

## **NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF HPMT HOLDINGS BERHAD (“HPMT” OR THE “COMPANY”) DATED 17 MAY 2019 (“ELECTRONIC PROSPECTUS”)**

*(Unless otherwise indicated, specified or defined in this notice, the definitions in the Electronic Prospectus shall apply throughout this notice)*

### **Website**

The Electronic Prospectus can be viewed or downloaded from the website of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) at <http://www.bursamalaysia.com> (“**Website**”).

### **Availability and location of paper/printed copy of Electronic Prospectus**

If you are in doubt of the validity or integrity of the Electronic Prospectus, you should immediately request a paper/printed copy of the Electronic Prospectus directly from the Company, Hong Leong Investment Bank Berhad (“**HLIB**”) or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a paper/printed copy of the Electronic Prospectus, subject to availability, from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

### **Jurisdictional disclaimer**

The distribution of the Electronic Prospectus and the initial public offering (“**IPO**”) are subject to the laws of Malaysia. Bursa Securities, the Directors, the Promoters, the Selling Shareholders and HLIB have not authorised anyone and take no responsibility for the distribution of the Electronic Prospectus outside Malaysia. The Directors, the Promoters, the Selling Shareholders and HLIB have not authorised anyone to provide any information or to make any representation not contained in the Electronic Prospectus. Any information or representation not contained in the Electronic Prospectus must not be relied upon as having been authorised by the Directors, the Promoters, the Selling Shareholders, HLIB or any of its respective Directors, or any other persons involved in the IPO. Accordingly, the Electronic Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase, any of the IPO Shares in any jurisdiction or in any circumstances in which such an offer is not authorised or is unlawful or to any person to whom it is unlawful to make such offer or invitation.

The Company will not, prior to acting on any acceptance in respect of the IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia. The Company will not accept any liability whether or not any enquiry or investigation is made in connection with it. It is your sole responsibility to consult your legal and/or other professional advisers as to whether your application for the IPO would result in the contravention of any laws or jurisdictions of Malaysia.

It shall also be your sole responsibility to ensure that your Application for the IPO would be in compliance with the terms of the IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subject to. The Company will further assume that you had accepted the IPO in Malaysia and will be subjected only to the laws of Malaysia in connection with it. However, the Company reserves the right, in its absolute discretion, to treat any acceptance as invalid if the Company believes that such acceptance may violate any law or applicable legal or regulatory requirements.

### **Close of Application**

The Application period will open at 10.00 a.m. on 17 May 2019 and close at 5.00 p.m. on 29 May 2019. If there is any change to the timetable, the Company will advertise notice of such change in widely circulated Bahasa Malaysia and English daily newspapers in Malaysia prior to the original closing date of the Application.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after six months from the date of the Electronic Prospectus.

**Persons responsible for the internet site in which the Electronic Prospectus is posted**

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users' access to the Website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.



HPMT HOLDINGS BERHAD

(Company No. 1255845-W)

(Incorporated in Malaysia under the Companies Act 2016)

# PROSPECTUS

HPMT HOLDINGS BERHAD



INITIAL PUBLIC OFFERING OF 116,615,000 ORDINARY SHARES IN HPMT HOLDINGS BERHAD ("HPMT") ("SHARES") IN CONJUNCTION WITH OUR LISTING ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING A PUBLIC ISSUE OF 75,553,000 NEW SHARES AND AN OFFER FOR SALE OF 41,062,000 EXISTING SHARES (COLLECTIVELY, "IPO SHARES") AT AN ISSUE/OFFER PRICE OF RM0.56 PER IPO SHARE PAYABLE IN FULL ON APPLICATION IN THE FOLLOWING MANNER:

- (I) 16,426,000 IPO SHARES TO THE MALAYSIAN PUBLIC
- (II) 8,300,000 IPO SHARES TO ELIGIBLE DIRECTORS AND EMPLOYEES OF HPMT AND ITS SUBSIDIARIES ("GROUP") WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE GROUP
- (III) 59,040,000 IPO SHARES TO INSTITUTIONAL AND SELECTED INVESTORS
- (IV) 32,849,000 IPO SHARES TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

[www.hpmt-industries.com](http://www.hpmt-industries.com)



PROSPECTUS

Principal Adviser, Underwriter and Placement Agent



Hong Leong Investment Bank Berhad (10209-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)  
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

**INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.**

**FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 130.**

The Securities Commission Malaysia has approved the issue, offer or invitation in respect of our initial public offering. This Prospectus has been registered by the Securities Commission Malaysia. The approval, and registration of this Prospectus, should not be taken to indicate that the Securities Commission Malaysia recommends the offering or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus. The Securities Commission Malaysia has not, in any way, considered the merits of the securities being offered for investment.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of HPMT and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus. No securities will be allotted or issued based on this Prospectus after six months from the date of this Prospectus.

THIS PROSPECTUS IS DATED 17 MAY 2019

All defined terms used in this Prospectus are defined under “Definitions” commencing on page ix, “Glossary of Technical Terms” commencing on page xv and “Presentation of Information” commencing on page xviii.

### **RESPONSIBILITY STATEMENTS**

The Directors, Promoters and Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

HLIB, being our Principal Adviser, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

### **STATEMENTS OF DISCLAIMER**

You should rely on your own evaluation to assess the merits and risks of your investment in our Shares. If you are in any doubt as to the action to be taken, you should consult your stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately. The valuation utilised for the purpose of our IPO should not be construed as an endorsement by the SC on the value of the subject assets.

Our Company has obtained the approval of Bursa Securities for our Listing. Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

This Prospectus, together with the Application Form, has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

### **OTHER STATEMENTS**

You should note that you may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Shares listed on Bursa Securities are offered to the public on the premise of full and accurate disclosure of all material information concerning the offering, for which any person set out in Section 236 of the CMSA, is responsible.

The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

This Prospectus is prepared and published solely for our IPO under the laws of Malaysia. Our Shares being offered in our IPO are offered solely on the basis of the information contained and representations made in this Prospectus. Our Directors, Promoters, Principal Adviser, Underwriter and Placement Agent have not authorised anyone and take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Our Directors, Promoters, Principal Adviser, Underwriter and Placement Agent have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Directors, Promoters, Principal Adviser, Underwriter and Placement Agent, any of their respective directors, or any other persons involved in our IPO. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase, any of our Shares being offered in our IPO in any jurisdiction or in any circumstances in which such an offer is not authorised or is unlawful or to any person to whom it is unlawful to make such offer or invitation.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia. We will not accept any liability whether or not any enquiry or investigation is made in connection with it. It is your sole responsibility to consult your legal and/or other professional advisers as to whether your application of our IPO would result in the contravention of any laws or jurisdictions of Malaysia.

Further, it shall also be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subject to. We will further assume that you had accepted our IPO in Malaysia and will be subjected only to the laws of Malaysia in connection with it. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

#### **ELECTRONIC PROSPECTUS**

**This Prospectus can also be viewed or downloaded from Bursa Securities' website at <http://www.bursamalaysia.com>.** The contents of the electronic Prospectus and the copy of this Prospectus registered with the Securities Commission Malaysia are the same.

You are advised that the internet is not a fully secure medium. Your Internet Share Applications may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt of the validity or integrity of the electronic Prospectus, you should immediately request a paper/printed copy of this Prospectus from us, our Principal Adviser or our Issuing House, if there is any discrepancy between the contents of the electronic Prospectus and the contents of the paper/printed copy of this Prospectus for any reasons whatsoever, the contents of the paper/printed copy of this Prospectus, which are identical to the copy of this Prospectus registered with the SC shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as “**third party internet sites**”), whether by way of hyperlinks or by way of description of the third party internet sites, you acknowledge and agree that:

- (i) we and our Principal Adviser do not endorse and are not affiliated in any way with the third party internet sites. Accordingly, we are not responsible for the availability of, or the contents or any data, information, files or other material provided on, the third party internet sites. You shall bear all risks associated with the access to or use of the third party internet sites;
- (ii) we and our Principal Adviser are not responsible for the quality of products or services in the third party internet sites, particularly in fulfilling any of the terms of your agreements with the third party internet sites. We are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the third party internet sites or the use of or reliance on any data, information, files or other material provided by such parties; and
- (iii) any data, information, files or other material is downloaded from the third party internet sites at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of the electronic Prospectus, to the extent of the contents of the electronic Prospectus on the web server of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institutions are not responsible for the integrity of the contents of the electronic Prospectus, which has been downloaded or obtained from the web servers of the Internet Participating Financial Institutions and subsequently communicated or disseminated in any manner to you or other parties and while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the electronic Prospectus, the accuracy and reliability of the electronic Prospectus cannot be guaranteed because the internet is not a fully secure medium; and
- (ii) the Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party’s personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

## **INDICATIVE TIMETABLE**

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An indicative timetable for our IPO is set out below:

<b>Events</b>	<b>Date</b>
Issuance of this Prospectus/Opening date of our IPO	17 May 2019
Closing date of our IPO	29 May 2019
Balloting of Applications	31 May 2019
Allotment of our IPO Shares to successful applicants	10 June 2019
Date of Listing	12 June 2019

The application period will open at 10.00 a.m. on 17 May 2019 and close at 5.00 p.m. on 29 May 2019.

If there is any change to the timetable, we will advertise the notice of such change in widely circulated Bahasa Malaysia and English daily newspapers in Malaysia.

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**DEFINITIONS**

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The following definitions shall apply throughout this Prospectus unless the term is defined otherwise or the context requires otherwise:

<b>Acquisitions</b>	: The series of share acquisition exercises entered into by our Company involving our direct subsidiaries, namely HPMT Industries, Herroz, HPMT GmbH, MTC Tooling and Pentagon, as further described in Section 6.3 of this Prospectus
<b>ADA</b>	: Authorised Depository Agent
<b>AGM</b>	: Annual general meeting
<b>Application</b>	: Application for our IPO Shares by way of Application Form, Electronic Share Application or Internet Share Application
<b>Application Form</b>	: Application form for the Application of our IPO Shares under the Retail Offering accompanying this Prospectus
<b>ATM</b>	: Automated teller machine
<b>Authorised Financial Institution</b>	: Authorised financial institution participating in the Internet Share Application in respect of the payments for our IPO Shares
<b>Block C</b>	: A parcel of freehold industrial land built-upon with a 3-storey office building and an annexed single storey factory building bearing postal address of No. 7, Jalan Sungai Kayu Ara 32/39, Taman Berjaya, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan
<b>BNM</b>	: Bank Negara Malaysia
<b>Board</b>	: Board of Directors of HPMT as at the date of this Prospectus
<b>Bursa Depository</b>	: Bursa Malaysia Depository Sdn Bhd (165570-W)
<b>Bursa Securities</b>	: Bursa Malaysia Securities Berhad (635998-W)
<b>CA 2016</b>	: Companies Act 2016, as amended from time to time and any re-enactment thereof
<b>CDS</b>	: Central Depository System
<b>China</b>	: The People's Republic of China
<b>CMSA</b>	: Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof
<b>Constitution</b>	: Constitution of our Company
<b>Depositor</b>	: A holder of a Securities Account
<b>Directors</b>	: Directors of the HPMT Group
<b>Electronic Prospectus</b>	: A copy of this Prospectus that is issued, circulated or disseminated via the Internet and/or any electronic storage medium, including but not limited to CD-ROMs ( <i>compact disc read-only memory</i> )

**DEFINITIONS**

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<b>Electronic Share Application</b>	:	Application for our IPO Shares through a Participating Financial Institution's ATM
<b>Eligible Persons</b>	:	Eligible Directors and employees of the HPMT Group who have contributed to the success of the HPMT Group, as further detailed in Section 4.3.1(ii) of this Prospectus
<b>EPS</b>	:	Earnings per share
<b>Equity Guidelines</b>	:	Equity Guidelines issued by the SC, as amended from time to time
<b>FYE</b>	:	Financial year ended/ending 31 December, as the case may be
<b>GP</b>	:	Gross profit
<b>Herroz Mechanical</b>	:	Herroz Mechanical Technologies Sdn Bhd (457754-K)
<b>HK Properties</b>	:	204-205, Fook Hong Industrial Building, 19, Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong
<b>HLIB or Principal Adviser or Underwriter or Placement Agent</b>	:	Hong Leong Investment Bank Berhad (10209-W)
<b>Hong Kong</b>	:	The Hong Kong Special Administrative Region of China
<b>HPMT or Company</b>	:	HPMT Holdings Berhad (1255845-W)
<b>HPMT Capital</b>	:	HPMT Capital Sdn Bhd (1077512-M)
<b>HPMT Group or Group</b>	:	HPMT and its Subsidiaries, collectively
<b>HPMT Shares or Shares</b>	:	Ordinary shares in HPMT
<b>IFRS</b>	:	International Financial Reporting Standards issued by the International Accounting Standards Board
<b>IMR Report</b>	:	Independent market research report prepared by the Independent Market Researcher dated April 2019, an executive summary of which is set out in Section 8 of this Prospectus
<b>Independent Market Researcher or Protégé</b>	:	Protégé Associates Sdn Bhd (675767-H)
<b>Independent Property Valuer or Rahim &amp; Co</b>	:	Rahim & Co International Sdn Bhd (1126597-X)

## DEFINITIONS

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<b>Institutional Offering</b>	: Offering of 91,889,000 IPO Shares at the IPO Price comprising: <ul style="list-style-type: none"> <li>(i) the Public Issue of 50,827,000 Public Issue Shares and the Offer for Sale of 8,213,000 Offer Shares to institutional and selected investors; and</li> <li>(ii) the Offer for Sale of 32,849,000 Offer Shares to selected Bumiputera investors approved by MITI,</li> </ul> subject to clawback and reallocation provisions
<b>Internet Participating Financial Institution</b>	: Participating financial institution for the Internet Share Application, which is set out in Section 17 of this Prospectus
<b>Internet Share Application</b>	: Application for our IPO Shares under the Retail Offering through an Internet Participating Financial Institution
<b>IPO</b>	: Initial public offering comprising the Public Issue and Offer for Sale, collectively
<b>IPO Price</b>	: Our issue/offer price of RM0.56 for each IPO Share
<b>IPO Shares</b>	: The 75,553,000 Public Issue Shares and 41,062,000 Offer Shares, collectively
<b>Issuing House or Share Registrar</b>	: Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
<b>Key Senior Management</b>	: Key senior management personnel of our Group comprising Neexon Khoo, Wong Chew Kong, Poong Keen Kiong and Yoong Kam Sing, whose profiles are set out in Section 5.3.3 of this Prospectus
<b>Listing</b>	: Admission to the Official List and the listing of and quotation for our entire enlarged issued share capital of HPMT on the Main Market of Bursa Securities
<b>Listing Requirements</b>	: Main Market Listing Requirements of Bursa Securities
<b>LPD</b>	: 19 April 2019, being the latest practicable date prior to the registration of this Prospectus with the SC
<b>Malaysian Public or Public</b>	: Malaysian citizens, companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia but excludes directors of the HPMT Group, Substantial Shareholders of our Company and associates (as defined in the Listing Requirements) of the directors and Substantial Shareholders of our Company
<b>Market Day</b>	: A day on which Bursa Securities is open for trading in securities
<b>MBSA</b>	: Majlis Bandaraya Shah Alam
<b>Mec. Tech</b>	: Mec. Tech Corporation Sdn Bhd (108346-T)
<b>MFRS</b>	: Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board

**DEFINITIONS**

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<b>MITI</b>	:	Ministry of International Trade and Industry
<b>MTTS</b>	:	MTTS Solid Carbide Tools Industries Sdn Bhd (287350-U)
<b>N/A</b>	:	Not applicable
<b>NA</b>	:	Net assets
<b>NBV</b>	:	Net book value
<b>Offer for Sale</b>	:	Offer for sale by the Selling Shareholders of 41,062,000 Offer Shares at the IPO Price, representing 12.5% of the enlarged number of Shares to selected Bumiputera investors approved by MITI and institutional and selected investors, subject to clawback and reallocation provisions
<b>Offer Shares</b>	:	The existing Shares to be offered by the Selling Shareholders pursuant to the Offer for Sale
<b>Official List</b>	:	A list specifying all securities listed on the Main Market of Bursa Securities
<b>Participating Financial Institution</b>	:	Participating financial institution for the Electronic Share Application, which is set out in Section 17 of this Prospectus
<b>PAT</b>	:	Profit after taxation
<b>PBT</b>	:	Profit before taxation
<b>PE Multiple</b>	:	Price earnings multiple
<b>Period under Review</b>	:	FYE 2015, FYE 2016, FYE 2017 and FYE 2018, collectively
<b>Pink Form Allocations</b>	:	The allocation of 8,300,000 Public Issue Shares to Eligible Persons who have contributed to our success pursuant to the Public Issue
<b>Placement Agreement</b>	:	The placement agreement dated 5 April 2019, entered into between our Company, the Selling Shareholders and the Placement Agent
<b>Promoters</b>	:	Ku He @ Khoo Yee Her, HPMT Capital, Khoo Seng Giap and Dato' Khoo Ah Chye, collectively
<b>Prospectus</b>	:	This Prospectus dated 17 May 2019 issued by our Company
<b>Prospectus Guidelines</b>	:	Prospectus Guidelines issued by the SC
<b>Public Issue</b>	:	Public issue of 75,553,000 Public Issue Shares at the IPO Price, representing 23.0% of the enlarged number of Shares, subject to the terms and conditions of this Prospectus
<b>Public Issue Shares</b>	:	The new Shares to be issued in full upon application pursuant to the Public Issue
<b>Record of Depositors</b>	:	A record of securities holders established by Bursa Depository in accordance with the Rules of Bursa Depository

## DEFINITIONS

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<b>Reporting Accountants</b>	:	Baker Tilly Monteiro Heng PLT (LLP0019411-LCA & AF 0117)
<b>Retail Offering</b>	:	Offering of 24,726,000 Public Issue Shares comprising: <ul style="list-style-type: none"> <li>(i) 16,426,000 Public Issue Shares made available to the Malaysian Public, of which 8,213,000 Public Issue Shares are set aside for application by Bumiputera individuals, companies, co-operatives, societies and institutions; and</li> <li>(ii) 8,300,000 Public Issue Shares made available to Eligible Persons,</li> </ul> <p>subject to clawback and reallocation provisions</p>
<b>ROC</b>	:	Registrar of Companies
<b>Rules of Bursa Depository</b>	:	The rules of Bursa Depository as issued in accordance with the SICDA
<b>SC</b>	:	Securities Commission Malaysia
<b>Securities Account or CDS Account</b>	:	An account established by Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor
<b>Selling Shareholders</b>	:	The selling shareholders pursuant to the Offer for Sale, namely Herroz Mechanical and Yoong Kam Sing, details of which are set out in Section 4.3.2 of this Prospectus
<b>SICDA</b>	:	Securities Industry (Central Depositories) Act 1991 of Malaysia
<b>SME</b>	:	Small and medium-sized enterprise
<b>Substantial Shareholders</b>	:	Refers to Herroz Mechanical, HPMT Capital, Ku He @ Khoo Yee Her and Nora Virginia Scheidegger who prior to the Listing each have an interest (direct and/or indirect) in our Shares which is not less than 5.0% of the total number of all the voting shares of our Company
<b>Underwriting Agreement</b>	:	The underwriting agreement dated 26 April 2019, entered into between our Company and the Underwriter
<b><u>Currencies</u></b>		
<b>CHF</b>	:	Swiss Francs, the lawful currency of the Swiss Confederation
<b>CNY</b>	:	China Yuan Renminbi, the lawful currency of China
<b>EUR</b>	:	Euro, the lawful currency of the European Union
<b>HKD</b>	:	Hong Kong Dollar, the lawful currency of Hong Kong
<b>IDR</b>	:	Indonesian Rupiah, the lawful currency of the Republic of Indonesia
<b>RM and sen</b>	:	Ringgit Malaysia and sen, respectively, the lawful currency of Malaysia
<b>SGD</b>	:	Singapore Dollar, the lawful currency of the Republic of Singapore



## DEFINITIONS

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**USD** : United States Dollar, the lawful currency of the United States of America

### **Subsidiaries**

**Herroz** : Herroz Sdn Bhd (43166-D)

**HPMT GmbH** : HPMT Deutschland GmbH (HRB 10888 HL)

**HPMT Industries** : HPMT Industries Sdn Bhd (405005-X)

**HPMT Shenzhen** : HPMT (Shenzhen) Limited (91440300791700395J)

**MTC Tooling** : MTC Tooling Systems Limited (716743)

**Pentagon** : Pentagon Coating Technologies Sdn Bhd (1220566-D)

## GLOSSARY OF TECHNICAL TERMS

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<b>AMB</b>	:	Refers to the Internationale Ausstellung für Metallbearbeitung, which is an international exhibition for metal working
<b>CAD</b>	:	Computer-aided design, which refers to the use of computer systems (or workstations) to aid in the creation, modification, analysis, or optimisation of cutting tool design
<b>CAM</b>	:	Computer-aided manufacturing, the use of software to control machine tools in the manufacturing of workpieces
<b>Certificate of Conformance</b>	:	The Certificate of Conformance states all the requirements and measurement results for a certain batch of products
<b>Chamfer drilling</b>	:	Drill geometry with corner chamfer that avoids breakout of burrs when drilling through holes in cast iron work material
<b>CNC</b>	:	Computer numerical control, which refers to the technology whereby a computer converts a design produced by CAD software into numbers. The numbers can be considered as coordinates of a graph and they control the movement of the cutter. As such, the computer is able to control where the cutter cuts and shapes the material
<b>Cutting edges</b>	:	The cutting edges refer to the points on a cutting tool used to cut material from a workpiece. There are single-point cutting tools and also multipoint cutting tools
<b>Distributor</b>	:	Refers to parties that purchase and resell our products in various regions or locations
<b>DOE</b>	:	Department of Environment, Ministry of Natural Resources & Environment of Malaysia
<b>EMO</b>	:	Refers to the Exposition Mondiale de la Machine-Outil, which is an European trade show for the manufacturing industries
<b>End-users</b>	:	Users of cutting tools such as manufacturers in various manufacturing industries such as mould and die, medical devices and automotive industries
<b>ERP system</b>	:	Enterprise resource planning system, which refers to a computer software primarily used for the collection of manufacturing data
<b>Face milling</b>	:	Refers to the process of milling flat surfaces on the workpiece that are at right angles to the axis of rotation of the cutter
<b>Flutes</b>	:	Refers to the spiral cutting edges on end mills
<b>Holding systems</b>	:	Holding systems are a set of equipment used to hold cutting tools for machining processes. Components of a holding systems can include tool holders and boring systems
<b>Micro tools</b>	:	Micro tools refer to the category of cutting tools that have a diameter of 2.5 millimetres and below
<b>Microns</b>	:	One thousandth of a millimetre

**GLOSSARY OF TECHNICAL TERMS**

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<b>Private label</b>	:	A private label product is a unique product produced by one company but packaged and sold under another company's brand name
<b>Profile milling</b>	:	Profile milling covers multi-axis milling of convex and concave shapes in two and three dimensions
<b>PVD</b>	:	Physical vapor deposition refers to the processes used to deposit thin layers of material onto the surface of an object
<b>QMS</b>	:	Quality management system
<b>Ramping</b>	:	Ramping is a movement performed by the milling cutter, using the axial axis (Z-axis) simultaneously with other axis like the X-axis, Y-axis or X+Y axis
<b>R&amp;D</b>	:	Research and development
<b>Side milling</b>	:	Refers to the process of milling surfaces that are at right angles to the axis of rotation of the cutter with a side milling cutter
<b>Slotting</b>	:	Both side and face milling cutters and end cutters perform slot milling. Width and depth of the slot define the milling tool. Slots or grooves can be short or long, closed or open, straight or non-straight, deep or shallow, wide or narrow
<b>Step drilling</b>	:	Step drilling is a cutting process that uses a stepped drill bit to cut a hole of circular cross-section in solid materials. The hole is usually made by hammering a stepped drill bit into the hole with quickly repeated short movements
<b>Target materials</b>	:	Materials to be used during the PVD coating processes such as titanium and aluminium
<b>Tolerance</b>	:	Engineering tolerance is the permissible limit or limits of variation in: a physical dimension; a measured value or physical property of a material, manufactured object, system, or service; other measured values (such as temperature, humidity, etc.)
<b>Tool concentricity</b>	:	Concentricity is a tolerance used to establish a tolerance zone for the median points of a cylindrical or spherical part feature. Concentricity is generally reserved for high-precision parts, and only when there is a need to control median points
<b>Tool design</b>	:	Engineers and designers use mechanical engineering concepts to design new cutting tool geometries with the aid of CAD software to model, validate, and communicate ideas before production
<b>Tool geometry</b>	:	Geometry of a cutting tool. The shape and angles to which the cutting portion of a cutting tool is ground. It influences the type of machining process for materials, the efficiency and economy, the quality of the finished part, and the life of the cutting tool
<b>Trochoidal machining</b>	:	Trochoidal milling is a way to cut a slot other than using the standard slot milling method. In trochoidal milling, an end mill is used to machine the slot width using a continuous circular movement

## **GLOSSARY OF TECHNICAL TERMS**

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- Tungsten carbide** : Tungsten carbide constitutes a comprehensive family of hard carbide compositions used for metal cutting tools, dies and wear parts. These materials are composed of carbides, titanium, tantalum or some combination of these cemented in a matrix binder, usually cobalt. The hardness of the carbide is greater than that of most other tool materials at room temperature, and it has the ability to retain its hardness at elevated temperatures so that greater speeds can be adequately supported
- Workpiece** : A workpiece is a piece of raw material that is in the process of being formed into a component or part

## PRESENTATION OF INFORMATION

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All references to “our Company” or “HPMT” in this Prospectus are to HPMT Holdings Berhad. References to “we”, “us”, “our” and “ourselves” are to our Company. Unless the context otherwise requires, references to “management” are to our Directors, Key Senior Management and key technical personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our management.

In this Prospectus, references to the “Government” are to the Government of Malaysia; and references to “RM” and “sen” are to the lawful currency of Malaysia. Certain amounts and percentage figures included in this Prospectus have been subjected to rounding adjustments. Any discrepancies in the tables or charts between the amounts listed and totals in this Prospectus are due to rounding. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Other abbreviations used here are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus. Words denoting the singular shall include the plural and *vice versa* and words denoting the masculine gender shall, where applicable, include the feminine gender and *vice versa*. Reference to persons shall include corporations.

Any reference to provisions of the statutes, rules, regulations, enactments or rules of stock exchange shall (*where the context admits*), be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (*as the case may be*) as modified by any written law or (*if applicable*) amendments or re-enactments to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

Any reference to a time or date shall be a reference to a time or date in Malaysia, unless otherwise stated.

References to the “LPD” in this Prospectus are to 19 April 2019, which is the latest practicable date for certain information to be obtained and disclosed in this Prospectus prior to the registration of this Prospectus with the SC.

This Prospectus includes statistical data provided by various third parties and us and cites third party projections regarding growth and performance as well as our estimated market share of the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is acknowledged in this Prospectus, provided that where no source is acknowledged, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from the report prepared by Protégé, an independent market researcher, for inclusion in this Prospectus.

We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the market and industry in which we operate. Third party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. No assurances are or can be given that the estimated figures will be achieved, and you should not place undue reliance on the third party projections cited in this Prospectus.

The information on our website or any website, directly or indirectly, linked to our website does not form part of this Prospectus. If there is any discrepancy between the contents of such website relating to our Company and this Prospectus, the information contained in this Prospectus shall prevail.

## **FORWARD-LOOKING STATEMENTS**

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This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future result, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- our business strategies and potential growth opportunities;
- our plans and objectives for future operations;
- our financial position;
- our financial earnings, cash flows and liquidity;
- the general industry environment, including the supply and demand for our products and services, trends and competitive position;
- our ability to pay dividends; and
- the regulatory environment and the effects of future regulation.

Factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 9 of this Prospectus on “Risk Factors” and Section 13.3 of this Prospectus on “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD. You are to read and understand the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained in this Prospectus.

Should we become aware of any subsequent significant change or new matter arising from the date of registration of this Prospectus but before the date of allotment of our IPO Shares that will affect a matter disclosed in this Prospectus, we will issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

**1. CORPORATE DIRECTORY****DIRECTORS**

<b>Name/ Designation</b>	<b>Address</b>	<b>Nationality/ Gender</b>	<b>Occupation</b>
Ku He @ Khoo Yee Her/ <i>Executive Chairman</i>	No. 26, Jalan USJ 5/1J, 47610 Subang Jaya, Selangor	Malaysian/ Male	Company Director
Khoo Seng Giap/ <i>Managing Director</i>	No. 26, Jalan USJ 5/1J, 47610 Subang Jaya, Selangor	Malaysian/ Male	Managing Director
Tan Kim Chuan/ <i>Executive Director/Chief Financial Officer</i>	10, Jalan Bukit Maluri 10, Taman Bukit Maluri, 52100 Kepong, Wilayah Persekutuan	Malaysian/ Male	Chief Financial Officer
Dato' Khoo Ah Chye/ <i>Non-Independent Non-Executive Director</i>	104, Persiaran Seraya, Taman Palm Grove, 41200 Klang, Selangor	Malaysian/ Male	Company Director
Peter Ho Kok Wai/ <i>Senior Independent Non-Executive Director</i>	11 Jalan Legenda Puteri 3, PJU 1A/58A Damansara Legenda, 47410 Petaling Jaya, Selangor	Malaysian/ Male	Chartered Accountant
Chua Put Moy (f)/ <i>Independent Non-Executive Director</i>	337 Jalan S2 H11, Park Avenue Seremban 2, 70300 Seremban, Negeri Sembilan	Malaysian/ Female	Chartered Accountant
Lee Ee Sian/ <i>Independent Non-Executive Director</i>	No. 12, Jalan Barus, Di Jalan Kim Chuan, 42000 Pelabuhan Klang, Selangor	Malaysian/ Male	Company Director
Oei Kok Eong/ <i>Independent Non-Executive Director</i>	No. 68, Jalan USJ 11/3L, UEP Subang Jaya, 47620 Subang Jaya, Selangor	Malaysian/ Male	Company Director

**AUDIT AND RISK MANAGEMENT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
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

**1. CORPORATE DIRECTORY****REMUNERATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Lee Ee Sian	Chairman	Independent Non-Executive Director
Peter Ho Kok Wai	Member	Senior Independent Non-Executive Director
Oei Kok Eong	Member	Independent Non-Executive Director
Chua Put Moy (f)	Member	Independent Non-Executive Director

**NOMINATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Lee Ee Sian	Chairman	Independent Non-Executive Director
Peter Ho Kok Wai	Member	Senior Independent Non-Executive Director
Oei Kok Eong	Member	Independent Non-Executive Director
Chua Put Moy (f)	Member	Independent Non-Executive Director

**COMPANY SECRETARY** : Wong Youn Kim (MAICSA 7018778)  
Chartered Secretary  
Associate of the Institute of Chartered Secretaries and  
Administrators  
Level 2, Tower 1, Avenue 5  
Bangsar South City  
59200 Kuala Lumpur  
Malaysia

Tel no. : +603 2241 5800  
Fax no. : +603 2282 5022

**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



## 1. CORPORATE DIRECTORY

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- PRINCIPAL ADVISER,  
UNDERWRITER AND  
PLACEMENT AGENT** : Hong Leong Investment Bank Berhad  
Level 28, Menara Hong Leong  
No. 6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Malaysia
- Tel no. : +603 2083 1800  
Fax no. : +603 2083 1761
- AUDITORS AND REPORTING  
ACCOUNTANTS** : Baker Tilly Monteiro Heng PLT (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
- Partner-in-charge : Heng Fu Joe  
Approval No. : 02966/11/2020 J  
*Chartered Accountant – Member of Malaysian Institute of  
Accountants (MIA membership no.: 24745)*
- LEGAL ADVISERS FOR OUR  
IPO** : *For our Company as to our IPO*  
Mah-Kamariyah & Philip Koh  
3A07 Block B, Phileo Damansara II  
15 Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia
- Tel no. : +603 7956 8686  
Fax no. : +603 7956 2208
- For our Company as to laws of China*  
Fangda Partners  
27/F, North Tower, Beijing Kerry Centre  
1 Guanghua Road, Chaoyang District  
Beijing 100020, China
- Tel no. : +8610 5769-5600  
Fax no. : +8610 5769-5788
- For our Company as to laws of Germany*  
Eversheds Sutherland (Germany) LLP  
Brienner Straße 12  
80333 München  
Germany
- Tel no. : +49 89 54565 345  
Fax no. : +49 89 54565 204

## 1. CORPORATE DIRECTORY

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**LEGAL ADVISERS FOR OUR IPO (Cont'd)** : *For our Company as to laws of Hong Kong*  
Kwok Yih & Chan  
Suites 2103-05, 21<sup>st</sup> Floor  
9 Queen's Road Central  
Hong Kong

Tel no. : +852 3582 3232  
Fax no. : +852 3582 3222

**ISSUING HOUSE AND 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

**INDEPENDENT MARKET RESEARCHER** : Protégé Associates Sdn Bhd  
Suite C-06-06, Mont Kiara  
No. 2, Jalan Kiara, Mont' Kiara  
Kuala Lumpur  
Malaysia

Tel no. : +603 6201 9301  
Fax no. : +603 6201 7302

Managing Director's name : Seow Cheow Seng  
*Master in Business Administration from Charles Stuart University, Australia*  
*Bachelor of Business specialising in Marketing from RMIT University, Australia*

**INDEPENDENT PROPERTY VALUER** : Rahim & Co International Sdn Bhd  
Level 17 Menara Liberty  
1008, Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia

Tel no. : +603 2691 9922  
Fax no. : +603 2691 9992

Valuer-in-charge : Sr Chee Kok Thim  
Registered Valuer (V-325)  
*Fellow of Royal Institution of Surveyors Malaysia*  
*Member of Royal Institution of Chartered Surveyors UK*  
*Fellow of The Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector, Malaysia (PEPS)*  
*Member of the Malaysian Institute of Property and Facility Managers*

**LISTING SOUGHT** : Main Market of Bursa Securities

## **1. CORPORATE DIRECTORY**

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Professional experience and qualification of experts whose reports or summaries are included in this Prospectus (in alphabetical order)

### **BAKER TILLY MONTEIRO HENG PLT**

Baker Tilly Monteiro Heng PLT was established in 1978 with eight offices across Malaysia and an office in Phnom Penh, Cambodia and is an independent member of Baker Tilly International. Baker Tilly International provides accountancy, business and financial advisory services to multinational corporations, organisations in the public sector, and smaller independent enterprises.

Mr. Heng Fu Joe is a Partner of Baker Tilly Monteiro Heng PLT and the co-lead of the Audit and Assurance Department. He holds a Bachelor's Degree in Commerce majoring in accounting and finance from the University of Western Australia. He is a Chartered Accountant of the Malaysian Institute of Accountants, and a Chartered Public Accountant and Approved Auditor with the Kampuchea Institute of Certified Public Accountants and Auditors, Cambodia. He is also a fellow member of the Chartered Accountants Australia and New Zealand (CAANZ) and a member of the Institute of Internal Auditors Malaysia (IIAM).

### **PROTÉGÉ ASSOCIATES SDN BHD**

Protégé Associates is an independent market research and business consulting company. Their market research reports provide industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 18 years of experience in market research, having started his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering automotive, electronics, healthcare, energy, IT, oil and gas, etc. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd.

### **RAHIM & CO INTERNATIONAL SDN BHD**

Rahim & Co is a real estate consultancy firm founded in December 1976. With a nationwide network of 20 offices, Rahim & Co provides a comprehensive range of services encompassing all aspects of real estate, including valuation, estate agency, research and properties and facilities management.

Sr Chee Kok Thim is the Director of Rahim & Co. Prior to joining Rahim & Co in July 1997, Sr Chee had served more than 21 years with the Valuation and Property Services Department in the Ministry of Finance, Malaysia. Sr Chee is currently an examiner for the Test of Professional Competence of the Board of Valuers, Appraisers and Estate Agents Malaysia. Sr Chee is currently also the Secretary of the Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector, Malaysia (PEPS). He is also a Fellow of the Royal Institution of Surveyors Malaysia, a Member of the Royal Institution of Chartered Surveyors (UK), a Fellow of PEPS and a member of the Malaysian Institute of Property and Facility Managers.

## 2. PROSPECTUS SUMMARY

This Prospectus summary only highlights the key information from this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus before deciding on whether to invest in our Shares.

### 2.1 PRINCIPAL DETAILS OF OUR IPO

Our IPO Shares will be allocated in the following manner:

	Public Issue		Offer for Sale		Total	
	No. of Shares	( <sup>1</sup> )(%)	No. of Shares	( <sup>1</sup> )(%)	No. of Shares	( <sup>1</sup> )(%)
<b>Retail Offering</b>	('000)	( <sup>1</sup> )(%)	('000)	( <sup>1</sup> )(%)	('000)	( <sup>1</sup> )(%)
(i) Malaysian Public	16,426	5.0	-	-	16,426	5.0
(ii) Eligible Persons	8,300	2.5	-	-	8,300	2.5
<b>Institutional Offering</b> <i>(by way of private placement)</i>						
(i) Institutional and selected investors	50,827	15.5	8,213	2.5	59,040	18.0
(ii) Bumiputera investors approved by the MITI	-	-	32,849	10.0	32,849	10.0
<b>Total</b>	<b>75,553</b>	<b>23.0</b>	<b>41,062</b>	<b>12.5</b>	<b>116,615</b>	<b>35.5</b>

**Note:**

(1) Based on the enlarged total number of 328,489,000 Shares after our IPO.

Enlarged number of Shares upon Listing	328,489,000
IPO Price per Share	RM0.56
Market capitalisation (calculated based on the IPO Price and enlarged number of Shares upon Listing)	RM183,953,840
Pro forma consolidated NA based on the pro forma consolidated statements of financial position as at 31 December 2018 and after the Acquisitions (rounded to nearest thousand)	RM73,574,000
Pro forma consolidated NA upon Listing and after the intended use of proceeds (rounded to nearest thousand)	RM112,564,000
Pro forma consolidated NA per Share upon Listing and after the intended use of proceeds	RM0.34

Further details on our IPO are set out in Section 4.3 of this Prospectus.

The entire shareholdings in our Company held by Herroz Mechanical after IPO will be placed under moratorium for 6 months from the date of Listing. Further details on the moratorium on our Shares are set out in Section 10.2 of this Prospectus.

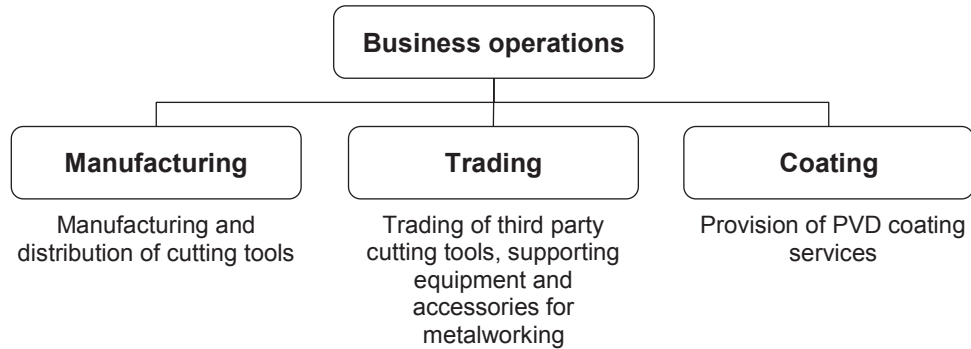
### 2.2 BACKGROUND AND OVERVIEW

#### 2.2.1 Our Group

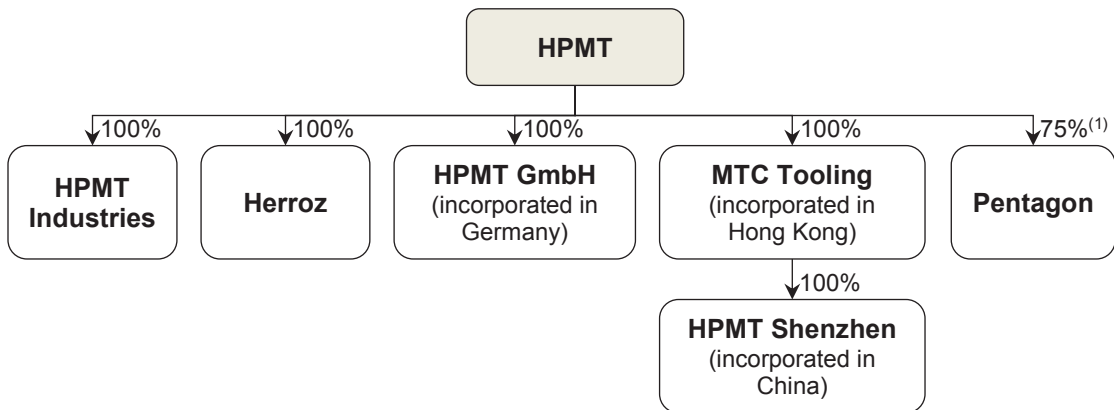
Our Company was incorporated in Malaysia under the CA 2016 as a private limited company under the name of HPMT Holdings Sdn Bhd on 16 November 2017. Our Company was converted into a public limited company and we assumed our present name of HPMT Holdings Berhad on 24 January 2018.

## 2. PROSPECTUS SUMMARY

We are an investment holding company and through our Subsidiaries, we are principally engaged in the manufacturing and distribution of cutting tools, trading of third party cutting tools, supporting equipment and accessories for metalworking as well as provision of PVD coating services. Our business operations are summarised as below:



As at the LPD, our Group structure is as follows:



**Note:**

- (1) The remaining 25.0% interest in Pentagon is held by Lum Yoke Heng (12.25%), being the Managing Director of Pentagon, Tan Choon Shin (2.55%), Siow Hui Ping (2.55%), Lee Ying Han (2.55%) and Fang Swee Siang (5.10%), all of whom are not related to our Directors and shareholders as at the LPD.

Further details of our Group are set out in Section 6.4 of this Prospectus.

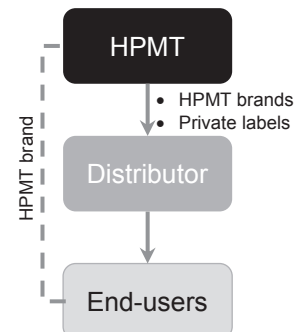
### 2.2.2 Overview of our business operations

#### Manufacturing

We are a manufacturer of cutting tools. Cutting tools are part of an engineering function that involves any form of metal working process. They are used to support the machining process by performing metal chip removal according to the engineering precision tolerance level.

We mainly manufacture cutting tools made from tungsten carbide. At present, all of our cutting tool products are manufactured from our manufacturing facilities in Shah Alam, Selangor.

Our cutting tools are manufactured under the HPMT brand as well as under private labels and sold either via our distributors or directly to the end-users.



## 2. PROSPECTUS SUMMARY

### Trading

Our trading activities are mainly conducted by Herroz. As at the LPD, Herroz sells various international brands of cutting tools, supporting equipment and accessories, including the following:

Brand	Country	Types of products
D'andrea	Italy	Holding systems and boring tools
Dijet	Japan	Indexable tools
Haimer	Germany	Holding systems
HwaCheon	Korea	CNC machines
Ilix	Italy	High speed steel drills and taps
PWB	Switzerland	Pre-setters
Walter	Germany	Indexable tools, high speed steel drills and taps

### Coating

Our subsidiary, Pentagon offers surface coating services to producers of cutting tools, moulds and dies and component wear parts. Coating plays an important role in tool material design as it determines the tool's ability to:

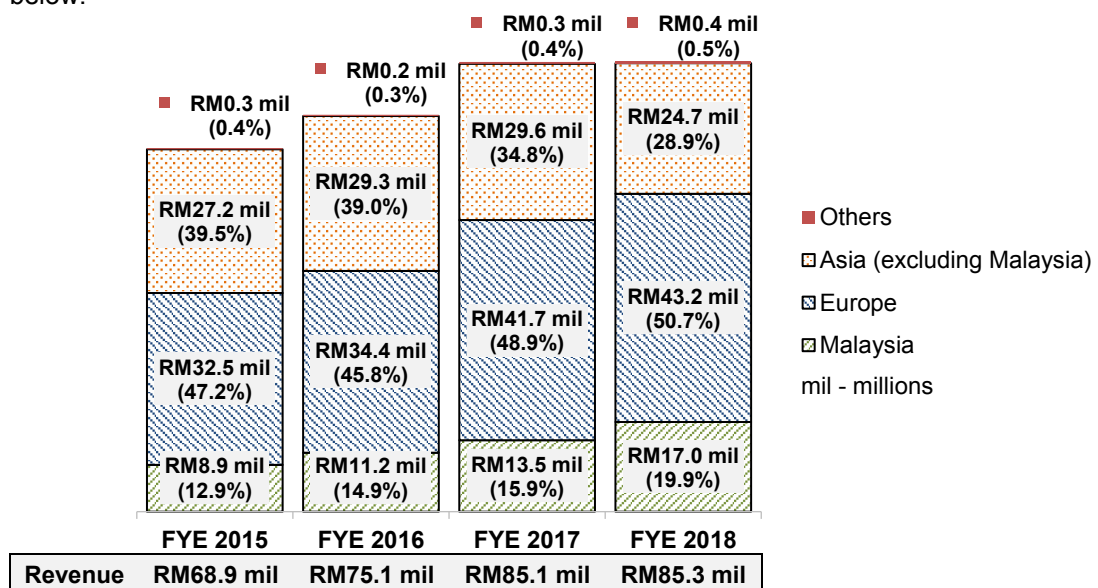
- withstand the high heat generated in metal-cutting process;
- possess chemical wear resistance against the particular workpiece; and
- allow smooth coating surface to ease frictional forces at chip/tool contact areas.

Further details of our business operations are set out in Section 7 of this Prospectus.

### 2.2.3 Our principal markets

For the Period under Review, we sold to more than 30 countries (including Malaysia) around the world through our sales network with our revenue derived from domestic and overseas markets, which includes Europe (such as Germany, Italy, Czech Republic, Denmark and Portugal), Asia (such as China, Japan, Turkey, Thailand and Indonesia) and other countries (such as Australia, United States of America and New Zealand).

Our revenue, as segmented by geographical areas for the Period under Review, is set out below:



## 2. PROSPECTUS SUMMARY

### 2.2.4 Our operational highlights

Our operational highlights since the commencement of our business is set out below:

Year	Key achievements and milestones
1978	Incorporated Herroz to undertake trading of cutting tools as well as supporting equipment and accessories.
2000	HPMT Industries ventured into provision of cutting tools regrinding and modification services and later into cutting tool manufacturing activities.
2000	Incorporated MTC Tooling to cater for the Hong Kong and Southern China markets.
2001	Introduced our first in-house HPMT brand of standard milling tools.
2004	Relocated to our existing manufacturing facilities in Shah Alam.
2005	HPMT Industries was awarded DIN EN ISO 9001:2000 certification by TUV CERT.
2006	Incorporation of HPMT Shenzhen to better service the Southern China market.
2007	Established an in-house R&D division to innovate cutting tools that can increase quality, speed and precision.
2011	Established HPMT GmbH to better service the European markets.
2016	Set up an in-house PVD coating facility to cater to our cutting tools production and to control coating quality.
2017	Ventured into the PVD coating services business through the incorporation of Pentagon.
2018	Pentagon was awarded DIN EN ISO 9001:2015 certification by TUV CERT.

Further details on our business and operations are set out in Section 7 of this Prospectus.

## 2.3 COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

### 2.3.1 Competitive strengths

The sustainability and growth of our business is supported by our competitive advantages and key strengths, which include the following:

- (i) **Proven track record in the cutting tools industry.** Having been in the business of trading of cutting tools and related products for almost 40 years, we have accumulated substantial experience as well as developed a wide sales network in the cutting tool industry. With our longstanding presence of almost 20 years in cutting tools, we are an experienced cutting tools manufacturer.  
According to the Independent Market Researcher, we have an export market share of about 23.6% in 2018 based on our export revenue of RM68.3 million for FYE 2018. We are therefore among the prominent cutting tool manufacturers in Malaysia.
- (ii) **Competent and skilled workforce.** We view our employees as an important asset. Over the years, we have recruited and trained many skilled personnel that are involved in manufacturing operations, quality control, R&D as well as sales and marketing.
- (iii) **Extensive portfolio of products that caters to various end-users.** We have developed a broad range of cutting tools that are suited for a diverse range of applications over the years. This enables us to ensure that our cutting tools remain relevant across a wide range of industries and reduces our reliance on end-users from any particular industry.

## 2. PROSPECTUS SUMMARY

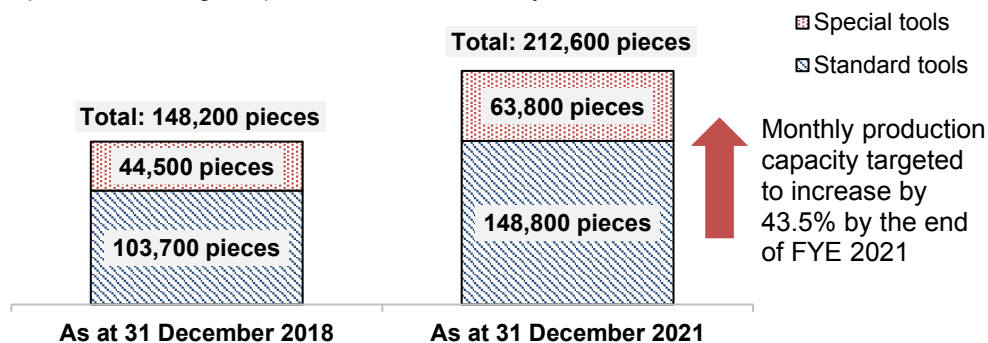
- (iv) **Sales network in various countries.** We have a wide sales network, with particular focus in Europe and Asia. Currently, we have 4 Subsidiaries based in Malaysia, Germany, Hong Kong and China to facilitate the selling of our cutting tools and trading of third party cutting tools, supporting equipment and accessories for metalworking.
- (v) **In-house R&D capabilities.** Over the years, our R&D department has achieved a series of milestones, details of which are set out in Section 7.8 of this Prospectus. This has allowed us to retain our existing customers, attract new customers as well as remain competitive.

Further details on our competitive position are set out in Section 7.10 of this Prospectus.

### 2.3.2 Business strategies

As part of our business strategies, we have in place the following expansion and development plan that would provide us with the platform to grow our business:

- (i) **Expand our production capacity.** Taking into consideration our historical growth in sales quantity, which grew at a compounded annual growth rate of 5.3% from about 963,500 pieces in FYE 2015 to about 1,125,900 pieces in FYE 2018, we intend to expand our production capacity by purchasing new machineries and equipment. Our production capacity is expected to increase to 212,600 pieces per month by the end of FYE 2021 to enable us to position ourselves more competitively in the industry by being able to accept more job orders while maintaining existing delivery lead times for our products through improved stock availability.



- (ii) **Develop our sales network.** In order to further develop our market presence in Malaysia, Europe and China, we intend to expand our sales teams in Malaysia, Germany, Hong Kong and/or China to support our business expansion and keep higher inventory level of cutting tools in our Malaysia, Germany and China offices in order to improve stock availability which will shorten the delivery lead time of our products to our customers. At the same time, we also intend to continue our international expansion to new countries through new distributors by continuing to participate in exhibitions such as EMO and AMB.
- (iii) **Develop our products and services.** We are committed to constantly pursue cutting tool technology developments that can help address challenges faced by today's manufacturers, including the need to machine more challenging workpiece materials, hold tighter tolerances, increase throughput and productivity, maintain good finishes, reduce time to complete a part and decrease rework.

Further details on our business strategies are set out in Section 7.12 of this Prospectus.



## 2. PROSPECTUS SUMMARY

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### 2.4 RISK FACTORS

Our business is subject to a number of risk factors, many of which may have a material adverse impact on our business operations, financial position and performance. A summary of the key risk factors is set out below:

- (i) **Risks relating to production capacity expansion.** Our future growth depends on us achieving our future plans, which include, among others, increasing our production capacity by 43.5% from 148,200 pieces per month as at 31 December 2018 to 212,600 pieces per month as at 31 December 2021. We cannot assure you that we will be successful in achieving our planned increase in production capacity. We are also subject to risks that may arise after we have incurred capital expenditure and increased our production capacity. Should any of the above arise, our ability to successfully implement our future plans may be adversely affected.
- (ii) **Foreign exchange rate fluctuations.** More than 80.0% of our revenue for the Period under Review is derived from export sales, which are denominated in foreign currencies. This inherently subjects us to currency exchange rate risks affected by a myriad of factors that are beyond our control. Our revenue increased from RM68.9 million for FYE 2015 to RM85.3 million for FYE 2018 partly due to the fluctuation in foreign currencies (mainly EUR and USD) against the RM during the Period under Review. If the foreign exchange rates were to weaken against the RM going forward, we may record lower revenue. At the same time, as most of our raw materials for the production of cutting tools are purchased in foreign currencies, any unfavourable foreign currency fluctuations may negatively affect our cost of operations.
- (iii) **Raw material availability and price fluctuations.** We mainly use tungsten carbide rods to manufacture our cutting tools, the cost of which represented approximately 43.4%, 39.7%, 36.0% and 33.5% of our total cost of sales for each financial year during the Period under Review. Tungsten and cobalt which form part of the main mineral components required to produce tungsten carbide are global commodities which may experience fluctuations in pricing and availability due to variations in demand, unforeseen circumstances that are beyond our control. For FYE 2015 to FYE 2017, the price of raw materials quoted by our suppliers generally decreased, and as we purchased, converted and ultimately sold the lower-priced raw materials, this had contributed to our financial results. In FYE 2018 however, the price of raw materials quoted by our suppliers increased, which had affected our cost of sales.  
We were also dependent on Xiamen Golden Egret as our main supplier of tungsten carbide rods, which accounted for approximately 48.8%, 41.3%, 48.2% and 50.8% of our total purchase value for each financial year during the Period under Review. Any delay or disruption to the supply of tungsten carbide rods and our inability to source for tungsten carbide rods which meets our specifications from alternative suppliers in a timely manner and at competitive prices may affect the quality of our products or disrupt our operations.
- (iv) **Fluctuations in our financial performance.** Our GP margins were 43.6%, 43.5%, 49.2% and 44.2% for each financial year during the Period under Review. We cannot assure you that such historical GP margin can be sustained in the future. Given the recent uncertainties in the domestic and global economies, fluctuations in the foreign currency exchange rates may materially and adversely affect our revenue and cost of sales, and in turn our GP margin. If there is a further decline in our overall GP margin, our future profitability and financial performance may be materially and adversely affected.
- (v) **Dependence on our key management and skilled personnel.** Our continued success and growth depend on our ability to recruit and retain skilled personnel, including R&D and technical personnel. Having a team of experienced management personnel is critical in guiding and implementing our strategies and to ensure we maintain and improve our technical capabilities. A loss of such experienced management personnel without suitable and timely replacements could have a material adverse impact on our competitiveness, business and operations.

## 2. PROSPECTUS SUMMARY

- (vi) **Absence of long-term contracts with our customers.** While we have established long-term business relationships with our customers, our customers have historically made purchases from us through purchase orders as and when they require our cutting tools and they have not committed to long-term purchase contracts in the past. If our major customers or a significant number of our other customers were to substitute purchases from us with purchases from sources other than us and if we are unable to secure alternative orders of comparable size, whether from new or existing customers, our business, financial condition, results of operations and/or prospects could be materially and adversely affected.
- (vii) **Disruption to our manufacturing facility.** Our business operations are heavily dependent on the operation of our single manufacturing facility based in Shah Alam, Malaysia, and any unexpected disruption to such manufacturing facility as a result of machine down-time may affect our production schedule and prevent us from completing our customers' purchase orders on time.
- (viii) **Failure to develop competitive products that meet customer requirements.** Our existing and/or potential competitors may develop products which are similar or superior to our products. 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.
- (ix) **Failure to develop our sales network.** One of our future plans include developing our sales network. However, we cannot assure you that we will be successful in maintaining or expanding our position in our existing markets or broaden our sales network to new markets.
- (x) **Dependence on our top 5 customers.** We are dependent on our top 5 customers as they collectively contributed more than 30.0% of our total revenue for the Period under Review. There is no assurance that these customers will continue to purchase our products in the future. If any of these customers cease to purchase from us, we may be materially and adversely affected.

Further details on the risks faced by our business operations, industry and Shares are set out in Section 9 of this Prospectus.

### 2.5 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and Key Senior Management are as follows:

Name	Designation
<b>Directors</b>	
Ku He @ Khoo Yee Her	Executive Chairman
Khoo Seng Giap	Managing Director
Tan Kim Chuan	Executive Director/Chief Financial Officer
Dato' Khoo Ah Chye	Non-Independent Non-Executive Director
Peter Ho Kok Wai	Senior Independent Non-Executive Director
Chua Put Moy (f)	Independent Non-Executive Director
Lee Ee Sian	Independent Non-Executive Director
Oei Kok Eong	Independent Non-Executive Director
<b>Key Senior Management</b>	
Neexon Khoo	Director of Manufacturing
Wong Chew Kong	Director of Technical
Poong Keen Kiong	Head of Malaysia Office
Yoong Kam Sing	Head of Hong Kong & Shenzhen Office

For further information on our Directors and Key Senior Management, see Sections 5.2 and 5.3 of this Prospectus.

## 2. PROSPECTUS SUMMARY

### 2.6 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The shareholdings of our Promoters and Substantial Shareholders in our Company before and after our IPO are set out below:

Name	Nationality/ Place of Incorporation	Before our IPO				After our IPO <sup>(2)</sup>			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	( <sup>(1)</sup> )(%)	No. of Shares	( <sup>(1)</sup> )(%)	No. of Shares	( <sup>(3)</sup> )(%)	No. of Shares	( <sup>(3)</sup> )(%)
<b>Promoters and Substantial Shareholders</b>									
Ku He @ Khoo Yee Her	Malaysian	-	-	<sup>(4)</sup> 245,420	97.0	300	0.1	<sup>(4)</sup> 205,578	62.6
HPMT Capital	Malaysia	-	-	<sup>(5)</sup> 245,420	97.0	-	-	<sup>(5)</sup> 205,578	62.6
<b>Promoters</b>									
Dato' Khoo Ah Chye	Malaysian	-	-	-	-	300	0.1	-	-
Khoo Seng Giap	Malaysian	-	-	-	-	300	0.1	-	-
<b>Substantial Shareholders</b>									
Herroz Mechanical	Malaysia	245,420	97.0	-	-	205,578	62.6	-	-
Nora Virginia Scheidegger	Swiss	-	-	<sup>(4)</sup> 245,420	97.0	-	-	<sup>(4)</sup> 205,578	62.6

**Notes:**

- (1) Based on the total number of 252,936,000 Shares after the Acquisitions but before our IPO.
- (2) Assuming that our Directors, namely Ku He @ Khoo Yee Her, Khoo Seng Giap and Dato' Khoo Ah Chye, will fully subscribe for their respective entitlements under the Pink Form Allocations.
- (3) Based on the enlarged total number of 328,489,000 Shares after our IPO.
- (4) Deemed interested pursuant to Section 8(4)(c) of the CA 2016; held through HPMT Capital which in turn holds Herroz Mechanical.
- (5) Deemed interested pursuant to Section 8(4)(c) of the CA 2016; held through Herroz Mechanical.

For further information on our Promoters and Substantial Shareholders, see Section 5.1 of this Prospectus.

### 2.7 UTILISATION OF PROCEEDS FROM OUR IPO

Details of utilisation	Estimated timeframe for utilisation upon Listing	RM '000	%
(i) Purchase of new machineries and equipment	Within 36 months	34,000	80.3
(ii) Working capital:	Within 24 months		
• Finished goods inventories		1,000	2.4
• Staff costs and raw materials		1,910	4.5
(iii) Estimated listing expenses	Immediate	5,400	12.8
	<b>Total</b>	<b>42,310</b>	<b>100.0</b>

## 2. PROSPECTUS SUMMARY

There is no minimum subscription to be raised from our IPO. Detailed information on our utilisation of proceeds is set out in Section 4.8 of this Prospectus.

The gross proceeds arising from the Offer for Sale of approximately RM23.0 million shall accrue entirely to the Selling Shareholders.

### 2.8 FINANCIAL AND OPERATIONAL INFORMATION

#### 2.8.1 Historical audited combined financial statements

The following table sets out the financial highlights based on our historical audited combined financial statements for the Period under Review:

	<b>Audited</b>			
	<b>FYE 2015</b>	<b>FYE 2016</b>	<b>FYE 2017</b>	<b>FYE 2018</b>
	<b>(RM '000)</b>	<b>(RM '000)</b>	<b>(RM '000)</b>	<b>(RM '000)</b>
Revenue	68,876	75,162	85,152	85,296
GP	30,060	32,731	41,855	37,696
PBT	14,369	16,617	18,465	15,679
PAT	11,361	13,131	14,890	13,752
PAT attributable to the owners of our Company	10,621	12,564	14,837	12,214
GP margin (%)	43.6	43.5	49.2	44.2
PBT margin (%)	20.9	22.1	21.7	18.4
PAT margin (%)	16.5	17.5	17.5	16.1
Basic/Diluted EPS (sen) <sup>(1)</sup>	4.20	4.97	5.87	4.83
<b>Key financial ratios</b>				
Trade receivable turnover (days)	78	87	77	67
Trade payable turnover (days)	29	31	18	10
Inventories turnover (days)	189	170	175	188
Current ratio (times)	2.11	2.28	2.15	2.27
Gearing ratio (times)	0.52	0.38	0.34	0.53

**Note:**

- (1) Calculated based on our PAT attributable to the owners of our Company divided by our Company's number of Shares immediately after the Acquisitions of 252,936,000 Shares. Diluted EPS are the same as basic EPS as there were no potential dilutive ordinary shares existing during the respective years.

Further details on our financial information are set out in Section 13 of this Prospectus.

#### 2.8.2 Pro forma consolidated statements of financial position

The following table sets out the pro forma consolidated statements of financial position of our Group as at 31 December 2018. It had been prepared solely for illustrative purposes only, to show the effects of the Acquisitions and Public Issue.

The pro forma consolidated statements of financial position should be read in conjunction with the accompanying notes and assumptions included in the pro forma consolidated statements of financial position as set out in Section 14 of this Prospectus.

**2. PROSPECTUS SUMMARY**

	As at 31 December 2018	(I) After the Acquisitions	(II) After (I) and the Public Issue	(III) After (II) and utilisation of proceeds
	(RM '000)	(RM '000)	(RM '000)	(RM '000)
<b>ASSETS</b>				
Total non-current assets	-	77,018	77,018	111,018
Total current assets	518	56,935	99,245	61,925
<b>TOTAL ASSETS</b>	<b>518</b>	<b>133,953</b>	<b>176,263</b>	<b>172,943</b>
<b>EQUITY AND LIABILITIES</b>				
Equity attributable to owners of our Company	(2,330)	73,574	115,884	112,564
Non-controlling interests	-	432	432	432
<b>TOTAL EQUITY</b>	<b>(2,330)</b>	<b>74,006</b>	<b>116,316</b>	<b>112,996</b>
Total non-current liabilities	-	34,879	34,879	34,879
Total current liabilities	2,848	25,068	25,068	25,068
<b>TOTAL LIABILITIES</b>	<b>2,848</b>	<b>59,947</b>	<b>59,947</b>	<b>59,947</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>518</b>	<b>133,953</b>	<b>176,263</b>	<b>172,943</b>
Number of Shares in issue ('000)	@	252,936	328,489	328,489
NA attributable to owners of our Company	(2,330)	73,574	115,884	112,564
NA per Share (RM)	(1,165)	0.29	0.35	0.34
Borrowings (interest bearing debts)	-	39,508	39,508	39,508
Gearing (times)	-	0.53	0.34	0.35
Current ratio (times)	0.18	2.27	3.96	2.47

**Note:**

@ means 2 Shares.

**2.9 DIVIDEND POLICY**

It is the intention of our Board to recommend and distribute a dividend of at least 30% of our annual audited PAT attributable to the shareholders of our Company. Any dividend declared will be subject to recommendation of our Board and any final dividends declared will be subject to the approval of our shareholders at our AGM. Please refer to Section 9.3.4 of this Prospectus on the risk that our dividend payment is not guaranteed.

Actual dividends recommended or declared will depend upon a number of factors, including our financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

Please refer to Section 13.8 of this Prospectus for further details on our dividend policy.

### 3. PARTICULARS OF OUR IPO

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#### 3.1 INTRODUCTION

This Prospectus is dated 17 May 2019.

No securities will be allotted or issued based on this Prospectus after 6 months from the date of this Prospectus.

We have registered this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms, with the ROC, who takes no responsibility for its contents.

**You are advised to make your own independent assessment of our Company and should rely on your own evaluation to assess the merits and risks of our IPO and an investment in us.**

On 2 May 2019, approval was obtained from Bursa Securities for the listing of and quotation for our Shares, including our IPO Shares which are the subject of this Prospectus, on the Main Market of Bursa Securities. Our Shares will be admitted to the Official List and official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Bursa Securities is not liable for any non-disclosure in this Prospectus by us and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

**Pursuant to subsection 14(1) of the SICDA, Bursa Securities has prescribed our Shares as securities to be deposited into the CDS. Consequently, the Shares offered in our IPO will be deposited directly with Bursa Depository. Any dealing in our Shares will be carried out in accordance with the SICDA and the Rules of Bursa Depository. We will not issue any share certificates to successful applicants.**

Pursuant to the Listing Requirements, our Company is required to comply with the public spread requirement as determined by Bursa Securities, pursuant to which our Company is required to have a minimum of 25.0% of our Shares for which listing is sought to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon completion of our IPO and at the time of Listing. Our Company is expected to meet the public spread requirement at the time of Listing. If the above requirement is not met, our Company may not be permitted to proceed with the Listing. In such event, monies paid in respect of all Applications will be returned in full (*without interest*). If such monies are not returned in full within 14 days after our Company becomes liable to do so, then, in accordance with the provisions of subsection 243(2) of the CMSA, in addition to the liability of our Company, the officers of our Company shall be jointly and severally liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be prescribed by the SC from the expiration of that period until the full refund is made.

### 3. PARTICULARS OF OUR IPO

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We are not making any invitation to subscribe for our IPO Shares in any jurisdiction outside Malaysia and in any circumstances in which such offer or invitation are authorised or lawful to any person to whom it is unlawful to make such an offer or invitation. As the distribution of this Prospectus and the sale of our IPO Shares in certain other jurisdictions may be restricted by law, persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. The distribution of this Prospectus and the making of our IPO in certain jurisdictions outside Malaysia may be restricted by law. The distribution of this Prospectus and the sale of any part of our IPO Shares are subject to the Malaysian laws and we, together with HLIB as our Principal Adviser, Underwriter and Placement Agent, take no responsibility for the distribution of this Prospectus and the offer of any part of our IPO Shares outside Malaysia, which may be restricted by law in certain other jurisdictions.

Our IPO is subject to the terms and conditions of this Prospectus or any Prospectus supplement and upon acceptance, our IPO Shares are expected to be allocated in the manner described below. Neither we nor any of our advisers has authorised anyone to provide you with the information that is different and which is not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Official List is not to be taken as an indication of the merits of our IPO or our Shares.

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF YOUR INVESTMENT IN US. IF YOU ARE IN ANY DOUBT ABOUT THIS PROSPECTUS OR IN CONSIDERING YOUR INVESTMENT, OR IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR ANY OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

#### 4. DETAILS OF OUR IPO

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##### 4.1 OPENING AND CLOSING OF APPLICATIONS

The application period will open at 10.00 a.m. on 17 May 2019 and close at 5.00 p.m. on 29 May 2019. Late Applications will not be accepted.

##### 4.2 INDICATIVE TIMETABLE

An indicative timetable for our IPO is set out below:

<b>Events</b>	<b>Date</b>
Issuance of this Prospectus/Opening date of our IPO	17 May 2019
Closing date of our IPO	29 May 2019
Balloting of Applications	31 May 2019
Allotment of our IPO Shares to successful applicants	10 June 2019
Date of Listing	12 June 2019

If there is any change to the timetable, we will advertise notice of such change in widely circulated Bahasa Malaysia and English daily newspapers in Malaysia prior to the original closing date of the Application.

##### 4.3 PARTICULARS OF OUR IPO

Our IPO of 116,615,000 Shares will be allocated in the following manner:

###### 4.3.1 Public Issue

75,553,000 IPO Shares, representing approximately 23.0% of our enlarged number of Shares, issued at the IPO Price, are payable in full upon application, are subject to the terms and conditions of this Prospectus and will be offered in the following manner:

**(i) Malaysian Public**

16,426,000 IPO Shares representing approximately 5.0% of our enlarged number of Shares, will be made available for application by the Malaysian Public investors through a balloting process, of which at least 50.0% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and institutions.

**(ii) Eligible Persons**

8,300,000 IPO Shares, representing approximately 2.5% of our enlarged number of Shares, will be made available for application by the eligible Directors and employees of the HPMT Group.



**4. DETAILS OF OUR IPO**

A total of 244 persons are eligible for the allocation of 8,300,000 IPO Shares, comprising the following:

	<b>Number of persons</b>	<b>Aggregate number of Shares allocated</b>
Eligible Directors of our Group	8	1,400,000
Eligible employees of our Group	236	6,900,000
<b>Total</b>	<b>244</b>	<b>8,300,000</b>

The number of IPO Shares to be allocated to our eligible Directors is as follows:

<b>Name</b>	<b>Designation</b>	<b>Number of Shares allocated</b>
Ku He @ Khoo Yee Her	Executive Chairman	300,000
Khoo Seng Giap	Managing Director	300,000
Tan Kim Chuan	Executive Director/Chief Financial Officer	300,000
Dato' Khoo Ah Chye	Non-Independent Non-Executive Director	300,000
Peter Ho Kok Wai	Senior Independent Non-Executive Director	50,000
Chua Put Moy (f)	Independent Non-Executive Director	50,000
Oei Kok Eong	Independent Non-Executive Director	50,000
Lee Ee Sian	Independent Non-Executive Director	50,000
	<b>Total</b>	<b>1,400,000</b>

The number of IPO Shares to be allocated to our Key Senior Management is as follows:

<b>Name</b>	<b>Designation</b>	<b>Number of Shares allocated</b>
Neexon Khoo	Director of Manufacturing	300,000
Wong Chew Kong	Director of Technical	300,000
Poong Keen Kiong	Head of Malaysia Office	300,000
Yoong Kam Sing	Head of Hong Kong & Shenzhen Office	300,000
	<b>Total</b>	<b>1,200,000</b>

The criteria for allocation to our eligible Directors and employees, as approved by our Board, are based on amongst others, length of service, seniority and job responsibilities, past contribution to our success and potential contribution to our Group in the future.

The above allocation is subject to the Eligible Persons subscribing to their respective allocations.

Save for Peter Ho Kok Wai who has indicated that he will not be subscribing for his allocated IPO Shares, our Directors and our Key Senior Management intend to subscribe for our IPO Shares through their entitlements under the Pink Form Allocations. In addition, our Key Senior Management may also subscribe for our IPO Shares which are made available for application by the Malaysian Public through balloting.

#### 4. DETAILS OF OUR IPO

Save as disclosed above and to the best of our knowledge and belief, there is no person who intends to subscribe for more than 5.0% of our IPO.

##### (iii) Private placement to institutional and selected investors

50,827,000 IPO Shares, representing 15.5% of our enlarged number of Shares will be made available for application by way of private placement to institutional and selected investors.

The IPO Shares will increase our issued share capital from RM63,234,002 comprising 252,936,000 Shares to RM105,543,682 comprising 328,489,000 Shares.

##### 4.3.2 Offer for Sale

The Selling Shareholders are offering 41,062,000 Offer Shares, representing approximately 16.2% of our existing total number of Shares or 12.5% of our enlarged number of Shares, at the IPO Price by way of placement to Bumiputera investors approved by MITI and institutional and selected investors. The details of the Selling Shareholders, their relationship with our Group and details of their shareholdings in our Company are as follows:

Name and registered/ residential address	Material relationship with our Group	As at the LPD		Offer Shares offered		After our IPO	
		No. of Shares	( <sup>1</sup> )(%)	No. of Shares	(%)	No. of Shares	( <sup>2</sup> )(%)
		('000)		('000)		('000)	
Yoong Kam Sing/ 23C, Block 2, Residence Oasis 15, Pui Shing Road, Tseung Kwan O, Hong Kong	Yoong Kam Sing is our Key Senior Management and is a director of MTC Tooling and HPMT Shenzhen	7,516	3.0	1,220	( <sup>1</sup> )0.5/ ( <sup>2</sup> )0.4	( <sup>3</sup> )6,596	2.0
Herroz Mechanical/ Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur	Herroz Mechanical is our Substantial Shareholder <sup>(4)</sup>	245,420	97.0	39,842	( <sup>1</sup> )15.7/ ( <sup>2</sup> )12.1	205,578	62.6

##### Notes:

- (1) Based on the total number of 252,936,000 Shares after the Acquisitions but before our IPO.
- (2) Based on the enlarged total number of 328,489,000 Shares after our IPO.
- (3) Assuming that our Key Senior Management, namely Yoong Kam Sing, will fully subscribe for his entitlement under the Pink Form Allocations.
- (4) Please refer to Section 5.1.2(i) of this Prospectus for further details on Herroz Mechanical.

The entire proceeds of RM22,994,720 arising from the Offer for Sale will accrue entirely to the Selling Shareholders. All expenses relating to the Offer for Sale will be fully borne by the Selling Shareholders.

#### 4. DETAILS OF OUR IPO

##### 4.3.3 Summary of IPO Shares to be allocated and underwritten

A summary of our IPO Shares allocated under the Retail Offering and Institutional Offering (subject to clawback and reallocation provisions set out in Section 4.3.4 below) is as follows:

	Public Issue		Offer for Sale		Total	
	No. of Shares	( <sup>1</sup> )(%)	No. of Shares	( <sup>1</sup> )(%)	No. of Shares	( <sup>1</sup> )(%)
<b>Retail Offering</b>	( <b>'000</b> )		( <b>'000</b> )		( <b>'000</b> )	
(i) Malaysian Public	16,426	5.0	-	-	16,426	5.0
(ii) Eligible Persons	8,300	2.5	-	-	8,300	2.5
<b>Institutional Offering</b> (by way of private placement)						
(i) Institutional and selected investors	50,827	15.5	8,213	2.5	59,040	18.0
(ii) Bumiputera investors approved by the MITI	-	-	32,849	10.0	32,849	10.0
<b>Total</b>	<b>75,553</b>	<b>23.0</b>	<b>41,062</b>	<b>12.5</b>	<b>116,615</b>	<b>35.5</b>

**Note:**

(1) Based on the enlarged total number of 328,489,000 Shares after our IPO.

The Retail Offering has been fully underwritten. The Institutional Offering is not underwritten. Irrevocable undertakings have been or will be obtained from investors who subscribe for our IPO Shares made available under the Institutional Offering.

The Retail Offering will be allocated on a fair and equitable manner and the basis of allocation for the Public Issue Shares shall take into account the desirability of distributing the Public Issue Shares to a reasonable number of applicants in view of broadening our shareholding base to meet the public spread requirements and to establish a liquid and adequate market in our Shares. Applicants for the Institutional Offering will be selected in such manner as may be determined by our Placement Agent, in consultation with our Company, to be in the best interest of our Company. Our Placement Agent, in consultation with our Company, has the absolute discretion to decide whether to accept or reject any placement application.

There is no over-allotment or "greenshoe" option which will increase the number of our IPO Shares.

##### 4.3.4 Clawback and reallocation

The Retail Offering and Institutional Offering shall be subject to the following clawback and reallocation provisions:

- (i) if the IPO Shares allocated to Bumiputera investors approved by MITI are not fully taken up and there is an over-subscription under the private placement, the IPO Shares which are not taken up may be allocated to other Malaysian and foreign institutional and selected investors under the Institutional Offering;
- (ii) subject to item (i) above, if there is an under-subscription of the Institutional Offering and there is an over-subscription in the Retail Offering, the IPO Shares not taken up may be clawed back from the Institutional Offering and reallocated to the Retail Offering in the following order of priority (subject to each of them having applications for IPO Shares which have not been fully satisfied):
  - (a) firstly, to the Malaysian Public; and

#### 4. DETAILS OF OUR IPO

- (b) secondly, to the Eligible Persons allocated on a fair and equitable basis in the manner as set out in item (iv) below;
- (iii) if there is an under-subscription of the Retail Offering and there is an over-subscription in the Institutional Offering, the IPO Shares not taken up may be clawed back from the Retail Offering and reallocated to the Institutional Offering; and
- (iv) any Public Issue Shares allocated to Eligible Persons but not taken up by them shall be made available to other Eligible Persons who have applied for excess Public Issue Shares (*if any*) in addition to their pre-determined allocation of Public Issue Shares (“**Excess Shares**”). Such Excess Shares will be allocated to these other Eligible Persons on a fair and equitable basis in the following priority:
  - (a) firstly, allocation on a proportionate basis to Eligible Persons who have applied for Excess Shares based on the number of Excess Shares applied for; and
  - (b) secondly, to minimise odd lots.

Any allocated Public Issue Shares not fully taken up by Eligible Persons will be made available for application by the Malaysian Public under the Retail Offering. Any Public Issue Shares under the Retail Offering not applied for after being subject to the clawback and reallocation provisions above shall be taken up by our Underwriter in accordance with the terms and conditions of the Underwriting Agreement.

The clawback and reallocation provisions will not apply in the event there is an over-subscription or under-subscription in both the Retail Offering and the Institutional Offering at the closing date of our IPO.

##### 4.3.5 Minimum subscription

There is no minimum subscription amount to be raised from our IPO. However, in order to comply with the public spread requirement of Bursa Securities, the minimum subscription level in terms of number of Shares will be the number of Shares required to be held by public shareholders in order to comply with the 25.0% public spread requirement under the Listing Requirements or as approved by Bursa Securities.

#### 4.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKING

	<b>No. of Shares</b>	<b>RM</b>
Issued share capital as at the date of this Prospectus	252,936,000	63,234,002
New Shares to be issued pursuant to the Public Issue	75,553,000	42,309,680
<b>Enlarged issued share capital upon Listing</b>	<b>328,489,000</b>	<b>105,543,682</b>
Offer for Sale <sup>(1)</sup>	41,062,000	22,994,720
IPO Price		0.56
Market capitalisation upon Listing		183,953,840

**Note:**

- (1) Our Offer for Sale will not have any effect on our share capital.

#### 4. DETAILS OF OUR IPO

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As at the date of this Prospectus and upon completion of our IPO, we have only 1 class of shares, namely ordinary shares in our Company. Our IPO Shares, upon allotment and issuance, will rank *pari passu* in all respects with our existing Shares including voting rights, and will be entitled to all dividends, rights and distributions that may be declared subsequent to the date of allotment of our IPO Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the amount paid up on the Shares held by them, be entitled to share the profits paid out by us as dividends or other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (*if any*), in accordance with our Constitution, after the satisfaction of any preferential payments in accordance with CA 2016 and our liabilities.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy, by attorney or by duly authorised representative. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy.

On a show of hands, each shareholder presents either in person, by proxy, by attorney or by other duly authorised representative shall have 1 vote. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have 1 vote for each Share held.

#### 4.5 BASIS OF ARRIVING AT THE PRICE OF OUR IPO SHARES

Our Directors and our Promoters, together with HLIB, as our Principal Adviser, Underwriter and Placement Agent, have determined and agreed on our IPO Price of RM0.56 per IPO Share after considering the following factors:

- (i) our competitive strengths as well as our future plans and strategies (see Sections 7.10 and 7.12 of this Prospectus);
- (ii) the overview and prospects of our industry (see Section 8 of this Prospectus);
- (iii) our financial performance and operating history as set out in Sections 13 and 14 of this Prospectus. Our EPS of 3.72 sen (based on our audited PAT attributable to the owners of our Company of RM12.2 million for FYE 2018 and our enlarged total number of 328,489,000 Shares upon Listing) represents implied PE Multiple of approximately 15.0 times;
- (iv) our pro forma consolidated NA per Share of RM0.34 after our IPO and the intended use of proceeds, computed based on the audited statement of financial position of our Company as at 31 December 2018 and our enlarged total number of 328,489,000 Shares upon Listing; and
- (v) the market performance of Bursa Securities and anticipated demand for our IPO Shares.

You should note that our market price upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares. You should form your own views on the valuation of our IPO Shares before deciding to invest in them. You are reminded to carefully consider the risk factors as set out in Section 9 of this Prospectus before deciding to invest in our Shares.

#### 4. DETAILS OF OUR IPO

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##### 4.6 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

- (i) to enable our Company to gain access to the capital market for future expansion and growth;
- (ii) to further enhance our profile and corporate image, such as higher visibility and exposure of our Group to potential customers, suppliers and investing public, by having our Shares traded on a regulated public market;
- (iii) to enhance our reputation so as to assist us in expanding our customer base in Malaysia and abroad, and retaining and attracting new, skilled employees, particularly in the cutting tools industry; and
- (iv) to provide an opportunity for the Malaysian Public, including the Eligible Persons and institutions to participate in our continuing growth by way of equity participation.

##### 4.7 DILUTION

Dilution is computed as the difference between the IPO Price paid by the applicants for our IPO Shares and our pro forma consolidated NA per Share immediately after the Listing. The following table illustrates such dilution on a per Share basis:

	<u>RM</u>
IPO Price	0.56
Pro forma consolidated NA per Share as at 31 December 2018 after the Acquisitions but before the Public Issue	0.29
Pro forma consolidated NA per Share as at 31 December 2018 after the Acquisitions, Public Issue and the intended use of proceeds	0.34
Increase in pro forma consolidated NA per Share attributable to the existing shareholders	0.05
Dilution in pro forma consolidated NA per Share to new investors	0.22
Dilution in pro forma consolidated NA per Share to new investors as a percentage of the IPO Price	39.3%

See Section 14 of this Prospectus for further details of our pro forma consolidated NA per Share as at 31 December 2018.

#### 4. DETAILS OF OUR IPO

Save as disclosed below, there is no substantial disparity between the IPO Price and effective cash cost to our Directors, Promoters, Substantial Shareholders or Key Senior Management or persons connected with them of any of our Shares acquired by them, or any transaction entered into by them which grants them the right to acquire any of our Shares from the date of our incorporation to the date of this Prospectus:

<b>Name</b>	<b>No. of Shares held after the Acquisitions but before our IPO</b>	<b>No. of Shares from our IPO</b>	<b>Total consideration</b>	<b>Effective cost per Share</b>
	<b>('000)</b>	<b>('000)</b>	<b>(RM '000)</b>	<b>(RM)</b>
<b>Substantial Shareholders</b>				
Herroz Mechanical	245,420	-	61,355	0.25
<b>Key Senior Management</b>				
Yoong Kam Sing	7,516	300	2,047	0.26

#### 4.8 UTILISATION OF PROCEEDS

Based on the IPO Price of RM0.56, the total gross proceeds of approximately RM42.3 million from the Public Issue will be utilised by our Group in the following manner:

<b>Details of utilisation</b>	<b>Estimated timeframe for utilisation upon Listing</b>	<b>RM '000</b>	<b>%</b>
(i) Purchase of new machineries and equipment	Within 36 months	34,000	80.3
(ii) Working capital:	Within 24 months		
• Finished goods inventories		1,000	2.4
• Staff costs and raw materials		1,910	4.5
(iii) Estimated listing expenses	Immediate	5,400	12.8
	<b>Total</b>	<b>42,310</b>	<b>100.0</b>

We intend to place the proceeds from the Public Issue (including accrued interest, if any) or the balance thereof as deposits with banks or other licensed financial institutions in Malaysia pending the eventual use of the proceeds for the above intended purposes.

#### 4. DETAILS OF OUR IPO

##### 4.8.1 Purchase of new machineries and equipment

We intend to use RM34.0 million or 80.3% of our proceeds from the Public Issue for the purchase of new machineries and equipment from 2019 to 2021 to support our manufacturing activities. The details of the new machineries and equipment are set out below:

Machinery/Equipment <sup>(1)</sup> (Description)	Year	Units	Estimated cost			<sup>(2)</sup> Equivalent in RM (RM '000)
			(EUR '000)	(CHF '000)	(USD '000)	
<b>CNC universal grinding machine</b>						
<i>(5-axis robotic machine that is used for grinding micro and non-micro tools)</i>	2019	5	1,096	714	-	8,006
	2020	8	1,682	1,044	-	12,074
	2021	5	980	737	-	7,559
		<b>18</b>	<b>3,758</b>	<b>2,495</b>	<b>-</b>	<b>27,639</b>
<b>CNC cylindrical grinding machine</b>						
<i>(5-axis robotic machine that is used for grinding and shaping an object)</i>	2019	1	-	238	-	969
	2020	1	-	238	-	971
	2021	1	-	238	-	971
		<b>3</b>	<b>-</b>	<b>714</b>	<b>-</b>	<b>2,911</b>
<b>CNC vertical machining center</b>						
<i>(5-axis machining machine that is used to support R&amp;D purposes)</i>	2019	1	-	-	330	1,364
<b>Filtration system</b>						
<i>(Automatic coolant filtration system to support the grinding machines)</i>	2019	3	-	-	109	450
	2020	3	-	-	89	368
	2021	3	-	-	87	360
		<b>9</b>	<b>-</b>	<b>-</b>	<b>285</b>	<b>1,178</b>
<b>Measurement equipment</b>						
<i>(Automatic measurement equipment)</i>	2019	1	200	-	-	930
	<b>Total</b>		<b>3,958</b>	<b>3,209</b>	<b>615</b>	<b><sup>(3)</sup>34,022</b>

#### Notes:

- (1) The timing of the purchase of new machineries/equipment may vary depending on our production requirements, as we may be required to purchase new machineries/equipment earlier or later than scheduled if the anticipated demand exceeds or falls short of our planned increase in production capacity. Further, we may also make such purchases in different currencies or from different suppliers due to fluctuations in foreign currency exchange rates as well as the pricing terms of the various suppliers and the availability of stock and new models of machineries/equipment.
- (2) Converted to RM-equivalent based on the following middle rates at 5.00 p.m. on the LPD as published by BNM:
  - (i) EUR1.00:RM4.6476 for EUR-denominated amounts;
  - (ii) CHF1.00:RM4.0783 for CHF-denominated amounts; and



#### 4. DETAILS OF OUR IPO

- (iii) USD1.00:RM4.1325 for USD-denominated amounts.
- (3) The estimated cost is subject to changes as the machineries and equipment that we plan to purchase are denominated in foreign currencies as tabulated above. As such, the actual amounts may vary due to fluctuations in foreign currency exchange rates as well as the price of the machineries and equipment. Nonetheless, we intend to use only up to RM34.0 million of the proceeds from the Public Issue to finance these new machineries and equipment. Any shortfall will be funded via internally generated funds.

For any machinery or equipment delivered before the receipt of the proceeds from the Public Issue, we will fund such purchase using the internally generated funds of our Group or bank borrowings. In this regard, the proceeds from the Public Issue allocated for the purchase of new machineries and equipment will be used in the following manner:

- (i) firstly, to replenish any internally generated funds or repay bank borrowings drawn down for payments made before the receipt of the proceeds from the Public Issue; and
- (ii) the balance to fund the payments for machineries and equipment purchased after the receipt of the proceeds from the Public Issue.

Taking into consideration our planned purchase of machineries and equipment, our monthly production capacity is expected to increase at a 3-year compounded annual growth rate of 12.8% from 148,200 pieces as at 31 December 2018 to 212,600 pieces of cutting tools per month by 31 December 2021:

Production line	Monthly production capacity	
	Actual as at 31 December 2018	Planned as at 31 December 2021
	(pieces)	(pieces)
Standard tools	103,700	148,800
Special tools	44,500	63,800
<b>Total</b>	<b>148,200</b>	<b>212,600</b>

Our planned increase in production capacity at a compounded annual growth rate of 12.8% was arrived at after taking into consideration our historical growth in sales quantity for the Period under Review, which grew at a compounded annual growth rate of 5.3% from about 963,500 pieces in FYE 2015 to about 1,125,900 pieces in FYE 2018, as well as our intention to increase our levels of finished goods inventories. With the increase in production capacity, we expect to be able to cope with the anticipated demand for our products. This will subsequently enable us to expand by accepting more job orders while maintaining existing delivery lead times for our products through improved stock availability.

The machineries and equipment that we plan to purchase are denominated in foreign currencies, namely in EUR, CHF and USD. As such, the actual costs of the machineries and equipment will only be determined at a later stage upon confirmation of order due to fluctuations in foreign currency exchange rate as well as the price of the machineries and equipment. If the actual costs for the purchase of the new machineries and equipment are higher or lower than RM34.0 million, the deficit will be funded via internally generated funds while the surplus will be used for working capital requirements.

#### 4. DETAILS OF OUR IPO

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##### 4.8.2 Working capital

We expect our working capital requirements to increase in tandem with the growth of our business. Therefore, we intend to allocate approximately RM2.9 million or 6.9% of our proceeds from the Public Issue for the following:

**(i) Finished goods inventories**

As we intend to further develop our market presence in Malaysia, Europe and China, we believe it is important for us to also increase the inventory level of our products to ensure stock availability and timely delivery of our products. We aim to keep certain levels of finished goods as inventories especially for products that are frequently ordered by our customers. This, together with our existing manufacturing capacity, enables us to have a delivery lead time of about 2 to 4 weeks. We closely monitor our inventory levels and ensure that our manufacturing replenishes our finished goods inventories up to that level.

To improve stock availability, we are allocating RM1.0 million of the proceeds to increase our finished goods inventories in Malaysia, Germany and China in order to improve availability of a wider range of our cutting tools, especially those that are more frequently purchased by our customers, and cope with the expected growth in demand for our cutting tools.

With better stock availability, we expect to be able to fulfil our customers' orders more promptly, thereby enabling us to compete with other players more effectively with the aim of increasing customer satisfaction and confidence in us. High customer satisfaction and confidence will ultimately translate into recurring sales orders as well as business referrals, contributing to higher revenue.

**(ii) Staff costs and raw materials**

In line with the intended expansion of our manufacturing capacity, we anticipate that we will be required to recruit additional sales/technical engineers in Malaysia, Germany and China to support our business expansion plans. We target to employ between 5 and 10 new technical/sales engineers in Malaysia, Germany and China who will be responsible to conduct sales and provide technical support to our customers.

In addition, we will also be required to purchase and maintain higher amounts of raw materials, comprising tungsten carbide rod, to cater to our increased manufacturing capacity.

As such, we intend to use the remaining approximately RM1.9 million of the proceeds for these additional staff costs and expenses as well as for procurement of raw materials for manufacturing of cutting tools.

Any surplus or shortfall of funds for finished goods inventories will be adjusted accordingly from the funds for staff costs and raw materials, as the case may be.

#### 4. DETAILS OF OUR IPO

##### 4.8.3 Estimated listing expenses

The estimated expenses and fees incidental to our Listing amounting to approximately RM5.4 million or 12.8% of our proceeds from the Public Issue will be borne by us, the details of which are as follows:

	<b>RM '000</b>
Professional fees <sup>(1)</sup>	3,653
Fees to authorities	254
Underwriting commission, brokerage and placement fees	1,069
Other incidental charges relating to our Listing <sup>(2)</sup>	424
<b>Total</b>	<b>5,400</b>

**Notes:**

- (1) This includes advisory fees for, among others, our Principal Adviser, legal advisers, Reporting Accountants, Independent Market Researcher and Independent Property Valuer.
- (2) This includes any other incidental charges or related expenses in connection with our IPO, such as printing and advertising fees, fees to be paid to translator, media related expenses and IPO event expenses.

We will bear all fees and expenses incidental to our Listing as indicated above, which includes professional fees, fees to authorities, brokerage fees, printing, advertisement and other expenses.

If the actual listing expenses are higher than estimated, the shortfall will be funded out of the amount allocated for working capital purposes. Conversely, if the actual listing expenses are lower than estimated, the surplus will be utilised for working capital purposes (*as set out in Section 4.8.2 above*).

##### **Proceeds from the Offer for Sale**

The Offer for Sale will raise gross proceeds of approximately RM23.0 million. All the proceeds from the Offer for Sale will be credited to the Selling Shareholders. The Selling Shareholders will bear all expenses such as placement fee and miscellaneous expenses relating to the Offer for Sale.

#### 4.9 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

We will pay the brokerage in respect of the 24,726,000 Public Issue Shares under the Retail Offering at the rate of 1.0% on the IPO Price in respect of successful Applications bearing the stamp of HLIB, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

The Underwriter has entered into the Underwriting Agreement for the underwriting of 24,726,000 Public Issue Shares under the Retail Offering ("**Underwritten Shares**"), subject to the clawback and reallocation provision. We will pay an underwriting commission in respect to the Underwritten Shares at the rate of 2.2% of the IPO Price.

We will pay a placement commission at the rate of up to 2.2% of the value of the 50,827,000 Public Issue Shares successfully placed out to investors by HLIB at the IPO Price.

#### **4. DETAILS OF OUR IPO**

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The placement fee to be incurred on the sale of our IPO Shares will be borne by us. Places may be charged buying brokerage and other charges at a rate to be determined at a later date closer to the launch of our IPO, if any.

The Selling Shareholders will bear the placement fee in respect of the Offer Shares.

#### **4.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT**

The following is a summary of the salient terms contained in the Underwriting Agreement, including terms which allow the Underwriter to withdraw from the underwriting obligation after the opening of the Public Issue.

##### **4.10.1 Conditions precedent for underwriting**

- (i) The obligations of the Underwriter under the Underwriting Agreement shall be conditional upon the fulfilment and/or satisfaction of the following:
  - (a) Bursa Securities having approved the Listing and such approval together with the approval of the SC remaining in full force and effect and that all conditions (except for any which can only be complied with after our IPO has been completed) have been complied with;
  - (b) the offer and issuance of the IPO Shares having been approved by the shareholders of our Company;
  - (c) the lodging with the Companies Commission Malaysia of a copy of the Prospectus for lodgement in accordance with the requirements of Section 234 of the CMSA together with copies of all documents required under the CMSA;
  - (d) the registration with the SC of the Prospectus and the submission to the SC of accompanying documents on or before their issue, circulation or distribution to the public;
  - (e) all necessary approvals and consents required in relation to our IPO including but not limited to governmental approvals having been obtained and are in full force and effect and that all conditions to the approvals (except for any which can only be complied with after our IPO has been completed) have been complied with;
  - (f) the Prospectus being issued not later than 17 May 2019 or such later date as may be agreed by the Underwriter;
  - (g) the execution of the Placement Agreement and such agreement not having been terminated or rescinded pursuant to the provisions thereof;
  - (h) our IPO and the offering and subscription of the IPO Shares in accordance with the provisions hereof not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities) or any jurisdiction within which such IPO Shares are offered;

#### 4. DETAILS OF OUR IPO

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- (i) there not being, in the reasonable opinion of the Underwriter, on or prior to the last day and time for the acceptance of and payment for the Retail Offering in accordance with the Prospectus and the Application Form(s) ("**Closing Date**"), any material adverse effect in the condition (financial, business, operations or otherwise) of the Group from that set out in the Prospectus which is material in the context of our IPO;
- (j) the delivery to the Underwriter on the Closing Date and date of delivery of the Applications Form(s) together with the remittance of subscription monies payable on the application of the unsubscribed Shares by the Underwriter ("**Settlement Date**"), respectively a certificate in the agreed form of our Company, signed by a duly authorised officer of our Company, dated the Closing Date and the Settlement Date, to the effect that the person who provides such certificate has carefully examined the Underwriting Agreement and that: (i) the representations, warranties and undertakings of our Company are true, accurate and correct and not misleading in all respects on and as of the Closing Date and Settlement Date (as the case may be), as though they had been given and made on the Closing Date and the Settlement Date (as the case may be), and our Company has complied with all the terms of the Underwriting Agreement and satisfied all the conditions on its part under the Underwriting Agreement to be performed and satisfied on or prior to the Closing Date and the Settlement Date (as the case may be); (ii) since the date of the Underwriting Agreement, there has been no change or development that may have a material adverse effect; and (iii) the allotment and issuance of the Retail Offering under our IPO are not being prohibited by any statutes or regulations promulgated or issued by any legislative or regulatory body in Malaysia.
- (ii) In the event any of the conditions set forth in section 4.10.1(i) above are not satisfied on or prior to the Closing Date which in any case shall not be later than 29 May 2019 or such later date as consented to in writing by the Underwriter, the Underwriter, subject as mentioned below, shall thereupon be entitled to terminate the Underwriting Agreement by notice in writing to our Company.
- (iii) In the event of termination pursuant to section 4.10.1(ii) above, except for the liability of our Company for payment of:
  - (a) (1) the underwriting commission, if the non-fulfilment of the relevant condition is due to or arising from the fault of our Company or matters within our Company's control; or
  - (2) the broken funding cost, if the non-fulfilment of the relevant condition is not due to or arising from the fault of our Company or matters within our Company's control; and
  - (b) the reasonable costs and expenses incurred by the Underwriter prior to or in connection with such termination,

and our Company continuing to be liable to indemnify the Underwriter pursuant to the terms of the Underwriting Agreement, the parties will be released and discharged from their respective obligations under the Underwriting Agreement upon such termination save for antecedent breaches by any party and claims arising therefrom.

#### 4. DETAILS OF OUR IPO

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- (iv) To the extent permitted by law, the Underwriter may at its sole discretion, upon request by our Company, waive compliance with any provision of section 4.10.1(i) above without prejudice to its other powers, rights and remedies under the Underwriting Agreement. Any condition so waived by the Underwriter in writing shall be deemed to have been satisfied in relation to it. For avoidance of doubt, there is no waiver from compliance with any provision of section 4.10.1(i) above unless such waiver is expressed in writing and signed by the Underwriter.

##### 4.10.2 Termination by the Underwriter upon the occurrence of adverse changes and consequence thereof

- (i) Notwithstanding anything contained in the Underwriting Agreement, the Underwriter, may by notice in writing to our Company given at any time before the date of Listing, terminate, cancel and withdraw its agreement, subject to clawback and reallocation, to subscribe and/or procure the subscription for the Underwritten Shares not taken up or duly applied for on the Closing Date ("**Underwriting Commitment**") if in the opinion of the Underwriter:
  - (a) there is any breach by our Company of any of the representations, warranties or undertakings set out in the Underwriting Agreement in any respect; or in the case of any warranties or representations or undertakings which are not qualified by any materiality requirements, in any material respect; and in either event, where such misrepresentation or breach is capable of remedy, the same not being remedied within 5 Market Days or on such other day which the parties may mutually agree in writing, but in any event no later than the Closing Date from the provision of a written notice to our Company, as the case may be, by the Underwriter;
  - (b) our Company withholds any material information from the Underwriter, which, in the reasonable opinion of the Underwriter, is likely to have a material adverse effect;
  - (c) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriter by reason of Force Majeure which would have or can reasonably be expected to have, a material adverse effect on the business, operations, financial condition or prospects of our Group or the success of our IPO or which is reasonably likely to have the effect of making any material obligation under the Underwriting Agreement incapable of performance in accordance with its terms or our Company shall sustain any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labour disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority, in each case, that has had or could reasonably be expected to have a material adverse effect.

"**Force Majeure**" means causes which are unpredictable and beyond the reasonable control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to:

- (1) war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war or commotion, hijacking, terrorism;

#### 4. DETAILS OF OUR IPO

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- (2) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance to the government, insurrection, revolt, military or usurped power; or
- (3) natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning, tempest, explosions, accident, epidemics or other acts of God;
- (d) any government requisition or other occurrence of any nature whatsoever which is reasonably likely to have a material adverse effect on the business, operations, financial condition or prospects of our Company or the success of our IPO;
- (e) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), economic conditions or exchange control or currency exchange rates which in the reasonable opinion of the Underwriter is likely to have a material adverse effect (whether in the primary market or in respect of dealings in the secondary market). For the avoidance of doubt, if the FTSE Bursa Malaysia KLCI ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:
  - (1) on or after the date of the Underwriting Agreement; and
  - (2) prior to the date of Listing,
 

lower than 85%, of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least 3 consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;
- (f) trading of all securities on Bursa Securities has been suspended or other material form of general restriction in trading for 3 consecutive Market Days or more;
- (g) any new law or regulation or change in law, regulation, directive, policy or ruling in any applicable jurisdiction which is reasonably likely to prejudice the success of the Listing or which is reasonably likely to have the effect of making any obligation under the Underwriting Agreement incapable of performance in accordance with its terms;
- (h) any part of the placement or our IPO is stopped by our Company or the regulatory authorities for any reason whatsoever;
- (i) the Listing does not take place on or before 12 June 2019 or within 5 Market Days after the settlement date, whichever is earlier, or such other extended date as may be agreed by the Underwriter;
- (j) the Placement Agreement shall have been terminated or rescinded in accordance with the terms thereof or any of the conditions precedent set forth in the Placement Agreement not having been satisfied in full or to the extent not satisfied as such, waived by the Placement Agent therein in accordance with its terms;
- (k) approval for our IPO is withdrawn, modified and/or subject to terms and conditions not, acceptable to the Underwriter (in its reasonable opinion); or

#### 4. DETAILS OF OUR IPO

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- (i) the Closing Date is more than 2 months from the date of the Underwriting Agreement or any later date as our Company and the Underwriter may mutually agree upon in writing.
- (ii) Upon such notice of termination being given under section 4.10.2(i), the Underwriter will be released and discharged of its obligations without prejudice to its rights under the Underwriting Agreement and the Underwriting Agreement will thereafter be of no further force or effect, and save for antecedent breaches and claims arising therefrom, no party will be under any liability to any other in respect of the Underwriting Agreement, except that our Company, as the case may be, will remain liable in respect of its obligations and liabilities under the terms and conditions of the Underwriting Agreement and, our Company shall be liable to the Underwriter for the payment of the underwriting commission which the Underwriter is entitled to duly claim under the Underwriting Agreement together with all reasonable costs and expenses already incurred by the Underwriter up to the date on which such notice was given, including but not limited to those incurred in the event the Closing Date is extended, and for the payment of any taxes, duties or levies to be borne by our Company pursuant to applicable laws, and our Company shall refund to the Underwriter the subscription monies including interests accrued thereon, if any, paid by the Underwriter pursuant to its subscription for the Underwritten Shares pursuant to the terms and conditions of the Underwriting Agreement not later than 7 days after our Company's receipt of the termination notice from the Underwriter.
- (iii) Notwithstanding the other provisions in the Underwriting Agreement, the Underwriter and our Company may however confer with a view to defer our IPO or amend its terms or the terms of the Underwriting Agreement or enter into a new underwriting agreement accordingly. However, our Company and the Underwriter are not under any obligation whatsoever to enter into a new underwriting agreement.

#### 4.11 TRADING AND SETTLEMENT IN SECONDARY MARKET

Pursuant to subsection 14(1) of the SICDA, Bursa Securities has prescribed our Shares as securities to be deposited into the CDS. Upon our Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through CDS (*which is operated by Bursa Depository*). This will be effected in accordance with the provisions of SICDA and the Rules of Bursa Depository. Accordingly, our Company will not deliver share certificates to the subscribers of our IPO Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain the Shares in CDS Accounts, either directly in their name or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as the shareholders of our Company in respect of the number of Shares credited to their respective CDS Accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS Account being debited with the number of Shares sold and the buyer's CDS Account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

All Shares held in CDS Accounts shall not be withdrawn from the CDS except in the following instances:

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of non-equity securities;



#### 4. DETAILS OF OUR IPO

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- (iii) to facilitate company restructuring process;
- (iv) where a body corporate is removed from the Official List of Bursa Securities;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

Trading for shares of companies listed on Bursa Securities is normally done in “board lots” of 100 shares. Investors who desire to trade less than 100 shares shall trade under the odd lot market. Settlement and payment of trades done on Bursa Securities generally takes place on the 2nd Market Day following the transaction date.

It is expected that our Shares will not commence trading on Bursa Securities until about 10 Market Days after the close of our IPO. Holders of our Shares will not be able to sell or otherwise deal in our Shares (*except by way of book-entry transfers to other CDS Accounts in circumstances which do not involve a change in beneficial ownership*) prior to the commencement of trading on Bursa Securities.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### 5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

#### 5.1.1 Particulars and shareholdings

The details of our Promoters and Substantial Shareholders and their respective shareholdings in our Company before and after our IPO are as follows:

Name	Nationality/ Place of incorporation	Before our IPO			
		Direct		Indirect	
		No. of Shares	( <sup>1</sup> ) (%)	No. of Shares	( <sup>1</sup> ) (%)
<b>Promoters and Substantial Shareholders</b>		( <sup>1</sup> )('000)	( <sup>1</sup> ) (%)	( <sup>1</sup> )('000)	( <sup>1</sup> ) (%)
Ku He @ Khoo Yee Her	Malaysian	-	-	<sup>(4)</sup> 245,420	97.0
HPMT Capital	Malaysia	-	-	<sup>(5)</sup> 245,420	97.0
<b>Promoters</b>					
Dato' Khoo Ah Chye	Malaysian	-	-	-	-
Khoo Seng Giap	Malaysian	-	-	-	-
<b>Substantial Shareholders</b>					
Herroz Mechanical	Malaysia	245,420	97.0	-	-
Nora Virginia Scheidegger	Swiss	-	-	<sup>(4)</sup> 245,420	97.0
Name	Nationality/ Place of incorporation	After our IPO <sup>(2)</sup>			
		Direct		Indirect	
		No. of Shares	( <sup>3</sup> ) (%)	No. of Shares	( <sup>3</sup> ) (%)
<b>Promoters and Substantial Shareholders</b>		( <sup>3</sup> )('000)	( <sup>3</sup> ) (%)	( <sup>3</sup> )('000)	( <sup>3</sup> ) (%)
Ku He @ Khoo Yee Her	Malaysian	300	0.1	<sup>(4)</sup> 205,578	62.6
HPMT Capital	Malaysia	-	-	<sup>(5)</sup> 205,578	62.6
<b>Promoters</b>					
Dato' Khoo Ah Chye	Malaysian	300	0.1	-	-
Khoo Seng Giap	Malaysian	300	0.1	-	-
<b>Substantial Shareholders</b>					
Herroz Mechanical	Malaysia	205,578	62.6	-	-
Nora Virginia Scheidegger	Swiss	-	-	<sup>(4)</sup> 205,578	62.6

#### Notes:

- (1) Based on the total number of 252,936,000 Shares after the Acquisitions but before our IPO.
- (2) Assuming that our Directors, namely Ku He @ Khoo Yee Her, Khoo Seng Giap and Dato' Khoo Ah Chye, will fully subscribe for their respective entitlements under the Pink Form Allocations.
- (3) Based on the enlarged total number of 328,489,000 Shares after our IPO.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

- (4) Deemed interested pursuant to Section 8(4)(c) of the CA 2016; held through HPMT Capital which in turn holds Herroz Mechanical.
- (5) Deemed interested pursuant to Section 8(4)(c) of the CA 2016; held through Herroz Mechanical.

Our Promoters and Substantial Shareholders do not have different voting rights from other shareholders of our Group.

### 5.1.2 Profile of our Promoters and Substantial Shareholders

#### (i) Herroz Mechanical

Herroz Mechanical, our Substantial Shareholder, was incorporated as a private limited company in Malaysia on 16 February 1998 under the Companies Act 1965 and deemed registered under the CA 2016. As at the LPD, Herroz Mechanical's issued share capital is RM15,198,019 comprising 15,198,019 ordinary shares. The principal activities of Herroz Mechanical are investment holding, provision of management services and property investment.

As at the LPD, Herroz Mechanical's subsidiaries comprise of our Company, Mec. Tech, Smart Suncity Sdn Bhd, Sunrise Rigid Sdn Bhd, Sunrise Rigid Machinery Sdn Bhd and Smart Sun City (HK) Ltd.

As at the LPD, the directors and shareholders of Herroz Mechanical are as follows:

Name	Nationality/ Place of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
<b>Directors</b>					
Ku He @ Khoo Yee Her	Malaysian	-	-	<sup>(1)</sup> 9,415,494	62.0
Khoo Seng Giap	Malaysian	-	-	-	-
Tan Kim Chuan	Malaysian	38,000	0.3	-	-
Dato' Khoo Ah Chye	Malaysian	1,952,912	12.8	<sup>(2)</sup> 68,000	0.4
Neexon Khoo	Malaysian	48,000	0.3	-	-
Yoong Kam Sing	Malaysian	711,571	4.7	-	-
<b>Shareholders</b>					
HPMT Capital	Malaysia	9,415,494	62.0	-	-
Nora Virginia Scheidegger	Swiss	-	-	<sup>(1)</sup> 9,415,494	62.0
Ho Koon Leng	Malaysian	1,386,781	9.1	-	-
Lee Chih Hsien	Malaysian	822,387	5.4	-	-
Lim Hooi Kheng	Malaysian	467,265	3.1	-	-
Khoo Gee Keat	Malaysian	139,908	0.9	-	-
Gan Soh Fei	Malaysian	51,701	0.3	-	-
Hsu Chen Yun	Malaysian	50,000	0.3	-	-
Neeleng Khoo	Malaysian	48,000	0.3	-	-

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Name	Nationality/ Place of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
<b>Shareholders</b>					
Poong Keen Kiong	Malaysian	28,000	0.2	-	-
Neely Khoo	Malaysian	20,000	0.1	-	-
Wong Chew Kong	Malaysian	18,000	0.1	-	-

### Notes:

- (1) Deemed interested pursuant to Section 8(4)(c) of the CA 2016; held through HPMT Capital.
- (2) Deemed interested pursuant to Section 59(11)(c) of the CA 2016; held through his children, Neeleng Khoo and Neely Khoo.

### (ii) HPMT Capital

HPMT Capital, our Substantial Shareholder and Promoter, was incorporated as a private limited company in Malaysia on 13 January 2014 under the Companies Act 1965 and deemed registered under the CA 2016. As at the LPD, HPMT Capital's issued share capital is RM94,155 comprising 94,155 ordinary shares. As at the LPD, HPMT Capital holds 62.0% of the shares of Herroz Mechanical, our Substantial Shareholder. The principal activity of HPMT Capital is investment holding.

As at the LPD, the directors and shareholders of HPMT Capital are as follows:

Name	Nationality/ Place of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
<b>Directors</b>					
Ku He @ Khoo Yee Her	Malaysian	52,209	55.4	(1)4,639	4.9
Khoo Seng Giap	Malaysian	1,200	1.3	-	-
Khoo Seng Chee	Malaysian	1,200	1.3	-	-
<b>Shareholders</b>					
Nora Virginia Scheidegger	Swiss	30,407	32.3	-	-
Thierry Scheidegger	Swiss	4,500	4.8	-	-
Tan Morly @ Molly Tan	Malaysian	4,639	4.9	-	-

### Note:

- (1) Deemed interested pursuant to Section 59(11)(c) of the CA 2016; held through his wife, Tan Morly @ Molly Tan.

### (iii) Ku He @ Khoo Yee Her

The profile of Mr. Ku He @ Khoo Yee Her (our Promoter, Substantial Shareholder and Executive Chairman) is as set out in Section 5.2.2 of this Prospectus.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### (iv) Khoo Seng Giap

The profile of Mr. Khoo Seng Giap (our Promoter and Managing Director) is as set out in Section 5.2.2 of this Prospectus.

### (v) Dato' Khoo Ah Chye

The profile of Dato' Khoo Ah Chye (our Promoter and Non-Independent Non-Executive Director) is as set out in Section 5.2.2 of this Prospectus.

### (vi) Nora Virginia Scheidegger

Ms. Nora Virginia Scheidegger, a Swiss national aged 80, is an indirect Substantial Shareholder of our Company through her interests held in HPMT Capital which in turn holds Herroz Mechanical. She first invested in Herroz Mechanical in 1998, when she was allotted 1,056,470 shares amounting to 12.5% of the then total issued share capital of Herroz Mechanical. Over the years, she has further invested in Herroz Mechanical and been allotted further shares which together with her earlier investments amounted to 2,990,677 shares (comprising 19.7% of the total issued share capital) in Herroz Mechanical. In 2016, as part of an internal restructuring exercise, she received 30,407 shares in HPMT Capital, amounting to 32.3% of the total issued share capital in HPMT Capital, in return for the transfer of all her shares in Herroz Mechanical to HPMT Capital, resulting in her acquiring a deemed interest in Mec. Tech and its group of companies via her interest held in HPMT Capital which in turn holds Herroz Mechanical. She has been a housewife for over forty years and is not involved in the management and operations of HPMT Capital or our Group. Ms. Nora Virginia Scheidegger is the spouse of Mr. Thierry Scheidegger.

### 5.1.3 Changes in our Promoters' and Substantial Shareholders' shareholdings in our Company

The table below sets out the changes in our Promoters' and Substantial Shareholders' shareholdings in our Company since the date of incorporation up to and after our IPO:

Name	As at date of incorporation				After the Acquisitions			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	( <sup>1</sup> )(%)	No. of Shares	( <sup>1</sup> )(%)	No. of Shares	( <sup>2</sup> )(%)	No. of Shares	( <sup>2</sup> )(%)
<b>Promoters and Substantial Shareholders</b>								
Ku He @ Khoo Yee Her	-	-	( <sup>5</sup> )2	100.0	-	-	( <sup>5</sup> )245,420	97.0
HPMT Capital	-	-	( <sup>6</sup> )2	100.0	-	-	( <sup>6</sup> )245,420	97.0

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Name	As at date of incorporation				After the Acquisitions			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	( <sup>1</sup> )(%)	No. of Shares	( <sup>1</sup> )(%)	No. of Shares	( <sup>2</sup> )(%)	No. of Shares	( <sup>2</sup> )(%)
<b>Promoters</b>								
Dato' Khoo Ah Chye	-	-	-	-	-	-	-	-
Khoo Seng Giap	-	-	-	-	-	-	-	-
<b>Substantial Shareholders</b>								
Herroz Mechanical	2	100.0	-	-	245,420	97.0	-	-
Nora Virginia Scheidegger	-	-	( <sup>5</sup> )2	100.0	-	-	( <sup>5</sup> )245,420	97.0

Name	After our IPO <sup>(3)</sup>			
	Direct		Indirect	
	No. of Shares	( <sup>4</sup> )(%)	No. of Shares	( <sup>4</sup> )(%)
<b>Promoters and Substantial Shareholders</b>				
	( <sup>000</sup> )	( <sup>4</sup> )(%)	( <sup>000</sup> )	( <sup>4</sup> )(%)
Ku He @ Khoo Yee Her	300	0.1	( <sup>5</sup> )205,578	62.6
HPMT Capital	-	-	( <sup>6</sup> )205,578	62.6
<b>Promoters</b>				
Dato' Khoo Ah Chye	300	0.1	-	-
Khoo Seng Giap	300	0.1	-	-
<b>Substantial Shareholders</b>				
Herroz Mechanical	205,578	62.6	-	-
Nora Virginia Scheidegger	-	-	( <sup>5</sup> )205,578	62.6

### Notes:

- (1) Based on the total number of 2 Shares before the Acquisitions and our IPO.
- (2) Based on the total number of 252,936,000 Shares after the Acquisitions but before our IPO.
- (3) Assuming that our Directors, namely Ku He @ Khoo Yee Her, Khoo Seng Giap and Dato' Khoo Ah Chye, will fully subscribe for their respective entitlements under the Pink Form Allocations.
- (4) Based on the enlarged total number of 328,489,000 Shares after our IPO.
- (5) Deemed interested pursuant to Section 8(4)(c) of the CA 2016; held through HPMT Capital which in turn holds Herroz Mechanical.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

- (6) Deemed interested pursuant to Section 8(4)(c) of the CA 2016; held through Herroz Mechanical.

### 5.1.4 Persons exercising control over the corporation

Save for our Promoters and Substantial Shareholders, namely, Herroz Mechanical, HPMT Capital, Ku He @ Khoo Yee Her and Nora Virginia Scheidegger, there is no other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company.

## 5.2 BOARD OF DIRECTORS

Our Board as at the LPD and the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in that office as at the LPD are as follows:

<u>Name</u>	<u>Age</u>	<u>Nationality</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of expiry of current term of office</u>	<u>No. of years in service</u>
Ku He @ Khoo Yee Her	75	Malaysian	Executive Chairman	16.11.2017	At the AGM in 2020	1
Khoo Seng Giap	36	Malaysian	Managing Director	10.01.2018	At the AGM in 2019	1
Tan Kim Chuan	51	Malaysian	Executive Director/Chief Financial Officer	16.11.2017	At the AGM in 2019	1
Dato' Khoo Ah Chye	71	Malaysian	Non-Independent Non-Executive Director	10.01.2018	At the AGM in 2020	1
Peter Ho Kok Wai	60	Malaysian	Senior Independent Non-Executive Director	30.04.2018	At the AGM in 2020	Less than 1
Chua Put Moy (f)	64	Malaysian	Independent Non-Executive Director	19.10.2018	At the AGM in 2019	Less than 1
Lee Ee Sian	56	Malaysian	Independent Non-Executive Director	30.04.2018	At the AGM in 2019	Less than 1
Oei Kok Eong	66	Malaysian	Independent Non-Executive Director	30.04.2018	At the AGM in 2020	Less than 1

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### 5.2.1 Particulars and shareholdings

The details of our Directors and their shareholdings in our Company before and after our IPO assuming that our Directors (save for Peter Ho Kok Wai) will fully subscribe for their respective entitlements under the Pink Form Allocations are as follows:

Directors	Before our IPO				After our IPO <sup>(2)</sup>			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	( <sup>(1)</sup> %)	No. of Shares	( <sup>(1)</sup> %)	No. of Shares	( <sup>(3)</sup> %)	No. of Shares	( <sup>(3)</sup> %)
	( <sup>'000</sup> )		( <sup>'000</sup> )		( <sup>'000</sup> )		( <sup>'000</sup> )	
Ku He @ Khoo Yee Her	-	-	<sup>(4)</sup> 245,420	97.0	300	0.1	<sup>(4)</sup> 205,578	62.6
Khoo Seng Giap	-	-	-	-	300	0.1	-	-
Tan Kim Chuan	-	-	-	-	300	0.1	-	-
Dato' Khoo Ah Chye	-	-	-	-	300	0.1	-	-
Peter Ho Kok Wai	-	-	-	-	-	-	-	-
Chua Put Moy (f)	-	-	-	-	50	*	-	-
Lee Ee Sian	-	-	-	-	50	*	-	-
Oei Kok Eong	-	-	-	-	50	*	-	-

**Notes:**

\* Less than 0.1%.

(1) Based on the total number of 252,936,000 Shares after the Acquisitions but before our IPO.

(2) Save for Peter Ho Kok Wai who has indicated that he will not be subscribing for his allocated IPO Shares, assuming that other Directors will fully subscribe for their respective entitlements under the Pink Form Allocations.

(3) Based on the enlarged total number of 328,489,000 Shares after our IPO.

(4) Deemed interested pursuant to Section 8(4)(c) of the CA 2016; held through HPMT Capital which in turn holds Herroz Mechanical.

None of our Directors are representatives of corporate shareholders.



## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

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### 5.2.2 Profiles of our Directors

#### **Ku He @ Khoo Yee Her**

*Executive Chairman, Promoter and Substantial Shareholder*

Mr. Ku He @ Khoo Yee Her, a Malaysian aged 75, is our Executive Chairman and founder. He is responsible for the overall strategy and business direction of our Group and has almost 40 years of experience in the metalworking industry. He was appointed to our Board on 16 November 2017.

Mr. Ku He completed his Bachelor of Science from Victoria University of Wellington, New Zealand in 1968. In 1969, he began his career as a Chemist in Fusan Fishing Nets Manufacturing Bhd and his last held position in the company was as Production Manager. He left the company in 1974 and joined Nanfong Engineering Sdn Bhd in the same year as a Technical Sales Director. The company was an engineering company that specialised in metal fabrication and the construction of machinery. The company also carried out plant and machinery installation.

In 1978, he ventured out on his own and established Herroz to undertake trading of cutting tools as well as supporting equipment and accessories. Subsequently in 2000, he ventured into manufacturing of cutting tool.

Over the years, Mr. Ku He has played an integral role in the growth and development of our Group, designing and implementing our Group's strategy, with particular focus on sales and operational strategies and product development. Under his leadership, our Group has grown from a small cutting tools manufacturer into a cutting tools manufacturer which sells to more than 30 countries, mainly in Europe and Asia.

#### **Khoo Seng Giap**

*Managing Director and Promoter*

Mr. Khoo Seng Giap, a Malaysian aged 36, is our Managing Director. He is responsible for overseeing all the business operations and is also currently our Head of Sales & Marketing, and oversees the sales, marketing and product management departments of our Group, in which capacity he is tasked with developing and executing our sales and marketing strategies. He was appointed to the Board of our Company on 10 January 2018.

After completing his secondary education at Sekolah Menengah Kebangsaan Seafield, Subang Jaya in 2000, he began his career in HPMT Industries in August 2004 as a Sales Coordinator. He was responsible for handling customer orders, customer complaints, planning of deliveries and procurement of new customers. After that, he assumed the position of Warehouse and Logistics Manager in the same company in April 2006 where he was in charge of the daily operations of the warehouse and all logistics. He later assumed the role of Export and Marketing Manager in May 2008 within the company and was involved with planning of marketing strategies, international exhibitions, product catalogues and brochures.

In 2010, he was appointed as Director of Operations of HPMT Industries, where he was in charge of the company's manufacturing and sales. In January 2016, he assumed his current position as our Managing Director.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

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### **Tan Kim Chuan**

*Executive Director/Chief Financial Officer*

Mr. Tan Kim Chuan, a Malaysian aged 51, is our Executive Director/Chief Financial Officer of our Group. He is responsible for financial and accounting management of the Group. He is also responsible for the treasury functions, operational risk management, purchasing for non-trading activities and information system and security of our Malaysian Subsidiaries. He was appointed to our Board on 16 November 2017.

Mr. Tan is currently a member of the Malaysian Institute of Accountants (“MIA”). He joined Messrs. Hew & Tan, an auditing firm, as an Audit Assistant in December 1991. He left the firm in March 1993 to study for professional exams for his accounting profession. He then joined Wing Tiek Ductile Iron Pipe Sdn Bhd in September 1993 as an Accounts Officer, where he was primarily involved in handling the book keeping functions of the company. Thereafter, he transferred to Wing Tiek Metal Industries Sdn Bhd as an Assistant Accountant in November 1994. In February 1997, he became the Treasury Manager of Wing Tiek Holdings Bhd, being the holding company for both Wing Tiek Ductile Iron Pipe Sdn Bhd and Wing Tiek Metal Industries Sdn Bhd. In July 1997, he left Wing Tiek Holdings Bhd to join United Challenge Sdn Bhd (a member of Lung Kee Group) as Finance Manager, where he was responsible for the company’s accounts and human resource and administrative functions. He left United Challenge Sdn Bhd to join Mec. Tech, being the then holding company of both HPMT Industries and Herroz, as a Financial Controller in September 2004 to oversee the finance and accounting management, treasury functions, operational risk management, purchasing for non-trading activities and information system and security of Mec. Tech and its group of companies.

In August 2010, he became the Chief Financial Officer of our Group where he is responsible for the finance and accounting management of our Group and for overseeing the risk management, purchasing for non-trading activities and information system and security of our Malaysian Subsidiaries.

### **Dato’ Khoo Ah Chye**

*Non-Independent Non-Executive Director and Promoter*

Dato’ Khoo Ah Chye, a Malaysian aged 71, is the Non-Independent Non-Executive Director of our Company. He was appointed to our Board on 10 January 2018.

After completing his secondary education at Tong Institute Klang in 1968, he began his career in May 1969 by joining Fusan Fishing Net Manufacturing Bhd as a Mechanic.

In 1978, he ventured into a partnership with his brother, Mr. Khoo Gee Keat, to provide electrical engineering installation and maintenance services for a variety of clients and sectors including palm oil mills, water treatment plants, industrial plants and housing estates. The partnership was subsequently dissolved and this business was subsequently carried out via a private limited company known as Ing Heng Electrical Engineering Sdn Bhd, which was established in 1982. His role as the Director of the company included leading the strategic development and managing the overall business of the company. He resigned from the company in 2012.

In 2006, he and his brother, Mr. Khoo Gee Keat went into the credit business via a private limited company known as Ing Heng Credit & Leasing Sdn Bhd. The company focuses on the hire purchase of used industrial equipment, heavy machineries, construction machineries and logistics machineries. His role as the Director of the company included leading the strategic development and managing the overall business of the company. He holds the position of Director of Ing Heng Credit & Leasing Sdn Bhd as at the LPD.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

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### **Peter Ho Kok Wai**

*Senior Independent Non-Executive Director*

Mr. Peter Ho Kok Wai, a Malaysian aged 60, is the Senior Independent Non-Executive Director of our Company. He was appointed to our Board on 30 April 2018 and is the chairman of our Audit and Risk Management Committee and a member of our Remuneration Committee and Nomination Committee.

Mr. Ho has been a member of the MIA since 1993, fellow of the Institute of Chartered Accountants in England and Wales (“**ICAEW**”) since 1984 and a member of the Malaysian Institute of Certified Public Accountants (“**MICPA**”) since 2010. He was also a member of the Issues Committee of the Malaysian Accounting Standards Board (“**MASB**”) from 2005 to 2014 and a member of the Practice Review Committee of MIA from 2006 to 2012.

Mr. Ho began his career as an Auditor at Everett Pinto & Co. (now known as Finnie & Co.) in London in 1979. In 1986, he left the firm and on 16 January 1987, joined KPMG PLT (“**KPMG**”) in Kuala Lumpur as an Audit Senior. He rose through the ranks to the position of head of one of the two audit departments of KPMG in July 1992, where he was involved in audit and non-audit work (e.g. asset and company valuations, due diligence reviews, financial and regulatory compliance work and forensic accounting) as well as managing and liaising with clients and regulators.

He was transferred to KPMG in Ipoh in January 1993 to head the branch, which provided both audit and tax services. Mr. Ho was promoted to the position of Partner of KPMG in April 1995 and continued to head the Ipoh branch until end of 2005. During this period, he acted as the engagement partner in various initial public offering exercises and provided special reviews of manufacturing, plantation and infrastructure companies. In January 2006, he transferred back to KPMG in Kuala Lumpur and headed the Audit and Accounting Committee of KPMG Malaysia, in which his responsibilities included interpreting audit and accounting standards applications as well as staff training.

Mr. Ho remained with KPMG until his retirement from KPMG in December 2014.

Mr. Ho is currently an Independent Non-Executive Director of Hong Leong Industries Berhad, Hong Leong Capital Berhad, GuocoLand (Malaysia) Berhad, Sapura Resources Berhad, Allianz General Insurance Company (Malaysia) Berhad and Allianz Life Insurance Malaysia Berhad.

### **Chua Put Moy (f)**

*Independent Non-Executive Director*

Ms. Chua Put Moy, a Malaysian, aged 64, is our Independent Non-Executive Director. She was appointed to our Board on 19 October 2018 and is a member of our Audit and Risk Management Committee, Remuneration Committee and Nomination Committee. She has extensive experience in accounting and finance and human resource.

She graduated from the University of Liverpool, United Kingdom in July 1978 with a First-Class Honours in Computational and Statistical Science. She is currently a member of ICAEW and MIA.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

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Ms. Chua began her career at Ernst & Young in the United Kingdom from October 1978 to September 1982 as an Audit Executive, before joining PricewaterhouseCoopers in Malaysia as a Qualified Accountant from October 1982 to July 1983. In August 1983, she joined Genting Berhad where she served in various capacities including as the Group Management Accountant and Head Office Personnel & Administration Manager. She also served as a member of the Remuneration & Compensation Board Committees of Genting Berhad, Resorts World Berhad (now known as Genting Malaysia Berhad) and Asiatic Development Berhad (now known as Genting Plantations Berhad), all of which are part of Genting Group. She left Genting Group in 1993 and took a career break until 1995.

In January 1995, she was appointed as a consultant on a retainer basis as a Regional Project Advisor with Organisation Renewal Inc. Sdn Bhd, a company principally involved in strategic change management, until September 2002. She subsequently re-joined Genting Group as Senior Vice President of Human Resources and Information Technology of Genting Sanyen Industrial Paper Sdn Bhd. She left Genting Sanyen Industrial Paper Sdn Bhd in June 2004.

She then joined VXL Management Sdn Bhd, which is part of VXL Group, an international investment house, from July 2004 to September 2005 as the Executive Director of the Finance, Investment & Human Resources Division.

From October 2005 until December 2005, she spent some time learning Mandarin at the Tianjin Chinese Language Centre in China. She then joined PricewaterhouseCoopers in Beijing, China in January 2006 as the Associate Director of Tax and Advisory Business Development. She left PricewaterhouseCoopers in September 2009.

From October 2009 to May 2010, she served as the Asia Pacific Human Resources Director at Avery Dennison Hong Kong BV, a company principally involved in the manufacture and distribution of display graphics, labelling and packaging materials, retail graphic embellishments and radio-frequency identification tags.

She subsequently joined Paramount Corporation Berhad in June 2010 as Special Project Director/Director of Business Services and Group Corporate Planner/Human Resource Director until July 2013. She was also appointed as the Chief Executive Officer of KDU University College Sdn Bhd, a subsidiary of Paramount Corporation Berhad, in September 2011 until her retirement in July 2013.

Presently, she is an Independent Non-Executive Director of GuocoLand (Malaysia) Berhad, the property arm of Hong Leong Group listed on the Main Market of Bursa Securities, a position that she has held since her appointment in August 2016.

She was also appointed as a member of GuocoLand (Malaysia) Berhad's Board Audit & Risk Management Committee on 30 April 2018. She is also an Independent Non-Executive Director of Mattan Berhad, a company principally involved in providing engineering, procurement, construction and commissioning solutions for renewable energy infrastructure, since her appointment on 14 September 2018.

### **Lee Ee Sian**

*Independent Non-Executive Director*

Mr. Lee Ee Sian, a Malaysian aged 56, is our Independent Non-Executive Director of our Company. He was appointed to our Board on 30 April 2018 and is the chairman of our Remuneration Committee and Nomination Committee.

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT**

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Mr. Lee graduated from the University of Malaya with a Bachelor of Science with Education (Honors) in 1988. He began his career as sales personnel in 1988 in Herroz and his last held position in the company was as a Sales Manager in 1991. In March 1991, he joined Sandvik Malaysia Sdn Bhd as the metal cutting tools Business Unit Manager. He moved to Sandvik China Limited in March 1998 to assume the post of National Sales Manager for Sandvik Coromant branded cutting tools in China and was promoted to General Manager in January 1999. In July 2013, he was promoted to the position of President of the business operations for Sandvik Coromant branded cutting tools in Asia Pacific. He continued to carry out the same roles and functions after relocating to Sandvik South East Asia Pte Ltd in Singapore in June 2014. He left the company in June 2016.

In December 2016, Mr. Lee joined Festo Pte Ltd, which is based in Singapore, as Managing Director cum Head of Sales Cluster for Southeast Asia and the Pacific (Australia and New Zealand), where he is in charge of the Festo group's overall pneumatic and electric automation business in South East Asia and the Pacific (Australia and New Zealand) and is currently still engaged in such position. He is currently also a director of Festo Sdn Berhad, Festo Pty Ltd (which is based in Australia), Festo Limited (which is based in Thailand) and Festo Inc. (which is based in the Philippines).

**Oei Kok Eong**

*Independent Non-Executive Director*

Mr. Oei Kok Eong, a Malaysian aged 66, is the Independent Non-Executive Director of our Company. He was appointed to the Board of our Company on 30 April 2018 and is a member of our Audit and Risk Management Committee, Remuneration Committee and Nomination Committee.

Mr. Oei completed his Bachelor of Engineering (Mechanical) from the University of Singapore (currently known as the National University of Singapore) in 1977. He began his career as a Project and Maintenance Engineer with Jardine Parrish (Singapore) Pte Ltd in Singapore in July 1977. He then returned to Malaysia and joined Tobacco Importers & Manufacturers Sdn Bhd, a company involved in the manufacturing of cigarettes, as management trainee in September 1979 and his last held position in the company was as a Production Manager in July 1983. He then joined Kayaba (Malaysia) Sdn Bhd as Operations Manager in August 1983. He was later promoted to General Manager cum Director of the company in 1989, where he was responsible for the overall business operations of the company. In November 2004, he joined Autoliv Hirotako Sdn Bhd as Chief Operating Officer, whereby he was responsible for the business operations of the two subsidiaries of the group involved in the manufacturing of Safety Restraint Systems and steering wheels. He left the company in October 2006. In November 2006, he was appointed as an Executive Director of APM Holdings Berhad, a manufacturer of automotive parts, where he was responsible for the overseas operations of its group until his retirement in July 2011. Since 2012, Mr. Oei has been coaching business owners and chief executive officers in association with Vistage Malaysia Sdn Bhd.

He is a founding member of the Toyota Suppliers' Club in 2002 and was the Chairman of the committee relating to the club's lean manufacturing activities from 2006 to 2011. Mr. Oei was also the founding Chair of the Malaysian Chapter of the Society of Automotive Engineers in 2000 and was a member until 2003.

He has been a director of K E Operations Sdn Bhd since April 2013. He is currently an Independent Non-Executive Director of SMIS Corporation Berhad and New Hoong Fatt Holdings Berhad.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### 5.2.3 Principal directorships and principal business activities of our Directors outside our Group

The following table sets out the principal directorships as at the LPD (“**Present Directorships**”) of our Directors and those which were held within the past 5 years up to the LPD (“**Previous Directorships**”), as well as their involvement in principal business activities outside our Group as at the LPD:

#### (i) Ku He @ Khoo Yee Her

Company	Principal business activities	Position held	Date appointed	Date resigned	Equity interest held	
					Direct (%)	Indirect (%)
<b>Present Directorships</b>						
Mec. Tech <sup>(1)(2)</sup>	Investment holding	Director	31.10.1985	-	-	<sup>(3)</sup> 100.0
Smart Suncity Sdn Bhd <sup>(1)</sup>	Property investment	Director	17.02.2016	-	-	<sup>(3)(4)</sup> 51.5
Sunrise Rigid Machinery Sdn Bhd <sup>(1)</sup>	Property investment holding	Director	23.12.2013	-	-	<sup>(3)</sup> 51.0
HPMT Capital <sup>(1)</sup>	Investment holding	Director	13.01.2014	-	55.4	<sup>(5)</sup> 4.9
MTTS <sup>(2)</sup>	In the process of winding up	Director	18.01.1994	-	-	<sup>(6)</sup> 100.0
Herroz Mechanical <sup>(1)</sup>	Investment holding, provision of management services and property investment	Director	08.12.1998	-	-	<sup>(7)</sup> 62.0
Smart Sun City (HK) Ltd <sup>(1)</sup>	Property investment	Director	26.01.2018	-	-	<sup>(8)</sup> 51.0
Sunrise Rigid Sdn Bhd <sup>(1)</sup>	Property investment holding	Director	26.09.2018	-	-	<sup>(3)</sup> 51.0
<b>Previous Directorships</b>						
MTC (Guangzhou) Tooling Systems Ltd	Dormant	Director	27.08.2001	30.03.2018	-	-

#### Notes:

- (1) HPMT Capital, our Promoter, is the holding company of Herroz Mechanical, which in turn is the Substantial Shareholder of our Company. Being an investment holding company, Herroz Mechanical also owns other subsidiaries, namely Mec. Tech, Smart Suncity Sdn Bhd, Sunrise Rigid Sdn Bhd, Sunrise Rigid Machinery Sdn Bhd and Smart Sun City (HK) Ltd.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

- (2) Mec. Tech is an investment holding company. As at the LPD, other than MTTTS, Mec. Tech does not have any other subsidiaries or associated companies.
- (3) Deemed interested pursuant to Section 8(4)(c) of the CA 2016; held through HPMT Capital which in turn holds Herroz Mechanical.
- (4) Deemed interested pursuant to Section 59(11)(c) of the CA 2016; held through his child, Khoo Seng Giap.
- (5) Deemed interested pursuant to Section 59(11)(c) of the CA 2016; held through his wife, Tan Morly @ Molly Tan.
- (6) Deemed interested pursuant to Section 8(4)(c) of the CA 2016; held through Herroz Mechanical which in turn holds Mec. Tech.
- (7) Deemed interested pursuant to Section 8(4)(c) of the CA 2016; held through HPMT Capital.
- (8) Deemed interested pursuant to Section 8(4)(c) of the CA 2016; held through Herroz Mechanical which in turn holds Smart Sun City (HK) Ltd.

### (ii) Khoo Seng Giap

Company	Principal business activities	Position held	Date appointed	Date resigned	Equity interest held	
					Direct (%)	Indirect (%)
<b>Present Directorships</b>						
MTTS <sup>(2)</sup>	In the process of winding up	Director	03.08.2010	-	-	-
HPMT Capital <sup>(1)</sup>	Investment holding	Director	07.04.2016	-	1.3	-
Herroz Mechanical <sup>(1)</sup>	Investment holding, provision of management services and property investment	Director	03.08.2010	-	-	-
Mec. Tech <sup>(1)(2)</sup>	Investment holding	Director	03.08.2010	-	-	-
<b>Previous Directorships</b>						
PT. HPMT Artoda Indonesia	Industrial machinery and tools for metal working	Director	21.03.2013	16.04.2018	-	-
<b>Other business involvement outside our Group</b>						
Smart Suncity Sdn Bhd <sup>(1)</sup>	Property investment	-	-	-	0.5	-

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### Notes:

- (1) HPMT Capital, our Promoter, is the holding company of Herroz Mechanical, which in turn is the Substantial Shareholder of our Company. Being an investment holding company, Herroz Mechanical also owns other subsidiaries, namely Mec. Tech, Smart Suncity Sdn Bhd, Sunrise Rigid Sdn Bhd, Sunrise Rigid Machinery Sdn Bhd and Smart Sun City (HK) Ltd.
- (2) Mec. Tech is an investment holding company. As at the LPD, other than MTTTS, Mec. Tech does not have any other subsidiaries or associated companies.

### (iii) Tan Kim Chuan

Company	Principal business activities	Position held	Date appointed	Date resigned	Equity interest held	
					Direct (%)	Indirect (%)
<b>Present Directorships</b>						
MTTS <sup>(2)</sup>	In the process of winding up	Director	03.08.2010	-	-	-
Herroz Mechanical <sup>(1)</sup>	Investment holding, provision of management services and property investment	Director	03.08.2010	-	0.3	-
Mec. Tech <sup>(1)(2)</sup>	Investment holding	Director	03.08.2010	-	-	-
Smart Sun City (HK) Ltd <sup>(1)</sup>	Property investment	Director	26.01.2018	-	-	-
<b>Previous Directorships</b>						
MTC (Guangzhou) Tooling Systems Ltd	Dormant	Director	27.10.2015	30.03.2018	-	-
PT. HPMT Artoda Indonesia	Industrial machinery and tools for metal working	Director	21.03.2013	16.04.2018	-	-

### Notes:

- (1) HPMT Capital, our Promoter, is the holding company of Herroz Mechanical, which in turn is the substantial shareholder of our Company. Being an investment holding company, Herroz Mechanical also owns other subsidiaries, namely Mec. Tech, Smart Suncity Sdn Bhd, Sunrise Rigid Sdn Bhd, Sunrise Rigid Machinery Sdn Bhd and Smart Sun City (HK) Ltd.
- (2) Mec. Tech is an investment holding company. As at the LPD, other than MTTTS, Mec. Tech does not have any other subsidiaries or associated companies.



**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT**
**(iv) Dato' Khoo Ah Chye**

Company	Principal business activities	Position held	Date appointed	Date resigned	Equity interest held	
					Direct (%)	Indirect (%)
<b>Present Directorships</b>						
MTTS	In the process of winding up	Director	19.07.2007	-	-	-
Ing Heng Holdings Sdn Bhd	Property investment holding	Director	27.07.1989	-	45.0	-
Ing Heng Credit & Leasing Sdn Bhd	Hire purchase financing and loan financing	Director	24.01.1985	-	45.0	-
Herroz Mechanical <sup>(1)</sup>	Investment holding, provision of management services and property investment	Director	16.02.1998	-	12.8	<sup>(2)</sup> 0.4
Ing Heng Corporation Sdn Bhd	Property investment holding	Director	16.01.2007	-	30.0	<sup>(2)</sup> 20.0
Smart Suncity Sdn Bhd <sup>(1)</sup>	Property investment	Director	17.02.2016	-	-	<sup>(3)</sup> 14.5
Sunrise Rigid Machinery Sdn Bhd <sup>(1)</sup>	Property investment holding	Director	23.12.2013	-	-	<sup>(4)</sup> 49.0
Ing Heng Properties Sdn Bhd	Property investment holding	Director	19.08.2009	-	30.0	<sup>(5)</sup> 10.0
Sunrise Rigid Sdn Bhd <sup>(1)</sup>	Property investment holding	Director	26.09.2018	-	-	<sup>(3)</sup> 15.3
<b>Previous Directorships</b>						
HPMT Capital <sup>(1)</sup>	Investment holding	Director	13.01.2014	08.04.2016	-	-
Duopharma Properties Sdn Bhd	Property developer	Director	15.12.2011	28.07.2018	15.0	-

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### Notes:

- (1) HPMT Capital, our Promoter, is the holding company of Herroz Mechanical, which in turn is the substantial shareholder of our Company. Being an investment holding company, Herroz Mechanical also owns other subsidiaries, namely Mec. Tech, Smart Suncity Sdn Bhd, Sunrise Rigid Sdn Bhd, Sunrise Rigid Machinery Sdn Bhd and Smart Sun City (HK) Ltd.
- (2) Deemed interested pursuant to Section 59(11)(c) of the CA 2016; held through his children, Neely Khoo and Neeleng Khoo.
- (3) Deemed interested pursuant to Section 8(4)(c) of the CA 2016; held through Ing Heng Corporation Sdn Bhd.
- (4) Deemed interested pursuant to Section 8(4)(c) of the CA 2016; held through Ing Heng Properties Sdn Bhd.
- (5) Deemed interested pursuant to Section 59(11)(c) of the CA 2016; held through his children, Neexon Khoo, Neecia Khoo, Neely Khoo and Neeleng Khoo.

### (v) Peter Ho Kok Wai

Company	Principal business activities	Position held	Date appointed	Date resigned	Equity interest held	
					Direct (%)	Indirect (%)
<b>Present Directorships</b>						
Hong Leong Industries Berhad <sup>(1)</sup>	Investment holding	Independent Non-Executive Director	03.06.2015	-	-	-
Hong Leong Capital Berhad <sup>(2)</sup>	Investment holding	Independent Non-Executive Director	20.12.2018	-	-	-
GuocoLand (Malaysia) Berhad	Property investment holding and provision of management services	Independent Non-Executive Director	20.08.2015	-	-	-
Sapura Resources Berhad <sup>(3)</sup>	Investment holding and property investment	Independent Non-Executive Director	19.01.2016	-	-	-
PH Advisory Sdn Bhd	Management consultancy	Director	01.05.2006	-	51.1	-
HRP Solutions Sdn Bhd	Provision of management or supervision of employees in any business or organisation	Director	01.01.2015	-	50.0	-

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Company	Principal business activities	Position held	Date appointed	Date resigned	Equity interest held	
					Direct (%)	Indirect (%)
<b>Present Directorships</b>						
Allianz General Insurance Company (Malaysia) Berhad	Underwriting of all classes of general insurance business	Independent Non-Executive Director	01.08.2018	-	-	-
Allianz Life Insurance Malaysia Berhad	Underwriting of life insurance and investment linked business	Independent Non-Executive Director	01.08.2018	-	-	-
<b>Previous Directorships</b>						
Rahman Hydraulic Tin Sdn Bhd	Tin mining	Director	07.10.2016	17.05.2017	-	-
Malaysia Smelting Corporation Berhad <sup>(4)</sup>	Investment holding	Independent Non-Executive Director	23.03.2016	17.05.2017	-	-

### Notes:

- (1) Being an investment holding company, Hong Leong Industries Berhad, through its subsidiaries, is also involved in the manufacture, assembly and distribution of motorcycles, scooters and related parts and products, manufacturing and sale of ceramic tiles as well as distribution, trading and provision of services in marine related products, and manufacturing and sale of fibre cement and concrete roofing products.
- (2) Being an investment holding company, Hong Leong Capital Berhad, through its subsidiaries, is also involved in investment banking, stockbroking business, futures broking, related financial services, nominees and custodian services, unit trust management, fund management and sale of unit trusts.
- (3) Being an investment holding and property investment company, Sapura Resources Berhad, through its subsidiaries, is also involved in the sale of food and beverages.
- (4) Being an investment holding company, Malaysia Smelting Corporation Berhad is involved the smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal under the MSC brand name and the sales and delivery of refined tin metal and by-products.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### (vi) Chua Put Moy (f)

Company	Principal business activities	Position held	Date appointed	Date resigned	Equity interest held	
					Direct (%)	Indirect (%)
<b>Present Directorships</b>						
GuocoLand (Malaysia) Berhad	Property investment holding and provision of management services	Independent Non-Executive Director	01.08.2016	-	-	-
Mattan Berhad	Providing engineering, procurement, construction and commissioning solutions for renewable energy infrastructure	Independent Non-Executive Director	14.09.2018	-	-	-

### (vii) Oei Kok Eong

Company	Principal business activities	Position held	Date appointed	Date resigned	Equity interest held	
					Direct (%)	Indirect (%)
<b>Present Directorships</b>						
K E Operations Sdn Bhd	Providing training and consultancy services	Director	19.04.2013	-	90.0	-
SMIS Corporation Berhad <sup>(1)</sup>	Investment holding	Independent Non-Executive Director	21.11.2014	-	-	-
New Hoong Fatt Holdings Berhad <sup>(2)</sup>	Investment holding and provision for management services	Independent Non-Executive Director	01.01.2019	-	-	-
<b>Other business involvement outside our Group</b>						
Shopper360 Ltd	Provides digital and non-digital in-store advertising mediums and provides merchandiser, sales force, talent management and supervisory services	-	-	-	0.3	-

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### Notes:

- (1) Being an investment holding company, SMIS Corporation Berhad, through its subsidiaries, is also involved in trading of carpet of all descriptions, manufacturing of automotive braking components and motorcycle components, trading of machinery and industrial parts supplies, manufacturing and trading of carpet of all descriptions, and manufacturing and selling of automotive floor carpet assy, trunk trims and luggage mats.
- (2) Being an investment holding company, New Hoong Fatt Holdings Berhad, through its subsidiaries, is also involved in marketing, distribution and trading of automotive parts and accessories, exporting, importing, distribution and marketing of automotive parts and accessories, manufacturing of moulds and dies and provision of injection services.

### (viii) Lee Ee Sian

Company	Principal business activities	Position held	Date appointed	Date resigned	Equity interest held	
					Direct (%)	Indirect (%)
<b>Present Directorships</b>						
Festo Sdn Berhad	Wholesaler in pneumatic and electronic equipment, the provision of technical training in the application of control engineering and the design and installation of control systems	Director	13.01.2017	-	-	-
Festo Pte Ltd	Manufacture and sale of pneumatic cylinders and trading of didactic products, pneumatic and electronic components	Director	18.01.2017	-	-	-
Festo Pty Ltd	Importation, assembly and distribution of industrial automation components and systems	Director	19.07.2017	-	-	-
Festo Limited	See note (1)	Director	14.01.2019	-	-	-
Festo Inc	See note (2)	Director	31.03.2019	-	*	-

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Company	Principal business activities	Position held	Date appointed	Date resigned	Equity interest held	
					Direct (%)	Indirect (%)
<b>Previous Directorships</b>						
Sandvik South East Asia Pte Ltd	General wholesale trade (including general importers and exporters), and wholesale on a fee or contract basis (e.g. commission agents)	Director	15.06.2015	15.06.2016	-	-

### Notes:

\* Negligible.

- (1) Retails of pneumatic equipment and parts, didactic products and the controlling and processing software of the didactic products as well as any spare parts of products under trademark "FESTO" which are manufactured by the affiliated companies in the foreign countries to the industrial entrepreneurs, governmental agency and educational institution.
- (2) A company engaged in the purchase, importation and sale at wholesale as allowed by law of pneumatic control elements and all related products and components, machinery, tools, apparatus, accessories, instruments, devices, appliances, installation and system including pneumatic cylinders, components, control systems and equipment made to customer's specification arid in the re-exportation of the aforesaid pneumatic control elements, products and components and related equipment to the Asia-Pacific region and other similar markets and the rendering of technical know-how and services in relation with such products and manufactured components and systems and the conducting of educational lectures, seminars, training in classes and on the job in the field of pneumatic technology and closely related fields in the Philippines and to the Asia-Pacific region and to buy, sell, design, repair, convert, assemble, improve, develop, hire, lease, deal in, import and export machinery, components, control systems and equipment of every description used for the purposes hereinabove set forth.

The involvement of our Directors in those business activities outside our Group will not affect their contributions to our Group. The involvement of our Executive Directors in those business activities outside our Group are not expected to require a significant amount of their time or attention or adversely affect the operations of our Group, as these companies are either property investment holding companies involved in property investment (namely, Smart Suncity Sdn Bhd, Sunrise Rigid Sdn Bhd, Sunrise Rigid Machinery Sdn Bhd and Smart Sun City (HK) Ltd) or investment holding companies (namely, HPMT Capital, Herroz Mechanical and Mec. Tech), and accordingly do not have day-to-day business operations. HPMT Capital is the holding company of Herroz Mechanical, which in turn owns Mec. Tech, Smart Suncity Sdn Bhd, Sunrise Rigid Sdn Bhd, Sunrise Rigid Machinery Sdn Bhd and Smart Sun City (HK) Ltd. As at the LPD, other than MTTTS (which is in the process of winding up), Mec. Tech does not have any other subsidiaries or associated companies.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### 5.2.4 Directors' remuneration and material benefits-in-kind

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 2018 and FYE 2019 are as follows:

#### FYE 2018

<b>Executive Directors</b>	<b>Director's fees</b>	<b>Salaries</b>	<b>Bonuses</b>	<b>Benefits-in-kind</b>	<b>Total</b>
	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>
Ku He @ Khoo Yee Her	(1)36,000	972,000	468,600	-	1,476,600
Khoo Seng Giap	(1)36,000	399,840	115,270	17,400	568,510
Tan Kim Chuan	(1)36,000	313,500	115,270	11,100	475,870
<b>Non-Executive Directors</b>	<b>Director's fees</b>	<b>Salaries</b>	<b>Bonuses</b>	<b>Meeting allowances</b>	<b>Total</b>
	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>
Dato' Khoo Ah Chye	36,000	-	-	1,000	37,000
Chua Put Moy (f)	9,000	-	-	-	9,000
Lee Ee Sian	27,000	-	-	1,000	28,000
Oei Kok Eong	27,000	-	-	1,000	28,000
Peter Ho Kok Wai	27,000	-	-	1,000	28,000

#### Note:

(1) Director's fees drawn in subsidiaries.

#### Proposed for FYE 2019

<b>Executive Directors</b>	<b>Director's fees</b>	<b>Salaries</b>	<b>Benefits-in-kind</b>	<b>(1)Total</b>	<b>(1)Actual amounts paid up to and including the LPD</b>
	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>
Ku He @ Khoo Yee Her	36,000	972,000	-	1,008,000	247,500
Khoo Seng Giap	36,000	447,120	17,400	500,520	125,130
Tan Kim Chuan	36,000	346,800	11,100	393,900	98,475

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Non-Executive Directors	Director's fees	Salaries	Meeting allowances	Total	Actual amounts paid up to and including the LPD
	(RM)	(RM)	(RM)	(RM)	(RM)
Dato' Khoo Ah Chye	36,000	-	2,500	38,500	9,000
Peter Ho Kok Wai	41,000	-	5,500	46,500	9,000
Chua Put Moy (f)	36,000	-	5,500	41,500	9,000
Lee Ee Sian	41,000	-	3,500	44,500	9,000
Oei Kok Eong	36,000	-	5,500	41,500	9,000

**Note:**

- (1) Excludes bonuses which will be paid to our Executive Directors on a discretionary basis.

### 5.2.5 Board practices

Our Board is responsible to lead and manage our Company in an effective and responsible manner and all the Directors have an equal responsibility for our operations and corporate accountability.

Our Board shall have all powers necessary for managing and for directing and supervising the management of the business and affairs of our Company, including but not limited to establishing and reviewing the strategic direction and plans, monitoring the implementation of strategic plans, reviewing the financial results, identifying and evaluating business risks and ensuring implementation of a managed sound risk management framework, reviewing the adequacy and integrity of the internal control system and establishment of succession plans for our Board members and senior management.

The members of our Board are as set out in Section 5.2 of this Prospectus.

#### 5.2.5.1 Audit and Risk Management Committee

The main functions of the Audit and Risk Management Committee will fall within the ambit of the Listing Requirements.

In fulfilling its primary objectives, the Audit and Risk Management Committee undertakes, among others, the following, which is a summary of its responsibilities and duties as stated in the terms of reference:

**(i) External audit**

To consider the nomination and appointment/re-appointment, resignation of external auditors, to review the Audit Planning Memorandum and audit findings, to review their independence and competency and to review contracts for the provision of non-audit services by the external auditors.



## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

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### (ii) Internal audit

To review adequacy of scope, functions competency, performance and resources of the internal audit function, the performance and competency of the internal auditors if the internal audit function is outsourced, to review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function and review and approve any appointment, termination or resignation of the firm of internal auditors.

### (iii) Risk management

To review the adequacy of our risk management framework and assess the resources and knowledge of our management and employee involved in the risk management process, to review the effectiveness of internal control systems deployed by the Management to address those risks; to review and further monitor principal risks that may affect us directly or indirectly that if deemed necessary, recommend additional course of action to mitigate such risks and to assess the actual and potential impact of any failing or weakness, particularly those related to financial performance or conditions affecting us.

### (iv) Financial reporting

To review our quarterly results, year-end annual financial statements of our Group and annual report and to provide advice on whether the financial statements taken as a whole provide a true and fair view of our financial position and performance.

### (v) Others

To review and report to our Board any related party transaction and conflict of interest situation that may arise within our Group including any transaction, procedure or course of conduct that raises questions of management integrity, to review our procedures for detecting fraud and whistle-blowing policy and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters, and to consider and examine any other functions the Audit and Risk Management Committee considers appropriate or as instructed by our Board.

The composition of the Audit and Risk Management Committee is as follows:

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
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

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### 5.2.5.2 Remuneration Committee

In fulfilling its primary objectives, the Remuneration Committee undertakes, amongst others, consider the scope of service agreements and remuneration of our Executive Directors, review and make recommendations on director's fees and other remuneration of Non-Executive Directors and Independent Directors linking the level of remuneration to their level of responsibilities and contribution, review and make recommendations to the respective boards of directors of our Group on the remuneration policies and packages of Executive Directors, Managing Director and Key Senior Management of our Group, oversee any major changes in employee remuneration and benefit structures throughout our Group and to review policy governing the remuneration of directors as well as policies governing remuneration and promotion of Key Senior Management of our Group from time to time.

The composition of the Remuneration Committee is as follows:

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Lee Ee Sian	Chairman	Independent Non-Executive Director
Peter Ho Kok Wai	Member	Senior Independent Non-Executive Director
Oei Kok Eong	Member	Independent Non-Executive Director
Chua Put Moy (f)	Member	Independent Non-Executive Director

### 5.2.5.3 Nomination Committee

In fulfilling its primary objectives, the Nomination Committee undertakes, among others, to assess and recommend to our Board, candidates for all directorships to be filled by the shareholders or our Board, to review Board and senior management's succession plans and make recommendations to our Board on succession planning policy for management, to assess the effectiveness and performance of our Board as a whole, the committees of our Board, as well as the contribution/performance of each individual Director, including Non-Executive Directors and Executive Directors, to examine the size of our Board, the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors should bring to our Board and to review the independence and terms of office of the Independent Directors.

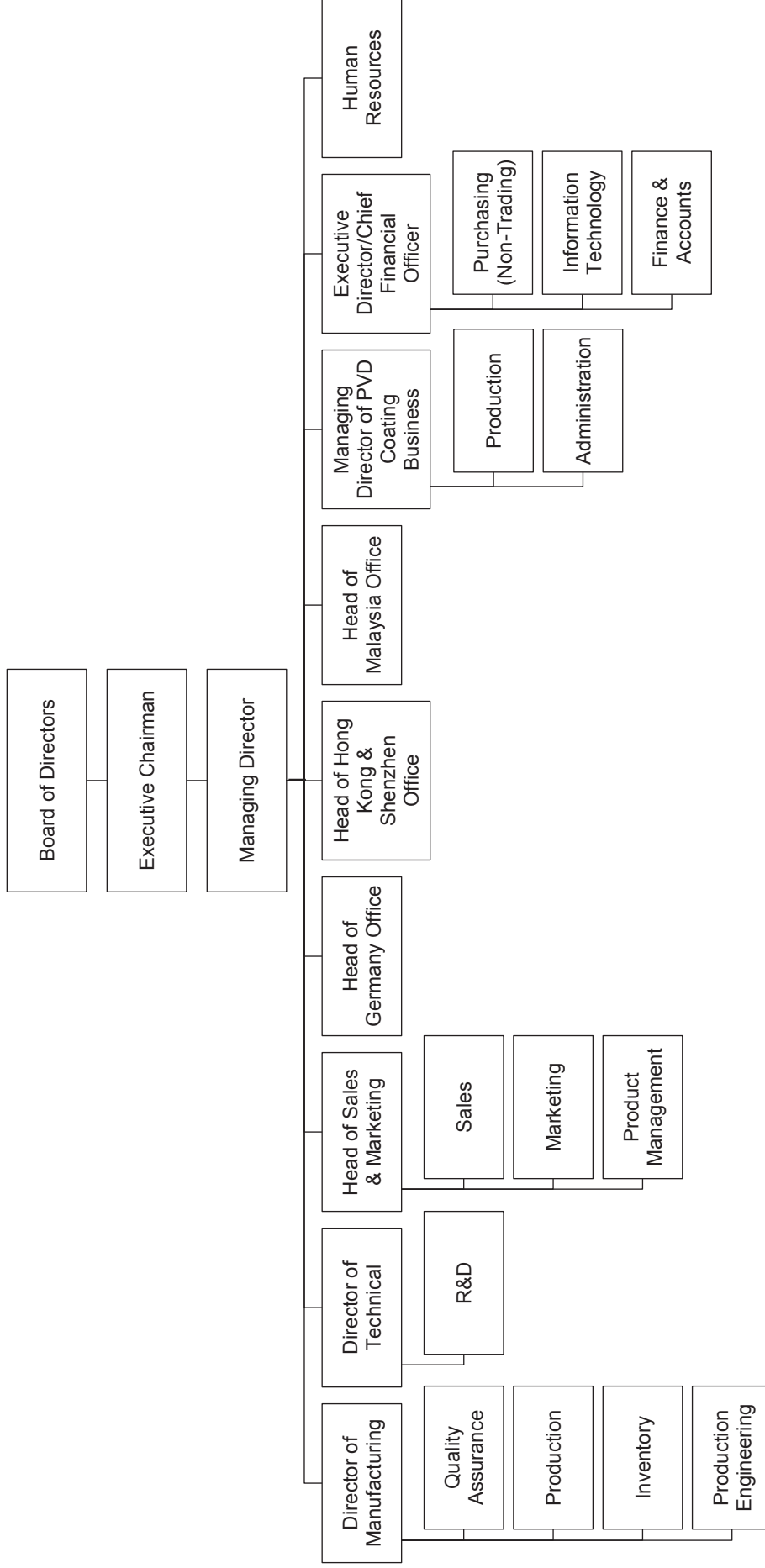
The composition of the Nomination Committee is as follows:

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Lee Ee Sian	Chairman	Independent Non-Executive Director
Peter Ho Kok Wai	Member	Senior Independent Non-Executive Director
Oei Kok Eong	Member	Independent Non-Executive Director
Chua Put Moy (f)	Member	Independent Non-Executive Director

**5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT**

**5.3 KEY SENIOR MANAGEMENT**

**5.3.1 Management reporting structure**



## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### 5.3.2 Particulars and shareholdings

Our Key Senior Management is set out below:

Name	Age	Designation
Neexon Khoo	38	Director of Manufacturing
Wong Chew Kong	43	Director of Technical
Poong Keen Kiong	49	Head of Malaysia Office
Yoong Kam Sing	57	Head of Hong Kong & Shenzhen Office

The shareholdings of our Key Senior Management before and after our IPO assuming that our Key Senior Management will fully subscribe for their respective entitlements under the Pink Form Allocations are set out below:

Name	Designation/ Nationality	Before our IPO			
		Direct		Indirect	
		No. of Shares	( <sup>1</sup> ) (%)	No. of Shares	( <sup>1</sup> ) (%)
		('000)	( <sup>1</sup> ) (%)	('000)	( <sup>1</sup> ) (%)
Neexon Khoo	Director of Manufacturing/ Malaysian	-	-	-	-
Wong Chew Kong	Director of Technical/ Malaysian	-	-	-	-
Poong Keen Kiong	Head of Malaysia Office/ Malaysian	-	-	-	-
Yoong Kam Sing	Head of Hong Kong & Shenzhen Office/ Malaysian	7,516	3.0	-	-
Name	Designation/ Nationality	After our IPO <sup>(2)</sup>			
		Direct		Indirect	
		No. of Shares	( <sup>3</sup> ) (%)	No. of Shares	( <sup>3</sup> ) (%)
		('000)	( <sup>3</sup> ) (%)	('000)	( <sup>3</sup> ) (%)
Neexon Khoo	Director of Manufacturing/ Malaysian	300	0.1	-	-
Wong Chew Kong	Director of Technical/ Malaysian	300	0.1	-	-
Poong Keen Kiong	Head of Malaysia Office/ Malaysian	300	0.1	-	-
Yoong Kam Sing	Head of Hong Kong & Shenzhen Office/ Malaysian	6,596	2.0	-	-

#### Notes:

- (1) Based on the total number of 252,936,000 Shares after the Acquisitions but before our IPO.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

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- (2) Assuming that our Directors (save for Peter Ho Kok Wai) and Key Senior Management will fully subscribe for their respective entitlements under the Pink Form Allocations.
- (3) Based on the enlarged total number of 328,489,000 Shares after our IPO.

### 5.3.3 Profiles of our Key Senior Management

The profiles of our Key Senior Management are as follows:

#### **Neexon Khoo**

*Director of Manufacturing*

Mr. Neexon Khoo, a Malaysian aged 38, is our Director of Manufacturing and has been with our Group for more than 14 years in total. He is responsible for overseeing our manufacturing activities which include the production of goods, implementation of new technologies and quality assurance of the products and services. He is also responsible for improving service delivery, warehouse activities and capital expenditure budgeting.

Mr. Neexon completed his Bachelor of Science (Mechanical Engineering) from State University of New York at Buffalo, USA in February 2003. He then started his career as a Project Executive in Megasteel Sdn Bhd in February 2003, where he was involved in setting up of a new cold roll mill plant. He joined HPMT Industries in December 2004 as a Production Engineer, where he was involved in the production of solid carbide tools. In January 2008, he was promoted to the position of Manufacturing Manager, where he oversaw our entire manufacturing operations of cutting tools. During his employment, he also pursued a part time Master in Business Administration from Victoria University, Australia in 2007, which he completed in 2009.

Mr. Neexon assumed his position as Director of Manufacturing in August 2010.

#### **Wong Chew Kong**

*Director of Technical*

Mr. Wong Chew Kong, a Malaysian aged 43, is our Director of Technical and has been with our Group for more than 19 years in total. He is responsible for all research and development of our products and services and oversees technical support to our customers. He currently reports directly to the Managing Director.

Mr. Wong obtained his Bachelor in Engineering from University Putra Malaysia in 2000. He then joined HPMT Industries as a Production Engineer in June 2000 where he was tasked to develop best practices to improve the production capacity, quality and reliability of the company's cutting tools. In March 2006, he was promoted to the position of Manufacturing Manager where he was responsible for overseeing our manufacturing activities, including manufacturing of our products, implementation of new technologies and quality assurance of the products and services. In October 2007, he joined MTTTS as a General Manager where he was involved with the assignment of sales territories, setting sales goals and establishing training programmes for the organisation's sales representatives.

Subsequently, he was transferred to HPMT Industries and appointed as R&D Director in June 2012. He was re-designated as Director of Technical in January 2018.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

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### **Poong Keen Kiong**

*Head of Malaysia Office*

Mr. Poong Keen Kiong, a Malaysian aged 49, is our Head of Malaysia Office and has been with our Group for more than 25 years in total. He is responsible for overseeing purchasing for trading activities and daily operational activities of Herroz as well as the sales operations in Malaysia.

Mr. Poong obtained his Certificate in Technology (Mechanical Engineering) from Tunku Abdul Rahman College in 1991. In July 1991, he began his career as a Production Technician for Taiyo Yuden (Singapore) Pte Ltd, Singapore, a company involved in the manufacturing and trading of electric capacitors and inductors. He was responsible for maintaining the production line and other production activities. He left his position in July 1992 and joined Herroz in July 1993 as a Sales Representative. He was placed in charge of cutting tool sales and subsequently moved through the ranks and was thereafter appointed Sales Executive/Senior Sales Representative in 1995 and Sales Manager in 1997. In April 2011, he was promoted to the position of General Manager of Herroz and was re-designated as our Head of Malaysia Office in January 2018.

### **Yoong Kam Sing**

*Head of Hong Kong & Shenzhen Office*

Mr. Yoong Kam Sing, a Malaysian aged 57, is our Head of Hong Kong and Shenzhen Office and has been with our Group for more than 30 years. He has been primarily responsible for overseeing our sales operations and operational activities in Hong Kong and China, including the purchasing, sales and operations of MTC Tooling and HPMT Shenzhen.

Mr. Yoong completed his secondary school education and began his career in sales in Herroz in 1983 and over the years, his main responsibilities in Herroz have been to oversee sales and marketing activities.

Subsequently in February 1997, he joined Metacut Tooling Systems (HK) Ltd ("**Metacut Tooling**"), which was then a 51.0%-owned subsidiary of Herroz, as a director. The remaining 49.0% equity interest in Metacut Tooling was held by an unrelated third party. Metacut Tooling is a company involved in the trading of cutting tools and tooling package in Hong Kong. His main responsibility was overseeing the sales operations of the company in Hong Kong. He left Metacut Tooling in 2007 when Herroz disposed its equity interest in Metacut Tooling to the 49.0% shareholder.

In May 2000, Metacut Tooling together with Mr. Yoong set up MTC Tooling, a distribution and trading company in Hong Kong to cater for the growing demand for cutting tools from Hong Kong and Southern China market. In April 2006, Metacut Tooling disposed its shareholdings in MTC Tooling to Mec. Tech, which owned our Subsidiaries prior to the Acquisitions.

Subsequently, in August 2006, MTC Tooling set up a new subsidiary, namely HPMT Shenzhen, where Mr. Yoong is responsible for overseeing the sales and marketing of our products in the Southern China market. In March 2019, Mr. Yoong disposed of his 49.0% equity interest in MTC Tooling to our Group.

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### 5.3.4 Involvement of our Key Senior Management in other principal business activities

The following table sets out the Present Directorships and Previous Directorships of our Key Senior Management as well as their involvement in principal business activities outside our Group as at the LPD:

#### (i) Neexon Khoo

Company	Principal business activities	Position held	Date appointed	Date resigned	Equity interest held	
					Direct (%)	Indirect (%)
<b>Present Directorships</b>						
X & C Property Management Sdn Bhd	Dormant	Director	21.06.2013	-	50.0	-
Herroz Mechanical	Investment holding, provision of management services and property investment	Director	03.08.2010	-	0.3	-
Ing Heng Corporation Sdn Bhd	Property investment holding	Director	26.02.2019	-	10.0	-
<b>Other business involvement outside our Group</b>						
Ing Heng Properties Sdn Bhd	Property investment holding	-	-	-	2.5	-

#### (ii) Wong Chew Kong

Company	Principal business activities	Position held	Date appointed	Date resigned	Equity interest held	
					Direct (%)	Indirect (%)
<b>Other business involvement outside our Group</b>						
Herroz Mechanical	Investment holding, provision of management services and property investment	-	-	-	0.1	-
Smart Suncity Sdn Bhd	Property Investment	-	-	-	1.5	-

## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### (iii) Poong Keen Kiong

Company	Principal business activities	Position held	Date appointed	Date resigned	Equity interest held	
					Direct (%)	Indirect (%)
<b>Other business involvement outside our Group</b>						
Herroz Mechanical	Investment holding, provision of management services and property investment	-	-	-	0.2	-
Smart Suncity Sdn Bhd	Property Investment	-	-	-	1.0	-

### (iv) Yoong Kam Sing

Company	Principal business activities	Position held	Date appointed	Date resigned	Equity interest held	
					Direct (%)	Indirect (%)
<b>Present Directorships</b>						
Herroz Mechanical	Investment holding, provision of management services and property investment	Director	24.08.2010	-	4.7	-
Smart Sun City (HK) Ltd	Property investment	Director	26.01.2018	-	49.0	-
MTC (Guangzhou) Tooling Systems Ltd	Dormant	Director	27.08.2001	-	100.0	-

The involvement of our Key Senior Management in those business activities outside our Group will not affect their contribution to our Group. The involvement of our Key Senior Management in those business activities outside our Group are not expected to require a significant amount of their time or attention or adversely affect the operations of our Group, as these companies are either property investment holding companies involved in property investment (namely, Ing Heng Corporation Sdn Bhd, Ing Heng Properties Sdn Bhd, Smart Suncity Sdn Bhd and Smart Sun City (HK) Ltd) or investment holding companies (namely, Herroz Mechanical) and accordingly do not have day-to-day business operations.



## 5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### 5.3.5 Key Senior Management's remuneration and benefits

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Key Senior Management for services rendered in all capacities to our Group for FYE 2018 and FYE 2019 are as follows:

<b>FYE 2018</b>	<b>Remuneration</b>	<b>Benefits-in-kind</b>	<b>Total</b>	
	<b>(RM '000)</b>	<b>(RM '000)</b>	<b>(RM '000)</b>	
Neexon Khoo	401 - 450	0 - 50	401 - 450	
Wong Chew Kong	351 - 400	0 - 50	401 - 450	
Poong Keen Kiong	451 - 500	0 - 50	451 - 500	
Yoong Kam Sing	501 - 550	151 - 200	651 - 700	
			<b>(<sup>1</sup>Actual amounts paid up to and including the LPD)</b>	
<b>Proposed for FYE 2019</b>	<b>Remuneration</b>	<b>Benefits-in-kind</b>	<b>(<sup>1</sup>Total)</b>	<b>(RM '000)</b>
	<b>(RM '000)</b>	<b>(RM '000)</b>	<b>(RM '000)</b>	<b>(RM '000)</b>
Neexon Khoo	301 - 350	0 - 50	351 - 400	51 - 100
Wong Chew Kong	301 - 350	0 - 50	301 - 350	51 - 100
Poong Keen Kiong	301 - 350	0 - 50	301 - 350	51 - 100
Yoong Kam Sing	401 - 450	151 - 200	601 - 650	151 - 200

**Note:**

- (1) Excludes bonuses which will be paid to our Key Senior Management on a discretionary basis.

## 5.4 DECLARATION BY OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Our Promoters, Directors and Key Senior Management have confirmed that, as at the LPD, he or she is not and has not been involved in any of the following events (*whether in or outside Malaysia*):

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (*and not struck out*) against such person or any partnership in which such person is or was a partner or any corporation of which such person was a director or member or key senior management;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, was charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgement was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on such person's part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, such person was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on such person's part that relates to the capital market;

## **5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT**

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- (vi) such person was the subject of any order, judgement or ruling of any court, government or regulatory authority or body temporarily enjoining such person from engaging in any type of business practice or activity;
- (vii) such person was the subject of any current investigation or disciplinary proceeding, or in the last 10 years has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or
- (viii) there is any unsatisfied judgement against such person.

### **5.5 RELATIONSHIPS AND ASSOCIATIONS BETWEEN OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT**

Save as disclosed below, there is no family relationship or association between the Promoters, Substantial Shareholders, Directors and Key Senior Management as at the LPD:

- (i) Ku He @ Khoo Yee Her is the father of Khoo Seng Giap and cousin of Dato' Khoo Ah Chye;
- (ii) Khoo Seng Giap is the son of Ku He @ Khoo Yee Her;
- (iii) Dato' Khoo Ah Chye is the father of Neexon Khoo and cousin of Ku He @ Khoo Yee Her;
- (iv) Neexon Khoo is the son of Dato' Khoo Ah Chye;
- (v) Ku He @ Khoo Yee Her, Khoo Seng Giap, Tan Kim Chuan, Dato' Khoo Ah Chye, Yoong Kam Sing and Neexon Khoo are the directors of Herroz Mechanical;
- (vi) HPMT Capital, Tan Kim Chuan, Dato' Khoo Ah Chye, Wong Chew Kong, Neexon Khoo, Poong Keen Kiong and Yoong Kam Sing are the direct shareholders of Herroz Mechanical. Nora Virginia Scheidegger and Ku He @ Khoo Yee Her are the indirect shareholders of Herroz Mechanical through their shareholdings in HPMT Capital; and
- (vii) Khoo Seng Giap and Ku He @ Khoo Yee Her are the directors and shareholders of HPMT Capital. Nora Virginia Scheidegger is the shareholder of HPMT Capital.

### **5.6 OTHER MATTERS**

No amount has been paid or benefit given within the 2 years preceding the date of this Prospectus, nor is it intended to be paid or given, to our Promoters and Substantial Shareholder except for the following:

- (i) dividends paid to our Promoters and Substantial Shareholders in respect of FYE 2017 (RM5.5 million) and FYE 2018 (RM7.6 million); and
- (ii) remunerations and benefits-in-kind arising from employment paid to our Promoters and Substantial Shareholders as set out in Sections 5.2.4 and 5.3.5 of this Prospectus.

## 6. INFORMATION ON OUR GROUP

### 6.1 OUR COMPANY

Our Company was incorporated in Malaysia under the CA 2016 as a private limited company under the name of HPMT Holdings Sdn Bhd on 16 November 2017. On 24 January 2018, our Company was converted into a public limited company and we assumed our present name of HPMT Holdings Berhad.

We are an investment holding company. Through our Subsidiaries, we are principally involved in manufacturing and distribution of cutting tools, trading of supporting equipment, accessories and other products for metalworking as well as provision of PVD coating services.

### 6.2 SHARE CAPITAL

As at the date of this Prospectus, our share capital is RM63,234,002 comprising 252,936,000 Shares, all of which have been issued and fully paid-up. The movements in our share capital since the date of our incorporation are set out below:

<u>Date of allotment</u>	<u>No. of Shares allotted</u>	<u>Consideration/Type of issue</u>	<u>Cumulative share capital</u> (RM)
16 November 2017	2	RM2/Subscribers' shares	2
20 March 2019	15,336,000	RM3,834,000/Other than cash <i>(allotment of Shares pursuant to the Acquisition of MTC Tooling)</i>	3,834,002
29 March 2019	237,599,998	RM59,400,000/Other than cash <i>(allotment of Shares pursuant to the Acquisition of HPMT Industries, Acquisition of Herroz, Acquisition of HPMT GmbH and Acquisition of Pentagon)</i>	63,234,002

Upon completion of our IPO, our enlarged share capital will increase to RM105,543,682 comprising 328,489,000 Shares from the issuance of 75,553,000 Public Issue Shares.

### 6.3 THE FORMATION OF OUR GROUP

The formation of our Group was undertaken through a series of acquisition exercises as set out below:

#### 6.3.1 Acquisition of HPMT Industries

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

## 6. INFORMATION ON OUR GROUP

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

	<b>RM</b>
Audited NA as at 31 December 2017	57,562,138
Less: Payment of dividend to shareholders of HPMT Industries on 31 March 2018	(6,000,000)
<b>Adjusted NA as at 31 December 2017</b>	<b>51,562,138</b>

### 6.3.2 Acquisition of Herroz

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

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

### 6.3.3 Acquisition of HPMT GmbH

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

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

**Note:**

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

### 6.3.4 Acquisition of MTC Tooling

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

	<b>Equity interest in MTC Tooling</b>	<b>No. of new Shares to be issued</b>
Herroz Mechanical, the holding company of Mec. Tech	51.0%	7,820,000
Yoong Kam Sing	49.0%	7,516,000

**6. INFORMATION ON OUR GROUP**

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

	<b>HKD</b>
Pro forma unaudited NA of MTC Tooling Group as at 31 December 2017 <sup>(2)</sup>	6,950,706
Less: Loss on disposal of 100% equity interest in MTC (Guangzhou) Tooling Systems Ltd <sup>(3)</sup>	(72,882)
Add: Gain on disposal arising from the disposal of the HK Properties (" <b>Disposal of HK Properties</b> ") to Smart Sun City (HK) Ltd, a related party <sup>(4)</sup>	6,522,702
Less: Dividend paid to shareholders on 17 May 2018 <sup>(5)</sup>	(6,000,000)
<b>Adjusted pro forma unaudited NA as at 31 December 2017</b>	<b>7,400,526</b>

**Notes:**

- (1) Based on the middle rate of HKD100.00:RM51.7951 at 5.00 p.m. on 29 December 2017 as published by BNM.
- (2) No audited consolidated financial statements have been prepared by MTC Tooling for the MTC Tooling Group. International Financial Reporting Standard 10 provides an exemption to prepare consolidated financial statements for a partially owned subsidiary of another entity if all its other owners, including those not entitled to vote, have been informed about and do not object to, the partially owned subsidiary not presenting consolidated financial statements. MTC Tooling has notified its shareholders on non-consolidation of its financial statements and its shareholders have consented to such non-consolidation.
- (3) The equity interest in MTC (Guangzhou) Tooling Systems Ltd, a dormant subsidiary, was disposed to Yoong Kam Sing, one of our Key Senior Management. The loss arising from the disposal, which was completed on 4 May 2018 for CNY1.00, was calculated after taking into consideration the following:

	<b>HKD</b>
Disposal consideration	1
Less: Fair value of identifiable net assets at disposal date*	(72,882)
<b>Loss on disposal</b>	<b>(72,882)</b>

\* Included in identifiable net assets is cash in bank amounting to HKD52,579.

- (4) The gain on disposal arising from the Disposal of HK Properties to Smart Sun City (HK) Ltd, a related party, is calculated after taking into consideration the following:

	<b>HKD</b>
Disposal consideration	8,800,000
Less: Net carrying amount*	(2,277,298)
<b>Gain on disposal</b>	<b>6,522,702</b>

\* Included in the net carrying amount is deferred tax assets relating to the HK Properties of HKD2,631.

- (5) Part of the proceeds received from the Disposal of HK Properties to Smart Sun City (HK) Ltd, a related party, has been distributed to the shareholders of MTC Tooling as dividends.

## 6. INFORMATION ON OUR GROUP

### 6.3.5 Acquisition of Pentagon

On 29 March 2019, our Company completed the acquisition of 75.0% of the equity interest in Pentagon for a purchase consideration of RM801,000 from Herroz Mechanical (“**Acquisition of Pentagon**”). The Acquisition of Pentagon was wholly satisfied by the issuance of 3,204,000 new Shares at an issue price of RM0.25 per Share to Herroz Mechanical. As at the LPD, the issued share capital of Pentagon is RM1,500,000 comprising 1,500,000 ordinary shares in Pentagon.

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

	<b>RM</b>
Audited NA as at 31 December 2017	67,345
Add: Additional equity injection on 28 February 2018	1,000,000
<b>Adjusted NA as at 31 December 2017</b>	<b>1,067,345</b>

### 6.3.6 Other related acquisition

In addition to the Acquisitions, HPMT Industries had on 31 December 2018 completed the acquisition of the property located at No. 7, Jalan Sungai Kayu Ara 32/39, Taman Berjaya, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan from Herroz Mechanical for a cash consideration of RM19,000,000 (“**Acquisition of Block C**”).

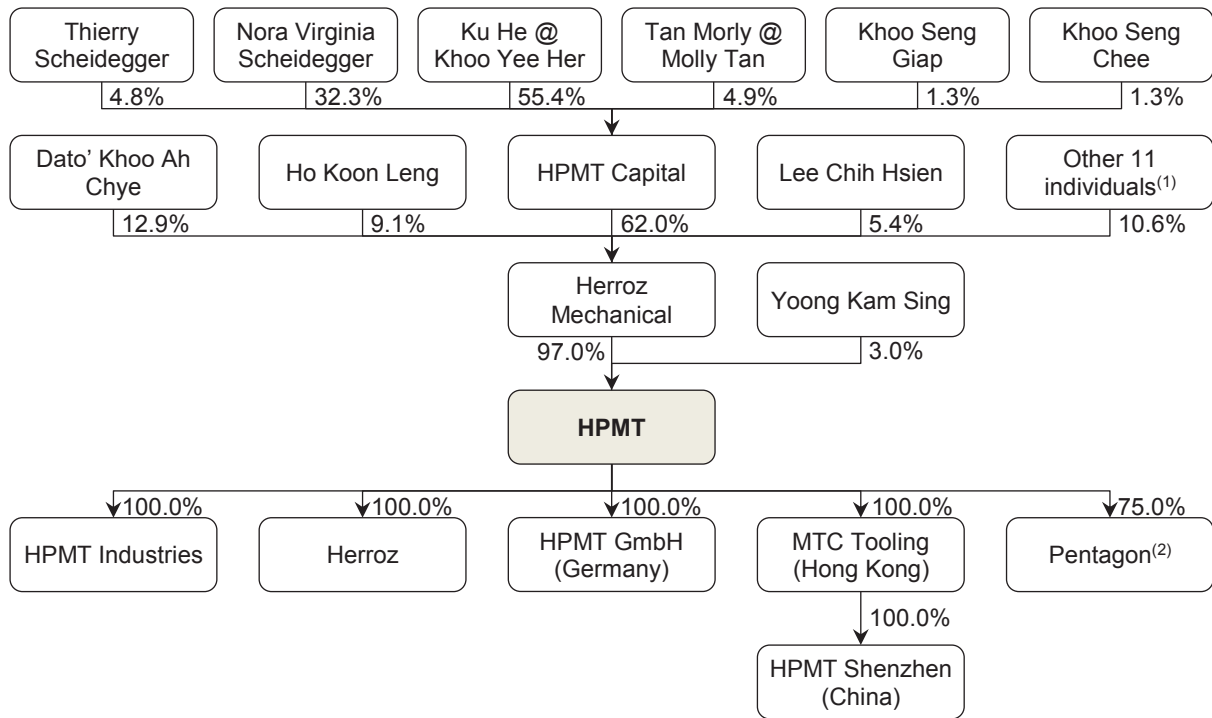
The purchase consideration of Block C of RM19,000,000 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the market value of Block C of RM19,000,000 as appraised by Rahim & Co, an independent firm of registered valuers appointed by our Company, based on the valuation carried out on 12 September 2018. Copies of the valuation certificate from Rahim & Co dated 13 September 2018 and updated valuation certificate dated 26 April 2019 are enclosed in Annexure A of this Prospectus.

About half of Block C, which is identified as unit no. 7B, is currently used as part of our manufacturing facility. The other half of Block C, which is identified as unit no. 7A, is tenanted to an unrelated third party. Further details on Block C are set out in Section 6.7.1 of this Prospectus.

## 6. INFORMATION ON OUR GROUP

### 6.4 OUR GROUP STRUCTURE

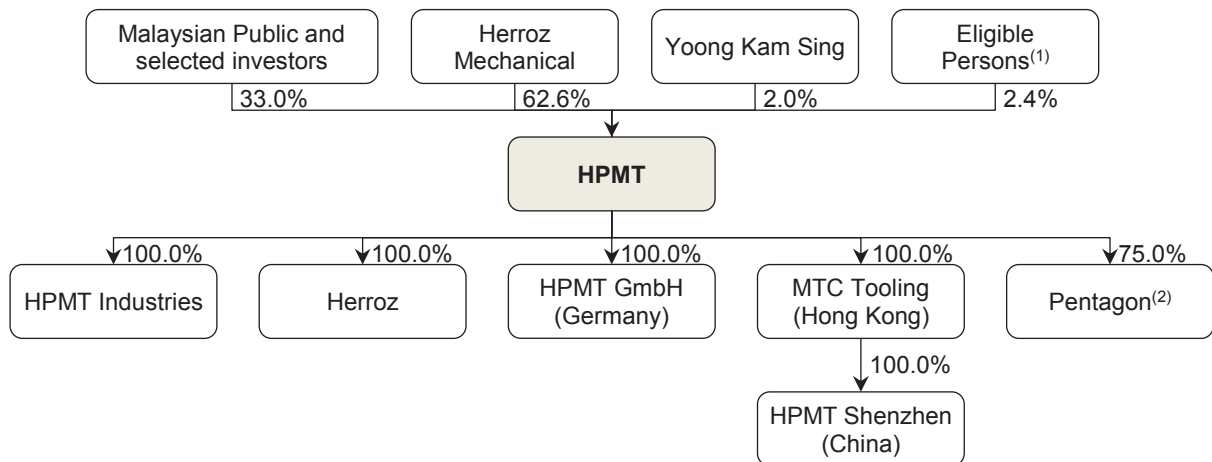
Our Group structure as at the date of this Prospectus is as follows:



#### Notes:

- (1) The remaining 10.6% interest in Herroz Mechanical is held by Yoong Kam Sing (4.7%), Neexon Khoo (0.3%), Khoo Gee Keat (0.9%), Neeleng Khoo (0.3%), Neely Khoo (0.1%), Poong Keen Kiong (0.2%), Tan Kim Chuan (0.3%), Wong Chew Kong (0.1%), Hsu Chen Yun (0.3%), Gan Soh Fei (0.3%) and Lim Hooi Kheng (3.1%).
- (2) The remaining 25.0% interest in Pentagon is held by Lum Yoke Heng (12.25%), being the Managing Director of Pentagon, Tan Choon Shin (2.55%), Siow Hui Ping (2.55%), Lee Ying Han (2.55%) and Fang Swee Siang (5.10%), all of whom are not related to our Directors and shareholders as at the LPD.

Our Group structure after our IPO is as follows:



## 6. INFORMATION ON OUR GROUP

### Notes:

- (1) Eligible Persons other than Yoong Kam Sing, whose shareholding is separately presented.
- (2) The remaining 25.0% interest in Pentagon is held by Lum Yoke Heng (12.25%), being the Managing Director of Pentagon, Tan Choon Shin (2.55%), Siow Hui Ping (2.55%), Lee Ying Han (2.55%) and Fang Swee Siang (5.10%), all of whom are not related to our Directors and shareholders as at the LPD.

### 6.5 OUR SUBSIDIARIES

As at the LPD, we do not have any associated companies. Details of our Subsidiaries are summarised below:

Company	Company no.	Date/ Place of incorporation	Principal place of business	Effective equity interest	Principal activities
<b>Held by HPMT</b>					
HPMT Industries	405005-X	7 October 1996/ Malaysia	Malaysia	100.0%	Manufacturing and distribution of cutting tools
Herroz	43166-D	14 November 1978/ Malaysia	Malaysia	100.0%	Distribution of cutting tools and trading of supporting equipment, accessories and other products for metalworking
HPMT GmbH	HRB 10888 HL	11 March 2011/ Germany	Germany	100.0%	Distribution of cutting tools and trading of supporting equipment, accessories and other products for metalworking
MTC Tooling	716743	17 May 2000/ Hong Kong	Hong Kong	100.0%	Investment holding, distribution of cutting tools and trading of supporting equipment, accessories and other products for metalworking
Pentagon	1220566-D	3 March 2017/ Malaysia	Malaysia	75.0%	Provision of PVD coating services
<b>Held by MTC Tooling</b>					
HPMT Shenzhen	9144030079 1700395J	23 August 2006/ China	China	100.0%	Distribution of cutting tools and trading of supporting equipment, accessories and other products for metalworking

As at the LPD, we are not involved in any bankruptcy, receivership or similar proceedings.



**6. INFORMATION ON OUR GROUP****6.6 MATERIAL CAPITAL EXPENDITURES AND DIVESTITURES**

Save as disclosed below, our Group has not incurred any other material capital expenditures for the Period under Review and up to the LPD:

<b>Capital expenditures</b>	<b>FYE 2015</b>	<b>FYE 2016</b>	<b>FYE 2017</b>	<b>FYE 2018</b>	<b>From 1 January 2019 up to the LPD</b>
	<b>(RM '000)</b>	<b>(RM '000)</b>	<b>(RM '000)</b>	<b>(RM '000)</b>	<b>(RM '000)</b>
<b>Local</b>					
• Plant and machinery	10,652	5,945	12,701	14,254	430
• Office and factory equipment & furniture and fitting	56	143	136	402	36
• Motor vehicles	945	152	252	86	7
• Computer and software	101	142	169	294	24
• Electrical installation and renovation	1,710	-	92	-	-
• Work-in-progress	-	-	(1)1,020	-	-
• Freehold land <sup>(2)</sup>	-	-	-	11,800	-
• Building <sup>(2)</sup>	-	-	-	7,764	-
<b>Foreign</b>					
• Office and factory equipment & furniture and fitting	21	12	28	43	-
• Computer and software	5	5	-	-	-
<b>Total expenditures</b>	<b>13,490</b>	<b>6,399</b>	<b>14,398</b>	<b>34,643</b>	<b>497</b>

**Notes:**

- (1) Refers to a CNC cylindrical grinding machine which was shipped from the supplier's warehouse but have yet to be delivered to us. The CNC cylindrical grinding machine was subsequently installed in February 2018.
- (2) Refers to the Acquisition of Block C.

The above material capital expenditures are mainly for our operations in Malaysia and primarily financed by a combination of bank borrowings, finance lease and internally generated funds. We did not make any material capital divestitures for the Period under Review up to the LPD except for the Disposal of HK Properties to Smart Sun City (HK) Ltd, a related party.

Other than the material capital commitment as disclosed in Section 13.4.6 of this Prospectus, there are no material expenditures or divestitures currently in progress, within or outside Malaysia.

## 6. INFORMATION ON OUR GROUP

### 6.7 PROPERTIES OF OUR GROUP

#### 6.7.1 Material properties owned by our Group

The material properties owned by our Group are as follows:

No.	Registered/ Beneficial owner Title/Postal address	Description/ Existing use	Express conditions of land use/ Category of land use	Encumbrances	Land area/ Gross floor area (approximate)	Tenure	Date of issuance of certificate of fitness for occupation/ certificate of completion and compliance	Audited NBV as at 31 December 2018/ Acquisition price (RM '000)
1.	<b>HPMT Industries (Block A and Block B)</b>  <b>Title/Postal address:</b> 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 ("Lot 5")	<b>Description of property:</b> A parcel of freehold industrial land built- upon with: • a unit of 2-storey warehouse with an annexed 3- storey office building; and • a unit of single- storey factory with an annexed 3-storey office building	<b>Express conditions:</b> Industrial  <b>Category of land use:</b> Industrial	Charged to United Overseas Bank (Malaysia) Berhad	<b>Land area:</b> 5,806 square meters  <b>Gross floor area:</b> 2,537 square meters	Freehold	6 April 2005 and 22 August 2007 <sup>(1)(3)</sup>	8,048

**Existing use:**  
Factory and office

## 6. INFORMATION ON OUR GROUP

No.	Registered/ Beneficial owner Title/Postal address	Description/ Existing use	Express conditions of land use/ Category of land use	Encumbrances	Land area/ Gross floor area (approximate)	Tenure	Date of issuance of certificate of fitness for occupation/ certificate of completion and compliance	Audited NBV as at 31 December 2018/ Acquisition price (RM '000)
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## Acquisition of property during the Period under Review up to the LPD:

2.	<b>HPMT Industries (Block C)</b>	<b>Description of property:</b> A parcel of freehold industrial land built- upon with a 3-storey office building and an annexed single storey factory	<b>Express condition:</b> Industrial	Charged to Hong Leong Bank Berhad	<b>Land area:</b> 6,866 square meters	Freehold	13 January 2009 <sup>(3)</sup>	19,000
	<b>Title/Postal address:</b> 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 <sup>(2)</sup> ("Lot 7")	<b>Category of land use:</b> Industrial			<b>Gross floor area:</b> 4,990.58 square meters			

**Notes:**

- (1) Our Company has obtained a temporary permit issued by MBSA which expires on 31 May 2020 in respect of 16 partitions which have been constructed within the property (Block B). The partitions were erected to divide the property into sections to facilitate the day-to-day operations of Pentagon. We will comply with the conditions to the permit prescribed by MBSA from time to time and periodically apply for renewal of the relevant permit before its expiry.
- (2) Block C was acquired pursuant to a sale and purchase agreement dated 1 June 2018. Prior to the completion of the Acquisition of Block C, about half of Block C, which is identified as unit no. 7B, was previously rented by HPMT Industries from Herroz Mechanical for our manufacturing facilities. The other half of Block C, which is identified as unit no. 7A, is tenanted to an unrelated third party.

## 6. INFORMATION ON OUR GROUP

- (3) Our Company has obtained a temporary permit issued by MBSA which expires on 25 November 2019 in respect of a cooling tower, a metal roof canopy and workers' rest area structure (all of which straddle the boundary between Lot 5 and Lot 7) and for car park sheds and motorcycle sheds located on Lot 5. MBSA has the right to suspend or revoke such temporary permit as it has granted at any time without giving any reason and compensation. We will comply with the conditions to the permit prescribed by MBSA from time to time and periodically apply for renewal of the relevant permit before its expiry.

As at the LPD, there is no breach of relevant laws, regulations, rules and requirements relating to the above properties.

### 6.7.2 Business premises rented by our Group

The business premises rented by our Group as at the LPD are as follows:

No.	Tenant	Landlord/ Lessor	Location/ Postal address	Description/ Existing use	Tenure of tenancy	Approximate rented area	Rental per annum
1.	HPMT GmbH	Klaus Evers	Vorkamp 6, 23879 Moelln, Germany	<b>Description:</b> 2-storey office building  <b>Existing use:</b> Office	Unlimited term. It can be terminated by either the landlord or tenant with six months' notice to the end of a calendar quarter	150 square meters	EUR9,144 (equivalent to RM42,498 <sup>(1)</sup> )
2.	HPMT Shenzhen	Ou Zhaofeng	Room 1223, Kerry Centre, Renminnan Road, Luohu District, Shenzhen, China	<b>Description:</b> One unit of office space at commercial building  <b>Existing use:</b> Office	1 March 2019 to 29 February 2020	98 square meters	CNY222,000 (equivalent to RM136,863 <sup>(2)</sup> )
3.	Yoong Kam Sing	Chen Jun	Room 1210, Kerry Centre, Renminnan Road, Luohu District, Shenzhen, China ("Room 1210")	<b>Description:</b> One unit of office space at commercial building  <b>Existing use:</b> Office	16 May 2018 to 16 May 2020	118 square metres	<sup>(3)</sup> CNY226,771 (equivalent to RM139,804 <sup>(2)</sup> )

**6. INFORMATION ON OUR GROUP**

<b>No.</b>	<b>Tenant</b>	<b>Landlord/ Lessor</b>	<b>Location/ Postal address</b>	<b>Description/ Existing use</b>	<b>Tenure of tenancy</b>	<b>Approximate rented area</b>	<b>Rental per annum</b>
4.	MTC Tooling	Smart Sun City (HK) Ltd	204-205, Fook Hong Industrial Building, 19 Sheung Yuet Road, Kowloon Bay Kowloon, Hong Kong	<b>Description:</b> 2 units of office space at commercial building  <b>Existing use:</b> Office	1 May 2018 to 30 April 2020	142 square meters	HKD360,000 (equivalent to RM189,643 <sup>(4)</sup> )

**Notes:**

- (1) Based on the middle rate of EUR1.00:RM4.6476 at 5.00 p.m. on LPD as published by BNM.
- (2) Based on the middle rate of CNY1.00:RM0.6165 at 5.00 p.m. on LPD as published by BNM.
- (3) Rental is paid by HPMT Shenzhen directly to the lessor of Room 1210 in consideration of Yoong Kam Sing agreeing to the use and occupation of Room 1210 by HPMT Shenzhen.
- (4) Based on the middle rate of HKD100:RM52.6785 at 5.00 p.m. on LPD as published by BNM.

## **6. INFORMATION ON OUR GROUP**

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### **6.7.3 Acquisition of properties**

Save for the Acquisition of Block C, we have not entered into any sale and purchase agreements to acquire any properties during the Period under Review up to the LPD. The property details of Block C are set out in Section 6.7.1 of this Prospectus.

### **6.8 PUBLIC TAKE-OVER**

Since our incorporation up to the LPD, there has been:

- (i) no public take-over offers by third parties in respect of our Shares; and
- (ii) no public take-over offers by our Company in respect of other companies' shares.

## **7. BUSINESS OVERVIEW**

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### **7.1 OUR HISTORY**

Our Group is involved in the manufacturing and distribution of cutting tools as well as trading of third party products of cutting tools, supporting equipment and accessories for metalworking. We sell cutting tools under our own HPMT brand and private labels in Malaysia and overseas. For the Period under Review, we have sold cutting tools to more than 30 countries mainly in Europe and Asia through our sales network.

The establishment of our Group can be traced to the formation of Herroz in 1978 by Ku He @ Khoo Yee Her. Back then, Herroz was principally involved in the trading of cutting tools and other supporting equipment and accessories in Malaysia. During the initial years, we operated from double-storey shop lots in the Klang Valley. Over time, we sold various brands of cutting tools and supporting equipment and accessories including Dijet and Ilix brands. At this time, we were focused on our trading activities supplying and supporting end-user industries such as automotive, electronics and mould and die players.

In 2000, our manufacturing arm, namely HPMT Industries, then began undertaking cutting tools regrinding and modification services in 2 units of terrace factories in Bandar Sunway. Later in 2000, HPMT Industries ventured into cutting tools manufacturing as we recognised that there was a lack of local players with manufacturing capabilities in cutting tools. Our Group experienced a pickup in demand for customised cutting tools from local customers. We started our manufacturing activities with the manufacturing of customised tools that were mainly utilised in the production of electronic and computer components. In the same year, we also established MTC Tooling, our distribution and trading company in Hong Kong, which catered to the Hong Kong and Southern China market. In 2001, we launched our own standard milling tools under our HPMT brand name using solid tungsten carbide rods as our main raw material. Subsequently, we also began exporting our products to other countries such as France and Japan.

As our business grew, we relocated all our business operations to our existing manufacturing facility in Shah Alam in 2004. Our manufacturing facility housed all our manufacturing and trading operations in Malaysia at that time.

In June 2004, Mec. Tech, which was then the holding company of Herroz along with HPMT Industries and MTC Tooling and certain other entities, submitted an application for its listing on the MESDAQ Market of Bursa Malaysia as a high growth company. The application however was rejected in March 2005 on the basis that Mec. Tech group's overall results did not exhibit the characteristics of a high growth company.

In 2005, we participated in the EMO exhibition in Germany for the first time. This marked the beginning of our expansion into other European countries after venturing into the French market. The EMO exhibition brought us new customers from Denmark and Turkey.

In 2006, we set up a new subsidiary in Shenzhen, China, namely HPMT Shenzhen to better service our customers in the Southern China market. We also ventured into other European countries such as Italy and Germany.

Following that in 2011, we established HPMT GmbH, our distribution and trading company in Germany, as a means to further strengthen our presence in the European market.

## 7. BUSINESS OVERVIEW

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In 2016, we set up an in-house PVD coating facility to undertake the coating services for the cutting tools manufactured by us. In 2017, we saw the market potential of PVD coating business and in the same year, with a team of experienced personnel, we established Pentagon, our 75.0%-owned subsidiary company. Pentagon is involved in PVD coating services business and was established to leverage on our know-how in PVD coating and provide coating services to our manufacturing unit as well as to other local cutting tool manufacturers and to serve a wide range of industries, such as automotive, moulds and dies and aerospace.

### 7.2 KEY ACHIEVEMENTS, MILESTONES AND AWARDS

Our key achievements/milestones are as follows:

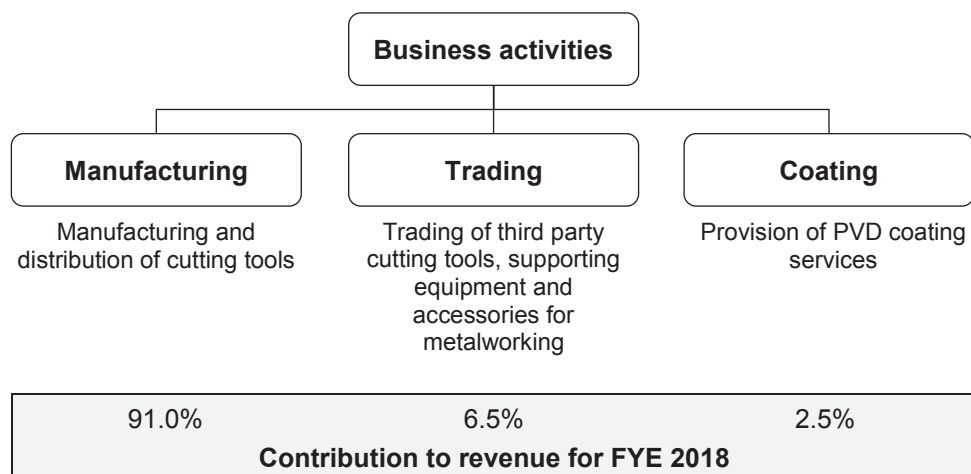
<b>Year</b>	<b>Key achievements and milestones</b>
1978	Incorporated Herroz to undertake trading of cutting tools as well as supporting equipment and accessories.
2000	HPMT Industries ventured into provision of cutting tools regrinding and modification services and later into cutting tool manufacturing activities.
2000	Incorporated MTC Tooling to cater for the Hong Kong and Southern China markets.
2001	Introduced our first in-house HPMT brand of standard milling tools.
2004	Relocated to our existing manufacturing facility in Shah Alam.
2005	HPMT Industries was awarded with DIN EN ISO 9001:2000 certification by TUV CERT.
2006	Incorporation of HPMT Shenzhen to better service the Southern China market.
2007	An in-house R&D division was established to innovate cutting tools that can increase quality, speed and precision.
2011	HPMT GmbH was established to better service the European markets.
2016	Set up an in-house PVD coating facility to cater for our cutting tools production and to control coating quality.
2017	Ventured into the PVD coating services business through the incorporation of Pentagon.
2018	Pentagon was awarded DIN EN ISO 9001:2015 certification by TUV CERT.



## 7. BUSINESS OVERVIEW

### 7.3 CURRENT PRINCIPAL ACTIVITIES

Through our Subsidiaries, we are principally involved in the following business activities:



#### 7.3.1 Manufacturing of cutting tools

We are a manufacturer of cutting tools. Cutting tools are part of an engineering function that involves any form of metal working process. They are used to support the machining process by performing metal chip removal according to the desired engineering precision tolerance level.

Cutting tools are generally made from two different basic materials, namely tungsten carbide and high speed steel. We mainly manufacture cutting tools made from tungsten carbide. At our customers' request, we also manufacture cutting tools made from high speed steel. However, cutting tools made from high speed steel only represented less than 0.1% of our total revenue for FYE 2018.

At present, all of our cutting tool products are manufactured from our manufacturing facility in Shah Alam, Selangor. As at 31 December 2018, our manufacturing facility has a capacity to produce approximately 148,200 pieces of cutting tools per month.

In general, cutting tools can be divided into rotating cutting tools and turning cutting tools in terms of their machining processes. In the case of rotating cutting tools, the cutting tools are rotated at high speed to cut a stationary piece of workpiece. On the other hand, turning cutting tools are usually held stationary while the workpiece to be cut is rotated and fed into the cutting tool to be cut into the desired size or dimension. We currently mainly manufacture rotating cutting tools. At our customers' request, we also manufacture turning cutting tools. However, turning cutting tools only represented less than 0.1% of our total revenue for FYE 2018.

We place emphasis on the production of rotating cutting tools. Venturing into turning cutting tools would require us to maintain higher levels of finished goods inventory for turning cutting tools, which would require greater investment.

We offer a wide range of cutting tools with different sizes and specifications. Our cutting tools can be further segmented into standard tools that are used for general applications across metalworking industries and special tools that are customised for our customers and are used for specific applications on more complex machining such as micro tools and cutting of other types of workpiece material such as graphite, titanium and inconel. We from time-to-time introduce new or enhanced cutting tools as developed by our R&D team.

## 7. BUSINESS OVERVIEW

### Standard tools

Currently, we have a portfolio of about 17,000 standard cutting tools. The standard cutting tools manufactured by us are generally used in the following machining processes and can be broadly divided into 2 categories:

<u>Process</u>	<u>Definition</u>	<u>Product category</u>
Milling	A process of using a cutting tool to progressively remove material from a workpiece	End mills
Drilling	The process most commonly associated with producing machined holes	Drills

### *End mills*

End mills refer to cutting tools that are generally used for side-milling, slotting, trochoidal machining, face milling, ramping and profile milling.

We produce a wide range of end mills including standard end mills, multi-flute end mills, micro end mills, roughing end mills, taper end mills as well as multi-purpose end mills.



Examples of end mills

### *Drills*

Drills refer to cutting tools that are generally used to create circular holes in material through various drilling methods, namely drilling, chamfer drilling and step drilling. We produce a wide range of drills including standard twist drills, oil feed twist drills, oil feed long drills, spiral burnishing drills, micro drills and burnishing drills.



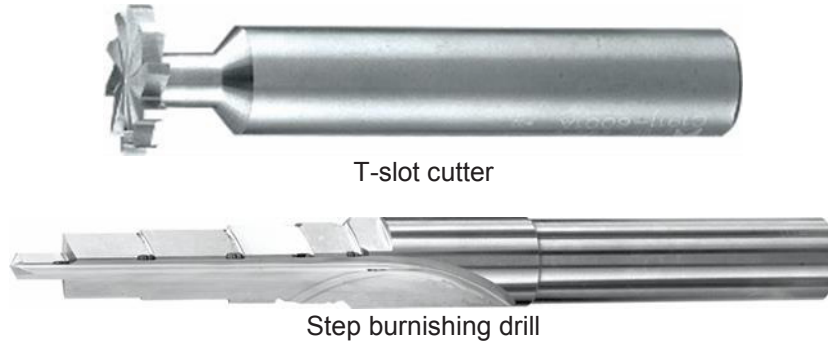
Examples of drills

## 7. BUSINESS OVERVIEW

### Special tools

As a manufacturing-based solutions provider with R&D and design capabilities, our core expertise lies in our ability to identify our customers' needs and requirements and fulfil them by improving and customising existing standard tools to meet our customers' requirements for special specifications and applications with the ultimate goal of troubleshooting machining and tool problems, enhancing cutting tool efficiency and improving our customers' productivity.

Some of the customised tools manufactured by us include T-slot cutters, taper ball-nose cutters, step burnishing drills and step end mills.



T-slot cutter

Step burnishing drill

### Applications of our cutting tools

Being the primary consumable for manufacturing processes, cutting tools are used in a wide range of industries to produce various products, such as the mould and die, electronics, automotive, aerospace and medical and dental industries.

Hence, the manufacturing of cutting tools requires tight quality control as these tools require consistent high quality and precision with a variation tolerance measured in microns.

#### 7.3.2 Trading of cutting tools, supporting equipment and accessories

Our trading activities are conducted by Herroz. As at the LPD, Herroz sells various international brands of cutting tools, supporting equipment and accessories, including the following:

<b>Brand</b>	<b>Country</b>	<b>Types of products</b>
D'andrea	Italy	Holding systems <sup>(1)</sup> and boring tools
Dijet	Japan	Indexable tools
Haimer	Germany	Holding systems <sup>(1)</sup>
HwaCheon	Korea	CNC machines
Ilix	Germany	High speed steel drills and taps
PWB	Switzerland	Pre-setters
Walter	Germany	Indexable tools, high speed steel drills and taps

**Note:**

(1) A holding system refers to a holder that holds the cutting tool.

## 7. BUSINESS OVERVIEW

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Our trading goods consist of products that are not manufactured by our Group. By venturing into such trading activities, we are positioned to offer a broad range of products to our customers and stand to diversify and expand our revenue stream. The descriptions of some of these trading goods are provided below:

### **CNC machines**



Machining in general is a way to transform a workpiece and arrive at a finished product by means of a controlled material removal process. CNC machines rely on digital instructions from a CAM or CAD software to remove material from a workpiece. The ability to program computer devices to control machine tools can help to increase productivity as automation is used in the highly technical and labour-intensive processes. CNC machines are multi axis machines that are capable of flipping parts over automatically, allowing the removal of material that was previously “underneath”. This eliminates the need for workers to flip the workpiece and all sides of the workpiece can be cut without the need for manual intervention.

### **Indexable tools**

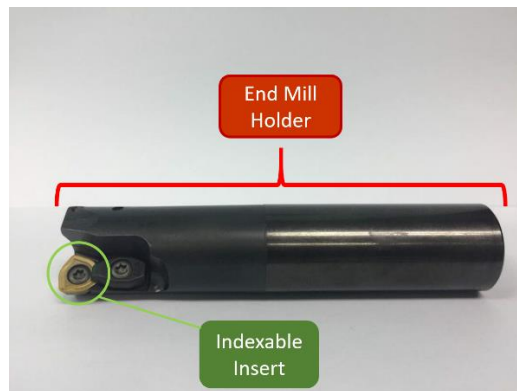
One of the more recent developments in cutting tool design is indexable tool. Indexable tool offer a replaceable insert which acts as the cutting edge which is mechanically held in a tool holder. Indexable tooling solutions offer the option of replacing only the cutting edge upon wear. Indexable inserts are available in several thicknesses and a variety of sizes and shapes. The round, square, triangle and diamond are the more commonly used shapes. Many others shapes, including the parallelogram, hexagon and pentagon are used to meet specific machining requirements. Depending on the machining requirements, indexable inserts are attached to different types of tool holders such as face mill holder and end mill holder.

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Examples of indexable inserts

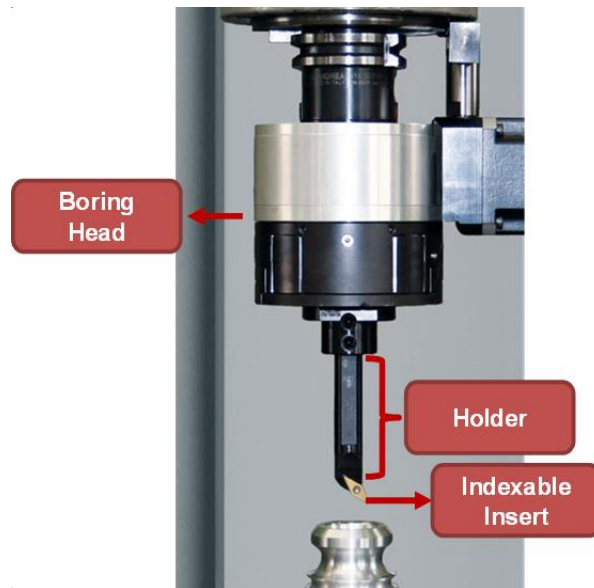


Examples of tool holders for indexable inserts

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### Boring tools



Boring is a machining process for enlarging the inside diameter of a hole by using a single-edge cutting tool (or by a boring head containing several tools). The common workpieces that are made using boring systems are gun barrels and engine cylinders. It is also used when we need to achieve greater accuracy for hole diameters, or to change the hole path from straight to tapered.

### Taps



Internal threads produced in manufacturing are machined with taps and thread-mills. These are tools that are designed to remove material from the hole leaving a finished internal thread form in the geometry intended. These tools utilise a feature, known as the chamfer, to achieve a gradual cutting action as the tap enters the hole, and flutes to allow room for the chips created by this cutting action, and coolant or lubricant to assist in the process of cutting and removal of material from the flutes.

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### Pre-setters



Pre-setters measure the cutting edges of tools to ensure they precisely match job specifications and are ready to be used in the machine. They are used to facilitate offline measurement of the cutting edges of tools without the need to interrupt ongoing cutting activities by the CNC machine involved. Offline measurement using a pre-setter requires less than 1 minute while the same adjustment could take up to 15 minutes to perform on the CNC machine.

### 7.3.3 Provision of PVD coating services

Our subsidiary, Pentagon, which operates from Block B of our manufacturing facility in Shah Alam, Selangor, offers surface coating services to producers of cutting tools, moulds and dies and component wear parts. Component wear parts refer to components that constantly come into friction with other components such as fuel injection systems, high performance bearings, pump and compressor parts.

PVD coating refers to a plasma coating process that involves the depositing of a thin layer of material onto the surface of an object to make the object more durable. Coating plays an important role in tool material design as it determines the tool's ability to:

- withstand the high heat generated in metal-cutting process;
- possess chemical wear resistance against the particular workpiece; and
- allow smooth coating surface to ease frictional forces at chip/tool contact areas.

Coating increases the life of cutting tools and allows higher cutting speed, ultimately increasing productivity. In cutting tools, the selection of surface coating is based on work material, requirements for longer tool life and higher productivity.

Similarly, the use of coating technology on moulds and dies as well as component wear parts enhances material surface characteristics to higher levels of performance by:

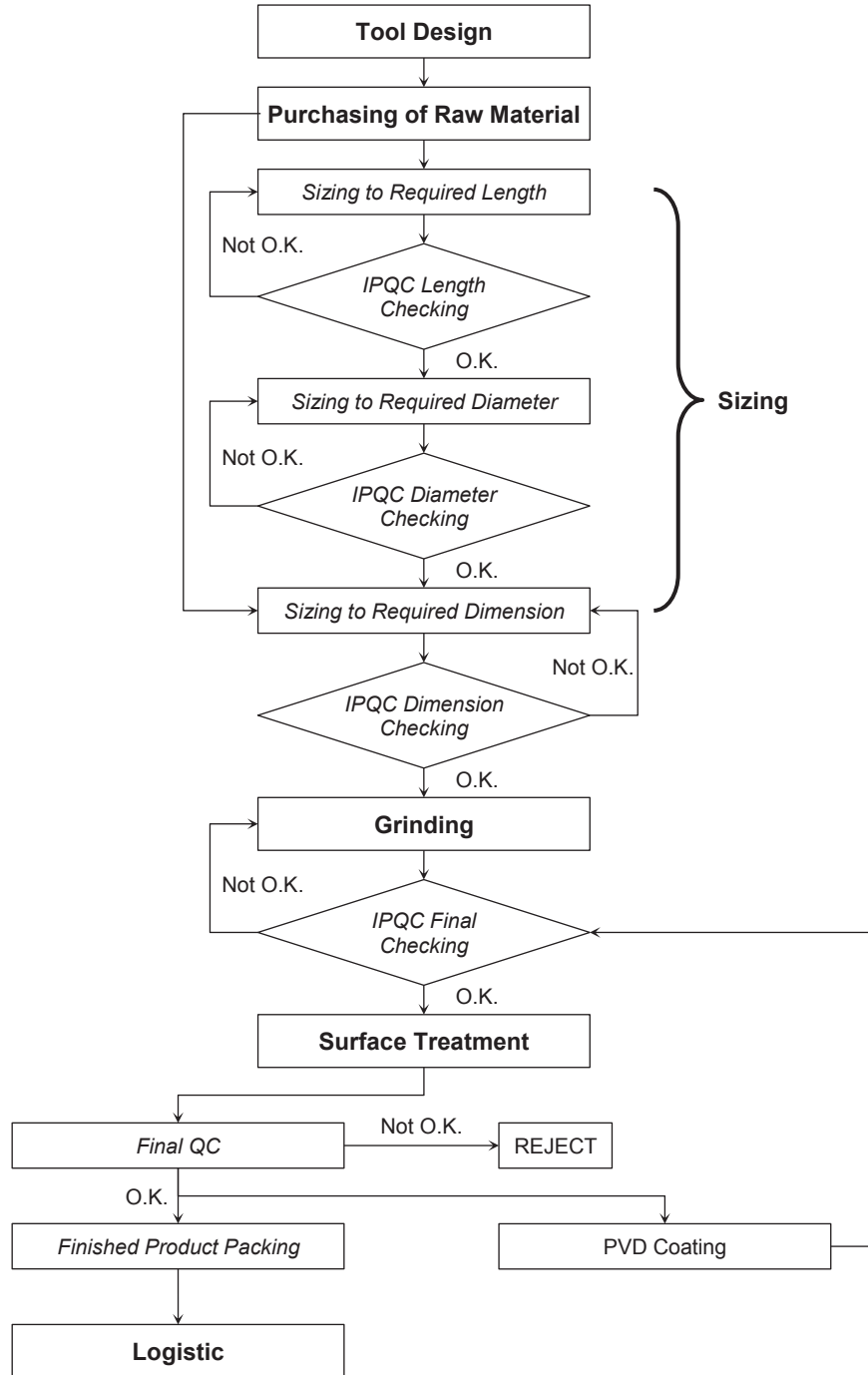
- extending lifespan/longevity;
- increasing wear and corrosion resistance;
- enhancing performance, prevent defects; and
- reducing friction (increased lubricity).

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**7.4 OPERATING MECHANISM**

**7.4.1 Manufacturing of cutting tools**

Our manufacturing of cutting tools involves 3 main processes namely, sizing the raw material, grinding and surface treatment.



**Notes:**

QC – Quality control

IPQC – In-process quality control



## 7. BUSINESS OVERVIEW

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### Tool design

Tool design is performed by our R&D team as part of our product development initiatives. Together with our product management team, our R&D team keeps abreast of new technology development in our end-user industries, to come up with relevant designs for the market. Our R&D team also acts upon customer feedback and requests to design new tools that can meet each customer's specific application.

For this, our customers will either provide tool drawings, workpiece drawings or tool samples for our R&D department to study and understand the tool applications before developing the final tool design. Once the tool design has been finalised, our R&D team will proceed to prepare the manufacturing drawing. After that, our production engineers will employ a design software to conduct computer simulations of the complete production process and thereby optimise the production cycle time.

### Purchasing of raw material

We use tungsten carbide rods as the main raw material for the manufacturing of our cutting tools. Our tungsten carbide rods are generally sourced from China and are cylindrical in shape. For our standard tools, we generally purchase tungsten carbide rods of standard diameter and length so that we can skip some of the sizing process and proceed directly to size the tungsten carbide rods to their required dimension. This would enable us to save production cost and time.

### Sizing

For our special tools, a sizing process is undertaken to shape the tungsten carbide rods to their required length, diameter and dimension. To do this, we use CNC cylindrical machines. These machines are able to conform to a tool concentricity of within 1 micron tolerance.

### Grinding

Once the tungsten carbide rods have been shaped into their designated length, diameter and dimensions, they are sent for final grinding, in which the tip of the tungsten carbide rod is ground into their intended geometry. Generally, we have 2 types of CNC universal grinding machines, namely one which is used to produce our micro tools, and another used to produce our non-micro tools.



CNC universal grinding machine  
(for non-micro range tools)



CNC universal grinding machine  
(for micro range tools)

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### **Surface treatment**

After the above processes, the final process involves sending the tungsten carbide rods for surface treatment to enhance their strength and durability. The surface treatment process consists of 2 steps, namely polishing and (where applicable) PVD coating. PVD coating will only be applied if requested by our customers. The polishing process serves to enhance the consistency and durability of our cutting tools. After polishing, if requested by our customers, the cutting tools will be sent for PVD coating, whereby a thin layer of coating is created on the surface of the cutting tools. This process serves to improve the hardness and strength, as well as to provide the desired surface finishing for the cutting tools.

Our cutting tools are coated in-house by HPMT Industries. If we do not have sufficient capacity to undertake the coating of the cutting tools at the point of time, we will send the cutting tools to Pentagon for coating.

When special coating, such as diamond coating (which is currently not supported by our in-house and Pentagon's PVD coating facility) is required, we will send our cutting tools to third party service providers for coating.

### **In-process quality control**

Quality control remains one of the key factors towards our continuous success and growth. As such, we implement several quality control procedures throughout our manufacturing processes and conform to ISO guidelines in the entire production process.

To ensure the finishing of our cutting tools are able to conform to strict engineering specifications as well as being consistent in quality, our measurement equipment are able to perform inspections to within 0.1 micron levels. The equipment uses a visual method to perform calculations and the entire checking process is fully automated. All our cutting tools will go through this in-process quality control checking prior to us undertaking the mass production of a product.

Lastly, a final check is performed at the last stage of our manufacturing process where we will conduct inspection on the final product and prepare the necessary quality control documents for record purposes. We use the sampling method for each batch of product.

### **Logistic**

After receiving the finished products from our quality control department, the cutting tools are sent to our warehouse where they are engraved and packed in accordance to our customers' requirements. By engraving the products, we will be able to trace all the details of the cutting tools even after delivery to our customers. This is to ensure that in the event there is an abnormality in the products, we will be able to track the products and make the necessary amendments.

Due to our products being small and light in weight, we are able to deliver our products all over the world using air freight courier services.

If any cutting tool is found to have defects which are justified within two weeks of delivery, or such other period as may be negotiated with our customers on a case-by-case basis, we will replace the cutting tool free of charge and bear the shipping costs of the replacement to our customers. However, we do not have a formal warranty or return policy for our cutting tools, and for the Period under Review, we have not made any provision for warranty in our financial statements. For the Period under Review, while there were returns of individual defective cutting tools on a case-by-case basis, there have been no returns of defective cutting tools on a large scale or on a product recall basis.

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### 7.4.2 Trading of cutting tools and related products

In addition to the manufacturing of cutting tools, we are involved in trading of third party products of cutting tools, supporting equipment and accessories for metalworking.

#### **Sales and customer service**

Upon receiving an enquiry for a specific product, our sales team shall determine whether our existing products meet the required specification before identifying suitable products for the customer's usage.

Once we have ascertained the product sought by our customer, the sales team will then prepare a quotation in accordance to the latest price list for the customer. When the customer accepts the quotation, the order is confirmed. The information of the order is then entered into the ERP system to generate a sales order.

Once the ERP system has generated a sales order, the information is transferred to our support team. Our support team will then identify which stocks are readily available and which stocks are required to be purchased. An order confirmation will be sent back to the customer for their reference and acknowledgement.

#### **Procurement and logistics**

Upon receiving a sales order, our sales team shall determine if the order is a new or a repeat order. In the case of a repeat order, a purchase order will be raised to the respective supplier for the product to be delivered. For new orders, an enquiry with the required information will be sent to the respective supplier. Once a quotation from the supplier is received, customer confirmation is required to proceed to the next stage. If the customer confirms the order, a purchase order will be sent to the supplier.

Once the products are received, they are collected by our support team. The products are then matched against the items on the packing list to ensure the correct products are delivered by the supplier. After that, the received products are entered into the ERP system for record purposes. The products are then sent for warehousing.

When the products are ready to be delivered to our customers, our support team will pack the items in accordance to the sales order and also prepare an invoice and delivery order. The next process involves the delivery of the products, whereby the products are sent to our customers via our dispatch team, authorised couriers and transporters (for large products).

If any trading goods is found to have defects which are justified within the stipulated time period after delivery, which may range from two weeks to 12 months depending on the type of product purchased, or such other period as may be negotiated with our customers on a case-by-case basis, we will replace the trading goods free of charge and bear the shipping costs of the replacement to our customers. We may also obtain a replacement from our trading goods supplier, as certain suppliers provide warranty on a case-by-case basis. However, we do not have a formal warranty or return policy for our trading goods, and for the Period under Review, we have not made any provision for warranty in our financial statements. For the Period under Review, while there were returns of individual defective trading goods on a case-by-case basis, there have been no returns of defective trading goods on a large scale or on a product recall basis.

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### 7.4.3 Provision of PVD coating services

There are different treatment processes for the different items to be coated depending on the type and category of the items. Prior to being sent for coating, all items to be coated are loaded into our cleaning machines for cleaning. The cleaning process ensures parts to be coated are free of particles or other impurities.

After the cleaning process, the cleaned items are sent to our quality control department for inspection. The inspected and 'approved' items are then placed into fixtures and loaded into one of the coating machines. As for items with defects, the client is notified and asked if the defects should be returned or still be sent for coating. The PVD coating chosen for the items is pre-programmed into the machine and the coating process begins. The process of coating the items takes on average 3 to 6 hours. During this time, our coating experts carefully monitor the progress of the process. When the coating process is completed, the coated items are taken out to be cooled at designated areas prior to being unloaded to an unloading table. The coated items are then labelled in accordance to the packing list provided by the customer.

After the coating process, the coated items are sent to our quality control department for inspection via random sampling. These tests help to ensure proper coating quality, in terms of thickness and adhesion. The batch of coated items that have passed the quality control inspection are then ready for final packaging. A Certificate of Conformance will be provided upon request from our customers.

## 7.5 PRINCIPAL MARKETS, DISTRIBUTION AND MARKETING

### 7.5.1 Principal markets

We continuously seek to expand our market presence, whereby we work to increase our market share in markets where we already have a presence, and at the same time try to penetrate new markets. We have had sales in Australia, China, Czech Republic, Denmark, France, Germany, India, Indonesia, Italy, Japan, Malaysia, Portugal, Singapore, Slovenia, Spain, Switzerland, Taiwan, Thailand, the Netherlands, the Philippines, Turkey, United Kingdom and Vietnam for the Period under Review.

Our revenue, as segmented by geographical areas for the Period under Review, is set out below:

Country/Region	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	(RM '000)	(%)	(RM '000)	(%)	(RM '000)	(%)	(RM '000)	(%)
<b>Local</b>								
Malaysia	8,864	12.9	11,176	14.9	13,532	15.9	16,969	19.9
<b>Overseas</b>								
Europe <sup>(1)</sup>	32,518	47.2	34,394	45.8	41,663	48.9	43,248	50.7
Asia (excluding Malaysia) <sup>(2)</sup>	27,233	39.5	29,348	39.0	29,618	34.8	24,693	28.9
Others <sup>(3)</sup>	261	0.4	244	0.3	339	0.4	386	0.5
<b>Total</b>	<b>68,876</b>	<b>100.0</b>	<b>75,162</b>	<b>100.0</b>	<b>85,152</b>	<b>100.0</b>	<b>85,296</b>	<b>100.0</b>

**Notes:**

- (1) Comprising revenue from European countries such as Germany, Italy, Czech Republic, Denmark and Portugal.

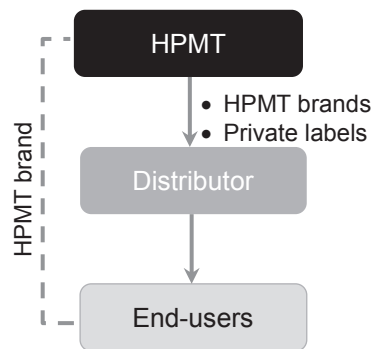
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- (2) Comprising revenue from Asian countries such as China, Japan, Turkey, Thailand and Indonesia.
- (3) Other countries include Australia, the United States of America and New Zealand.

For FYE 2018, approximately 80.1% of our revenue was attributed to export sales while Malaysia contributed the remaining 19.9% of our revenue.

### 7.5.2 Sales network

We manufacture our cutting tools under the HPMT brand as well as under private labels. For the Period under Review, cutting tools sold under the HPMT brand contributed approximately half of revenue from our manufacturing segment.



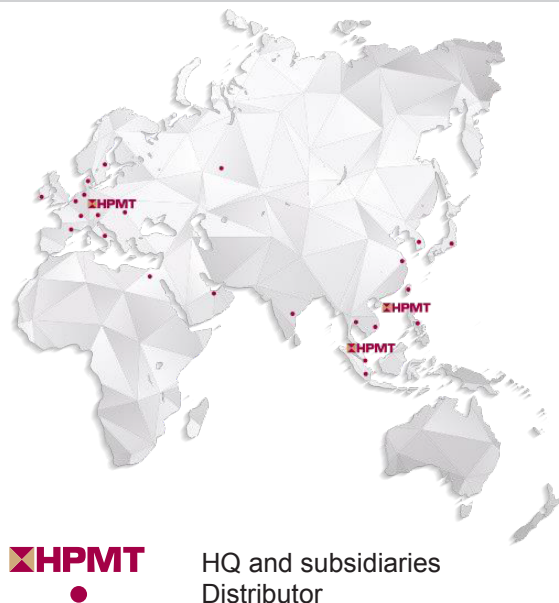
We sell our cutting tools either via our distributors (both HPMT brand and private labels) or directly to the end-users (HPMT brand only). While we do not have any formal arrangements with our distributors, we believe that by establishing sales network through distributors in Malaysia and other countries, we are able to market our products to a broader range of end-users in terms of geographic regions and industrial application uses. For the Period under Review, we have a global sales network comprising more than 30 countries.



### SALES NETWORK

A global network of distributors in more than 30 countries for the Period under Review

Asia	Europe	Others
China	Belgium	Argentina
Cyprus	Czech Republic	Australia
India	Denmark	Brazil
Indonesia	France	Mexico
Japan	Germany	New Zealand
Malaysia	Italy	United States
Philippines	Poland	
Singapore	Portugal	
South Korea	Slovenia	
Taiwan	Spain	
Thailand	Switzerland	
Turkey	The Netherlands	
Vietnam	UK	



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For the Period under Review, the breakdown of percentage of sales of our manufacturing and trading segments to our distributors and end-users were as follows:

	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Distributors	84.0%	86.6%	88.9%	89.7%
End-users	16.0%	13.4%	11.1%	10.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

For Malaysia, Germany, China and Hong Kong markets, we have branch offices in (1) Malaysia (Shah Alam and Johor); (2) Germany (Moelln); (3) Hong Kong (Kowloon Bay); and (4) China (Shenzhen). These branch offices serve their respective markets by liaising with our customers and providing technical support to our distributors and end-users.

### 7.5.3 Sales and marketing strategies

As at the LPD, we have a total of 43 personnel who are responsible for the following:

**Sales Team** – our sales team is tasked with handling the sales to distributors as well as end-users. In addition, our sales team is also responsible for establishing new relationships with new distributors and end-users.

**Marketing Team** – our marketing team focuses on promotional activities such as printing of our product catalogues, establishing our brand name in the local and global cutting tools industry as well as organising participation in exhibitions.

**Product Management Team** – the main role for our product management team is to support our sales and marketing teams in handling customer enquiries. Through engagement with customers, our product management team is able to collect market intelligence and in turn identify opportunities for the development of new products. Our product management team is also in charge of managing our overall product portfolio whereby they decide which new products to add into our production line and which products are obsolete. Our product management team also provides first-level technical support to our customers.

They are led by our Managing Director, Mr. Khoo Seng Giap, who is tasked with developing and executing our sales and marketing strategies.

Our sales and marketing strategies include:

- (i) **Fostering long-term and strong relationships with our customers** with a focus on customer retention. We maintain our existing customer relationships through regular contact, including providing our customers with regular updates on new products that we carry, visiting our key distributors periodically and having video or telephone conferences with them from time to time. Should an issue or problem arise, we will follow up on the issue and strive to provide a solution for our customers. We also work closely with our customer when we develop customised products for our customer. This builds rapport with our customer and is likely to strengthen our relationship with our customer. The relationships we have built with our customers also acts as a source of market intelligence, allowing us to keep abreast of industry trends and developments and enabling us to adapt to market demands more quickly.

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(ii) **Having a wide product range and capability in designing customised products** for our customers to meet our customers' needs with short manufacturing and delivery lead times. Over the years, we have introduced a wide selection of cutting tools and have thereby allowed us to meet the various demands and preferences of different industries. We also have design and manufacturing capability to customise and produce cutting tools according to specific requirements. We believe by doing this, we are able to create strong customer loyalty as we are able to identify customers' needs and requirements and provide them with fully customised solutions.

(iii) **Participating regularly in international trade exhibitions to increase exposure and facilitate promotion of our products.** We have participated in the following notable international trade exhibitions:

- EMO in Germany in 2005, 2007, 2009 (in Italy), 2011, 2013 and 2017;
- AMB in Germany in 2012, 2014, 2016 and 2018; and
- Taipei International Machine Tool Show (TIMTOS) in Taiwan in 2009, 2011, 2013, 2015 and 2019.

Our participation in international trade exhibitions allows us to increase the visibility of our Group and our products. At the same time, the international trade exhibitions also allow us to keep abreast of the industry developments and enable us to identify and design new cutting tools that are relevant to the industry.

(iv) **Make greater use of digital marketing tools** to create stronger engagement with our customers as well as to build brand awareness and support our marketing efforts. Our website has a Tool Advisor function that provides our customers with information on the types of cutting tools that we manufacture and assist them to select cutting tools that are suitable for their applications. Our Tool Advisor allows customers to select the various properties of the required cutting tool including the type of cutting tool (for example drill or end mill), the material of the workpiece to be cut, the number of cutting edges as well as the application for the cutting tool. After the customer has selected the required properties, our Tool Advisor will come up with a list of cutting tools that match the criteria. The customer will then engage with our sales team to purchase the product or ask for more details.

In addition, we employ email marketing whereby we send updates of our products, new product catalogues, promotional offers and other matters to our customers and distributors.

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### 7.6 MACHINERY AND EQUIPMENT

We are dependent on the use of machineries and equipment to sustain our daily operations and to maintain our competitiveness within the market. As at the LPD, we have invested in the following material machineries and equipment for our manufacturing activities:

Equipment/ Machinery	Description	Units	Year purchased	Average age <sup>(1)</sup> (years)	Audited NBV as at 31 December 2018 (RM '000)
CNC universal grinding machine	5-axis CNC universal tool and cutting grinder, a robotic machine that is used for grinding micro and non-micro tools	53	2001 to 2018	7.0	(2)29,483
CNC cylindrical grinding machine	5-axis CNC universal tool and cutting grinder, a robotic machine that is used for grinding and shaping an object	11	2006 to 2018	5.6	(3)5,017
PVD coating machine	Machine used to transfer a coating material onto an object	2	2015 to 2017	2.7	6,053
<b>Total</b>					<b>40,553</b>

#### Notes:

- (1) Calculated from the date of purchase up to and including the LPD.
- (2) NBV includes 40 units. 13 units have fully depreciated.
- (3) NBV includes 9 units. 2 units have fully depreciated.

The lifespan of a CNC machine is determined by how well it is maintained, how frequently it is used, and whether it is used as intended. Some of our machineries and equipment have been in use for more than 15 years and we continue to use such machines productively in our operations. Our machineries and equipment may be overhauled by undergoing a maintenance program as and when they age.



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### **7.7 TECHNOLOGY USED**

Our operations are highly automated as we believe the use of technology could increase our productivity and efficiency, and to ensure the consistent quality of our products. Some of the technology employed by us includes the following:

#### **7.7.1 ERP system enhances manufacturing processes**

We have been using the ERP system since 2006. The ERP system is a software used for data collection and serves to connect data collected from various departments within our Group. With a system linking operations from our various departments, the ERP system is able to manage the end-to-end supply chain of our manufacturing process and establish plans for the production, material use as well as delivery and shipping of our products. The ERP system also serves to control the workflow of our manufacturing process while at the same time maintaining production records and optimising our production process.

#### **7.7.2 Automated CNC machines minimise human involvement**

We primarily use the 5-axis CNC universal grinding machines in our manufacturing process. All our CNC universal grinding machines are equipped with automation which allows the loading of raw materials as well as unloading of completed cutting tools without the need of human labour, hence minimising handling and ensuring higher productivity. The machines are pre-programmed by our production engineers and periodic checks are carried out to ensure the machines are working at their optimal performance.

#### **7.7.3 Automated measurement machines ensures high accuracy of physical measurement**

We believe that the quality of our products is key to our continued success. Our automated CNC tool measuring machines perform in-process quality control on our products to ensure they are within design specifications, meeting the tight tolerance level expected from our customers. At present, we have 5 CNC tool measuring machines, of which the latest machine was purchased in 2018. The CNC tool measuring machine is equipped with higher lens magnification, which results in higher accuracy calculation.

The CNC tool measuring machines are fully automated whereby the user is only required to select a pre-programmed function from the machines and no further human interaction is required for the remaining checking process. This also allows for more reliable and consistent results as human error is minimised. At the same time, our technicians are able to better divide their time for other tasks on hand while waiting for test results, thus resulting in improved productivity.

#### **7.7.4 Computer software facilitating product design**

Our R&D engineers employ Tool Studio, which is CAD/CAM software designed for the tooling industry. It is used to design new products and its simulation feature allows us to simulate the production process of new cutting tools. This is able to replace manual simulation work, which may require the setting up of machines, and reduces the number of physical test runs. This ultimately reduces the lead time in product development and enables us to enjoy cost savings on testing material due to the reduced number of physical test runs required for the new cutting tool.

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### 7.7.5 PVD coating services

Through our subsidiary, Pentagon, we provide coating services to our customers using the PVD process. The PVD coating applied to our cutting tools or our customers' products serves to improve hardness and durability of the cutting tools or customers' products. Coatings are used in a wide range of applications including automotive, aerospace, mould and die as well as cutting tools.

Our R&D team also studies the different possible coating that may be applied and then consults with our coating machine vendor to decide on the coating formula required for our cutting tools as well as for our customers' products.

### 7.8 RESEARCH & DEVELOPMENT

The evolution of cutting tools is a direct response to changes in the manufacturing environment which include continuous efforts to improve manufacturing efficiency and productivity, and changes in workpiece materials and processes. Consequently, we see R&D on product improvements and product development as an important, on-going process to achieve better quality, speed and precision.

As we aim to become a leading manufacturer of cutting tools, we place strong emphasis on R&D to ensure constant improvements in our products. Presently, our R&D initiatives for product development revolve around cutting tool technology comprising tool materials, i.e. different grades or specifications of tungsten carbide rods, tool geometry and coating materials. Due to constant advancements and new developments in material science for workpiece materials, R&D efforts are also conducted on an on-going basis to understand the characteristics of new workpiece materials. The objective is to develop cutting tools with better performance in terms of quality, consistency and accuracy, and longer tool life.

In addition, our R&D team is equipped with design and product development capabilities and technical know-how to troubleshoot problems which our customers may experience in their production process and provide solutions to our customers.

We have also set in place a Product Development Policy since March 2017. The policy outlines the responsibilities of the employees in our R&D department as well as the steps involved in the product development process. The steps involved in new product development are as follows:

<b>Steps</b>	<b>Description</b>
<b>Step 1:</b> Product Development Kick Off	: Upon receiving a new idea for product development, a Product Development Form is prepared to seek approval from our Director of Technical.
<b>Step 2:</b> Product Research & Benchmarking	: Our R&D department then conducts research on the product based on competitor's existing products in the market as well as on current market trends/requirements. A benchmark is then set for the product.

The information gathered is compiled and presented to our Director of Technical through a Benchmarking Analysis Form.

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<b>Steps</b>	<b>Description</b>
<b>Step 3:</b> Project Approval	<p>: Based on the information provided, our Director of Technical will consider the viability of the product.</p> <p>Should the product be approved, the Product Development Form is approved and the R&amp;D department shall proceed to develop the product. On the other hand, if the proposed product is not approved, the Product Development Form is rejected.</p>
<b>Step 4:</b> Product Development Design Planning	<p>: An initial design concept of the product is drafted by our R&amp;D department to begin the product development process. The entire product development and planning is recorded in a Project Planning Form.</p> <p>The initial design concept includes details such as the tungsten carbide material, design geometry and coating type required for the product.</p> <p>The design concept as well as the details of the product is recorded in a Purchase Requisition Form and submitted to the relevant sales person in order to receive the part numbers for the prototype to be created.</p>
<b>Step 5:</b> Product Development Design Output	<p>: After confirming the product's design and features, our R&amp;D department prepares an engineering design drawing in accordance to the design concept of the product.</p> <p>The engineering design drawing of the product should contain information pertaining to the required tungsten carbide material, design geometry and coating types.</p>
<b>Step 6:</b> Product Development Prototype Making	<p>: The prototype of the product is produced in our production department in accordance to the engineering design drawing prepared by our R&amp;D department.</p>
<b>Step 7:</b> Testing and Result Analysis	<p>: After the prototype is completed, various internal tool tests are conducted to evaluate the performance of the product.</p> <p>If the results from the internal tool tests fail to meet the initially set requirements, our R&amp;D department shall return to the "Product Development Design Output" step to come out with improved design and features for the product.</p>
<b>Step 8:</b> Product Development Approval	<p>: Should the results from the internal tool tests prove satisfactory, the results are presented to our Director of Technical to obtain approval.</p> <p>Once verbal approval is obtained, a Product Finalisation Form is prepared and presented to our Director of Technical to officially approve the product.</p>

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<b>Steps</b>	<b>Description</b>
<b>Step 9:</b> Product Development Quality Control on Mass Production	: Upon receiving approval from our Director of Technical for the product, a product briefing is called between the R&D department and the production department.  Product briefings are carried out to notify the production technician involved so that they are aware of the particular product recently developed.
<b>Step 10:</b> Product Development Appendix	: If the product is launched by our product management team, all related product details and specifications are finalised and recorded in the Product Finalisation Form. A Master Drawing Design Appendix is also prepared for the particular product.
<b>Step 11:</b> Product Development Commercialisation	: To commercialise the product, our marketing department determines the selling price of the product and announces the launch of the product to our customers. At the same time, our R&D department shall prepare the product information for inclusion in the marketing materials to be prepared by the marketing department.

As at the LPD, our R&D department comprises of 9 personnel and is headed by Mr. Wong Chew Kong. We allocate an annual budget of approximately 1.0% of our total revenue for R&D activities. The amount spent on R&D activities for the Period under Review is as follows:

	<b>FYE 2015</b>	<b>FYE 2016</b>	<b>FYE 2017</b>	<b>FYE 2018</b>
	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>
R&D expenditure				
• Staff cost <sup>(1)</sup>	409,034	440,266	635,563	647,018
• Others <sup>(2)</sup>	39,457	21,654	23,523	66,013
• Depreciation	152,849	152,849	152,849	38,714
<b>Total</b>	<b>601,340</b>	<b>614,769</b>	<b>811,935</b>	<b>751,745</b>
Total R&D expenditure as a proportion of our total revenue (%)	0.87	0.82	0.95	0.88

**Notes:**

- (1) Excludes salary of Director of Technical, which has been recorded as part of administrative expenses.
- (2) Comprising of testing materials and purchase of competitors' products and upkeep of R&D machinery and equipment.

Our R&D milestones and achievements to-date are as follows:

<b>Year</b>	<b>Description</b>
2007	• With the use of latest cutting edge rounding technology, our R&D team discovered a way to improve the cutting edges of the cutting tools. With the use of the technology, our R&D team managed to increase the tool life and reliability of our cutting tools, in particular cutting tools made from brittle material such as tungsten carbide.

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Year	Description
2011	<ul style="list-style-type: none"> <li>Successfully launched a new series consisting of multi-functional end mills that are capable of performing plunging, side-milling and slotting applications with just one cutting tool.</li> <li>Successfully launched a new series of solid tungsten carbide end mills designed for high speed machining applications.</li> </ul>
2015	<ul style="list-style-type: none"> <li>Successfully launched an improved series of cutting tools. The improved series is able to improve the productivity of the manufacturing process as the cutting tool is able to cut the workpieces at a faster rate.</li> </ul>
2016	<ul style="list-style-type: none"> <li>Our R&amp;D team in collaboration with our coating machine vendor developed our own coating formula, which allowed us to control the processes for coating our cutting tools with the aim to increase their performance.</li> <li>Successfully launched a new series of tungsten carbide end mills which are durable and have good surface finishing properties that can be used for most workpiece materials, including steel.</li> <li>Successfully launched a new series of twist drills that are able to provide higher productivity on a wide variety of workpiece materials.</li> </ul>
2017	<ul style="list-style-type: none"> <li>Successfully launched a new series of drills that are designed for drilling deep holes for a wide range of workpiece materials.</li> <li>Successfully launched 2 new series of ball nose end mills that are designed for high-speed milling of harder workpiece materials such as alloy tool steel.</li> <li>Successfully launched a new series of cutting tools specifically designed for machining aluminium.</li> </ul>
2018	<ul style="list-style-type: none"> <li>Successfully launched a new series of end mill with a sideway oil feed internal coolant supply system built into the product design, which is specifically for machining aluminium to enable better surface finishing of the workpieces.</li> </ul>
2019	<ul style="list-style-type: none"> <li>Successfully launched a new series of end mill with a single oil feed internal coolant supply system built into the product design, which is specifically for high-speed milling of difficult to mill workpiece materials such as stainless steel.</li> </ul>

R&D is a continuous process and our R&D team is constantly engaged in creating or improving our range of cutting tools. Currently, we are developing an improved series of end mills that have reduced machining vibration to provide better surface finishing and improved cutting parameters in terms of higher speed and feed rate (as compared to our existing standard end mills). At the same time, we are also developing a new series of miniature ball nose end mill specifically for milling biocompatible workpiece materials such as cobalt chrome, particularly for the dental industry.

As we are aware of the risk of knowledge leaks in relation to our R&D activities, we have put in place safeguard measures in relation to our R&D prototypes such as restricting access only to authorised personnel.

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### **7.9 QUALITY CONTROL PROCEDURES AND MANAGEMENT**

#### **7.9.1 Quality policy**

We believe that having an established QMS is one of the main factors that have contributed to our success. We place great emphasis on quality control procedures and we are committed to provide our customers with high quality products.

Our commitment to quality is evidenced by our subsidiary, HPMT Industries, being accredited with the QMS, namely DIN EN ISO 9001:2000 in year 2005 by TUV Rheinland Industrie Service GmbH for manufacturing of standard and custom-made metal removing cutting tools. The accreditation was subsequently updated to ISO 9001:2008 in June 2012 and to ISO 9001:2015 in September 2017.

As at the LPD, our quality assurance team consists of 31 personnel and they are tasked to ensure that all manufacturing processes follow the quality control standards set by our production engineers. At the same time, we have a team of 3 personnel that are tasked with ensuring that our operations are in compliance with ISO 9001:2015 standards for QMS. As at the LPD, HPMT Industries and Pentagon are accredited under ISO 9001:2015.

We have implemented the following procedures in the production process of HPMT Industries as part of our QMS:

**(i) Establish quality control standards**

We have set our quality control standard in accordance with the standards and guidance under the ISO 9001 quality system. We also take into account our customers' specifications and requirements as well as their feedback in determining our quality control parameters.

**(ii) Quality control during sourcing and procurement**

Our vendors are selected by our purchasing team together with our team of production engineers based on certain criteria, such as product quality, services, pricing, delivery, track record and market reputation. For major procurement such as machinery and raw materials, we will conduct site visit and product testing before purchasing. We will conduct audit when necessary for vendors to ensure they maintain their quality standard.

**(iii) Quality control during manufacturing process (in-process quality control)**

Before commencing production, we will conduct dimensioning inspection on our incoming raw material to verify its measurement accuracy as part of our production quality control. Raw material which fails to comply with our quality standard will be rejected and returned to vendors. During production, we will conduct sampling inspections on different stages of our manufacturing process with the use of measurement machines. This is to ensure that defects are identified and corrected at an early stage in order to minimise the reworking rate.

**(iv) After shipment**

All of our products are engraved with a batch number so that if there is any issue after shipment, we are able to trace the detailed process. Our quality assurance team will work together with our production engineer to identify the possible root cause and implement measures to improve the process further to achieve higher quality standard.

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### **7.9.2 Health, safety and environmental policy**

We understand the importance of ensuring the wellbeing of our employees, visitors as well as the environment. As such, we have a Safety & Environmental Team Committee. As at the LPD, the committee consists of 23 personnel and is headed by our QMS Manager. The committee was established by HPMT Industries in 2014. A health, safety and environmental policy was implemented in 2015. Our health, safety and environmental policy is as below:

- (i) Committed towards sustaining the environment and protect the health, safety and welfare of our employees, contractors, customers, neighbourhood and the general public.
- (ii) Ensuring personnel is properly trained and provided with appropriate safety gear and emergency equipment.
- (iii) Taking appropriate action to minimise hazards or change conditions that endanger health, safety, or the environment.
- (iv) Reviewing and revising the policy as necessary at regular intervals.

Our Safety & Environmental Team Committee is also tasked with managing our scheduled wastes. The scheduled wastes are then periodically collected by our contractors registered with DOE. In addition, we declare the volume of our scheduled wastes each month to the DOE. This also enables us to manage our scheduled wastes effectively and efficiently.

As at the LPD, there are no major environmental issues which may materially affect our operations and utilisation of our assets.

### **7.10 COMPETITIVE STRENGTHS AND ADVANTAGES**

We believe our success and potential for future growth are attributable to the competitive strengths set out below:

#### **7.10.1 Proven track record in the cutting tools industry**

Having been in the business of trading of cutting tools and related products for almost 40 years, we have accumulated substantial experience as well as developed a wide sales network in the cutting tools industry. With our knowledge and understanding of both the local and global industry dynamics, in particular the market competition, sales network and market structure, we are able to strategically position ourselves to achieve better brand recognition and facilitate customer acceptance.

With our longstanding presence of almost 20 years in cutting tools manufacturing, we are an experienced cutting tools manufacturer. We believe that delivery of quality products and services is integral to our business as cutting tools are used in the manufacturing of high-precision components with very low margin for error. Many manufacturers seek brands of cutting tools with an established track record in reliability and quality to enhance their own manufacturing productivity and efficiency. We believe our cutting tools are able to satisfy our customers' needs and we continually strive to manufacture high quality cutting tools consistently by having stringent quality control. Our design and product development capabilities in introducing new or improved products to our customers have also added to our reputation in the industry. With these competitive edges and capabilities, we are confident that we are able to strengthen our market position and maintain our customer base.

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According to the Independent Market Researcher, we have an export market share of about 23.6% based on our export revenue of RM68.3 million for FYE 2018. We are therefore among the prominent cutting tool manufacturers in Malaysia.

### **7.10.2 Competent and skilled workforce**

We view our employees as an important asset. Over the years, we have recruited and trained many skilled personnel that are involved in manufacturing operations, quality control, R&D as well as sales and marketing.

As the manufacturing of cutting tools involves specific skills and knowledge, we ensure that our employees receive the necessary on the job training. Our production team possesses the requisite technical expertise to manufacture our products, which are supported by our automated CNC machines. Our production engineering team conducts research into our manufacturing processes to ensure the productivity of our manufacturing activities as well as improve the quality of our products.

Together with our R&D team, our sales and marketing team have over the years worked closely with our customers. They are able to understand our customers' needs and can offer bespoke practical and quality products to meet their requirements. In addition to R&D activities, our R&D team provides consultancy services to troubleshoot machining and tool problems that our customers may experience in their production and assist to resolve such issues. This improves loyalty among our customers.

### **7.10.3 Extensive portfolio of products that caters to various end-users**

We understand that the global manufacturing landscape is diverse and continuously evolving. With rapid technological advancement comes the need for manufactured components that are of increasing complexity and precision, a process that necessitates the use of specialised cutting tools designed for specific usage scenarios. With this trend in mind, we have been active in ensuring that our cutting tools are able to support the rapid development of the manufacturing landscape, whether in the aerospace, medical devices, automotive or electrical and electronics industries. Over the years, we have developed a broad range of cutting tools that are suited for a diverse range of applications. This enables us to ensure that our cutting tools remain relevant across a wide range of industries and reduce our reliance on end-users from any particular industry.

Our standard tools are universal products for the manufacturing industry and are an essential consumable in metalworking industries that require precision milling and drilling capabilities. For complex machining, our special tool range is designed to tackle specialised machining operations such as micro tools and cutting tools to cut other types of materials (such as titanium and graphite). With our design and development capabilities, we are able to design and manufacture bespoke cutting tools that are able to meet our customers' requirements for special specifications. As such, we believe that we are able to fulfil the diverse needs of our customers. We also believe that this has enabled us to retain our existing customers and attract new customers.

Moreover, the wide variety of products carried by our trading business allows us to satisfy our customers' needs by providing them with a comprehensive product and services solution within the cutting tools industry. The synergy between our manufacturing and trading activities have helped us position ourselves as an established cutting tool manufacturer and contributed to our growth and market presence.



## **7. BUSINESS OVERVIEW**

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### **7.10.4 Sales network in various countries**

We have a wide sales network, with particular focus in Europe and Asia. Currently, we have 4 subsidiaries based in Malaysia, Germany, Hong Kong and China to facilitate the selling of our cutting tools and trading of third party cutting tools, supporting equipment and accessories for metalworking.

Our products are also sold through our distributors all over the world. We have opted to engage distributors instead of establishing our own distribution channels as it is more cost effective to do so. These distributors generally have already established a certain market presence in their respective markets. By establishing long-term relationships with our distributors, we are able to leverage on their market reach and relationships of our distributors with their customers. Our relationships with our distributors have enabled us to expand into regions and countries which would have otherwise required considerable resources.

### **7.10.5 In-house R&D capabilities**

Our R&D team provides crucial support to our product development activities. Our R&D activities principally involve research into tool materials, i.e. different grades or specifications of tungsten carbide rods, tool geometry and performance of coating materials. Along with the advancements and developments in material science, it is important that constant R&D is undertaken to understand the characteristics of new workpiece materials.

We are mindful of the risk of obsolescence and strive to produce new cutting tools that are able to cater to our customers' different preference and requirements as well as to produce cutting tools with better performance and longer useful life, while continuously engaging with our customers to keep abreast with the latest market requirements.

Over the years, our R&D department achieved a series of milestones, details of which are set out in Section 7.8 of this Prospectus. These R&D initiatives have played an important role in ensuring that our HPMT brand is able to compete against the more established brands of cutting tools in the local and international markets. This has also allowed us to retain our existing customers, attract new customers as well as remain competitive within the market.

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### 7.11 PRODUCTION CAPACITY AND UTILISATION RATE

We operate one manufacturing facility located in Shah Alam, Selangor, details of which are set out in Section 6.7.1 of this Prospectus. Our annual production capacity and utilisation for the Period under Review at our manufacturing facility are as follows:

<b>Production line</b>	<b>FYE 2015</b>	<b>FYE 2016</b>	<b>FYE 2017</b>	<b>FYE 2018</b>
<b>Standard tools</b>				
• Annual capacity <sup>(1)</sup> ('000 pieces)	878	948	1,007	1,161
• Annual production ('000 pieces)	741	792	847	985
• <b>Utilisation rate (%)</b>	<b>84.4</b>	<b>83.5</b>	<b>84.1</b>	<b>84.8</b>
<b>Special tools</b>				
• Annual capacity <sup>(1)</sup> ('000 pieces)	376	407	432	498
• Annual production ('000 pieces)	317	340	355	374
• <b>Utilisation rate (%)</b>	<b>84.3</b>	<b>83.5</b>	<b>82.2</b>	<b>75.1</b>
<b>Total</b>				
• Annual capacity <sup>(1)(2)</sup> ('000 pieces)	1,254	1,355	1,439	1,659
• Annual production ('000 pieces)	1,058	1,132	1,202	1,359
• <b>Utilisation rate (%)</b>	<b>84.4</b>	<b>83.5</b>	<b>83.5</b>	<b>81.9</b>

**Notes:**

- (1) Calculated as the sum of the production capacity of our manufacturing facility as at the end of each month, assuming our machineries operate 24 hours for 6 days per week without any interruption.
- (2) Our monthly production capacity as at 31 December 2015, 2016, 2017 and 2018 were 110,500 pieces, 114,400 pieces, 130,900 pieces and 148,200 pieces respectively.

The operations at our manufacturing facility run for two shifts from 7.00 a.m. to 6.30 p.m. and 6.30 p.m. to 7.00 a.m. for 6 days per week. We have not experienced any interruptions in our production operations during the past 12 months due to reasons other than scheduled maintenance and repairing works, machinery installation works as well as public holidays.

We use part of our manufacturing facility as warehouse for storage of raw materials and finished goods. The space utilisation of our warehouse as at the LPD is as follows:

<b>Inventory type</b>	<b>Capacity</b>	<b>Utilised</b>	<b>Utilisation rate</b>
	<b>(no. of racks)</b>	<b>(no. of racks)</b>	<b>(%)</b>
Raw materials	80	48	60.0
Finished goods	292	177	60.6
<b>Total</b>	<b>372</b>	<b>225</b>	<b>60.5</b>

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### 7.12 FUTURE PLANS AND STRATEGIES

We intend to grow our business organically through the implementation of the following future plans and strategies:

#### 7.12.1 Expand our production capacity

As at 31 December 2018, we own and operate 53 CNC universal grinding machines and 11 CNC cylindrical grinding machines. This translates to a production capacity of approximately 148,200 pieces of cutting tools per month as at 31 December 2018.

Taking into consideration our historical growth in sales quantity which grew at a compounded annual growth rate of 5.3% from about 963,500 pieces in FYE 2015 to about 1,125,900 pieces in FYE 2018, we plan to expand our production capacity by purchasing new machineries and equipment.

With the IPO proceeds raised from the Public Issue, we are looking to further increase our production capacity to approximately 212,600 pieces a month by 31 December 2021 by purchasing 18 additional CNC universal grinding machines as well as other supporting machineries and equipment, namely 3 additional CNC cylindrical grinding machines, 1 CNC vertical machining center, 10 filtration systems and 1 measurement equipment, which are expected to be delivered progressively from 2019 to 2021.

Taking into consideration the above, our monthly production capacity is expected to increase as follows:

	Monthly production capacity		
	Standard tools	Special tools	Total
	(pieces)	(pieces)	(pieces)
Actual as at 31 December 2018	103,700	44,500	148,200
Machineries/Equipment to be acquired <sup>(1)</sup> :			
• Additions for 2019 <sup>(2)</sup>	7,000	3,000	10,000
• Additions for 2020	23,300	9,900	33,200
• Additions for 2021	14,800	6,400	21,200
<b>Planned as at 31 December 2021</b>	<b>148,800</b>	<b>63,800</b>	<b>212,600</b>

#### Notes:

- (1) The timing of the expected increase in production capacity may vary depending on our production requirements, as we may be required to purchase new machineries/equipment earlier or later than scheduled if actual production exceeds or falls short of our planned increase in production capacity. Further, we may also make such purchases at different times due to fluctuations in foreign currency exchange rates.
- (2) Save for 1 CNC universal grinding machine which is planned to be installed by January 2019, the other planned additions will be funded by the IPO proceeds raised from the Public Issue.

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For the Period under Review, our utilisation rate for our manufacturing facility was above 80.0%. This was arrived at assuming our machineries operate 24 hours for 6 days per week without any interruption. Each job order requires us to recalibrate our machineries, which will lead to machine downtime. Given that we have about 17,000 standard tools in our product portfolio, and each special tool is customised according to our customers' requirements, we were constrained in accepting additional job orders as we consider ourselves to be producing close to full capacity. Accordingly, with the intended increase in production capacity, we expect to be able to position ourselves more competitively in the industry by being able to accept more job orders while maintaining existing delivery lead times for our products through improved stock availability by reducing the machine downtime associated with the need to recalibrate our machineries to fulfil different job orders. Furthermore, our planned capacity expansion has been calculated to ensure that we have sufficient production capacity for the foreseeable future.

We acquired Block C on 31 December 2018. About half of Block C, which is identified as unit no. 7B, is currently used as part of our manufacturing facility. The other half of Block C, which is identified as unit no. 7A, is tenanted to an unrelated third party, of which the tenancy will expire in November 2019. Following such expiry, we will be able to use the previously tenanted space for our operations. As such, we expect to have adequate space for the addition of these new machineries and equipment. Hence, we do not expect to incur any material capital expenditure to acquire land and buildings in the near future.

### 7.12.2 Develop our sales network

We intend to further develop our market presence in Malaysia, Europe and China. To achieve this, we intend to:

- (i) expand our sales teams in Malaysia, Germany, Hong Kong and/or China to support our business expansion. We target to employ between 5 and 10 new technical/sales engineers in Malaysia, Germany and China. These technical/sales engineers will be responsible to conduct sales and provide technical support to our customers. The increase in employee headcount will be partly funded by the proceeds from the Public Issue; and
- (ii) keep higher inventory level of finished goods in our Malaysia, Germany and China offices in order to improve stock availability with the aim of fulfilling our customers' orders more promptly. This will enable us to compete with other players more effectively. The increase in finished goods inventory will also be funded by the proceeds from the Public Issue.

As set out in Section 4.8.2 of this Prospectus, we intend to allocate about RM2.9 million of the proceeds from the Public Issue to fund this strategy.

At the same time, we also intend to continue our international expansion to new countries through new distributors by continuing to participate in international trade exhibitions such as EMO and AMB, which are attended by end-users and other cutting tool manufacturers from around the world. For the Period under Review, we have penetrated into overseas markets, and have offered our products in more than 30 countries. Export sales accounted for approximately 87.1%, 85.1%, 84.1% and 80.1% of our total revenue for FYE 2015, FYE 2016, FYE 2017 and FYE 2018, respectively. Although for the Period under Review, we have presence in more than 30 countries; our market share in each country is limited. By participating regularly in industry exhibitions and trade fairs, we are able to showcase our product portfolio to potential customers or distributors. Once a lead has been established, our sales team will make arrangements to engage with potential new customer or distributor for further business collaboration.

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While we have built up a customer base, we also seek to deepen our relationship with our customers, including those in Malaysia, Germany, Hong Kong and China, by adopting a more proactive sales approach towards our existing customers. Examples of these approaches include analysing purchase orders from existing customers to understand the preferred type of cutting tools purchased and providing promotional prices for these specific types of cutting tools to them. We also recommend new or enhanced products to our existing customers.

### 7.12.3 Develop our products and services

To remain competitive within the cutting tools industry, we continuously improve ourselves to provide better products and services to our customers. Further, through attending industry exhibitions and maintaining close communication with our customers, we aim to keep ourselves abreast of the latest market intelligence and gain insights on the latest market trends and development, which will allow us to better respond to our customers' requests, increase our customers' satisfaction and explore new market opportunities.

To this end, we intend to continue developing new or enhanced products to better meet our customers' evolving requirements and preferences. Today's manufacturers in the automotive, aerospace, moulds and dies, mechanical engineering, oil and gas, medical devices, electrical and electronics industries, constantly push the limits of cutting tool technology, searching for innovative machining approaches mostly because of the complexity of the parts and shapes they must machine. In particular, today's manufacturers demand for better finishing, longer tool life and increased production levels. Common challenges to these goals include the need to machine more challenging workpiece materials, hold tighter tolerances, increase throughput and productivity, maintain good finishes, reduce time to complete a part and decrease rework.

As a result, we are committed to constantly pursue cutting tool technology developments that can help address these challenges. Over the years, our R&D department had developed a number of new or enhanced cutting tools, details of which are set out in Section 7.8 of this Prospectus. Through our continuous efforts to develop new or enhanced products, we expect to be able to distinguish ourselves from our competitors.

### 7.13 SEASONALITY OF THE BUSINESS

Our operations and sales are not subject to any material seasonality.

### 7.14 TYPES, SOURCES AND AVAILABILITY OF MAJOR RAW MATERIALS OR INPUT

The following are the types of raw materials that we purchased for our operations:

#### 7.14.1 Tungsten carbide rods

Tungsten carbide rods are the main raw material used in the manufacture of cutting tools. The cost of tungsten carbide rods represents approximately 43.4%, 39.7%, 36.0% and 33.5% of our cost of sales for FYE 2015, FYE 2016, FYE 2017 and FYE 2018, respectively. We currently obtain our supply of tungsten carbide rods from 2 suppliers in China, namely Xiamen Golden Egret Special Alloy Co., Ltd. ("**Xiamen Golden Egret**") and CB Ceratizit Luxembourg S.A. We have established good business relationship with both of these suppliers for 10 years and more. For further information on these suppliers, please refer to Section 7.16 of this Prospectus.

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Tungsten, carbon and cobalt are the main mineral components required to produce tungsten carbide. Tungsten and cobalt are global commodities. The prices of tungsten carbide rods may fluctuate due to supply-demand conditions of tungsten and cobalt. Generally, we are able to pass on increases in the price of raw materials to our customers. Due to our good relationships with these suppliers, we believe that we are able to purchase the raw material from them at competitive prices.

Based on our past 10 years of business relationship with the suppliers, we have not encountered any material supply disruption. As such, we do not foresee any disruption in the supply of tungsten carbide rods in the foreseeable future. We have adopted an inventory practice of at least 3 months of supply of certain specification of tungsten carbide rods for our production process, in order to ensure we have adequate supply of tungsten carbide rods.

However, we are still subject to the risk in relation to raw material availability and price fluctuations as set out in Section 9.1.3 of this Prospectus.

### 7.14.2 Target materials for PVD coating business

For our PVD coating business, the raw material consists of metals such as titanium, aluminium and chromium that are used as target materials during the PVD processes. We started the PVD coating business during FYE 2017 and the cost of target materials for coating represented less than 1.0% of our cost of sales for FYE 2017 and FYE 2018.

We have sourced our target materials from a supplier in France. As target materials are available easily in the open market, we are able to source the target materials from a number of new suppliers if the need arise. As such, we do not foresee any shortage or significant price-hike for this raw material.

We have not faced acute shortages or major price differentials for any of our required raw materials which have materially affected our financial performance during the Period under Review.

### 7.15 MAJOR CUSTOMERS

Our revenue from our customers varies from year to year depending on the products sold to our customers. Our top 5 customers for the Period under Review are as follows:

Customer	Type of products and services	Country of origin	Length of relationship (years)	Revenue contribution	
				(RM '000)	(%)
<b>FYE 2015</b>					
Customer A <sup>(1)</sup>	Standard tools & special tools	Italy	10	6,087	8.8
Sartorius Werkzeuge GmbH & Co. KG <sup>(2)</sup>	Standard tools & special tools	Germany	8	5,222	7.6
Heyuan Lung Kee Metal Products Co., Ltd. <sup>(3)</sup>	Standard tools & special tools	China	8	4,448	6.5
Customer B <sup>(4)</sup>	Standard tools & special tools	Germany	2	3,726	5.4
Customer C <sup>(5)</sup>	Standard tools & special tools	Czech Republic	>10	3,188	4.6
			<b>Total</b>	<b>22,671</b>	<b>32.9</b>

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<b>Customer</b>	<b>Type of products and services</b>	<b>Country of origin</b>	<b>Length of relationship (years)</b>	<b>Revenue contribution</b>	
				<b>(RM '000)</b>	<b>(%)</b>
<b>FYE 2016</b>					
Customer A <sup>(1)</sup>	Standard tools & special tools	Italy	10	6,484	8.6
Sartorius Werkzeuge GmbH & Co. KG <sup>(2)</sup>	Standard tools & special tools	Germany	8	5,655	7.5
Heyuan Lung Kee Metal Products Co., Ltd. <sup>(3)</sup>	Standard tools & special tools	China	8	4,950	6.6
Celebi Makina Muhendislik <sup>(6)</sup>	Standard tools & special tools	Turkey	>10	4,154	5.5
Customer B <sup>(4)(7)</sup>	Standard tools & special tools	Germany	2	3,714	4.9
			<b>Total</b>	<b>24,957</b>	<b>33.1</b>
<b>FYE 2017</b>					
Customer A <sup>(1)</sup>	Standard tools & special tools	Italy	10	9,348	11.0
Customer C <sup>(5)(7)</sup>	Standard tools & special tools	Czech Republic	>10	6,933	8.1
Sartorius Werkzeuge GmbH & Co. KG <sup>(2)</sup>	Standard tools & special tools	Germany	8	6,378	7.5
Heyuan Lung Kee Metal Products Co., Ltd. <sup>(3)</sup>	Standard tools & special tools	China	8	5,188	6.1
Kyocera Unimerco Tooling A/S <sup>(8)</sup>	Standard tools & special tools	Denmark	>10	3,964	4.7
			<b>Total</b>	<b>31,811</b>	<b>37.4</b>
<b>FYE 2018</b>					
Customer A <sup>(1)</sup>	Standard tools & special tools	Italy	10	9,851	11.5
Customer C <sup>(5)(7)</sup>	Standard tools & special tools	Czech Republic	>10	6,990	8.2
Sartorius Werkzeuge GmbH & Co. KG <sup>(2)</sup>	Standard tools & special tools	Germany	8	5,635	6.6
HAHN+KOLB Werkzeuge GmbH <sup>(9)</sup>	Standard tools & special tools	Germany	8	4,606	5.4
Kyocera Unimerco Tooling A/S <sup>(8)</sup>	Standard tools & special tools	Denmark	>10	3,681	4.3
			<b>Total</b>	<b>30,763</b>	<b>36.0</b>

**Notes:**

- (1) A non-listed company involved in distribution of cutting tools.  
(2) A seller of cutting tools.

**7. BUSINESS OVERVIEW**

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- (3) A manufacturer of mould bases. Heyuan Lung Kee Metal Products Co., Ltd. is a subsidiary of Lung Kee (Bermuda) Holdings Limited, a company with primary listing on the Stock Exchange of Hong Kong Limited and secondary listing on the Singapore Exchange Securities Trading Limited.
- (4) A cutting tool manufacturer. Customer B is an indirect subsidiary of a global engineering group, which is a company listed on the Stockholm Stock Exchange ("**X Group**"). Revenue contributions from Customer B represent 0.01% of the total group revenue of the X Group for both FYE 2015 and FYE 2016, respectively.
- (5) A cutting tool manufacturer. Customer C is an indirect subsidiary of the X Group. Revenue contributions from Customer C represent 0.01% and 0.02% of the total group revenue of the X Group for FYE 2015 and FYE 2017, respectively.
- (6) A distributor of cutting tools.
- (7) Both Customer B and Customer C are indirect subsidiaries of the X Group. From 2014 to 2016, HPMT invoiced their sales to both Customer B and Customer C. However, from 2017 onwards, we invoiced our sales to Customer C only.
- (8) A distributor and manufacturer of cutting tools.
- (9) A seller of cutting tools.

Based on our financial statements for the Period under Review, we are dependent on our top 5 customers which contributed a total of 32.9%, 33.1%, 37.4% and 36.0% to our total revenue for FYE 2015, FYE 2016, FYE 2017 and FYE 2018, respectively. While Celebi Makina Muhendislik, Kyocera Unimerco Tooling A/S and HAHN+KOLB Werkzeuge GmbH were not continuously listed as our top 5 customers for the entire Period under Review, they were consistently within our top 10 customers for the Period under Review.

If we were to lose our revenue stream from any of the abovementioned customers, it may take time for us to find new customers to compensate for the loss in revenue and to build the requisite trust and a lasting relationship with such new customers. This may result in a decrease in the profitability and prospects of our Group.

Moving forward, we expect the abovementioned customers to continue contributing significantly to our total revenue. We have good business relationships with them and have not encountered any major problems in our past dealings with them.



## 7. BUSINESS OVERVIEW

### 7.16 MAJOR SUPPLIERS

Our purchases from our suppliers vary from year to year depending on the amount of goods or services purchased from our suppliers. Our top 5 suppliers for the Period under Review are as follows:

<b>Supplier</b>	<b>Type of products and services</b>	<b>Country of origin</b>	<b>Length of relationship (years)</b>	<b>Purchase value</b>	
				<b>(RM '000)</b>	<b>(<sup>(1)</sup>%)</b>
<b>FYE 2015</b>					
Xiamen Golden Egret	Tungsten carbide rods	China	>10	14,004	48.8
CB Ceratizit Luxembourg S.A. <sup>(2)</sup>	Tungsten carbide rods	China	>10	2,649	9.2
Tenaga Nasional Berhad	Electricity	Malaysia	>10	<sup>(3)</sup> 2,194	7.6
Ionbond Malaysia Sdn Bhd	Outsourced coating services	Malaysia	10	1,270	4.4
Oerlikon Balzers Coating Malaysia Sdn Bhd	Outsourced coating services	Malaysia	7	944	3.3
			<b>Total</b>	<b>21,061</b>	<b>73.3</b>
<b>FYE 2016</b>					
Xiamen Golden Egret	Tungsten carbide rods	China	>10	12,663	41.3
CB Ceratizit Luxembourg S.A. <sup>(2)</sup>	Tungsten carbide rods	China	>10	2,736	8.9
Tenaga Nasional Berhad	Electricity	Malaysia	>10	<sup>(3)</sup> 2,318	7.6
PD2i Partner Development Industry International	Spare parts for machines and target materials	France	9	924	3.0
Ionbond Malaysia Sdn Bhd	Outsourced coating services	Malaysia	10	700	2.3
			<b>Total</b>	<b>19,341</b>	<b>63.1</b>
<b>FYE 2017</b>					
Xiamen Golden Egret	Tungsten carbide rods	China	>10	14,252	48.2
Tenaga Nasional Berhad	Electricity	Malaysia	>10	<sup>(3)</sup> 2,519	8.5
CB Ceratizit Luxembourg S.A. <sup>(2)</sup>	Tungsten carbide rods	China	>10	2,112	7.1
PD2i Partner Development Industry International	Spare parts for machines and target materials	France	9	748	2.5
SRA Link (M) Sdn Bhd	Freight service provider	Malaysia	2	660	2.2
			<b>Total</b>	<b>20,291</b>	<b>68.5</b>

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<b>Supplier</b>	<b>Type of products and services</b>	<b>Country of origin</b>	<b>Length of relationship (years)</b>	<b>Purchase value</b>	
<b>FYE 2018</b>				<b>(RM '000)</b>	<b><sup>(1)</sup>(%)</b>
Xiamen Golden Egret	Tungsten carbide rods	China	>10	15,934	50.8
Tenaga Nasional Berhad	Electricity	Malaysia	>10	<sup>(3)</sup> 3,019	9.6
CB Ceratizit Luxembourg S.A. <sup>(2)</sup>	Tungsten carbide rods	China	>10	2,627	8.4
Hwacheon Asia Pacific Pte Ltd	CNC machines and spare parts	Singapore	2	1,687	5.4
SRA Link (M) Sdn Bhd	Freight service provider	Malaysia	2	660	2.1
			<b>Total</b>	<b>23,927</b>	<b>76.3</b>

**Notes:**

- (1) Calculated as the value of purchases divided by total purchases for the respective financial year.
- (2) A holding company established pursuant to a joint-venture between the Ceratizit Group and CB Carbide arising from the merging of the Asian manufacturing and sales activities (without India) of the Ceratizit Group and CB Carbide. Products are sold and delivered to us via CB Carbide's production facility in Xiamen, China.
- (3) Includes electricity costs for our office and administrative facilities.

Save for the following suppliers, we are not dependent on our other suppliers:

- (i) Xiamen Golden Egret, for the supply of tungsten carbide rods as we recognise the importance of sourcing raw material from the same supplier to ensure consistency and reliability of the raw material.

Due to the established business relationships with Xiamen Golden Egret, the supplier is familiar with our requirements as well as the quality of the raw material we need. Our requirement is important as tungsten carbide is a composite material and its material properties (such as strength, melting point and density) tend to differ from one supplier to another.

We have selected Xiamen Golden Egret as our principal supplier because of their relatively affordable pricing as well as ability to secure stable supply of raw materials for the production of tungsten carbide from their holding company. We do not have any minimum purchase agreements with Xiamen Golden Egret. With a relationship of more than 10 years with Xiamen Golden Egret, we have built a strong, trusted and mutually beneficial relationship with the said supplier. In addition, our purchases are normally on bulk basis and this has enabled us to purchase the raw material at relatively competitive prices. Based on the above reasons, we believe we will continue to source tungsten carbide rods from Xiamen Golden Egret.

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Notwithstanding the above, we have the flexibility to engage other suppliers should the need arise. Over the past years, we had also sourced tungsten carbide rods from another supplier, namely CB Ceratizit Luxembourg S.A. CB Ceratizit Luxembourg S.A. is able to supply similar quality of tungsten carbide rods as Xiamen Golden Egret, hence we are able to source the raw material from CB Ceratizit Luxembourg S.A. should the need arise. We have also approached other suppliers and have conducted quality assessment on the raw materials supplied by them. Those suppliers who met our quality requirements are listed as our alternative suppliers.

- (ii) Tenaga Nasional Berhad, for the supply of electricity to our manufacturing facility, which is essential for our day-to-day manufacturing operations.

**7. BUSINESS OVERVIEW****7.17 EMPLOYEES**

The breakdown of our employees as at end of FYE 2018 and as at the LPD is as follows:

Category	As at end of FYE 2018					As at the LPD				
	Malaysia		Germany	Hong Kong	China	Malaysia		Germany	Hong Kong	China
	Local	Foreign				Local	Foreign			
Management personnel	8	-	1	1	-	8	-	-	1	-
Sales and marketing	55	4	3	-	6	56	4	3	-	6
Finance & accounts	13	-	-	1	1	12	-	-	1	1
Admin/Support	14	-	3	-	1	15	-	3	-	1
R&D	9	-	-	-	-	9	-	-	-	-
Production	170	18	-	-	-	175	17	-	-	-
<b>Total</b>	<b>269</b>	<b>(1)22</b>	<b>7</b>	<b>2</b>	<b>8</b>	<b>275</b>	<b>(1)21</b>	<b>6</b>	<b>2</b>	<b>8</b>

**Note:**

(1) All our foreign employees in Malaysia possess valid working permits.

We currently have 9 contract employees as at the LPD. Our employees are not members of any union. The relationship and co-operation between our management and our employees have always been good and this is expected to continue. As at the LPD, we have not been involved in any industrial dispute.

We regard our employees as invaluable and key components to our continued growth and view sound human capital management as a critical success factor. We believe a well-trained, well-motivated and well-managed workforce is essential for efficient operations and the continued success of our business. As such, we proactively cultivate a positive working culture by having good working relationships with our employees and place a great emphasis on a comfortable working environment for our employees.

We believe in developing our human capital. It is our objective to develop and train employees to improve their skill sets and professionalism in order to enhance productivity and operational efficiency as well as compliance to safety and health standards. As training and development is a continuing process, we encourage our employees to continually enhance their skills and knowledge through external and internal (including on-the-job) training and development programmes.