



HLT GLOBAL BERHAD

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

Year 2018

Quarterly Announcement

For the Fourth Quarter Ended 31 December 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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2018⁽¹⁾

	Note	--- Individual Quarter ---		--- Cumulative Quarter ---	
		Unaudited Current year quarter 31.12.2018 RM'000	Unaudited Preceding year quarter 31.12.2017 RM'000	Unaudited Current year- to-date 31.12.2018 RM'000	Audited Preceding year- to-date 31.12.2017 RM'000
Revenue	A9	41,217	9,101	129,591	44,823
Cost of sales		(39,847)	(10,977)	(120,817)	(45,501)
Gross profit/(loss)		1,370	(1,876)	8,774	(678)
Other operating income		37	90	1,426	348
Selling and distribution expenses		(876)	(179)	(2,059)	(360)
Administrative and other expenses		(19,988)	(2,248)	(33,685)	(5,535)
Finance costs		(59)	(6)	(130)	(9)
Loss before taxation		(19,516)	(4,219)	(25,674)	(6,234)
Income tax expense	B4	-	-	-	(13)
Loss after taxation		(19,516)	(4,219)	(25,674)	(6,247)
Other comprehensive income		-	-	-	-
Total comprehensive expenses for the financial period		(19,516)	(4,219)	(25,674)	(6,247)
Profit/(Loss) after taxation attributable to:					
- Owners of the Company		(19,841)	(4,219)	(25,536)	(6,247)
- Non-controlling interests		325	-	(138)	-
		(19,516)	(4,219)	(25,674)	(6,247)
Total comprehensive income/(expenses) attributable to:					
- Owners of the Company		(19,841)	(4,219)	(25,536)	(6,247)
- Non-controlling interests		325	-	(138)	-
		(19,516)	(4,219)	(25,674)	(6,247)
Loss per share (sen):					
- Basic	B12	(3.88)	(1.53)	(5.44)	(2.34)
- Diluted ⁽²⁾	B12	(3.88)	(1.53)	(5.44)	(2.29)

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 individual quarter 31 December 2018 and cumulative quarter 31 December 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)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018⁽¹⁾

	Note	Unaudited As at 31.12.2018 RM'000	Audited As at 31.12.2017 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		32,463	5,382
Goodwill		2,785	-
		<hr/>	<hr/>
		35,248	5,382
CURRENT ASSETS			
Inventories		22,823	5,763
Amount owing by contract customers		2,151	12,726
Trade receivables	B5	25,123	26,465
Other receivables, deposits and prepayment		16,232	1,568
Amount owing by related party		1,682	-
Tax recoverable		1,157	103
Fixed deposits with licensed banks		6,165	10,202
Cash and bank balances		10,353	9,386
		<hr/>	<hr/>
		85,686	66,213
TOTAL ASSETS		<hr/> 120,934 <hr/>	<hr/> 71,595 <hr/>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		73,364	40,465
Merger deficit		(22,033)	(22,033)
Share option reserve		83	83
(Accumulated losses)/Retained profits		(2,949)	25,775
		<hr/>	<hr/>
Equity attributable to owners of the Company		48,465	44,290
Non-controlling interests		22,256	-
		<hr/>	<hr/>
TOTAL EQUITY		<hr/> 70,721 <hr/>	<hr/> 44,290 <hr/>
NON-CURRENT LIABILITIES			
Long-term borrowings	B9	1,761	1,155
Deferred Taxation		3,109	-
		<hr/>	<hr/>
		4,870	1,155
CURRENT LIABILITIES			
Amount owing to contract customers		2,394	6,885
Trade payables		26,524	15,428
Other payables and accruals		14,234	3,756
Short-term borrowings	B9	2,191	81
		<hr/>	<hr/>
		45,343	26,150
TOTAL LIABILITIES		<hr/> 50,213 <hr/>	<hr/> 27,305 <hr/>
TOTAL EQUITY AND LIABILITIES		<hr/> 120,934 <hr/>	<hr/> 71,595 <hr/>
Net assets per share (RM)		0.14	0.11

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)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2018⁽¹⁾

	← Non-Distributable →				Distributable	Attributable to		Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Merger Deficit RM'000	Share Option Reserve RM'000	(Accumulated Losses)/ Retained Profits RM'000	Owners of the Company RM'000	Non-Controlling Interests RM'000	
Balance at 1 January 2018	40,465	-	(22,033)	83	25,775	44,290	-	44,290
Effect of change in accounting policies	-	-	-	-	(343)	(343)	-	(343)
	40,465	-	(22,033)	83	25,432	43,947	-	43,947
Loss after taxation/Total comprehensive expenses for the financial year	-	-	-	-	(25,536)	(25,536)	(138)	(25,674)
Contributions by and distribution to owners of the Company:								
- Share issuance expenses	(101)	-	-	-	-	(101)	-	(101)
- Acquisition of a subsidiary	33,000	-	-	-	(2,845)	30,155	22,394	52,549
Total transactions with owners	32,899	-	-	-	(2,845)	30,054	22,394	52,448
Balance at 31 December 2018	73,364	-	(22,033)	83	(2,949)	48,465	22,256	70,721

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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
Loss after taxation/Total comprehensive expenses for the financial year	-	-	-	-	(6,247)	(6,247)	-	(6,247)
Contributions by and distribution to owners of the Company:								
Issuance of ordinary shares pursuant to:								
- Public issue	3,959	13,857	-	-	-	17,816	-	17,816
- ESOS exercised	965	-	-	(274)	-	691	-	691
- Bonus issue	13,273	(13,177)	-	-	(96)	-	-	-
Share issuance expenses in relation to:								
- Public issue	-	(680)	-	-	-	(680)	-	(680)
- Bonus issue	(165)	-	-	-	-	(165)	-	(165)
Dividends	-	-	-	-	(2,650)	(2,650)	-	(2,650)
Total transactions with owners	18,032	-	-	(274)	(2,746)	15,012	-	15,012
Balance at 31 December 2017	40,465	-	(22,033)	83	25,775	44,290	-	44,290

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.

HLT GLOBAL BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2018⁽¹⁾

	Unaudited Current year-to-date 31.12.2018 RM'000	Audited Preceding year-to-date 31.12.2017 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
Loss before taxation	(25,674)	(6,234)
Adjustments for:-		
Amortisation of land and building	39	-
Depreciation of property, plant and equipment	3,091	579
Equipment written off	4	-
Impairment loss on trade receivables	16,266	261
Impairment loss on contract assets	2,488	-
Interest expense	91	9
Listing expenses	-	295
Loss on disposal of property, plant and equipment	7	-
Provision for compensation claim	9,011	-
Unrealised loss on foreign exchange	446	348
Interest income	(1,200)	(344)
Operating profit/(loss) before working capital changes	4,569	(5,086)
Effect on adoption of MFRS 9	(343)	-
Decrease/(increase) in inventories	1,179	(1,706)
Net decrease in amount owing by contract customers	3,595	21,749
Increase in trade and other receivables	(11,990)	(9,854)
Decrease in trade and other payables	(4,619)	(5,385)
CASH FOR OPERATIONS	(7,609)	(282)
Income tax paid	(213)	(77)
Income tax refunded	45	138
Interest received	1,200	344
Interest paid	(91)	(8)
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(6,668)	115
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	5,583	-
Purchase of equipment	(2,041)	(95)
Proceed from disposal of property, plant and equipment	1	-
Withdrawal of deposits pledged to licensed bank	-	5,364
NET CASH FROM INVESTING ACTIVITIES	3,543	5,269

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2018⁽¹⁾ (CONT'D)

	Unaudited Current year-to-date 31.12.2018 RM'000	Audited Preceding year-to-date 31.12.2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of ESOS	-	691
Proceeds from issuance of shares	-	17,816
Dividend paid	-	(2,650)
Payment of bonus issue transaction costs	-	(165)
Payment of listing expenses	-	(1,767)
Repayment of term loan	(291)	(136)
Repayment of hire purchases payables	(22)	-
Drawdown of Bankers' acceptance	383	-
NET CASH FROM FINANCING ACTIVITIES	70	13,789
NET (DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS	(3,055)	19,173
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	(15)	(419)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	19,588	834
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	16,518	19,588
Cash and cash equivalents comprise the following:		
- Cash and bank balances	6,165	10,202
- Fixed deposits with a licensed bank	10,353	9,386
	16,518	19,588

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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 financial year ended 31 December 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 1: Deletion of Short-term Exemptions for First-time Adopters
- 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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 Group has chosen not to restate comparative figures of its financial, in which case the cumulative effect of the initially application of the Standard has been adjusted to the opening balance of retained profits in the period of its initial application i.e. 1 January 2018.

The impact of the adoption of MFRS 9 as at 1 January 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 financial position			
1 January 2018			
Trade receivables	26,465	(343)	26,122
Retained earnings	25,775	(343)	25,432

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 3: Definition of a Business	1 January 2020
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 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2018

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

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

A6. Material changes in estimates

There was no material change in estimates in the current financial quarter under review.

A7. Debt and equity securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter under review.

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 carrying out all supporting services associated therewith
2.	Rubber Gloves	: manufacturing of rubber gloves
3.	Corporate	: investment activities

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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)

	Glove-Dipping Lines RM'000	Rubber Gloves RM'000	Corporate RM'000	Consolidation adjustments RM'000	Consolidated RM'000
Current year-to-date 31.12.2018					
External Revenue	49,965	79,626	-	-	129,591
Inter-segment Revenue	1,293	-	-	(1,293)	-
	51,258	79,626	-	(1,293)	129,591
Segment result					
(Loss)/Profit from operation	(24,692)	2,311	(1,025)	(286)	(23,692)
Depreciation	(588)	(2,506)	-	3	(3,091)
Finance costs	(7)	(84)	-	-	(91)
Interest income	907	-	293	-	1,200
Loss before taxation	(24,380)	(279)	(732)	(283)	(25,674)
Tax expense					-
Loss after taxation					(25,674)
Attributable to:					
Owners of the Company					(25,536)
Non-controlling interest					(138)
Loss for the year					(25,674)
Segment assets	32,445	60,787	72,786	(47,869)	118,149
Goodwill	-	-	-	2,785	2,785
Segment liabilities	33,552	27,583	356	(11,278)	50,213

There is no comparative figure for the preceding year's quarter presented as the Group operates predominantly in one business segment.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2018

A EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORT (CONT'D)

A9. Segmental information (Cont'd)

(b) Geographical Information

	--Individual Quarter--		---Cumulative Quarter---	
	Unaudited Current year quarter 31.12.2018 RM'000	Unaudited Preceding year quarter 31.12.2017 RM'000	Unaudited Current year-to- date 31.12.2018 RM'000	Unaudited Preceding year-to- date 31.12.2017 RM'000
Malaysia	2,060	6,753	28,545	33,672
Thailand	463	-	10,809	1,512
Vietnam	5,863	2,265	14,070	9,098
Taiwan	21,579	-	47,045	-
United States	8,559	-	23,599	-
Spain	1,550	-	4,154	-
New Zealand	788	-	1,002	-
Others	355	83	367	541
	41,217	9,101	129,591	44,823

A10. Valuation of property, plant and equipment

The carrying value of leasehold land and building on 31 December 2018 was based on fair value determined from market based evidenced by independent appraisals. The valuation was performed for business combination purpose. With this, the carrying value of leasehold land and building have been revalued upwards by RM8.263 million.

Except for the above, all property, plant and equipment of the Group are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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

There was no other material event subsequent to the end of the current financial quarter under review

A12. Changes in the composition of the Group

There was no material change in the composition of the Group for the current financial quarter under review.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2018

A EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORT (CONT'D)

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 As at 31.12.2018 RM'000	Audited As at 31.12.2017 RM'000
Corporate guarantee given to licensed bank for credit facilities granted	910	-

A14. Capital commitments

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

A15. Related party transactions

The Group's transactions with companies in which our directors or substantial shareholders have an interest in for the current quarter ended 31 December 2018 were as follows:-

	---Individual Quarter---		---Cumulative Quarter---	
	Unaudited Current year quarter 31.12.2018 RM'000	Unaudited Preceding year quarter 31.12.2017 RM'000	Unaudited Current year-to- date 31.12.2018 RM'000	Unaudited Preceding year-to- date 31.12.2017 RM'000
Sales of spare part	(37)	-	(37)	-
Sales of glove dipping machine	(1,674)	-	(1,674)	-

On 14 January 2019, Bursa Securities has granted an extension of time from 1 December 2018 up to the date of the company's forthcoming annual general meeting scheduled to be held by end of May 2019 or extraordinary general meeting (whichever is held earlier), to obtain shareholders' ratification and shareholders' mandate for the recurrent related party transactions entered/to be entered into by HLT and its subsidiaries.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 31.12.2018 RM'000	Unaudited Preceding year quarter 31.12.2017 RM'000	Changes		Unaudited Current year-to-date 31.12.2018 RM'000	Audited Preceding year-to-date 31.12.2017 RM'000	Changes	
			RM'000	%			RM'000	%
Revenue	41,217	9,101	32,116	352.88	129,591	44,823	84,768	189.12
Gross profit/(loss)	1,370	(1,876)	3,246	(173.03)	8,774	(678)	9,452	(1,394.10)
Loss before taxation	(19,516)	(4,219)	(15,297)	(362.57)	(25,674)	(6,234)	(19,440)	(311.84)
Loss after taxation	(19,516)	(4,219)	(15,297)	(362.57)	(25,674)	(6,247)	(19,427)	(310.98)
Revenue								
Glove-Dipping Lines	6,711	9,101	(2,390)	(26.26)	49,965	44,823	5,142	11.47
Rubber Gloves	34,506	-	34,506	100	79,626	-	79,626	100.00
Corporate	-	-	-	-	-	-	-	-
	41,217	9,101	32,116	352.88	129,591	44,823	84,768	189.12
Gross profit/(loss)								
Glove-Dipping Lines	(697)	(1,876)	1,179	(62.85)	6,441	(678)	7,119	(1,050.00)
Rubber Gloves	2,067	-	2,067	100	2,333	-	2,333	100.00
Corporate	-	-	-	-	-	-	-	-
	1,370	(1,876)	3,246	(173.03)	8,774	(678)	9,452	(1,394.10)
Profit/(Loss) before taxation								
Glove-Dipping Lines	(20,227)	(4,219)	(16,008)	379.43	(24,666)	(5,648)	(19,018)	336.72
Rubber Gloves	741	-	741	100.00	(276)	-	(276)	100.00
Corporate	(30)	-	(30)	100.00	(732)	(586)	(146)	(24.91)
	(19,516)	(4,219)	(15,297)	(362.57)	(25,674)	(6,234)	(19,440)	(311.84)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2018

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance (Cont'd)

For the current financial quarter under review, the Group recorded revenue of RM41.217 million, an increase of 352.88% as compared to RM9.101 million in the preceding year quarter. The increase in revenue was mainly attributable to the revenue contribution of a newly acquired subsidiary, HL Rubber Industries Sdn. Bhd. ("HLRI") of RM34.506 million which has been partially offset by the lower revenue of glove-dipping lines segment.

The Group recorded revenue of RM129.591 million for the financial year ended 31 December 2018 ("FYE 2018"), an increase of 189.12% as compared to previous financial year ended 31 December 2017 ("FYE 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 a gross profit of RM1.370 million with a gross profit margin of 3.32% for the current quarter under review as compared to a gross loss of RM1.876 million with a gross loss margin of 20.61% in the preceding year quarter. For FYE 2018, the Group recorded a gross profit of RM8.774 million with gross profit margin of 6.77% as compared to a gross loss of RM0.678 million with gross loss margin of 1.51% in the preceding year quarter. The increase in gross profit and gross profit margin were due to better performance in both glove-dipping lines segment and rubber gloves segment.

The Group recorded loss before taxation of RM19.516 million as compared to a loss before taxation of RM4.219 million in the preceding financial quarter was mainly due to impairment loss on two trade receivables and impairment loss on contract assets. For FYE 2018, the increase in loss before taxation by RM19.440 million as compared to FYE 2017 was mainly due to the compensation claim from a foreign customer relating to the performance of the glove-dipping lines manufactured, impairment loss on two trade receivables and impairment loss on contract assets. In addition, it also due to the loss contributed by rubber gloves segment and corporate segment.

Glove-Dipping Lines

The glove-dipping lines segment recorded revenue of RM6.711 million, a decrease of 26.26% as compared to RM9.101 million in the preceding year quarter. For the FYE 2018, the glove-dipping lines segment achieved revenue of RM49.965 million, an increase of 11.47% as compared to RM44.823 million in the FYE 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 RM24.490 million from six 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 three local orders and four foreign orders. Local market continued to contribute significant portion of revenue amounting to RM26.284 million or 51.28% of the glove-dipping lines segment's total revenue.

The glove-dipping lines segment recorded a gross loss of RM0.697 million with a gross loss margin of 10.39% as compared to a gross loss of RM1.876 million with gross loss margin of 20.61% in the preceding year quarter. For FYE 2018, the glove-dipping lines segment recorded gross profit of RM6.441 million with gross profit margin of 12.89% as compared to gross loss of RM0.678 million with gross loss margin of 1.51% in the preceding year quarter. The increase in both the gross profit and gross profit margin were mainly due to better performance in Sale of New Lines.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2018

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

B1. Review of performance (Cont'd)

Glove-Dipping Lines (Cont'd)

The glove-dipping lines segment recorded loss before taxation of RM20.227 million as compared to a loss before taxation of RM4.219 million in the preceding year quarter was due to the impairment loss on two trade receivables and impairment loss on the contract assets. For FYE 2018, the increase in loss before taxation by RM19.018 million as compared to FYE 2017 was mainly attributable to the compensation claim from a foreign customer relating to the performance of the glove-dipping line manufactured and impairment loss on two trade receivables and contract assets.

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 31 December 2018. Rubber gloves segment contributed RM34.506 million for the current quarter and RM79.626 million for the FYE 2018. Export sales contributed 96% of the total revenue of rubber gloves segment. The export market mainly consists of Taiwan, United States of America, New Zealand and Spain.

The rubber gloves segment recorded a gross profit of RM2.067 million with a gross profit margin of 6% in the current quarter and recorded a gross profit of RM2.333 million with a gross profit margin of 2.93% in the FYE 2018.

The operating expenses for rubber gloves segment were RM1.326 million which make up to a profit before taxation of RM0.741 million in the current quarter and RM2.609 million in the FYE 2018 which make up to the loss before taxation of RM0.276 million.

Corporate

Corporate segment represents the investment holding company. No revenue was contributed by the investment holding company. The increase in the loss before taxation from RM0.586 million to RM0.732 million for the corporate segment was 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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 31.12.2018 RM'000	Unaudited Preceding Quarter 30.09.2018 RM'000	Changes	
			RM'000	%
Revenue	41,217	46,831	(5,614)	11.99
(Loss)/Profit before taxation	(19,516)	789	(20,305)	(2,573.51)
Revenue				
Glove-Dipping Lines	6,711	11,104	(4,393)	(39.56)
Rubber Gloves	34,506	35,727	(1,221)	(3.42)
Corporate	-	-	-	-
	41,217	46,831	(5,614)	(11.99)
Profit/(Loss) before taxation				
Glove-Dipping Lines	(20,227)	1,247	(21,474)	(1,722.05)
Rubber Gloves	741	(376)	1,117	(297.07)
Corporate	(30)	(82)	52	(63.41)
	(19,516)	789	(20,305)	(2,573.51)

The Group's revenue for the current quarter has decreased by RM5.614 million or 11.99% to RM41.217 million as compared to RM46.831 million in the preceding quarter. The decrease in revenue was mainly attributable to the lower revenue generated from both glove-dipping line and rubber gloves segment.

The Group recorded loss before taxation of RM19.516 million as compared to a profit before taxation of RM0.789 million in the preceding quarter. The significant increase in the loss before taxation as compared to preceding quarter was mainly attributable to the impairment loss on the trade receivables of RM16.266 million and impairment loss on contract assets of RM2.488 million.

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 its diversification into downstream manufacturing and trading of rubber gloves through the acquisition of a rubber glove manufacturer. 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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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, HL Advance Technologies (M) Sdn Bhd, its 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 31.12.2018 RM'000	Audited As at 31.12.2017 RM'000
Trade receivables	41,993	26,726
Allowance for impairment losses	(16,870)	(261)
	<u>25,123</u>	<u>26,465</u>
Allowance for impairment losses:-		
At 1 January		
- As previously reported	(261)	-
- Effects on adoption of MFRS 9	(343)	-
	<u>(604)</u>	<u>-</u>
- Amount reported under MFRS 9 (2017 – MFRS 139)	(604)	-
Addition during the financial period	(16,611)	(261)
Reversal during the financial period	343	-
Effect of movements in exchange rate	2	-
	<u>(16,870)</u>	<u>(261)</u>
At 31 December	<u>(16,870)</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.

B7. Status of corporate proposal

There was no corporate proposal announced or outstanding as at the date of this report.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2018

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

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

The Group has yet to fully utilise the IPO proceeds. The Board of Directors has resolved to extend the timeframe for the utilisation of proceeds which have been earmarked for the upgrading of eight existing glove-dipping lines and setting up of one new glove-dipping line of a subsidiary, HLRI for an additional 24 months.

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	Balance RM'000	Estimated timeframe for utilisation	Extended 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	⁽³⁾ 6 months	⁽³⁾ Additional 24 months
(f) New line ⁽²⁾	-	4,500	-	4,500	⁽⁴⁾ 12 months	⁽⁴⁾ Additional 24 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.

(3) Based on the completion date of the diversification and acquisition exercise of 17 May 2018, the timeframe for utilisation will end on 17 November 2018. Pursuant to the Extension of Time, it shall be extended to 17 November 2020.

(4) Based on the completion date of the diversification and acquisition exercise of 17 May 2018, the timeframe for utilisation will end on 17 May 2019. Pursuant to the Extension of Time, it shall be extended to 17 May 2021.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 31 December 2018 are as follows:-

	Unaudited As at 31.12.2018 RM'000	Audited As at 31.12.2017 RM'000
Short-term borrowings:-		
Banker Acceptance	1,849	-
Term loans	342	81
	<hr/> 2,191	<hr/> 81
Long-term borrowings:		
Term loans	1,761	1,155
	<hr/> 3,952	<hr/> 1,236

The term loans are secured and denominated in Ringgit Malaysia.

B10. Material litigation

There was no material litigation pending as at the date of this announcement.

B11. Dividends

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2018

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

B12. Loss per share ("LPS")

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

	Unaudited Current year quarter 31.12.2018	Unaudited Current year-to-date 31.12.2018
Loss after taxation attributable to owners of the Company (RM'000)	(19,841)	(25,536)
<u>Basic</u>		
Weighted average number of ordinary shares in issue ('000)	511,977	469,577
Basic LPS (sen)	(3.88)	(5.44)
<u>Diluted</u>		
Weighted average number of ordinary shares in issue ('000)	511,977	469,577
Effect of dilution from warrants ('000)	1,645	32,022
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	513,622	501,599
Diluted LPS (sen)	(3.86)	(5.09)

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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

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

	Unaudited Current year quarter 31.12.2018 RM'000	Unaudited Current year-to-date 31.12.2018 RM'000
Amortisation of land and building	39	39
Depreciation of property, plant and equipment	1,187	3,091
Equipment written off	-	4
Impairment loss on trade receivables	15,954	16,266
Impairment loss on contract assets	2,488	2,488
Loss on disposal of plant and equipment	7	7
Interest expense	42	91
(Writeback of)/Provision for compensation claim	(3)	9,011
Realised loss/(gain) on foreign exchange	127	(571)
Unrealised loss on foreign exchange	745	446
Interest income	(68)	(1,200)

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

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