



HLT GLOBAL BERHAD

(Company No: 1163324-H)
(Incorporated in Malaysia)

Year 2018
Quarterly Announcement
For the Second Quarter Ended 30 June 2018

HLT GLOBAL BERHAD

(Company No: 1163324-H)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018⁽¹⁾

	Note	--- Individual Quarter ---		--- Cumulative Quarter ---	
		Unaudited Current year quarter 30.06.2018 RM'000	Unaudited Preceding year quarter 30.06.2017 RM'000	Unaudited Current year- to-date 30.06.2018 RM'000	Unaudited Preceding year- to-date 30.06.2017 RM'000
Revenue	A9	25,332	17,332	41,542	26,890
Cost of sales		(22,865)	(15,677)	(36,848)	(24,003)
Gross profit		2,467	1,655	4,694	2,887
Other operating income		700	52	1,239	163
Selling and distribution expenses		(403)	(33)	(488)	(112)
Administrative and other expenses		1,027	(977)	(12,377)	(2,438)
Finance costs		(16)	(3)	(16)	(3)
Profit/(Loss) before taxation		3,775	694	(6,948)	497
Income tax expense	B4	-	-	-	(9)
Profit/(Loss) after taxation		3,775	694	(6,948)	488
Other comprehensive income		-	-	-	-
Total comprehensive income/(expenses) for the financial period		3,775	694	(6,948)	488
Profit/(Loss) after taxation attributable to:					
- Owners of the Company		4,064	694	(6,659)	488
- Non-controlling interests		(289)	-	(289)	-
		3,775	694	(6,948)	488
Total comprehensive income/(expenses) attributable to:					
- Owners of the Company		4,064	694	(6,659)	488
- Non-controlling interests		(289)	-	(289)	-
		3,775	694	(6,948)	488
Earnings/(Loss) per share (sen):					
- Basic	B12	0.89	0.26	(1.56)	0.19
- Diluted ⁽²⁾	B12	0.82	0.26	(1.56)	0.19

Notes:-

(1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income are detailed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

(2) Diluted loss per share of the Company for the cumulative quarter 30 June 2018 is equivalent to the basic loss per share as the potential conversion of warrants had an anti-dilutive effect on the basic LPS and the Company has no other dilutive potential ordinary shares in issue at the end of the reporting period.

HLT GLOBAL BERHAD

(Company No: 1163324-H)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018⁽¹⁾

	Note	Unaudited As at 30.06.2018 RM'000	Audited As at 31.12.2017 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		24,805	5,382
Goodwill		14,584	-
		<u>39,389</u>	<u>5,382</u>
CURRENT ASSETS			
Inventories		24,152	5,763
Amount owing by contract customers		12,319	12,726
Trade receivables	B5	33,259	26,465
Other receivables, deposits and prepayment		5,848	1,568
Tax recoverable		124	103
Fixed deposits with licensed banks		7,725	10,202
Cash and bank balances		10,195	9,386
		<u>93,622</u>	<u>66,213</u>
TOTAL ASSETS		<u>133,011</u>	<u>71,595</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		73,364	40,465
Merger deficit		(22,033)	(22,033)
Share option reserve		83	83
Retained profits		19,116	25,775
		<u>70,530</u>	<u>44,290</u>
Equity attributable to owners of the Company		70,530	44,290
Non-controlling interests		14,779	-
		<u>85,309</u>	<u>44,290</u>
NON-CURRENT LIABILITIES			
Long-term borrowings	B9	1,966	1,155
Deferred Taxation		1,125	-
		<u>3,091</u>	<u>1,155</u>
CURRENT LIABILITIES			
Amount owing to contract customers		1,703	6,885
Trade payables		26,323	15,428
Other payables and accruals		14,651	3,756
Short-term borrowings	B9	1,934	81
		<u>44,611</u>	<u>26,150</u>
TOTAL LIABILITIES		<u>47,702</u>	<u>27,305</u>
TOTAL EQUITY AND LIABILITIES		<u>133,011</u>	<u>71,595</u>
Net assets per share (RM)		<u>0.17</u>	<u>0.11</u>

Notes:-

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position are detailed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

HLT GLOBAL BERHAD

(Company No: 1163324-H)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018⁽¹⁾

	← Non-Distributable →				Distributable		Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Merger Deficit RM'000	Share Option Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000		
Balance at 1 January 2018	40,465	-	(22,033)	83	25,775	44,290	-	44,290
Loss after taxation/Total comprehensive expenses for the financial period	-	-	-	-	(6,659)	(6,659)	(289)	(6,948)
Contributions by and distribution to owners of the Company:								
- Issuance of shares	33,000	-	-	-	-	33,000	-	33,000
- Share issuance expenses	(101)	-	-	-	-	(101)	-	(101)
- Acquisition of a subsidiary	-	-	-	-	-	-	15,068	15,068
Total transactions with owners	32,899	-	-	-	-	32,899	15,068	47,967
Balance at 30 June 2018	73,364	-	(22,033)	83	19,116	70,530	14,779	85,309

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018⁽¹⁾ (CONT'D)

	← Non-Distributable →				Distributable		Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Merger Deficit RM'000	Share Option Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000		
Balance at 1 January 2017	22,433	-	(22,033)	357	34,768	35,525	-	35,525
Profit after taxation/Total comprehensive income for the financial period	-	-	-	-	488	488	-	488
Contributions by and distribution to owners of the Company:								
- Issuance of shares	3,959	13,857	-	-	-	17,816	-	17,816
- Share issuance expenses ⁽²⁾	-	(680)	-	-	-	(680)	-	(680)
Total transactions with owners	3,959	13,177	-	-	-	17,136	-	17,136
Balance at 30 June 2017	26,392	13,177	(22,033)	357	35,256	53,149	-	53,149

Note:-

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Changes in Equity are detailed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.
- (2) Share issuance expenses of approximately RM0.680 million for the issuance of new HLT Global shares were written-off against the share premium account under Section 60 of the Companies Act, 1965.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018⁽¹⁾

	Unaudited Current year-to-date 30.06.2018 RM'000	Unaudited Preceding year-to-date 30.06.2017 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(6,948)	497
Adjustments for:-		
Depreciation of property, plant and equipment	761	286
Impairment loss on trade receivables	312	-
Interest expense	16	3
Listing expenses	-	295
Provision for compensation claim	9,014	-
Unrealised (gain)/loss on foreign exchange	(51)	352
Loss on disposal of property, plant and equipment	7	-
Interest income	(957)	(162)
	<hr/>	<hr/>
Operating profit before working capital changes	2,154	1,271
(Increase)/Decrease in inventories	(150)	301
Net (increase)/decrease in amount owing by contract customers	(4,775)	4,434
Decrease/(Increase) in trade and other receivables	48	(9,838)
Decrease in trade and other payables	(4,408)	(5,409)
	<hr/>	<hr/>
CASH FOR OPERATIONS	(7,131)	(9,241)
Income tax paid	(46)	(37)
Income tax refunded	45	138
Interest received	158	162
Interest paid	(16)	(3)
	<hr/>	<hr/>
NET CASH FOR OPERATING ACTIVITIES	(6,990)	(8,981)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	5,583	-
Purchase of equipment	(275)	(5)
Proceed from disposal of property, plant and equipment	1	-
Withdrawal of deposits pledged to licensed bank	-	5,364
	<hr/>	<hr/>
NET CASH FROM INVESTING ACTIVITIES	5,309	5,359
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	17,816
Payment of listing expenses	-	(1,767)
Repayment of term loan	(93)	(72)
Repayment of hire purchases payables	(6)	-
Drawdown of Bankers' acceptance	115	-
	<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES	16	15,977
	<hr/>	<hr/>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,665)	12,355
	<hr/>	<hr/>
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	(3)	(64)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	19,588	834
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CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	17,920	13,125
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018⁽¹⁾ (CONT'D)

	Current year-to-date 30.06.2018 RM'000	Preceding year-to-date 30.06.2017 RM'000
Cash and cash equivalents comprise the following:		
- Cash and bank balances	10,195	3,099
- Fixed deposits with a licensed bank	7,725	10,026
	<hr/> 17,920	<hr/> 13,125

Notes:-

- (1) *The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows are detailed in Note A1 and should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.*

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

A EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORT

A1. Basis of preparation

The interim financial report of HLT Global Berhad (“**HLT Global**” or “**the Company**”) and its subsidiaries (“**the Group**”) are unaudited and have been prepared in accordance with the requirements of MFRS 134 – Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“**MASB**”), paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

A2. Changes in accounting policies

During the 6-month period ended 30 June 2018, the Group has adopted the following new accounting standards and/ or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 15: Effective Date of MFRS 15

Amendments to MFRS 15: Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’

Amendments to MFRS 140 – Transfers of Investment Property

Annual improvements to MFRS Standards 2014 – 2016 Cycles:

- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on this interim financial report other than the changes arising as described below:

(a) Adoption of MFRS 15 Revenue

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the distinct promised goods and services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of ‘distinct’ for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15.

The Group has concluded that the initial application of MFRS 15 does not have any material financial impact to the current period and prior period financial statements of the Group.

(b) Adoption of MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement” on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. The adoption of MFRS 9 has fundamentally changed the Group’s accounting for impairment losses for financial assets by replacing by replacing MFRS 139’s incurred loss approach with a forward-looking expected credit loss (ECL) approach. MFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial asset not held at fair value through Profit or Loss. MFRS 9.5.5.1 ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

A EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORT (CONT’D)

A2. Changes in accounting policies (Cont’d)

(b) Adoption of MFRS 9 Financial Instruments (Cont’d)

For trade receivables, the Group has applied the standard’s simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factor to the debtors and the economic environment.

The impact of the adoption of MFRS 9 on 6-month period ended 30 June 2018 is set out below:

	As per previous accounting framework RM’000	Adoption of MFRS 9 RM’000	As per current accounting framework RM’000
Statement of comprehensive income			
30 June 2018			
Other expense	-	(312)	(312)
Statement of financial position			
30 June 2018			
Trade receivables	33,571	(312)	33,259
Retained earnings	19,428	(312)	19,116

The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for this interim financial report:-

MFRSs (Including The Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

A3. Auditors’ Report of preceding annual financial statements

The preceding year’s audited financial statements of the Group were not subject to any qualification.

A4. Seasonal or cyclical factors

The Group’s operations were not significantly affected by any seasonal or cyclical factor during the current financial quarter under review.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

A EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORT (CONT’D)

A6. Material changes in estimates

There were no material changes in estimates in the current financial quarter under review.

A7. Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter under review, except for the issuance of 113,793,100 new ordinary shares at an issue price of RM0.29 per share by HLT Global for acquisition of HL Rubber Industries Sdn. Bhd. (“HLRI”).

A8. Dividends paid

There was no dividend paid during the current financial quarter under review.

A9. Segmental information

(a) *Business Segments*

The Group is originated into 3 main reportable segments as follows:-

No	Business segments	Principal activities				
1.	Glove-Dipping Lines	: manufacturing of glove dipping machine, fabrication works on metal and stainless steel products and carry out all supporting services associated therewith				
2.	Rubber Gloves	: manufacturing of rubber gloves				
3.	Corporate	: investment activities				
		Glove-Dipping Lines RM'000	Rubber Gloves RM'000	Corporate RM'000	Consolidation adjustments RM'000	Consolidated RM'000
Current year-to-date 30.06.2018						
	External Revenue	32,149	9,393	-	-	41,542
Segment result						
	Loss from operation	(6,191)	(158)	(779)	-	(7,128)
	Depreciation	(292)	(469)	-	-	(761)
	Finance costs	(2)	(14)	-	-	(16)
	Interest income	799	-	158	-	957
	Loss before taxation	(5,686)	(641)	(621)	-	(6,948)
	Tax expense					-
	Loss after taxation					(6,948)
	Attributable to:					
	Owners of the Company					(6,659)
	Non-controlling interest					(289)
	Loss for the period					(6,948)
	Segment assets	54,962	55,006	75,818	(67,359)	118,427
	Goodwill	-	-	-	14,584	14,584
	Segment liabilities	37,032	22,165	431	(11,926)	47,702

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

A EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORT (CONT’D)

A9. Segmental information (Cont’d)

(a) *Business Segments (Cont’d)*

There are no comparative figures for the preceding year’s quarter presented as the Group operate predominantly in one business segment.

(b) *Geographical Information*

	---Individual Quarter---		---Cumulative Quarter---	
	Unaudited Current year quarter 30.06.2018 RM’000	Unaudited Preceding year quarter 30.06.2017 RM’000	Unaudited Current year-to- date 30.06.2018 RM’000	Unaudited Preceding year-to- date 30.06.2017 RM’000
Malaysia	9,405	13,412	19,992	19,622
Thailand	4,404	1,127	9,954	2,082
Taiwan	5,813	-	5,813	-
Indonesia	-	260	-	458
Vietnam	3,028	2,533	3,101	4,728
United States of America	1,380	-	1,380	-
Spain	1,088	-	1,088	-
New Zealand	214	-	214	-
	<u>25,332</u>	<u>17,332</u>	<u>41,542</u>	<u>26,890</u>

A10. Valuation of property, plant and equipment

The Group has not carried out any valuation on its property, plant and equipment in the current financial quarter under review.

A11. Material events subsequent to the end of the current financial quarter

There were no material events subsequent to the end of the current financial quarter under review.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

A EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORT (CONT’D)

A12. Changes in the composition of the Group

Save as disclosed below, there were no material changes in the composition of the Group for the current financial quarter under review.

On 17 May 2018, the Group completed the proposed acquisition of 5,775,000 ordinary shares in HLRI representing 55% of the issued share capital of HLRI, for a purchase consideration of RM33,000,000 to be satisfied via the issuance of 113,793,100 new ordinary shares in the Company at an issue price of RM0.29 per Consideration Share.

The Group has assessed and recognised HLRI as a subsidiary of the Group.

Goodwill was recognised as a result of the acquisition as follows:-

	RM’000
Fair value of consideration transferred	33,000
Provisional fair value of identifiable assets acquired and liabilities assumed	(18,416)
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Goodwill attributable to owners of parent (Provisional)	14,584
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The Group is currently in the process of performing the purchase price allocation for HLRI and its allocated goodwill. The Company has up to 12 months from the completion of acquisition to complete such allocation. Accordingly, the Group has recognised goodwill of RM14.584 million on a provisional basis.

A13. Contingent assets and contingent liabilities

The Group has no contingent assets as at the date of this report. Contingent liabilities of the Group were as follows:-

	Unaudited	Audited
	As at	As at
	30.06.2018	31.12.2017
	RM’000	RM’000
Corporate guarantee given to licensed bank for credit facilities granted	1,010	-
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A14. Capital commitments

There were no material capital commitments in respect of property, plant and equipment as at the end of the current financial quarter under review.

A15. Related party transactions

During the current financial quarter, the Group has not entered into any related party transactions.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

Financial review for current quarter and financial year-to-date:

	--- Individual Quarter ---				--- Cumulative Quarter ---			
	Unaudited Current year quarter 30.06.2018 RM'000	Unaudited Preceding year quarter 30.06.2017 RM'000	Changes		Unaudited Current year-to-date 30.06.2018 RM'000	Unaudited Preceding year-to-date 30.06.2017 RM'000	Changes	
			RM'000	%			RM'000	%
Revenue	25,332	17,332	8,000	46.16	41,542	26,890	14,652	54.49
Gross profit	2,467	1,655	812	49.06	4,694	2,887	1,807	62.59
Profit before taxation	3,775	694	3,081	443.95	(6,948)	497	(7,445)	(1,497.99)
Profit after taxation	3,775	694	3,081	443.95	(6,948)	488	(7,436)	(1,523.77)
Revenue								
Glove- Dipping Lines	15,939	17,332	(1,393)	(8.04)	32,149	26,890	5,259	19.56
Rubber Gloves	9,393	-	9,393	100.00	9,393	-	9,393	100.00
Corporate	-	-	-	-	-	-	-	-
	25,332	17,332	8,000	46.16	41,542	26,890	14,652	54.49
Gross profit								
Glove- Dipping Lines	2,686	1,655	1,031	62.30	4,913	2,887	2,026	70.18
Rubber Gloves	(219)	-	(219)	100.00	(219)	-	(219)	100.00
Corporate	-	-	-	-	-	-	-	-
	2,467	1,655	812	49.06	4,694	2,887	1,807	62.59
Profit/(Loss) before taxation								
Glove- Dipping Lines	5,021	711	4,310	606.19	(5,686)	853	(6,539)	766.59
Rubber Gloves	(641)	-	(641)	100.00	(641)	-	(641)	100.00
Corporate	(605)	(17)	(588)	3,458.82	(621)	(356)	(265)	74.44
	3,775	694	3,081	443.95	(6,948)	(497)	(6,451)	1,297.99

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B1. Review of performance (Cont'd)

For the current financial quarter under review, the Group recorded revenue of RM25.332 million, an increase of 46.16% as compared to RM17.332 million in the preceding year quarter. The increase in revenue was mainly attributable to the revenue contribution of a newly acquired subsidiary, HLRI of RM9.393 million which has been partially offset by the lower revenue of glove-dipping lines segment.

The Group recorded revenue of RM41.542 million for the financial period ended 30 June 2018 ("FPE 2018"), an increase of 54.49% as compared to previous financial period ended 30 June 2017 ("FPE 2017"). The increase is mainly due to increase in revenue from glove-dipping lines segment and the revenue contribution from the rubber gloves segment.

The Group recorded gross profit of RM2.467 million with a gross profit margin of 9.74% as compared to gross profit of RM1.655 million with gross profit margin of 9.55% in the preceding year quarter. For FPE 2018, the Group recorded gross profit of RM4.694 million with gross profit margin of 11.30% as compared to gross profit of RM2.887 million with gross profit margin of 10.74%. The increase in the both gross profit and gross profit margin were due to better performance in glove-dipping lines segment.

The operating expenses decreased by RM2.269 million as compared to RM0.961 million in the preceding year quarter due to writeback of RM3.194 million on the provision made in previous quarter for compensation claim from a foreign customer relating to the performance of the glove-dipping lines manufactured.

Glove-Dipping Lines

The glove-dipping lines segment recorded revenue of RM15.939 million, a decrease of 8.04% as compared to RM17.332 million in the preceding year quarter. For the FPE 2018, the glove-dipping lines segment managed to achieve revenue of RM32.149 million, an increase of 19.56% as compared to RM26.890 million in the FPE 2017. Overall, the increase in revenue was mainly attributable to the better performance in design, fabrication, installation, testing and commissioning of glove-dipping lines segment ("Sale of New Lines") backed by revenue contribution of RM11.09 million from four new orders as well as revenue contribution from outstanding orders brought forward from previous financial year. Currently, seven orders are in progress which comprised of four local orders and three foreign orders. Local market continued to contribute significant portion of revenue amounting to RM19.094 million or 59.39% of the glove-dipping lines segment's total revenue.

The glove-dipping lines segment recorded gross profit of RM2.686 million with a gross profit margin of 16.85% as compared to gross profit of RM1.655 million with gross profit margin of 9.55% in the preceding year quarter. For FPE 2018, the glove-dipping lines segment recorded gross profit of RM4.913 million with gross profit margin of 15.28% as compared to gross profit of RM2.887 million with gross profit margin of 10.74%. The increase in both the gross profit and gross profit margin mainly due to better performance in Sale of New Lines.

The operating expenses for glove-dipping lines segment decreased by 18.15% as compared to the preceding year quarter due to writeback of RM3.194 million on the provision made in previous quarter for compensation claim from a foreign customer relating to the performance of the glove-dipping lines manufactured. Better performance of the Sale of New Lines coupled with the writeback of provision for compensation claim, profit before taxation increased by RM4.310 million as compared to the preceding year quarter. The loss before taxation for the FPE 2018 was mainly due to the compensation claim of RM9.014 million.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B1. Review of performance (Cont'd)

Rubber Gloves

HLRI is principally engaged in the business of manufacture of rubber gloves. The acquisition of the 55% of issued share capital of HLRI was completed on 17 May 2018. The Group consolidated the results of HLRI from 17 May 2018 to 30 June 2018. Rubber gloves segment contributed RM9.393 million for the current quarter. Export sales contributed 90.43% of the total revenue of rubber gloves segment. The export market mainly consists of Taiwan, United States of America, Spain and New Zealand.

The rubber gloves segment recorded a gross loss of RM0.219 million with a gross loss margin of 2.33%. The gross loss was mainly attributable to higher production cost. Upgrading and modification works on the existing glove-dipping lines will commence in September 2018 in order to increase production efficiency and reduce production cost.

The operating expenses for rubber gloves segment were RM0.422 million which make up to a loss before taxation of RM0.641 million.

Corporate

Corporate segment represents the investment holding company. No revenue contributed by the investment holding company. The increase in the loss before taxation for the corporate segment mainly attributable to incurrence of the professional fees on the proposed acquisition, diversification and variation.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B2. Comparison with immediate preceding quarter's results

	Unaudited Current Quarter 30.06.2018 RM'000	Unaudited Preceding Quarter 31.03.2018 RM'000	Changes RM'000	%
Revenue	25,332	16,210	9,122	56.27
Profit/(Loss) before taxation	3,775	(10,723)	14,498	(135.20)
Revenue				
Glove-Dipping Lines	15,939	16,210	(271)	(1.67)
Rubber Gloves	9,393	-	9,393	100.00
Corporate	-	-	-	-
	<u>25,332</u>	<u>16,210</u>	<u>9,122</u>	<u>56.27</u>
Profit/(Loss) before taxation				
Glove-Dipping Lines	5,021	(10,707)	15,728	146.89
Rubber Gloves	(641)	-	(641)	100.00
Corporate	(605)	(16)	(589)	3,681.25
	<u>3,775</u>	<u>(10,723)</u>	<u>14,498</u>	<u>(135.20)</u>

The Group's revenue for the current quarter has increased by RM9.122 million or 56.27% to RM25.332 million as compared to RM16.210 million in the preceding quarter. The increase in revenue was mainly attributable to the revenue contribution by rubber gloves segment of RM9.393 million in the current quarter.

The Group recorded profit before taxation of RM3.775 million as compared to a loss before taxation of RM10.723 million in the preceding quarter. The significant increase in the profit before taxation as compared to preceding quarter was mainly attributable to an one-off provision of RM12.208 million for compensation claim from a foreign customer relating to the performance of the glove-dipping lines manufactured in the preceding quarter. Meanwhile, the writeback of provision of RM3.194 million in the current quarter also contributed to the significant increase in profit before taxation.

B3. Commentary on prospects

The prospects for growth in the glove-dipping line industry in Malaysia are positive as the industry is expected to continue being driven by the growth in demand for rubber gloves globally as well as domestically. The Group will continue to execute its business strategies and has put in place a series of future plans to strengthen its position in the glove-dipping line industry in Malaysia as well as the overseas market.

The Group has completed to diversify into downstream manufacturing and trading of rubber gloves through an acquisition of a rubber glove manufacturer as stated in Note B7(i). This is consistent with the Group's plan to diversify its revenue and income stream so as to mitigate the risk of overdependence on its existing fabrication business. The Board of Directors are of the view that the diversification will be beneficial to the Group's future prospects and will reduce the Group's reliance on its existing business growth.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B4. Income tax expense

There is no provision for taxation for the current quarter as the companies in the Group have sufficient unabsorbed capital allowances carries forward. Furthermore, a wholly owned subsidiary is not subject to tax as it qualifies for the Pioneer Status incentive under the Promotion of Investment Act 1986. The subsidiary will enjoy full exemption from income tax on its statutory income from pioneer activities for an extended period of 5 years, from 4 November 2014 to 3 November 2019.

B5. Trade receivables

	Unaudited As at 30.06.2018 RM'000	Audited As at 31.12.2017 RM'000
Trade receivables	33,832	26,726
Allowance for impairment losses	(573)	(261)
	<u>33,259</u>	<u>26,465</u>
Allowance for impairment losses:-		
At 1 January	(261)	-
Addition during the financial period	(312)	(261)
At 30 June	<u>(573)</u>	<u>(261)</u>

The Group's normal trade credit terms range from 7 to 90 days. The credit terms are assessed and approved on case-by-case basis.

B6. Variance of actual profit from profit forecast and profit guarantee

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement during the current financial quarter under review.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B7. Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this report.

At the Extraordinary General Meeting held on 6 April 2018, shareholders of the Company had approved the corporate exercise involving:

- (i) proposed acquisition by the Company of 5,775,000 ordinary shares in HLRI, representing 55% of the issued share capital of HLRI, for a purchase consideration of RM33,000,000 to be satisfied via the issuance of 113,793,100 new ordinary shares in the Company (“**Consideration Shares**”) at an issue price of RM0.29 per Consideration Share;
- (ii) proposed diversification of the business of the Company and its subsidiaries into the business of manufacturing and trading of rubber gloves; and
- (iii) proposed variation of the utilisation of proceeds raised from the Company’s initial public offering,

(Collectively referred to as the “Proposals”)

On 17 May 2018, the Proposals were completed following the listing and quotation of 113,793,100 new ordinary shares on the ACE Market of Bursa Securities.

B8. Utilisation of proceeds from the Initial Public Offering (“IPO”)

The gross proceeds arising from the Public Issue amounting to RM17.816 million and the status of the utilisation of the proceeds as at the date of this report is as follows:-

Purposes	Proposed Utilisation RM'000	Proposed Variation RM'000	Actual Utilisation RM'000	Deviation RM'000	Balance RM'000	Estimated timeframe for utilisation
(a) Capital expenditure	9,000	-	-	-	-	-
(b) R&D expenditure	1,500	-	-	-	-	-
(c) Working capital	4,916	7,316	(7,316)	-	-	-
(d) Estimated listing expenses	2,400	2,400	(2,400)	-	-	-
(e) Upgrading ⁽¹⁾	-	3,600	-	-	3,600	6 months
(f) New line ⁽²⁾	-	4,500	-	-	4,500	12 months
Total	17,816	17,816	(9,716)	-	8,100	

(1) Upgrading – Finance the upgrading of eight (8) of the sixteen (16) existing glove-dipping lines of the newly acquired subsidiary, HLRI. The combined production capacity of the eight (8) existing glove-dipping lines are expected to improve by approximately 30% from the existing 480 million pieces of glove to 624 million pieces of glove per annum.

(2) New line – Finance the setting up of one (1) new glove-dipping line at the existing factory premises of HLRI. The new glove-dipping line will be a single former glove-dipping line, caters for the production of special industrial gloves, with a proposed production output of up to 12 thousand pieces of glove per hour.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B9. Group borrowings and debt securities

Total Group's borrowings as at 30 June 2018 are as follows:-

	Unaudited As at 30.06.2018 RM'000	Audited As at 31.12.2017 RM'000
Short-term borrowings:-		
Banker Acceptance	1,581	-
Hire purchase	17	-
Term loans	336	81
	<hr/> 1,934	<hr/> 81
Long-term borrowings:		
Term loans	1,966	1,155
	<hr/> 3,900	<hr/> 1,236
Total borrowings	<hr/> <hr/> 3,900	<hr/> <hr/> 1,236

The term loans are secured and denominated in Ringgit Malaysia.

B10. Material litigation

HL Advance Technologies (M) Sdn. Bhd. ("HL Advance"), a wholly-owned subsidiary of HLT Global Berhad filed the Winding-Up Petition against Central Medicare Sdn. Bhd. ("CM") on 26 June 2018, due to the fact that CM has failed, refused and/or neglected to make full payments for the works provided by HL advance.

On 9 August 2018, CM had settled the amount owing to HL Advance as agreed by both parties. Pursuant thereto, HL Advance had on 14 August 2018 withdrawn the Winding-Up Petition against CM with no order as to costs.

The aforesaid litigation will not have any material impact on the financial and operations of the HLT Group.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B11. Dividends

The Board of Directors does not recommend any dividend for the current financial quarter under review.

B12. Earnings/(Loss) per share ("EPS"/"LPS")

The basic and diluted EPS/LPS for the current financial quarter and financial year-to-date are computed as follows:

	Unaudited Current year quarter 30.06.2018	Unaudited Current year-to-date 30.06.2018
Profit/(Loss) after taxation attributable to owners of the Company (RM'000)	4,064	(6,659)
<u>Basic</u>		
Weighted average number of ordinary shares in issue ('000)	454,455	426,475
Basic EPS/(LPS) (sen)	0.89	(1.56)
<u>Diluted</u>		
Weighted average number of ordinary shares in issue ('000)	454,455	426,475
Effect of dilution from employee share option in issue *	-	-
Effect of dilution from warrants ('000)	38,749	41,395
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	493,204	467,870
Diluted EPS/(LPS) (sen)	0.82	(1.42)

Notes:

* The potential conversion of employee shares options are anti-dilutive as their exercise price is same as the issue price of the Company's new ordinary shares in conjunction with the Company's listing on ACE Market of Bursa Securities on 10 January 2017. Accordingly, the exercise of employee share options have been ignored in the calculation of dilutive earnings per share.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2018

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B13. Notes to the Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

Profit/(Loss) before taxation is arrived at after charging/(crediting):-

	Unaudited Current year quarter 30.06.2018 RM'000	Unaudited Current year-to-date 30.06.2018 RM'000
Depreciation of property, plant and equipment	616	761
Impairment loss of trade receivables	-	312
Interest expense	16	16
Realised loss on foreign exchange	217	184
(Writeback of)/Provision for compensation claim	(3,194)	9,014
Unrealised gain on foreign exchange	(200)	(51)
Interest income	(271)	(957)

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Securities are not applicable.

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