



HLT GLOBAL BERHAD

Registration No: [201501038003 (1163324-H)]
(Incorporated in Malaysia)

Year 2020

Quarterly Announcement

For the Second Quarter Ended 30 June 2020

HLT GLOBAL BERHAD

Registration No: [201501038003 (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 2020⁽¹⁾

	Note	--- Individual Quarter ---		--- Cumulative Quarter ---	
		Unaudited Current year quarter 30.06.2020 RM'000	Unaudited Preceding year quarter 30.06.2019 RM'000	Unaudited Current year- to-date 30.06.2020 RM'000	Unaudited Preceding year- to-date 30.06.2019 RM'000
Revenue	A9	50,862	44,417	76,994	76,265
Cost of sales		(39,511)	(41,040)	(64,753)	(69,829)
Gross profit		11,351	3,377	12,241	6,436
Other operating income		-	-	3,121	424
Selling and distribution expenses		(2,337)	(396)	(2,568)	(832)
Administrative and other expenses		(1,847)	(600)	(3,441)	(2,517)
Finance costs		(27)	(30)	(39)	(67)
Profit before taxation		7,140	2,351	9,314	3,444
Income tax (expense)/credit	B4	(839)	55	(989)	60
Profit after taxation		6,301	2,406	8,325	3,504
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial period		6,301	2,406	8,325	3,504
Profit after taxation attributable to:					
- Owners of the Company		4,856	2,930	7,456	4,206
- Non-controlling interests		1,445	(524)	869	(702)
		6,301	2,406	8,325	3,504
Total comprehensive income attributable to:					
- Owners of the Company		4,856	2,930	7,456	4,206
- Non-controlling interests		1,445	(524)	869	(702)
		6,301	2,406	8,325	3,504
Earnings per share (sen):					
- Basic	B12	0.95	0.57	1.46	0.82
- Diluted ⁽²⁾	B12	0.81	0.57	1.24	0.82

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 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) Diluted earnings per share of the Company for the individual quarter 30 June 2019 and cumulative quarter 30 June 2019 is equivalent to the basic earnings per share as the potential conversion of warrants and employee share options had an anti-dilutive effect on the basic earnings per share and the Company has no other dilutive potential ordinary shares in issue at the end of the reporting period.

HLT GLOBAL BERHAD

Registration No: [201501038003 (1163324-H)]
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020⁽¹⁾

	Note	Unaudited As at 30.06.2020 RM'000	Audited As at 31.12.2019 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		11,005	12,219
Right-of-use assets		17,138	17,305
Goodwill		2,785	2,785
		<u>30,928</u>	<u>32,309</u>
CURRENT ASSETS			
Inventories		15,373	20,786
Trade receivables	B5	13,104	21,653
Other receivables, deposits and prepayments		4,951	12,600
Contract assets		2,886	1,764
Amount owing by related parties		1,056	8,922
Short-term investments		28,494	9,299
Current tax assets		-	298
Cash and bank balances		34,673	12,165
		<u>100,537</u>	<u>87,487</u>
TOTAL ASSETS		<u>131,465</u>	<u>119,796</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		73,679	73,465
Merger deficit		(22,033)	(22,033)
Employee share option reserve		30	83
Retained profits		8,680	1,221
		<u>60,356</u>	<u>52,736</u>
Equity attributable to owners of the Company		60,356	52,736
Non-controlling interests		22,466	21,597
		<u>82,822</u>	<u>74,333</u>
NON-CURRENT LIABILITIES			
Long-term borrowing	B9	774	1,583
Deferred tax liabilities		1,938	1,949
		<u>2,712</u>	<u>3,532</u>
CURRENT LIABILITIES			
Trade payables		15,251	16,456
Other payables and accruals		16,919	12,939
Contract liabilities		13,196	11,782
Amount owing to a related party		90	324
Short-term borrowing	B9	114	430
Current tax liabilities		361	-
		<u>45,931</u>	<u>41,931</u>
TOTAL LIABILITIES		<u>48,643</u>	<u>45,463</u>
TOTAL EQUITY AND LIABILITIES		<u>131,456</u>	<u>119,796</u>
Net assets per share (RM)		<u>0.12</u>	<u>0.10</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 2019 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2020⁽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 2020	73,465	(22,033)	83	1,221	52,736	21,597	74,333
Profit after taxation/Total comprehensive income for the financial period	-	-	-	7,456	7,456	869	8,325
Contributions by and distribution to owners of the Company:							
Issuance of ordinary shares pursuant to:							
- ESOS exercised	175	-	(50)	-	125	-	125
- Warrants	39	-	-	-	39	-	39
ESOS options lapsed	-	-	(3)	3	-	-	-
Total transactions with owners	214	-	(53)	3	164	-	164
Balance at 30 June 2020	73,679	(22,033)	30	8,680	60,356	22,466	82,822

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2020⁽¹⁾

	← Non-Distributable →			Distributable	Attributable to Owners of the Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Merger Deficit RM'000	Employee Share Option Reserve RM'000	(Accumulated Losses)/ Retained Profits 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

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 2019 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2020⁽¹⁾

	Unaudited Current year-to-date 30.06.2020 RM'000	Unaudited Preceding year-to-date 30.06.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,314	3,444
Adjustments for: -		
Depreciation of property, plant and equipment	2,267	2,329
Depreciation of right-of-use assets	168	-
Impairment loss on trade receivables	-	72
Interest expense	39	67
Unrealised gain on foreign exchange	(508)	(174)
Fair value loss/(gain) on short-term investment	2	(3)
Gain on disposal of plant and equipment	(130)	(100)
Reversal of impairment loss on trade receivable	(2,000)	-
Dividend income	(266)	(123)
Interest income	(2)	(5)
	<hr/>	<hr/>
Operating profit before working capital changes	8,884	5,507
Decrease in inventories	5,413	6,146
Decrease/(Increase) in contract assets	292	(5,766)
Decrease in trade and other receivables	18,502	11,657
Increase/(Decrease) in trade and other payables	2,790	(5,510)
Decrease/(Increase) in amount owing by related parties	7,673	(5,367)
	<hr/>	<hr/>
CASH FROM OPERATIONS	43,554	6,667
Income tax paid	(340)	(52)
Income tax refunded	-	201
Interest received	2	5
Interest paid	(39)	(68)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	43,177	6,753
	<hr/>	<hr/>
CASH FLOWS FOR INVESTING ACTIVITIES		
Dividend received	264	126
Purchase of property, plant and equipment	(1,053)	(1,030)
Proceed from disposal of plant and equipment	130	101
	<hr/>	<hr/>
NET CASH FOR INVESTING ACTIVITIES	(659)	(803)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2020⁽¹⁾ (CONT'D)

	Unaudited Current year-to-date 30.06.2020 RM'000	Unaudited Preceding year-to-date 30.06.2019 RM'000
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES		
Proceeds from conversion of warrants	39	-
Proceeds from exercise of ESOS	125	-
Repayment of term loans	(813)	(196)
Drawdown of hire purchase obligations	-	347
Drawdown of bankers' acceptances	-	14
Repayment of lease liability	(312)	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES	(961)	165
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,557	6,115
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	146	89
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	21,464	16,519
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	63,167	22,723
Cash and cash equivalents comprise the following:		
- Short-term investments	28,494	15,669
- Cash and bank balances	34,673	7,054
	63,167	22,723

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 2019 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 2020

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 2019 and the accompanying explanatory notes attached to this interim financial report.

A2. Changes in accounting policies

During the 6-month period ended 30 June 2020, 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)

Amendments to MFRS 3: Definition of a Business

Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform

Amendments to MFRS 101 and MFRS 108: Definition of Material

Amendments to References to the Conceptual Framework in MFRS Standards

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 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022

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 2020

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

During the 6-month period ended 30 June 2020, the Company has issued new ordinary shares as follows:-

	Issue Price	No. of Shares
Exercise of ESOS options	RM0.30	417,500
Conversion of Warrants	RM0.20	196,000

As at 30 June 2020, the total number of outstanding warrants was 198,895,998.

Other than as disclosed above, 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 2020

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 30.06.2020					
External Revenue	26,848	50,146	-	-	76,994
Inter-segment Revenue	540	-	3,800	(4,340)	-
	<u>27,388</u>	<u>50,146</u>	<u>3,800</u>	<u>(4,340)</u>	<u>76,994</u>
Segment result					
Profit from operation	7,776	9,802	3,633	(14,368)	6,843
Depreciation	270	2,132	-	32	2,434
Finance costs	6	33	-	-	39
Interest income	(2)	-	-	-	(2)
Profit before taxation	<u>8,050</u>	<u>11,967</u>	<u>3,633</u>	<u>(14,336)</u>	<u>9,314</u>
Tax expense					(989)
Profit after taxation					<u>8,325</u>
Attributable to:					
Owners of the Company					7,456
Non-controlling interest					869
Profit for the period					<u>8,325</u>
Segment assets	47,128	62,584	76,651	(57,683)	128,680
Goodwill	-	-	-	2,785	2,785
Segment liabilities	<u>39,406</u>	<u>18,794</u>	<u>317</u>	<u>(9,874)</u>	<u>48,643</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2020

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 30.06.2019					
External Revenue	29,017	47,248	-	-	76,265
Inter-segment Revenue	41	-	-	(41)	-
	29,058	47,248	-	(41)	76,265
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	5,220	(1,585)	(158)	(33)	3,444
Tax expense					60
Profit after taxation					3,504
Attributable to:					
Owners of the Company					4,206
Non-controlling interest					(702)
Profit for the period					3,504
Segment assets	36,930	52,768	73,000	(48,334)	114,364
Goodwill	-	-	-	2,785	2,785
Segment liabilities	33,222	20,723	374	(10,995)	43,324

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2020

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 30.06.2020 RM’000	Unaudited Preceding year quarter 30.06.2019 RM’000	Unaudited Current year-to- date 30.06.2020 RM’000	Unaudited Preceding year-to- date 30.06.2019 RM’000
Domestic	17,698	5,465	25,917	7,283
Overseas	33,164	38,952	51,077	68,982
	50,862	44,417	76,994	76,265

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

Save as disclosed below, there were no other material events subsequent to the end of the current financial quarter that have not been reflected in this interim financial report.

- (a) On 24 July 2020, the Company granted 26,070,000 share options to the eligible Directors and employees of the Group under the Company’s ESOS as follows: -

No. of Share Options	Exercise Price	Vesting Date
12,982,500	RM0.70	24 July 2020
6,107,500	RM0.70	24 July 2021
6,980,000	RM0.70	24 July 2023

- (b) On 10 August 2020, the Board of Directors of the Company announced that the Company is proposing to undertake a Private Placement of new ordinary shares in HLT Global of up to twenty percent (20%) of the total number of issued shares in HLT Global.

On 19 August 2020, Bursa Securities has vide its letter approved the listing and quotation of up to 144,945,319 Placement Shares to be issued pursuant to the Proposed Private Placement, subject to the following conditions: -

1. HLT Global and KAF Investment Bank Berhad (“KAF IB”) must fully comply with the relevant provisions under the ACE Market Listing Requirements pertaining to the implementation of the Proposed Private Placement.
2. HLT Global and KAF IB to inform Bursa Securities upon the completion of the Proposed Private Placement.
3. HLT Global to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Private Placement is completed.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2020

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

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

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 30.06.2020 RM’000	Audited As at 31.12.2019 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 2020 were as follows:-

	---Individual Quarter---		---Cumulative Quarter---	
	Unaudited Current year quarter 30.06.2020 RM’000	Unaudited Preceding year quarter 30.06.2019 RM’000	Unaudited Current year-to- date 30.06.2020 RM’000	Unaudited Preceding year-to- date 30.06.2019 RM’000
Sales of rubber gloves	(4,398)	(16,056)	(13,978)	(25,136)
Sales of glove-dipping machines	(539)	(3,677)	(3,481)	(10,646)
Purchase of wood pellets	259	-	724	-

At the Annual General Meeting held on 22 June 2020 (“AGM”), shareholders of the Company had approved the proposed renewal of existing shareholder’s mandate and new 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 AGM.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2020

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

Financial review for current quarter:

	--- Individual Quarter ---				--- Cumulative Quarter ---			
	Unaudited Current year quarter 30.06.2020 RM'000	Unaudited Preceding year quarter 30.06.2019 RM'000	Changes		Unaudited Current year-to-date 30.06.2020 RM'000	Unaudited Preceding year-to-date 30.06.2019 RM'000	Changes	
			RM'000	%			RM'000	%
Revenue	50,862	44,417	6,445	14.51	76,994	76,265	729	0.96
Gross profit	11,351	3,377	7,974	236.13	12,241	6,436	5,805	90.20
Profit before taxation	7,140	2,351	4,789	203.70	9,314	3,444	5,870	170.44
Profit after taxation	6,301	2,406	3,895	161.89	8,325	3,504	4,821	137.59
Revenue								
Glove-Dipping Lines	18,003	18,921	(918)	(4.85)	26,848	29,017	(2,169)	(7.47)
Rubber Gloves	32,859	25,496	7,363	28.88	50,146	47,248	2,898	6.13
Corporate	-	-	-	-	-	-	-	-
	50,862	44,417	6,445	14.51	76,994	76,265	729	0.96
Gross profit								
Glove-Dipping Lines	5,044	3,910	1,134	29.00	7,193	6,294	899	14.28
Rubber Gloves	6,307	(533)	6,840	(1,283.30)	5,048	142	4,906	3,454.93
Corporate	-	-	-	-	-	-	-	-
	11,351	3,377	7,974	236.13	12,241	6,436	5,805	90.20
Profit/(Loss) before taxation								
Glove-Dipping Lines	4,024	3,662	362	9.89	7,519	5,180	2,339	45.15
Rubber Gloves	3,234	(1,193)	4,427	(371.08)	1,962	(1,578)	3,540	(224.33)
Corporate	(118)	(118)	-	-	(167)	(158)	(9)	5.70
	7,140	2,351	4,789	203.70	9,314	3,444	5,870	170.44

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2020

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 RM50.862 million, an increase of 14.51% as compared to RM44.417 million in the preceding year quarter. An increase of RM6.445 million in revenue was mainly attributable to the increase in revenue from rubber glove segment.

The Group recorded revenue of RM76.994 million for the financial period ended 30 June 2020 ("FPE 2020"), an increase of 0.96% as compared to previous financial period ended 30 June 2019 ("FPE 2019"). An increase of RM0.729 million in revenue was mainly attributable to the increase in revenue from rubber gloves segment which has been partially offset by the lower revenue of glove-dipping lines segment.

The Group recorded gross profit of RM11.351 million with a gross profit margin of 22.32% as compared to gross profit of RM3.377 million with gross profit margin of 7.60% in the preceding year quarter. For FPE 2020, the Group recorded gross profit of RM12.241 million with gross profit margin of 15.90% as compared to gross profit of RM6.436 million with gross profit margin of 8.44% for FPE 2019. Better performance from both glove-dipping lines and rubber gloves segments has contributed to the increase in the gross profit and gross profit margin.

The Group incurred RM4.211 million in operating expenses, an increase of RM3.185 million compared to preceding year quarter. The increase of RM1.941 million in selling and distribution expenses were mainly due to commission paid for selling of the rubber gloves. Whereas the increase of RM1.247 million of administrative and other expenses were mainly due to goods and service tax claimed back in the preceding year quarter as well as increase in staff cost in current year.

Glove-Dipping Lines

The glove-dipping lines segment managed to achieve revenue of RM18.003 million, a decrease of 4.85% as compared to RM18.921 million in the preceding year quarter. For the FPE 2020, the glove-dipping lines segment recorded revenue of RM26.848 million, a decrease of 7.47% as compared to RM29.017 million in the FPE 2019. 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 RM25.611 million from two new orders secured in the year 2019 but whose implementation commenced in the year 2020 as well as revenue contribution from outstanding orders brought forward from previous financial year. Currently, four orders are in progress which comprised of three local orders and a foreign order. Local market contributes significant portion of revenue amounting to RM20.902 million or 77.85% of the glove-dipping lines segment's total revenue.

The glove-dipping lines segment recorded a gross profit of RM5.044 million with a gross profit margin of 28.02% as compared to a gross profit of RM3.910 million with gross profit margin of 20.66% in the preceding year quarter. For FPE 2020, the glove-dipping lines segment recorded gross profit of RM7.193 million with gross profit margin of 26.79% as compared to gross profit of RM6.294 million with gross profit margin of 21.69%. The 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 2020

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 RM4.024million as compared to RM3.662 million in the preceding year quarter. For FPE 2020, the glove-dipping lines segment recorded profit before taxation of RM7.519 million as compared to RM5.180 million in the FPE 2020 was due to reversal of impairment on a trade debtor.

Rubber Gloves

HL Rubber Industries Sdn Bhd ("HLRI") is principally engaged in the business of manufacturing and trading of rubber gloves. The rubber gloves segment delivered revenue of RM32.859 million, an increase of 28.88% as compared to RM25.496 million in the preceding year quarter. For the FPE 2020, the rubber gloves segment recorded revenue of RM50.146 million, an increase of 6.13% as compared to RM47.248 million in the FPE 2019. Export sales contributed 90% of the total revenue of rubber gloves segment. The export market mainly consists of Taiwan, United States of America, China, Japan and Italy.

The rubber gloves segment recorded a gross profit of RM6.307 million with a gross profit margin of 19.19% as compared to a gross loss of RM0.533 million with gross loss margin of 2.09% in the preceding year quarter. For FPE 2020, the rubber gloves segment recorded gross profit of RM5.048 million with gross profit margin of 10.07% as compared to gross profit of RM0.142 million with gross profit margin of 0.30%. The significant increase in both gross profit and gross profit margin were mainly attributable to increase in average selling price due to overwhelming demand of gloves during this COVID-19 pandemic.

The rubber gloves segment recorded profit before taxation of RM3.234 million as compared to a loss before taxation of RM1.193 million. For FPE 2020, the rubber gloves segment recorded profit before taxation of RM1.962 million as compared to loss before taxation of RM1.578 million in the FPE 2019.

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 2020

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

B2. Comparison with immediate preceding quarter's results

	Unaudited Current Quarter 30.06.2020 RM'000	Unaudited Preceding Quarter 31.3.2020 RM'000	Changes	
			RM'000	%
Revenue	50,862	26,132	24,730	94.63
Profit before taxation	7,140	2,174	4,966	228.43
Revenue				
Glove-Dipping Lines	18,003	8,845	9,158	103.54
Rubber Gloves	32,859	17,287	15,572	90.08
Corporate	-	-	-	-
	50,862	26,132	24,730	94.63
Profit/(Loss) before taxation				
Glove-Dipping Lines	4,024	3,495	529	15.14
Rubber Gloves	3,234	(1,272)	4,506	(354.25)
Corporate	(118)	(49)	(69)	140.82
	7,140	2,174	4,966	228.43

The Group's revenue for the current quarter has increased by RM24.730 million or 94.63% to RM50.862 million as compared to RM26.132 million in the preceding quarter. The increase in revenue was attributable to higher revenue generated from both glove-dipping lines and rubber gloves segments. Meanwhile, the profit before taxation surged by 228.43% to RM7.140 million. The significant increase was mainly contributed by rubber gloves segment due to increase in the average selling price of rubber gloves during the COVID-19 pandemic period.

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, especially the Coronavirus Disease 2019 outbreak as pandemic. The gloves are the essential item for the medical supplies. The growth are also driven by increasing demand arising from other end-user markets such as manufacturing, 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 Segment 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 2020

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

B4. Income tax expense

	---Individual Quarter---		---Cumulative Quarter---	
	Unaudited Current year quarter 30.06.2020 RM'000	Unaudited Preceding year quarter 30.06.2019 RM'000	Unaudited Current year-to- date 30.06.2020 RM'000	Unaudited Preceding year-to- date 30.06.2019 RM'000
Current tax expense	844	-	1,000	-
Deferred taxation	(5)	(55)	(11)	(60)
	<u>839</u>	<u>(55)</u>	<u>989</u>	<u>(60)</u>

B5. Trade receivables

	Unaudited As at 30.06.2020 RM'000	Audited As at 31.12.2019 RM'000
Trade receivables	30,139	40,684
Allowance for impairment losses	(17,035)	(19,031)
	<u>13,104</u>	<u>21,653</u>
Allowance for impairment losses: -		
At 1 January	(19,031)	(16,870)
Addition during the financial year	-	(2,162)
Reversal during the financial period	2,000	-
Exchange rate differences	(4)	-
At 30 June/31 December	<u>(17,035)</u>	<u>(19,031)</u>

The Group's normal trade credit terms range from 30 to 90 days.

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 2020

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 2020

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 2020 are as follows:-

	Unaudited As at 30.06.2020 RM'000	Audited As at 31.12.2019 RM'000
Short-term borrowings:		
Lease Liability	-	71
Term loans	114	359
	114	430
Long-term borrowings:		
Lease Liability	-	241
Term loans	774	1,342
	774	1,583
Total borrowings	888	2,013

The term loans are secured and denominated in Ringgit Malaysia.

B10. Material litigation

Kuala Lumpur High Court Civil Suit No.: WA-22NCC-390-08/2020: WRP Asia Pacific Sdn. Bhd. ("the Plaintiff") v Lee Son Hong ("Dato' Lee") (1st Defendant), Too Sooi Keng ("Too") (2nd Defendant), HL Advance Technologies (M) Sdn. Bhd. ("HLA") (3rd Defendant), Chan Yoke Chun ("Chan") (4th Defendant) and Wong Kok Wah ("Wong") (5th Defendant)

On 28 August 2020, HLA, a wholly-owned subsidiary of the Company has been served with a sealed Writ of Summons No. WA-22NCC-390-08/2020 accompanied by a Statement of Claim, both dated 18 August 2020 by WRP Asia Pacific Sdn. Bhd. ("Plaintiff") who alleges, inter alia, that in the course of an internal investigation conducted by the Plaintiff, it was discovered that Dato' Lee, Too, HLA, Chan and/or Wong had conspired to pay a total of RM36,000,000.00 to HLA to the detriment of the Plaintiff.

The matter has been fixed for a Case Management by way of e-Review on 7 September 2020 before Puan Malarselvi a/p Shanmugam.

The Board is of the view that the legal claim is frivolous and vexatious and will defend the claim vigorously. The Board has appointed solicitors to handle the same and will make announcement on any material development on the matter.

Save as disclosed above, 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.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2020

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 30.06.2020	Unaudited Current year-to-date 30.06.2020
Profit after taxation attributable to owners of the Company (RM'000)	4,856	7,456
<u>Basic</u>		
Weighted average number of ordinary shares in issue ('000): -		
Issued ordinary shares on 1 January	511,977	511,977
Effect of new ordinary shares issued pursuant to:		
- ESOS options	418	39
- Warrants	196	6
Weighted average number of ordinary shares for the financial period	512,591	512,022
Basic EPS (sen)	0.95	1.46
<u>Diluted</u>		
Weighted average number of ordinary shares in issue ('000)	512,591	512,022
Weighted average number of ordinary shares under ESOS options and warrants ('000)	83,897	87,930
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	596,488	599,952
Diluted EPS (sen)	0.81	1.24

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2020

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 30.06.2020 RM'000	Unaudited Current year-to-date 30.06.2020 RM'000
Depreciation of property, plant and equipment	1,126	2,267
Depreciation of right-of-use assets	84	168
Interest expense	27	39
Reversal of impairment loss on trade receivable	-	(2,000)
Realised loss/(gain) on foreign exchange	30	(96)
Unrealised loss/(gain) on foreign exchange	343	(508)
Gain on disposal of plant and equipment	-	(130)
Fair value loss on short-term investment	2	2
Interest income	-	(2)
Dividend income	(137)	(266)
Rental Income	(2)	(3)

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

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