

2023 ANNUAL REPORT

HIGH
PRECISION
MACHINING
TOOLS



 **HPMT**
High Precision Machining Tools

AT A GLANCE



REVENUE
+0.9%

RM89.54 MILLION



PROFIT BEFORE TAX
-14.7%

RM8.45 MILLION



TOTAL ASSETS
178.69
RM MILLION



DIVIDEND
0.65 SEN
PER ORDINARY SHARE

The online version of **HPMT**
Annual Report 2023 is available
on the website.



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

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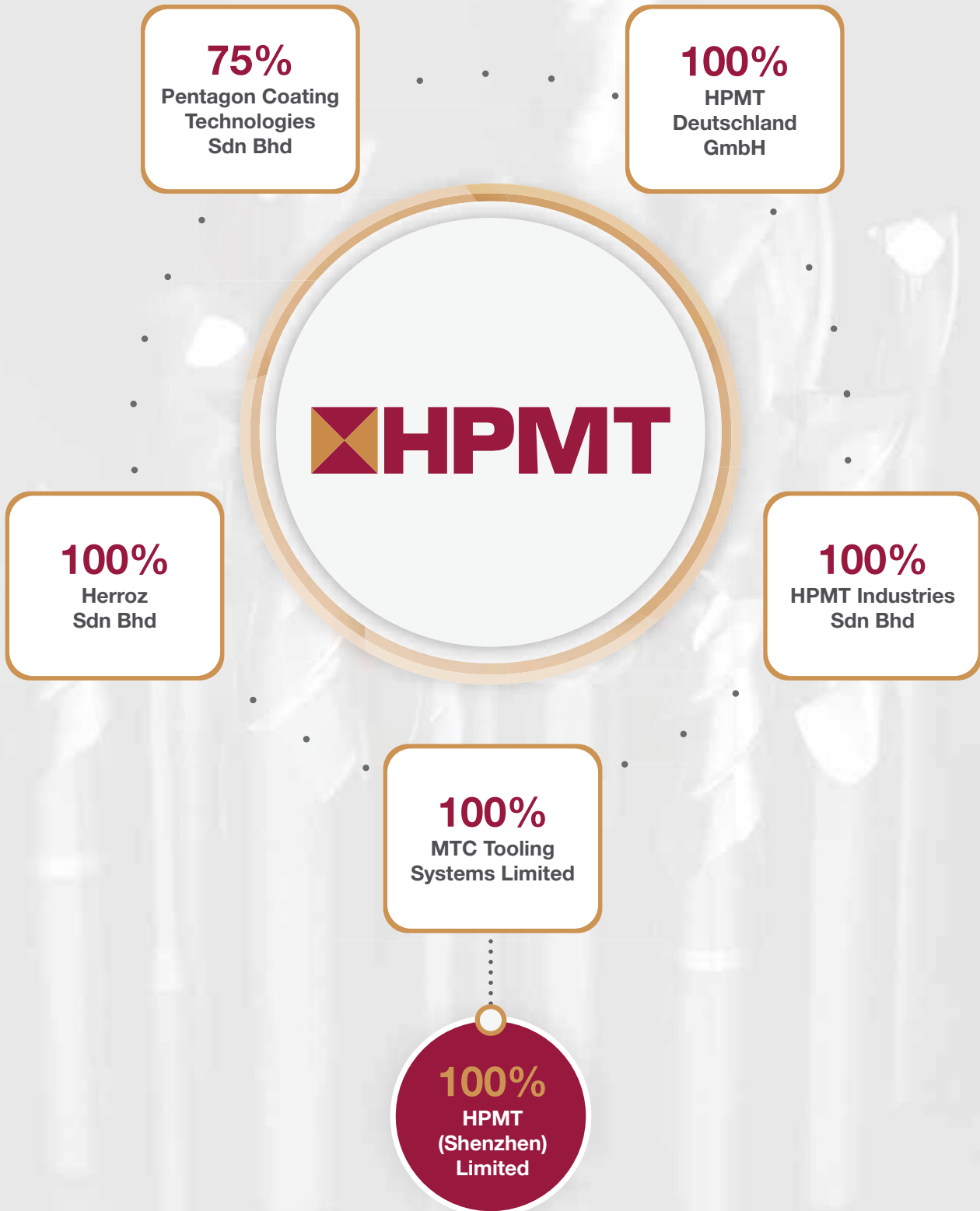
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Proxy Form

CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' KHOO AH CHYE

Non-Independent Non-Executive
Chairman

KHOO SENG GIAP

Managing Director

TAN KIM CHUAN

Executive Director/Chief Financial
Officer

CHUA PUT MOY (F)

Independent Non-Executive Director

OEI KOK EONG

Independent Non-Executive Director

TAN TAI BENG

Independent Non-Executive Director

PETER HO KOK WAI

(Resigned on 30 June 2023)
Senior Independent Non-Executive
Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Chua Put Moy (F) (Chairperson)
Independent Non-Executive Director

Oei Kok Eong (Member)
Independent Non-Executive Director

Tan Tai Beng (Member)
Independent Non-Executive Director

Peter Ho Kok Wai (Chairman)
(Resigned on 30 June 2023)
Senior Independent Non-Executive
Director

NOMINATION AND REMUNERATION COMMITTEE

Oei Kok Eong (Chairman)
Independent Non-Executive Director

Chua Put Moy (F) (Member)
Independent Non-Executive Director

Tan Tai Beng (Member)
Independent Non-Executive Director

Peter Ho Kok Wai (Member)
(Resigned on 30 June 2023)
Senior Independent Non-Executive
Director

COMPANY SECRETARY

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

REGISTERED OFFICE

Level 5, Tower 8, Avenue 5,
Horizon 2,
Bangsar South City,
59200 Kuala Lumpur,
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Tel no. : +603 2280 6388
Fax no. : +603 2280 6399
E-mail : listcomalaysia@acclime.com

HEAD/MANAGEMENT OFFICE

No. 5, Jalan Sungai Kayu Ara 32/39,
Taman Berjaya, Seksyen 32,
40460 Shah Alam,
Selangor Darul Ehsan,
Malaysia
Tel no. : +603 5870 0098
Fax no. : +603 5870 0097
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
Email : is.enquiry@my.tricorglobal.com

STOCK EXCHANGE LISTING

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



PROFILE OF DIRECTORS

DATO' KHOO AH CHYE

Non-Independent Non-Executive Chairman

 Male  Age 76  Malaysian

Date of Appointment

10/1/2018

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 2023 ("FY2023")

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

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 FY2023

None

KHOO SENG GIAP

Managing Director

 Male  Age 41  Malaysian

Date of Appointment

10/1/2018

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 2023 ("FY2023")

5/5

Directorship in other Listed Issuers/ Public Companies

None

Any family relationship with any director/ major shareholder of the Company

Son of Ms. Tan Morly @ Molly Tan, the Substantial Shareholder of HPMT Holdings Berhad

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 FY2023

None

PROFILE OF DIRECTORS

cont'd

TAN KIM CHUAN

Executive Director/Chief Financial Officer

 Male  Age 56  Malaysian

Date of Appointment

16/11/2017

Qualification

- Graduate from Chartered Institute of Management Accountants (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 2023 ("FY2023")

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 FY2023

None

CHUA PUT MOY

Independent Non-Executive Director

 Female  Age 69  Malaysian

Date of Appointment

19/10/2018

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 Accountants (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 (Chairperson)
2. Nomination and Remuneration Committee (Member)

No. of Board Meeting Attended in the financial year 2023 ("FY2023")

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

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 FY2023

None

PROFILE OF **DIRECTORS**

cont'd

OEI KOK EONG*Independent Non-Executive Director*
 Male
  Age 71
  Malaysian
Date of Appointment

30/4/2018

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 and Remuneration Committee (Chairman)

No. of Board Meeting Attended in the financial year 2023 ("FY2023")

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 FY2023

None

TAN TAI BENG*Independent Non-Executive Director*
 Male
  Age 79
  Malaysian
Date of Appointment

1/4/2022

Qualification

Bachelor of Arts, University of Malaya

Working Experience

- Sales Representative, BP Malaysia (British Petroleum)
- Malaysia Branch Manager, Walls Fitzpatricks Sdn Bhd
- Director, Ming-Ma Sdn Bhd
- Marketing Assistant General Manager, South East Asia Insurance Bhd
- Executive Director, Syarikat Nam Ah Sdn Bhd
- Executive Director, South Asia Fibre Industries Sdn Bhd

Membership of Board Committees in HPMT Holdings Berhad

1. Audit and Risk Management Committee (Member)
2. Nomination and Remuneration Committee (Member)

No. of Board Meeting Attended in the financial year 2023 ("FY2023")

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 FY2023

None

PROFILE OF **KEY SENIOR MANAGEMENT****NEEXON KHOO***Director of Manufacturing*
 Male
  Age 43
  Malaysian

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

Qualification

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

Working Experience

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

**Directorship in other Listed Issuers/
Public Companies**

None

**Any family relationship with any director/
major shareholder of the Company**

Son of Dato' Khoo Ah Chye, the Non-Independent
Non-Executive Chairman of HPMT Holdings Berhad

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*
 Male
  Age 48
  Malaysian

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

Qualification

- Bachelor in Engineering, University Putra Malaysia

Working Experience

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

**Directorship in other Listed Issuers/
Public Companies**

None

**Any family relationship with any director/
major shareholder of the Company**

None

Any conflict of interests with the Company

None

**Any conviction for offences within the past
five (5) years other than traffic offences**

None

PROFILE OF **KEY SENIOR MANAGEMENT**

cont'd

POONG KEEN KIONG

Head of Malaysia Office

 Male  Age 54  Malaysian

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

Qualification

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

Working Experience

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

**Directorship in other Listed Issuers/
Public Companies**

None

**Any family relationship with any director/
major shareholder of the Company**

None

Any conflict of interests with the Company

None

**Any conviction for offences within the past
five (5) years other than traffic offences**

None

YOONG KAM SING

Head of Hong Kong & Shenzhen Office

 Male  Age 62  Malaysian

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

Qualification

- Graduated from secondary school

Working Experience

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

**Directorship in other Listed Issuers/
Public Companies**

None

**Any family relationship with any director/
major shareholder of the Company**

None

Any conflict of interests with the Company

None

**Any conviction for offences within the past
five (5) years other than traffic offences**

None

PROFILE OF **KEY SENIOR MANAGEMENT**

cont'd

LUM YOKE HENG

Head of Coating Division

 Male  Age 48  Malaysian

Date first appointed to the Key Senior Management
03/03/2017

Qualification

- Bachelor in Electrical and Electronics Engineering, University of Hertfordshire

Working Experience

- Service Manager, Oerlikon Balzers Coating Singapore Pte Ltd
- Factory Manager, Oerlikon Balzers Coating Malaysia Sdn Bhd
- General Manager, Ionbond Malaysia Sdn Bhd
- Director, Pentagon Coating Technologies Sdn Bhd

Directorship in other Listed Issuers/ Public Companies

None

Any family relationship with any director/ major shareholder of the Company

None

Any conflict of interests with the Company

None

Any conviction for offences within the past five (5) years other than traffic offences

None

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATION OVERVIEW

HPMT Holdings Berhad (“HPMT” or “the Company”) is an investment holding company with business interest in three business segments, namely, manufacturing, trading and coating services.

The manufacturing segment engages in the designing, manufacturing and distribution of a large assortment of world-class solid-carbide endmills and drills to elevate our customers’ machining capabilities and deliver exceptional results across a wide range of industries including but not limited to electronics, aerospace, medical devices, and automotive. The manufacturing segment contributes to the bulk of the revenue for the Group.

The trading segment distributes a wide array of HPMT Brand cutting tools and auxiliary cutting tools, supporting equipment and machine accessories sourced from various international brands.

The coating services segment provides physical vapor deposition coating services that significantly enhance the performance and durability of precision components as well as tools for the metal processing industries. This includes surface coating services to producers of cutting tools, moulds and dies, and component industrial wear parts. As a service-oriented organization, we continuously evolve to meet the specialized needs of diverse industries and deliver cutting tools of the highest quality.

FINANCIAL PERFORMANCE REVIEW

	Audited	Audited	Variance	
	FYE 2023	FYE 2022	RM'000	%
	RM'000	RM'000	RM'000	%
Our financial performance				
Revenue	89,538	88,737	801	0.9
Gross profit (“GP”)	32,960	32,406	554	1.7
Profit before tax (“PBT”)	8,447	9,905	(1,458)	(14.7)
Profit after tax (“PAT”)	6,282	8,192	(1,910)	(23.3)
GP Margin (%)	36.8	36.5	0.3 bp	0.8
PBT Margin (%)	9.4	11.2	(1.8) bp	(16.1)

MANAGEMENT DISCUSSION **AND ANALYSIS**

cont'd

Rebounding from the pandemic-induced economic shock, the Group has recorded a slightly higher revenue of RM89.54 million in the financial year ended 2023 ("FYE 2023") as compared to RM88.74 million recorded in FYE 2022 amid the slower than expected global economic growth, high inflation, and ongoing effects of the Russia-Ukraine war.

Despite encountering various headwinds, the GP has increased by RM0.55 million or 1.7% from RM32.41 million in FYE 2022 to RM32.96 million in FYE 2023 and our GP margin has increased to 36.8% in FYE 2023 as compared to 36.5% in FYE 2022.

Our PBT decreased by RM1.46 million from RM9.91 million in FYE 2022 to RM8.45 million in FYE 2023. PBT margin decreased by 1.8% from 9.4% in FYE 2023 to 11.2% in FYE 2022, largely due to increase in employee benefits expense.

As at 31 December 2023, the Group's financial position remained healthy with net assets of RM141.36 million (or net assets per share of RM0.43). Our short-term investment and cash and cash equivalents increased to RM55.88 million in FYE 2023 compared to RM47.42 million in FYE 2022.

ANTICIPATED OR KNOWN RISKS

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

The Board of Directors oversees risk management activities through the Audit and Risk Management Committee to ensure that adequate measures are in place for identifying and addressing risks at all levels of the Group, including operational segments.

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

Market concentration

The Group encounters concentration risk as a significant portion of the revenue is derived from the European region, contributing more than 50% of the Group's revenue for the FYE 2023. Relying heavily on a single

market or segment makes the business vulnerable to economic downturns, shifts in consumer behaviour, or industry-specific challenges, potentially impacting the Group's financial performance. To mitigate the risk associated with market concentration, the Group has adopted strategies to bolster revenue in Asia, especially in the South East Asia Region.

Raw Material

Tungsten carbide is a critical and strategic material for the manufacturing of our products. Currently, the Group is heavily relying on current major tungsten carbide suppliers due to limited availability of suppliers and quality consistency requirements. Unfortunately, this makes our supply chain vulnerable to disruptions such as production delays, quality problems, or logistical issues. It also reduces our ability to negotiate and exposes us to geopolitical and regulatory risks.

To mitigate this, we collaborate with our suppliers to secure supplies via blanket orders and actively identify and qualify alternative suppliers of tungsten carbide as part of the contingency plan.

Product Competitiveness

Due to the fragmented metal cutting tool market, dominated by a few large international companies, the Group faces product competitiveness issues due to price pressure, technological advancements, quality and performance expectations, customization demands, brand recognition, customer relationships, and supply chain efficiency.

To address this challenge, strategic initiatives focusing on niche markets, innovation, customer relationship management, strategic collaboration and partnership, operational excellence and brand building are put in place to continue to thrive and remain relevant in the marketplace.

Currency Risk

Being an export-focused entity, the Group is exposed to foreign exchange risks, particularly in transactions involving the Euro and USD currencies. To manage these risks, the Group employs forward exchange contracts for hedging currency exposure, while natural hedges are established through USD-denominated raw material purchases and Euro-based term loans for machinery acquisitions and consumables purchases.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

BUSINESS SUSTAINABILITY

In HPMT Group, our dedication to business sustainability is unwavering. We firmly believe that sustainable practices are pivotal to securing our future success. Consequently, we place a high priority on sustainability, community welfare, and workplace safety. Through targeted efforts like waste reduction, resource conservation, and ongoing employee training, we are steadfast in our pursuit of improvement. Furthermore, our commitment extends to social responsibility, demonstrated through initiatives such as internships and blood donation drives. For more details, check out our Sustainability Statement in the Annual Report.

DIVIDENDS

The Group remains steadfast in delivering value and sustainable returns to our shareholders. The Board of Directors has recommended and declared tax exempted dividends amounting to a total of 0.65 sen per ordinary share which were paid on 09 October 2023 and 08 April 2024. The total dividends of 0.65 sen per ordinary share represents a pay-out ratio of 32.3% of our PAT, following careful consideration by the Board of the Company's financial performance, capital expenditure needs, general financial standing, and other pertinent factors.

STRATEGIC FOCUS AREAS

As we usher in the new year, the Group is focusing on revenue expansion, operational excellence, and product innovation and competitiveness to pursue our strategic growth agenda. We are committed to ensuring sustainable operations, sustainable solutions, and people and community development to ensure that we remain competitive and sustainable amid the uncertain market outlook and intense competition brought about by international tool makers.

MARKET OUTLOOK

The projected economic landscape for 2024 anticipates a global soft landing characterised with gradual economic growth and subdued inflation. Nonetheless, persistent challenges from previous years, including geopolitical tensions and rising cost of doing business generally will continue to impact the cutting tool industry. As a result, the Group adopts a cautious stance towards the outlook for 2024.

Potential for expansion in the industry could be expected with the rise of industries such as aerospace and electric and electronic (E&E). The newer trend of electric vehicle

production could also propel growth for high-quality precision cutting tools. We intend to continuously grow our European market as well as allocating more resources to develop the market in Asia and South East Asia.

For our European market, we will continue to effectively grow our presence and sales, particularly through partnerships with private label brands while leveraging specially selected distributors to expand sales of the HPMT brand in Europe, to tap into new market opportunities and establish a stronger presence in the European region. Together with these collaborative partnerships we shall step up our marketing, branding, and product and forward stock localisation efforts to help drive higher growth and success in the European market.

For our Asia Pacific market, the Group shall continue to improve our value proposition to the customer by offering more comprehensive cutting tool solutions to customers. This allows us to address a wider range of machining applications and cater to diverse customer needs. To ensure we address the customer demands effectively, we shall invest in sales education and training initiatives not only within our own team but also that of our esteemed partners to empower them to effectively communicate value to customers, and ultimately drive sales growth.

Combined with prudent capital management, a healthy liquidity and debt profile and a sustained focus on our key strategies, we are cautiously optimistic that we will be able to position ourselves as one of the leading cutting tool players in South East Asia.

ACKNOWLEDGEMENT

In closing, I extend my gratitude to our shareholders, customers, suppliers, and employees for their unwavering support. Shareholders, your confidence fuels our growth and value creation. Customers, we value your loyalty and look forward to serving you further. Suppliers, your quality ensures our success. To our dedicated team, your commitment drives our achievements. Together, we shall embrace the future's challenges and opportunities and I look forward to a better year ahead.

Sincere thanks to our Board of Directors as well for their continuous guidance and support to the Group. On behalf of the Board of Directors, I am pleased to present our Annual Report for FYE 2023.

KHOO SENG GIAP
Group Managing Director

2023 EVENT HIGHLIGHTS

Product Launching & Webinar

K86 Optimum Line

1st October 2023

We are proud to showcase our latest additions to HPMT's best-selling and versatile Optimum Line. This tool is ideally suited for automatic lathes, particularly in scenarios involving high-volume production of small parts. With its exceptionally short length, the tool minimizes its footprint, making it suitable for use in compact workstations with narrow bar passage diameters. Its applications include slots, holes, and grooves.



918DH, 981DH, 986DH Optimum Line

3rd November 2023

Introducing the upgraded Optimum Line featuring Differential Pitch and Differential Helix, offering improved surface finishing and versatility. With multiple variants available, including straight shank, recess, weldon and recess, we ensure there are options to meet your specific requirements. Our tools are suitable for multiple materials: P, M, K, N, and S up to 45 HRC. Furthermore, they are designed for multiple applications such as slotting, side milling, ramping, trochoidal milling, and plunging.



2023 **EVENT HIGHLIGHTS**
cont'd

Product Launching & Webinar *cont'd*

DR-LX Showcase Webinar

7th December 2023

Introducing the DR-LX, a high-performance twist drill designed to excel in drilling applications that require high precision and accuracy. Whether you are working with a wide range of materials or drilling deep holes, the DR-LX drill is up for the task. The new DR-LX available in lengths of up to 30 x D, offers versatility across a broad spectrum of materials, including steel, cast iron, stainless steel, non-ferrous alloys, and specialty alloys such as titanium, nickel, and cobalt. It is ideally suited for applications in general and automotive industries.



Exhibition

We are proud to announce our participation in the IMTEX, TIMTOS, MIS INTERNATIONAL, PSMEEX, METALTECH, and Manufacturing Indonesia 2023 Exhibitions, in collaboration with our esteemed distributors in India, Taiwan, Slovenia, Philippines, Malaysia, and Indonesia.

IMTEX 2023

19th – 25th January 2023



TIMTOS 2023 EXHIBITION

6th – 11th March 2023



2023 EVENT HIGHLIGHTS

cont'd

Exhibition cont'd

MIS International Industry Fair 2023

18th – 21st April 2023



PSMEX 2023

26th – 29th April 2023



METALTECH 2023

31st May – 3rd June 2023



Manufacturing Indonesia 2023 Exhibition

6th – 9th December 2023



Sixth Annual General Meeting

7th June 2023



HPMT held its 6th Annual General Meeting on 7th June 2023, at the Company's headquarters. The meeting was attended (remote participation) by shareholders, members of the board of directors, and company executives.

During the meeting, the Company's financial performance for the past year was presented, and the shareholders were given the opportunity to ask questions and provide feedback. The Board of Directors and executives also provided updates on the Company's strategic plans and initiatives for the upcoming year.

SUSTAINABILITY STATEMENT 2023

OUR SUSTAINABILITY PHILOSOPHY

At HPMT, we believe that sustainability is not only a corporate exercise, but a journey towards a better future for all. In our pursuit of long-term success with benefits for all, we see the need for our business to align with the flourishing of every group we affect, including the environment.

Our endeavor for sustainability is reflected in our company philosophy of Integrity, Reliability, Accountability and Capability. We aim to remain responsible for every commitment we make and to be dependable by maintaining the trust others place in us. On top of that, sustainability is central to our corporate philosophy to assure quality, promote environmental protection, energy efficiency, and safety of our products and production. We strive to achieve sustainable business practices by using our philosophy with effective cooperation between manufacturers, supply chains, distribution arms and our customers.

ABOUT THIS REPORT

HPMT Holdings Berhad (“HPMT”) is proud to present our Annual Sustainability Statement for the financial year ended 31 December 2023. This Statement presents our sustainability performance for the reporting period between 1st January 2023 to 31st December 2023, unless stated otherwise.

Scope and Basis of Scope

This Statement covers the manufacturing, coating and trading operations in our direct subsidiaries in Malaysia, namely HPMT Industries Sdn Bhd, Herroz Sdn Bhd and Pentagon Coating Technologies Sdn Bhd, all located at Shah Alam, Selangor.

We have excluded operations outside of Malaysia from our reporting scope.

Reporting Frameworks and Standards

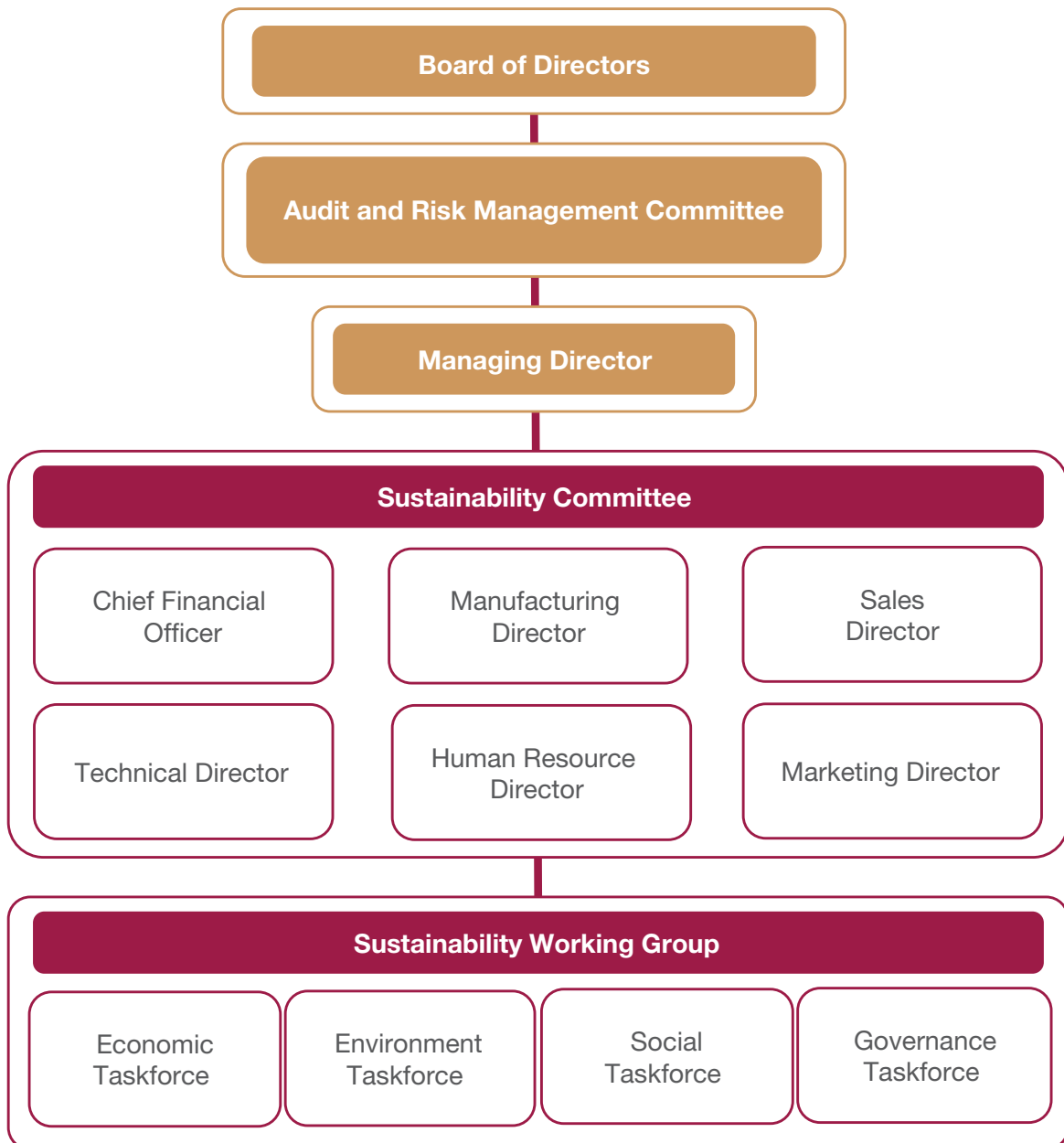
This Statement has been developed according to Bursa Malaysia Main Market Listing Requirements, with reference to Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition).

SUSTAINABILITY STATEMENT 2023

cont'd

SUSTAINABILITY GOVERNANCE STRUCTURE

As a responsible business entity, we are committed to developing sustainability strategies across all levels of management. In an 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 initiatives. Furthermore, in pursuit of better quality in the delivery of our sustainability commitments, the Group has also established a new Sustainability Working Group during the year. In this capacity, we can attain better transparency, corporate accountability, and ensure compliance at all times to all regulatory corporate governance requirements.



SUSTAINABILITY STATEMENT 2023

cont'd

DAY-TO-DAY IMPLEMENTATION OF SUSTAINABILITY MATTERS

The roles and responsibilities of the Sustainability Committee and the Sustainability Working Group are listed as follows:-



STRATEGIC MANAGEMENT OF SUSTAINABILITY MATTERS

The Group is optimistic in our approach to ensure that proper initiatives are taken to minimise our sustainability risks. The following table shows the overall risks and opportunities of the material sustainability matters identified under the four (4) pillars of economic, environmental, social and governance.

Material Sustainability Matters		Potential Risks	Potential Opportunities
Governance	Anti-Bribery & Corruption	<ul style="list-style-type: none"> Reputational damage and legal repercussion 	<ul style="list-style-type: none"> Enhance corporate integrity, build stronger relationships with stakeholders
	Data Privacy & Security	<ul style="list-style-type: none"> Breaches of sensitive customer and employee information, loss of customer trust, regulatory fines, legal liabilities, and reputational damage 	<ul style="list-style-type: none"> Enhance customer trust and mitigate financial risk due to breaches
Economic	Financial Performance	<ul style="list-style-type: none"> Changing market trends and slowdown in economic activity globally Reduced buying patterns of end-users and ongoing clients Currency risk and rising cost of raw materials 	<ul style="list-style-type: none"> Diversify customer base and revenue expansion to target markets Cost optimisation via production efficiency improvements
	Quality Standards & Recognition	<ul style="list-style-type: none"> Reputational damage Loss of customer trust 	<ul style="list-style-type: none"> Having relevant certification such as ISO 14001 and 13485 help us to differentiate HPMT, build trust with stakeholders, and create opportunities for growth and success in specific market space

SUSTAINABILITY STATEMENT 2023

cont'd

STRATEGIC MANAGEMENT OF SUSTAINABILITY MATTERS *cont'd*

Material Sustainability Matters		Potential Risks	Potential Opportunities
Economic <i>cont'd</i>	Product Innovation	<ul style="list-style-type: none"> Loss of market share and unable to command premium pricing leading to reduced revenue and market share 	<ul style="list-style-type: none"> Collaboration with customers, suppliers and research institutions Incorporating sustainable practices, eco-friendly materials towards sustainable solutions
	Supply Chain Sustainability	<ul style="list-style-type: none"> Supply chain disruptions caused by natural disasters or regulatory changes, can disrupt production schedules, delay deliveries, and impact customer satisfaction 	<ul style="list-style-type: none"> Diversifying supplier base Compliance with sustainability regulations can mitigate risks associated with climate change, resource scarcity, and regulatory changes
Environmental	Resource Management	<ul style="list-style-type: none"> Raw material availability Skilled labour availability Prolonged manufacturing turnover time increases the cost of operations Increase in operational cost from water usage due to increase in water tariffs 	<ul style="list-style-type: none"> Efficient resource utilisation Exploring alternative suppliers for raw material Exploring opportunities in rainwater harvesting
	Waste Management	<ul style="list-style-type: none"> Environmental pollution Regulatory and compliance issues Health and safety Higher cost of production 	<ul style="list-style-type: none"> Possible expansion into regrinding and/or reconditioning services Adopt sustainable packaging Manage waste materials, such as metal shavings, coolant fluids, and packaging materials
	Energy Management	<ul style="list-style-type: none"> Operational inefficiencies Energy price volatility – increase in tariff Compliance risk due to higher emissions Opportunity cost for failure to capitalise on energy efficiencies or clean energy opportunity 	<ul style="list-style-type: none"> Cost saving initiatives Investing in energy-efficient equipment, and smart energy management systems to drive innovation, improve operational efficiency
Social	Employee Wellbeing	<ul style="list-style-type: none"> Decreased productivity due to high turnover and absenteeism Higher medical cost Decreased engagement 	<ul style="list-style-type: none"> Enhance employer value proposition and employer branding to enhance attraction, engagement and retention of employees
	Diversity	<ul style="list-style-type: none"> Legal and regulatory risk Discrimination and bias in HR related practices and decisions Limited perspectives 	<ul style="list-style-type: none"> Expanded talent pool Flexible work policies Diversity training and education
	Community & Society	<ul style="list-style-type: none"> Employee morale and retention Not demonstrating in CSR may result in long-term sustainability risks 	<ul style="list-style-type: none"> Stakeholder engagement particularly with the underprivileged and technical vocation schools

SUSTAINABILITY STATEMENT 2023

cont'd

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 to enhance 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	<ul style="list-style-type: none"> • After sales services • Inquiries/online contact • Product design/features 	<ul style="list-style-type: none"> • Customer site technical support • Company website and web calls • New products/project improvements • E-mail marketing and social media
Suppliers	<ul style="list-style-type: none"> • Ethical business conduct • Sustainable supply chain 	<ul style="list-style-type: none"> • Anti-Bribery and Anti-Corruption Policy • Video conference • Continuous communication
Employees	<ul style="list-style-type: none"> • Employee engagement • Employer branding • Work culture • Employee career development • Ethical business conduct 	<ul style="list-style-type: none"> • Employee engagement survey • Workplace safety and health • Training programmes • Recreational activities/events • Anti-Bribery and Anti-Corruption Policy • Whistleblowing Policy • Personal Data and Privacy Policy
Investors/ Shareholders	<ul style="list-style-type: none"> • Financial performance • Investment opportunities • Corporate activities 	<ul style="list-style-type: none"> • Annual General Meeting • Investors meetings • Quarterly and annual reporting • Corporate announcement
Local Communities	<ul style="list-style-type: none"> • Equal employment opportunity • Industrial opportunity 	<ul style="list-style-type: none"> • Upskilling programmes • Internships
Regulatory Bodies	<ul style="list-style-type: none"> • Regulatory compliance • Ethical business conduct 	<ul style="list-style-type: none"> • On-site inspection • Corporate announcements

SUSTAINABILITY STATEMENT 2023

cont'd

MATERIALITY ASSESSMENT PROCESS

As a leading precision engineering company, HPMT recognises its pivotal role in championing sustainability. We are committed to minimising environmental impact, optimising efficiency, and upholding the highest standards of quality. Proactively addressing ESG (Environmental, Social, and Governance) matters is not just a responsibility but a strategic imperative aligned with our core values and mission.

In financial year 2023 ("FY2023"), we conducted a full materiality assessment using a three-step approach, ensuring that our sustainability efforts are targeted towards the most relevant and critical areas, reflecting our dedication to value creation for customers, employees, and the broader community.

We aim to conduct a comprehensive materiality assessment once every 3 years and perform limited-scale materiality reviews in subsequent years of our identified material matters under the economic, environmental, social and government pillars to ensure relevance and its impacts on our day-to-day operational activities.

Step 1: Identification of Material Matters

- A list of relevant material sustainability matters under each pillars of economic, environmental, social and governance were identified for FY2023
- The following factors were considered during the identification process: Regulatory Compliance, Risk Assessment and Global Megatrends
- Key stakeholders were shortlisted and engaged

Step 2: Prioritisation of Material Matters

- Materiality assessment was conducted, and material sustainability matters were ranked by the internal stakeholders
- Stakeholder's responses were generated into a materiality matrix

Step 3: Validation of Significant Material Matters

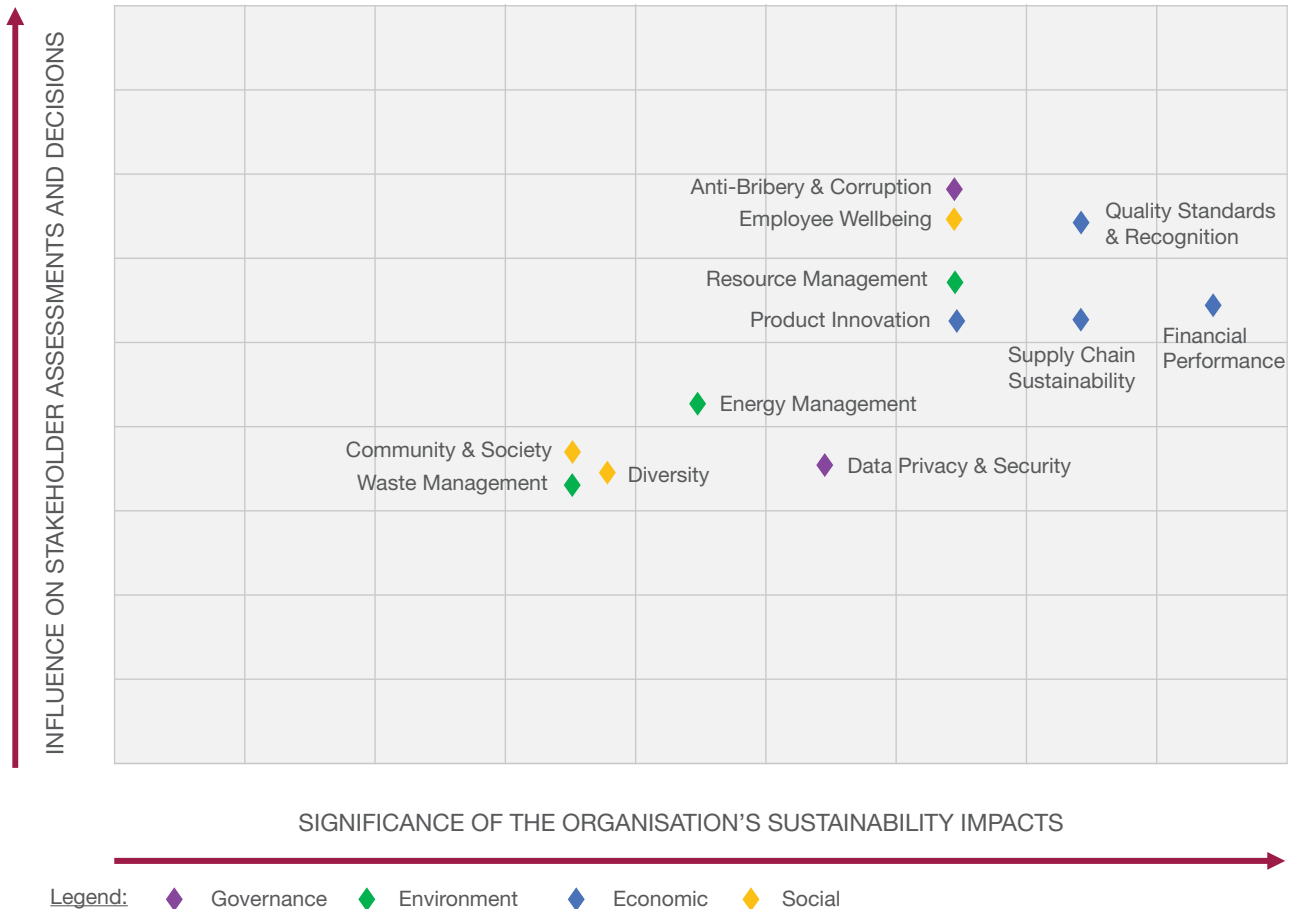
- The results of the materiality assessment and materiality matrix were reviewed by the Sustainability Committee and Board of Directors

SUSTAINABILITY STATEMENT 2023

cont'd

MATERIALITY MATRIX

After undertaking the materiality assessment process, we have identified several material sustainability matters that are significant in our operations, which includes Financial Performance, Quality Standards & Recognition, Product Innovation, Supply Chain Sustainability, Resource Management, Waste Management, Energy Management, Employee Wellbeing, Diversity, Community & Society, Anti-Bribery & Corruption, and Data Privacy & Security. These identified material matters form the basis of this report, while respective indicators facilitate the monitoring and measurement of our sustainability performance.



MANAGEMENT APPROACH FOR MATERIAL MATTERS

As the Group continues its sustainability journey, the Group is committed to reviewing and updating the Group policies and procedures on an annual basis to keep abreast of the rapidly evolving landscape in managing its material sustainability matters. All new and/or updated policies are reviewed by the Sustainability Committee, and subsequently approved by the Audit and Risk Committee.

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 confidence in us.

SUSTAINABILITY STATEMENT 2023

cont'd

MANAGEMENT APPROACH FOR MATERIAL MATTERS *cont'd*

GOVERNANCE *cont'd*

ANTI-BRIBERY & CORRUPTION

We uphold a strong stance against bribery and corruption in our business conduct. This essential action ensures mutual benefit while fostering a trusting and confident relationship with our stakeholders.

The Group has adopted a zero-tolerance policy against all forms of bribery and corruption. The HPMT Anti-Bribery and Corruption Policy and Guidelines (as published and made available on our website) elaborates upon those principles, guiding employees and any person associated with HPMT concerning how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business.

We provide training to our 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 conformance to the requirements as stated under the Anti-Bribery and Corruption Policy.

Anti-corruption	2023
Percentage of employees that have received training on anti-corruption by employee category:	
Director	100%
Manager	100%
Executive	100%
Non-Executive	100%
Percentage of operations assessed for corruption-related risks	100%
Confirmed incidences of corruption and action taken	0

DATA PRIVACY & SECURITY

We believe that good privacy is good business and good privacy practices are a key component of corporate governance and accountability. The Group also recognises that having a robust IT security is important in safeguarding our customers' confidential information as any theft, tampering or deletion of such information is a threat to businesses.

We have established our Data Privacy Policy with guiding principles for the collection, storage, processing and protection of data under the Personal Data Protection Act 2010 to ensure the privacy, confidentiality, integrity, and availability of information maintained by the Group. On top of that, we have also established our IT Security policy with guidelines for safeguarding the confidentiality, integrity and availability of our IT resources and data assets belonging to the Group.

We have put in place preventive measures as well as security breach procedures to ensure that we and our stakeholders stay protected. Apart from that, we also have in place training and awareness programmes to educate our employees about their responsibilities for data privacy and security.

Data Privacy & Security	2023
Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	0

SUSTAINABILITY STATEMENT 2023

cont'd

MANAGEMENT APPROACH FOR MATERIAL MATTERS *cont'd*

ECONOMIC

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 on 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 utmost importance, and that it is our responsibility to assure them of top-quality products. To further illustrate our commitment to our customers’ satisfaction, we are ISO 9001:2015 Quality Management Systems certified.



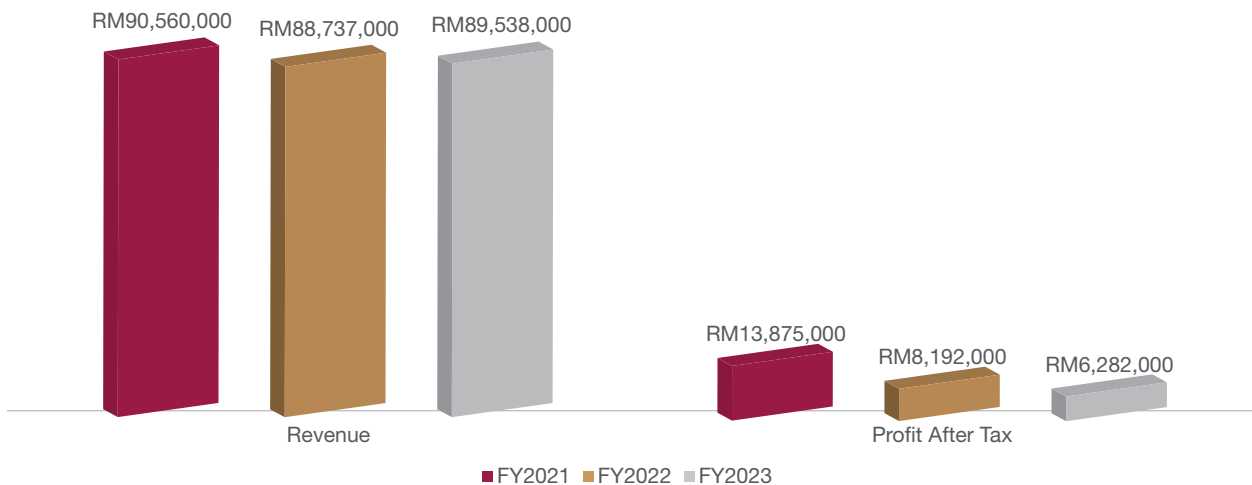
PRODUCT INNOVATION

Ongoing product innovation and improvements are not only important for product differentiation, but they are also important in helping us respond to changes in the trends in our target markets and the consequential requirements from our customers. In addition to product safety, which is the basic design consideration in our products, our products also consider user ergonomics and other innovative design solutions in support of our customers’ product requirements.

As we journey towards a lower carbon economy, the Group is committed towards developing tools and products for customers which are much more efficient, better performing as well as finding and providing solutions in prolonging product lifespan by either offering regrinding services, or recycling initiatives.

To ensure competitiveness, the Group not only made higher allocation resources for investments in capabilities improvements in tool application, design and engineering, we have also invested into the utilisation of Internet of Things (“IOT”) and automation in our operations. 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.

FINANCIAL PERFORMANCE



*Note: Figures shown in this material matter subject (Financial Performance) represent amounts of the HPMT Group as a whole.

SUSTAINABILITY STATEMENT 2023

cont'd

MANAGEMENT APPROACH FOR MATERIAL MATTERS *cont'd*

ECONOMIC *cont'd*

FINANCIAL PERFORMANCE *cont'd*

Our commitment to sound financial management fuels long-term value creation, underpinning our Group’s sustainability agenda. We aim to build long-term resilience through strategic asset use and advocate for shared prosperity with our stakeholders.

For the FY2023, we have recorded an annual revenue of RM89.54 million and a profit after tax of RM6.28 million. As compared to the previous financial year (Revenue: RM88.74 million; Profit after tax: RM8.19 million), we may have had a slight increase in revenue, but a decrease in profit after tax. This is mainly attributed to the increase in inflation which has directly impacted the direct cost of production (e.g. staff cost and material cost). Despite the lower recorded financial performance, we are optimistic that the Group will deliver an enriched performance in the near future.

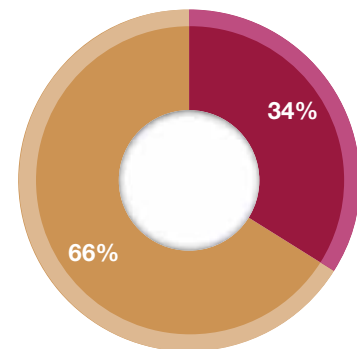
SUPPLY CHAIN SUSTAINABILITY

With the rise of geopolitical risk that contributes to supply chain instability, we recognise that it is important to have a robust procurement practice in building a resilient supply chain. On top of that, we also recognise the importance of local procurement in economic and social development of the local communities in which we operate, which not only help create jobs but also to support businesses in our community and reduce the carbon footprint of transportation.

In line with this principle, we have put in place our Sustainable Procurement Policy, with the guiding principle of whenever available, feasible and practical, we shall exercise our preference for local suppliers of goods and services that meet our required standards and specifications in terms of quality, reliability and price competitiveness. Apart from that, we also expect our suppliers to operate in accordance with our Supplier Code of Conducts distributed to them, which outlines our expectations with regards to ethics, business integrity, human rights, health and safety, environment, and compliance with national and international laws, regulations, and applicable standards.

Currently, our raw material and machinery suppliers are purely foreign sourced as there are lack of such goods and services in our local market.

Proportion of Spending on Local and Foreign Suppliers



■ Local ■ Overseas
 Note: Excludes raw material and machinery purchases.

ENVIRONMENTAL

At HPMT, we are cognizant of the 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, to minimise and/or prevent wastage or excessive usage.

During the year, the Group has introduced an Environmental Policy which encompasses our policy and approach to management of energy, water and waste. On top of that, the Group is currently pursuing a certification in ISO 14001:2015 – Environmental Management Systems. Our approach is elaborated further in its respective topics below.

RESOURCE MANAGEMENT

We recognise that resource efficiency significantly impacts both our operations and the broader environmental landscape. As a responsible tool maker, we are committed to addressing this proactively and transparently.

We are putting effort into the reduction of resources used especially from our production processes. With guidance from our Environmental Policy, we have put in place processes and measures such as segregating and repurposing materials wherever possible, developing an auto Vision Inspection System which will reduce rejection in chipping during handling process and improvement via the adoption of Artificial Intelligence, Machine Learning and IOT to reduce rejection rates, as well as to have scheduled maintenance of our machinery to ensure not just the performance, but also in minimising defects that results in waste.

SUSTAINABILITY STATEMENT 2023

cont'd

MANAGEMENT APPROACH FOR MATERIAL MATTERS *cont'd*

ENVIRONMENTAL *cont'd*

RESOURCE MANAGEMENT *cont'd*

WATER MANAGEMENT

In addressing water management, HPMT is aware of the issue of water scarcity due to factors such as climate change, poor water management and contamination that results in water cuts and shortages. Apart from that, the recent water tariff hikes announced by the Selangor state government will have an impact on increasing our operating costs. Hence, it is our Group's best interest to manage our water usage, and reduce where possible in all our facilities.

Water Management	2023
Total volume of water used	26,200 m ³

WASTE MANAGEMENT

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.

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 subjected to random inspections made by the DOE in ensuring our compliance with related environmental law.

ENERGY MANAGEMENT

HPMT's energy use is largely derived from electricity which are used in our production facilities and offices. We understand that our energy usage contributes largely to the carbon footprint, hence we have made the commitment to install solar panels on the rooftops of our factories since 2021.

Apart from investing in renewable energy generation capabilities, we are also committed to upkeep, maintenance as well as upgrading plant equipment and system to modern, energy-efficient models where possible. On top of that, we are also adamant in educating and training our employees in energy-saving practices, such as ensuring thermostats are set correctly and switching off air-conditioning units when no one is in the room.

Also, to further improve our energy efficiency, we have collaborated with a local Energy Service Company registered with the Energy Commissions and successfully applied for the Energy Audit Conditional Grant during the financial year. A preliminary audit was conducted, and the grant is pending to be released.

Total energy consumption	2021	2022	2023
Electricity Consumption	6,919,016 kWh	7,619,643 kWh	7,611,374 kWh
Solar Generation	1,307,555 kWh	1,255,010 kWh	1,131,500 kWh
Total	8,226,571 kWh	8,874,653 kWh	8,742,874 kWh

SUSTAINABILITY STATEMENT 2023

cont'd

MANAGEMENT APPROACH FOR MATERIAL MATTERS *cont'd*

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.

DIVERSITY

At HPMT, we believe that our people are our most valuable assets. We recognise that fostering a workplace culture and environment that is inclusive and respectful of all individuals is essential for our business success, professional and personal well-being.

Guided by our Diversity and Inclusion Policy as well as our Human Rights and Fair Labour Practices Policy, we strive to provide equal opportunity to all our employees in terms of career progression, and merit based. On top of that, we are also guided by our employee handbook which lays out not just our human resources processes and procedures, but also our ethos and responsibilities of all employees in treating each other with respect and dignity.

However, given the nature of our industry, our workforce is predominantly male as our factory operations require hard labour. Nonetheless, we are open in our hiring process and encourage all eligible and qualified persons to apply. Illustrated below is the breakdown of our employees.

Diversity		2023					
Percentage of employees by gender and age group, for each employee category:	Gender		Age Groups				
	Male	Female	<20	20-29	30-39	40-49	≥50
Director*	100%	-	-	-	20%	60%	20%
Manager	76%	24%	-	-	44%	52%	4%
Executive	53%	47%	-	38%	40%	17%	5%
Non-Executive	78%	22%	2%	48%	39%	9%	2%
Percentage of Board of Directors in HPMT Holdings Berhad by gender and age group	83%	17%	-	-	-	17%	83%

*Note: Director here refers to Management Director and not the Board of Directors.

EMPLOYEE WELLBEING

OCCUPATIONAL HEALTH & SAFETY

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

SUSTAINABILITY STATEMENT 2023

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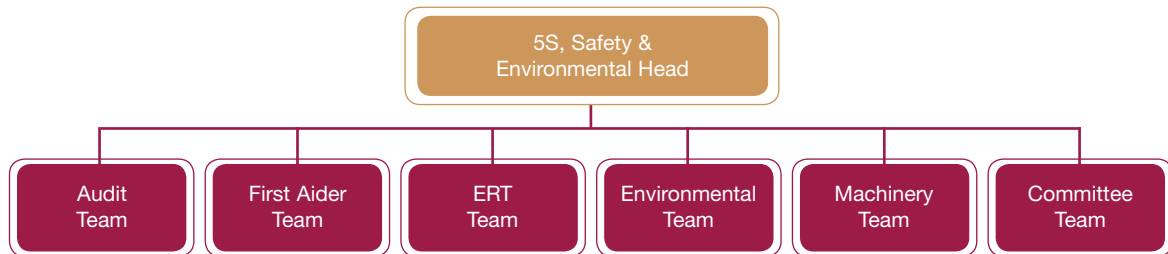
MANAGEMENT APPROACH FOR MATERIAL MATTERS *cont'd*

SOCIAL *cont'd*

EMPLOYEE WELLBEING *cont'd*

OCCUPATIONAL HEALTH & SAFETY *cont'd*

To safeguard our employees from environmental and workplace hazards, we have in place our Health & Safety Policy. On top of that, we have a structured 5S, Safety and Environmental Committee, which 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: -



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

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

As an industrial products manufacturer, we have indoctrinated workplace safety procedures into our 6S (i.e. 5S + Safety) induction training. It is our policy that all new employees are compulsory to attend this training. The Group's employees are educated on safety signages and demarcations, fire safety and emergency responses. On top of that, we have also conducted a one-day fire and emergency training for 161 employees with the fire department.



SUSTAINABILITY STATEMENT 2023

cont'd

MANAGEMENT APPROACH FOR MATERIAL MATTERS *cont'd*

SOCIAL *cont'd*

EMPLOYEE WELLBEING *cont'd*

OCCUPATIONAL HEALTH & SAFETY *cont'd*

For day-to-day operations, specialised production employees are required to wear Personnel Protective Equipment when traversing or conducting work-related functions. During the FY2023, we are proud to announce that our workplace was accident free.

Health & Safety	2023
Number of work-related fatalities	0
Lost time incident rate (LTIR)	0%
Number of employees trained on health and safety standards	295

TRAINING AND EMPLOYEE EDUCATION

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

Labour Practices & Standards	2023
Total hours of training by employee category:	
Director*	400 hours
Manager	715 hours
Executive	654 hours
Non-Executive	2,165 hours
Percentage of employees that are contractors or temporary staff	0%
Total number of employee turnover by employee category:	
Director*	0
Manager	3
Executive	20
Non-Executive	32
Number of substantiated complaints concerning human rights violations	0

* Note: Director here refers to Management Director and not the Board of Directors.

SUSTAINABILITY STATEMENT 2023

cont'd

MANAGEMENT APPROACH FOR MATERIAL MATTERS *cont'd*

SOCIAL *cont'd*

EMPLOYEE WELLBEING *cont'd*

TRAINING AND EMPLOYEE EDUCATION *cont'd*

Tabulated below is the list of trainings provided by us for FY2023:-

Trainings Provided in FY2023
5S
Anti-Bribery & Corruption (ABC)
First Aider
General Product & Process Education
IT & IP Security
Process Flow
Product Introduction
Quality Acceptance Criteria
Security & Safety Briefing
Case Study-Based MFRS Webinar: MFRS/IFRS Technical Update 2023
MIA Webinar Series: Efficient Finance & Accounts Operations: Best Practices
E-certificate in Talent, Competency and Succession Management
FMM Business Best Practices Seminar
Interview Mastery CBI for Optimal Hiring
The 7 Habits of Highly Effective People Signature Edition 4.0
Vistage – Key Collaborative Leadership Program (KEY)
Basic Zoller Program (EM, BN, DR) and Verify Program Zoller
BM Language Lesson
Building Impactful Presentation with PowerPoint
Checking Height Position Backtoper (Drill and Reamer)
Indexing Check Method (Helicheck and Zoller)
ISO 14001:2015 Awareness
ISO 9001:2015 Awareness
ISO 9001:2015 Internal Auditing
Customer Checking Method Training Series
Production Planner in Action
Project Management Training
Starrett Application
Strategy Planning
Training Bank Rod Drill
Training DPOH Index
Training Index Dino Line
Training Mdc Spd & Mark Blank Rod only
Training Program Zoller Blank Rod (Drill and Reamer)
Training Zoller Drill Chamfer
Warehouse Training Series
Zoller AGV
Zoller Basic Programme Training Series

SUSTAINABILITY STATEMENT 2023

cont'd

MANAGEMENT APPROACH FOR MATERIAL MATTERS *cont'd*

SOCIAL *cont'd*

EMPLOYEE WELLBEING *cont'd*

EMPLOYEE ENGAGEMENT

At HPMT, we believe that our employees are the heart of our business operations. By being actively engaged with our employees via building strong and meaningful interpersonal relationships, it allows us to attain operational success.

We have our own Recreational Club that is responsible for preparing, planning and organising engagement sessions such as our Townhall and monthly assemblies, Gotong Royong, Hari Raya hamper giveaways, Ping Pong Tournament, outings and birthday celebrations for our staff. We also have long service awards, showing our appreciation to those who have served in the company for a period of 5 years and above.



HPMT Long Service Award



HPMT Annual Company Trip



Gotong Royong



Hari Raya Hamper Giveaways



HPMT Ping Pong Tournament

SUSTAINABILITY STATEMENT 2023

cont'd

MANAGEMENT APPROACH FOR MATERIAL MATTERS *cont'd*

SOCIAL *cont'd*

EMPLOYEE WELLBEING *cont'd*

EMPLOYEE ENGAGEMENT *cont'd*



HPMT Townhall



HPMT Monthly Assembly

COMMUNITY

Our Group recognises that our responsibility in society is not only essential for our sustainability journey but also for the betterment of our collective wellbeing. We aim to strengthen our bond with the community that we operate in.

With guidance from our Community Investment Policy, our Group wants to ensure that our investment has a sustainable benefit for our communities and our business. Currently, the Group is focusing on philanthropic outreach for Youth and Skills Based Trainings as well as supporting our local community especially the underserved communities including the B40 urban and rural poor.

Community	2023
Total amount invested in the community where the target beneficiaries are external to the listed issuer	RM13,000
Total number of beneficiaries of the investment in communities	50

During the year, we have supported SMK La Salle Petaling Jaya school in sponsoring their Super Sarapan programme, which aims at providing free breakfast to 50 diligent early birds who arrive at school before the first bell rings, for every school day, for a period of 6 months. This programme recognises the importance of a nutritious start to the day, setting the stage for a day of enhanced focus and productivity.

SUSTAINABILITY STATEMENT 2023

cont'd

PERFORMANCE DATA

As the Group progresses in our sustainability journey, we recognise the importance of target setting and measuring our performance in achieving our sustainability goals. The Group has decided to set the following nine sustainability indicators results for this financial year as our baseline year. Moving forward, any comparisons to baseline year for these indicators, will be in reference to our FY2023 results. We have currently only set our targets for financial year 2024, and we will set longer term targets in the future.

Material Sustainability Matters		Key Quantitative Indicator	Performance Targets for 2024
Governance	Anti-Bribery & Corruption	Anti-corruption	Zero corruption incidences.
	Data Privacy & Security	Data Privacy & Security	Zero data privacy and security breaches.
Economic	Supply Chain Sustainability	Supply Chain Management	Maintain percentage of distribution at FY2023 levels.
Environmental	Resource Management	Water Management	Maintain FY2023 usage levels.
	Energy Management	Energy Management	Maintain FY2023 usage levels.
Social	Diversity	Diversity	30% target of women at BOD level.
	Employee Wellbeing	Health & Safety	LTIR to maintain below 1%.
		Labour Practices & Standards	16 hours of training per year for all employees.
	Community & Society	Community	Target to contribute a total of RM50,000 to community.

SUSTAINABILITY STATEMENT 2023

cont'd

FORWARD LOOKING STATEMENT

We understand that we are still currently at the beginning of our sustainability journey at our Group, however, we are committed. To show our commitment, we have drawn up a 5-year roadmap for our future disclosures that are in line with the latest Bursa reporting requirements, Bursa Sustainability Reporting Guide (3rd Edition). This roadmap serves as a strategic compass, guiding our direction but remaining adaptable to unforeseen opportunities and challenges, especially in the ever-evolving landscape of sustainability reporting requirements.

Basis	Metrics	Reporting Format
2023	Baseline year for the 9 mandatory indicators: <ul style="list-style-type: none"> ■ Anti-Corruption ■ Community/Society ■ Diversity ■ Energy Management ■ Health & Safety ■ Labour Practices & Standards ■ Supply Chain Management ■ Data Privacy & Security ■ Water 	Bursa Sustainability Reporting Guide (3 rd edition)
2024	Baseline year for +2 indicators: <ul style="list-style-type: none"> ■ Waste Management ■ Greenhouse Gas (“GHG”) Emissions 	Bursa Sustainability Reporting Guide (3 rd edition)
2025	This financial year will feature reporting on 3-year data for the 9 mandatory indicators for the first time.	Bursa Sustainability Reporting Guide (3 rd edition) Partial adoption of Task Force on Climate-related Financial Disclosures (“TCFD”) Recommendations
2026	This financial year will feature reporting on 3-year data for all 11 mandatory indicators stipulated by the exchange.	Bursa Sustainability Reporting Guide (3 rd edition) Partial adoption of TCFD Recommendations for reporting (with shown improvements from previous year)
2027	HPMT will continue reporting for all 11 mandatory indicators. The Company will take into consideration any latest development and requirements for metrics reporting. This will include but are not limited to requirements from regulatory bodies, customers and any other relevant stakeholders.	Bursa Sustainability Reporting Guide (3 rd edition) Full adoption of TCFD Recommendations
2028	HPMT will continue reporting for all 11 mandatory indicators. The Company will take into consideration any latest development and requirements for metrics reporting. This will include but are not limited to requirements from regulatory bodies, customers and any other relevant stakeholders.	Bursa Sustainability Reporting Guide (3 rd edition) Full adoption of TCFD Recommendations

SUSTAINABILITY STATEMENT 2023

cont'd

PERFORMANCE DATA TABLE

from ESG Reporting Platform

Indicator	Measurement Unit	2023
Bursa (Anti-corruption)		
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category		
Director	Percentage	100.00
Manager	Percentage	100.00
Executive	Percentage	100.00
Non-Executive	Percentage	100.00
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	100.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0
Bursa (Data privacy and security)		
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0
Bursa (Supply chain management)		
Bursa C7(a) Proportion of spending on local suppliers	Percentage	34.00
Bursa (Water)		
Bursa C9(a) Total volume of water used	Megalitres	26.200000
Bursa (Energy management)		
Bursa C4(a) Total energy consumption	Megawatt	8,742.87
Bursa (Diversity)		
Bursa C3(a) Percentage of employees by gender and age group, for each employee category		
Age Group by Employee Category		
Director Below 20	Percentage	0.00
Director 20 - 29	Percentage	0.00
Director 30 - 39	Percentage	20.00
Director 40 - 49	Percentage	60.00
Director Above 50	Percentage	20.00
Manager Below 20	Percentage	0.00
Manager 20 - 29	Percentage	0.00
Manager 30 - 39	Percentage	44.00
Manager 40 - 49	Percentage	52.00
Manager Above 50	Percentage	4.00
Executive Below 20	Percentage	0.00
Executive 20 - 29	Percentage	38.00
Executive 30 - 39	Percentage	40.00
Executive 40 - 49	Percentage	17.00
Executive Above 50	Percentage	5.00

SUSTAINABILITY STATEMENT 2023

cont'd

PERFORMANCE DATA TABLE *cont'd*
from ESG Reporting Platform

Indicator	Measurement Unit	2023
Bursa Diversity <i>cont'd</i>		
Bursa C3(a) Percentage of employees by gender and age group, for each employee category <i>cont'd</i>		
Age Group by Employee Category <i>cont'd</i>		
Non-Executive Below 20	Percentage	2.00
Non-Executive 20 - 29	Percentage	48.00
Non-Executive 30 - 39	Percentage	39.00
Non-Executive 40 - 49	Percentage	9.00
Non-Executive Above 50	Percentage	2.00
Gender Group by Employee Category		
Director Male	Percentage	100.00
Director Female	Percentage	0.00
Manager Male	Percentage	76.00
Manager Female	Percentage	24.00
Executive Male	Percentage	53.00
Executive Female	Percentage	47.00
Non-Executive Male	Percentage	78.00
Non-Executive Female	Percentage	22.00
Bursa C3(b) Percentage of directors by gender and age group		
Male	Percentage	83.00
Female	Percentage	17.00
Below 20	Percentage	0.00
20 - 29	Percentage	0.00
30 - 39	Percentage	0.00
40 - 49	Percentage	17.00
Above 50	Percentage	83.00
Bursa (Health and safety)		
Bursa C5(a) Number of work-related fatalities	Number	0
Bursa C5(b) Lost time incident rate	Rate	0.00
Bursa C5(c) Number of employees trained on health and safety standards	Number	295
Bursa (Labour Practices and standards)		
Bursa C6(a) Total hours of training by employee category		
Director	hours	400
Manager	hours	715
Executive	hours	654
Non-Executive	hours	2,165
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	0.00

SUSTAINABILITY STATEMENT 2023

cont'd

PERFORMANCE DATA TABLE *cont'd*

from ESG Reporting Platform

Indicator	Measurement Unit	2023
Bursa (Labour Practices and standards) <i>cont'd</i>		
Bursa C6(c) Total number of employee turnover by employee category		
Director	Number	0
Manager	Number	3
Executive	Number	20
Non-Executive	Number	32
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0
Bursa (Community/ Society)		
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	13,000
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	50

STATEMENT OF ASSURANCE

This Sustainability Statement has not been subjected to an assurance process. Nevertheless, the performance data published in this Statement have been assessed, validated and reviewed by the Sustainability Committee.

This statement is reviewed and approved by the Board.

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 2023. 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 2023 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 formalising 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 has established Board Committees, namely the Audit and Risk Management Committee and the Nomination and Remuneration Committee (“NRC”), each entrusted with specific oversight responsibilities for HPMT Group’s affairs. The Board Committees are granted the authority to act on behalf of the Board in accordance with their respective Terms of Reference (“TOR”) and to report to the Board with the necessary recommendations. The TOR of the Board Committees are available on the Company’s website. Furthermore, as part of the Board’s responsibilities in ensuring compliance by the Company and the Group with the MMLR, the 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 towards the formulation of policies and in the decision-making processes.

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, Anti-Fraud and Whistleblowing Policy and Anti-Bribery and Corruption Policy which are available on the Company's website.

The Board is ultimately accountable for ensuring that sustainability is integrated into the strategic direction of HPMT Group and its operations. To achieve this, the Sustainability Committee was formed to drive and implement the sustainability strategy of an organisation, championing its goals and monitoring its efforts. The Company engages its stakeholders through various means of communication to enable them to better understand the Group's sustainability, priorities and targets as well as performance. The Sustainability Statement of the Group which provides an overview of the sustainability performance for the financial year ended 31 December 2023, is set out on pages 16 to 37 of the Annual Report 2023. The Company engages its stakeholders through various means of communication to enable them to better understand the Group's business operation and seek their feedbacks and input on several matters relevant to them.

II. Board Composition

As at the date of this report, the Board comprises six (6) Directors i.e. three (3) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Chairman, one (1) Managing Director and one (1) Executive Director/Chief Financial Officer. 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 or major shareholders which would interfere with the exercise of their independent judgment.

The Board acknowledges the call by the Government and MCGG for boards to comprise at least 30% women. 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% women representation target at the Board level as required, the Board is making efforts in recruiting other suitable women who could meet the objective criteria, merit and with due regard for diversity in skills, experience, and age to join the Board.

The Board does not have specific gender diversity policy and measures. However, the issue of diversity is discussed by the NRC. The Board will take the necessary 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 on the Board, representing 16.7% of the total number of board members. This is in compliance with the MMLR which requires at least one (1) director of the listed issuer is a woman.

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. A two-tier voting process will be applied in the Annual General Meeting ("AGM") for retaining any Independent Director serving beyond nine (9) years.

As at the date of this statement, the term of service of the Independent Directors is less than nine (9) years.

The Board through its NRC conducts an annual review of its size and composition, to determine if the Board has the right size and sufficient diversity with independence elements that fit the Company's objectives and strategic goals. With the current composition, the NRC 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 many years of service on the Boards of other companies and/or as professionals in their respective fields of expertise. The Chairman of the Board is not a member of any Board Committees, which aligns with the practice outlined in the MCGG 2021.

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 2023 and the details of attendance at Board Meetings is set out below:-

Name of Directors	Attendance	Percentage of attendance (%)
Dato' Khoo Ah Chye	5/5	100%
Mr. Khoo Seng Giap	5/5	100%
Mr. Tan Kim Chuan	5/5	100%
Ms. Chua Put Moy	5/5	100%
Mr. Oei Kok Eong	5/5	100%
Mr. Tan Tai Beng	5/5	100%
Mr. Peter Ho Kok Wai (Resigned on 30 June 2023)	3/3	100%

Prior to each meeting, a reasonable notice of meetings and agenda are circulated to all Directors together with the draft minutes of the previous meeting, the relevant reports/papers and other board meeting reference materials such as management reports and financial reports at least seven (7) days prior to the Board meeting via e-mail so that each Director has ample time to review the papers to enable an informed decision making. The deliberations and decisions at the 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 2023 are as follows: -

Name of Directors	Training Programmes/Seminars/Workshops/Conferences Attended
Dato' Khoo Ah Chye	<ul style="list-style-type: none"> Sustainability Disclosure Roadmap and Reporting
Mr. Khoo Seng Giap	<ul style="list-style-type: none"> Sustainability Disclosure Roadmap and Reporting
Mr. Tan Kim Chuan	<ul style="list-style-type: none"> Baker Tilly Tax & Budget Webinar EU Carbon Border Adjustment Mechanism BEPS: Implementing Pillar 2 in Asia Pacific Sustainability Disclosure Roadmap and Reporting Enterprise AI Real World Application in Manufacturing MIA Case Study-Based MFRS Webinar: MFRS/IFRS Technical Update 2023 LHDN Seminar Percukaian Kebangsaan 2023 Taxation: Is Your Business Ready for New Regulations MIA Case Study-Based MFRS Webinar: MFRS/IFRS Technical Update 2024 - Including a brief on IFRS Sustainability Standards

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

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

II. Board Composition *cont'd*

Training programmes and seminars attended by the Directors of the Company during the financial year ended 31 December 2023 are as follows: - *cont'd*

Name of Directors	Training Programmes/Seminars/Workshops/Conferences Attended
Ms. Chua Put Moy	<ul style="list-style-type: none"> Background and Corruption Offenses under SPRM by Kumpulan Pengurusan & Professional Suruhanjaya Pencegahan Rasuah 2023 Board and Audit committee Priorities Generative AI - Opportunity or Risk Arrival of ISSB Standards and The Continued Relevance of Integrated Reporting Webinar by MIA ESG, Climate, and Trust: The Board's Role Management of Cyber Security Navigating AI Governance and ESG Reporting For The Future Integration of Corporate Social Due Diligence Directive MFRS Updates 2023
Mr. Oei Kok Eong	<ul style="list-style-type: none"> Cyber Security: What Directors Need to Know Neuroscience: The Intuition Science Governance, Risk & Controls
Mr. Tan Tai Beng	<ul style="list-style-type: none"> Advancing Cyber Resilience: Board's Top 3 Must-Knows SVDP 2.0 - Are You Ready to Come Forward? 2023 Board & Audit Committee Priorities Generative AI - Opportunity or Risk ESG, Climate, and Trust: The Board's Role The Climate Challenge: The Role of the Chairs Keeping An Eye on AI Talent and the Board Geopolitics In the Year Ahead: The US, Europe, and Asia in 2024

During the financial year ended 31 December 2023, the External Auditors briefed the Board members on the changes to the Malaysian Financial Reporting Standards ("MFRSs") that were adopted by the Group for the financial year.

Company Secretary

The Board is supported by a qualified secretary who is a Fellow member 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 also responsible for ensuring that the Company's Constitution, procedures, policies and regulations are complied with, as well as 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 and Remuneration Committee

The Nomination and Remuneration Committee ("NRC") of the Company comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of the NRC are as follows:-

1. Mr. Oei Kok Eong (Chairman)
2. Ms. Chua Put Moy
3. Mr. Tan Tai Beng

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS cont'd**II. Board Composition** cont'd**Nomination and Remuneration Committee** cont'd

The NRC is responsible for the Board evaluation process covering the Board, the Board Committees and individual Director. The NRC, upon conclusion of the evaluation exercise performed for the FY2023, 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 the nearest to one-third (1/3) of the Directors for the time being shall retire from office and be eligible for re-election, provided that all the Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election. All the retiring Directors will abstain from deliberations and decisions on their own eligibility to stand for re-election at the Board Meeting.

In considering whether to recommend a Director who is eligible to stand for re-election, the NRC 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 Board has adopted a Directors' Fit and Proper Policy to serve as a guide for NRC and the Board in their review and assessment of candidates that are to be appointed onto the Board as well as Directors who are seeking for re-election.

The NRC had reviewed and assessed the size, mix of skill and experience, performance and contribution of the Board and Individual Director and is satisfied with the current composition and performance of the Board for the financial year ended 31 December 2023.

The NRC met once during the financial year ended 31 December 2023. The details of the members' attendance were as follows: -

Name of NRC Members	Attendance
Mr. Oei Kok Eong (Chairman) <i>(Independent Non-Executive Director)</i>	1/1
Ms. Chua Put Moy <i>(Independent Non-Executive Director)</i>	1/1
Mr. Tan Tai Beng <i>(Independent Non-Executive Director)</i>	1/1
Mr. Peter Ho Kok Wai (Resigned on 30 June 2023) <i>(Independent Non-Executive Director)</i>	-

III. Directors' Remuneration

The NRC 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 NRC 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 directors do not participate in the discussion and decision making of his own remuneration to avoid conflict of interest.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

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

III. Directors' Remuneration *cont'd*

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors and Senior Management needed to run the Group 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.

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 2023 was conducted by the Nomination and Remuneration Committee on 21 November 2023.

The details of the remuneration/fees of individual Directors of the Company, including the remuneration for services rendered to the Group for the financial year ended 31 December 2023 is made available on page 37 of the Corporate Governance Report 2023.

The details of the remuneration of the top Senior Management (including salary, bonus, benefits in kind and other emoluments) in each successive bands of RM50,000 during the financial year ended 31 December 2023 are as follows: -

Range of Remuneration (RM)	Number of Top Senior Management
300,001 – 350,000	1
400,001 – 450,000	1
450,001 – 500,000	2
500,001 – 550,000	1

The TOR of the NRC 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. Ms. Chua Put Moy (Chairperson)
2. Mr. Oei Kok Eong
3. Mr. Tan Tai Beng

The Chairperson of the ARMC is not the Chairman of the Board; instead, the ARMC is chaired by the Independent Non-Executive Director, Ms. Chua Put Moy. The ARMC comprises at least one (1) member who fulfills the 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. In addition, the ARMC has revised its TOR to monitor and oversee situations related to conflict of interest during the ARMC meeting held on 21 November 2023.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd***I. Audit and Risk Management Committee** *cont'd*

The composition of the ARMC is reviewed annually with the view to maintain an independent and effective ARMC, and in line with the principles of the MCCG, all members of the ARMC have continuously improved their financial literacy by attending trainings on the developments and changes in the MFRSs 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 Assessment.

The revised TOR of the ARMC to align with the MCCG 2021 is available at the Company's website at www.hpmt-industries.com.

II. Risk Management and Internal Control Framework

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

The Statement on Risk Management and Internal Control is set out on pages 49 to 52 of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANING RELATIONSHIP WITH STAKEHOLDERS**I. Engagement 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.

Prior to the AGM, the shareholders are allowed to submit any questions online by scanning the QR Code or clicking on the link provided in the Administrative Guide. During the AGM, the shareholders are encouraged to submit typed questions in real time within the Questions & Answers Box at the bottom of the messaging screen. Any questions can be submitted at any time until the announcement of the closure of Questions & Answers session. All the Directors are available to provide responses to questions raised by the shareholders during the AGM.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANING RELATIONSHIP WITH STAKEHOLDERS *cont'd*

II. Conduct of General Meetings *cont'd*

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 6th AGM of the Company held on 7 June 2023 was conducted virtually at the Broadcast venue and online poll voting whereby shareholders and proxies can access and participate remotely.

The Minutes of the 6th AGM (including all the Questions raised at the meeting and the Answers thereto) was also made available on the Company's website.

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 2023, appropriate accounting policies have been used consistently and prudently. The Directors also consider that all relevant approved accounting standards have been followed in the preparation of these financial statements.

COMPLIANCE STATEMENT

The Board confirms that the Group has made significant effort to maintain high standards of corporate governance throughout the year under review. The Board acknowledges that achieving excellence in corporate governance is a continuous process and is committed to play a proactive 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 2021 throughout the financial year, except for the following: -

- (a) Step Up Practice 5.4 - To have a policy which limits the tenure of its independent directors to nine years.
- (b) Practice 5.9 - The Board comprises at least 30% women directors.
- (c) Practice 5.10 - To have a policy on gender diversity, its targets and measures to meet those targets.
- (d) Practice 8.2 - 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.
- (e) Step Up Practice 8.3 - To fully disclose the detailed remuneration of each member of senior management on a named basis.
- (f) Step Up Practice 10.3 - To establish a Risk Management Committee, which comprises majority of independent directors.
- (g) Practice 12.2 - 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 09 April 2024.

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 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. Ms. Chua Put Moy (Chairperson)
2. Mr. Oei Kok Eong
3. Mr. Tan Tai Beng

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, all of which 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 2023.

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 2023 are as follows:

Name of ARMC Members	Attendance
Ms. Chua Put Moy <i>(Independent Non-Executive Director)</i>	5/5
Mr. Oei Kok Eong <i>(Independent Non-Executive Director)</i>	5/5
Mr. Tan Tai Beng <i>(Independent Non-Executive Director)</i>	2/2
Mr. Peter Ho Kok Wai <i>(Resigned on 30 June 2023)</i> <i>(Independent Non-Executive Director)</i>	3/3

AUDIT AND RISK MANAGEMENT **COMMITTEE REPORT**

cont'd

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

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 committee 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 RM378,332 and RM80,000 and non-audit fees of RM32,350 and RM11,350 in respect of the financial year ended 31 December 2023 for the Group and the Company respectively.

The Board at its meeting held on 29 August 2023, 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, Dr. Wong Ka Fee is a member of the 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 2023, the number of internal audit personnel was nine (9) 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 Reports which covered the following areas together with the Internal Auditors' recommendation on improvement opportunities in the areas of internal controls, systems, adequacy and efficiency improvements: -

- Production and Quality Control;
- Sales and Marketing Management;
- Information Technology General Controls and ERP System Access Control; and
- Research and Development.

AUDIT AND RISK MANAGEMENT **COMMITTEE REPORT**

cont'd

SUMMARY ACTIVITIES *cont'd*

Internal Control and Risk Management

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

RELATED PARTY TRANSACTION AND CONFLICT OF INTEREST

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

The ARMC reviews the RPT and conflict of interest situations presented by the Management before the Group enters into such transactions. The ARMC also ensures that adequate oversight is in place on the identification of the interested parties and possible conflict of interest situations before entering into transactions.

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 highlights to the ARMC the audit findings which requires follow-up action by Management as well as outstanding audit issues requiring corrective action to ensure an adequate and effective internal control system within the Group.

All Internal Audit activities in financial year ended 31 December 2023 were outsourced to an independent assurance provider and the total costs incurred amounted to RM94,410.82.

TERMS OF REFERENCE OF ARMC

The Terms of Reference of ARMC is made available on the Company's website at www.hpmt-industries.com.

STATEMENT ON **RISK MANAGEMENT & INTERNAL CONTROL**

Pursuant to Rule 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad in relation to the requirement of preparing a statement of the state of risk management and internal control of the listed issuer as a Group, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“the Guidelines”) and Malaysian Code on Corporate Governance, the Board of Directors (“the Board”) of HPMT Group is pleased to present the statement of risk management and internal controls of the Group for the financial year ended 31 December 2023.

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 of the Group, measured and managed with appropriate internal control initiatives, as well as review of its effectiveness, particularly in 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 eliminating the risk of failure to achieve the business objectives of the Group. Accordingly, they can only provide reasonable but not absolute elimination 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 discharging their responsibilities to identify, assess and monitor key risks and implement adequate internal control system to safeguard shareholders’ investments and the Company’s assets. The ARMC is supported by an internal audit function which conduct periodic assessment on the efficiency and effectiveness of the internal control system of the Group in mitigating risk.

The other Board Committees, namely the Nomination and Remuneration Committee too have clearly defined responsibilities and accountabilities to oversee various key business activities within the Group.

RISK MANAGEMENT

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

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

The members of ARMC, comprising of three Independent Non-Executive Directors, are as follows:

1. Chua Put Moy (Chairperson)
2. Oei Kok Eong
3. Tan Tai Beng

STATEMENT ON **RISK MANAGEMENT & INTERNAL CONTROL**

cont'd

RISK MANAGEMENT *cont'd*

Whilst the Board assumes 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 and when required. The Management under the helm of the Group 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 prioritise 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, evaluating and managing significant risks facing the organisation are embraced in the operating and business processes. The effectiveness of the risk management is monitored and evaluated by all levels of management on an ongoing basis.

These processes are reviewed on a quarterly basis, along with progress updates on the mitigation measures implemented on the identified significant 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*

1. Risk Identification and Categorisation

Objectives, processes, and the associated risks in relation to the key business activities for each division/department are identified. Risks are then segregated into the respective defined categories, i.e. Financial, Information Technology, Operational, Regulatory, Market, Strategic and Human Capital.

2. Risk Assessment

Each risk is assessed in terms of its likelihood and the impact of the risk to the Group. Likelihood is expressed as either a probability for a single event, condition, or a frequency of occurrences for repeated events; whilst impact is an estimate of the severity of adverse effects, either financial or non-financial, to the Group.

3. Risk Ownership and Responses

Each risk is assigned to an accountable internal stakeholder, i.e. Risk Owner, who is responsible to manage and mitigate identified risk within the acceptable risk tolerance.

4. Risk Treatment and Control

Decision about how to deal with risks, either in the external or internal environment, by means of risk reduction, risk avoidance, risk acceptance and risk transfer. Controls are put in place based on the risk treatments chosen for each risk.

5. Reporting and Monitoring

Risks are compiled and recorded into the Risk Register, which is used for reporting and continuous monitoring purposes. The risk status is reviewed and updated on a periodical basis.

6. Assurance and Execution of Internal Audit Plan

Annual Internal Audit Plan is prepared, and it outlines the risk areas which warrants audit review. Internal audit engagement is performed on periodical basis to provide reasonable assurance on the adequacy and effectiveness of the system of internal control and risk management practices.

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 and Nomination and Remuneration Committee, as part of the Board Committee in accordance with the Bursa Malaysia's Main Market Listing Requirements and Securities Commission's Malaysian Code on Corporate Governance 2021.

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, continuous review and enhancement of policies and procedures.

Furthermore, the Board has formalised 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.

STATEMENT ON **RISK MANAGEMENT & INTERNAL CONTROL**

cont'd

INTERNAL AUDIT FUNCTION

The review of the adequacy and effectiveness of the Group's risk management and internal control systems is outsourced to an independent professional firm, PKF Risk Management Sdn Bhd, to provide independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system. This is to ensure that the Internal Audit function is free from any relationships or conflicts of interest, which could impair their objectivity and independence.

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

An internal audit universe has been developed based on the established risk profile of the Group. The Internal Audit function reviews the internal controls of the key activities of the Group based on the audit plan approved by the ARMC and carries out its functions in accordance to the International Standards for the Professional Practice of Internal Auditing which covers the process of 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 whether all agreed control measures were implemented in a timely manner.

REVIEW OF EFFECTIVENESS

The Board is of the view that the systems of risk management and internal controls put in place are up to date, as of the approval date 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. The Board has received assurance from the Managing Director and Chief Financial Officer that the Group's risk management and internal control systems are operating effectively in all material aspects.

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

As required by paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report for the financial year ended 31 December 2023. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG 3") Revised: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants.

AAPG 3 does not require external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group. Based on their review, the external auditor has reported to the Board that nothing has come to the attention that causes them to believe that this Statement on Risk Management and Internal Control is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is it factually inaccurate.

CONCLUSION

For the financial year ended 31 December 2023 and up to the date of approval of this Statement on Risk Management and Internal Control, the Board is of the opinion that the risk management and internal control system currently in place are adequate and effective to safeguard the Group's interests and assets. For the coming year, the Board will continually assess the adequacy and effectiveness of the Group's systems of risk management and internal control and to strengthen it, as and when necessary. This Statement is made in accordance with the approval and resolution of the Board of Directors dated 09 April 2024.

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 2023, 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 60 months ⁽¹⁾	34,000	22,806	67.1%
2	Working capital	Within 24 months			
	• Finished goods inventories		1,000	1,000	100.0%
	• Staff costs and raw materials		1,910	1,910	100.0%
3	Estimated listing expenses	Immediate	5,400	5,400	100.0%
	Total		42,310	31,116	

Note :

⁽¹⁾ On 27 May 2022, the Company announced the extension of timeframe for the utilisation of proceeds allocated for purchase of new machineries and equipment from within 36 months to within 60 months.

2. AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2023, 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	195,000	80,000
Non-Audit Fees	32,350	11,350

3. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

During the financial year ended 31 December 2023, 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 significant recurrent related party transactions during financial year ended 31 December 2023.



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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 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are manufacturing and distribution of cutting tools, trading of supporting equipment, accessories and other products for metalworking and provision of physical vapor deposition ("PVD") coating services.

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

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year, net of tax	6,282	598
Attributable to:		
Owners of the Company	6,600	598
Non-controlling interests	(318)	-
	6,282	598

DIVIDENDS

The amounts of dividends declared or paid by the Company since the end of the previous financial year were as follows:

	RM'000
Second single-tier interim dividend of 0.35 sen per ordinary share in respect of the financial year ended 31 December 2022, paid on 27 March 2023	1,150
First single-tier interim dividend of 0.30 sen per ordinary share in respect of the financial year ended 31 December 2023, paid on 9 October 2023	985
	2,135

On 26 February 2024, the Company declared a second single-tier interim dividend of 0.35 sen per ordinary share amounting to RM1,149,712 in respect of the financial year ended 31 December 2023, which was paid on 8 April 2024. 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 2024.

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 debts as 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 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.

AUDITORS' REMUNERATION AND INDEMNITY

The remuneration paid or payable to the auditors of the Group and of the Company for their services as auditors during the financial year are RM378,332 and RM80,000 respectively.

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

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 this report are:

Chua Put Moy
 Dato' Khoo Ah Chye *
 Khoo Seng Giap *
 Oei Kok Eong
 Tan Kim Chuan *
 Tan Tai Beng
 Peter Ho Kok Wai

(Resigned on 30 June 2023)

* *Directors 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' REPORT

cont'd

DIRECTORS' INTERESTS

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

	Number of ordinary shares			At 31.12.2023 Unit'000
	At 1.1.2023 Unit'000	Bought Unit'000	Sold Unit'000	
The Ultimate Holding Company				
HPMT Capital Sdn. Bhd.				
Direct interests:				
Khoo Seng Giap	14	-	-	14
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	100	-	-	100
Dato' Khoo Ah Chye	483	-	-	483
Khoo Seng Giap	1,027	-	-	1,027
Oei Kok Eong	100	-	-	100
Tan Kim Chuan	475	-	-	475
Tan Tai Beng	430	-	-	430
Indirect interests:				
Khoo Seng Giap ⁽¹⁾	439	-	-	439

⁽¹⁾ Deemed interest held through his spouse.

By virtue of their interests in ordinary shares in the Company and pursuant to Section 8 of the Act, Khoo Seng Giap is deemed to have an interest in shares in the subsidiaries to the extent that the Company has an interest.

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 shown below) 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 32 to the financial statements.

DIRECTORS' REPORT

cont'd

DIRECTORS' BENEFITS *cont'd*

The directors' benefits of the Group and of the Company are as follows:

	Group RM'000	Company RM'000
Directors of the Company		
- fees	360	288
- other emoluments	1,366	14
- benefits-in-kind	21	-
	1,747	302

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 RM20,044 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements, which also serve for the purpose of this report.

The 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.

DIRECTORS' **REPORT**

cont'd

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.

KHOO SENG GIAP
Director

TAN KIM CHUAN
Director

Date: 9 April 2024

STATEMENTS OF **FINANCIAL POSITION**

As at 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	71,568	71,752	-	-
Right-of-use assets	4	676	285	-	-
Deferred tax assets	5	245	179	-	-
Investment in subsidiaries	6	-	-	85,110	87,764
Total non-current assets		72,489	72,216	85,110	87,764
Current assets					
Inventories	7	33,413	31,204	-	-
Current tax assets		168	1,400	81	74
Trade and other receivables	8	16,740	17,703	36	1,008
Short-term cash investments	9	41,469	21,186	19,754	17,671
Cash and bank balances	10	14,411	26,231	27	33
Total current assets		106,201	97,724	19,898	18,786
TOTAL ASSETS		178,690	169,940	105,008	106,550
EQUITY AND LIABILITIES					
Share capital	11	103,553	103,553	103,553	103,553
Other reserves	12	1,230	882	-	-
Merger deficit	13	(54,067)	(54,067)	-	-
Retained earnings		90,646	86,181	1,399	2,936
Equity attributable to owners of the Company		141,362	136,549	104,952	106,489
Non-controlling interests		91	409	-	-
TOTAL EQUITY		141,453	136,958	104,952	106,489

STATEMENTS OF **FINANCIAL POSITION**

As at 31 December 2023

cont'd

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-current liabilities					
Loans and borrowings	14	11,215	10,217	-	-
Lease liabilities	15	275	40	-	-
Deferred income	16	588	1,217	-	-
Deferred tax liabilities	5	6,418	7,108	-	-
Total non-current liabilities		18,496	18,582	-	-
Current liabilities					
Loans and borrowings	14	6,619	7,510	-	-
Lease liabilities	15	395	236	-	-
Deferred income	16	629	770	-	-
Current tax liabilities		378	160	-	-
Trade and other payables	17	10,720	5,669	56	61
Contract liabilities	18	-	52	-	-
Derivative financial liabilities	19	-	3	-	-
Total current liabilities		18,741	14,400	56	61
TOTAL LIABILITIES		37,237	32,982	56	61
TOTAL EQUITY AND LIABILITIES		178,690	169,940	105,008	106,550

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

STATEMENTS OF **COMPREHENSIVE INCOME**

For the Financial Year Ended 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	20	89,538	88,737	4,463	3,999
Cost of sales		(56,578)	(56,331)	-	-
Gross profit		32,960	32,406	4,463	3,999
Other income	21	2,371	2,053	407	302
Selling and distribution expenses		(7,188)	(6,997)	-	-
Administrative expenses		(19,207)	(17,049)	(617)	(625)
(Impairment loss)/Reversal of impairment on trade receivables		(5)	17	-	-
Other expenses		-	-	(3,834)	-
Profit from operations		8,931	10,430	419	3,676
Finance income	22	654	391	231	259
Finance costs	23	(1,138)	(916)	-	-
Profit before tax	24	8,447	9,905	650	3,935
Income tax expense	26	(2,165)	(1,713)	(52)	(56)
Profit for the financial year		6,282	8,192	598	3,879
Other comprehensive income/(loss), net of tax					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign subsidiaries		348	(58)	-	-
Other comprehensive income/(loss) for the financial year		348	(58)	-	-
Total comprehensive income for the financial year		6,630	8,134	598	3,879
Profit for the financial year attributable to:					
Owners of the Company		6,600	8,190	598	3,879
Non-controlling interests		(318)	2	-	-
		6,282	8,192	598	3,879

STATEMENTS OF **COMPREHENSIVE INCOME**

For the Financial Year Ended 31 December 2023

cont'd

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Total comprehensive income attributable to:					
Owners of the Company		6,948	8,132	598	3,879
Non-controlling interests		(318)	2	-	-
		6,630	8,134	598	3,879
Earnings per share attributable to ordinary shareholders (sen)					
Basic earnings per share	27	2.01	2.49		
Diluted earnings per share	27	2.01	2.49		

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

STATEMENTS OF **CHANGES IN EQUITY**

For the Financial Year Ended 31 December 2023

Group	Note	← Attributable to owners of the Company →						Non-controlling interests	Total equity
		Share capital	Exchange reserve	PRC statutory reserve	Merger deficit	Retained earnings	Sub-total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2022		103,553	732	208	(54,067)	80,783	131,209	407	131,616
Total comprehensive (loss)/ income for the financial year									
Profit for the financial year		-	-	-	-	8,190	8,190	2	8,192
Other comprehensive loss for the financial year		-	(58)	-	-	-	(58)	-	(58)
Total comprehensive (loss)/ income		-	(58)	-	-	8,190	8,132	2	8,134
Transaction with owners									
Dividends paid	28	-	-	-	-	(2,792)	(2,792)	-	(2,792)
Total transaction with owners		-	-	-	-	(2,792)	(2,792)	-	(2,792)
At 31 December 2022		103,553	674	208	(54,067)	86,181	136,549	409	136,958

STATEMENTS OF **CHANGES IN EQUITY**

For the Financial Year Ended 31 December 2023

cont'd

Group	Note	← Attributable to owners of the Company →					Sub-total	Non-controlling interests	Total equity
		Share capital	Exchange reserve	PRC statutory reserve	Merger deficit	Retained earnings			
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2023		103,553	674	208	(54,067)	86,181	136,549	409	136,958
Total comprehensive income/ (loss) for the financial year									
Profit for the financial year		-	-	-	-	6,600	6,600	(318)	6,282
Other comprehensive income for the financial year		-	348	-	-	-	348	-	348
Total comprehensive income/ (loss)		-	348	-	-	6,600	6,948	(318)	6,630
Transaction with owners									
Dividends paid	28	-	-	-	-	(2,135)	(2,135)	-	(2,135)
Total transaction with owners		-	-	-	-	(2,135)	(2,135)	-	(2,135)
At 31 December 2023		103,553	1,022	208	(54,067)	90,646	141,362	91	141,453

STATEMENTS OF **CHANGES IN EQUITY**For the Financial Year Ended 31 December 2023
cont'd

Company	Note	Share capital RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2022		103,553	1,849	105,402
Total comprehensive income for the financial year				
Profit for the financial year		-	3,879	3,879
Transaction with owners				
Dividends paid	28	-	(2,792)	(2,792)
At 31 December 2022		103,553	2,936	106,489
Total comprehensive income for the financial year				
Profit for the financial year		-	598	598
Transaction with owners				
Dividends paid	28	-	(2,135)	(2,135)
At 31 December 2023		103,553	1,399	104,952

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

STATEMENTS OF **CASH FLOWS**

For the Financial Year Ended 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from operating activities					
Profit before tax		8,447	9,905	650	3,935
Adjustments for:					
Dividend income		-	-	(4,463)	(3,999)
Depreciation of property, plant and equipment	3	9,529	8,909	-	-
Depreciation of right-of-use assets	4	436	538	-	-
Property, plant and equipment written off	3	1	3	-	-
Gain on disposal of property, plant and equipment		-	(457)	-	-
Government grant amortisation		(770)	(770)	-	-
Gain on termination of lease		(2)	-	-	-
Impairment loss on investment in subsidiaries	6	-	-	3,834	-
Impairment loss/(Reversal of impairment) on trade receivables	8	5	(17)	-	-
Allowances for slow-moving inventories	7(d)	511	296	-	-
Inventories written off		35	-	-	-
Finance costs		1,138	916	-	-
Finance income		(654)	(391)	(231)	(259)
Net gain on unrealised foreign exchange		(247)	(235)	(176)	(135)
Net fair value (gain)/loss on derivatives		(3)	24	-	-
Operating profit/(loss) before changes in working capital		18,426	18,721	(386)	(458)
<u>Changes in working capital:</u>					
Inventories		(2,755)	(2,211)	-	-
Trade and other receivables		1,042	2,262	9	10
Trade and other payables		937	(5,005)	(5)	10
Contract liabilities		(52)	(186)	-	-
Cash generated from/(used in) operations		17,598	13,581	(382)	(438)
Income tax refunded		536	2	-	-
Income tax paid		(2,007)	(2,415)	(58)	(70)
Interest paid		(70)	(60)	-	-
Interest received		157	75	1	1
Dividends received		-	-	4,463	3,999
Net cash from operating activities		16,214	11,183	4,024	3,492

STATEMENTS OF **CASH FLOWS**

For the Financial Year Ended 31 December 2023
cont'd

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment	(a)	(5,356)	(11,440)	-	-
Proceeds from disposal of property, plant and equipment		-	457	-	-
Advances to subsidiaries		-	-	(217)	(14,553)
Net changes in short-term cash investments		(19,889)	13,302	(1,908)	13,603
Short-term cash investment income		497	316	230	258
Net cash (used in)/from investing activities		(24,748)	2,635	(1,895)	(692)
Cash flows from financing activities					
	(c)				
Net repayment of bankers' acceptances		(1,103)	(2,555)	-	-
Drawdown of revolving credit		1,200	800	-	-
Payment of lease liabilities		(431)	(540)	-	-
Drawdown of term loans		3,922	-	-	-
Repayment of term loans		(3,948)	(4,988)	-	-
Interest paid		(1,068)	(856)	-	-
Repayment of hire purchase		(66)	(69)	-	-
Dividends paid		(2,135)	(2,792)	(2,135)	(2,792)
Net cash used in financing activities		(3,629)	(11,000)	(2,135)	(2,792)
Net (decrease)/increase in cash and cash equivalents		(12,163)	2,818	(6)	8
Cash and cash equivalents at the beginning of the financial year		26,231	23,470	33	25
Effect of exchange differences on translation		343	(57)	-	-
Cash and cash equivalents at the end of the financial year	10	14,411	26,231	27	33

STATEMENTS OF **CASH FLOWS**

For the Financial Year Ended 31 December 2023

cont'd

- (a) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Note	Group	
		2023 RM'000	2022 RM'000 (Restated)
Purchase of property, plant and equipment	3	9,341	12,032
Financed by way of hire purchase arrangements		-	(353)
Less: Balance payable		(3,985)	(239)
Cash payments on purchase of property, plant and equipment		5,356	11,440

- (b) Total cash outflows for leases

During the financial year, the Group had total cash outflows for leases of RM777,091 (2022: RM852,203).

- (c) Reconciliation of changes in liabilities arising from financing activities are as follows:

Group	← Non-cash items →				
	1.1.2023 RM'000	Cash flows RM'000	Acquisition RM'000	Foreign exchange movement RM'000	31.12.2023 RM'000
Term loans	13,178	(26)	-	56	13,208
Hire purchase	309	(66)	-	-	243
Lease liabilities	276	(431)	816	9	670
Bankers' acceptances	2,440	(1,103)	-	46	1,383
Revolving credits	1,800	1,200	-	-	3,000
	18,003	(426)	816	111	18,504

Group	← Non-cash items →				
	1.1.2022 RM'000	Cash flows RM'000	Acquisition RM'000	Foreign exchange movement RM'000	31.12.2022 RM'000
Term loans	18,148	(4,988)	-	18	13,178
Hire purchase	25	(69)	353	-	309
Lease liabilities	567	(540)	242	7	276
Bankers' acceptances	5,019	(2,555)	-	(24)	2,440
Revolving credits	1,000	800	-	-	1,800
	24,759	(7,352)	595	1	18,003

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

NOTES TO THE **FINANCIAL STATEMENTS**

1. CORPORATE INFORMATION

HPMT Holdings Berhad (“the Company”) is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 5, Tower 8, Avenue 5, Horizon 2, 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 6.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 9 April 2024.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Adoption of new MFRS, amendments to MFRSs and explanation of change in accounting policy

(a) Adoption of new MFRS and amendments to MFRSs

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

New MFRS

MFRS 17	Insurance Contracts
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Amendments to MFRSs

MFRS 101	Presentation of Financial Statements
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MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
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MFRS 112	Income Taxes
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The adoption of the above new MFRS and amendments 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 as discussed below.

Amendments to MFRS 101 Presentation of Financial Statements

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.

Accordingly, the Group and the Company disclosed their material accounting policy information in these financial statements. However, the amendments did not result in changes to the accounting policies of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION *cont'd*

2.3 Amendments to MFRSs that have been issued, but yet to be effective

- (a) The Group and the Company have not adopted the following amendments to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>Amendments to MFRSs</u>		
MFRS 7	Financial Instruments: Disclosures	1 January 2024
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
MFRS 107	Statements of Cash Flows	1 January 2024
MFRS 121	The Effects of Changes in Foreign Exchange Rate	1 January 2025
MFRS 128	Investments in Associates and Joint Ventures	Deferred

- (b) The Group and the Company plan to adopt the above applicable amendments to MFRSs when they become effective. The initial application of the above applicable amendments to MFRSs is not expected to have material impact to the current and prior years 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 Group'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.

2.6 Basis of consolidation

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 subsidiaries of the Company are accounted for using the merger method of accounting as these entities are ultimately controlled by the same party both before and after the business combination. Under the merger method of accounting, 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.

Accordingly, the consolidated financial statements of the Company are a continuation of the acquired entities and is accounted for as follows:

- the assets and liabilities of the acquired entities are recognised and measured at the pre-combination carrying amounts;
- the retained earnings and other equity balances of acquired entities immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the 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. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Buildings	Plant and machinery	Office and factory equipment and furniture and fittings	Motor vehicles	Computer and software	Electrical installations and renovation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2023								
Cost								
At 1 January 2023	15,140	12,860	118,133	2,801	1,473	3,088	4,356	157,851
Additions	-	-	8,626	491	-	224	-	9,341
Written off	-	-	-	(4)	-	(11)	-	(15)
Exchange differences	-	-	(1)	26	8	-	-	33
At 31 December 2023	15,140	12,860	126,758	3,314	1,481	3,301	4,356	167,210
Accumulated depreciation								
At 1 January 2023	-	1,982	76,092	2,016	1,092	2,261	2,656	86,099
Depreciation charge for the financial year	-	257	8,456	166	90	249	311	9,529
Written off	-	-	-	(3)	-	(11)	-	(14)
Exchange differences	-	-	-	22	6	-	-	28
At 31 December 2023	-	2,239	84,548	2,201	1,188	2,499	2,967	95,642
Carrying amount								
At 31 December 2023	15,140	10,621	42,210	1,113	293	802	1,389	71,568

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

Group	Freehold land	Buildings	Plant and machinery	Office and factory equipment	Motor vehicles	Computer and software	Electrical installations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022								
Cost								
At 1 January 2022	15,140	12,860	108,636	2,576	2,058	2,500	3,177	146,947
- As previously reported	-	-	-	-	339	-	-	339
- Reclassification (Note 35)	-	-	-	-	-	-	-	-
- As reclassified	15,140	12,860	108,636	2,576	2,397	2,500	3,177	147,286
Additions	-	-	9,523	227	430	679	1,173	12,032
Disposals	-	-	-	-	(1,343)	(85)	-	(1,428)
Written off	-	-	(26)	(1)	-	(5)	-	(32)
Reclassification	-	-	-	(6)	-	-	6	-
Exchange differences	-	-	-	5	(11)	(1)	-	(7)
At 31 December 2022	15,140	12,860	118,133	2,801	1,473	3,088	4,356	157,851
Accumulated depreciation								
At 1 January 2022	-	-	-	-	-	-	-	-
- As previously reported	-	1,724	68,225	1,871	2,027	2,133	2,355	78,335
- Reclassification (Note 35)	-	-	-	-	319	-	-	319
- As reclassified	-	1,724	68,225	1,871	2,346	2,133	2,355	78,654
Depreciation charge for the financial year	-	258	7,891	143	99	219	299	8,909
Disposals	-	-	-	-	(1,343)	(85)	-	(1,428)
Written off	-	-	(24)	(1)	-	(4)	-	(29)
Reclassification	-	-	-	(2)	-	-	2	-
Exchange differences	-	-	-	5	(10)	(2)	-	(7)
At 31 December 2022	-	1,982	76,092	2,016	1,092	2,261	2,656	86,099
Carrying amount								
At 31 December 2022	15,140	10,878	42,041	785	381	827	1,700	71,752

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

(a) Material accounting policy information

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, if any.

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

(b) Assets pledged as security

Freehold land and buildings and plant and machinery with an aggregate carrying amount of RM25,761,233 (2022: RM26,018,433) and RM8,270,408 (2022: RM10,481,926) respectively have been pledged as security to secure loans and borrowings of the Group as disclosed in Note 14.

Motor vehicles with carrying amount of RM262,892 (2022: RM351,721) are under hire purchase arrangements as disclosed in Note 14.

4. RIGHT-OF-USE ASSETS

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

	Buildings RM'000	Group Motor vehicles RM'000	Total RM'000
Cost			
At 1 January 2023	1,053	-	1,053
Derecognition upon expiry of lease	(400)	-	(400)
Additions	810	97	907
Termination of lease	(220)	-	(220)
Exchange differences	32	3	35
At 31 December 2023	1,275	100	1,375

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

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

	Buildings RM'000	Group Motor vehicles RM'000	Total RM'000
Accumulated depreciation			
At 1 January 2023	768	-	768
Derecognition upon expiry of lease	(400)	-	(400)
Depreciation charge for the financial year	418	18	436
Termination of lease	(128)	-	(128)
Exchange differences	22	1	23
At 31 December 2023	680	19	699
Carrying amount			
At 31 December 2023	595	81	676

	Buildings RM'000	Group Motor vehicles RM'000	Total RM'000
Cost			
At 1 January 2022			
- As previously reported	1,739	434	2,173
- Reclassification	-	(339)	(339)
At 1 January 2022, as reclassified	1,739	95	1,834
Derecognition upon expiry of lease	(957)	(93)	(1,050)
Additions	242	-	242
Exchange differences	29	(2)	27
At 31 December 2022	1,053	-	1,053
Accumulated depreciation			
At 1 January 2022			
- As previously reported	1,165	414	1,579
- Reclassification	-	(319)	(319)
At 1 January 2022, as reclassified	1,165	95	1,260
Derecognition upon expiry of lease	(957)	(93)	(1,050)
Depreciation charge for the financial year	538	-	538
Exchange differences	22	(2)	20
At 31 December 2022	768	-	768
Carrying amount			
At 31 December 2022	285	-	285

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

(a) Material accounting policy information

The right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities. The right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term.

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.

- (b) The Group leases building premises for use as its office space and staff hostel and motor vehicles for operation use. The leases which including renewal period generally have lease terms between 2 to 4 years (2022: 2 to 4 years).

5. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2023 RM'000	2022 RM'000
At 1 January	(6,929)	(6,286)
Recognised in profit or loss (Note 26)	756	(643)
At 31 December	(6,173)	(6,929)

Presented after appropriate offsetting as follows:

	Group	
	2023 RM'000	2022 RM'000
Deferred tax assets	245	179
Deferred tax liabilities	(6,418)	(7,108)
	(6,173)	(6,929)

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

	At 1 January 2022 RM'000	Recognised in profit or loss RM'000	At 31 December 2022 RM'000	Recognised in profit or loss RM'000	At 31 December 2023 RM'000
Group					
Difference between the carrying amounts of property, plant and equipment and their tax base	(7,266)	(609)	(7,875)	931	(6,944)
Deductible temporary differences in respect of expenses	596	(1)	595	(497)	98
Unutilised tax losses	43	-	43	(43)	-
Unabsorbed capital allowances	341	(33)	308	365	673
	(6,286)	(643)	(6,929)	756	(6,173)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2023	2022
	RM'000	RM'000
Unutilised tax losses	3,135	2,109
Unabsorbed capital allowances	-	1,291
Deductible temporary differences	(48)	(1,155)
	3,087	2,245

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

	Group	
	2023	2022
	RM'000	RM'000
2028	176	176
2034	586	-
	762	176

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2023	2022
	RM'000	RM'000
Unquoted shares, at cost		
At 1 January	87,764	74,174
Subscription of ordinary shares in a subsidiary	1,180	13,590
At 31 December	88,944	87,764
Less: Accumulated impairment losses	(3,834)	-
	85,110	87,764

Movements in accumulated impairment losses are as follows:

	Company	
	2023	2022
	RM'000	RM'000
At 1 January	-	-
Recognised during the year (Note 24)	3,834	-
At 31 December	3,834	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

6. INVESTMENT IN SUBSIDIARIES *cont'd*

During the financial year, the impairment loss of RM3,834,000 was recognised within other expenses line in profit or loss of the Company to write down the carrying amount to the recoverable amount of the subsidiary which was impacted by the adverse economic condition in the country it operates in. The recoverable amount was determined based on value-in-use applying pre-tax discount rate of 11% (2022: Nil).

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Ownership interest and voting interest		Principal activities
		2023 %	2022 %	
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
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 independent member firm of Baker Tilly International.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

6. INVESTMENT IN SUBSIDIARIES *cont'd*

(a) Material accounting policy information

In the Company's statement of financial position, investments in subsidiaries are measured at cost less any accumulated impairment losses.

(b) Significant accounting judgements, estimates and assumptions

The Company assesses impairment of its investment in subsidiaries whenever the events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Where such indication exists, the Company determines the recoverable amount based on present value of the estimated future cash flows expected to be generated by the subsidiaries. In estimating the present value of the estimated cash flows, the Company applies a suitable discount rate and make assumptions underlying the cash flow projections such as future revenue, gross profit margin and operating expenses.

Cash flows projected based on those inputs or assumptions may have a significant effect on the Company's financial positions and results if the actual cash flows are less than expected.

(c) Subscription of ordinary shares in a subsidiary

The Company subscribed for 1,180,000 (2022: 13,590,000) ordinary shares in HPMT Industries Sdn. Bhd. ("HPMT Industries") for a total consideration of RM1,180,000 (2022: RM13,590,000) via capitalisation of advances given to HPMT Industries.

(d) Non-controlling interests in a subsidiary

The Group does not have any material non-controlling interests.

7. INVENTORIES

	Group	
	2023	2022
	RM'000	RM'000
Raw materials	6,943	8,002
Work-in-progress	1,826	2,495
Finished goods	25,056	20,677
Consumable goods	1,642	1,568
Less: Allowance for slow-moving inventories	(2,054)	(1,538)
	33,413	31,204

(a) Material accounting policy information

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

7. INVENTORIES *cont'd*

(b) Significant accounting judgements, estimates and assumptions

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.

- (c) The cost of inventories of the Group recognised as expense in cost of sales during the financial year was RM53,222,992 (2022: RM53,783,772).
- (d) 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 RM511,079 (2022: RM296,281).

8. TRADE AND OTHER RECEIVABLES

	Note	2023 RM'000	2022 RM'000
Group			
Trade receivables			
Trade receivables	(a)	15,910	14,890
Less: Allowance for impairment losses		(6)	(1)
		15,904	14,889
Other receivables			
Other receivables		97	136
Advance payments to suppliers		7	1,715
GST refundable		4	4
Deposits		130	130
Prepayments		598	829
		836	2,814
		16,740	17,703
Company			
Other receivables			
Amount due from a subsidiary	(b)	6	969
Deposits		5	5
Prepayments		25	34
		36	1,008

NOTES TO THE FINANCIAL STATEMENTS

cont'd

8. TRADE AND OTHER RECEIVABLES *cont'd*

(a) Trade receivables

Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranges from 30 to 120 days (2022: 30 to 120 days) from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

	Group	
	2023 RM'000	2022 RM'000
At 1 January	1	33
Charge for the financial year		
- individually assessed	6	-
Reversal of impairment loss	(1)	(17)
Written off	-	(15)
At 31 December	6	1

- (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 is disclosed in Note 30(a).

9. SHORT-TERM CASH INVESTMENTS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash management fund with investment management companies	41,469	21,186	19,754	17,671

The short-term cash investments are redeemable with 2 days notice (2022: 2 days notice).

NOTES TO THE FINANCIAL STATEMENTS

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10. CASH AND BANK BALANCES

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	14,411	25,031	27	33
Short term deposits with licensed financial institutions	-	1,200	-	-
	14,411	26,231	27	33

In the previous financial year, the short term deposits have maturity period of 16 days and earn interest at rate of 1.5% per annum.

11. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2023	2022	2023	2022
	Unit'000	Unit'000	RM'000	RM'000
Issued and fully paid up (No par value):				
At 1 January/31 December	328,489	328,489	103,553	103,553

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.

12. OTHER RESERVES

	Note	Group	
		2023	2022
		RM'000	RM'000
Exchange reserve	(a)	1,022	674
PRC statutory reserve	(b)	208	208
		1,230	882

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

12. OTHER RESERVES *cont'd*

(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.

13. 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.

14. LOANS AND BORROWINGS

	Note	Group	
		2023 RM'000	2022 RM'000
Non-current			
Term loans	(a), (b)	11,034	9,974
Hire purchase payables	(b)	181	243
		11,215	10,217
Current			
Term loans	(a), (b)	2,174	3,204
Bankers' acceptances	(a), (b)	1,383	2,440
Hire purchase payables	(b)	62	66
Bank overdraft	(a), (b)	*	-
Revolving credits	(a), (b)	3,000	1,800
		6,619	7,510
		17,834	17,727
Total loans and borrowings			
Term loans	(a), (b)	13,208	13,178
Bankers' acceptances	(a), (b)	1,383	2,440
Hire purchase payables	(b)	243	309
Bank overdraft	(a), (b)	*	-
Revolving credits	(a), (b)	3,000	1,800
		17,834	17,727

* RM98

NOTES TO THE FINANCIAL STATEMENTS

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14. LOANS AND BORROWINGS *cont'd*

	Group	
	2023	2022
	RM'000	RM'000
Repayable terms		
- not later than one year	6,619	7,510
- later than one year and not later than five years	6,801	4,933
- later than five years	4,414	5,284
	17,834	17,727

(a) The loans and borrowings are secured by:

- (i) legal charge over the property, plant and equipment as disclosed in Note 3; and/or
- (ii) corporate guarantee from the Company.

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

	Group	
	2023	2022
	%	%
Term loans	5.88 - 6.69	3.62 - 5.24
Bankers' acceptances	3.93 - 5.02	4.05 - 4.79
Revolving credits	5.15 - 6.91	6.02 - 6.59
Hire purchase payables	3.86 - 4.11	3.86 - 4.68
Bank overdraft	8.39	-

15. LEASE LIABILITIES

	Group	
	2023	2022
	RM'000	RM'000
Non-current		
Lease liabilities	275	40
Current		
Lease liabilities	395	236
	670	276

NOTES TO THE FINANCIAL STATEMENTS

cont'd

15. LEASE LIABILITIES *cont'd*

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

	Group	
	2023	2022
	RM'000	RM'000
Minimum lease payments:		
Not later than one year	414	240
Later than one year and not later than five years	282	40
	696	280
Less: Future finance charges	(26)	(4)
Present value of minimum lease payments	670	276
Present value of minimum lease payments:		
Not later than one year	395	236
Later than one year and not later than five years	275	40
	670	276
Less: Amount due within twelve months	(395)	(236)
Amount due after twelve months	275	40

16. DEFERRED INCOME

	Group	
	2023	2022
	RM'000	RM'000
Non-current		
Government grants:		
At 1 January	1,217	1,987
Less: Amount to be recognised within next twelve months	(629)	(770)
At 31 December	588	1,217
Current		
Government grants:		
At 1 January	770	770
Recognised in profit or loss (Note 21)	(770)	(770)
Add: Amount to be recognised within next twelve months	629	770
At 31 December	629	770
	1,217	1,987

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

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17. TRADE AND OTHER PAYABLES

	2023	2022
	RM'000	RM'000
Group		
Trade		
Trade payables	2,307	1,347
Non-trade		
Other payables	5,688	2,065
Sales and service tax ("SST") payable	83	121
Accruals	2,642	2,136
	8,413	4,322
	10,720	5,669
Company		
Accruals	56	61

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 120 days (2022: 30 to 120 days).

For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 30(b).

18. CONTRACT LIABILITIES

	Group	
	2023	2022
	RM'000	RM'000
Advances received from contract customers for sale of goods	-	52

Significant changes in contract balances:

	Group	
	2023	2022
	RM'000	RM'000
Revenue recognised that was included in contract liabilities at the beginning of the financial year	(52)	(238)
Increased due to cash received from customers, but revenue not recognised	-	52

NOTES TO THE **FINANCIAL STATEMENTS**

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19. DERIVATIVE FINANCIAL LIABILITIES

	Group	
	2023	2022
	RM'000	RM'000
Derivatives used for hedging:		
Forward foreign exchange contracts		
- sell contracts	-	3

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.

20. REVENUE

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Revenue from contract customers:				
Sale of goods	87,583	85,917	-	-
Services rendered	1,955	2,820	-	-
	89,538	88,737	-	-
Revenue from other source:				
Dividend income	-	-	4,463	3,999
	89,538	88,737	4,463	3,999

(a) Material accounting policy information

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.

(i) 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 goods are delivered to the customer based on the agreed term.

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.

(ii) Rendering of services

Revenue from rendering of services is recognised at a point in time when service is rendered to the customer.

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.

(iii) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

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20. REVENUE *cont'd*

(b) 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 RM'000	Trading RM'000	Coating RM'000	Total RM'000
Group				
2023				
Major goods or services:				
Standard tools	62,566	-	-	62,566
Special tools	22,227	-	-	22,227
Indexable inserts, tool holding systems and CNC machines	-	2,790	-	2,790
Coating services	-	-	1,955	1,955
	84,793	2,790	1,955	89,538
2022				
Major goods or services:				
Standard tools	57,707	-	-	57,707
Special tools	21,600	-	-	21,600
Indexable inserts, tool holding systems and CNC machines	-	6,610	-	6,610
Coating services	-	-	2,820	2,820
	79,307	6,610	2,820	88,737

	Group	
	2023 RM'000	2022 RM'000
Timing of revenue recognition:		
At a point in time	89,538	88,737

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS

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21. OTHER INCOME

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Government grant amortisation (Note 16)	770	770	-	-
Gain on disposal of property, plant and equipment	-	457	-	-
Net realised foreign exchange gain	1,260	71	231	167
Net unrealised foreign exchange gain	247	235	176	135
Net fair value gain/(loss) on derivatives	3	(24)	-	-
Sundry income	91	544	-	-
	2,371	2,053	407	302

22. FINANCE INCOME

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Income from short-term cash investments	497	316	230	258
Interest income	157	75	1	1
	654	391	231	259

23. FINANCE COSTS

	Group	
	2023	2022
	RM'000	RM'000
Commitment fees	42	39
Interest expenses on:		
- term loans	820	619
- hire purchase payables	8	8
- bankers' acceptances	84	158
- bank overdrafts	8	-
- letter of credit	1	-
- revolving credits	147	71
- lease liabilities	28	21
	1,138	916

NOTES TO THE FINANCIAL STATEMENTS

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24. PROFIT BEFORE TAX

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

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- statutory audit				
- Baker Tilly Monteiro Heng PLT ("BTMH")	195	186	80	77
- Member firms of Baker Tilly International ("BTI")	183	179	-	-
- other services				
- BTMH	10	10	10	10
- Member firms of BTI	22	15	1	1
Depreciation of property, plant and equipment	9,529	8,909	-	-
Depreciation of right-of-use assets	436	538	-	-
Gain on termination of lease	(2)	-	-	-
Property, plant and equipment written off	1	3	-	-
Employee benefits expense (Note 25)	28,544	26,059	318	318
Expense relating to short-term lease	317	291	-	-
Expense relating to lease of low value assets	-	1	-	-
Impairment loss/(Reversal of impairment) on trade receivables	5	(17)	-	-
Allowance for slow-moving inventories	511	296	-	-
Inventories written off	35	-	-	-
Impairment loss on investment in subsidiaries	-	-	3,834	-

25. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	20,739	19,403	14	15
Defined contribution plan	2,638	2,350	-	-
Other staff related expenses	4,719	3,857	16	-
Directors' fees	414	429	288	303
Benefits-in-kind	34	20	-	-
	28,544	26,059	318	318

NOTES TO THE FINANCIAL STATEMENTS

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25. EMPLOYEE BENEFITS EXPENSE *cont'd*

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Directors of the Company				
Executive directors				
- fees	72	72	-	-
- other emoluments	1,352	1,316	-	-
- benefits-in-kind	21	19	-	-
	1,445	1,407	-	-
Non-executive directors				
- fees	288	303	288	303
- other emoluments	14	15	14	15
	302	318	302	318
Directors of subsidiaries				
Executive directors				
- fees	54	54	-	-
- other emoluments	1,877	2,344	-	-
- benefits-in-kind	13	1	-	-
	1,944	2,399	-	-
	3,691	4,124	302	318

26. INCOME TAX EXPENSE

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current tax expense:				
Malaysian income tax:				
- current financial year	2,547	1,168	50	56
- under/(over) provision in prior financial year	374	(120)	2	-
	2,921	1,048	52	56
Foreign income tax:				
- current financial year	-	22	-	-
	2,921	1,070	52	56

NOTES TO THE FINANCIAL STATEMENTS

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26. INCOME TAX EXPENSE *cont'd*

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Deferred tax (Note 5):				
Origination of temporary differences	(714)	785	-	-
- over provision in prior financial year	(42)	(142)	-	-
	(756)	643	-	-
Income tax expense recognised in profit or loss	2,165	1,713	52	56

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2022: 24%) of the estimated taxable profit for the financial year. Taxation for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

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

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Profit before tax	8,447	9,905	650	3,935
Tax at Malaysian statutory income tax rate of 24% (2022: 24%)	2,027	2,377	156	944
Tax effects arising from:				
- different tax rates in foreign jurisdictions	40	81	-	-
- non-deductible expenses	721	802	1,063	144
- non-taxable income	(403)	(277)	(1,169)	(1,032)
- tax incentives	(754)	(1,049)	-	-
- deferred tax assets not recognised	202	41	-	-
Under/(Over) provision in prior years:				
- current tax	374	(120)	2	-
- deferred tax	(42)	(142)	-	-
Income tax expense for the financial year	2,165	1,713	52	56

NOTES TO THE **FINANCIAL STATEMENTS**

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27. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY**(a) Basic earnings per ordinary share**

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

	2023 RM'000	2022 RM'000
Profit attributable to owners/ordinary shareholders of the Company	6,600	8,190
	2023 Unit'000	2022 Unit'000
Weighted average number of ordinary shares	328,489	328,489
	2023 Sen	2022 Sen
Basic earnings per ordinary share	2.01	2.49

(b) Diluted earnings per ordinary share

The diluted earnings per share of the Group for the financial years ended 31 December 2023 and 2022 is equal to the basic earnings per share of the Group as there were no potential dilutive ordinary shares in issue.

28. DIVIDENDS

	Group and Company	
	2023 RM'000	2022 RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
- Special single-tier interim dividend for the financial year ended 31 December 2021 of 0.35 sen per ordinary share	-	1,150
- First single-tier interim dividend for the financial year ended 31 December 2022 of 0.50 sen per ordinary share	-	1,642
- Second single-tier interim dividend for the financial year ended 31 December 2022 of 0.35 sen per ordinary share	1,150	-
- First single-tier interim dividend for the financial year ended 31 December 2023 of 0.30 sen per ordinary share	985	-
	2,135	2,792

On 26 February 2024, the Company declared a second single-tier interim dividend of 0.35 sen per ordinary share amounting to RM1,149,712 in respect of the financial year ended 31 December 2023, which was paid on 8 April 2024. 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 2024.

NOTES TO THE FINANCIAL STATEMENTS

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29. 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 ("FVPL")
- (ii) Amortised cost ("AC")

	FVPL RM'000	AC RM'000	Total RM'000
Group			
2023			
Financial assets			
Trade and other receivables *	-	16,131	16,131
Cash and bank balances	-	14,411	14,411
Short-term cash investments	41,469	-	41,469
	41,469	30,542	72,011
Financial liabilities			
Trade and other payables #	-	(10,637)	(10,637)
Loans and borrowings	-	(17,834)	(17,834)
	-	(28,471)	(28,471)
2022			
Financial assets			
Trade and other receivables *	-	15,155	15,155
Cash and bank balances	-	26,231	26,231
Short-term cash investments	21,186	-	21,186
	21,186	41,386	62,572
Financial liabilities			
Trade and other payables #	-	(5,548)	(5,548)
Derivative financial liabilities	(3)	-	(3)
Loans and borrowings	-	(17,727)	(17,727)
	(3)	(23,275)	(23,278)

* Exclude advance payments to suppliers, GST refundable and prepayments

Exclude SST payable

NOTES TO THE **FINANCIAL STATEMENTS**

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29. 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*

	FVPL RM'000	AC RM'000	Total RM'000
Company			
2023			
Financial assets			
Amount due from a subsidiary	-	6	6
Deposits	-	5	5
Cash and bank balances	-	27	27
Short-term cash investments	19,754	-	19,754
	19,754	38	19,792
Financial liability			
Accruals	-	(56)	(56)
2022			
Financial assets			
Amount due from a subsidiary	-	969	969
Deposits	-	5	5
Cash and bank balances	-	33	33
Short-term cash investments	17,671	-	17,671
	17,671	1,007	18,678
Financial liability			
Accruals	-	(61)	(61)

30. 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 overall financial risk management objective is to optimise value for its 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.

NOTES TO THE **FINANCIAL STATEMENTS**

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

(a) 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 their operating activities (primarily trade receivables) and from their investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group has 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 worthiness of a customer is assessed based on a set of evaluation criteria and individual credit limits are defined in accordance with this assessment.

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.

At the end of the reporting period, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI 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. Those events 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, including a default event;
- a concession or restructuring of loans granted by the lender of the counterparty relating to the counterparty's financial difficulty; or
- it is probable that the counterparty will enter bankruptcy or other financial reorganisation.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

(a) Credit risk *cont'd*

Trade receivables *cont'd*

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 a single (2022: single) customer which represents 16% (2022: 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, which were estimated to be insignificant to the Group. 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 incorporates 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 2023 and 31 December 2022 are as follows:

Group	Gross carrying amount RM'000	ECL allowance RM'000	Net balance RM'000
2023			
Current	12,917	-	12,917
1 - 30 days past due	2,208	-	2,208
31 - 60 days past due	304	-	304
61 - 90 days past due	376	-	376
91 - 120 days past due	13	-	13
> 120 days past due	86	-	86
Credit impaired:			
- Individually assessed	6	(6)	-
	15,910	(6)	15,904
2022			
Current	11,327	-	11,327
1 - 30 days past due	2,921	-	2,921
31 - 60 days past due	475	-	475
61 - 90 days past due	151	-	151
91 - 120 days past due	8	-	8
> 120 days past due	7	-	7
Credit impaired:			
- Individually assessed	1	(1)	-
	14,890	(1)	14,889

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

(a) Credit risk *cont'd*

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.

Some intercompany balances between entities within the Group comprise loans or advances which are repayable on demand. The Company regularly monitors the financial performance and position of these entities on an individual basis. When these entities' financial performance and position deteriorates significantly, the Company assumes that there is a significant increase in credit risk, and thereby a lifetime expected credit loss assessment is necessary. As the Company is able to determine the timing of repayment of the loans or advances, the Company will consider the loans or advances to be in default when these entities are unable to pay based on the expected manner of recovery and recovery period. The Company determines the probability of default for these loans or advances using internally available information. The Company considers the loans or advances to be credit-impaired when the entities are unlikely to repay their debts.

As at the end of the reporting date, the Group and the Company consider the other receivables and other financial assets as low credit risk and any loss allowance would be negligible.

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 RM17,628,369 (2022: RM22,120,453) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 32(b). 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.

(b) 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 their flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group'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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

(b) 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 based on contractual undiscounted repayment obligations are as follows:

Group	Contractual cash flows				Total RM'000
	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	
2023					
Trade and other payables #	10,637	10,637	-	-	10,637
Term loans	13,208	2,911	8,420	5,141	16,472
Hire purchase payables	243	69	202	-	271
Lease liabilities	670	414	282	-	696
Bankers' acceptances	1,383	1,383	-	-	1,383
Bank overdraft	*	*	-	-	*
Revolving credits	3,000	3,000	-	-	3,000
	29,141	18,414	8,904	5,141	32,459

Group	Contractual cash flows				Total RM'000
	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	
2022					
Trade and other payables #	5,548	5,548	-	-	5,548
Term loans	13,178	3,764	6,195	6,118	16,077
Hire purchase payables	309	74	263	8	345
Lease liabilities	276	240	40	-	280
Bankers' acceptances	2,440	2,440	-	-	2,440
Derivative financial liabilities	3	3	-	-	3
Revolving credits	1,800	1,800	-	-	1,800
	23,554	13,869	6,498	6,126	26,493

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

(b) Liquidity risk *cont'd*

Maturity analysis *cont'd*

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

	Carrying amount RM'000	Contractual cash flows On demand or within one year RM'000
Company		
2023		
Accruals	56	56
Financial guarantee contracts	-	17,628
	56	17,684
2022		
Accruals	61	61
Financial guarantee contracts	-	22,120
	61	22,181

* RM98

Exclude SST payable

(c) 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"), Swiss Franc ("CHF") and Japanese Yen ("JPY").

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

(c) Foreign currency risk *cont'd*

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

	Group	
	2023	2022
	RM'000	RM'000
Financial assets and liabilities not held in functional currencies		
Trade receivables		
USD	3,499	3,180
EUR	7,643	5,829
SGD	14	75
CNY	80	140
	11,236	9,224
Other receivables		
EUR	-	1,715
Cash and bank balances		
USD	1,341	2,812
EUR	5,075	14,260
SGD	73	27
	6,489	17,099
Trade payables		
USD	1,449	297
EUR	257	546
SGD	2	-
JPY	51	-
	1,759	843
Other payables		
USD	41	2
EUR	980	1,132
CHF	3,687	68
	4,708	1,202
Loans and borrowings		
USD	-	2,008
EUR	255	1,945
	255	3,953

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

(c) Foreign currency risk *cont'd*

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	
	2023	2022
	RM'000	RM'000
EUR	-	4,695

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to USD, EUR, CNY, CHF, SGD and JPY.

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

Group	2023		2022	
	Change in rate	Effect on profit for the financial year RM'000	Change in rate	Effect on profit for the financial year RM'000
USD	+5%	127	+5%	140
	-5%	(127)	-5%	(140)
EUR	+5%	426	+5%	691
	-5%	(426)	-5%	(691)
CNY	+5%	3	+5%	5
	-5%	(3)	-5%	(5)
SGD	+5%	3	+5%	4
	-5%	(3)	-5%	(4)
JPY	+5%	2	+5%	-
	-5%	(2)	-5%	-
CHF	+5%	(140)	+5%	(2)
	-5%	140	-5%	2

(d) 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

(d) Interest rate risk *cont'd*

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.

	2023		2022	
	Change in basis points	Effect on profit for the financial year/equity RM'000	Change in basis points	Effect on profit for the financial year/equity RM'000
Group				
Loans and borrowings	+ 50	(68)	+ 50	(67)
	- 50	68	- 50	67

(e) Fair value measurement

The carrying amounts of cash and bank balances, receivables, 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 hire purchase payables is estimated using discounted cash flows analysis, based on current lending rates for similar types of arrangements.

Fair value hierarchy

As at 31 December 2023, the Group held the followings assets/(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				
2023				
Financial asset				
Short-term cash investments	41,469	41,469	-	-
Financial liability				
Hire purchase payables	(246)	-	-	(246)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

(e) Fair value measurement *cont'd*

Assets/(Liabilities) measured at fair value *cont'd*

	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
2022				
Financial asset				
Short-term cash investments	21,186	21,186	-	-
Financial liabilities				
Derivative financial liabilities	(3)	-	(3)	-
Hire purchase payables	(298)	-	-	(298)
Company				
2023				
Financial asset				
Short-term cash investments	19,754	19,754	-	-
2022				
Financial asset				
Short-term cash investments	17,671	17,671	-	-

During the financial years ended 31 December 2023 and 31 December 2022, there was no transfer between fair value measurement hierarchy.

31. COMMITMENT

Capital commitment

The Group has made commitment for the following capital expenditure:

	Group	
	2023 RM'000	2022 RM'000
Capital expenditure in respect of purchase of property, plant and equipment		
- Authorised and contracted for	-	4,701
- Authorised but not contracted for	11,218	17,638
	11,218	22,339

NOTES TO THE FINANCIAL STATEMENTS

cont'd

32. 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) Significant related party transactions and balances

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group	
	2023 RM'000	2022 RM'000
Transactions with companies in which certain directors of the Company are also directors and/or have substantial financial interests:		
- Rental expenses	175	169
Company		
	2023 RM'000	2022 RM'000
Transactions with immediate holding company:		
- Dividends paid	1,365	1,785
Transactions with subsidiaries:		
- Dividends received	4,463	3,999

Information on outstanding balances with related parties of the Company are disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

32. RELATED PARTIES *cont'd*

(c) Compensation of key management personnel

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Salaries, allowances and bonuses	2,919	3,333	14	15
Defined contribution plan	297	315	-	-
Other staff related expenses	27	27	-	-
Directors' fees	414	429	288	303
Benefits-in-kind	34	20	-	-
	3,691	4,124	302	318

33. 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/(loss)

Segment profit is used to measure performance as Group Managing Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on profit after tax of the operating segments.

Segment assets

The total of segment 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 Managing Director.

Segment liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

33. SEGMENT INFORMATION *cont'd*

	Manufacturing		Trading		Coating		Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue:										
Revenue from external customers	84,793	79,307	2,790	6,610	1,955	2,820	-	-	89,538	88,737
Inter-segment revenue (Note a)	15,386	15,410	40	57	1,338	484	(16,764)	(15,951)	-	-
Total segment revenue	100,179	94,717	2,830	6,667	3,293	3,304	(16,764)	(15,951)	89,538	88,737
Results:										
<i>Included in the measure of segment profit are:</i>										
Finance income	605	368	48	20	1	3	-	-	654	391
Finance costs (Note b)	(776)	(790)	(27)	(17)	(338)	(116)	3	7	(1,138)	(916)
Depreciation of property, plant and equipment and right-of-use assets (Note b)	(9,035)	(8,823)	(75)	(83)	(934)	(620)	79	79	(9,965)	(9,447)
Expense relating to short-term lease (Note b)	(310)	(279)	(30)	(35)	-	-	23	23	(317)	(291)
Expense relating to lease of low value assets	-	-	-	-	-	(1)	-	-	-	(1)
Reversal of impairment/(Impairment loss) on trade receivables	1	8	(6)	9	-	-	-	-	(5)	17
Employee benefits expense	(25,293)	(22,573)	(1,758)	(2,288)	(1,493)	(1,198)	-	-	(28,544)	(26,059)
Property, plant and equipment written off	(1)	(3)	-	-	-	-	-	-	(1)	(3)
Allowance for slow-moving inventories	(202)	(172)	(309)	(124)	-	-	-	-	(511)	(296)
Inventories written off	(25)	-	(10)	-	-	-	-	-	(35)	-
Net unrealised foreign exchange gain/(loss)	206	279	(4)	2	45	(46)	-	-	247	235
Net fair value gain/(loss) on derivatives	3	(24)	-	-	-	-	-	-	3	(24)
Government grant amortisation	770	770	-	-	-	-	-	-	770	770
Gain on disposal of property, plant and equipment	-	337	-	120	-	-	-	-	-	457
Income tax expense	(2,189)	(1,261)	(128)	(414)	152	(38)	-	-	(2,165)	(1,713)
Segment profit/(loss) (Note c)	7,633	10,635	449	1,327	(1,273)	10	(527)	(3,780)	6,282	8,192
Assets:										
Additions to non-current assets other than financial instruments and deferred tax assets										
- property, plant and equipment	5,157	11,675	18	237	4,166	120	-	-	9,341	12,032
- right-of-use assets	875	208	32	34	-	-	-	-	907	242
Segment assets	171,598	164,536	-	-	7,092	5,404	-	-	178,690	169,940

NOTES TO THE FINANCIAL STATEMENTS

cont'd

33. SEGMENT INFORMATION *cont'd*

Nature of eliminations to arrive at amounts reported in the consolidated financial statements:

- Inter-segment revenue are eliminated on consolidation.
- Inter-segment transactions are eliminated on consolidation.
- The following items are deducted from/added in segment profit/(loss) to arrive at profit/(loss) before tax:

	2023 RM'000	2022 RM'000
Dividend income	(4,464)	(3,998)
Impairment loss on investment in subsidiaries	3,834	-
Unrealised profit	105	217
Rental income	(2)	1
	(527)	(3,780)

(a) Information about major customers

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

	Segment	Group	
		2023 RM'000	2022 RM'000
Customer A	Manufacturing	13,336	10,207

(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
2023		
Malaysia	11,831	71,528
Europe	52,051	113
Asia (excluding Malaysia)	24,207	603
Others	1,449	-
	89,538	72,244
2022		
Malaysia	18,499	71,692
Europe	43,051	34
Asia (excluding Malaysia)	24,511	311
Others	2,676	-
	88,737	72,037

34. 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 2023 and 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

34. CAPITAL MANAGEMENT *cont'd*

The Group monitors capital using gearing ratio. The gearing ratio is calculated as total loans and borrowings divided by total equity. The gearing ratio of the Group at 31 December 2023 and 31 December 2022 are as follows:

	Note	Group	
		2023 RM'000	2022 RM'000
Loans and borrowings	14	17,834	17,727
Total debts		17,834	17,727
Total equity		141,453	136,958
Gearing ratio		13%	13%

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

35. COMPARATIVE FIGURES

In the previous financial year, plant and machinery and motor vehicles under hire purchase arrangement and the related hire purchase payables of the Group were classified in right-of-use assets and lease liabilities respectively.

During the financial year, the nature of the hire purchase arrangement of the Group was re-assessed, and the plant and machinery and motor vehicles and related hire purchase payables were reclassified as property, plant and equipment and loans and borrowings respectively.

The comparative figures have been reclassified to conform with the current year's presentation. The reclassification have no effect on the profit, cash flows and earnings per share of the Group for the current and previous financial year.

The effects arising for the reclassification are as follows:

	As previously reported RM	Reclassification RM	As reclassified RM
Group			
Statement of Financial Position as at 31 December 2022			
Assets			
Non-current assets			
Property, plant and equipment	71,400	352	71,752
Right-of-use assets	637	(352)	285
Liabilities			
Non-current liabilities			
Loans and borrowings	(9,974)	(243)	(10,217)
Lease liabilities	(283)	243	(40)
Current liabilities			
Loans and borrowings	(7,444)	(66)	(7,510)
Lease liabilities	(302)	66	(236)

The above reclassification did not have material effect on the statement of financial position of the Group as at 1 January 2022, and accordingly, the statement was not presented.

STATEMENT BY **DIRECTORS**

(Pursuant to Section 251(2) of the Companies Act 2016)

We, **KHOO SENG GIAP** 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 61 to 110 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 2023 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.

KHOO SENG GIAP
Director

TAN KIM CHUAN
Director

Klang

Date: 9 April 2024

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 61 to 110 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 9 April 2024.

Before me,

AMUTHAVALLY A/P KRISHNAN NAIR (B615)
Commissioner 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 2023 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 material accounting policy information, as set out on pages 61 to 110.

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 2023, and of their financial performance and their 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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' *International 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.

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 7 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 2023;
- enquiring the Group on the ageing of its inventories and its assessment of allowance for slow-moving inventories;
- 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; and
- checking subsequent sales and management's assessment on estimated net realisable value and allowance for slow-moving inventories on selected inventory items.

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*

Key Audit Matters *cont'd*

Company

Investment in subsidiaries (Note 6 to the financial statements)

At the end of the financial year, the Company determines whether there is any indication of impairment on its investment in subsidiaries. If any such indication exists, the Company makes an estimate of the investment's recoverable amount based on present value of the estimated future cash flows expected to be generated by the subsidiary. During the financial year, an impairment loss of RM3,834,000 was recognised on its investment in a subsidiary. We focused on this area because of the Company's determination of indication of impairment and the impairment assessment requires exercise of significant judgement. Where impairment assessment was performed, the Company applied the discount rate in the recoverable amount calculation and assumptions supporting the underlying cash flow projection.

Our response:

Our audit procedures included, among others:

- comparing the Company's key assumptions applied in the preparation of the cash flow projection to internal and externally derived information;
- testing the mathematical computation of the impairment assessment; and
- performing sensitivity analysis on the recoverable amount around key assumptions that are expected to be most sensitive to the recoverable amount.

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.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

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

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.
- 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.

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

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 6 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
02967/07/2025 J
Chartered Accountant

Kuala Lumpur

Date: 9 April 2024

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 31.12.2023 (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	16	5,806/ 5,381	Freehold	7,481
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	15	6,866 /4,990.58	Freehold	18,280

Note:

* H.S.(D) 57946, PT 57354 & H.S.(D) 57945, PT 57353 had been amalgamated to H.S.(D) 166566, PT 160316

ANALYSIS OF **SHAREHOLDINGS**

As at 29 March 2024

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	9	0.408	232	0.000
100 – 1,000	281	12.743	175,500	0.053
1,001 – 10,000	901	40.861	5,365,800	1.633
10,001 – 100,000	837	37.959	30,128,668	9.171
100,001 – 16,424,449 (*)	176	7.981	82,833,400	25.216
16,424,450 and above (**)	1	0.045	209,985,400	63.924
Total	2,205	100.000	328,489,000	100.000

Notes * Less than 5% of the issued share

** 5% and above of the issued share

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Name	Direct	Shareholdings		%
		%	Indirect	
Dato' Khoo Ah Chye	483,200	0.147	-	-
Khoo Seng Giap	1,027,000	0.313	439,200 ^(a)	0.134
Tan Kim Chuan	474,800	0.145	-	-
Chua Put Moy	100,000	0.030	-	-
Oei Kok Eong	100,000	0.030	-	-
Tan Tai Beng	430,000	0.131	-	-

Notes:-

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

ANALYSIS OF **SHAREHOLDINGS**

As at 29 March 2024

cont'd

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Direct	Shareholdings		
		%	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
Tan Morly @ Molly Tan	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.	iFAST Nominees (Tempatan) Sdn Bhd Tan Morly @ Molly Tan	6,012,500	1.830
4.	Chee Sai Mun	4,474,700	1.362
5.	CGS International Nominees Malaysia (Tempatan) Sdn. Bhd. Pledged Securities Account For Tan Jin Thai (SS2 PJ-CL)	3,648,000	1.111
6.	Phillip Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Goh Leng Pheow	2,085,000	0.635
7.	Cartaban Nominees (Tempatan) Sdn Bhd Icapital.biz Berhad	1,802,700	0.549
8.	Tan Jin Thai	1,775,000	0.540
9.	Goh Foon Soon	1,750,000	0.533
10.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tee Chee Chiang (8073610)	1,600,100	0.487
11.	Tan Leong Kiat	1,300,000	0.396
12.	Lee, Ting-Yu	1,081,000	0.329
13.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yong Thian Fook (7004124)	1,065,000	0.324
14.	Khoo Seng Giap	1,027,000	0.313
15.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Chin Hooi	1,017,500	0.310
16.	Lee Chen Yeong	1,000,000	0.304

ANALYSIS OF **SHAREHOLDINGS**As at 29 March 2024
cont'd**THIRTY (30) LARGEST SHAREHOLDERS** cont'd

No.	Name	No. of Shares Held	%
17.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chee Sai Mun (E-KLC)</i>	957,200	0.291
18.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Lim Bee Teng</i>	918,000	0.279
19.	Tan Jing Pho	832,600	0.253
20.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Sim Leck Seng (E-SS2)</i>	802,700	0.244
21.	Ong Boon Hai	800,000	0.244
22.	Chan Chuan Hong	790,000	0.240
23.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Teh Kian Lang (E-KLC)</i>	780,700	0.238
24.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Khoo @ Khoo Siew Hua (E-SPG)</i>	765,800	0.233
25.	Poong Keen Kiong	760,400	0.231
26.	Lam Hong Chee	750,000	0.228
27.	Neexon Khoo	744,800	0.227
28.	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chan Yeu Wai</i>	718,000	0.219
29.	Tan Kim Hong	705,000	0.215
30.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Khau Hoong Sheng (7000741)</i>	700,000	0.213
		257,245,100	78.311

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"	29 March 2024, 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: <ul style="list-style-type: none"> (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 7 June 2023, 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 7 June 2023, the authority granted to HPMT to purchase its own shares on Bursa Securities will expire at the conclusion of the Company's forthcoming Seventh AGM to be held on 7 June 2024 unless renewed by an ordinary resolution passed by the shareholders of the Company.

On 9 April 2024, 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 Seventh 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 Seventh 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 Seventh 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 2023, the Company's audited accumulated retained earnings stood at RM1,398,561.00. 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.

SHARE BUY-BACK STATEMENT

cont'd

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).

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 29 March 2024, 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 30.636%. 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.

SHARE BUY-BACK **STATEMENT**

cont'd

- 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.
- 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.

SHARE BUY-BACK STATEMENT

cont'd

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.

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.

SHARE BUY-BACK STATEMENT

cont'd

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.

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

Directors	As at the LPD				After the Proposed Renewal of Shareholders' Mandate for Share Buy-Back ^(a)			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Khoo Ah Chye	483,200	0.147	-	-	483,200	0.163	-	-
Khoo Seng Giap	1,027,000	0.313	439,200 ^(b)	0.134	1,027,000	0.347	439,200 ^(b)	0.149
Tan Kim Chuan	474,800	0.145	-	-	474,800	0.161	-	-
Chua Put Moy	100,000	0.030	-	-	100,000	0.034	-	-
Oei Kok Eong	100,000	0.030	-	-	100,000	0.034	-	-
Tan Tai Beng	430,000	0.131	-	-	430,000	0.145	-	-

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 197 of the Companies Act 2016, held through his wife, Pemika Akanitaprachai.

SHARE BUY-BACK STATEMENT

cont'd

(b) Substantial Shareholders of HPMT

Substantial Shareholders	As at the LPD				After the Proposed Renewal of Shareholders' Mandate for Share Buy-Back ^(a)			
	Direct		Indirect		Direct		Indirect	
	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
Tan Morly @ Molly Tan	6,012,500	1.830	209,985,400 ^(c)	63.925	6,012,500	2.034	209,985,400 ^(c)	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.

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 Seventh 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 2023 to March 2024 are as follows:

	Highest RM	Lowest RM
2023		
April	0.395	0.375
May	0.380	0.365
June	0.375	0.365
July	0.365	0.340
August	0.375	0.360
September	0.405	0.365
October	0.380	0.360
November	0.400	0.350
December	0.365	0.345
2024		
January	0.385	0.335
February	0.340	0.325
March	0.335	0.320

Last transacted market price of HPMT Shares on 8 April 2024 being the day prior to the date of announcement of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back. 0.330

Last transacted market price of HPMT Shares on 16 April 2024 being the latest practicable date prior to the printing of this Statement. 0.330

(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 Seventh 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 Seventh AGM. The Seventh (7th) AGM will be conducted virtually 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, 7 June 2024 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 Seventh 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 5, Tower 8, Avenue 5, Horizon 2, 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 5, Tower 8, Avenue 5, Horizon 2, 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 2022 and 31 December 2023.

This Statement is dated 29 April 2024.

NOTICE OF SEVENTH **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting (“AGM”) of the Company will be conducted virtually 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, 7 June 2024 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 2023 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 RM513,000.00 from 8 June 2024 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:-
 - 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 Sections 75 and 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 Sections 75 and 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 THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

AND FURTHER THAT pursuant to Section 85 of the Companies Act, 2016 read together with Clause 54 of the Company’s Constitution, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company and to offer new shares arising from the issuance and allotment of the new shares pursuant to Sections 75 and 76 of the Companies Act 2016 **AND THAT** the Board of Directors of the Company is exempted from the obligation to offer such new shares first to the existing shareholders of the Company”.

NOTICE OF SEVENTH **ANNUAL GENERAL MEETING**

cont'd

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.

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
29 April 2024

NOTICE OF SEVENTH ANNUAL GENERAL MEETING

cont'd

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 5, Tower 8, Avenue 5, Horizon 2, 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 30 May 2024 (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.*

EXPLANATORY NOTES:**A. Audited Financial Statements for the Financial Year ended 31 December 2023**

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 8 June 2024 until the conclusion of the next AGM of the Company in 2025.

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

The proposed Ordinary Resolution 5 under item 5 of the Agenda, if passed, from the date of the above Annual General Meeting ("AGM"), 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.

The general mandate sought to grant authority to Directors to issue and allot of shares is a renewal of the mandate that was approved by the shareholders at the Sixth Annual General Meeting held on 7 June 2023. The renewal of the 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 additional cost and time. The purpose of this general mandate is for fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

Up to the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Sixth Annual General Meeting as the need does not arise for any fund raising activity for the purpose of investment, acquisition or working capital.

The approval of the issuance and allotment of the new shares under Sections 75 and 76 of the Companies Act 2016 shall have the effect of the shareholders having agreed to waive their statutory pre-emptive rights pursuant to Section 85 of the Companies Act, 2016 and Clause 54 of the Constitution of the Company, the shareholders of the Company hereby agree to waive and are deemed to have waived their statutory pre-emptive rights pursuant to Section 85 of the Companies Act, 2016 and Clause 54 of the Constitution of the Company pertaining to the issuance and allotment of new shares under Sections 75 and 76 of the Companies Act 2016, which will result in a dilution to their shareholding percentage in the Company.

NOTICE OF SEVENTH ANNUAL GENERAL MEETING

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

The Proposed Ordinary Resolution 6 under item 6 of the Agenda, if passed, will empower 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 SEVENTH ANNUAL GENERAL MEETING

1. The Directors who are standing for re-election at the Seventh 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 5 and 6 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 2023 are disclosed in the Corporate Governance Overview Statement set out on page 40 of this Annual Report.
4. The details of the interest of the Directors in the securities of the Company are stated on page 117 of the Company's Annual Report 2023.
5. Details of the general mandate for issue of securities in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016 are set out in the Explanatory Note C of the Notice of AGM.

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.



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 No. _____ 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 Seventh Annual General Meeting ("AGM") of the Company will be conducted virtually 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, 7 June 2024 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 8 June 2024 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 Sections 75 and 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 _____, 2024

Signature of Member/Common Seal

Notes:

- 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.
- 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.
- 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.
- 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.
- 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.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 5, Tower 8, Avenue 5, Horizon 2, 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.
- In respect of deposited securities, only members whose names appear on the Record of Depositors on 30 May 2024 (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 set out in the Notice of Annual General Meeting dated 29 April 2024.

Fold this flap for sealing

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AFFIX
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The Company Secretary

HPMT HOLDINGS BERHAD

[Registration No. 201701041672 (1255845-W)]

LEVEL 5, TOWER 8, AVENUE 5, HORIZON 2

BANGSAR SOUTH CITY

59200 KUALA LUMPUR

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