



HLT GLOBAL BERHAD

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

Year 2019

Quarterly Announcement

For the Second Quarter Ended 30 June 2019

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 2019⁽¹⁾

	Note	--- Individual Quarter ---		--- Cumulative Quarter ---	
		Unaudited Current year quarter 30.06.2019 RM'000	Unaudited Preceding year quarter 30.06.2018 RM'000	Unaudited Current year- to-date 30.06.2019 RM'000	Unaudited Preceding year- to-date 30.06.2018 RM'000
Revenue	A9	44,417	25,332	76,265	41,542
Cost of sales		(41,040)	(22,865)	(69,829)	(36,848)
Gross profit		3,377	2,467	6,436	4,694
Other operating income		(19)	700	424	1,239
Selling and distribution expenses		(396)	(403)	(832)	(488)
Administrative and other expenses		(581)	1,027	(2,517)	(12,377)
Finance costs		(30)	(16)	(67)	(16)
Profit/(Loss) before taxation		2,351	3,775	3,444	(6,948)
Income tax expense	B4	55	-	60	-
Profit/(Loss) after taxation		2,406	3,775	3,504	(6,948)
Other comprehensive income		-	-	-	-
Total comprehensive income/(expenses) for the financial period		2,406	3,775	3,504	(6,948)
Profit/(Loss) after taxation attributable to:					
- Owners of the Company		2,930	4,064	4,206	(6,659)
- Non-controlling interests		(524)	(289)	(702)	(289)
		2,406	3,775	3,504	(6,948)
Total comprehensive income/(expenses) attributable to:					
- Owners of the Company		2,930	4,064	4,206	(6,659)
- Non-controlling interests		(524)	(289)	(702)	(289)
		2,406	3,775	3,504	(6,948)
Earnings/(Loss) per share (sen):					
- Basic	B12	0.57	0.89	0.82	(1.56)
- Diluted ⁽²⁾	B12	0.57	0.82	0.82	(1.56)

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 2018 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 and employee share options had an anti-dilutive effect on the basic loss per share 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 30 JUNE 2019⁽¹⁾

	Note	Unaudited As at 30.06.2019 RM'000	Audited As at 31.12.2018 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		31,148	32,449
Goodwill		2,785	2,785
		<u>33,933</u>	<u>35,234</u>
CURRENT ASSETS			
Inventories		17,566	23,713
Trade receivables	B5	15,007	24,031
Other receivables, deposits and prepayments		12,898	15,513
Contract assets		7,118	2,434
Amount owing by related parties		7,050	1,682
Short-term investment		15,669	6,165
Current tax assets		854	1,007
Cash and bank balances		7,054	10,684
		<u>83,216</u>	<u>85,229</u>
TOTAL ASSETS		117,149	120,463
EQUITY AND LIABILITIES			
EQUITY			
Share capital		73,465	73,465
Merger deficit		(22,033)	(22,033)
Employee share option reserve		83	83
Retained profits/(Accumulated losses)		591	(3,615)
		<u>52,106</u>	<u>47,900</u>
Equity attributable to owners of the Company		52,106	47,900
Non-controlling interests		21,719	22,421
TOTAL EQUITY		73,825	70,321
NON-CURRENT LIABILITIES			
Long-term borrowings	B9	2,098	1,761
Deferred tax liabilities		2,457	2,517
		<u>4,555</u>	<u>4,278</u>
CURRENT LIABILITIES			
Trade payables		23,211	26,524
Other payables and accruals		12,081	14,275
Contract liabilities		1,308	2,390
Short-term borrowings	B9	2,019	2,521
Current tax liabilities		150	154
		<u>38,769</u>	<u>45,864</u>
TOTAL LIABILITIES		43,324	50,142
TOTAL EQUITY AND LIABILITIES		117,149	120,463
Net assets per share (RM)		0.10	0.09

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 2018 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 SECOND (2ND) QUARTER ENDED 30 JUNE 2019⁽¹⁾

	← Non-Distributable →				Distributable		Total Equity RM'000
	Share Capital RM'000	Merger Deficit RM'000	Employee Share Option Reserve RM'000	(Accumulated Losses)/ Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-Controlling Interests RM'000	
Balance at 1 January 2019	73,465	(22,033)	83	(3,615)	47,900	22,421	70,321
Profit after taxation/Total comprehensive income for the financial period	-	-	-	4,206	4,206	(702)	3,504
Balance at 30 June 2019	73,465	(22,033)	83	591	52,106	21,719	73,825

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019⁽¹⁾

	← Non-Distributable →			Distributable		Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Merger Deficit RM'000	Employee 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
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 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	18,773	70,187	14,779	84,966

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 2018 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 CASH FLOWS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019⁽¹⁾

	Unaudited Current year-to-date 30.06.2019 RM'000	Unaudited Preceding year-to-date 30.06.2018 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit/(Loss) before taxation	3,444	(6,948)
Adjustments for:-		
Allowance for impairment loss on trade receivables	72	312
Depreciation of property, plant and equipment	2,329	761
Fair value gain on short-term investment	(3)	-
Provision for compensation claim	-	9,014
Interest expense	67	16
Unrealised gain on foreign exchange	(174)	(51)
(Gain)/loss on disposal of plant and equipment	(100)	7
Dividend income	(123)	-
Interest income	(5)	(957)
	<hr/>	<hr/>
Operating profit before working capital changes	5,507	2,154
Decrease/(Increase) in inventories	6,146	(150)
Increase in contract assets	(5,766)	(4,775)
Decrease in trade and other receivables	11,657	48
Decrease in trade and other payables	(5,510)	(4,408)
Increase in amount owing by related parties	(5,367)	-
	<hr/>	<hr/>
CASH FROM/(FOR) OPERATIONS	6,667	(7,131)
Income tax paid	(52)	(46)
Income tax refunded	201	45
Interest received	5	158
Interest paid	(68)	(16)
	<hr/>	<hr/>
NET CASH FROM/(FOR) OPERATING ACTIVITIES	6,753	(6,990)
	<hr/>	<hr/>
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	-	5,583
Dividend received	126	-
Purchase of property, plant and equipment	(1,030)	(275)
Proceed from disposal of plant and equipment	101	1
	<hr/>	<hr/>
NET CASH (FOR)/FROM INVESTING ACTIVITIES	(803)	5,309
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019⁽¹⁾ (CONT'D)

	Unaudited Current year-to-date 30.06.2019 RM'000	Unaudited Preceding year-to-date 30.06.2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loans	(196)	(93)
Drawdown/(repayment) of hire purchases payables	347	(6)
Drawdown of bankers' acceptances	14	115
NET CASH FROM FINANCING ACTIVITIES	165	16
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,115	(1,665)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	89	(3)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	16,519	19,588
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	22,723	17,920
Cash and cash equivalents comprise the following:		
- Money market fund	15,669	7,725
- Cash and bank balances	7,054	10,195
	22,723	17,920

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 2018 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 2019

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 2018 and the accompanying explanatory notes attached to this interim financial report.

A2. Changes in accounting policies

During the 6-month period ended 30 June 2019, 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 16 Leases

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRS Standards 2015 – 2017 Cycles

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.

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 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
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 References to the Conceptual Framework in MFRS Standards	1 January 2020

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.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

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

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 three (3) main reportable segments as follows:-

No	Business segments	Principal activities
1.	Glove-dipping lines	: manufacture of glove-dipping machines, fabrication works on metal and stainless steel products and carry out all supporting services associated therewith
2.	Rubber Gloves	: manufacturing and trading of rubber gloves
3.	Corporate	: provision of corporate services to the entities within the Group

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

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

A9. Segmental information

(a) Business Segments

	Glove- Dipping Lines RM'000	Rubber Gloves RM'000	Corporate RM'000	Consolidation adjustments RM'000	Consolidated RM'000
Current year-to-date 30.06.2019					
External Revenue	29,017	47,248	-	-	76,265
Inter-segment Revenue	41	-	-	(41)	-
	<u>29,058</u>	<u>47,248</u>	<u>-</u>	<u>(41)</u>	<u>76,265</u>
Segment result					
Profit/(Loss) from operation	5,516	478	(158)	-	5,836
Depreciation	(294)	(2,002)	-	(33)	(2,329)
Finance costs	(7)	(61)	-	-	(68)
Interest income	5	-	-	-	5
Profit/(Loss) before taxation	<u>5,220</u>	<u>(1,585)</u>	<u>(158)</u>	<u>(33)</u>	<u>3,444</u>
Tax expense					60
Profit after taxation					<u>3,504</u>
Attributable to:					
Owners of the Company					4,206
Non-controlling interest					(702)
Profit for the period					<u>3,504</u>
Segment assets	36,930	52,768	73,000	(48,334)	114,364
Goodwill	-	-	-	2,785	2,785
Segment liabilities	<u>33,222</u>	<u>20,723</u>	<u>374</u>	<u>(10,995)</u>	<u>43,324</u>

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

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 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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

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 30.06.2019 RM’000	Unaudited Preceding year quarter 30.06.2018 RM’000	Unaudited Current year-to- date 30.06.2019 RM’000	Unaudited Preceding year-to- date 30.06.2018 RM’000
Malaysia	5,465	9,405	7,283	19,992
Southeast Asia	15,021	7,432	23,830	13,055
Taiwan	16,386	5,813	29,592	5,813
United States	6,294	1,380	12,019	1,380
Spain	1,219	1,088	3,114	1,088
Others	32	214	427	214
	44,417	25,332	76,265	41,542

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.

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 SECOND (2ND) QUARTER ENDED 30 JUNE 2019

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 asset as at the date of this report. Contingent liability of the Group was as follows:-

	Unaudited As at 30.06.2019 RM’000	Audited As at 31.12.2018 RM’000
Bank guarantee extended by a subsidiary to a third party	910	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 30 June 2019 were as follows:-

	---Individual Quarter---		---Cumulative Quarter---	
	Unaudited Current year quarter 30.06.2019 RM’000	Unaudited Preceding year quarter 30.06.2018 RM’000	Unaudited Current year-to- date 30.06.2019 RM’000	Unaudited Preceding year-to- date 30.06.2018 RM’000
Sales of rubber gloves	16,056	-	25,136	-
Sales of glove-dipping machines	3,677	-	10,646	-

At the Annual General Meeting held on 30 May 2019 (“AGM”), shareholders of the Company had approved the following proposals:

- (i) proposed shareholders’ ratification of recurrent related party transactions of a revenue and/or trading nature from 1 December 2018 up to the date of AGM; and
- (ii) proposed shareholders’ mandate for recurrent related party transactions of a revenue and/or trading nature from the date of AGM up to the date of next Annual General Meeting.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

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 30.06.2019 RM'000	Unaudited Preceding year quarter 30.06.2018 RM'000	Changes		Unaudited Current year-to-date 30.06.2019 RM'000	Unaudited Preceding year-to-date 30.06.2018 RM'000	Changes	
			RM'000	%			RM'000	%
Revenue	44,417	25,332	19,085	75.34	76,265	41,542	34,723	83.59
Gross profit	3,377	2,467	910	36.89	6,436	4,694	1,742	37.11
Profit before taxation	2,351	3,775	(1,424)	(37.72)	3,444	(6,948)	10,392	(149.57)
Profit after taxation	2,406	3,775	(1,369)	(36.26)	3,504	(6,948)	10,452	(150.43)
Revenue								
Glove-Dipping Lines	18,921	15,939	2,982	18.70	29,017	32,149	(3,132)	(9.74)
Rubber Gloves	25,496	9,393	16,103	171.44	47,248	9,393	37,855	403.01
Corporate	-	-	-	-	-	-	-	-
	44,417	25,332	19,085	75.34	76,265	41,542	34,723	83.59
Gross profit								
Glove-Dipping Lines	3,910	2,686	1,224	45.57	6,294	4,913	1,381	28.11
Rubber Gloves	(533)	(219)	(314)	143.38	142	(219)	361	(164.84)
Corporate	-	-	-	-	-	-	-	-
	3,377	2,467	910	36.89	6,436	4,694	1,742	37.11
Profit/(Loss) before taxation								
Glove-Dipping Lines	3,662	5,021	(1,359)	(27.07)	5,180	(5,686)	10,866	(191.10)
Rubber Gloves	(1,193)	(641)	(552)	86.12	(1,578)	(641)	(937)	146.18
Corporate	(118)	(605)	487	(80.50)	(158)	(621)	463	(74.56)
	2,351	3,775	(1,424)	(37.72)	3,444	(6,948)	10,392	(149.57)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

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 RM44.417 million, an increase of 75.34% as compared to RM25.332 million in the preceding year quarter. The increase in revenue was mainly attributable to the revenue contribution from rubber gloves segment of RM25.496 million and increase in revenue from glove-dipping lines segment.

The Group recorded revenue of RM76.265 million for the financial period ended 30 June 2019 ("FPE 2019"), an increase of 83.59% as compared to previous financial period ended 30 June 2018 ("FPE 2018"). The increase in revenue was mainly attributable to the revenue contribution from rubber gloves segment of RM47.248 million which has been partially offset by the lower revenue of glove-dipping lines segment.

The Group recorded gross profit of RM3.377 million with a gross profit margin of 7.60% as compared to gross profit of RM2.467 million with gross profit margin of 9.74% in the preceding year quarter. For FPE 2019, the Group recorded gross profit of RM6.436 million with gross profit margin of 8.44% as compared to gross profit of RM4.694 million with gross profit margin of 11.30% for FPE 2018. The increase in gross profit but with the lower gross profit margin was due to lower gross profit margin achieved by rubber gloves segment.

The profit before taxation decreased by RM1.424 million as compared to RM3.775 million in the preceding year quarter due to writeback of RM3.194 million in the preceding year quarter on the provision made for compensation claim from a foreign customer relating to the performance of the glove-dipping lines manufactured. For FPE 2019, the Group recorded RM3.444 million as compared to loss before taxation of RM6.948 million in FPE 2018 was mainly due to an one-off compensation claim from a foreign customer relating to the performance of the glove-dipping line manufactured in the FPE 2018.

Glove-Dipping Lines

The glove-dipping lines segment managed to achieve revenue of RM18.921 million, an increase of 18.70% as compared to RM15.939 million in the preceding year quarter. For the FPE 2019, the glove-dipping lines segment recorded revenue of RM29.017 million, a decrease of 9.74% as compared to RM32.149 million in the FPE 2018. The revenue mainly contributed from design, fabrication, installation, testing and commissioning of glove-dipping lines segment ("Sale of New Lines") backed by revenue contribution of RM26.140 million from two new orders secured in the year 2018 but whose implementation commenced on January 2019 as well as revenue contribution from outstanding orders brought forward from previous financial year. Currently, eight orders are in progress which comprised of three local orders and five foreign orders. Foreign market contribute significant portion of revenue amounting to RM21.318 million or 81.55% of the glove-dipping lines segment's total revenue.

The glove-dipping lines segment recorded a gross profit of RM3.910 million with a gross profit margin of 20.66% as compared to a gross profit of RM2.686 million with gross profit margin of 16.85% in the preceding year quarter. For FPE 2019, the glove-dipping lines segment recorded gross profit of RM6.294 million with gross profit margin of 21.69% as compared to gross profit of RM4.913 million with gross profit margin of 15.28%. The significant increase in both gross profit and gross profit margin was mainly attributable to better performance in both Sales of New Lines and provision of upgrading and modification works for glove-dipping lines segment ("Upgrade and Modification").

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

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

B1. Review of performance (Cont'd)

The glove-dipping lines segment recorded profit before taxation of RM3.662 million as compared to RM5.021 million in the preceding year quarter. For FPE 2019, the glove-dipping lines segment recorded profit before taxation of RM5.180 million as compared to loss before taxation of RM5.686 million in the FPE 2018 was due to the compensation claim from a foreign customer relating to the performance of the glove-dipping line manufactured in the FPE 2018.

Rubber Gloves

HL Rubber Industries Sdn Bhd ("HLRI") is principally engaged in the business of manufacturing and trading of rubber gloves. The acquisition of the 55% of issued share capital of HLRI was completed on 17 May 2018. Rubber gloves segment contributed RM25.496 million for the current quarter. Export sales contributed 98.95% of the total revenue of rubber gloves segment. The export market mainly consists of Taiwan, United States of America, Spain and Singapore.

The rubber gloves segment recorded a gross loss of RM0.533 million with a gross loss margin of 2.09% as compared to a gross loss of RM0.219 million with gross loss margin of 2.33% in the preceding year quarter. For FPE 2019, the rubber gloves segment recorded gross profit of RM0.142 million with gross profit margin of 0.3% as compared to gross loss of RM0.219 million with gross loss margin of 2.33%.

The rubber gloves segment recorded loss before taxation of RM1.193 million as compared to a loss before taxation of RM0.641 million. For FPE 2019, the rubber gloves segment recorded loss before taxation of RM1.578 million as compared to loss before taxation of RM0.641 million in the FPE 2018.

Corporate

Corporate segment represents the investment holding company. No revenue was contributed by the investment holding company.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

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

B2. Comparison with immediate preceding quarter's results

	Unaudited Current Quarter 30.06.2019 RM'000	Unaudited Preceding Quarter 31.03.2019 RM'000	Changes RM'000	%
Revenue	44,417	31,848	12,569	39.47
Profit before taxation	2,351	1,094	1,257	114.90
Revenue				
Glove-Dipping Lines	18,921	10,096	8,825	87.41
Rubber Gloves	25,496	21,752	3,744	17.21
Corporate	-	-	-	-
	44,417	31,848	12,569	39.47
Profit/(Loss) before taxation				
Glove-Dipping Lines	3,662	1,519	2,143	141.08
Rubber Gloves	(1,193)	(385)	(808)	209.87
Corporate	(118)	(40)	(78)	195.00
	2,351	1,094	1,257	114.90

The Group's revenue for the current quarter has increased by RM12.569 million or 39.47% to RM44.417 million as compared to RM31.848 million in the preceding quarter. The increase in revenue was mainly attributable to better performance from both of glove-dipping lines segment and rubber gloves segment.

The Group managed to achieve profit before taxation of RM2.351 million as compared to a profit before taxation of RM1.094 million in the preceding quarter. The increase in profit before taxation of RM1.257 million was mainly due to better performance from glove-dipping lines segment.

B3. Commentary on prospects

The prospects for growth in the rubber glove industry are positive as the industry is expected to continue to be driven by the growth in the global and domestic healthcare industry, increasing demand arising from other end-user markets such as manufacturing, continued growth in the global economy, and availability of raw materials utilised in the manufacturing of rubber gloves. Given the vibrant and growing rubber glove industry in Malaysia, the prospect of our Rubber Gloves would seem promising.

Nevertheless, 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.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

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

B4. Income tax expense

The current taxation of the Group is in respect of the deferred tax effect of amortisation on land and building. The Group is not subject to tax as the companies in the Group have sufficient unabsorbed capital allowances carries forward. Furthermore, HL Advance Technologies (M) Sdn Bhd (“HLA”), its wholly owned subsidiary is not subject to tax as it qualifies for the Pioneer Status incentive under the Promotion of Investment Act 1986. HLA 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 30.06.2019 RM'000	Audited As at 31.12.2018 RM'000
Trade receivables	31,948	40,901
Allowance for impairment losses	(16,941)	(16,870)
	<u>15,007</u>	<u>24,031</u>
Allowance for impairment losses:-		
At 1 January		
- As previously reported	(16,870)	(261)
- Effects on adoption of MFRS 9	-	(343)
- Amount reported under MFRS 9 (2017 – MFRS 139)	(16,870)	(604)
Addition during the financial period/year	(71)	(16,266)
At 30 June 2019/31 December 2018	<u>(16,941)</u>	<u>(16,870)</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 SECOND (2ND) QUARTER ENDED 30 JUNE 2019

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 SECOND (2ND) QUARTER ENDED 30 JUNE 2019

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 2019 are as follows:-

	Unaudited As at 30.06.2019 RM'000	Audited As at 31.12.2018 RM'000
Short-term borrowings:-		
Bank overdrafts	-	330
Banker's Acceptances	1,863	1,849
Hire Purchase	70	-
Term loans	86	342
	2,019	2,521
Long-term borrowings:		
Hire Purchases	277	-
Term loans	1,821	1,761
	2,098	1,761
Total borrowings	4,117	4,282

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 SECOND (2ND) QUARTER ENDED 30 JUNE 2019

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

B12. Earnings per share ("EPS")

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

	Unaudited Current year quarter 30.06.2019	Unaudited Current year-to-date 30.06.2019
Profit after taxation attributable to owners of the Company (RM'000)	2,930	4,206
Weighted average number of ordinary shares in issue ('000)	511,977	511,977
Basic EPS (sen)	0.57	0.82
Diluted EPS (sen) ⁽¹⁾	0.57	0.82

Note:-

- (1) *The effect of potential ordinary shares arising from the conversion of employee share options and warrant are anti-dilutive and accordingly, they have been ignored the calculation of dilutive earnings per share. As a result, the diluted earnings per ordinary share is the same as basic earnings per share.*

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

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

	Unaudited Current year quarter 30.06.2019 RM'000	Unaudited Current year-to-date 30.06.2019 RM'000
Allowance for impairment loss on trade receivables	141	72
Depreciation of property, plant and equipment	1,174	2,329
Interest expense	30	67
Realised (gain)/loss on foreign exchange	(260)	215
Gain on disposal of plant and equipment	*	(100)
Unrealised loss/(gain) on foreign exchange	30	(174)
Fair value gain on short-term investment	(3)	(3)
Interest income	(2)	(5)
Dividend income	(65)	(123)

*Represents RM135

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

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