HPMT

High
Precision
Machining
Tool

Annual Report

2021

WHAT'S
INSIDE

AT A
GLANCE

REVENUE
+26.0%
RM90.56 MILLION

PROFIT BEFORE TAX
+85.1%
RM17.84 MILLION

TOTAL ASSETS
176.48
RM MILLION

DIVIDEND
1.75 SEN
PER ORDINARY SHARE

The online version of **HPMT** Annual Report 2021 is available on the website.

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

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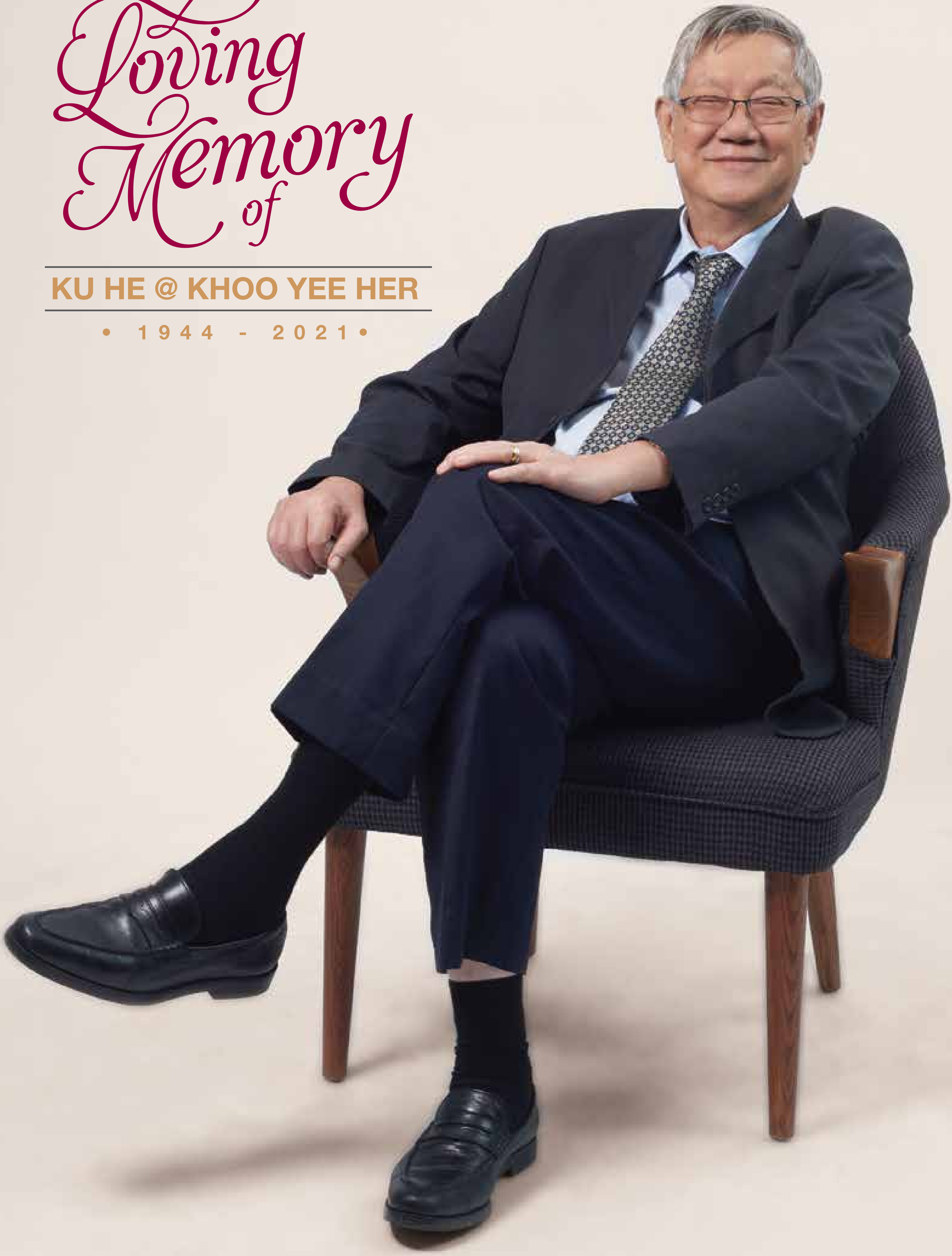
In Loving Memory of

KU HE @ KHOO YEE HER

• 1944 - 2021 •



TRIBUTE TO OUR **FOUNDING CHAIRMAN**

It is with a heavy heart and great sadness that the HPMT Group of Companies announces the sudden loss of the founding Chairman, Mr. Khoo Yee Her on Saturday June 26th 2021, surrounded by his loving family.

The late Mr Khoo Yee Her was deeply loved by his family, friends and everyone at the HPMT Group of companies. It is difficult for us to put into words the loss that will be felt by all. He touched the lives of everyone he came into contact with, including many all over the world who had the honour to meet him during his long and successful career.

Mr. Khoo was an accomplished and visionary entrepreneur. At an age when many are planning for their retirement or are already retired, he decided to create HPMT. For the next twenty years he relentlessly grew the business into an international group of companies, culminating in the listing on KLSE Main Board in 2019. It is the inspiration and drive of Mr. Khoo that forged the company, and it was he more than anyone who helped create its worldwide reputation.

Not content with his many achievements, Mr. Khoo continued to be a man of great vision and determination, and went on dedicating himself to building bridges to a better future for the next generations.

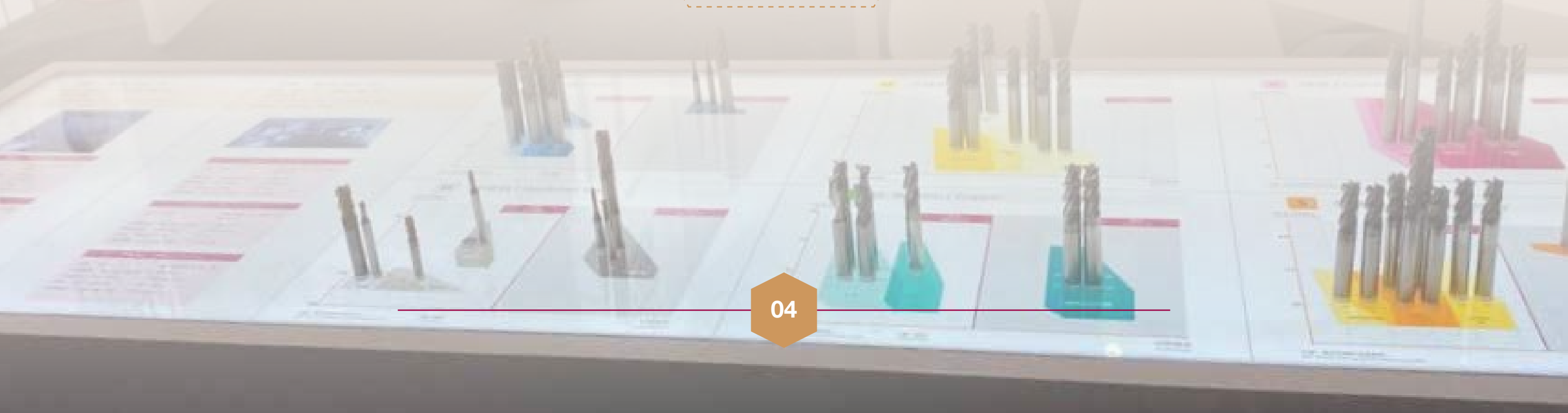
The entire HPMT Group mourns the passing of a caring and inspiring leader who was a fatherly figure to many. He taught us all that wellbeing must start from all of our homes and always strived to improve the welfare of every staff and partner as the father of the HPMT home he created.

Mr. Khoo has left behind a powerful legacy of humility and dedication, and he will never be forgotten. His vision for the company will be carried on by his son, Mr. Khoo Seng Giap, Managing Director of the HPMT Group of companies.

CORPORATE STRUCTURE

HPMT

- 75% Pentagon Coating Technologies Sdn Bhd
- 100% HPMT Industries Sdn Bhd
- 100% HPMT Deutschland GmbH
- 100% Herroz Sdn Bhd
- 100% MTC Tooling Systems Limited
  - 100% HPMT (Shenzhen) Limited



CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' KHOO AH CHYE
(Re-designated on 23 June 2021)
Non-Independent Non-Executive Chairman

KHOO SENG GIAP
Managing Director

TAN KIM CHUAN
Executive Director/Chief Financial Officer

PETER HO KOK WAI
Senior Independent Non-Executive Director

CHUA PUT MOY (F)
Independent Non-Executive Director

OEI KOK EONG
Independent Non-Executive Director

KU HE @ KHOO YEE HER
(Resigned on 23 June 2021)
Executive Chairman

TAN TAI BENG
(Appointed on 1 April 2022)
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Peter Ho Kok Wai *(Chairman)*
Senior Independent Non-Executive Director

Chua Put Moy (f) *(Member)*
Independent Non-Executive Director

Oei Kok Eong *(Member)*
Independent Non-Executive Director

NOMINATION AND REMUNERATION COMMITTEE *

Oei Kok Eong *(Chairman)*
Independent Non-Executive Director

Peter Ho Kok Wai *(Member)*
Senior Independent Non-Executive Director

Chua Put Moy (f) *(Member)*
Independent Non-Executive Director

* *The Nomination Committee and Remuneration Committee were combined into Nomination and Remuneration Committee, with effect from 1 April 2022.*

COMPANY SECRETARY:

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

REGISTERED OFFICE:

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur,
Malaysia
Tel no. : +603 2241 5800
Fax no. : +603 2282 5022

HEAD/MANAGEMENT OFFICE:

No.5, Jalan Sungai Kayu Ara 32/39
Taman Berjaya, Seksyen 32
40460 Shah Alam, Selangor
Malaysia
Tel no. : +603 5740 2218
Fax no. : +603 5740 2238
E-mail : hpmt@hpmt-industries.com
Website : www.hpmt-industries.com

AUDITOR:

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia
Tel no. : +603 2297 1000
Fax no. : +603 2282 9980

SHARE REGISTRAR:

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Tower A,
Vertical Business Suite
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi
59200 Kuala Lumpur,
Malaysia
Tel no. : +603 2783 9299
Fax no. : +603 2783 9222

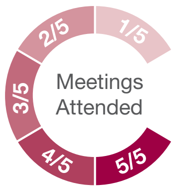
STOCK EXCHANGE LISTING

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

PROFILE OF DIRECTORS

Dato' Khoo Ah Chye

Non-Independent
Non-Executive Chairman
Male | Age 74 | 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

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

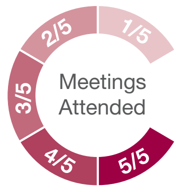
Any conflict of interests with the Company
None

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 FY2021
None

Khoo Seng Giap

Managing Director
Male | Age 39 | 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

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

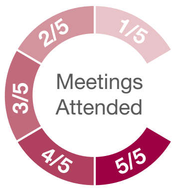
Any conflict of interests with the Company
None

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 FY2021
None

PROFILE OF DIRECTORS
cont'd

Tan Kim Chuan
Executive Director/ Chief Financial Officer
Male | Age 54 | Malaysian



Date of Appointment
- 16/11/2017

Qualification
- Graduate from Chartered Institute of Management Accounts (CIMA)
- Member of the Malaysian Institute of Accountants (MIA)

Working Experience
- Audit Assistant, Messrs. Hew & Tan
- Accounts Officer, Wing Tiek Ductile Iron Pipe Sdn Bhd
- Assistant Accountant, Wing Tiek Metal Industries Sdn Bhd
- Treasury Manager, Wing Tiek Holdings Bhd
- Finance Manager, United Challenge Sdn Bhd (a member of Lung Kee Group)
- Financial Controller, Mec. Tech Corporation Sdn Bhd

Membership of Board Committees in HPMT Holdings Berhad
None

Directorship in other Listed Issuers / Public Companies
None

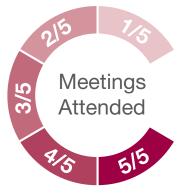
Any family relationship with any director/major shareholder of the Company
None

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 FY2021
None

Peter Ho Kok Wai
Senior Independent Non-Executive Director
Male | Age 63 | Malaysian



Date of Appointment
- 30/4/2018

Qualification
- Member of the Malaysian Institute of Accountants (MIA)
- Fellow of The Institute of Chartered Accountants in England and Wales (ICAEW)
- Member of The Malaysian Institute of Certified Public Accountants (MICPA)

Working Experience
- Auditor, Everett Pinto & Co.
- Audit Senior, KPMG PLT (KPMG)
- Head of Department, KPMG
- Head of KPMG, Ipoh Branch
- Partner of KPMG
- Head of Audit and Accounting Committee of KPMG

Membership of Board Committees in HPMT Holdings Berhad
1. Audit and Risk Management Committee (Chairman)
2. Nomination and Remuneration Committee (Member)

Directorship in other Listed Issuers/Public Companies
1. Independent Non-Executive Director of Hong Leong Industries Berhad
2. Independent Non-Executive Director of Hong Leong Capital Berhad
3. Independent Non-Executive Director of GuocoLand (Malaysia) Berhad
4. Independent Non-Executive Director of Allianz Malaysia Berhad
5. Independent Non-Executive Director of Allianz Life Insurance Malaysia Berhad

Any family relationship with any director/major shareholder of the Company
None

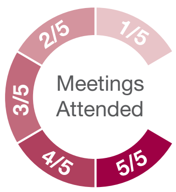
Any conflict of interests with the Company
None

Any conviction for offences within the past five (5) years other than traffic offences
None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY2021
None

PROFILE OF DIRECTORS
cont'd

Chua Put Moy
Independent Non-Executive Director
Female | Age 67 | 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 Certified (MIA)

Working Experience
- Audit Executive, Ernst & Young, United Kingdom
- Qualified Accountant, PricewaterhouseCoopers, Kuala Lumpur
- Group Management Accountant, Genting Berhad
- Head Office Personnel & Administration Manager, Genting Berhad
- Senior Vice President of Human Resources and Information Technology, Genting Sanyen Industrial Paper Sdn Bhd
- Executive Director of the Finance, Investment & Human Resources Division, VXL Management Sdn Bhd
- Associate Director of Tax and Advisory Business Development, PricewaterhouseCoopers Beijing
- Asia Pacific Human Resources Director, Avery Dennison Hong Kong BV
- Special Project Director/ Director of Business Services and Group Corporate Planner/ Human Resource Director, Paramount Corporation Berhad
- Chief Executive Officer, KDU University College Sdn Bhd

Membership of Board Committees in HPMT Holdings Berhad
1 Audit and Risk Management Committee (Member)
2 Nomination and Remuneration Committee (Member)

Directorship in other Listed Issuers / Public Companies
1 Independent Non-Executive Director of GuocoLand (Malaysia) Berhad
2 Independent Non-Executive Director of GDEX Berhad

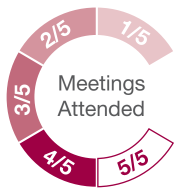
Any family relationship with any director/major shareholder of the Company
None

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 FY2021
None

Oei Kok Eong
Independent Non-Executive Director
Male | Age 69 | 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)

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

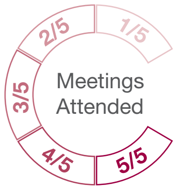
Any conflict of interests with the Company
None

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 FY2021
None

PROFILE OF **DIRECTORS**
cont'd

Tan Tai Beng
Independent Non-Executive Director
Male | Age 77 | Malaysian



Date of Appointment
- 1/4/2022

Qualification
- Bachelor of Art, 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
None

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 FY2021
None

PROFILE OF KEY SENIOR MANAGEMENT

Neexon Khoo

Director of Manufacturing
Male | Age 41 | Malaysian

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

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

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 46 | Malaysian

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

Qualification
- Bachelor in Engineering, Univeristy Putra Malaysia

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

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 52 | Malaysian

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

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 60 | Malaysian

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

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

CHAIRMAN'S STATEMENT

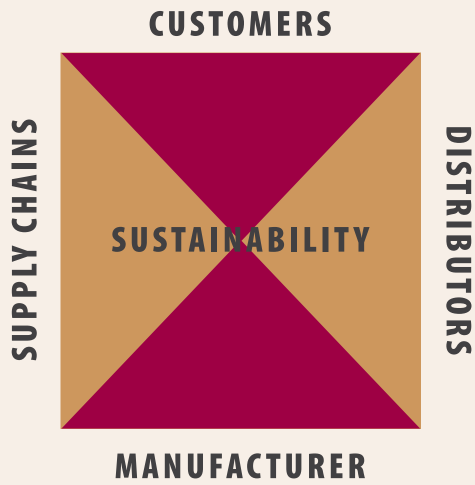
DEAR VALUED SHAREHOLDERS,

I AM PLEASED TO PRESENT THE ANNUAL REPORT FOR HPMT HOLDINGS BERHAD ("HPMT") FOR THE FINANCIAL YEAR ENDED 2021 ("FYE 2021").

CORPORATE DEVELOPMENTS

Our journey started from a humble beginning as a company trading of cutting tools and other supporting equipment and accessories. Throughout the years, we have grown from a trading company to currently being involve in manufacturing and distribution of cutting tools with 58 units of CNC Universal Grinding Machine and 16 units of CNC Cylindrical Grinding Machine.

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



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

CHAIRMAN'S STATEMENT
cont'd

FINANCIAL PERFORMANCE REVIEW

Despite the challenging economic environment, the Group achieved revenue of RM90.56 million in FYE 2021 as compared to previous year RM71.90 million. Profit before tax ("PBT") and profit after tax ("PAT") achieved for the financial year was RM17.84 million and RM13.88 million, respectively.

In these trying times, the Group is able to maintain its Gross Profit Margin in Year 2021 at 44.6% (2020: 42.1%) by implementing various cost efficiency measures. At the same time, we strived to develop products that meet customer requirement and facilitating remote learning and teaching to our end users.

MARKET OUTLOOK AND PROSPECTS

The Year 2022 is projected to remain uncertain and challenging with slightly more positive sentiments predicated on gradual recovery of the global economy with the ongoing discussion on international border re-opening.

Despite these uncertainties, the Group continues to enhance the efficiency of its production processes and improve the competitiveness of our products. At the same time, the Group enforces strict Standard of Procedures in the workplace to ensure the health and safety of employees amidst the pandemic.

The Group remains cautiously optimistic that it will weather the storm and maintain profitability.

DIVIDENDS

The Group is committed to deliver value and sustainable returns to our shareholders. The board of Directors has recommended and declared tax exempted dividends amounting to a total of 1.75 sen which were paid on 23 June 2021, 22 September 2021, 22 December 2021 and 28 March 2022. The total dividends of 1.75 sen represent a pay-out ratio of 41.5% of our PAT, which is more than our plan to distribute at least 30% of our annual audited PAT, after the Board had considered the financial performance, capital expenditure requirements, general financial condition and any other relevant factors.

APPRECIATION

I would like to express our sincere appreciation and gratitude to stakeholders, including our valued customers, shareholders, business partners and suppliers for their continue support.

To the management team and HPMT staff, the Board would like to thank you for your hard work, dedication and loyalty especially in the recent trying times. You are our greatest asset.

Last but not least, the Board of Directors would like to express our gratitude to our founder and the late Chairman, Mr. Ku He @ Khoo Yee Her for his great contribution and leadership in growing HPMT to where we are today. We have dedicated a special tribute to our late Chairman in this Annual Report.

On behalf of the Board of Directors, it is my pleasure to present to you our Annual Report for the FYE 2021.

DATO' KHOO AH CHYE
Non-Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATION OVERVIEW

Our Group is involved in the manufacturing and distribution of cutting tools as well as coating services and trading of auxiliary cutting tools, equipment and accessories for metalworking. During the Covid-19 pandemic, we have managed to operate the factory with minimal disruption while adherence to safety and preventive measures. This is mission critical to ensure stable supply to keep our customers' production operating as well.

We managed to move to remote working smoothly and our efforts to move our customer maintenance was transitioned smoothly. With the effects of pandemic, we also made an attempt to engage customers virtually for the newly launched DM70 product line.

OUR PRINCIPAL MARKETS

We sold to more than 30 countries (including Malaysia) around the world through our sales network, with our revenues derived from domestic and overseas markets. This includes Europe such as Germany, Italy, Czech Republic, Denmark and Portugal; Asia such as China, Japan, Turkey, Thailand, India and Philippines; and other countries such as Australia, United States of America, Mexico and Romania.

FINANCIAL PERFORMANCE REVIEW

Despite the challenging economic environment, the Group achieved revenue of RM90.56 million in FYE 2021 as compared to RM71.90 million recorded in FYE 2020, an increase of RM18.66 million or 26.0% year-on-year. The increase in the revenue was mainly due to increase in revenue for the manufacturing and coating segments.

Our gross profit ("GP") increased by RM10.09 million or 33.3% from RM30.29 million in FYE 2020 to RM40.38 million in FYE 2021 and our GP margin has slightly increased to 44.6% in FYE 2021 as compared to 42.1% in FYE 2020.

Our profit before tax ("PBT") increased by RM8.20 million from RM9.64 million in FYE 2020 to RM17.84 million in FYE 2021. PBT margin increased by 6.3% from 13.4% in FYE 2020 to 19.7% in FYE 2021 mainly due to increase in sales of the manufacturing segment.

As at 31 December 2021, the Group's financial position remained healthy with net assets of RM131.62 million (or net assets per share of RM0.40). Our short-term investment and cash and cash equivalents had also increased to RM57.82 million in FYE 2021 as compared to RM53.26 million in FYE 2020.

ANTICIPATED OR KNOWN RISKS

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

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

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

Raw Materials

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

Develop competitive products

Failure to develop competitive products that meet customers' requirements or our existing and/or potential competitors may develop products that are similar or superior to our products or the introduction of new products by our competitors that have better performance may reduce the price of and the demand for our existing products, which may materially and adversely affect our financial condition. As for the mitigation measures, our Research and Development department continues to develop and work closely with our customers for tool improvement. Higher allocation of resource investment to improve capabilities in tool application, design and engineering capabilities, to improve cutting tool features and performance and application advisory to optimize value.

Currency Risk

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

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

Covid-19 Pandemic

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

MARKET OUTLOOK

The year 2021 has brought about progress for the world to better co-exist with COVID-19, the successful roll-out of vaccination campaigns throughout many countries had significantly reduced fatality rates, and as a result of that, returning some normalcy to life. This had revived consumer spending and spurred the consumption of goods and services. The buoyant market sentiment had instilled confidence in businesses to replenish stocks and make plans for production CAPEX. This has led to a positive recovery in the manufacturing sector.

The advent of the Omicron variant seems to be transiting the world towards the endemic phase where countries are preparing to gradually open up their borders. With light at the end of the tunnel the manufacturing sector is anticipating positive prospects. However, we are wary over the growing concerns of the Russian-Ukraine conflict that might potentially destabilize global order and derail economic recovery. Our prayers are with those who are suffering from this humanitarian crisis and we wish for a swift resolution to this geopolitical situation.

We foresee that cost containment will be ranked high on the agendas of manufacturing companies with anticipation of surging raw material costs, coupled with monetary policies introduced to manage the all-time high inflation rates. Nevertheless, we will continue our efforts to adopt and develop capabilities that will enable us to reach and support our customers through virtual and digital mediums to increase the span of coverage to better serve our customers in the manufacturing sector. It is also necessary for us to optimize production efficiencies through digitalization and develop smarter manufacturing capabilities to unlock new streams of efficiency within the supply chain to remain competitive and profitable. With a more infectious Omicron variant, we will have to stay diligent to operate under strict safety and preventive protocols to minimize disruption in the operations.

We project that the growth for the year 2022 will be supplemented by continuous market recovery and recurring sales from key distributors that were initiated in the year 2021 that is expected to gain better market traction through promotional efforts in 2022. We also intend to extend and strengthen our promotional efforts for new products that were developed in the year 2021 to gain stronger adoption from existing and new end users.

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

ACKNOWLEDGEMENT

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

Last but not least, I would like to extend my gratitude to all our shareholders for their confidence in our Group.

KHOO SENG GIAP
Group Managing Director

2021 EVENT **HIGHLIGHTS**

SHENZHEN EXHIBITION

1st April 2021

WEBINAR

1st July 2021

14th Octocber 2021

9th December 2021

2021 EVENT HIGHLIGHTS
cont'd

PRODUCT LAUNCHING

14th October 2021

DM70

The new High-Performance series for Mould & Die.
Applications on hard materials of 70 HRC

DM70, HMPT's latest innovation series, introduces an exciting new line-up of high-performance tools designed for Mould & die. This time arround, our R&D team has placed a strict focus on tolerance and durability, enabling faster machining, more uptime, and overall extended tool life.

FOURTH ANNUAL GENERAL MEETING

4th June 2021

The Company's 4th AGM was conducted fully virtual with shareholders' remote participation and voting.

SUSTAINABILITY REPORT 2021

OUR SUSTAINABILITY PHILOSOPHY

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

Our endeavour for sustainability is reflected in our company philosophy of Integrity, Reliability, Accountability and Capability. We aim to remain responsible for every commitment we made and to be dependable by maintaining the trust others place in us. We strive to achieve sustainable business practices by using our philosophy with effective cooperation between the Manufacturer, the Supply Chains, the Distribution Arms and the customers.

SCOPE OF REPORT

HPMT Holdings Berhad is proud to present our Sustainability Report for the financial year ended 31 December 2021. This report is prepared in accordance with the Bursa Malaysia Securities Berhad ("Bursa") Main Market Listing Requirements. Additional references pertaining to toolkits and standards provided by Bursa and The Global Reporting Initiative were also taken into consideration.

Our sustainability reporting covers the manufacturing operations in our direct subsidiaries in Malaysia, namely HPMT Industries Sdn Bhd, Herroz Sdn Bhd and Pentagon Coating Technologies Sdn Bhd located at Shah Alam, Selangor. This report presents our sustainability performance for the reporting period between 1st January 2021 to 31st December 2021.

RISK MANAGEMENT

The manufacturing industry has faced considerable risks in recent times. This is attributed to changing market trends and a slowdown in economic activity globally. Reduced buying patterns of end-users and ongoing clients has been a considerable risk to not only the Group, but to other manufacturers within the industry.

In addition, environmental impacts such as raw material consumption, solid waste and water and energy usage is a main concern of the Group. These affect the economic, environmental and social aspects of our operations.

Addressing the issues mentioned, the Group is optimistic in our approach to ensure that proper initiatives are being undertaken to minimise risk. For instance, HPMT has placed further emphasis on research and development to identify and produce new and innovative ways in order to differentiate from our competitors. Additionally, the Group has also begun to execute monitoring programmes to identify key environmental issues and is developing key performance indices to track and monitor progress.

SUSTAINABILITY GOVERNANCE STRUCTURE

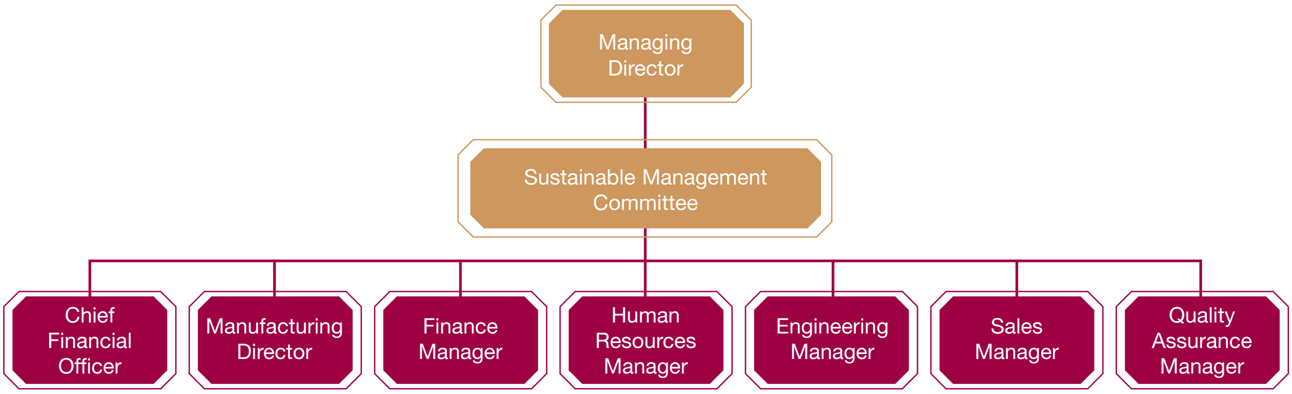
As a responsible business entity, we are committed to developing sustainability strategies across all levels of management. In the effort to embed and achieve sustainable management and growth into our daily operations, the Group has established a governing body to oversee and implement sustainable programs. In this capacity, we are able to attain transparency, corporate accountability, and to ensure compliance at all times to all regulatory corporate governance requirements. Members of our Sustainable Management Committee include:

Chairman: Managing Director
Committee Members, comprising Senior Representatives/Head of Departments ("HODs") of

- Finance and Accounts
- Human Resources and Administration
- Engineering
- Sales
- Manufacturing
- Quality, Environment Safety & Health

SUSTAINABILITY GOVERNANCE STRUCTURE *cont'd*

The corporate structure for our Sustainable Management Committee is illustrated below: -



The roles and responsibilities of Sustainable Management Committee are listed as follows: -

Managing Director

- Coordinate information and inputs from HOD
- Develop and improve sustainability strategies
- Monitor sustainability programme performance

Head of Departments

- Assist and gather information for sustainability reporting
- Implement sustainability practices approved by Managing Director
- Identify Economic, Environmental and Social risks by department

STAKEHOLDER ENGAGEMENT

The Group actively engages with our stakeholders to increase business intelligence and transparency, and to bring diverse perspectives into our decision-making process. Our stakeholders' feedback and concerns are critical in the effort of enhancing our business financially and non-financially. Therefore, it is essential that the Group conveys our methodology of engagement to further advocate transparency.

We have identified stakeholders which have significant impact on our business operations, and listed the actions taken to address their key concerns:-

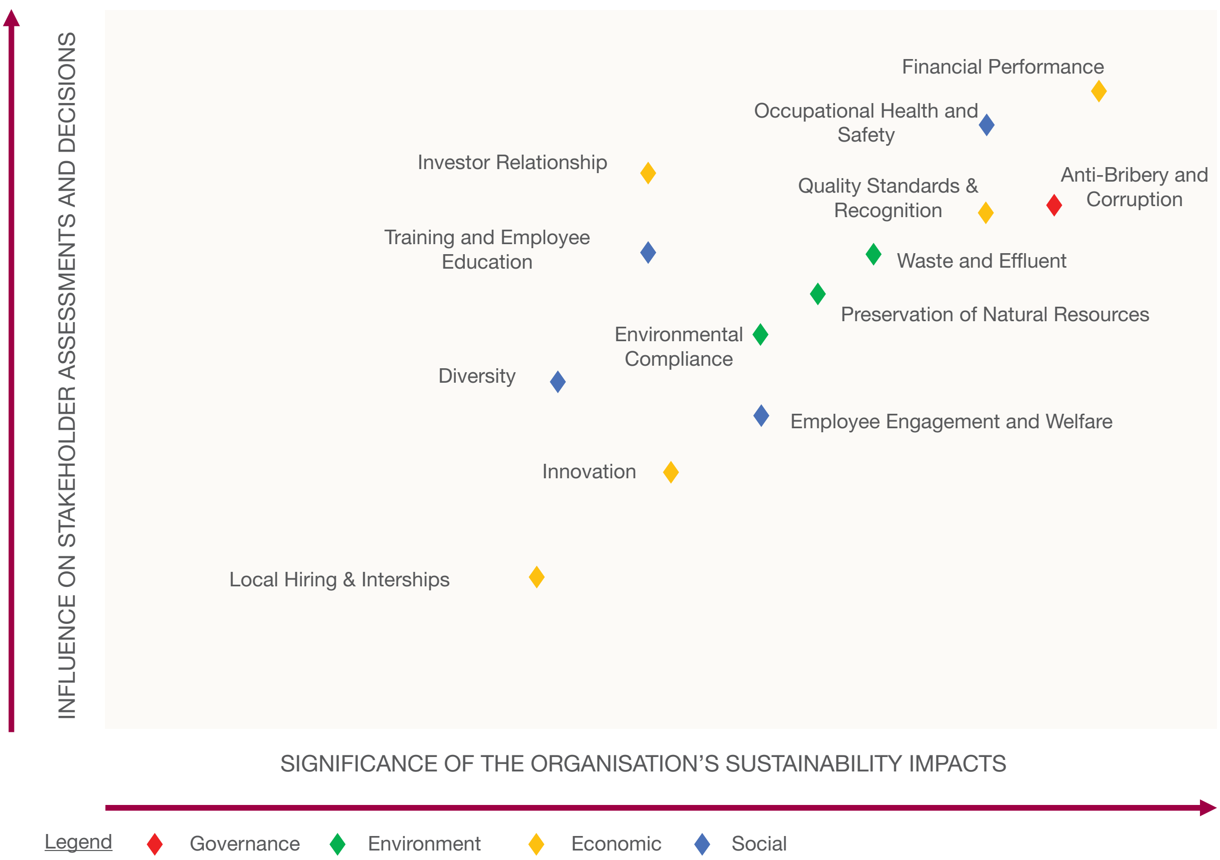
Stakeholders	Key Areas of Interest	Forms of Engagement
Customers	▪ After sales services ▪ Inquires/online contact ▪ Product design/features	▪ Customer site technical support ▪ Company website and web calls ▪ New products/project improvements ▪ Email marketing & social media
Suppliers	▪ Ethical business conduct ▪ Sustainable supply chain	▪ Anti-bribery and anti-corruption policy ▪ Video conference ▪ Continuous communication

STAKEHOLDER ENGAGEMENT *cont'd*

Stakeholders	Key Areas of Interest	Forms of Engagement
Employees	■ Employee engagement ■ Employer branding ■ Work culture ■ Employee career development ■ Ethical business conduct	■ Employee engagement survey ■ Workplace safety and health ■ Training programmes ■ Recreational activities/events ■ Anti-bribery and anti-corruption policy ■ Whistleblowing policy
Investors/Shareholders	■ Financial performance ■ Investment opportunities ■ Corporate activities	■ Annual General Meeting ■ Investors meetings ■ Quarterly and annual reporting ■ Corporate announcement
Local Communities	■ Equal employment opportunity ■ Industrial opportunity	■ Upskilling programmes ■ Internship ■ Donation
Regulatory Bodies	■ Regulatory compliance ■ Ethical business conduct	■ On-site inspection ■ Corporate announcements

MATERIALITY ASSESSMENT

After undertaking the materiality assessment/review process, we have identified several material sustainability matters which are significant in our operations. For this year of reporting, we have identified the following material matters: Financial Performance, Local Hiring & Internships, Investor Relationship, Waste and Effluent, Compliance (Environmental), Occupational Safety and Health, Diversity, Employee Engagement, Quality Standards & Recognition, Training and Employee Education and Innovation. Illustrated below is the materiality matrix:-



MATERIALITY ASSESSMENT *cont'd*

1. GOVERNANCE

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

a. ANTI-BRIBERY AND CORRUPTION

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

2. ECONOMIC

a. INVESTOR RELATIONSHIP

The Group values its investors and is committed to addressing their needs and expectations. It is paramount that the Group maintains a transparent and healthy relationship with our investors, as they are vital to our operational success. Some of our engagement methods include conducting e-Annual General Meeting and holding investors meetings.

b. QUALITY STANDARDS & RECOGNITION

We place customer satisfaction as one of the top priorities to achieve not only economic success, but also to attain a favourable disposition in our field as a top-quality manufacturer. It is in our Group's philosophy to be dependable by maintaining the trust others placed in us. To achieve this, we have in place our Research and Development and Quality Assurance and Control departments. We understand that the safety of the end-users of our products is of upmost importance, and that it is our responsibility to assure them of top-quality products. Therefore, we have obtained the ISO 9001:2015 Quality Management Systems certification, to improve the consistency of our operations and to increase customer satisfaction.

c. INNOVATION

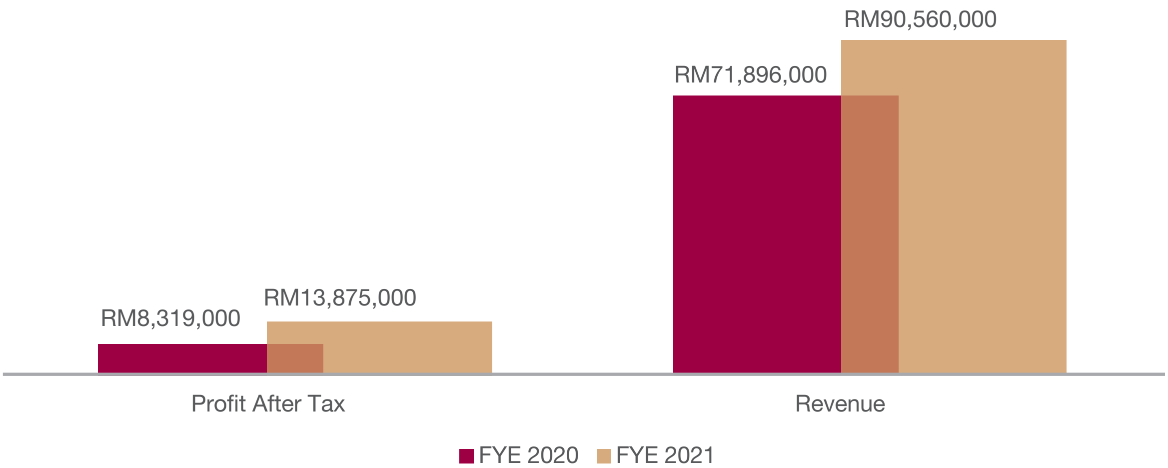
The Group have established and utilised Internet of Things ("IOT") and automation in our operations to ensure competitiveness. We believe that the adoption of automation and digitalisation throughout our operations will further position us to be more cost effective and subsequently more competitive in the production of top-quality goods. The Group's Research and Development teams have also delved into improving productivity through new application know-how. By increasing digitalisation in our operations and business dealings, we are able to increase productivity and eliminate our usage of paper wherever possible.

MATERIALITY ASSESSMENT *cont'd*

2. ECONOMIC *cont'd*

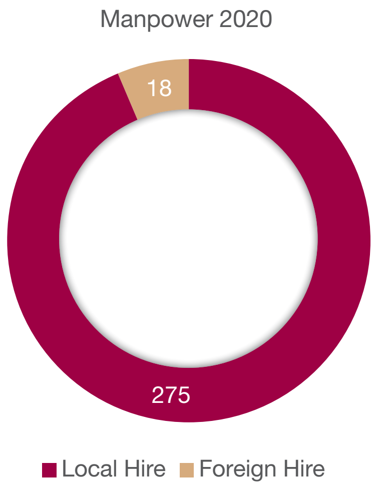
d. FINANCIAL PERFORMANCE

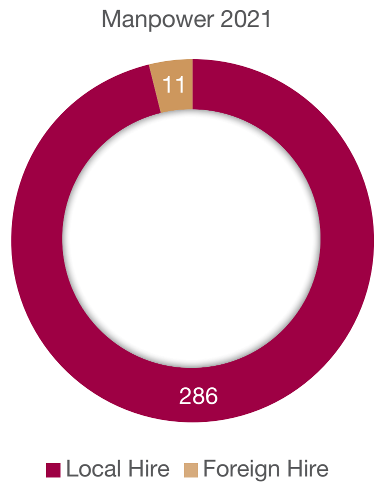
For financial year 2020, we have recorded an annual revenue of RM71.90 million and a profit after tax of RM8.32 million. Whereas for financial year 2021, we have observed an increase in revenue that bring the amount to RM90.56 million, and consequently registering a profit after tax of RM13.88 million. The growth in financial performance is attributed to an increase in revenue across the manufacturing market segments. The increase in demand as a result of replenishment of customer inventory due to economic gradual recovery from the pandemic. The Group remains cautiously optimistic that it will weather the storm and maintain profitability.



e. LOCAL HIRING & INTERNSHIPS

HPMT places emphasis on contributing to our local communities in which we operate. Being a Malaysian company, we believe that hiring local workforce can embolden our stance and empower our talents. For the year of 2021, we have a total of 11 foreigners as opposed to 18 foreigners in 2020.





In addition, the Group supports internships, and have provided a platform to allow interns to grow with us. For the year of 2021, we have employed 11 interns throughout all our fields of operations. The Group values the importance of cultivating young talents, and the discovery of young talents is critical to reassure and to develop creative solutions for sustainable innovations in the near future. It is a key point of interest of the Group to hire and provide ample education and training for under graduates.

MATERIALITY ASSESSMENT *cont'd*

3. ENVIRONMENT

At HPMT, we are mindful of environmental impacts stemming from our business endeavours. As the Group's core business revolves around the manufacturing and distribution of industrial products, we are keenly aware of our management of raw and natural resources, in order to prevent wastage or excessive usage.

a. WASTE AND EFFLUENT

The Group actively monitors our manufacturing and production divisions, in order to minimise any negative environmental impact.

We recognise the following as waste:

i) Waste generated from business operations;
ii) Scheduled waste and related effluent; and
iii) Packaging for raw materials

Waste disposal is outsourced to Department of Environment ("DOE") licensed waste collectors such as Estalco Sdn Bhd, Famous Phase Sdn Bhd, Green Nature Elite Sdn Bhd, and Secure Waste Management Sdn Bhd.

b. ENVIRONMENTAL COMPLIANCE

As a responsible business entity, we are aware of our environmental impact and is in compliance with relevant laws and regulations, such as the Environmental Quality Act 1974. We are subject to random inspections by the DOE to ensure our compliance with related environmental laws.

c. PRESERVATION OF NATURAL RESOURCES

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

We are proud to present a reduction of 10.16% of electricity consumption from year 2020 to 2021.

	2020	2021
Electricity Consumption	7,701,885 kWh	6,919,016 kWh
Solar Generation	-	1,307,555 kWh
Total	**7,701,885 kWh**	**8,226,571 kWh**

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

4. SOCIAL

The Group recognises the importance of social engagements with our employees. We take great effort in maintaining and developing valuable employee relationships, providing training and education to our employees and ensuring safety at the workplace.

MATERIALITY ASSESSMENT *cont'd*

4. SOCIAL *cont'd*

a. DIVERSITY

The Group is committed to our employees and human resources, and we believe that a healthy workplace is essential to retain employees. HPMT provides equal opportunity to all employees in terms of career progression, and do not discriminate against race, gender and age. We believe that it important to hire based on the merit rather than their ethnicity. However, given the nature of our industry, our workforce is predominantly male as our operations require hard labour. Nonetheless, we do not look at gender when seeking to employ and encourage women to apply. Illustrated below is the breakdown of our employees by subsidiaries and related demographics for the financial year of 2021:-

Employee Data

Subsidiary	HPMT Industries Sdn. Bhd.	Herroz Sdn. Bhd.	Pentagon Coating Technologies Sdn. Bhd.
Total Number of Employees	259	22	16
Staff Category			
Permanent Staff	97%	100%	100%
Non-Permanent Staff	3%	0%	0%
Age Group			
<29	48%	6%	56%
30-39	39%	45%	19%
40-49	10%	36%	19%
>50	3%	13%	6%
Gender			
Male	67%	55%	75%
Female	33%	45%	25%

b. OCCUPATIONAL HEALTH AND SAFETY

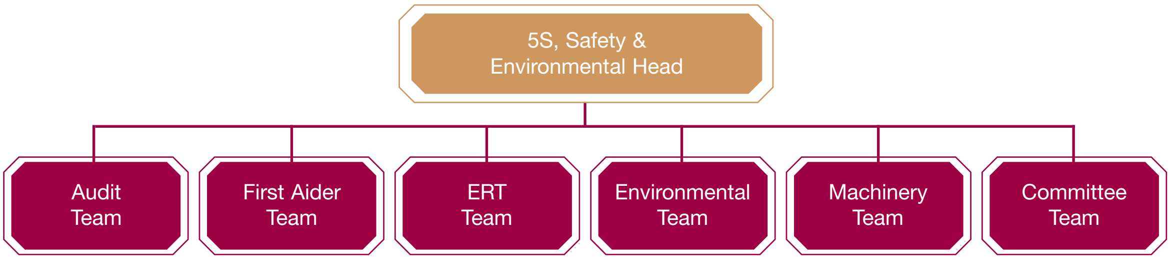
The Group is devoted to providing a safe and healthy workplace for all its employees whilst simultaneously protecting the environment in which it operates. We adhere to applicable safety and health laws and regulations, with the belief that a secure environment will result in improved employees' morale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

MATERIALITY ASSESSMENT *cont'd*

4. SOCIAL *cont'd*

b. OCCUPATIONAL HEALTH AND SAFETY *cont'd*

In order to safeguard our employees from environmental and workplace hazards, our structured 5S, Safety and Environmental committee executes safety and wellness programs to reduce workplace injuries and accidents. Our committee is spearheaded by our Quality Assurance Manager, and assisted by sub teams, which are specialists in 5S, Safety and Environmental subject matters; namely Audit, First Aid, Emergency Response, and Environmental and Machinery as illustrated below:-

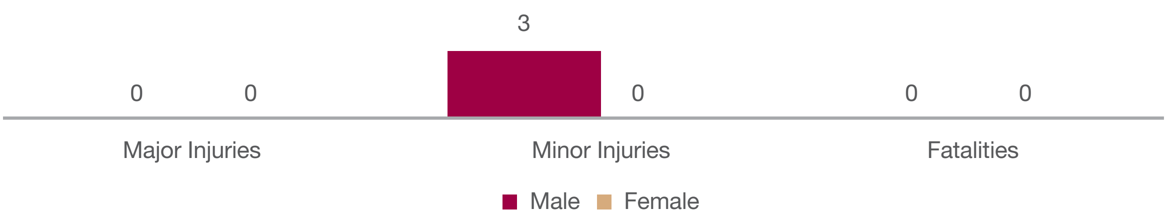


The following are the functions and responsibilities of our 5S, Safety and Environmental committee:-

- 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 inspections.
- Reporting/replacing any unserviceable or damaged firefighting equipment.
- Carrying out any further functions that may be required in the interests of environment, safety and health.

c. ACCIDENTS

As an industrial products manufacturer, we have indoctrinated workplace safety procedures into our 6S (i.e. 5S + Safety) induction training. It is our policy to have all new employees attending this training. The Group's employees are educated on safety signages and demarcations, fire safety and emergency responses. During the day-to-day operations, specialized production employees are required to wear Personnel Protective Equipment ("PPE") when traversing or conducting work-related functions. During the financial year 2021, we have observed 3 minor injuries. The figure below indicates the injuries sustained:-



MATERIALITY ASSESSMENT *cont'd*

4. SOCIAL *cont'd*

d. EMPLOYEE ENGAGEMENT

At HPMT, we actively encourage employees attend our company events and trips. It is our belief that operational success is attained through strong interpersonal relationships. For the financial year 2021, we had activities e.g. Ramadan gift to employees, Christmas gift exchange party and Employees' house cleaning after flood cases.

Ramadan Gift to Employees and Christmas Gift Exchange Party

Employees' House Cleaning After Flood Case

HPMT's own Recreational Club is responsible of preparing and planning our informal engagement sessions, organizing sporting activities, outings, and birthday celebrations for our staff. At HPMT, we heartily endorse camaraderie of our fellow coworkers and employees, and thus encourage all of our staff to participate in our events.

MATERIALITY ASSESSMENT *cont'd*

4. SOCIAL *cont'd*

e. TRAINING AND EMPLOYEE EDUCATION

At HPMT, we are devoted to providing the essential trainings for our employees to be well-versed in their workplace functions. We actively encourage all our employees to attend the training programmes related to their scope of work to preserve work competency and provide upskilling opportunity. In addition to providing training programmes pertaining to work-related requirements, the Group has conducted various other none technical, quality management and regulatory awareness programmes for employees. Due to the ongoing pandemic, we have conducted our training virtually. Tabulated below is the list of trainings provided by us for year 2021:-

Training	Skills learnt	Brief descriptions of training
Webinar : Cyber Awareness Briefing	Increase awareness on cyber security	Security awareness is a key factor in the prevention of cyber-attacks.
Tax Audit Activities during Covid-19 Pandemic	Update financial changes	There is an unprecedented level of uncertainty about the economy, future earnings and many other inputs that represent fundamental elements of financial reporting due to covid-19. The prepares need to considered substantial and multiple financial reporting implications for the purposes of reporting.
MIA webinar Series: Technical update on IFRS (MFRS) 2021	Update financial changes	Accounting Standards are constantly changing due to improvements, amendments and new issues, thus keeping up to date with the International Financial Reporting Standards (IFRS) is a daunting task for every accountant in practice. This annual technical update seeks to make the task easier for busy professionals by providing a detailed technical brief on the outstanding exposure drafts, discussion papers as well as recent pronouncement issued by the International Accounting Standards Board (IASB).
Transfer Pricing	Update financial changes	- Key changes and latest updates on transfer pricing. - Transfer Pricing compliance requirements in Malaysia.
Sales Ninja	To help sales team generate more sales	The ultimate LinkedIn sales program on how to fully utilize LinkedIn to generate sales leads, build a brand, and develop business locally and internationally.
Enterprise Risk Management ("ERP")	Change new system	Manufacturing ERP software integrates manufacturing, inventory management, and accounting to help businesses ensure raw materials are available to production, manage the manufacturing process, maintain revisions, and track the financials. This training is to make sure the related employees can use the system effectively.

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 2021. 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 2021 of the Company which is made available on the Company's website at www.hpmt-industries.com.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Company has an experienced Board that is primarily responsible for charting and reviewing the strategic direction of the Group and delegates the implementation of these directions to the management. The Board also ensures the implementation of appropriate risk management and internal control systems, including financial, operational and compliance to safeguard the shareholders' interest and the Group's assets. The Board has adopted certain responsibilities for effective discharge of its functions through formalizing its Board Charter (available at the Company's website: www.hpmt-industries.com) which, inter alia, sets a list of specific functions that are reserved for the Board and Chairman; and the authorisation limit which defines relevant matters and applicable limits reserved for Chairman and Executive Directors that are further cascaded to senior management team within the Company.

The Board have established Board Committees namely the Audit and Risk Management Committee and Nomination and Remuneration Committee ("NRC"), which are entrusted with specific oversight responsibilities for HPMT Group's affairs. The Board Committees are granted the authorities to act on each Board's behalf in accordance with their respective Terms of Reference ("TOR") and to report to the Board with the necessary recommendation. The TOR of the Board Committees are available at the Company's website. Further, as part of the Boards' responsibilities in ensuring compliance by the Company and 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 toward the formulation of policies and in the decision-making process.

All Directors have unrestricted access to all information pertaining to the Group's business and affair and has full access to management, Company Secretary and External Auditors for information needed to carry out their duties and responsibilities. This is to enable them to carry out their duties effectively and diligently. As and when necessary, the Board may obtain independent professional advice, in furtherance of their duties, at the Company's expenses.

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 is 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 Sustainable Management 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 more understand the Group's sustainability, priorities and targets as well as performance. The Sustainability Report of the Group which provides an overview of the sustainability performance for the financial year ended 31 December 2021, is set out on pages 18 to 27 of the Annual Report 2021. The Company engages its stakeholders through various means of communication to enable them to more 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 seven (7) Directors i.e. four (4) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Chairman, one (1) Executive Director/Chief Financial Officer and one (1) Managing Director. The Independent Non-Executive Directors fulfilled the criteria of "Independence" as prescribed under the MMLR. This is in compliance with the MMLR which requires at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors. All Independent Non-Executive Directors are independent of management and have no family or business relationships with the Executive Directors and major shareholders which would interfere with the exercise of their independent judgment.

The Board acknowledges the call by the Government and MCCG for boards to comprises at least 30% woman on board. The Board is mindful that any gender representation should be in the best interest of the Company. Although the Company has not reached the 30% woman representation target at Board level as required, the Board is putting its effort in getting other suitable women who could meet the objective criteria, merit and with due regard for diversity in skills, experience, age to join the Board.

The Board does not have specific policy on diversity policy and measures. However, the issue of diversity is discussed by the NRC. The Board will take steps towards formalising such policy, targets and measures to reflect the Company's commitment towards gender diversity.

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

In accordance to the Board Charter, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years from the date of first appointment as Director. In the event the Board wishes to retain the independence status of an Independent Director who has served for more than nine (9) years, Board justification and shareholders' approval are required. Two tier voting process will be applied in the Annual General Meeting ("AGM") for retaining any Independent Director serving beyond 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 their many years of experience on the Boards of other companies and/or also as professionals in their respective fields of expertise. The Chairman of the Board is not a member of any Board Committees which applied to the new Practice of MCCG 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.

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 2021 and the details of attendance at Board Meetings is set out below:-

Name of Directors	Attendance	Percentage of attendance (%)
Mr. Ku He @ Khoo Yee Her *(Resigned on 23 June 2021)*	3/3	100%
Dato' Khoo Ah Chye	5/5	100%
Mr. Khoo Seng Giap	5/5	100%
Mr. Tan Kim Chuan	5/5	100%
Mr. Peter Ho Kok Wai	5/5	100%
Ms. Chua Put Moy	5/5	100%
Mr. Oei Kok Eong	4/5	80%

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

All Directors are encouraged to participate in relevant training programmes for continuous professional development and to further enhance their skills and knowledge. The Directors are aware that they shall receive appropriate training which may be required from time to time to keep them abreast with the current developments in the industry as well as new statutory and regulatory developments including changes in accounting standards.

Training programmes and seminars attended by the Directors of the Company during the financial year ended 31 December 2021 are as follows:-

Name of Directors	Training Programmes/Seminars/Workshops/Conferences Attended
Dato' Khoo Ah Chye	• Baker Tilly Tax & Budget Webinar
Mr. Khoo Seng Giap	• Cyber Security Awareness Workshop By Deloittes • Jim Collins - The Roadmap to Greatness • Current Trends in BLOCKCHAIN & CRYPTO And its Applications in Business • MPMA PLASTECH Month 2021: Innovative Tooling Solutions
Mr. Tan Kim Chuan	• Malaysian Code of Corporate Governance: A Caring Blueprint For A Better Corporate Malaysia • MIA Webinar Series: Technical Update on IFRS (MFRS) 2021 • Cyber Security Awareness Workshop By Deloittes • Structured Warrants: Insights on Key Features, Benefits and Trading Risks • MIA Virtual Conference Series: Capital Market Conference 2021 • 2021 Global CFO Forum: Transforming the Toughest CFO Challenges into Opportunity • Corporate Directors Summit 2021 (CDS 2021) - "Governance 4.0: Transforming Business, Transforming Boards" • MIA Webinar Series: Presentation and Disclosure of Information in Financial Statements Including Current Practice and Future Development

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

II. Board Composition *cont'd*

Name of Directors	Training Programmes/Seminars/Workshops/Conferences Attended
Mr. Peter Ho Kok Wai	• Demystifying ESG and Sustainable Finance in Malaysia • Cyber Security Awareness DTT • Developing Inclusive Leaders: Tips for Success • 2020 Personal Tax Filing: Maximising your savings • Corporate Tax Submission: Essential Considerations • Sustainable Finance: Making better financial decisions • Sales Tax & Service Tax: The Journey So Far • FinTech-Talk Series, the Evolution of Financial Technology: The Transformation of Digital Technology - Challenges and Opportunities • Directors Training on Unifying Insurance and Takaful - Value Based Protection • How Digitalisation and Data Analytics Can Help You Do Wonders in Your Business • The Rise of AI and Its Impact on Strategy & Business • Implementing Amendments in the Malaysian Code on Corporate Governance • Directors' Training on IFRS 17 for Allianz General • Doubling down on Corporate Governance Watch 2020 and Malaysian Code on Corporate Governance • Directors' Training on Data Analytic Tools for Management for Fraud • Section 17A MACCA and parallels with the UK offence and lessons learnt in the UK • Directors' Training on IFRS 17 for Allianz Life • Towards A Comprehensive System of Corporate Reporting: Communication of Long-Term Value Creation • Malaysian Code on Corporate Governance 2021 for AMB • Valuation of Early and Growth Stage Tech Companies • KPMG Board Leadership Center Exclusive: The New Reality of Cyber Hygiene • Overview of Cross-border Compliance Issues on Anti-Money Laundering Laws in Asia • AML Training • BNM-FIDE FORUM Dialogue: Risk-Based Capital Framework for Insurers and Takaful Operators • Boardroom Webinar • The Net Zero Journey: What Board Members Need to Know - Part 2 • Understanding Sustainability and Climate Risks: A Series of Webinar to Future-proof your Business Part 1- 4 • ESG Briefing by Synergio • Tax Highlights of Malaysia's Budget 2022 • Fide Forum: Capital Markets plan • KPMG Tax & Business Summit Day 1 • KPMG Tax & Business Summit Day 2 • Understanding Sustainability and Climate Risks: A Series of Webinar to Future-proof your Business Part 1- 4 • Briefing on Cyber Security Awareness Program for Directors • BNM Governor Fide Forum • Malaysia Budget 2022 - Tax Highlights & Their Implications

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

II. Board Composition *cont'd*

Name of Directors	Training Programmes/Seminars/Workshops/Conferences Attended
Ms. Chua Put Moy	• Environment, Social & Governance • Managing Human Rights, Why Is It Important to Corporations • Sales and Service Tax - KPMG • Malaysian Laws on Anti-Corruption - Boardroom • Reality of Cyber Hygiene - KPMG • Malaysian Code on Corporate Governance (MCCG) - KPMG • ESG - MIA • Audit Oversight Board by Securities Commission
Mr. Oei Kok Eong	• NLP that relates to enhancing personal effectiveness and leadership and influence • How to develop the right KPIs to manage your employees' productivity post MCO? • Innovate in Times of Change • Building Your Net 'Worth' • Leadership Requirement in A VUCA World • Rise & Fall of Successful People

During the financial year ended 31 December 2021, the External Auditors briefed the Board members on the changes to the Malaysian Financial Reporting Standards have impact on the Group's and the Company's financial statements 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. Also ensuring that, all obligations required by the regulatory and under the MMLR are fulfilled in a timely manner. The Board is regularly updated and advised by the Company Secretary on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretary is suitably qualified and capable of carrying out the duties as required. The Board is satisfied with the service and support rendered by the Company Secretary in discharging her functions.

Nomination and Remuneration Committee

The Nomination Committee and Remuneration Committee were combined into one committee and renamed as the "Nomination and Remuneration Committee" ("NRC"), with effect from 1 April 2022. The members of the NRC are as follows:-

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

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 year 2021, 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.

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

II. Board Composition *cont'd*

Nomination and Remuneration Committee *cont'd*

The Company's Constitution provides that one third (1/3) or nearest to one-third (1/3) of the Directors for the time being shall retire from office and be eligible for re-election provided always that all the Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election. All the retiring Directors will abstain from deliberations and decisions on their own eligibility to stand for re-election at the Board Meeting.

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 NRC had reviewed and assessed the size, mix of skill and experience, performance and contribution of the Board and Individual Director and satisfied with the current composition and performance of the Board for the financial year ended 31 December 2021.

The NRC met once during the financial year ended 31 December 2021. The details of the members' attendance were as follows:

Name of NC Members	Attendance
Mr. Oei Kok Eong (Chairman) *(Independent Non-Executive Director)*	Nil*
Mr. Peter Ho Kok Wai *(Senior Independent Non-Executive Director)*	1/1
Ms. Chua Put Moy *(Independent Non-Executive Director)*	1/1

* Mr. Oei has requested a leave of absence for the NRC meeting held on 22 November 2021 due to his health condition.

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

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors and Senior Management needed to run the Company successfully, taking into consideration all relevant factors including the skill function, workload and responsibilities involved, and after giving due consideration to the Group's performance.

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.

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

III. Directors' Remuneration *cont'd*

The annual review during the financial year ended 31 December 2021 was conducted by the Remuneration Committee on 22 November 2021.

The remuneration of individual Directors of the Company, including the remuneration for services rendered to the Group for the financial year ended 31 December 2021 are as follows:-

Category	Salaries (RM)	Fees (RM)	Meeting Allowances (RM)	Bonuses (RM)	Benefit-in-kind (RM)	Total (RM)
Executive Directors						
Mr. Ku He @ Khoo Yee Her *(Resigned on 23 June 2021)*	486,000	18,000	-	-	-	504,000
Mr. Khoo Seng Giap	443,520	36,000	-	326,100	9,900	815,520
Mr. Tan Kim Chuan	357,600	36,000	-	233,000	6,600	633,200
Non-Executive Directors						
Dato' Khoo Ah Chye	-	36,000	3,000	-	-	39,000
Mr. Peter Ho Kok Wai	-	43,000	3,000	-	-	46,000
Ms. Chua Put Moy	-	40,000	3,000	-	-	43,000
Mr. Oei Kok Eong	-	43,000	2,500	-	-	45,500

The details of the remuneration of the top Senior Management (including salary, bonus, benefit in kind and other emoluments) in each successive bands of RM50,000.00 during the financial year ended 31 December 2021 are as follows:-

Range of Remuneration (RM)	Number of Top Senior Management
450,001 – 500,000	1
500,001 – 550,000	3

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

The Chairman of the ARMC is not the Chairman of the Board. The ARMC is chaired by the Senior Independent Director, Mr. Peter Ho Kok Wai. The ARMC comprises at least one (1) member fulfils qualifications prescribed by Bursa Securities via Paragraph 15.09(1)(c) of the MMLR of Bursa Securities. To-date, the Company has not appointed a former audit partner to be a member of the ARMC. In addition, the ARMC has revised the TOR of ARMC to update the cooling-off period of a former audit partner to three (3) years before he/she can be considered for appointment as a ARMC member which aligns with the MCCG during the ARMC meeting held on 28 February 2022.

The composition of the ARMC is reviewed annually with the view to maintain an independent and effective ARMC, and in line with the principles of the MCCG, all members of the ARMC have continuously improved their financial literacy by attending trainings on the developments and changes in the Malaysian Financial Reporting Standards in order for them to discharge their duties effectively.

The independence, suitability and appointment/re-appointment of the External Auditors is reviewed by the ARMC annually based on the External Auditors Appointment.

The 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 impact the Group from achieving of its objectives and strategies.

The Statement on Risk Management and Internal Control is set out on pages 41 to 43 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.

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

I. Engagement with Stakeholders *cont'd*

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.

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 4th AGM of the Company held on 4 June 2021 was conducted fully virtual and online poll voting whereby shareholders and proxies can access and participate remotely.

The Minutes of the 4th 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 2021. The Company and the Group have used the appropriate accounting policies and applied them consistently and prudently. The Directors also consider that all relevant approved accounting standards have been followed in the preparation of these financial statements.

COMPLIANCE STATEMENT

The Board confirms that the Group has made significant effort to maintain high standards of corporate governance throughout the year under review. The Board acknowledges that achieving excellence in corporate governance is a continuous process and is committed to play a pro-active role in steering the Group towards the highest level of integrity and ethical standards.

COMPLIANCE STATEMENT *cont'd*

The Board has complied with most of the recommended practices of the MCCG 2021 throughout the financial year, except for the following: -

(a) Practice 1.4 - The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee
(b) Step Up Practice 5.4 - To have a policy which limits the tenure of its independent directors to nine years.
(c) Practice 5.9 - The Board comprises at least 30% women directors.
(d) Practice 5.10 - To have a policy on gender diversity, its targets and measures to meet those targets.
(e) Practice 7.1 - To have policies and procedures to determine the remuneration of directors and senior management.
(f) 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.
(g) Step Up Practice 8.3 - To fully disclose the detailed remuneration of each member of senior management on a named basis.
(h) Step Up Practice 10.3 - To establish a Risk Management Committee, which comprises majority of independent directors.
(i) 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 11 April 2022.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION

The Audit and Risk Management Committee ("ARMC") of HPMT Holdings Berhad ("HPMT" or "the Company") comprises three (3) members, all of whom are Independent Non-Executive Directors. The ARMC is chaired by a Senior Independent Director. The current composition meets the requirement of Paragraphs 15.09 and 15.10 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The members of the ARMC are as follows:-

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

The ARMC is authorised by the Board to independently investigate any activity within its Terms of Reference and shall have unrestricted access to information pertaining to the Group, from the Internal and External Auditors, Management and all employees.

MEETINGS

During the financial year, the ARMC conducted five (5) meetings of which all were duly convened with sufficient notices given to all ARMC members together with the agenda, report and proposals for deliberation at the meetings. The Executive Directors were invited to all ARMC meetings to facilitate direct communication as well as to provide clarification on audit issues and the operations of the Group.

Representatives from the External Auditors and Internal Auditors, as the case may be, were in attendance to present the relevant reports and proposals to the ARMC at the meetings which included inter alia, the Audit plans and audit reports and the audited financial statements for the financial year ended 31 December 2021.

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 2021 are as follows:

Name of ARMC Members	Attendance
Mr. Peter Ho Kok Wai *(Senior Independent Non-Executive Director)*	5/5
Ms. Chua Put Moy *(Independent Non-Executive Director)*	5/5
Mr. Oei Kok Eong *(Independent Non-Executive Director)*	4/5

SUMMARY ACTIVITIES

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

Quarterly Reports and Audited Financial Statements

- reviewed the audited financial statements of the Company prior to submission to the Board for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act, 2016 and the applicable approved accounting standards issued by Malaysian Accounting Standards Board; and
- reviewed the unaudited financial results before recommending them for Board's approval, focusing particularly on:-
  - any change in accounting policies
  - significant adjustments arising from audit
  - compliance with accounting standards and other legal requirements

SUMMARY ACTIVITIES *cont'd*

External Auditors

- reviewed the external audit plan, outlining the audit scope, audit process and areas of emphasis based on the External Auditors' presentation of audit plan;
- reviewed the external audit 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 RM338,626.00 and RM65,000.00 and non-audit fees of RM37,350.00 and RM11,200.00 in respect of the financial year ended 31 December 2021 for the Group and the Company respectively.

The Board at its meeting held on 28 February 2022, approved the audit fees based on the recommendation of the ARMC.

Internal Auditors

The Group outsources its Internal Audit Function to a professional services firm namely PKF Risk Management Sdn Bhd. The Internal Auditors were engaged to conduct regular review and appraisals of the effectiveness of the governance, risk management and internal control process within the Company and the Group.

The Head of the Internal Auditors, Dato' Josephine Low is a member of Institute of Internal Auditors Malaysia and is competent to conduct the internal audit activities according to the standards and code of ethics set by the Body. For financial year 2021, the number of internal audit personnel was six (6) comprising degree holders and professionals from related disciplines.

The Internal Audit Function reports directly to the ARMC. The appointed Internal Auditors are given full access to all the documents relating to the Company and Group's governance, financial statements and operational assessments.

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

- Sales and Credit Control;
- Research and Development;
- Security Posture Assessment; and
- Finance and Accounts Payable.

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 reviewed the recurrent related party transactions ("RPT") and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of Management integrity.

The ARMC review the RPT and conflict of interest situation presented by the Management prior to the Company entering into such transaction. The ARMC also ensure that the adequate oversight over the controls on the identification of the interested parties and possible conflict of interest situation before entering into the transaction.

INTERNAL AUDIT FUNCTION

The purpose of the Internal Audit function is to provide the Board, through the ARMC, with reasonable assurance of the effectiveness of the risk management, control and governance processes in the Group. To ensure that the responsibilities of internal auditors are fully discharged, the ARMC reviews the adequacy of the scope, functions and resources of the Internal Audit function as well as the competency of the Internal Auditors.

The Internal Auditors also highlighted to the ARMC the audit findings which required follow-up action by Management as well as outstanding audit issues which required corrective action to ensure an adequate and effective internal control system within the Group.

All Internal Audit activities in financial year ended 31 December 2021 were outsourced to an independent assurance provider and the total costs incurred were amounted to RM80,257.20.

TERMS OF REFERNCE OF ARMC

The Terms of Reference of ARMC was revised and adopted by the Board on 28 February 2022 which is made available on the Company's website at www.hpmt-industries.com.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

BOARD RESPONSIBILITY

The Board recognises the importance of a sound risk management framework and internal control systems for good corporate governance, and acknowledges its primary responsibility for the adequacy and integrity of the Group's systems of risk management and internal control. The systems encompass identification of principal risks in the Group, measured and managed with appropriate internal control initiatives, as well as review of its effectiveness, particularly the financial, operational, and compliance aspects of the Group throughout the financial year. However, the Board also acknowledges that the risk management and internal control systems are designed to manage the Group's risks within an acceptable risk parameter, rather than eliminate the risk of failure to achieve the business objectives of the Group. Accordingly, they can only provide reasonable but not absolute mitigation against material misstatement of management and financial information, financial losses or fraud.

The Group has established an on-going process to identify, evaluate and manage significant risks faced by the Group and its achievement of objectives and strategies. The process involves, amongst others, updating the risk register and internal control documentation whenever there are changes to business environment or regulatory guidelines. The process is reviewed by the Board annually and is generally in line with the guidelines as contained in the publication – Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The Audit and Risk Management Committee ("ARMC") has been established to assist the Board in their responsibilities to identify, assess and monitor key risks and implement adequate internal control system to safeguard shareholders' investments and the company's assets. ARMC is supported by internal audit function which conduct periodic assessment on the efficiency and effectiveness of the internal control system of the Group in mitigating risk.

Other Board Committees such as the Nomination and Remuneration too have clearly defined accountabilities and responsibilities to oversee various key business activities within the Group.

RISK MANAGEMENT

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 a Senior Independent Non-Executive Director and two Independent Non-Executive Directors, are as follows:

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

Whilst the Board assumes the responsibility for the establishment of the risk management and internal control systems, the Management acknowledges responsibility for implementing the processes to identify, evaluate, mitigate, monitor and report on risks and the effectiveness of the internal control system, taking appropriate and timely corrective actions as required. The Management under the helm of the Managing Director, Mr Khoo Sing Giap, assures the Board and the ARMC during the financial year under review that the Group's risk management system is operating adequately and effectively, in all material aspects. Based on the risk management framework adopted by the Group, Management implements the necessary processes to:

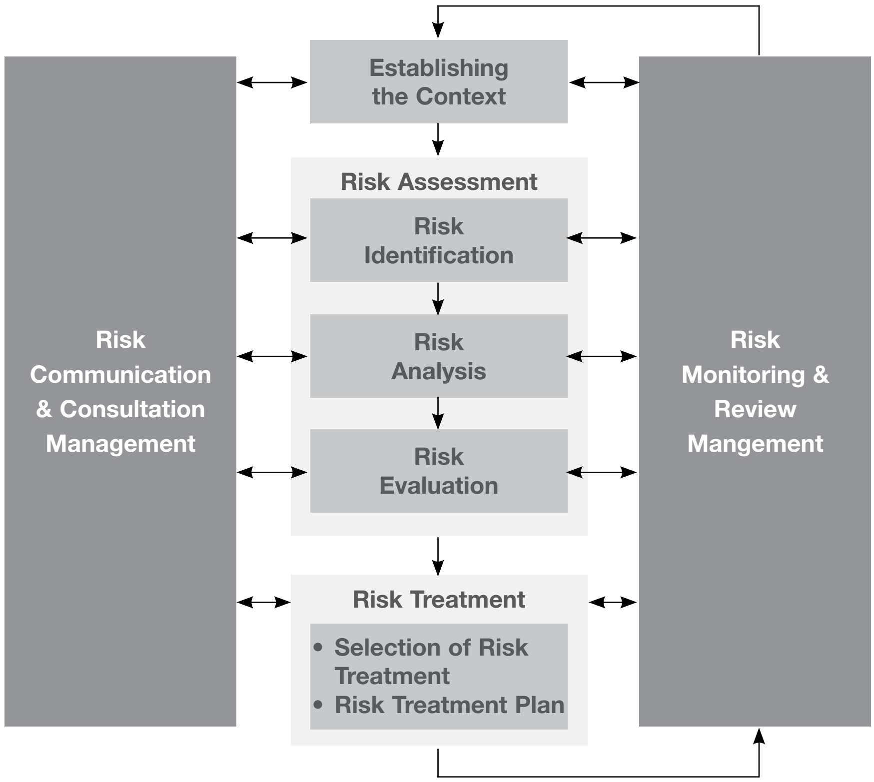
- Determine the risk appetites relevant to the business and achievement of the objectives and strategies,
- Analyse all key processes to identify the pertinent risks and prioritize their significance according to likelihood and impact,
- Design, implement and monitor the risk management framework in accordance with the Group's strategic vision and overall risk appetite, and
- Identify changes to risks or emerging risks, following which it takes appropriate actions and promptly brings these to the attention of the Board.

RISK MANAGEMENT FRAMEWORK

The risk management processes in identifying, evaluating and managing significant risks facing the organization 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 inherent 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:



1. Risk Communication & Consultation Management

   A continual and iterative process is conducted to provide, share or obtain information and to engage stakeholders regarding risk management at enterprise level.

2. Context Establishment & Risk Assessment Management

   Define the external and internal factors when managing risks, understand the Group's objectives, set the scope and risk criteria; identify, analyse and evaluate the risk.

3. Risk Treatment Management

   Make decisions on risks that have been identified, analysed and evaluated; document the method the chosen treatment options will be implemented; and subsequently prepare and implement the risk treatment plan.

4. Risk Monitoring & Review Management

   Monitor the risk and its control; review the existing risks or any new emerging risk; and subsequently record and report to management results of monitoring and review.

INTERNAL CONTROL

The Board recognises the criticality of a sound internal control system in ensuring effectiveness and efficiency when managing the Group's business and long-term growth. The Group has adopted a top-down approach with internal control concepts cascaded right from the strategic management level down to the operations level.

The Board meets quarterly to discuss a schedule of matters that requires its attention, to ensure proper accountability of those responsible in the conduct and performance of their assigned business units/ support functions.

The Board has too established the ARMC, Nomination and Remuneration Committee, as part of the Board Committee in accordance to the Bursa Malaysia's Main Market Listing Requirements and Securities Commission's Malaysian Code on Corporate Governance 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.

Further, the Board has formalized an anti-fraud and whistleblowing policy as a commitment to the highest standard of integrity, openness and accountability in the conduct of its businesses and operations. It aspires to conduct its affairs in an ethical, responsible and transparent manner.

INTERNAL AUDIT FUNCTION

The Board places importance on the Internal Audit function and has engaged an independent professional accounting and consulting firm, PKF Risk Management Sdn Bhd, to provide independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system. An internal audit universe has been developed based on the established risk profile of the Group.

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

The Internal Audit function reviews the internal controls of the key activities of the Group based on the annual audit plan approved by the ARMC and carry out 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 review were conducted to determine all agreed control measures were implemented on a timely manner.

REVIEW OF EFFECTIVENESS

The Board is of the view that the systems of risk management and internal control are in place for the year under review and up to the date of approval of this statement. The risk management and internal control systems are sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets. Notwithstanding this, the Board is vigilant and continues to review the effectiveness and adequacy of the systems of risk management and internal control, in view of the dynamic and changing business environment. The Board has received assurance from the Managing Director and Chief Financial Officer that the Group's risk management and internal control system is operating effectively in all material aspects.

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

The external auditors have reviewed this Statement of Risk Management and Internal Control under a limited assurance engagement in accordance with Audit and Assurance Practice Guide ("AAPG") 3: Guidance for Auditors on Engagements to Report on the Statement of Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. Based on their limited assurance engagement, nothing has come to their 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 Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the statement factually inaccurate.

This Statement is made in accordance with the approval and resolution of the Board of Directors dated 11 April 2022.

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 2021, the status of the utilisation of the IPO Proceeds is as follows:

No	Details of utilisation	Estimated timeframe for utilisation upon Listing	Proposed Utilisation RM'000	Actual Utilisation RM'000	Percentage Utilised (%)
1	Purchase of new machineries and equipment	Within 36 months	34,000	8,036	23.6%
2	Working capital				
	• Finished goods inventories	Within 24 months	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**	**16,346**	

2. AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2021, 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	338,626	65,000
Non-Audit Fees	37,350	11,200

3. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

During the financial year ended 31 December 2021, there were no material contracts and contracts relating to loan entered into by the Company and its subsidiaries involving Directors and major shareholders.

4. RECURRENT RELATED PARTY TRANSACTIONS

The Company and its subsidiaries did not have any recurrent related party transactions during financial year ended 31 December 2021.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year, net of tax	13,875	6,300
Attributable to:		
Owners of the Company	13,836	6,300
Non-controlling interests	39	-
	13,875	6,300

DIVIDENDS

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

	RM'000
Third single-tier interim dividend of 0.50 sen per ordinary share in respect of the financial year ended 31 December 2020, paid on 22 March 2021	1,642
First single-tier interim dividend of 0.40 sen per ordinary share in respect of the financial year ended 31 December 2021, paid on 23 June 2021	1,315
Second single-tier interim dividend of 0.50 sen per ordinary share in respect of the financial year ended 31 December 2021, paid on 22 September 2021	1,642
Third single-tier interim dividend of 0.50 sen per ordinary share in respect of the financial year ended 31 December 2021, paid on 22 December 2021	1,642
	6,241

On 28 February 2022, the Company had declared a special interim dividend of 0.35 sen per ordinary share amounting to RM1,149,712 in respect of the financial year ended 31 December 2021, which was paid on 28 March 2022. 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 2022.

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.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Chua Put Moy
Dato' Khoo Ah Chye *
Khoo Seng Giap *
Oei Kok Eong
Peter Ho Kok Wai
Tan Kim Chuan *
Ku He @ Khoo Yee Her * *(Resigned on 23 June 2021)*

* *Director of the Company and certain subsidiaries*

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

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

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 1.1.2021 ('000)	Bought ('000)	Sold ('000)	At 31.12.2021 ('000)
The Ultimate Holding Company				
HPMT Capital Sdn. Bhd.				
Direct interests:				
Khoo Seng Giap	1	-	-	1
The Immediate Holding Company				
Herroz Mechanical Technologies Sdn. Bhd.				
Direct interests:				
Dato' Khoo Ah Chye	1,953	-	-	1,953
Tan Kim Chuan	38	-	-	38
The Company				
HPMT Holdings Berhad				
Direct interests:				
Chua Put Moy	100	-	-	100
Dato' Khoo Ah Chye	300	83	-	383
Khoo Seng Giap	993	34	-	1,027
Oei Kok Eong	100	-	-	100
Tan Kim Chuan	475	-	-	475
Indirect interests:				
Dato' Khoo Ah Chye (1)	1,167	-	-	1,167
Khoo Seng Giap (2)	439	-	-	439

(1) Deemed interest held through his children.
(2) Deemed interest held through his spouse.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares or debentures of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 27 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than any deemed benefit which may arise from transactions as disclosed in Note 34 to the financial statements.

DIRECTORS' BENEFITS *cont'd*

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 8 to the financial statements.

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

HOLDING COMPANIES

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

INTERESTS IN HOLDING COMPANIES AND OTHER RELATED CORPORATIONS

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

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

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

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

The report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors.

KHOO SENG GIAP	**TAN KIM CHUAN**
Director	Director

Date: 11 April 2022

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	68,612	71,238	-	-
Right-of-use assets	6	594	256	-	-
Deferred tax assets	7	150	35	-	-
Investment in subsidiaries	8	-	-	74,174	73,634
Total non-current assets		69,356	71,529	74,174	73,634
Current assets					
Inventories	9	29,290	26,700	-	-
Current tax assets		162	677	61	47
Trade and other receivables	10	19,835	14,585	54	74
Derivative financial assets	11	21	-	-	-
Short-term cash investments	12	34,350	36,566	31,139	31,627
Cash and bank balances	13	23,470	16,689	25	10
Total current assets		107,128	95,217	31,279	31,758
TOTAL ASSETS		176,484	166,746	105,453	105,392
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	14	103,553	103,553	103,553	103,553
Other reserves	15	940	794	-	-
Merger deficit	16	(54,067)	(54,067)	-	-
Retained earnings		80,783	73,188	1,849	1,790
		131,209	123,468	105,402	105,343
Non-controlling interests		407	368	-	-
TOTAL EQUITY		131,616	123,836	105,402	105,343

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021
cont'd

		Group		Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Loans and borrowings	17	13,182	16,643	-	-
Lease liabilities	18	113	28	-	-
Deferred income	19	1,987	2,757	-	-
Deferred tax liabilities	7	6,436	5,411	-	-
Total non-current liabilities		21,718	24,839	-	-
Current liabilities					
Loans and borrowings	17	10,985	11,051	-	-
Lease liabilities	18	479	214	-	-
Deferred income	19	770	770	-	-
Current tax liabilities		265	106	-	-
Trade and other payables	20	10,413	5,726	51	49
Contract liabilities	21	238	180	-	-
Derivative financial liabilities	11	-	24	-	-
Total current liabilities		23,150	18,071	51	49
TOTAL LIABILITIES		44,868	42,910	51	49
TOTAL EQUITY AND LIABILITIES		176,484	166,746	105,453	105,392

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

STATEMENTS OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
		2021	**2020**	**2021**	**2020**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	22	90,560	71,896	6,195	4,286
Cost of sales		(50,181)	(41,608)	-	-
Gross profit		40,379	30,288	6,195	4,286
Other income	23	1,562	1,809	-	-
Selling and distribution expenses		(6,112)	(5,078)	-	-
Administrative expenses		(17,732)	(16,927)	(427)	(468)
Net reversal of/(Impairment loss) on receivables		13	(46)	-	-
Profit from operations		18,110	10,046	5,768	3,818
Finance income	24	650	881	534	763
Finance costs	25	(919)	(1,287)	-	-
Profit before tax	26	17,841	9,640	6,302	4,581
Income tax expense	28	(3,966)	(1,321)	(2)	-
Profit for the financial year		13,875	8,319	6,300	4,581
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign subsidiaries		146	360	-	-
Other comprehensive income for the financial year		146	360	-	-
Total comprehensive income for the financial year		14,021	8,679	6,300	4,581
Profit for the financial year attributable to:					
Owners of the Company		13,836	8,322	6,300	4,581
Non-controlling interests		39	(3)	-	-
		13,875	8,319	6,300	4,581

STATEMENTS OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
cont'd

		Group		Company	
		2021	**2020**	**2021**	**2020**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Total comprehensive income attributable to:					
Owners of the Company		13,982	8,682	6,300	4,581
Non-controlling interests		39	(3)	-	-
		14,021	8,679	6,300	4,581
Earnings per share (sen)					
Basic earnings per share	29	4.21	2.53		
Diluted earnings per share	29	4.21	2.53		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		← Attributable to owners of the Company →							
		Share capital	Exchange reserve	PRC statutory reserve	Merger deficit	Retained earnings	Sub-total	Non-controlling interests	Total equity
Group	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2020		103,553	226	198	(54,067)	68,999	118,909	371	119,280
Total comprehensive income for the financial year									
Profit for the financial year		-	-	-	-	8,322	8,322	(3)	8,319
Other comprehensive income for the financial year		-	360	-	-	-	360	-	360
Appropriation to statutory reserve		-	-	10	-	(10)	-	-	-
Total comprehensive income		-	360	10	-	8,312	8,682	(3)	8,679
Transaction with owners									
Dividends paid	30	-	-	-	-	(4,123)	(4,123)	-	(4,123)
Total transactions with owners		-	-	-	-	(4,123)	(4,123)	-	(4,123)
At 31 December 2020		103,553	586	208	(54,067)	73,188	123,468	368	123,836

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
cont'd

		Attributable to owners of the Company							
		Share capital	Exchange reserve	PRC statutory reserve	Merger deficit	Retained earnings	Sub-total	Non-controlling interests	Total equity
Group	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2021		103,553	586	208	(54,067)	73,188	123,468	368	123,836
Total comprehensive income for the financial year									
Profit for the financial year		-	-	-	-	13,836	13,836	39	13,875
Other comprehensive income for the financial year		-	146	-	-	-	146	-	146
Total comprehensive income		-	146	-	-	13,836	13,982	39	14,021
Transaction with owners									
Dividends paid	30	-	-	-	-	(6,241)	(6,241)	-	(6,241)
Total transactions with owners		-	-	-	-	(6,241)	(6,241)	-	(6,241)
At 31 December 2021		103,553	732	208	(54,067)	80,783	131,209	407	131,616

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

cont'd

Company	Note	Share capital RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2020		103,553	1,332	104,885
Total comprehensive income for the financial year				
Profit for the financial year		-	4,581	4,581
Transactions with owners				
Dividends paid	30	-	(4,123)	(4,123)
At 31 December 2020		103,553	1,790	105,343
Total comprehensive income for the financial year				
Profit for the financial year		-	6,300	6,300
Transaction with owners				
Dividends paid	30	-	(6,241)	(6,241)
At 31 December 2021		103,553	1,849	105,402

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before tax		17,841	9,640	6,302	4,581
Adjustments for:					
Covid-19-related rent concession income		-	(41)	-	-
Gain on lease modifications		(27)	-	-	-
Dividend income		-	-	(6,195)	(4,286)
Depreciation of property, plant and equipment		8,322	8,416	-	-
Depreciation of right-of-use assets		656	504	-	-
Property,plant and equipment written off		7	28	-	-
Gain on disposal of property, plant and equipment		(17)	-	-	-
Government grant amortisation		(770)	(770)	-	-
(Reversal of)/Impairment loss on trade receivables		(13)	46	-	-
Allowances for slow-moving inventories		161	139	-	-
Inventories written off		71	106	-	-
Finance costs		919	1,287	-	-
Finance income		(650)	(881)	(534)	(763)
Net unrealised foreign exchange (gain)/loss		(204)	790	1	6
Net fair value (gain)/loss on derivatives		(45)	147	-	-
Operating profit/(loss) before changes in working capital		26,251	19,411	(426)	(462)
Changes in working capital:					
Inventories		(2,822)	1,180	-	-
Trade and other receivables		(5,420)	637	8	-
Trade and other payables		(262)	(2,077)	2	(33)
Contract liabilities		58	180	-	-
Cash generated from/(used in) operation		17,805	19,331	(416)	(495)
Tax refunded		-	1,250	-	-
Income tax paid		(2,382)	(1,412)	(16)	(67)
Interest paid		(57)	(63)	-	-
Interest received		41	83	-	11
Dividends received		-	-	6,195	4,286
Net cash from operating activities		15,407	19,189	5,763	3,735

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
cont'd

		Group		Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment	(a)	(724)	(1,869)	-	-
Proceeds from disposal of property, plant and equipment		17	-	-	-
Net changes in short-term cash investments		2,216	(36,573)	487	(31,633)
Short-term cash investment income		609	798	534	752
Net cash from/(used in) investing activities		2,118	(37,644)	1,021	(30,881)
Cash flows from financing activities	(b)				
Net drawdown/(repayment) of bankers' acceptances		939	(4,181)	-	-
(Repayment)/Drawdown of revolving credit		(298)	598	-	-
Payment of lease liabilities		(615)	(523)	-	-
Drawdown of term loans		2,000	-	-	-
Repayment of term loans		(5,812)	(7,733)	-	-
Interest paid		(862)	(1,224)	-	-
Advances to a subsidiary		-	-	(528)	(5,491)
Dividends paid		(6,241)	(4,123)	(6,241)	(4,123)
Net cash used in financing activities		(10,889)	(17,186)	(6,769)	(9,614)
Net increase/(decrease) in cash and cash equivalents		6,636	(35,641)	15	(36,760)
Cash and cash equivalents at the beginning of the financial year		16,689	51,960	10	36,770
Effect of exchange differences on translation		145	370	-	-
Cash and cash equivalents at the end of the financial year	13	23,470	16,689	25	10

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
cont'd

(a) Purchase of property, plant and equipment

		Group		Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	5	5,702	3,071	-	-
Less: Balance payable		(4,978)	(1,202)	-	-
Cash payments on purchase of property, plant and equipment		724	1,869	-	-

(b) Total cash outflows for leases

During the financial year, the Group had total cash outflows for leases of RM949,460 (2020: RM1,095,475).

(c) Reconciliation of liabilities arising from financing activities:

			← Non-cash items		→	
	1.1.2021	Cash flows	Acquisition	Foreign exchange movement	Others	31.12.2021
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term loans	22,428	(3,812)	-	(468)	-	18,148
Lease liabilities	242	(615)	985	7	(27)	592
Bankers' acceptances	3,968	939	-	112	-	5,019
Revolving credits	1,298	(298)	-	-	-	1,000
	27,936	(3,786)	985	(349)	(27)	24,759

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

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 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur. The principal place of business of the Company is located at No. 5, Jalan Sungai Kayu Ara 32/39, Taman Berjaya, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan.

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 11 April 2022.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of amendments/improvements to MFRSs

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

Amendments/Improvements to MFRSs	
MFRS 4	Insurance Contracts
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases *
MFRS 139	Financial Instruments: Recognition and Measurement

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

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company and did not result in significant changes to the Group's and the Company's existing accounting policies.

2. BASIS OF PREPARATION *cont'd*

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

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

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income tax	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRS Standards 2018-2020*

\# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

2. BASIS OF PREPARATION *cont'd*

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

(b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above applicable significant amendments/improvements to MFRSs are summarised below.

Amendments to MFRS 101 Presentation of Financial Statements

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

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

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

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

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

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries and business combination

Subsidiaries are entities over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations, which do not involve entity under common control, from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.1 Basis of consolidation *cont'd*

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture or a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Merger accounting

The subsidiaries are accounted for using the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling of interests are accounted for using merger accounting principles. Under the merger method of accounting, the results of subsidiaries are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.

Acquisition of entities under common control does not result in any change in economic substance. Accordingly, the consolidated financial statements of the Company are a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity are recognised and measured in the combined financial statements at the pre-combination carrying amounts;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Company and the difference arising from the change in equity structure of the Group will be accounted for in merger reserve/deficit.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.1 Basis of consolidation *cont'd*

(c) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3.2 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in exchange reserve is reattributed to non-controlling interests.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.3 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instruments.

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers*.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

The classification depends on the Group's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company classify their debt instruments in the following measurement categories:

- **Amortised cost**

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.9(a) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.3 Financial instruments *cont'd*

(a) Subsequent measurement *cont'd*

The Group and the Company categorise the financial instruments as follows: *cont'd*

(i) Financial assets *cont'd*

Debt instruments *cont'd*

- **Fair value through profit or loss (FVPL)**

  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 *Financial Instruments* are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.3 Financial instruments *cont'd*

(a) Subsequent measurement *cont'd*

The Group and the Company categorise the financial instruments as follows: *cont'd*

(ii) Financial liabilities *cont'd*

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

(c) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire, or

(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.3 Financial instruments *cont'd*

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

(e) Derivatives

The Group uses forward foreign exchange contracts to hedge the exposure of sales and purchases in foreign currency as well as cross currency interest rate swap contract to hedge the exposure of future interest payments and foreign currency. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit or loss.

3.4 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b) to the financial statements.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.14 to the financial statements.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress is not depreciated as these assets are not yet available for use.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.4 Property, plant and equipment *cont'd*

(c) Depreciation *cont'd*

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Buildings	50 years
Plant and machinery	10 years
Office and factory equipment and furniture and fittings	3 - 20 years
Motor vehicles	5 - 10 years
Computer and software	5 years
Electrical installation and renovation	10 years

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.5 Leases

(a) Definition of lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

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

(b) Lessee accounting

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

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

<u>Right-of-use asset</u>

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.5 Leases *cont'd*

(b) Lessee accounting *cont'd*

Right-of-use asset *cont'd*

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

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

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

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

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

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

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

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

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.5 Leases *cont'd*

(c) Lessor accounting

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

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

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

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

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on a first-in first-out basis.
- finished goods, work-in-progress and consumables: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.7 Contract liabilities

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

3.8 Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3.9 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost, a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 *Financial Instruments* which is related to the accounting for expected credit losses on the financial assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.9 Impairment of assets *cont'd*

(a) Impairment of financial assets *cont'd*

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- non-trade receivables that are determined to have low credit risk at the reporting date; and
- other non-trade receivables and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the counterparty is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to the Group and the Company in accordance with the contract and the cash flows that the Group and the Company expect to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the counterparty;
- a breach of contract, such as a default of past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.9 Impairment of assets *cont'd*

(a) Impairment of financial assets *cont'd*

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.10 Share capital

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.11 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.12 Revenue and other income

The Group recognises revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue recognition of the Group are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

The Group measures revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group uses the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group expects to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group estimates it by using the cost plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.12 Revenue and other income *cont'd*

Financing components
The Group has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group expects that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(a) Sale of goods – manufacturing and trading

Revenue from sale of manufactured or trading goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with a credit term ranging from 30 to 120 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

Revenue is recognised based on the price specified in the contract, net of any discounts, excluding amounts collected on behalf of third parties such as sales and service tax.

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

(b) Rendering of services

Revenue from rendering of services is recognised at a point in time when service is rendered to the customer, which is the point when the performance obligation in the contract with customer is satisfied.

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

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

(e) Dividend income

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

(f) Income from short-term cash investment

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

3.13 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the grant relates to an asset, it is recognised as deferred income in the statements of financial position and transferred to profit or loss over the expected useful life of the related asset. Where the grant relates to an expense item, it is recognised in profit or loss, under the heading of "other income", on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.14 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.15 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unutilised tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.15 Income tax *cont'd*

(b) Deferred tax *cont'd*

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(c) Sales and service tax

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

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

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

3.16 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.17 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Managing Director of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

3.18 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.18 Fair value measurements *cont'd*

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.19 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amounts recognised in the financial year include the following:

4.1 Inventories (Note 9)

Inventories are stated at the lower of cost and net realisable value. Reviews are made periodically by the Group on damaged and slow-moving inventories. These reviews require judgement and estimates. In determining the net realisable value of the inventories, an estimation of the recoverable amount of inventories on hand is performed by the Group based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the inventories on hand that may not be realised, as a result of events occurring after the end of the reporting period to the extent such events confirm conditions existing at the end of the reporting period. Possible changes in these estimates could result in revisions to the valuation of inventories.

5. PROPERTY, PLANT AND EQUIPMENT

Group 2021	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office and factory equipment and furniture and fittings RM'000	Motor vehicles RM'000	Computer and software RM'000	Electrical installations and renovation RM'000	Total RM'000
Cost								
At 1 January 2021	15,140	12,860	103,370	2,512	2,426	2,351	3,057	141,716
Additions	-	-	5,343	92	-	147	120	5,702
Disposals	-	-	-	(21)	(387)	-	-	(408)
Written off	-	-	(77)	-	-	-	-	(77)
Exchange differences	-	-	-	(7)	19	2	-	14
At 31 December 2021	15,140	12,860	108,636	2,576	2,058	2,500	3,177	146,947
Accumulated depreciation								
At 1 January 2021	-	1,467	60,856	1,733	2,375	1,973	2,074	70,478
Depreciation charge for the financial year	-	257	7,439	164	22	159	281	8,322
Disposals	-	-	-	(21)	(387)	-	-	(408)
Written off	-	-	(70)	-	-	-	-	(70)
Exchange differences	-	-	-	(5)	17	1	-	13
At 31 December 2021	-	1,724	68,225	1,871	2,027	2,133	2,355	78,335
Carrying amount								
31 December 2021	15,140	11,136	40,411	705	31	367	822	68,612

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

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

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

(a) Assets pledged as security

Freehold land and buildings and plant and machinery with an aggregate carrying amount of RM26,275,633 (2020: RM26,532,833) and RM17,273,197 (2020: RM19,772,468) respectively have been pledged as security to secure borrowings of the Group as disclosed in Note 17 to the financial statement.

6. RIGHT-OF-USE ASSETS

The Group leases several assets including buildings and motor vehicles.

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

	Group		
	Buildings	**Motor vehicles**	**Total**
	RM'000	**RM'000**	**RM'000**
Cost			
At 1 January 2021	724	439	1,163
Additions	985	-	985
Exchange differences	30	(5)	25
At 31 December 2021	1,739	434	2,173
Accumulated depreciation			
At 1 January 2021	609	298	907
Depreciation charge for the financial year	536	120	656
Exchange differences	20	(4)	16
At 31 December 2021	1,165	414	1,579
Carrying amount			
31 December 2021	574	20	594

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

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

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

The Group leases buildings for its office space and staff hostel. The leases for office space and staff hostel generally have lease term between 1 to 2 years (2020: 1 to 2 years).

The Group also leases motor vehicles under hire purchase arrangement with lease term of 3 to 5 years (2020: 3 to 5 years) and has options to purchase the assets at the end of the contract term.

7. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2021	2020
	RM'000	RM'000
At 1 January	(5,376)	(5,932)
Recognised in profit or loss (Note 28)	(910)	556
At 31 December	(6,286)	(5,376)

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

Presented after appropriate offsetting as follows:

	Group	
	2021	**2020**
	RM'000	**RM'000**
Deferred tax assets	150	35
Deferred tax liabilities	(6,436)	(5,411)
	(6,286)	(5,376)

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

	As at 1 January 2021	**Recognised in profit or loss**	**As at 31 December 2021**
	RM'000	**RM'000**	**RM'000**
Group			
Deferred tax assets			
Deductible temporary differences in respect of expenses	35	115	150
	35	115	150
Deferred tax liabilities			
Difference between the carrying amounts of property, plant and equipment and their tax base	(6,420)	(846)	(7,266)
Deductible temporary differences in respect of expenses	584	(138)	446
Unutilised tax losses	43	-	43
Unabsorbed capital allowances	382	(41)	341
	(5,411)	(1,025)	(6,436)

	As at 1 January 2020	**Recognised in profit or loss**	**As at 31 December 2020**
	RM'000	**RM'000**	**RM'000**
Group			
Deferred tax assets			
Difference between the carrying amounts of property, plant and equipment and their tax base	(3)	3	-
Deductible temporary differences in respect of expenses	-	35	35
	(3)	38	35

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

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

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

Unrecognised deferred tax assets

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

	Group	
	2021 RM'000	2020 RM'000
Unutilised tax losses	1,359	956

Pursuant to Section 8 of the Finance Act 2021 (Act 833), the amendment of Section 44(5F) of Income Tax Act 1967, the time limit on the carried forward unused tax losses has been extended to maximum 10 consecutive years. This amendment is deemed to have effect for the year of assessment 2019 and subsequent year of assessment.

Any unused tax losses brought forward from year of assessment 2018 can be carried forward for another 10 consecutive years of assessment (i.e. from year of assessments 2019 to 2028).

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

	Group	
	2021 RM'000	2020 RM'000
2028	43	43

8. INVESTMENT IN SUBSIDIARIES

	Company 2021 RM'000	Company 2020 RM'000
At cost		
Unquoted shares		
At 1 January	73,634	68,134
Subscription of ordinary shares in a subsidiary	540	5,500
At 31 December	74,174	73,634

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Ownership interest and voting interest 2021 %	Ownership interest and voting interest 2020 %	Principal activities
Held by the Company				
HPMT Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing and distribution of cutting tools
Herroz Sdn. Bhd.	Malaysia	100	100	Distribution of cutting tools and trading of supporting equipment, accessories and other products for metalworking
Pentagon Coating Technologies Sdn. Bhd.	Malaysia	75	75	Provision of physical vapor deposition ("PVD") coating services
MTC Tooling Systems Limited *	Hong Kong	100	100	Investment holding, distribution of cutting tools and trading of supporting equipment, accessories and other products for metalworking
HPMT Deutschland GmbH *	Germany	100	100	Distribution of cutting tools and trading of supporting equipment, accessories and other products for metalworking
Held through MTC Tooling Systems Limited				
HPMT (Shenzhen) Limited *	People's Republic of China	100	100	Distribution of cutting tools and trading of supporting equipment, accessories and other products for metalworking

* *Audited by firms of chartered accountants other than Baker Tilly Monteiro Heng PLT.*

8. INVESTMENT IN SUBSIDIARIES *cont'd*

(a) Subscription of ordinary shares in a subsidiary

The Company subscribed 540,000 (2020: 5,500,000) ordinary shares in HPMT Industries Sdn. Bhd. ("HPMT Industries") for a total consideration of RM540,000 (2020: RM5,500,000) via capitalisation of advances given to HPMT Industries.

(b) Non-controlling interest in subsidiaries

The Group does not have material non-controlling interest.

9. INVENTORIES

	Group	
	2021	**2020**
	RM'000	**RM'000**
Raw materials	6,505	4,548
Work-in-progress	1,441	899
Finished goods	21,463	21,254
Consumable goods	1,130	1,078
Less: Allowance for slow-moving inventories	(1,249)	(1,079)
	29,290	26,700

(a) The cost of inventories of the Group recognised as expense in cost of sales during the financial year was RM48,287,271 (2020: RM40,302,450).

(b) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year in respect of allowance for slow-moving inventories was RM161,234 (2020: RM139,361).

10. TRADE AND OTHER RECEIVABLES

		2021	**2020**
	Note	**RM'000**	**RM'000**
Group			
Trade receivables			
Trade receivables	(a)	17,012	13,350
Less: Allowance for impairment losses		(33)	(72)
		16,979	13,278
Other receivables			
Other receivables		219	126
Advance payments to suppliers		74	452
GST refundable		4	12
Deposits		125	130
Prepayments	(b)	2,434	587
		2,856	1,307
		19,835	14,585

10. TRADE AND OTHER RECEIVABLES *cont'd*

	Note	2021 RM'000	2020 RM'000
Company			
Other receivables			
Amount due from a subsidiary	(c)	6	18
Deposits		5	5
Prepayments		43	51
		54	74

(a) Trade receivables

Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranges from 30 to 120 days (2020: 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

<u>Receivables that are impaired</u>

The movement in the allowance for impairment losses of trade receivables is as follows:

	Group	
	2021 RM'000	2020 RM'000
At 1 January	72	31
Charge for the financial year		
- individually assessed	9	46
Reversal of impairment loss	(22)	-
Written off	(26)	(5)
At 31 December	33	72

(b) Included in prepayments is an amount of RM1,015,600 (2020: Nil) represents the prepaid renovation cost for the office buildings.

(c) The amount due from a subsidiary is non-trade in nature, unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

The information about the credit exposures are disclosed in Note 32(i) to the financial statements.

11. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Group	
	2021	**2020**
	RM'000	**RM'000**
Derivatives used for hedging:		
Forward foreign exchange contracts		
- sell contracts	21	(24)

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.

12. SHORT-TERM CASH INVESTMENTS

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash management fund with investment management companies	34,350	36,566	31,139	31,627

The short-term cash investments are redeemable with 2 days notice (2020: 2 days notice).

13. CASH AND BANK BALANCES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	23,470	16,689	25	10

14. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2021	**2020**	**2021**	**2020**
	'000	**'000**	**RM'000**	**RM'000**
Issued and fully paid up (No par value):				
At 1 January/31 December	328,489	328,489	103,533	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.

15. OTHER RESERVES

		Group	
		2021	2020
	Note	RM'000	RM'000
Exchange reserve	(a)	732	586
PRC statutory reserve	(b)	208	208
		940	794

(a) Exchange reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency.

(b) PRC statutory reserve

In accordance with relevant laws and regulations of the People's Republic of China ("PRC"), the subsidiary in the PRC is required to transfer 10% of its net profit for the financial year prepared in accordance with the accounting regulation of the PRC to the statutory reserve. The transfer will continue until the reserve balance reached 50% of its registered capital. Such reserve may be used to offset accumulated losses or increased the registered capital of the said subsidiary, subject to the approval from the PRC authority, and are not available for dividend distribution to the shareholder of the said subsidiary.

16. MERGER DEFICIT

The merger deficit was resulted from the difference between the cost of investment in subsidiaries and the nominal value of the share capital of the Company's subsidiaries upon consolidation under the merger method of accounting.

17. LOANS AND BORROWINGS

	Note	Group 2021 RM'000	Group 2020 RM'000
Current			
Secured			
Term loans	(a)(i)(ii), (b)	4,966	5,785
Bankers' acceptances	(a)(ii), (b)	5,019	3,968
Revolving credits	(a)(ii), (b)	1,000	1,298
		10,985	11,051
Non-current			
Secured			
Term loans	(a)(i)(ii), (b)	13,182	16,643
		24,167	27,694
Total loans and borrowings			
Term loans	(a)(i)(ii), (b)	18,148	22,428
Bankers' acceptances	(a)(ii), (b)	5,019	3,968
Revolving credits	(a)(ii), (b)	1,000	1,298
		24,167	27,694
Repayable			
- not later than one year		10,985	11,051
- later than one year and not later than five years		6,787	9,747
- later than five years		6,395	6,896
		24,167	27,694

(a) The loans and borrowings are secured by:

(i) legal charge over the properties, plant and equipment as disclosed in Note 5 to the financial statements; and

(ii) corporate guarantee from the Company.

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

	Group 2021 %	Group 2020 %
Term loans	2.00 - 4.33	1.95 - 4.73
Bankers' acceptances	1.05 - 1.12	1.44 - 1.49
Revolving credits	4.74 - 4.88	3.65 - 4.77

18. LEASE LIABILITIES

	Group	
	2021	**2020**
	RM'000	**RM'000**
Non-current		
Lease liabilities	113	28
Current		
Lease liabilities	479	214
	592	242

Certain motor vehicles of the Group as disclosed in Note 6 to the financial statements are pledged under hire purchase arrangements.

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

	Group	
	2021	**2020**
	RM'000	**RM'000**
Minimum lease payments:		
Not later than one year	496	203
Later than one year and not later than five years	115	51
	611	254
Less: Future finance charges	(19)	(12)
Present value of minimum lease payments	592	242
Present value of minimum lease payments:		
Not later than one year	479	214
Later than one year and not later than five years	113	28
	592	242
Less: Amount due within twelve months	(479)	(214)
Amount due after twelve months	113	28

19. DEFERRED INCOME

	Group 2021 RM'000	Group 2020 RM'000
Non-current		
Government grants:		
At 1 January	2,757	3,527
Less: Amount to be recognised within next twelve months	(770)	(770)
At 31 December	1,987	2,757
Current		
Government grants:		
At 1 January	770	770
Recognised in profit or loss (Note 23)	(770)	(770)
Add: Amount to be recognised within next twelve months	770	770
At 31 December	770	770
	2,757	3,527

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.

20. TRADE AND OTHER PAYABLES

	2021 RM'000	2020 RM'000
Group		
Trade		
Trade payables	979	1,153
Non-trade		
Other payables	6,881	2,207
Sales and service tax ("SST") payable	146	112
Accruals	2,407	2,254
	9,434	4,573
	10,413	5,726
Company		
Accruals	51	49
	51	49

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 120 days (2020: 30 to 120 days).

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

21. CONTRACT LIABILITIES

	Group	
	2021	2020
	RM'000	RM'000
Advances received from contract customers for sale of goods	238	180

Significant changes in contract balances:

	Group	
	2021	2020
	RM'000	RM'000
Revenue recognised that was included in contract liabilities of the beginning of the financial year	(96)	-
Increase due to cash received from customers, but revenue not recognised	154	180

22. REVENUE

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Revenue from contract customers:				
Sale of goods	87,994	69,676	-	-
Services rendered	2,566	2,220	-	-
	90,560	71,896	-	-
Revenue from other source:				
Dividend income	-	-	6,195	4,286
	90,560	71,896	6,195	4,286

22. REVENUE *cont'd*

(a) Disaggregation of revenue

The Group reports the following major segments: manufacturing, trading and coating in accordance with MFRS 8 *Operating Segments*. For the purpose of disclosure of disaggregation of revenue, it disaggregates revenue into major goods or services and timing of revenue recognition (i.e. goods or services transferred at a point in time or over time).

	Manufacturing RM'000	Trading RM'000	Coating RM'000	Total RM'000
Group				
2021				
Major goods or services:				
Standard tools	60,367	-	-	60,367
Special tools	22,603	-	-	22,603
Indexable inserts, tool holding systems and CNC machines	-	5,024	-	5,024
Coating service	-	-	2,566	2,566
	82,970	5,024	2,566	90,560
2020				
Major goods or services:				
Standard tools	44,741	-	-	44,741
Special tools	19,968	-	-	19,968
Indexable inserts, tool holding systems and CNC machines	-	4,967	-	4,967
Coating service	-	-	2,220	2,220
	64,709	4,967	2,220	71,896

	Group	
	2021 RM'000	**2020 RM'000**
Timing of revenue recognition:		
At a point in time	90,560	71,896

(b) Transaction price allocated to the remaining performance obligation

The Group does not have performance obligations that are unsatisfied for contracts that have an original duration of more than one year at the reporting date.

The Group applies the practical expedient in paragraph 121(a) of MFRS 15 and accordingly, do not disclose information about remaining performance obligations that have original expected durations of one year or less.

23. OTHER INCOME

	Group	
	2021	2020
	RM'000	RM'000
Covid-19-related rent concession income	-	41
Government grant amortisation (Note 19)	770	770
Insurance claim	-	68
Gain on disposal of property, plant and equipment	17	-
Gain on lease modification	27	-
Net realised foreign exchange gain	-	305
Net unrealised foreign exchange gain	204	-
Net fair value gain on derivatives	45	-
Rental income	406	542
Sundry income	93	83
	1,562	1,809

24. FINANCE INCOME

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Income from short-term cash investments	609	798	534	752
Interest income	41	83	-	11
	650	881	534	763

25. FINANCE COSTS

	Group	
	2021	2020
	RM'000	RM'000
Commitment fees	24	23
Interest expenses on:		
- term loans	747	1,038
- bankers' acceptances	63	114
- bank overdrafts	3	6
- revolving credits	49	66
- lease liabilities	33	40
	919	1,287

26. PROFIT BEFORE TAX

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Auditors' remuneration:				
- Malaysian operations				
- Statutory audit	154	142	65	60
- Other services	10	10	10	10
- Foreign operations				
- Statutory audit	185	184	-	-
Depreciation of property, plant and equipment	8,322	8,416	-	-
Depreciation of right-of-use assets	656	504	-	-
Property, plant and equipment written off	7	28	-	-
Employee benefit expenses (Note 27)	26,629	22,028	174	215
Expense relating to short-term lease	299	531	-	-
Expense relating to lease of low value assets	1	1	-	-
(Reversal of)/impairment loss on trade receivables	(13)	46	-	-
Allowance for slow-moving inventories	161	139	-	-
Inventories written off	71	106	-	-
Net realised foreign exchange loss	576	-	-	-
Net unrealised foreign exchange loss	-	790	1	6
Net fair value loss on derivatives	-	147	-	-

27. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries, allowances and bonuses	19,930	17,292	12	15
Defined contribution plan	2,536	2,125	-	-
Other staff related expenses	3,816	2,217	-	-
Directors' fees	306	344	162	200
Benefits-in-kind	41	50	-	-
	26,629	22,028	174	215

27. EMPLOYEE BENEFITS EXPENSE *cont'd*

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Executive directors				
- fees	90	108	-	-
- other emoluments	2,015	2,411	-	-
- benefits-in-kind	17	22	-	-
	2,122	2,541	-	-
Non-executive directors				
- fees	162	200	162	200
- other emoluments	12	15	12	15
	174	215	174	215
Directors of subsidiaries				
Executive directors				
- fees	54	36	-	-
- other emoluments	2,465	1,883	-	-
- benefits-in-kind	24	28	-	-
	2,543	1,947	-	-
	4,839	4,703	174	215

28. INCOME TAX EXPENSE

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
Malaysian income tax:				
- current financial year	3,241	1,855	-	-
- (over)/under provision in prior financial year	(178)	18	2	-
	3,063	1,873	2	-
Foreign income tax:				
- current financial year	(7)	4	-	-
	3,056	1,877	2	-

28. INCOME TAX EXPENSE *cont'd*

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax (Note 7):				
Origination of temporary differences	737	(376)	-	-
- under/(over) provision in prior financial year	173	(180)	-	-
	910	(556)	-	-
Tax expense recognised in profit or loss	3,966	1,321	2	-

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2020: 24%) of the estimated taxable profit for the financial year.

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before tax	17,841	9,640	6,302	4,581
Tax at Malaysian statutory income tax rate of 24% (2020: 24%)	4,282	2,314	1,512	1,099
Tax effects arising from:				
- different tax rates in foreign jurisdictions	68	28	-	-
- non-deductible expenses	644	473	106	112
- non-taxable income	(317)	(380)	(1,618)	(1,211)
- tax incentives	(744)	(970)	-	-
- deferred tax assets not recognised	38	18	-	-
(Over)/Under provision in prior years:				
- current tax	(178)	18	2	-
- deferred tax	173	(180)	-	-
Income tax expense for the financial year	3,966	1,321	2	-

29. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

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

	2021 RM'000	2020 RM'000
Profit attributable to owners of the Company	13,836	8,322

	2021 Unit'000	2020 Unit'000
Weighted average number of ordinary shares:		
Number of shares in issue as at 1 January	328,489	328,489
Effect of issuance of ordinary shares	-	-
Weighted average number of ordinary shares in issue at 31 December	328,489	328,489

	2021 Sen	2020 Sen
Basic earnings per ordinary share	4.21	2.53

(b) Diluted earnings per ordinary share

The diluted earnings per share of the Group for the financial year ended 2021 and 2020 is equal to the basic earnings per share of the Group as there were no potential dilutive ordinary shares in issue.

30. DIVIDENDS

	Group and Company	
	2021	2020
	RM'000	RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
- Third single-tier interim dividend for the financial year ended 31 December 2019 of 0.375 sen per ordinary share	-	1,232
- First single-tier interim dividend for the financial year ended 31 December 2020 of 0.50 sen per ordinary share	-	1,642
- Second single-tier interim dividend for the financial year ended 31 December 2020 of 0.38 sen per ordinary share	-	1,249
- Third single-tier interim dividend for the financial year ended 31 December 2020 of 0.50 sen per ordinary share	1,642	-
- First single-tier interim dividend for the financial year ended 31 December 2021 of 0.40 sen per ordinary share	1,315	-
- Second single-tier interim dividend for the financial year ended 31 December 2021 of 0.50 sen per ordinary share	1,642	-
- Third single-tier interim dividend for the financial year ended 31 December 2021 of 0.50 sen per ordinary share	1,642	-
	6,241	4,123

On 28 February 2022, the Company had declared a special interim dividend of 0.35 sen per ordinary share amounting to RM1,149,712 in respect of the financial year ended 31 December 2021, which was paid on 28 March 2022. 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 2022.

31. FINANCIAL INSTRUMENTS

Classification of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

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

	FVTPL RM'000	AC RM'000	Total RM'000
Group			
2021			
Financial assets			
Trade and other receivables *	-	17,323	17,323
Derivatives financial assets	21	-	21
Cash and bank balances	-	23,470	23,470
Short-term cash investments	34,350	-	34,350
	34,371	40,793	75,164
Financial liabilities			
Trade and other payables #	-	(10,267)	(10,267)
Loans and borrowings	-	(24,167)	(24,167)
	-	(34,434)	(34,434)
2020			
Financial assets			
Trade and other receivables *	-	13,534	13,534
Cash and bank balances	-	16,689	16,689
Short-term cash investments	36,566	-	36,566
	36,566	30,223	66,789
Financial liabilities			
Trade and other payables #	-	(5,614)	(5,614)
Derivative financial liabilities	(24)	-	(24)
Loans and borrowings	-	(27,694)	(27,694)
	(24)	(33,308)	(33,332)

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

31. FINANCIAL INSTRUMENTS *cont'd*

Classification of financial instruments *cont'd*

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned: *cont'd*

	FVTPL RM'000	AC RM'000	Total RM'000
Company			
2021			
Financial assets			
Amount due from a subsidiary	-	6	6
Deposits	-	5	5
Cash and bank balances	-	25	25
Short-term cash investments	31,139	-	31,139
	31,139	36	31,175
Financial liability			
Other payables and accruals	-	51	51
2020			
Financial assets			
Amount due from a subsidiary	-	18	18
Deposits	-	5	5
Cash and bank balances	-	10	10
Short-term cash investments	31,627	-	31,627
	31,627	33	31,660
Financial liability			
Other payables and accruals	-	49	49

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group uses derivative financial instruments, such as, foreign exchange contracts to hedge certain exposures. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

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

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, including deposits with banks, short-term cash investments, foreign exchange transactions and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Credit quality of a customer is assessed based on individual credit limits which are defined in accordance with this assessment.

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.

<u>Credit risk concentration profile</u>

As at the end of the reporting period, the Group has significant concentration of credit risk in the form of outstanding balances owing by 1 (2020: 1) customer which represents 17% (2020: 13%) of the gross trade receivables.

The Group applies the simplified approach to provide for expected credit losses ("ECL") prescribed by MFRS 9 *Financial Instruments*, which permits the use of the lifetime expected credit losses provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The Group also individually assessed ECL of individual customers based on indicators such as changes in financial capability of the receivables, payment trends of the receivable and default or significant delay in payments. The determination of ECL also incorporate economic conditions during the period of historical data, current conditions and forward looking information on the economic conditions over the expected settlement period of the receivables. The Group believes that changes in economic conditions over these periods would not materially impact the impairment calculation of the receivables.

The information about the credit risk exposure on the Group's trade receivables as at 31 December 2021 and 31 December 2020 are as follows:

Group	Gross carrying amount RM'000	ECL allowance RM'000	Net balance RM'000
2021			
Current	13,539	-	13,539
1 - 30 days past due	2,460	-	2,460
31 - 60 days past due	419	-	419
61 - 90 days past due	364	-	364
91 - 120 days past due	191	-	191
> 120 days past due	6	-	6
Credit impaired:			
- Individually assessed	33	(33)	-
	17,012	(33)	16,979

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

(i) Credit risk *cont'd*

Trade receivables *cont'd*

The information about the credit risk exposure on the Group's trade receivables as at 31 December 2021 and 31 December 2020 are as follows: *cont'd*

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

Other receivables and other financial assets

For other receivables and other financial assets (including deposits, short-term cash investments, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

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

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

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

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

(i) Credit risk *cont'd*

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 RM26,059,322 (2020: RM31,412,306) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 32(ii) to the financial statements. As at the reporting date, there was no loss allowance for impairment as determined by the Company for the financial guarantee.

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

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's and the Company's finance department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

<u>Maturity analysis</u>

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

		Contractual cash flows			
Group	**Carrying amount RM'000**	**On demand or within one year RM'000**	**Between one to five years RM'000**	**More than five years RM'000**	**Total RM'000**
2021					
Trade and other payables #	10,267	10,267	-	-	10,267
Term loans	18,148	5,587	8,344	7,395	21,326
Lease liabilities	592	496	115	-	611
Bankers' acceptances	5,019	5,019	-	-	5,019
Revolving credits	1,000	1,000	-	-	1,000
	35,026	22,369	8,459	7,395	38,223

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

(ii) 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 are based on contractual undiscounted repayment obligations are as follows: *cont'd*

Group	Carrying amount RM'000	Contractual cash flows: On demand or within one year RM'000	Contractual cash flows: Between one to five years RM'000	Contractual cash flows: More than five years RM'000	Contractual cash flows: Total RM'000
2020					
Trade and other payables #	5,614	5,614	-	-	5,614
Term loans	22,428	6,759	11,993	8,607	27,359
Lease liabilities	242	203	51	-	254
Bankers' acceptances	3,968	3,968	-	-	3,968
Derivative financial liabilities	24	24	-	-	24
Revolving credits	1,298	1,298	-	-	1,298
	33,574	17,866	12,044	8,607	38,517

Exclude SST payable

	Carrying amount RM'000	Contractual cash flows: On demand or within one year RM'000	Contractual cash flows: Total RM'000
Company			
2021			
Other payables and accruals	51	51	51
Financial guarantee contracts	-	26,059	26,059
	51	26,110	26,110
2020			
Other payables and accruals	49	49	49
Financial guarantee contracts	-	31,412	31,412
	49	31,461	31,461

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

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when sales, purchases and borrowings that are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD"), Euro ("EUR"), Singapore Dollar ("SGD"), Chinese Yuan ("CNY") and Swiss Franc ("CHF").

Management has set up a policy that requires all companies within the Group to manage their treasury activities and exposures. The Group's policy may include hedging their material foreign currency exposures arising from its transactions and balances using derivative instruments that have maturity periods that match the corresponding maturity periods of the hedged items. In addition, the Group also takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

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

	Group	
	2021	**2020**
	RM'000	**RM'000**
Financial assets and liabilities not held in functional currencies		
Trade receivables		
USD	3,901	2,706
EUR	5,939	5,071
SGD	76	46
CNY	404	378
	10,320	8,201
Cash and bank balances		
USD	5,143	4,115
EUR	10,258	5,481
SGD	15	7
	15,416	9,603
Trade payables		
USD	332	255
EUR	183	494
	515	749

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

(iii) Foreign currency risk *cont'd*

	Group	
	2021	2020
	RM'000	RM'000
Financial assets and liabilities not held in functional currencies *cont'd*		
Other payables		
USD	22	2
EUR	1,024	49
CHF	4,165	64
	5,211	115
Loans and borrowings		
USD	5,019	3,968
EUR	5,048	9,506
	10,067	13,474

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	
	2021	2020
	RM'000	RM'000
EUR	1,908	3,687

Sensitivity analysis for foreign currency risk

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

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

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

(iii) Foreign currency risk *cont'd*

Group	2021 Change in rate	2021 Effect on profit for the financial year RM'000	2020 Change in rate	2020 Effect on profit for the financial year RM'000
USD	5%	140	5%	99
	-5%	(140)	-5%	(99)
EUR	5%	378	5%	19
	-5%	(378)	-5%	(19)
CNY	5%	15	5%	14
	-5%	(15)	-5%	(14)
CHF	5%	(158)	5%	(2)
	-5%	158	-5%	2

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates.

Sensitivity analysis for interest rate risk

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

	2021 Change in basis points	2021 Effect on profit for the financial year RM'000	2020 Change in basis points	2020 Effect on profit for the financial year RM'000
Group				
Loans and borrowings	+50	(92)	+50	(105)
	-50	92	-50	105

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

(v) 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.

Fair value hierarchy

As at 31 December 2021, the Group held the followings liabilities carried at fair value:

Assets/(Liabilities) measured at fair value

	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
2021				
Financial asset				
Short-term cash investments	34,350	34,350	-	-
Derivative financial assets	21	-	21	-
2020				
Financial asset				
Short-term cash investments	36,566	36,566	-	-
Financial liability				
Derivative financial liabilities	(24)	-	(24)	-
Company				
2021				
Financial asset				
Short-term cash investments	31,139	31,139	-	-
2020				
Financial asset				
Short-term cash investments	31,627	31,627	-	-

During the financial year ended 31 December 2021 and 31 December 2020, there was no transfer between fair value measurement hierarchy.

33. COMMITMENT

Capital commitment

The Group has made commitment for the following capital expenditure:

	Group	
	2021	**2020**
	RM'000	**RM'000**
Capital expenditure in respect of purchase of property, plant and equipment		
- Authorised and contracted for	9,438	-
- Authorised but not contracted for	22,760	28,704
	32,198	28,704

34. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) The Company's holding companies;
(ii) Subsidiaries;
(iii) Subsidiaries of holding companies;
(iv) Entity in which certain directors of the Company are also directors and/or have substantial financial interests; and
(v) Key management personnel which comprise persons (including the directors of the Company) having the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

(b) Related party transactions and balances

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

	Group	
	2021	**2020**
	RM'000	**RM'000**
Transactions with companies in which certain directors of the Company are also directors and/or have substantial financial interests:		
- Lease payments	-	89
- Rental expenses	139	-

34. RELATED PARTIES *cont'd*

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

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

	Company	
	2021	**2020**
	RM'000	**RM'000**
Transactions with immediate holding company:		
- Dividends paid	3,990	2,631
Transactions with subsidiaries		
- Dividends received	6,195	4,286

Information on outstanding balances with related parties of the Company are disclosed in Note 10 to the financial statements.

(c) Compensation of key management personnel

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries, allowances and bonuses	4,107	3,999	12	15
Defined contribution plan	378	303	-	-
Other staff related expenses	7	7	-	-
Directors' fees	306	344	162	200
Benefits-in-kind	41	50	-	-
	4,839	4,703	174	215

35. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports that are regularly reviewed by the Group's Managing Director for the purpose of making decisions about resource allocation and performance assessment.

The three reportable operating segments are as follows:

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

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

<u>Segment assets</u>
The total of segment asset is measured based on all assets (excluding investment in associates and joint ventures) of a segment, as included in the internal reports that are reviewed by the Group's Managing Director.

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

35. SEGMENT INFORMATION *cont'd*

	Manufacturing		Trading		Coating		Eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	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	82,970	64,709	5,024	4,967	2,566	2,220	-	-	90,560	71,896
Inter-segment revenue	18,572	16,888	50	31	566	318	(19,188)	(17,237)	-	-
Total segment revenue	101,542	81,597	5,074	4,998	3,132	2,538	(19,188)	(17,237)	90,560	71,896
Results:										
Included in the measure of segment profit are:										
Finance income	636	862	13	19	1	-	-	-	650	881
Finance costs	(804)	(1,107)	(7)	(22)	(113)	(158)	5	-	(919)	(1,287)
Depreciation of property, plant and equipment and right-of-use assets	(8,353)	(8,296)	(96)	(97)	(575)	(527)	46	-	(8,978)	(8,920)
Expense relating to short-term lease	(286)	(516)	(36)	(38)	(35)	(84)	58	107	(299)	(531)
Expense relating to lease of low value assets	-	-	-	-	(1)	(1)	-	-	(1)	(1)
(Net reversal of)/impairment loss on trade receivables	17	(37)	(4)	(9)	-	-	-	-	13	(46)
Property, plant and equipment written off	(7)	(28)	-	-	-	-	-	-	(7)	(28)
Allowance for slow-moving inventories	(161)	(76)	-	(63)	-	-	-	-	(161)	(139)
Inventories written off	-	(71)	(71)	(35)	-	-	-	-	(71)	(106)
Net unrealised foreign exchange gain/(loss)	182	(778)	22	(12)	-	-	-	-	204	(790)
Net fair value gain/(loss) on derivatives	45	(147)	-	-	-	-	-	-	45	(147)
Government grant amortisation	770	770	-	-	-	-	-	-	770	770
Gain on disposal of property, plant and equipment	2	-	15	-	-	-	-	-	17	-
Covid-19-related rent concession income	-	41	-	-	-	-	-	-	-	41
Income tax (expense)/credit	(3,702)	(1,228)	(194)	(126)	(70)	33	-	-	(3,966)	(1,321)
Segment profit	12,667	7,536	-	-	1,208	783	-	-	13,875	8,319
Assets:										
Additions to non-current assets other than financial instruments and deferred tax assets										
- property, plant and equipment	5,694	3,050	-	-	8	21	-	-	5,702	3,071
- right-of-use assets	985	34	-	-	237	-	(237)	-	985	34
Segment assets	172,135	162,212	-	-	4,349	4,428	-	-	176,484	166,640

35. SEGMENT INFORMATION *cont'd*

(a) Information about major customers

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

		Group	
		2021	2020
	Segment	RM'000	RM'000
Customer A	Manufacturing	12,625	7,812

(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	Non-current assets
	RM'000	RM'000
31 December 2021		
Malaysia	16,264	68,543
Europe	45,930	43
Asia (excluding Malaysia)	26,828	620
Others	1,538	-
	90,560	69,206
31 December 2020		
Malaysia	14,688	71,276
Europe	33,800	98
Asia (excluding Malaysia)	21,846	120
Others	1,562	-
	71,896	71,494

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The gearing ratio of the Group at 31 December 2021 and 31 December 2020 are as follows:

		Group	
		2021	**2020**
	Note	**RM'000**	**RM'000**
Loans and borrowings	17	24,167	27,694
Total debts		24,167	27,694
Total equity		131,616	123,836
Gearing ratio		18%	22%

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

STATEMENT BY **DIRECTORS**

(PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016)

We, **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 51 to 118 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 2021 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

Date: 11 April 2022

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 51 to 118 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 11 April 2022.

Before me,

P.DEV ANAND PILLAI (B253)
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 2021 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 significant accounting policies, as set out on pages 51 to 118.

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 2021, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We 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 4.1 and 9 to the financial statements)

The Group's inventories, comprise mainly raw materials and finished goods, are measured at the lower of cost and net realisable value. Significant judgement is required in estimating their net realisable values and in identifying allowance required for slow-moving inventories.

Our response:

Our audit procedures included, among others:

- understanding the design and implementation of controls associated with monitoring, detection and determining the allowance for slow-moving inventories as at 31 December 2021;
- observing year end physical inventory count to examine physical existence and condition of the inventories and understanding the design and implementation of controls during the count;
- reviewing subsequent sales and management's assessment on estimated net realisable value on selected inventory items; and
- enquiring the Group on their assessment of allowance for slow-moving inventories and their action plans to realise those slow-moving inventories.

Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

INDEPENDENT AUDITORS' **REPORT**

TO THE MEMBERS OF HPMT HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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.

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.

INDEPENDENT AUDITORS' **REPORT**

TO THE MEMBERS OF HPMT HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Auditors' Responsibilities for the Audit of the Financial Statements *cont'd*

- 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Lee Kong Weng
02967/07/2023 J
Chartered Accountant

Kuala Lumpur

Date: 11 April 2022

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 31.12.2021 (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	14	5,806/2,537	Freehold	7,708
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	13	6,866/ 4,990.58	Freehold	18,568

ANALYSIS OF **SHAREHOLDINGS**

AS AT 31 MARCH 2022

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	0.344	232	0.000
100 – 1,000	324	12.413	219,000	0.066
1,001 – 10,000	1,217	46.628	7,187,400	2.188
10,001 – 100,000	881	33.754	31,321,468	9.535
100,001 – 16,424,449 (*)	178	6.819	79,775,500	24.285
16,424,450 and above (**)	1	0.038	209,985,400	63.924
Total	2,610	100.000	328,489,000	100.000

Notes * *Less than 5% of the issued share*
** *5% and above of the issued share*

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

	Shareholdings			
Name	**Direct**	**%**	**Indirect**	**%**
Dato' Khoo Ah Chye	483,200	0.147	1,166,800 (a)	0.355
Khoo Seng Giap	1,027,000	0.313	439,200 (b)	0.134
Tan Kim Chuan	474,800	0.145	-	-
Peter Ho Kok Wai	-	-	-	-
Chua Put Moy	100,000	0.030	-	-
Oei Kok Eong	100,000	0.030	-	-
Ku He @ Khoo Yee Her (Resigned on 23 June 2021)	6,012,500	1.830	-	-

Notes:-
(a) *Deemed interest pursuant to Section 197 of the Companies Act 2016, held through his sons, Neexon Khoo and Neecia Khoo.*
(b) *Deemed interest pursuant to Section 197 of the Companies Act 2016, held through his wife, Pemika Akanitaprachai.*

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2022
cont'd

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Shareholdings			
Name	**Direct**	**%**	**Indirect**	**%**
Herroz Mechanical Technologies Sdn. Bhd.	209,985,400	63.925	-	-
HPMT Capital Sdn. Bhd.	-	-	209,985,400 [(a)]	63.925
Nora Virginia Scheidegger	-	-	209,985,400 [(b)]	63.925
Tan Morly @ Molly Tan	-	-	209,985,400 [(b)]	63.925

Notes:-

(a) Deemed interest pursuant to Section 8(4)(c) of the Companies Act 2016; held through Herroz Mechanical Technologies Sdn. Bhd.

(b) Deemed interest pursuant to Section 8(4)(c) of the Companies Act 2016; held through HPMT Capital Sdn. Bhd. which in turn holds Herroz Mechanical Technologies Sdn. Bhd.

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Herroz Mechanical Technologies Sdn. Bhd.	209,985,400	63.925
2.	Yoong Kam Sing	6,596,000	2.008
3.	Ku He @ Khoo Yee Her	6,012,500	1.830
4.	HLB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Chee Sai Mun*	4,176,900	1.272
5.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Goh Leng Pheow (MU006)*	2,085,000	0.635
6.	Cartaban Nominees (Tempatan) Sdn. Bhd. *Icapital.biz Berhad*	1,802,700	0.549
7.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Kor Hock Lee (T Cheras-CL)*	1,500,000	0.457
8.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Commerce Trustee Berhad For Maybank Malaysia Smallcap Fund*	1,500,000	0.457
9.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *The Bank of New York Mellon For Ensign Peak Advisors Inc.*	1,294,000	0.394
10.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Ch'ng Siak Liang (E-BMM/TBM)*	1,100,000	0.335
11.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Yap Ching Cheong (6000187)*	1,046,300	0.319
12.	Khoo Seng Giap	1,027,000	0.313
13.	Lee Chen Yeong	1,000,000	0.304
14.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Mohan A/L Perumal (8077481)*	990,000	0.301
15.	Lee, Ting-Yu	981,000	0.299
16.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Chee Sai Mun (E-KLC)*	957,200	0.291
17.	Lian Boon Tiam	900,000	0.274

ANALYSIS OF **SHAREHOLDINGS**

AS AT 31 MARCH 2022
cont'd

THIRTY (30) LARGEST SHAREHOLDERS *cont'd*

No.	Name	No. of Shares Held	%
18.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Rakuten Trade Sdn. Bhd. For Jessica Wong Kar Yee*	895,600	0.273
19.	Ong Jun Jie	856,000	0.261
20.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Rakuten Trade Sdn. Bhd. For Loo Jieh Sheng*	806,300	0.245
21.	Poong Keen Kiong	760,000	0.231
22.	Neexon Khoo	744,800	0.227
23.	Tan Kim Hong	705,000	0.215
24.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Teh Kian Lang (E-KLC)*	700,800	0.213
25.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Khau Hoong Sheng (7000741)*	700,000	0.213
26.	Wong Chew Kong	693,000	0.211
27.	Khoo Seng Chee	670,000	0.204
28.	TA Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Lim Bee Teng*	668,900	0.204
29.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *The Bank of New York Mellon For Acadian Emerging Markets Micro-Cap Equity Master Fund*	646,800	0.197
30.	Maybank Nominees (Tempatan) Sdn. Bhd. *Yap Hong Thien*	642,000	0.195
		252,443,200	76.852

SHARE BUY-BACK STATEMENT

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

THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

DEFINITIONS

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

"Act"	The Companies Act, 2016 as amended from time to time and any re-enactment thereof
"AGM"	Annual General Meeting
"Board"	The Board of Directors of HPMT
"Bursa Securities"	Bursa Malaysia Securities Berhad
"CDS"	Central Depository System
"Code"	Malaysian Code on Take-Over and Mergers 2016 as amended from time to time
"Director"	Shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act, 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a Director of the Company, its subsidiary or holding company or a Chief Executive Officer of the Company, its subsidiary or holding company
"EPS"	Earnings Per Share
"HPMT" or "the Company"	HPMT Holdings Berhad [Registration No. 201701041672 (1255845-W)]
"HPMT Group"	HPMT and its subsidiaries
"HPMT Share(s)"	Ordinary shares in HPMT
"Issued Share Capital"	328,489,000 ordinary shares in HPMT
"Listing Requirements"	Main Market Listing Requirements of Bursa Securities, including any amendments made in respect thereof from time to time
"Market Days"	A day which Bursa Securities is open for the trading of securities
"LPD"	31 March 2022, being the latest practicable date prior to the printing of this Statement

SHARE BUY-BACK STATEMENT
cont'd

DEFINITIONS *cont'd*

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

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

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

SHARE BUY-BACK STATEMENT
cont'd

1. INTRODUCTION

At the AGM held on 4 June 2021, 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 4 June 2021, the authority granted to HPMT to purchase its own shares on Bursa Securities will expire at the conclusion of the Company's forthcoming Fifth AGM to be held on 8 June 2022 unless renewed by an ordinary resolution passed by the shareholders of the Company.

On 11 April 2022, 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 Fifth 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 Fifth 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 Fifth 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.

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 2021, the Company's audited accumulated retained earnings stood at RM1,848,323.00. The Proposed Renewal of Shareholders' Mandate for Share Buy-Back will be funded by internally generated funds and/or external borrowings.

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

2.3 Treatment of Purchased Shares

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

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

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

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

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

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

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

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

2.4 Purchase/Resale Price

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

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

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

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

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

2.5 Implications Relating to the Code

Based on the Register of Substantial Shareholders as at 31 March 2022, 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 32.464%. The Company will not undertake any share buy-back if that will result in breach of Listing Requirements which required the Company to maintain a shareholding spread of at least twenty-five percent (25%) of its total listed shares. The Board is mindful of the shareholding spread requirement and will continue to be mindful of the requirement when making of any purchase of HPMT Shares by the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.1 Share Capital

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

SHARE BUY-BACK STATEMENT
cont'd

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

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

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

4.2 NA

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

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

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

4.3 Working Capital, Cash Flow and Gearing

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

4.4 Dividends

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

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

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) <u>Directors' Shareholdings</u>

	As at the LPD				After the Proposed Renewal of Shareholders' Mandate for Share Buy-Back[a]			
	Direct		Indirect		Direct		Indirect	
Directors	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Khoo Ah Chye	483,200	0.147	1,166,800[b]	0.355	483,200	0.163	1,166,800[b]	0.395
Khoo Seng Giap	1,027,000	0.313	439,200[c]	0.134	1,027,000	0.347	439,200[c]	0.149
Tan Kim Chuan	474,800	0.145	-	-	474,800	0.161	-	-
Peter Ho Kok Wai	-	-	-	-	-	-	-	-
Chua Put Moy	100,000	0.030	-	-	100,000	0.034	-	-
Oei Kok Eong	100,000	0.030	-	-	100,000	0.034	-	-

Notes:

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

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

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

(b) **Substantial Shareholders of HPMT**

	As at the LPD				After the Proposed Renewal of Shareholders' Mandate for Share Buy-Back[(a)]			
	Direct		Indirect		Direct		Indirect	
Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Herroz Mechanical Technologies Sdn Bhd	209,985,400	63.925	-	-	209,985,400	71.027	-	-
HPMT Capital Sdn Bhd	-	-	209,985,400[(b)]	63.925	-	-	209,985,400[(b)]	71.027
Nora Virginia Scheidegger	-	-	209,985,400[(c)]	63.925	-	-	209,985,400[(c)]	71.027
Tan Morly @ Molly Tan	-	-	209,985,400[(d)]	63.925	-	-	209,985,400[(d)]	71.027

Notes:

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

(b) Deemed interest pursuant to Section 8(4)(c) of the Companies Act 2016; held through Herroz Mechanical Technologies Sdn Bhd.

(c) Deemed interest pursuant to Section 8(4)(c) of the Companies Act 2016; held through HPMT Capital Sdn Bhd which in turn holds Herroz Mechanical Technologies Sdn Bhd.

(d) Deemed interest pursuant to Section 8(4)(c) of the Companies Act 2016; held through HPMT Capital Sdn Bhd which in turn holds Herroz Mechanical Technologies Sdn Bhd.

5. INTEREST OF DIRECTORS/MAJOR SHAREHOLDERS

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

6. APPROVAL REQUIRED

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

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 2021 to March 2022 are as follows:

	Highest RM	Lowest RM
2021		
April	0.665	0.595
May	0.630	0.545
June	0.575	0.490
July	0.530	0.470
August	0.580	0.485
September	0.615	0.560
October	0.725	0.570
November	0.685	0.615
December	0.710	0.630
2022		
January	0.735	0.650
February	0.725	0.605
March	0.565	0.490
Last transacted market price of HPMT Shares on 8 April 2022 being the day prior to the date of announcement of the Proposed Renewal of Shareholders' Mandate for Share Buy-Back.		0.550
Last transacted market price of HPMT Shares on 13 April 2022 being the latest practicable date prior to the printing of this Statement.		0.560

(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 Fifth 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 Fifth AGM. The Fifth (5th) AGM will be conducted fully virtual at the Broadcast Venue at Block B, No. 5, Jalan Sungai Kayu Ara 32/39, Taman Berjaya, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 8 June 2022 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.

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

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

10. FURTHER INFORMATION

a) Directors' Responsibility Statement

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

b) Material Litigation

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

c) Material Contracts

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

d) Document Available For Inspection

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

(i) the Constitution of HPMT; and

(ii) the audited financial statements of HPMT for the past two (2) financial years ended 31 December 2020 and 31 December 2021.

This Statement is dated 29 April 2022.

NOTICE OF FIFTH
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting ("AGM") of the Company will be conducted fully virtual at the Broadcast Venue at Block B, No. 5, Jalan Sungai Kayu Ara 32/39, Taman Berjaya, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 8 June 2022 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 2021 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 RM467,000.00 from 9 June 2022 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. Khoo Seng Giap	***Ordinary Resolution 2***
	3.2 Mr. Tan Kim Chuan	***Ordinary Resolution 3***
4.	To re-elect Mr. Tan Tai Beng who retires pursuant to Clause 106 of the Company's Constitution.	***Ordinary Resolution 4***
5.	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 5***

SPECIAL BUSINESS

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

6. **Proposed Amendments to the Constitution of the Company** ***Special Resolution***

"**THAT** the Proposed Amendments to the Constitution of the Company as set out in "Appendix A" be and are hereby approved and adopted.

AND THAT the Directors of the Company be and are hereby authorised to do all acts and things and take all such steps that may be necessary and/or expedient to give effect to the Proposed Amendments to the Constitution of the Company with full power to assent to any modification, variation and/or amendment as may be required by the relevant authorities."

NOTICE OF FIFTH
ANNUAL GENERAL MEETING
cont'd

7. Authority for Directors to issue and allot shares in the Company pursuant to Section 76 of the Companies Act, 2016 ***Ordinary Resolution 6***

   "THAT subject to the passing of Special Resolution, Companies Act, 2016 ("Act"), Company's Constitution, Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 76 of the Companies Act, 2016, to issue and allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 20% of the total number of the issued shares (excluding treasury shares) of the Company for the time being ("Proposed 20% General Mandate").

   AND THAT such approval on the Proposed 20% General Mandate shall continue to be in force until 31 December 2022 or a later date allowed by the relevant authorities at that point in time.

   AND THAT with effect from 1 January 2023 or a later date allowed by the relevant authorities at that point in time, the general mandate shall be reinstated from a 20% limit to a 10% limit pursuant to Paragraph 6.03 of the Listing Requirements provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of the issued shares (excluding treasury shares) of the Company for the time being ("Proposed General Mandate").

   AND THAT such approval on the Proposed General Mandate shall continue to be in force until:

   a. the conclusion of the next Annual General Meeting of the Company held after the approval was given;
   b. the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or
   c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting.

   whichever is the earlier.

   (The Proposed 20% General Mandate and Proposed 10% General Mandate shall hereinafter refer to as "Proposed General Mandate").

   AND FURTHER 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."

NOTICE OF FIFTH
ANNUAL GENERAL MEETING
cont'd

8. **Proposed Renewal of Shareholders' Mandate for Share Buy-Back** ***Ordinary Resolution 7***

"**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."

9. 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 2022

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.*

NOTICE OF FIFTH
ANNUAL GENERAL MEETING
cont'd

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

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

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

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

7. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 1 June 2022 (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 2021

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 9 June 2022 until the conclusion of the next AGM of the Company in 2023.

C. Special Resolution - Proposed Amendments to the Constitution of the Company

The Special Resolution proposed under item 6 is in line with Bursa Malaysia Securities Berhad's letter dated 16 April 2020 to allow a listed corporation to seek a higher mandate under Paragraph 6.03 of the Main Market Listing Requirements of not more than twenty percent (20%) of the total number of issued shares for issue of new securities and the prevailing statutory and regulatory requirements, as well as to provide clarity and consistency. The Proposed Amendments to the Constitution of the Company are set out in the "Appendix A" accompanying the Notice of the AGM dated 29 April 2022.

This Special Resolution needs a majority of not less than seventy-five percent (75%) of such members who are entitled to vote either in person or by proxy.

D. Ordinary Resolution 6 - Authority For Directors To Issue and Allot Shares

The proposed Ordinary Resolution 6 under item 7 of the Agenda, if passed, from the date of the above Annual General Meeting ("AGM"), will empower the Directors of the Company, with the authority to issue and allot shares in the Company up to an amount not exceeding 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Proposed 20% General Mandate") up to **31 December 2022** or a later date allowed by the relevant authorities at that point in time. With effect from 1 January 2023 or a later date allowed by the relevant authorities at that point in time, the Proposed 20% General Mandate will be reinstated to a 10% limit ("Proposed General Mandate") according to Paragraph 6.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The authority for the Proposed General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

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 Fourth Annual General Meeting held on 4 June 2021. 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.

NOTICE OF FIFTH
ANNUAL GENERAL MEETING
cont'd

The Board of Directors of the Company is of the view that the Proposed 20% General Mandate is in the best interest of the Company and its shareholders as follows:-

(a) Amid the unprecedented uncertainty surrounding the recovery of the COVID-19 outbreak, this 20% General Mandate provide the Company flexibility to raise funds quickly and efficiently during this challenging time to meet its funding requirements for working capital, operational expenditure or a new business opportunity; and

(b) The Extended Utilisation Period provide additional relief to the Company cashflow to support the business operations in view of the tougher economic environment arose from the COVID-19 outbreak.

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

E. Ordinary Resolution 7 - Proposed Renewal of Shareholders' Mandate for Share Buy-Back

The Proposed Ordinary Resolution 7, if passed, will empowers the Company to purchase its own ordinary shares of up to 10% of the total number of issued shares of the Company for the time being by utilising the funds allocated out of the retained profits of the Company. This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM after that date is required by the law to be held, whichever occurs first.

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

APPENDIX A

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

Details of the Proposed Amendments to the Constitution

The Clauses of the Constitution of the Company are proposed to be amended in the following manner:-

Clause No.	Existing Clauses	Clause No.	Proposed Clauses
7	Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of this Constitution, the Act, the Central Depositories Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot or otherwise dispose of such shares to such persons on such terms and conditions with such (whether in regard to dividend, voting or return of capital) preferred, deferred or other special rights and either at a premium or otherwise, and subject to such restrictions and at such time or times as the Directors may think fit but the Directors in making any issue of shares shall comply with the following conditions:-	7	Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of this Constitution, **Listing Requirements**, the Act, the Central Depositories Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot or otherwise dispose of such shares to such persons on such terms and conditions with such (whether in regard to dividend, voting or return of capital) preferred, deferred or other special rights and either at a premium or otherwise, and subject to such restrictions and at such time or times as the Directors may think fit but the Directors in making any issue of shares shall comply with the following conditions:-

NOTICE OF FIFTH
ANNUAL GENERAL MEETING
cont'd

Clause No.	Existing Clauses	Clause No.	Proposed Clauses
15	Subject to the Listing Requirements, the Act, the Central Depositories Act and/or the Rules and notwithstanding the existence of a resolution pursuant to Section 75 of the Act, the Company must ensure that it shall not issue any shares or convertible Securities if those shares or convertible Securities, when aggregated with any such shares or convertible Securities issued during the preceding twelve (12) months, exceeds 10% of the value of the issued and paid-up capital of the Company, except where the shares or convertible Securities are issued with the prior approval of shareholders in general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible Securities that may be issued by the Company, If the Security is convertible, each such convertible Security is counted as the maximum number of shares into which it can be converted or exercised.	15	Deleted.

STATEMENT ACCOMPANYING THE NOTICE OF FIFTH ANNUAL GENERAL MEETING

1. The Directors who are standing for re-election at the Fifth Annual General Meeting of the Company pursuant to Clause 97.1 of the Company's Constitution are Mr. Khoo Seng Giap and Mr. Tan Kim Chuan.

2. The Director who is standing for re-election at the Fifth Annual General Meeting of the Company pursuant to Clause 106 of the Company's Constitution is Mr. Tan Tai Beng.

3. The details of the above Directors seeking re-election is set out in the Profile of Directors as disclosed on pages 6, 7 and 9 of this Annual Report.

4. The details of attendance of the Directors of the Company at Board of Directors' Meetings held during the financial year ended 31 December 2021 are disclosed in the Corporate Governance Overview Statement set out on page 30 of this Annual Report.

5. The details of the interest of the Directors in the securities of the Company are stated on page 124 of the Company's Annual Report 2021.

PERSONAL DATA PRIVACY :

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

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

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

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

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HPMT

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 Fifth Annual General Meeting ("AGM") of the Company will be conducted fully virtual at the Broadcast Venue at Block B, No. 5, Jalan Sungai Kayu Ara 32/39, Taman Berjaya, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 8 June 2022 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 9 June 2022 until the next AGM of the Company.		
2.	To re-elect Mr. Khoo Seng Giap who is retiring as a Director of the Company in accordance with Clause 97.1 of the Company's Constitution.		
3.	To re-elect Mr. Tan Kim Chuan who is retiring as a Director of the Company in accordance with Clause 97.1 of the Company's Constitution.		
4.	To re-elect Mr. Tan Tai Beng who is retiring as a Director of the Company in accordance with Clause 106 of the Company's Constitution.		
5.	To re-appoint Messrs. Baker Tilly Monteiro Heng PLT, the retiring Auditors and to authorise the Board of Directors to determine their remuneration.		
6.	Proposed Amendments to the Constitution of the Company		
7.	To authorise the Directors to issue and allot shares in the Company pursuant to Section 76 of the Companies Act, 2016.		
8.	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 ______________, 2022

____
Signature of Member/Common Seal

Notes:

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy(ies) to attend and vote on his(her) behalf.*
2. *A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.*
3. *A member may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) or more proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in the one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*
5. *The Form of Proxy shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the member is a corporation, it must be executed under its common seal or by its duly authorised attorney or officers.*
6. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for the taking of poll at the meeting or adjourned meeting.*
7. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 1 June 2022 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/or vote on his(her) behalf.*

PERSONAL DATA PRIVACY :

By submitting an instrument appointing a proxy(ies) and / or representative(s) to attend, speak and vote at the Company's AGM and/or any adjournment thereof, a member of the Company accepts and agrees to the personal data privacy terms as asset out in the Notice of Annual General Meeting dated 29 April 2022.

Fold this flap for sealing

Then fold here

AFFIX
STAMP
HERE

The Company Secretary

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

1st fold here

www.hpmt-industries.com

HPMT

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40460 Shah Alam, Selangor Darul Ehsan, Malaysia

Tel : (603) 5740 2218 Fax : (603) 5740 2238