from 5 June 2021 until the conclusion of the next AGM of the Company in 2022.

C. Ordinary Resolution 5 - Authority For Directors To Issue and Allot Shares

The proposed Ordinary Resolution 5, if passed, will empower the Directors of the Company, from the date of the AGM, with the authority to issue and allot shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.

This general mandate is a renewal of the mandate that was approved by the Shareholders at the Third AGM held on 13 August 2020. The renewal of this general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring cost and time. The purpose of this general mandate is for fund raising exercises including but not limited to further placement of shares for the purpose of funding current and/or future investment projects, working capital and/ or acquisitions. As at the date of this notice of meeting, no shares have been issued pursuant to the general mandate granted at the Third AGM of the Company.

D. Ordinary Resolution 6 - Proposed Renewal of Shareholders' Mandate for Share Buy-Back

The Proposed Ordinary Resolution 6, if passed, will empowers the Company to purchase its own ordinary shares of up to 10% of the total number of issued shares of the Company for the time being by utilising the funds allocated out of the retained profits of the Company. This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM after that date is required by the law to be held, whichever occurs first.

For further information on Proposed Renewal of Shareholders' Mandate for Share Buy-Back, please refer to the Statement to Shareholders.

STATEMENT ACCOMPANYING THE NOTICE OF FOURTH ANNUAL GENERAL MEETING

1. The Directors who are standing for re-election at the Fourth Annual General Meeting of the Company pursuant to Clause 97.1 of the Company's Constitution are Mr. Oei Kok Eong and Ms. Chua Put Moy.

2. The details of the above Directors seeking re-election is set out in the Profile of Directors as disclosed on pages 6 and 7 of this Annual Report.

3. The details of attendance of the Directors of the Company at Board of Directors' Meetings held during the financial year ended 31 December 2020 are disclosed in the Corporate Governance Overview Statement set out on page 31 of this Annual Report.

4. The details of the interest of the Directors in the securities of the Company are stated on page 128 of the Company's Annual Report 2020.

NOTICE OF FOURTH ANNUAL GENERAL MEETING
cont'd

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Company's AGM and/or any adjournment thereof, a member of the Company:-

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "***Purposes***").

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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HPMT HOLDINGS BERHAD

Registration No. 201701041672 (1255845-W)
(Incorporated in Malaysia)

Number of Shares	
CDS Account No.	

FORM OF PROXY

I/We, ____ NRIC/Passport/Company No. ______________________
(FULL NAME)

of ____ being a Member/Members
(FULL ADDRESS)

of **HPMT Holdings Berhad (the "Company")** hereby appoint ____
(FULL NAME)

NRIC/Passport ________________________ Tel No. _________________ Email address ______________________

of ____ or failing whom,
(FULL ADDRESS)

_______________________________________ NRIC/Passport No. __________________ Tel No. _______________
(FULL NAME)

Email address____________________ of ____
(FULL ADDRESS)

or failing whom, the CHAIRMAN OF THE MEETING as my/our proxy/proxies to vote for me/us and on my/our behalf at the Fourth Annual General Meeting ("AGM") of the Company will be conducted fully virtual at the Broadcast Venue at Block B, No. 5, Jalan Sungai Kayu Ara 32/39, Taman Berjaya, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan on Friday, 4 June 2021 at 10.30 a.m. and any adjournment thereof.

My/Our proxy(ies) is(are) to vote as indicated below:-

NO.	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' fees and benefits from 5 June 2021 until the next AGM of the Company.		
2.	To re-elect Mr. Oei Kok Eong who is retiring as a Director of the Company in accordance with Clause 97.1 of the Company's Constitution.		
3.	To re-elect Ms. Chua Put Moy who is retiring as a Director of the Company in accordance with Clause 97.1 of the Company's Constitution.		
4.	To re-appoint Messrs. Baker Tilly Monteiro Heng PLT, the retiring Auditors and to authorise the Board of Directors to determine their remuneration.		
5.	To authorise the Directors to issue and allot shares in the Company pursuant to Section 76 of the Companies Act, 2016.		
6.	To approve the Proposed Renewal of Shareholders' Mandate for Share Buy-Back.		

[Please indicate with (X) in the spaces provided how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain at his(her) discretion.]

Dated this ____________ day of _____________, 2021

____
Signature of Member/Common Seal

Notes:

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy(ies) to attend and vote on his(her) behalf.*
2. *A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.*
3. *A member may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) or more proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in the one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*
5. *The Form of Proxy shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the member is a corporation, it must be executed under its common seal or by its duly authorised attorney or officers.*
6. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for the taking of poll at the meeting or adjourned meeting.*
7. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 27 May 2021 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/or vote on his(her) behalf.*

PERSONAL DATA PRIVACY :

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Company's AGM and/or any adjournment thereof, a member of the Company accepts and agrees to the personal data privacy terms as asset out in the Notice of Annual General Meeting dated 30 April 2021.

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AFFIX
STAMP
HERE

The Company Secretary

HPMT HOLDINGS BERHAD
[Registration No. 201701041672 (1255845-W)]
LEVEL 2, TOWER 1, AVENUE 5
BANGSAR SOUTH CITY
59200 KUALA LUMPUR

1st fold here

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Taman Berjaya, Seksyen 32,
40460 Shah Alam,
Selangor Darul Ehsan, Malaysia

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