

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

	Current Year Quarter 30-Sep-2020 RM'000	Preceding Year Quarter 30-Sep-2019 RM'000	Current Year-To- Date 30-Sep-2020 RM'000	Preceding Year-To- Date 30-Sep-2019 RM'000
Revenue	18,566	19,365	53,748	60,652
Cost of sales	9,986	10,521	31,588	34,712
Gross profit	8,580	8,844	22,160	25,940
Other income	578	1,167	2,186	1,914
Administrative expenses	(4,514)	(4,579)	(13,398)	(14,444)
Distribution expenses	(1,363)	(1,747)	(3,885)	(4,930)
Operating profit	3,281	3,685	7,063	8,480
Finance costs	(292)	(397)	(1,037)	(1,194)
Profit before tax	2,989	3,288	6,026	7,286
Income tax expense	(793)	(648)	(1,261)	(1,624)
Profit for the financial period	2,196	2,640	4,765	5,662
Other comprehensive income, net of tax :				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations	12	(172)	307	(177)
Other comprehensive income for the financial period	2,208	2,468	5,072	5,485
Total comprehensive income for the financial period				
Profit attributable to:				
Owners of the Group	2,191	2,590	4,766	5,538
Non-controlling interests	5	50	(1)	124
	2,196	2,640	4,765	5,662
Total comprehensive income attributable to:				
Owners of the Group	2,203	2,418	5,073	5,392
Non-controlling interests	5	50	(1)	93
	2,208	2,468	5,072	5,485
Earnings per share attributable to owners of the parent:				
Basic and diluted (sen) ⁽²⁾	0.67	0.79	1.45	1.69

Notes:

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	Unaudited As at 30-Sep-2020 RM'000	Audited As at 31-Dec-2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	70,799	76,578
Right-of-use assets	370	757
Total non-current assets	71,169	77,335
Current assets		
Inventories	26,762	28,125
Current tax assets	-	2,405
Trade and other receivables	16,292	15,199
Derivative financial assets	-	137
Other investments	36,524	-
Cash and short-term deposits	14,570	51,994
Total current assets	94,148	97,860
TOTAL ASSETS	165,317	175,195
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	103,553	103,553
Other reserves	731	424
Merger deficit	(54,067)	(54,067)
Retained earnings	70,891	68,999
	121,108	118,909
Non-controlling interests	370	371
TOTAL EQUITY	121,478	119,280
Non-current liabilities		
Loans and borrowings	17,894	21,378
Lease liabilities	47	205
Deferred income	2,949	3,527
Deferred tax liabilities	5,343	5,932
Total non-current liabilities	26,233	31,042
Current liabilities		
Loans and borrowings	11,615	16,804
Lease liabilities	280	555
Deferred income	770	770
Current tax liabilities	262	119
Trade and other payables	4,664	6,612
Derivative financial liabilities	15	13
Total current liabilities	17,606	24,873
TOTAL LIABILITIES	43,839	55,915
TOTAL EQUITY AND LIABILITIES	165,317	175,195
 Net assets per share (RM) ⁽²⁾	 0.37	 0.36

HPMT Holdings Berhad

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

(Incorporated in Malaysia)

INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020



Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) Based on the issued share capital of 328,489,000 ordinary shares as at 30 September 2020.

HPMT Holdings Berhad

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

(Incorporated in Malaysia)

INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

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

	Share capital RM'000	Exchange reserve RM'000	PRC statutory reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Sub-total RM'000	Non- controlling interest RM'000	Total equity RM'000
At 1 January 2020	103,553	226	198	(54,067)	68,999	118,909	371	119,280
Total comprehensive income for the financial period								
Profit for the financial period	-	-	-	-	4,766	4,766	(1)	4,765
Other comprehensive income for the financial period	-	307	-	-	-	307	-	307
Appropriation to statutory reserve	-	-	-	-	-	-	-	-
Total comprehensive income	-	307	-	-	4,766	5,073	(1)	5,072
Transaction with owners								
Dividends paid	-	-	-	-	(2,874)	(2,874)	-	(2,874)
At 30 September 2020	103,553	533	198	(54,067)	70,891	121,108	370	121,478
At 1 January 2019	*	352	175	6,206	64,026	70,759	3,247	74,006
Total comprehensive income for the financial period								
Profit for the financial period	-	-	-	-	5,538	5,538	124	5,662
Other comprehensive loss for the financial period	-	(146)	-	-	-	(146)	(31)	(177)
Appropriation to statutory reserve	-	-	28	-	(28)	-	-	-
Total comprehensive income	-	(146)	28	-	5,510	5,392	93	5,485
Transaction with owners								
Acquisition of subsidiaries	63,234	-	-	(63,608)	-	(374)	374	-
Issuance of ordinary shares	42,310	-	-	-	-	42,310	-	42,310
Share issuance expenses	(1,991)	-	-	-	-	(1,991)	-	(1,991)
Dividends paid	-	-	-	-	(1,642)	(1,642)	-	(1,642)
At 30 September 2019	103,553	206	203	(57,402)	67,894	114,454	3,714	118,168

Notes:

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

* RM2

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW⁽¹⁾

	Current Year-To-Date 30-Sep-2020 RM'000	Preceding Year-To-Date 30-Sep-2019 RM'000
Cash flows from operating activities		
Profit before tax	6,026	7,286
Adjustments for:		
Depreciation of property, plant and equipment	6,343	6,333
Depreciation of right-of-use assets	419	-
Loss/(Gain) on disposal of property, plant and equipment	20	(1)
Allowances for slow-moving inventories	98	85
Impairment loss on trade receivables	20	-
Recovered bad debt	-	(36)
Finance costs	1,037	1,194
Interest income	(737)	(482)
Net unrealised foreign exchange loss on derivatives	138	-
Loss/(Gain) on unrealised foreign exchange	755	(420)
Other non-cash items	(41)	-
Operating profit before working capital changes	14,078	13,959
<u>Changes in working capital:</u>		
Inventories	1,265	200
Trade and other receivables	(1,089)	309
Trade and other payables	(2,495)	(3,382)
Cash generated from operations	(2,319)	(2,873)
Tax refund	1,249	-
Income tax paid	(552)	(1,507)
Interest paid	(53)	(15)
Interest received	88	111
Net cash from operating activities	12,491	9,675
Cash flows from investing activities		
Purchase of property, plant and equipment	(580)	(919)
Net changes in other investments	(36,536)	(40,147)
Refund of stamp duty	-	564
Proceeds from disposal of property, plant and equipment	-	2
Interest received	649	371
Net cash used in investing activities	(36,467)	(40,129)

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

	Current Year-To-Date 30-Sep-2020 RM'000	Preceding Year-To-Date 30-Sep-2019 RM'000
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	-	40,318
Net change in revolving credit	748	250
Net change in bankers' acceptances	(4,230)	1,244
Payment of lease/finance lease liabilities	(421)	(236)
Repayment of term loans	(5,953)	(6,547)
Interest paid	(984)	(1,179)
Dividend paid	(2,874)	(1,642)
Net cash (used in)/from financing activities	(13,714)	32,208
Net (decrease)/increase in cash and cash equivalent	(37,690)	1,754
Cash and cash equivalents at the beginning of the financial year	51,960	13,144
Effects of exchange differences on translation	300	(175)
Cash and cash equivalents at the end of the financial year	14,570	14,723

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

	Current Year-To-Date 30-Sep-2020 RM'000	Preceding Year-To-Date 30-Sep-2019 RM'000
Cash and bank balances	14,570	14,847
Short-term deposits placed with licensed banks	-	-
Cash and short-term deposits	14,570	14,847
Less: Bank overdrafts	-	(124)
Cash and cash equivalents at the end of the financial periods	14,570	14,723

Notes:

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

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

A1. Basis of Preparation

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

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

A2. Significant Accounting Policies

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

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

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

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

A3. Auditors’ Report

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

A4. Seasonal or Cyclical Factors

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

A5. Material Unusual Items

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

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

A6. Material Changes in Estimates

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

A7. Debt and Equity Securities

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

A8. Dividends Paid

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

- i) Third single tier interim dividend of 0.375 sen per share amounting to RM 1,231,834 for the financial year ended 31 December 2019 was paid on 25 March 2020.
- ii) First single tier interim dividend of 0.5 sen per share amounting to RM 1,642,445 for the financial year ended 31 December 2020 was paid on 25 September 2020.

A9. Segmental Information

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

	Current Quarter 30-Sep-2020 RM'000	Preceding Year Quarter 30-Sep-2019 RM'000	Current Year-To-Date 30-Sep-2020 RM'000	Preceding Year-To-Date 30-Sep-2019 RM'000
Revenue				
Manufacturing	17,432	17,943	47,830	56,493
Trading	576	648	4,321	2,225
Coating	558	774	1,597	1,934
Total	18,566	19,365	53,748	60,652

A10. Property, Plant and Equipment

- (i) Acquisitions and disposals

During current year, the Group acquired assets at cost of RM 0.6 million.

- (ii) Impairment losses

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

- (iii) Valuation

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

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

A11. Material Events Subsequent to the end of the Quarter

There were no other material events subsequent to the end of the current quarter and financial period under review that have not been reflected in the interim financial report.

A12. Changes in the Composition of the Group

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

A13. Contingent Liabilities and Contingent Assets

	As at 30 September 2020 RM'000
Corporate Guarantee issued to financial institutions in respect of banking facilities granted to subsidiary companies.	<u><u>30,860</u></u>

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

A14. Material Capital Commitment

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

	RM'000
Approved and contracted for	
• Purchase of machineries and equipment	-
Approved but not contracted for	
• Purchase of machineries and equipment	28,325
Total	<u><u>28,325</u></u>

A15. Significant Related Party Transactions

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

A16. Fair Value of Financial Liabilities

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

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

B1. Review of Performance

	Individual Quarter		Changes	
	30-Sep-2020 RM'000	30-Sep-2019 RM'000		
Revenue	18,566	19,365	(799)	-4.1%
Profit before Taxation	2,989	3,288	(299)	-9.1%

The Group recorded revenue and profit before taxation ("PBT") of approximately RM 18.57 million and RM 2.99 million respectively during the current quarter under review, representing a decrease of 4.1% and 9.1% as compared to RM 19.37 million and RM 3.29 million generated in the corresponding quarter ended 30 September 2019.

B2. Comparison with Immediate Preceding Quarter

	Current Quarter 30-Sep-2020 RM'000	Preceding Quarter 30-Jun-2020 RM'000	Changes	
			RM'000	%
Revenue	18,566	17,474	1,092	6.2%
Profit before Taxation	2,989	1,867	1,122	60.1%

The Group revenue for the current quarter was RM 18.57 million, an increase of RM 1.10 million as compared to RM 17.47 million generated during the preceding quarter. Revenue from the manufacturing segment increased by RM 2.07 million or 13.4% due to increased orders from dealers to replenish their inventory levels. Revenue from the trading segment decreased by RM1.05 million or 64.5% with a decrease in trading sales. Revenue from the coating segment increased by RM 0.07 million or 15.3%.

The Group's reported profit before tax of RM 2.99 million for the current quarter is approximately RM 1.12 million higher as compared to profit before tax of the preceding quarter of RM 1.87 million. The increase in PBT is mainly due to better cost efficiency in manufacturing and additional government wage subsidies received.

B3. Prospects for the Current Financial Year

The market sentiments remain challenging due to significant concerns over uncertainties arising from the Covid-19 pandemic. To meet the challenges going forward, the Group is committed to enhancing the efficiency of our production processes and improve the competitiveness of our products to maintain profitability.

Despite these challenges, the Group is in the recovery stage where revenue is improving gradually. The Board remains cautiously positive on the Group's prospects in the near term given the improving economic outlook in light of the optimism fuelled by news of the encouraging progress in Covid-19 vaccine development.

B4. Profit Forecast

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

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

B5. Tax Expense

	Current Quarter 30-Sep-2020 RM'000	Preceding Year Quarter 30-Sep-2019 RM'000	Current Year-To-Date 30-Sep-2020 RM'000	Preceding Year-To-Date 30-Sep-2019 RM'000
Current Income Tax	1,127	356	1,851	929
Deferred Tax	(334)	292	(590)	695
Total	793	648	1,261	1,624

The effective tax rate of the Group is 20.9% which is slightly lower than the statutory tax rate, this is mainly due to tax allowances arising from capital investment.

B6. Status of Corporate Proposals

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

B7. Utilisation of Proceeds from the Public Issue

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

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

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

B8. Group Borrowings

		Unaudited	
		As at 30-Sep-2020	As at 30-Sep-2019
	Currency	RM'000	RM'000
Long-term Borrowings (secured)			
(i) Term Loan	MYR	11,742	12,751
	EUR	6,152	10,129
(ii) Finance Lease Liabilities	MYR	-	97
Sub-total		17,894	22,977
Short-term borrowings (secured)			
(i) Term Loan	MYR	1,576	2,740
	EUR	4,629	5,797
(ii) Finance Lease Liabilities	MYR	-	272
(iii) Bank Acceptance	USD	3,962	5,949
(iv) Revolving Credit	MYR	1,448	700
(v) Bank Overdraft	MYR	-	124
Sub-total		11,615	15,582
Total borrowings		29,509	38,559

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 September 2020, the outstanding foreign currency forward contracts are as follows:

	Contract / Notional Amount RM'000	Fair Value Asset / (Liabilities) RM'000
Forward Currency Contracts		
Less than 1 year	1,401	(15)

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 Group recognised a loss of RM0.14 million arising from changes in fair value of derivatives.

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

B10. Material Litigation

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

B11. Dividend

A second single tier dividend for the financial year ending 31 December 2020, amounting to RM 1.25 million computed based on 328,489,000 ordinary shares as at 30 September 2020 has been declared by the Board of Directors on 23 November 2020:

- (i) Amount per Share: Single tier dividend of 0.38 sen per ordinary share
- (ii) Previous corresponding period as at 30 September 2019: 0.375 sen
- (iii) Entitlement Date: 07 December 2020
- (iv) Payment Date: 23 December 2020

The total dividend declared for the current financial year ending 31 December 2020: 0.88 sen per share.

B12. Earnings Per Share ("EPS")

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

	Current Quarter 30-Sep-2020 RM'000	Preceding Year Quarter 30-Sep-2019 RM'000	Current Year-To-Date 30-Sep-2020 RM'000	Preceding Year-To-Date 30-Sep-2019 RM'000
Profit after tax attributable to the owner of the Group (RM'000)	2,191	2,590	4,766	5,538
Weighted average number of ordinary shares in issue ('000)	328,489	328,489	328,489	328,489
Basic EPS (sen) ⁽¹⁾	0.67	0.79	1.45	1.69
Diluted EPS (sen) ⁽²⁾	0.67	0.79	1.45	1.69

Notes:

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

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

B13. Profit Before Tax

	Current Quarter 30-Sep-2020 RM'000	Preceding Year Quarter 30-Sep-2019 RM'000	Current Year-To-Date 30-Sep-2020 RM'000	Preceding Year-To-Date 30-Sep-2019 RM'000
Interest income	(191)	(425)	(737)	(482)
Other income	(374)	(323)	(1,090)	(977)
Interest expense	284	392	1,000	1,179
Interest on lease liabilities	8	-	37	-
Depreciation of property, plant and equipment	2,083	2,043	6,343	6,333
Depreciation of right-of-use assets	93	-	419	-
Allowance for slow-moving inventories	23	3	98	85
Impairment loss on trade receivables	(5)	-	20	5
Realised gain on foreign exchange	(14)	70	(360)	35
Unrealised loss/(gain) on foreign exchange	195	(370)	755	(344)
Unrealised (gain)/loss on derivatives	-	(90)	138	(76)

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