

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME<sup>(1)</sup>**

|                                                                     | Current<br>Year<br>Quarter<br>30-Jun-<br>2019<br>RM'000 | Preceding<br>Year<br>Quarter<br>30-Jun-<br>2018 <sup>(2)</sup><br>RM'000 | Current<br>Year-To-<br>Date<br>30-Jun-<br>2019<br>RM'000 | Preceding<br>Year-To-<br>Date<br>30-Jun-<br>2018 <sup>(2)</sup><br>RM'000 |
|---------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------------------|
| Revenue                                                             | 19,372                                                  | N/A                                                                      | 41,287                                                   | N/A                                                                       |
| Cost of sales                                                       | 11,724                                                  | N/A                                                                      | 24,191                                                   | N/A                                                                       |
| <b>Gross profit</b>                                                 | <b>7,648</b>                                            | <b>N/A</b>                                                               | <b>17,096</b>                                            | <b>N/A</b>                                                                |
| Other income                                                        | 18                                                      | N/A                                                                      | 747                                                      | N/A                                                                       |
| Administrative expenses <sup>(3)</sup>                              | (4,965)                                                 | N/A                                                                      | (9,865)                                                  | N/A                                                                       |
| Distribution expenses                                               | (1,590)                                                 | N/A                                                                      | (3,183)                                                  | N/A                                                                       |
| <b>Operating profit</b>                                             | <b>1,111</b>                                            | <b>N/A</b>                                                               | <b>4,795</b>                                             | <b>N/A</b>                                                                |
| Finance costs                                                       | (475)                                                   | N/A                                                                      | (797)                                                    | N/A                                                                       |
| <b>Profit before tax</b>                                            | <b>636</b>                                              | <b>N/A</b>                                                               | <b>3,998</b>                                             | <b>N/A</b>                                                                |
| Income tax expense                                                  | (269)                                                   | N/A                                                                      | (976)                                                    | N/A                                                                       |
| <b>Profit for the financial period</b>                              | <b>367</b>                                              | <b>N/A</b>                                                               | <b>3,022</b>                                             | <b>N/A</b>                                                                |
| <b>Other comprehensive income, net of tax :</b>                     |                                                         |                                                                          |                                                          |                                                                           |
| <i>Item that may be reclassified subsequently to profit or loss</i> |                                                         |                                                                          |                                                          |                                                                           |
| Exchange differences on translation<br>of foreign operations        | 59                                                      | N/A                                                                      | (5)                                                      | N/A                                                                       |
| <b>Other comprehensive income for the<br/>financial period</b>      | <b>426</b>                                              | <b>N/A</b>                                                               | <b>3,017</b>                                             | <b>N/A</b>                                                                |
| <b>Total comprehensive income for the financial period</b>          |                                                         |                                                                          |                                                          |                                                                           |
| <b>Profit attributable to:</b>                                      |                                                         |                                                                          |                                                          |                                                                           |
| Owners of the Group                                                 | 400                                                     | N/A                                                                      | 2,948                                                    | N/A                                                                       |
| Non-controlling interests                                           | (33)                                                    | N/A                                                                      | 74                                                       | N/A                                                                       |
|                                                                     | 367                                                     | N/A                                                                      | 3,022                                                    | N/A                                                                       |
| <b>Total comprehensive income attributable to:</b>                  |                                                         |                                                                          |                                                          |                                                                           |
| Owners of the Group                                                 | 459                                                     | N/A                                                                      | 2,974                                                    | N/A                                                                       |
| Non-controlling interests                                           | (33)                                                    | N/A                                                                      | 43                                                       | N/A                                                                       |
|                                                                     | 426                                                     | N/A                                                                      | 3,017                                                    | N/A                                                                       |
| <b>Earnings per share attributable to owners of the Group:</b>      |                                                         |                                                                          |                                                          |                                                                           |
| Basic and diluted (sen) <sup>(4)</sup>                              | 0.12                                                    | N/A                                                                      | 0.90                                                     | N/A                                                                       |

**Notes:**

- (1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Accountant's Report as disclosed in the Prospectus of the Company dated 17 May 2019 and the accompanying explanatory notes attached to the interim financial report.
  - (2) No comparative figures for the corresponding quarter/period of the preceding year are presented as this is the second interim financial report on the consolidated results for the financial period ended 30 June 2019 announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").
  - (3) Administrative Expenses included one-off non-recurring listing expenses of RM 1.23 million.
  - (4) Based on weighted average number of ordinary shares in HPMT ("Shares") in issue during the period under review.
- N/A Not applicable

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION<sup>(1)</sup>**

|                                                     | Unaudited<br>As at<br>30-Jun-2019<br>RM'000 | Audited <sup>(2)</sup><br>As at<br>31-Dec-2018<br>RM'000 |
|-----------------------------------------------------|---------------------------------------------|----------------------------------------------------------|
| <b>ASSETS</b>                                       |                                             |                                                          |
| <b>Non-current assets</b>                           |                                             |                                                          |
| Property, plant and equipment                       | 76,200                                      | 77,008                                                   |
| Deferred tax assets                                 | -                                           | 10                                                       |
| <b>Total non-current assets</b>                     | <b>76,200</b>                               | <b>77,018</b>                                            |
| <b>Current assets</b>                               |                                             |                                                          |
| Inventories                                         | 22,512                                      | 24,464                                                   |
| Current tax assets                                  | 2,445                                       | 2,259                                                    |
| Trade and other receivables                         | 17,179                                      | 16,977                                                   |
| Cash and short-term deposits                        | 54,921                                      | 13,235                                                   |
| <b>Total current assets</b>                         | <b>97,057</b>                               | <b>56,935</b>                                            |
| <b>TOTAL ASSETS</b>                                 | <b>173,257</b>                              | <b>133,953</b>                                           |
| <b>EQUITY AND LIABILITIES</b>                       |                                             |                                                          |
| <b>Equity attributable to owners of the Company</b> |                                             |                                                          |
| Share capital                                       | 103,553                                     | *                                                        |
| Other reserves                                      | (56,832)                                    | 6,733                                                    |
| Retained earnings                                   | 66,957                                      | 64,026                                                   |
|                                                     | 113,678                                     | 70,759                                                   |
| <b>Non-controlling interests</b>                    | <b>3,664</b>                                | <b>3,247</b>                                             |
| <b>TOTAL EQUITY</b>                                 | <b>117,342</b>                              | <b>74,006</b>                                            |
| <b>Non-current liabilities</b>                      |                                             |                                                          |
| Loans and borrowings                                | 25,082                                      | 25,894                                                   |
| Deferred income                                     | 3,912                                       | 4,297                                                    |
| Deferred tax liabilities                            | 5,080                                       | 4,688                                                    |
| <b>Total non-current liabilities</b>                | <b>34,074</b>                               | <b>34,879</b>                                            |
| <b>Current liabilities</b>                          |                                             |                                                          |
| Loans and borrowings                                | 14,302                                      | 13,614                                                   |
| Derivative financial instruments                    | 14                                          |                                                          |
| Deferred income                                     | 770                                         | 770                                                      |
| Current tax liabilities                             | -                                           | 232                                                      |
| Trade and other payables                            | 6,755                                       | 10,452                                                   |
| <b>Total current liabilities</b>                    | <b>21,841</b>                               | <b>25,068</b>                                            |
| <b>TOTAL LIABILITIES</b>                            | <b>55,915</b>                               | <b>59,947</b>                                            |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 | <b>173,257</b>                              | <b>133,953</b>                                           |
| <br>Net assets per share <sup>(3)</sup>             | <br>0.35                                    | <br>N/A                                                  |

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Accountant's Report as disclosed in the Prospectus of the Company dated 17 May 2019 and the accompanying explanatory notes attached to the interim financial report.
  - (2) The Group was formalised on 29 March 2019 upon completion of the Acquisition as disclosed in Note B6 (i). The acquisition of entities under common control does not result in any change in economic substance. Accordingly, HPMT Group is a continuation of the acquired entities and is accounted for in accordance with the basis disclosed in Note A1.
  - (3) Based on the issued share capital of 328,489,000 ordinary shares after listed on the Main Market on Bursa Securities (as detailed in Note B6).
- \* RM 2

**HPMT Holdings Berhad**

(Company No.: 1255845-W)

(Incorporated in Malaysia)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2019

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY<sup>(1)</sup>**

|                                                            | Attributable to the owners of the Company |                  |                       |                        |                   | Non-controlling interest | Total equity   |
|------------------------------------------------------------|-------------------------------------------|------------------|-----------------------|------------------------|-------------------|--------------------------|----------------|
|                                                            | Share capital                             | Exchange reserve | PRC statutory reserve | Reorganisation reserve | Retained earnings | Sub-total                |                |
|                                                            | RM'000                                    | RM'000           | RM'000                | RM'000                 | RM'000            | RM'000                   | RM'000         |
| <b>At 1 January 2019<sup>(2)</sup></b>                     | <b>*</b>                                  | <b>352</b>       | <b>175</b>            | <b>6,206</b>           | <b>64,026</b>     | <b>70,759</b>            | <b>74,006</b>  |
| <b>Total comprehensive income for the financial period</b> |                                           |                  |                       |                        |                   |                          |                |
| Profit for the financial period                            | -                                         | -                | -                     | -                      | 2,948             | 2,948                    | 3,022          |
| Other comprehensive loss for the financial period          | -                                         | 26               | -                     | -                      | -                 | 26                       | (5)            |
| Appropriation to statutory reserve                         | -                                         | -                | 17                    | -                      | (17)              | -                        | -              |
| <b>Total comprehensive income</b>                          | <b>-</b>                                  | <b>26</b>        | <b>17</b>             | <b>-</b>               | <b>2,931</b>      | <b>2,974</b>             | <b>3,017</b>   |
| <b>Transaction with owners</b>                             |                                           |                  |                       |                        |                   |                          |                |
| Acquisition of subsidiaries                                | 63,234                                    | -                | -                     | (63,608)               | -                 | (374)                    | -              |
| Issuance of ordinary shares                                | 42,310                                    |                  |                       |                        |                   | 42,310                   | 42,310         |
| Shares issuance expenses                                   | (1,991)                                   |                  |                       |                        |                   | (1,991)                  | (1,991)        |
| Dividends paid on shares                                   | -                                         | -                | -                     | -                      | -                 | -                        | -              |
| <b>At 30 June 2019</b>                                     | <b>103,553</b>                            | <b>378</b>       | <b>192</b>            | <b>(57,402)</b>        | <b>66,957</b>     | <b>113,678</b>           | <b>117,342</b> |

## Notes:

- (1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Accountant's Report as disclosed in the Prospectus of the Company date 17 May 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) The Group was formalised on 29 March 2019 upon completion of the Acquisition as disclosed in Note B6 (i). The acquisition of entities under common control does not result in any change in economic substance. Accordingly, HPMT Group is a continuation of the acquired entities and is accounted for in accordance with the basis disclosed in Note A1.

\* RM 2

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW<sup>(1)</sup>**

|                                                         | Current Year-To-Date<br>30-Jun-2019<br>RM'000 | Preceding Year-To-Date<br>30-Jun-2018 <sup>(2)</sup><br>RM'000 |
|---------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------|
| <b>Cash flows from operating activities</b>             |                                               |                                                                |
| Profit/(loss) before tax                                |                                               |                                                                |
| - Continuing operations                                 | 3,998                                         | N/A                                                            |
| - Discontinued operation                                | -                                             | N/A                                                            |
|                                                         | <u>3,998</u>                                  | <u>N/A</u>                                                     |
| Adjustments for:                                        |                                               |                                                                |
| Depreciation of property, plant and equipment           | 4,290                                         | N/A                                                            |
| Gain on disposal of property, plant and equipment       | (1)                                           | N/A                                                            |
| Allowance of slow moving stock                          | 82                                            | N/A                                                            |
| Reversal of impairment loss on trade receivables        | (36)                                          | N/A                                                            |
| Finance costs                                           | 797                                           | N/A                                                            |
| Interest income                                         | (57)                                          | N/A                                                            |
| Unrealised loss/(gain) on foreign exchange              | 40                                            | N/A                                                            |
| <b>Operating profit before working capital changes</b>  | <b>9,113</b>                                  | <b>N/A</b>                                                     |
| <u>Changes in working capital</u>                       |                                               |                                                                |
| Inventories                                             | 1,871                                         | N/A                                                            |
| Trade and other receivables                             | (34)                                          | N/A                                                            |
| Trade and other payables                                | (2,757)                                       | N/A                                                            |
| Net cash flows generated from operations                | (920)                                         | N/A                                                            |
| Income tax paid                                         | (991)                                         | N/A                                                            |
| Interests paid                                          | (12)                                          | N/A                                                            |
| Interests received                                      | 11                                            | N/A                                                            |
| Net cash flows from operating activities                | <b>7,201</b>                                  | <b>N/A</b>                                                     |
| <b>Cash flows from investing activities</b>             |                                               |                                                                |
| Purchase of property, plant and equipment               | (795)                                         | N/A                                                            |
| Net changes in other investments                        | -                                             | N/A                                                            |
| Refund for purchase of property, plant and equipment*   | 564                                           | N/A                                                            |
| Proceeds from disposal of property, plant and equipment | 3                                             | N/A                                                            |
| Interest received                                       | 46                                            | N/A                                                            |
| Net cash flows from (used in) investing activities      | <b>(182)</b>                                  | <b>N/A</b>                                                     |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW<sup>(1)</sup> (continued)**

|                                                                                          | <b>Current Year-To-Date<br/>30-Jun-2019<br/>RM'000</b> | <b>Preceding Year-To-Date<br/>30-Jun-2018<sup>(2)</sup><br/>RM'000</b> |
|------------------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------|
| <b>Cash flows from financing activities</b>                                              |                                                        |                                                                        |
| Proceeds from issuance of ordinary shares                                                | 40,318                                                 | N/A                                                                    |
| Drawdown of revolving credit                                                             | 250                                                    | N/A                                                                    |
| Net change in bankers' acceptances                                                       | (626)                                                  | N/A                                                                    |
| Net change in finance lease liabilities                                                  | (157)                                                  | N/A                                                                    |
| Net changes in term loans                                                                | (4,258)                                                | N/A                                                                    |
| Interests paid                                                                           | (785)                                                  | N/A                                                                    |
| Net cash flows used in financing activities                                              | <b>34,742</b>                                          | N/A                                                                    |
| Net (decrease)/increase in cash and cash equivalent                                      | 41,761                                                 | N/A                                                                    |
| <b>Cash and cash equivalents at the beginning of the financial periods<sup>(3)</sup></b> | 13,144                                                 | N/A                                                                    |
| Effects of exchange rate changes on cash and cash equivalents                            | (5)                                                    | N/A                                                                    |
| <b>Cash and cash equivalents at the end of the financial periods</b>                     | <b>54,900</b>                                          | N/A                                                                    |

**Notes:**

- (1) The Unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Accountant's Report as disclosed in the Prospectus of the Company dated 17 May 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) No comparative figures for the corresponding quarter/period of the preceding year are presented as this is the second interim financial report on the consolidated results for the financial period ended 30 June 2019 announced by the Company in compliance with the Listing Requirements.
- (3) Cash and cash equivalents as at 31 Dec 2018, as disclosed in the Combined Statements of Financial Position of the Accountant's Report as disclosed in the Prospectus of the Company dated 17 May 2019.

N/A Not applicable

\* The Group subsequently received a stamp duty refund for the acquisition of property which was completed on 31 December 2018.

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING****A1. Basis of Preparation**

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

This is the second interim financial report on the Company’s consolidated results for the second quarter ended 30 June 2019 announced in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year’s corresponding period.

Acquisition of subsidiaries under common control (in which all parties involved, being the acquirer, acquire and seller are ultimately controlled by the same party and parties both before and after the acquisition) are consolidated using merger method of accounting. Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination had been effected throughout the current and previous financial years.

On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to reorganisation reserve or reorganisation deficit.

This interim financial report should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus of the Company dated 17 May 2019 and the accompanying explanatory notes attached to this interim financial report.

**A2. Significant Accounting Policies**

The accounting policies adopted by the Group in the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following new and revised MFRSs, Amendments to MFRSs and IC interpretations.

Amendments to References to the Conceptual Framework on MFRS Standards effective 1 January 2020:-

|                                    |                                                                 |
|------------------------------------|-----------------------------------------------------------------|
| Amendments to MFRS 3               | Business Combinations                                           |
| Amendments to MFRS 101             | Presentation of Financial Statements                            |
| Amendments to MFRS 108             | Accounting Policies, Changes in Accounting Estimates and Errors |
| Amendments to MFRS 134             | Interim Financial Reporting                                     |
| Amendments to MFRS 137             | Provisions, Contingent Liabilities and Contingent Assets        |
| Amendments to MFRS 138             | Intangible Assets                                               |
| Amendments to IC Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments     |
| Amendments to IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration         |

MFRS effective 1 January 2021:-

|                        |                                       |
|------------------------|---------------------------------------|
| MFRS 17                | Insurance Contracts                   |
| Amendments to MFRS 1   | First-time Adoption of MFRSs          |
| Amendments to MFRS 7   | Financial Instruments: Disclosures    |
| Amendments to MFRS 15  | Revenue from Contracts with customers |
| Amendments to MFRS 107 | Statements of Cash Flows              |
| Amendments to MFRS 116 | Property, Plant and Equipment         |



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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (continued)****A2. Significant Accounting Policies (continued)**

MFRS effective 1 January 2021:- (continued)

|                        |                                     |
|------------------------|-------------------------------------|
| Amendments to MFRS 132 | Financial instruments: Presentation |
| Amendments to MFRS 136 | Impairment of Assets                |
| Amendments to MFRS 140 | Investment Property                 |

Amendments to MFRSs - effective date deferred indefinitely :-

MFRS 10 and 128 Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The Group is in the process of assessing the impact of implementing these Standards and Amendments to the Standards, since the effects would only be observable for the future financial years.

**A3. Auditors' Report**

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2018.

**A4. Seasonal or Cyclical Factors**

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

**A5. Material Unusual Items**

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

**A6. Material Changes in Estimates**

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

**A7. Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities for the current quarter and financial year-to-date under review except for those disclosed in Note B6.

**A8. Dividend Paid**

No dividend was paid during the current quarter and financial period under review.

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (continued)****A9. Segmental Information**

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

|                      | <b>Current Year<br/>Quarter<br/>30-Jun-2019<br/>RM'000</b> | <b>Preceding Year<br/>Quarter<br/>30-Jun-2018<sup>(1)</sup><br/>RM'000</b> | <b>Current<br/>Year-To-Date<br/>30-Jun-2019<br/>RM'000</b> | <b>Preceding<br/>Year-To-Date<br/>30-Jun-2018<sup>(1)</sup><br/>RM'000</b> |
|----------------------|------------------------------------------------------------|----------------------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------------------|
| <b>Revenue</b>       |                                                            |                                                                            |                                                            |                                                                            |
| <b>Manufacturing</b> | 17,876                                                     | N/A                                                                        | 38,550                                                     | N/A                                                                        |
| <b>Trading</b>       | 934                                                        | N/A                                                                        | 1,577                                                      | N/A                                                                        |
| <b>Coating</b>       | 562                                                        | N/A                                                                        | 1,160                                                      | N/A                                                                        |
| <b>Total</b>         | 19,372                                                     | N/A                                                                        | 41,287                                                     | N/A                                                                        |

Notes:

- (1) No comparative figures for the preceding year and preceding quarter are presented as this is the second interim financial report on the consolidated results for the financial period ended 30 June 2019 announced by the Company in compliance with the Listing Requirements.

N/A Not applicable

**A10. Property, Plant and Equipment****(i) Acquisitions and disposals**

There were no material acquisitions and disposals during the current quarter and financial year-to-date under review.

**(ii) Impairment losses**

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

**(iii) Valuation**

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

**A11. Material Events Subsequent to the end of the Quarter**

Saved as disclosed in Note B6 "Status of Corporate Proposals", there were no other material events subsequent to the end of the current quarter and financial period under review that have not been reflected in the interim financial report.

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (continued)****A12. Changes in the Composition of the Group**

Saved as disclosed in Note B6 “Status of Corporate Proposals”, there were no changes in the composition of the Group during the current quarter and financial period under review.

**A13. Contingent Liabilities and Contingent Assets**

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

**A14. Material Capital Commitment**

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

|                                         | RM'000 |
|-----------------------------------------|--------|
| Approved and contracted for             |        |
| • Purchase of machineries and equipment | 3,120  |
| Approved but not contracted for         |        |
| • Purchase of machineries and equipment | 28,503 |
| Total                                   | 31,623 |

**A15. Significant Related Party Transactions**

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

**A16. Fair Value of Financial Liabilities**

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

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS****B1. Review of Performance**

The Group recorded revenue and profit before taxation (“PBT”) of approximately RM19.37 million and RM0.64 million respectively during the current quarter under review, while the revenue and PBT for the cumulative quarter stood at RM 41.29 million and RM 4.00 million respectively. The Group’s revenue was mainly derived from manufacturing segment, which contributed RM38.55 million or 93.40% of the Group’s total revenue.

There are no comparative figures for the preceding year’s corresponding quarter as this is the second interim financial statements on the consolidated results for the second quarter ended 30 June 2019 being announced by the Company in compliance with the Listing Requirements.

**B2. Comparison with Immediate Preceding Quarter**

|                        | <b>Current Quarter<br/>30-Jun-2019<br/>RM'000</b> | <b>Preceding Quarter<br/>31-Mar-2019<br/>RM'000</b> | <b>Changes</b> |          |
|------------------------|---------------------------------------------------|-----------------------------------------------------|----------------|----------|
|                        |                                                   |                                                     | <b>RM'000</b>  | <b>%</b> |
| Revenue                | 19,372                                            | 21,915                                              | (2,543)        | -11.6%   |
| Profit before Taxation | 636                                               | 3,362                                               | (2,726)        | -81.1%   |

The Group revenue for the current quarter was RM 19.37 million, a decreased of 11.6% or RM 2.54 million as compared to RM 21.92 million generated during the preceding quarter. Revenue from manufacturing segment decreased by RM 2.80 million or 13.5% with the demand softening as a result of cautious buying pattern seen from the distributors and end-users due to uncertain global economy outlook. Revenue from trading segment increased by RM 0.29 million or 45.10% with increased in sales of D’andrea and Haimer products. Revenue from coating segment decreased slightly by RM 0.04 million or 6.0% and the contribution to total group revenue remains minimal.

The Group’s reported profit before tax of RM 0.64 million for the current quarter, which it is approximately RM 2.72 million lower as compared to profit before tax of preceding quarter of RM 3.36 million. The decrease in PBT is mainly due to one-off non-recurring listing expenses of RM 1.04 million being recorded.

**B3. Prospects for the Current Financial Year**

The cutting tools industry remains encouraging even though the current global economy is uncertain with the on-going trade war between China and the US and uncertainties in the Brexit direction. Demand has softened as a result of cautious buying pattern seen from the distributors and end-users due to uncertain global economy outlook.

The Group sells large variation of cutting tools (consumables) mostly through distributors and relies on distributors to hold inventory at their end for the end-users. With the uncertain economy outlook, distributors are trying to keep their inventory holding level low and will replenish their inventory level after the sales come in from end-user market. Besides that, end-user market is seen to be withholding capex investment plans which we foresee will affect our sales of cutting tools and machine tools. We foresee that the effect on both distributor and end-user market is expected to be temporarily and the demand is expected to recover gradually in the second half of the year when distributors replenish their inventory holding level.

With the current market condition, the Group intends to use its current capacity to improve its delivery lead times through improved stock availability and also looking for new distributor at the same time.

The Board remains cautiously optimistic for current year financial performance.

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (continued)****B4. Profit Forecast**

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

**B5. Tax Expense**

|                    | Current Year<br>Quarter<br>30-Jun-2019<br>RM'000 | Preceding Year<br>Quarter<br>30-Jun-2018 <sup>(1)</sup><br>RM'000 | Current<br>Year-To-Date<br>30-Jun-2019<br>RM'000 | Preceding<br>Year-To-Date<br>30-Jun-2018 <sup>(1)</sup><br>RM'000 |
|--------------------|--------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------------------------|
| Current income tax | 134                                              | N/A                                                               | 573                                              | N/A                                                               |
| Deferred tax       | 135                                              | N/A                                                               | 403                                              | N/A                                                               |
| Total              | 269                                              | N/A                                                               | 976                                              | N/A                                                               |

Notes:

- (1) No comparative figures for the corresponding quarter/period of preceding year are presented as this is the second interim financial report on the consolidated results announced by the Company in compliance with the Listing Requirements.

N/A Not applicable

The effective tax rate of the Group is 24.4% which is slightly higher than the statutory tax rate, this is mainly due to the one-off IPO expenses.

**B6. Status of Corporate Proposals**

In conjunction with and as an integral part of our Company's listing on the Main Market of Bursa Securities, the following listing scheme was undertaken by the Company:

**(i) Acquisitions****(a) Acquisition of HPMT Industries Sdn Bhd ("HPMT Industries")**

On 29 March 2019, our Company completed the acquisition of the entire issued share capital of HPMT Industries of RM2,500,000 comprising 2,500,000 ordinary shares in HPMT Industries for a purchase consideration of RM51,563,000 from Mec. Tech Corporation Sdn Bhd ("Mec. Tech"). The acquisition of HPMT Industries was wholly satisfied by the issuance of 206,251,998 new Shares at an issue price of RM0.25 per Share to Herroz Mechanical Technologies Sdn Bhd ("Herroz Mechanical"), the holding company of Mec. Tech.

The purchase consideration of HPMT Industries of RM51,563,000 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the adjusted NA of HPMT Industries as at 31 December 2017 of RM51,562,138.

**(b) Acquisition of Herroz Sdn Bhd ("Herroz")**

On 29 March 2019, our Company completed the acquisition of the entire issued share capital of Herroz of RM1,626,518 comprising 1,626,518 ordinary shares in Herroz for a purchase consideration of RM4,828,000 from Mec. Tech. The acquisition of Herroz was wholly satisfied by the issuance of 19,312,000 new Shares at an issue price of RM0.25 per Share to Herroz Mechanical, the holding company of Mec. Tech.

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (continued)****B6. Status of Corporate Proposals (continued)****(i) Acquisitions (continued)****(b) Acquisition of Herroz Sdn Bhd ("Herroz") (continued)**

The purchase consideration of Herroz of RM4,828,000 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA of Herroz as at 31 December 2017 of RM4,827,494.

**(c) Acquisition of HPMT Deutschland GmbH ("HPMT GmbH")**

On 29 March 2019, our Company completed the acquisition of the entire issued share capital of HPMT GmbH of EUR25,000 comprising 3 shares in HPMT GmbH for a purchase consideration of EUR455,821.60 (equivalent to RM2,208,000<sup>(1)</sup>) from Mec. Tech. The acquisition of HPMT GmbH was wholly satisfied by the issuance of 8,832,000 new Shares at an issue price of RM0.25 per Share to Herroz Mechanical, the holding company of Mec. Tech.

The purchase consideration of HPMT GmbH of EUR455,821.60 (equivalent to RM2,208,000<sup>(1)</sup>) was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA of HPMT GmbH as at 31 December 2017 of EUR455,791.

Note:

(1) Based on the middle rate of EUR1.00:RM4.8440 at 5.00 p.m. on 29 December 2017 as published by Bank Negara Malaysia ("BNM").

**(d) Acquisition of MTC Tooling Systems Limited ("MTC Tooling")**

On 20 March 2019, our Company completed the acquisition of the entire issued share capital of MTC Tooling of HKD1,000,000 comprising 1,000,000 ordinary shares in MTC Tooling for a purchase consideration of HKD7,402,244 (equivalent to RM3,834,000<sup>(1)</sup>). The acquisition of MTC Tooling was wholly satisfied by the issuance of 15,336,000 new Shares at an issue price of RM0.25 per Share.

The purchase consideration of MTC Tooling of HKD7,402,244 (equivalent to RM3,834,000<sup>(1)</sup>) was arrived at on a willing-buyer willing-seller basis, after taking into consideration the adjusted pro forma unaudited NA of MTC Tooling's group of companies ("MTC Tooling Group") as at 31 December 2017 of HKD7,400,526.

Note:

(1) Based on the middle rate of HKD100.00:RM51.7951 at 5.00 p.m. on 29 December 2017 as published by BNM.

**(e) Acquisition of Pentagon Coating Technologies Sdn Bhd ("Pentagon")**

On 29 March 2019, our Company completed the acquisition of 75.0% of the equity interest in Pentagon for a purchase consideration of RM801,000 from Herroz Mechanical. The acquisition of Pentagon was wholly satisfied by the issuance of 3,204,000 new Shares at an issue price of RM0.25 per Share to Herroz Mechanical.

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

**B6. Status of Corporate Proposals (continued)**

**(i) Acquisitions (continued)**

**(e) Acquisition of Pentagon Coating Technologies Sdn Bhd ("Pentagon") (continued)**

The purchase consideration of Pentagon of RM801,000 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the adjusted NA of Pentagon as at 31 December 2017 of RM1,067,345.

**(ii) Initial Public Offering**

On 17 May 2019, the Company issued its Prospectus and undertook an initial public offering ("IPO") comprising:

- (a) a public issue of 75,553,000 new Shares, representing approximately 23.0% of the Company's enlarged number of Shares, at an issue price of RM0.56 each ("IPO Price") ("Public Issue") to be allocated in the following manner:
  - (1) 16,426,000 new Shares available for application by Malaysian citizens, companies, societies, co-operatives and institutions;
  - (2) 8,300,000 new Shares available for application by the eligible directors and employees of the Group and other persons who have contributed to the success of the Group; and
  - (3) 50,827,000 new Shares available for application by way of private placement to institutional and selected investors; and
- (b) an offer for sale of 41,062,000 existing Shares, representing approximately 16.2% of the Company's enlarged number of Shares, at the IPO Price by way of placement to Bumiputera investors approved by the Ministry of International Trade and Industry and institutional and selected investors.

**(iii) Listing**

The Company's entire enlarged issued share capital of RM183,953,840 comprising of 328,489,000 ordinary shares was listed on the Main Market of Bursa Securities on 12 June 2019.

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (continued)**
**B7. Utilisation of Proceeds from the Public Issue**

| Details of utilisation of proceeds            | Estimated timeframe for utilisation upon Listing | Amount of proceeds<br>RM '000 | Actual utilisation<br>RM '000 | Percentage utilised<br>% |
|-----------------------------------------------|--------------------------------------------------|-------------------------------|-------------------------------|--------------------------|
| (i) Purchase of new machineries and equipment | Within 36 months                                 | 34,000                        | -                             | 0.0%                     |
| (ii) Working capital:                         |                                                  |                               |                               |                          |
| - Finished goods inventories                  | Within 24 months                                 | 1,000                         | -                             | 0.0%                     |
| - Staff costs and raw materials               | Within 24 months                                 | 1,910                         | -                             | 0.0%                     |
| (iii) Estimated listing expenses              | Immediate                                        | 5,400                         | 5,400                         | 100.0%                   |
| <b>Total</b>                                  |                                                  | <b>42,310</b>                 | <b>5,400</b>                  |                          |
|                                               |                                                  |                               |                               |                          |

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

**B8. Group Borrowings**

|                                        |          | Unaudited          |                                   |
|----------------------------------------|----------|--------------------|-----------------------------------|
|                                        |          | As at 30 June 2019 | As at 30 June 2018 <sup>(1)</sup> |
|                                        | Currency | RM'000             | RM'000                            |
| <b>Long-term Borrowings (secured)</b>  |          |                    |                                   |
| (i) Term Loan                          | MYR      | 13,147             | N/A                               |
|                                        | EUR      | 11,800             | N/A                               |
| (ii) Finance Lease Liabilities         | MYR      | 135                | N/A                               |
| <b>Sub-total</b>                       |          | <b>25,082</b>      | <b>N/A</b>                        |
| <b>Short-term borrowings (secured)</b> |          |                    |                                   |
| (i) Term Loan                          | MYR      | 2,964              | N/A                               |
|                                        | EUR      | 6,251              | N/A                               |
| (ii) Finance Lease Liabilities         | MYR      | 313                | N/A                               |
| (iii) Bank Acceptance                  | MYR      | -                  | N/A                               |
|                                        | USD      | 4,053              | N/A                               |
| (iv) Revolving Credit                  | MYR      | 700                | N/A                               |
|                                        | CNY      | -                  | N/A                               |
| (v) Bank Overdraft                     | MYR      | 21                 | N/A                               |
| <b>Sub-total</b>                       |          | <b>14,302</b>      | <b>N/A</b>                        |
| <b>Total borrowings</b>                |          | <b>39,384</b>      | <b>N/A</b>                        |



**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (continued)****B8. Group Borrowings (continued)**

Notes:

- (1) No comparative figures for the corresponding quarter/period of preceding year are presented as this is second interim financial report on the consolidated results announced by the Company in compliance with the Listing Requirements.

N/A Not applicable

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

**B9. Derivative Financial Instruments**

As at 30<sup>th</sup> June 2019, the outstanding foreign currency forward contracts are as follows:

|                            |      | <b>Contract / Notional<br/>Amount<br/>RM'000</b> | <b>Fair Value<br/>Liability<br/>RM'000</b> |
|----------------------------|------|--------------------------------------------------|--------------------------------------------|
| Forward Currency Contracts | Euro | 2,120                                            | 2,106                                      |

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

The fair value derivative liability of RM 0.014 million has been recognised in the financial statement.

**B10. Material Litigation**

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

**B11. Dividend**

The Board of Directors has declared a first single tier interim dividend of 0.5 sen per ordinary share in respect of the financial year ending 31 December 2019 and payable on 07<sup>th</sup> October 2019. The entitlement date for the dividend payment is 20<sup>th</sup> September 2019.

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (continued)****B12. Earnings Per Share (“EPS”)**

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

|                                                                   | <b>Current Year<br/>Quarter<br/>30-Jun-2019</b> | <b>Preceding Year<br/>Quarter<br/>30-Jun-2018<sup>(4)</sup></b> | <b>Current<br/>Year-To-Date<br/>30-Jun-2019</b> | <b>Preceding<br/>Year-To-Date<br/>30-Jun-2018<sup>(4)</sup></b> |
|-------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------|
| Profit after tax attributable to the owners of the Group (RM'000) | 400                                             | N/A                                                             | 2,948                                           | N/A                                                             |
| Weighted average number of Shares in issue ('000)                 | <sup>(1)</sup> 328,489                          | N/A                                                             | 328,489                                         | N/A                                                             |
| Basic EPS (sen) <sup>(2)</sup>                                    | 0.12                                            | N/A                                                             | 0.90                                            | N/A                                                             |
| Diluted EPS (sen) <sup>(3)</sup>                                  | 0.12                                            | N/A                                                             | 0.90                                            | N/A                                                             |

Notes:

- (1) Based on the 328,489,000 ordinary shares listed on the Main Market on Bursa Securities (as detailed in Note B6).
- (2) Basic EPS is calculated by dividing the profit attributable to owners of the Group by the weighted average number of Shares in issue during the period under review.
- (3) Diluted EPS of the second quarter ended 30 June 2019 and financial year-to-date ended 30 June 2019 is equivalent to the basic EPS as the Company does not have any convertible securities as at the end of the financial period under review.
- (4) No comparative figures for the preceding year and preceding quarter are presented as this is the second interim financial report on the consolidated results for the financial period ended 30 June 2019 announced by the Company in compliance with the Listing Requirements.

N/A Not applicable

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (continued)****B13. Profit Before Tax**

Profit before tax is arrived at after charging/(crediting):

|                                                  | <b>Current Year<br/>Quarter<br/>30-Jun-2019<br/>RM'000</b> | <b>Preceding Year<br/>Quarter<br/>30-Jun-2018<sup>(1)</sup><br/>RM'000</b> | <b>Current<br/>Year-To-Date<br/>30-Jun-2019<br/>RM'000</b> | <b>Preceding<br/>Year-To-Date<br/>30-Jun-2018<sup>(1)</sup><br/>RM'000</b> |
|--------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------------------|
| Interest income                                  | (29)                                                       | N/A                                                                        | (57)                                                       | N/A                                                                        |
| Other income                                     | (322)                                                      | N/A                                                                        | (654)                                                      | N/A                                                                        |
| Interest expense                                 | 465                                                        | N/A                                                                        | 787                                                        | N/A                                                                        |
| Depreciation of property,<br>plant and equipment | 2,117                                                      | N/A                                                                        | 4,290                                                      | N/A                                                                        |
| Provision for and written off Inventory          | 82                                                         | N/A                                                                        | 82                                                         | N/A                                                                        |
| Provision for and written off<br>Receivables     | 5                                                          | N/A                                                                        | 5                                                          | N/A                                                                        |
| Realised gain on foreign exchange                | (281)                                                      | N/A                                                                        | (35)                                                       | N/A                                                                        |
| Unrealised loss on foreign exchange              | 409                                                        | N/A                                                                        | 40                                                         | N/A                                                                        |

Notes:

- (1) No comparative figures for the corresponding quarter/period of preceding year are presented as this is the second interim financial report on the consolidated results announced by the Company in compliance with the Listing Requirements.

N/A Not Applicable

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