

HLT GLOBAL BERHAD

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

Year 2018
Quarterly Announcement
For the Third Quarter Ended 30 September 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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2018(1)

	Note	--- Individual Quarter ---		--- Cumulative Quarter ---	
		Unaudited Current year quarter 30.09.2018 RM'000	Unaudited Preceding year quarter 30.09.2017 RM'000	Unaudited Current year-to-date 30.09.2018 RM'000	Unaudited Preceding year-to-date 30.09.2017 RM'000
Revenue	A9	46,831	8,832	88,373	35,722
Cost of sales		(44,122)	(10,521)	(80,970)	(34,524)
Gross profit/(loss)		2,709	(1,689)	7,403	1,198
Other operating income		150	94	1,389	257
Selling and distribution expenses		(695)	(69)	(1,183)	(181)
Administrative and other expenses		(1,320)	(849)	(13,696)	(3,287)
Finance costs		(55)	-	(71)	(3)
Profit/(Loss) before taxation		789	(2,513)	(6,158)	(2,016)
Income tax expense	B4	-	-	-	(9)
Profit/(Loss) after taxation		789	(2,513)	(6,158)	(2,025)
Other comprehensive income		-	-	-	-
Total comprehensive income/(expenses) for the financial period		789	(2,513)	(6,158)	(2,025)
Profit/(Loss) after taxation attributable to:					
- Owners of the Company		963	(2,513)	(5,695)	(2,025)
- Non-controlling interests		(174)	-	(463)	-
		789	(2,513)	(6,158)	(2,025)
Total comprehensive income/(expenses) attributable to:					
- Owners of the Company		963	(2,513)	(5,695)	(2,025)
- Non-controlling interests		(174)	-	(463)	-
		789	(2,513)	(6,158)	(2,025)
Earnings/(Loss) per share (sen):					
- Basic	B12	0.15	(0.95)	(1.35)	(0.77)
- Diluted(2)	B12	0.14	(0.95)	(1.35)	(0.77)

Notes:-

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

(2) Diluted loss per share of the Company for the cumulative quarter 30 September 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

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018[(1)]

	Note	Unaudited As at 30.09.2018 RM'000	Audited As at 31.12.2017 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		24,411	5,382
Goodwill		11,739	-
		36,150	5,382
CURRENT ASSETS			
Inventories		17,814	5,763
Amount owing by contract customers		14,638	12,726
Trade receivables	B5	37,903	26,465
Other receivables, deposits and prepayment		6,902	1,568
Tax recoverable		146	103
Fixed deposits with licensed banks		7,793	10,202
Cash and bank balances		7,334	9,386
		92,530	66,213
TOTAL ASSETS		**128,680**	**71,595**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		73,364	40,465
Merger deficit		(22,033)	(22,033)
Share option reserve		83	83
Retained profits		17,235	25,775
Equity attributable to owners of the Company		68,649	44,290
Non-controlling interests		14,605	-
TOTAL EQUITY		**83,254**	**44,290**
NON-CURRENT LIABILITIES			
Long-term borrowings	B9	1,876	1,155
Deferred Taxation		1,126	-
		3,002	1,155
CURRENT LIABILITIES			
Amount owing to contract customers		446	6,885
Trade payables		26,469	15,428
Other payables and accruals		13,202	3,756
Short-term borrowings	B9	2,307	81
		42,424	26,150
TOTAL LIABILITIES		45,426	27,305
TOTAL EQUITY AND LIABILITIES		**128,680**	**71,595**
Net assets per share (RM)		0.16	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

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2018(1)

	← Non-Distributable →				Distributable			
	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	Non-Controlling Interests RM'000	Total Equity RM'000
Balance at 1 January 2018	40,465	-	(22,033)	83	25,775	44,290	-	44,290
Loss after taxation/Total comprehensive expenses for the financial period	-	-	-	-	(5,695)	(5,695)	(463)	(6,158)
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	15,068	45,223
Total transactions with owners	32,899	-	-	-	(2,845)	30,054	15,068	45,122
Balance at 30 September 2018	73,364	-	(22,033)	83	17,235	68,649	14,605	83,254

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2018(1) (CONT'D)

	← Non-Distributable →				Distributable			
	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	Non-Controlling Interests RM'000	Total Equity 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 period	-	-	-	-	(2,025)	(2,025)	-	(2,025)
Contributions by and distribution to owners of the Company:								
- Issuance of shares	3,959	13,857	-	-	-	17,816	-	17,816
- Share issuance expenses(2)	-	(680)	-	-	-	(680)	-	(680)
- Dividends	-	-	-	-	(2,650)	(2,650)	-	(2,650)
Total transactions with owners	3,959	13,177	-	-	(2,650)	14,486	-	14,486
Balance at 30 September 2017	26,392	13,177	(22,033)	357	30,093	47,986	-	47,986

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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2018(1)

	Unaudited Current year-to-date 30.09.2018 RM'000	Unaudited Preceding year-to-date 30.09.2017 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Loss before taxation	(6,158)	(2,016)
Adjustments for:-		
Depreciation of property, plant and equipment	1,907	432
Equipment written off	4	-
Impairment loss on trade receivables	312	-
Interest expense	49	3
Listing expenses	-	295
Loss on disposal of property, plant and equipment	7	-
Provision for compensation claim	9,014	-
Unrealised (gain)/loss on foreign exchange	(298)	102
Interest income	(1,131)	(252)
Operating profit/(loss) before working capital changes	3,706	(1,436)
Decrease/(increase) in inventories	6,188	(2,185)
Net (increase)/decrease in amount owing by contract customers	(8,352)	6,885
Increase in trade and other receivables	(6,431)	(6,295)
Decrease in trade and other payables	(5,484)	(6,718)
CASH FOR OPERATIONS	(10,373)	(9,749)
Income tax paid	(68)	(57)
Income tax refunded	45	138
Interest received	1,131	252
Interest paid	(49)	(3)
NET CASH FOR OPERATING ACTIVITIES	(9,314)	(9,419)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	5,583	-
Purchase of equipment	(1,030)	(78)
Proceed from disposal of property, plant and equipment	1	-
Withdrawal of deposits pledged to licensed bank	-	5,364
NET CASH FROM INVESTING ACTIVITIES	4,554	5,286
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	17,816
Payment of listing expenses	-	(1,767)
Repayment of term loan	(179)	(110)
Repayment of hire purchases payables	(22)	-
Drawdown of Bankers' acceptance	501	-
NET CASH FROM FINANCING ACTIVITIES	300	15,939
NET (DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS	(4,460)	11,806
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	(1)	7
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	19,588	834
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	15,127	12,647

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2018(1) (CONT'D)

	Current year-to-date 30.09.2018 RM'000	Preceding year-to-date 30.09.2017 RM'000
Cash and cash equivalents comprise the following:		
- Cash and bank balances	7,334	2,531
- Fixed deposits with a licensed bank	7,793	10,116
	15,127	12,647

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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 9-month period ended 30 September 2018, the Group has adopted the following new accounting standards and/ or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 15: Effective Date of MFRS 15
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'
Amendments to MFRS 140 – Transfers of Investment Property
Annual improvements to MFRS Standards 2014 – 2016 Cycles:

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

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

(a) Adoption of MFRS 15 Revenue

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

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

(b) Adoption of MFRS 9 Financial Instruments

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

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

A2. Changes in accounting policies (Cont'd)

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

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

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

	As per previous accounting framework	Adoption of MFRS 9	As per current accounting framework
Statement of comprehensive income	**RM'000**	**RM'000**	
30 September 2018			
Other expense	-	(312)	(312)
Statement of financial position			
30 September 2018			
Trade receivables	38,215	(312)	37,903
Retained earnings	17,547	(312)	17,235

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

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

A3. Auditors' Report of preceding annual financial statements

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

A4. Seasonal or cyclical factors

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

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

There 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.

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 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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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 30.09.2018					
External Revenue	43,253	45,120	-	-	88,373
Inter-segment Revenue	139	-	-	(139)	-
	43,392	45,120	-	(139)	88,373
Segment result					
(Loss)/Profit from operation	(4,875)	486	(928)	(16)	(5,333)
Depreciation	(439)	(1,468)	-	*	(1,907)
Finance costs	(2)	(47)	-	-	(49)
Interest income	905	-	226	-	1,131
Loss before taxation	(4,411)	(1,029)	(702)	(16)	(6,158)
Tax expense					-
Loss after taxation					(6,158)
Attributable to:					
Owners of the Company					(5,695)
Non-controlling interest					(463)
Loss for the period					(6,158)
Segment assets	49,781	59,086	75,683	(67,609)	116,941
Goodwill	-	-	-	11,739	11,739
Segment liabilities	30,577	26,631	377	(12,159)	45,426

**Represents RM415*

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

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 30.09.2018 RM'000	**Unaudited Preceding year quarter 30.09.2017 RM'000**	**Unaudited Current year-to-date 30.09.2018 RM'000**	**Unaudited Preceding year-to-date 30.09.2017 RM'000**
Malaysia	6,494	6,727	26,486	26,349
Thailand	391	-	10,345	2,082
Vietnam	5,106	2,105	8,207	6,833
Taiwan	19,653	-	25,466	-
United States	13,660	-	15,040	-
Spain	1,516	-	2,604	-
Others	11	-	225	458
	46,831	8,832	88,373	35,722

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

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 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.

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 30.09.2018 RM'000	Audited As at 31.12.2017 RM'000
Corporate guarantee given to licensed bank for credit facilities granted	1,010	-

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

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2018

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

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

	--- Individual Quarter ---				--- Cumulative Quarter ---			
	Unaudited Current year quarter 30.09.2018 RM'000	Unaudited Preceding year quarter 30.09.2017 RM'000	Changes RM'000	%	Unaudited Current year-to-date 30.09.2018 RM'000	Unaudited Preceding year-to-date 30.09.2017 RM'000	Changes RM'000	%
Revenue	46,831	8,832	37,999	430.24	88,373	35,722	52,651	147.39
Gross profit/(loss)	2,709	(1,689)	4,398	(260.39)	7,403	1,198	6,205	517.95
Profit/(loss) before taxation	789	(2,513)	3,302	(131,40)	(6,158)	(2,016)	(4,142)	205.46
Profit/(loss) after taxation	789	(2,513)	3,302	(131,40)	(6,158)	(2,025)	(4,133)	204.10
Revenue								
Glove-Dipping Lines	11,104	8,832	2,272	25.72	43,253	35,722	7,531	21.08
Rubber Gloves	35,727	-	35,727	100.00	45,120	-	45,120	100.00
Corporate	-	-	-	-	-	-	-	-
	46,831	8,832	37,999	430.24	88,373	35,722	52,651	147.39
Gross profit								
Glove-Dipping Lines	2,225	(1,689)	3,914	231.73	7,138	1,198	5,940	495.83
Rubber Gloves	484	-	484	100.00	265	-	265	100.00
Corporate	-	-	-	-	-	-	-	-
	2,709	(1,689)	4,398	(260.39)	7,403	1,198	6,205	517.94
Profit/(Loss) before taxation								
Glove-Dipping Lines	1,247	(2,513)	3,760	(149.62)	(4,439)	(2,016)	(2,423)	120.19
Rubber Gloves	(376)	-	(376)	100.00	(1,017)	-	(1,017)	100.00
Corporate	(82)	-	(82)	100.00	(702)	-	(702)	100.00
	789	(2,513)	3,302	(131.40)	(6,158)	(2,016)	(4,142)	205.46

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 a revenue of RM46.831 million, an increase of 430.24% as compared to RM8.832 million in the preceding year quarter. The increase in revenue was mainly attributable to the revenue contribution of a newly acquired subsidiary, HLRI of RM35.727 million as well as increase in revenue from glove-dipping lines segment of RM2.272 million.

The Group recorded a revenue of RM88.373 million for the financial period ended 30 September 2018 ("FPE 2018"), an increase of 147.39% as compared to previous financial period ended 30 September 2017 ("FPE 2017"). The increase is mainly due to increase in revenue from glove-dipping lines segment and the revenue contribution from the rubber gloves segment.

The Group recorded a gross profit of RM2.709 million with a gross profit margin of 5.78% for the current quarter under review as compared to a gross loss of RM1.689 million with a gross loss margin of 19.12% in the preceding year quarter. For FPE 2018, the Group recorded a gross profit of RM7.403 million with gross profit margin of 8.38% as compared to a gross profit of RM1.198 million with gross profit margin of 3.35% 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 glove segment.

The Group achieved a profit before taxation of RM0.789 million as compared to a loss before taxation of RM2.513 million in the preceding financial quarter was due to better performance of glove-dipping lines segment. For FPE 2018, the increase in loss before taxation by RM4.142 million as compared to FPE 2017 was mainly due to the compensation claim from a foreign customer relating to the performance of the glove-dipping line manufactured and loss contributed by rubber gloves segment.

Glove-Dipping Lines

The glove-dipping lines segment recorded revenue of RM11.104 million, an increase of 25.72% as compared to RM8.832 million in the preceding year quarter. For the FPE 2018, the glove-dipping lines segment achieved a revenue of RM43.253 million, an increase of 21.08% as compared to RM35.722 million in the FPE 2017. Overall, the increase in revenue was mainly attributable to the better performance in design, fabrication, installation, testing and commissioning of glove-dipping lines segment ("Sale of New Lines") backed by revenue contribution of RM19.908 million from five new orders as well as revenue contribution from outstanding orders brought forward from previous financial year. Currently, eight orders are in progress which comprised of five local orders and three foreign orders. Local market continued to contribute significant portion of revenue amounting to RM24.691 million or 57.08% of the glove-dipping lines segment's total revenue.

The glove-dipping lines segment recorded a gross profit of RM2.225 million with a gross profit margin of 20.04% as compared to a gross loss of RM1.689 million with gross loss margin of 19.12% in the preceding year quarter. For FPE 2018, the glove-dipping lines segment recorded gross profit of RM7.138 million with gross profit margin of 16.50% as compared to gross profit of RM1.198 million with gross profit margin of 3.35% 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.

The glove-dipping lines segment achieved profit before taxation of RM1.247 million as compared to a loss before taxation of RM2.513 million in the preceding year quarter resulted from better performance in Sales of New Lines. For FPE 2018, the increase in loss before taxation by 2.423 million as compared to FPE 2017 was mainly attributable to the compensation claim from a foreign customer relating to the performance of the glove-dipping line manufactured.

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

B1. Review of performance (Cont'd)

Rubber Gloves

HLRI is principally engaged in the business of manufacture of rubber gloves. The acquisition of the 55% of issued share capital of HLRI was completed on 17 May 2018. The Group consolidated the results of HLRI from 17 May 2018 to 30 September 2018. Rubber gloves segment contributed RM35.727 million for the current quarter and RM45.120 million for the FPE 2018. Export sales contributed 96% of the total revenue of rubber gloves segment. The export market mainly consists of Taiwan, United States of America and Spain.

The rubber gloves segment recorded a gross profit of RM0.484 million with a gross profit margin of 1.35% in the current quarter and recorded a gross profit of RM0.265 million with a gross profit margin of 0.59% in the FPE 2018.

The operating expenses for rubber gloves segment were RM0.860 million which make up to a loss before taxation of RM0.376 million in the current quarter and RM1.282 million in the FPE 2018 which make up to the loss before taxation of RM1.017 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 for the corporate segment was mainly attributable to incurrence of the professional fees on the proposed acquisition, diversification and variation.

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

B2. Comparison with immediate preceding quarter's results

	Unaudited Current Quarter 30.09.2018 RM'000	Unaudited Preceding Quarter 30.06.2018 RM'000	Changes RM'000	Changes %
Revenue	46,831	25,332	21,499	84.87
Profit before taxation	789	3,775	(2,986)	(79.10)
Revenue				
Glove-Dipping Lines	11,104	15,939	(4,835)	(30.33)
Rubber Gloves	35,727	9,393	26,334	280.36
Corporate	-	-	-	-
	46,831	25,332	21,499	84.87
Profit/(Loss) before taxation				
Glove-Dipping Lines	1,247	5,021	(3,774)	(75.16)
Rubber Gloves	(376)	(641)	265	(41.34)
Corporate	(82)	(605)	523	(86.45)
	789	3,775	(2,986)	(79.10)

The Group's revenue for the current quarter has increased by RM21.499 million or 84.87% to RM46.831 million as compared to RM25.332 million in the preceding quarter. The increase in revenue was mainly attributable to the revenue contribution by rubber gloves segment of RM35.727 million in the current quarter which has been partially offset by the lower revenue of glove-dipping lines segment.

The Group recorded profit before taxation of RM0.789 million as compared to a profit before taxation of RM3.775 million in the preceding quarter. The significant decrease in the profit before taxation as compared to preceding quarter was mainly attributable to the writeback of provision of compensation claim amounting to RM3.194 million in the preceding quarter.

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.

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 30.09.2018 RM'000	Audited As at 31.12.2017 RM'000
Trade receivables	38,476	26,726
Allowance for impairment losses	(573)	(261)
	37,903	26,465
Allowance for impairment losses:-		
At 1 January	(261)	-
Addition during the financial period	(312)	(261)
At 30 September	(573)	(261)

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.

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.

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 September 2018 are as follows:-

	Unaudited As at 30.09.2018 RM'000	Audited As at 31.12.2017 RM'000
Short-term borrowings:-		
Banker Acceptance	1,967	-
Term loans	340	81
	2,307	81
Long-term borrowings:		
Term loans	1,876	1,155
Total borrowings	4,183	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.

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

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

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

	Unaudited Current year quarter 30.09.2018	Unaudited Current year-to-date 30.09.2018
Profit/(Loss) after taxation attributable to owners of the Company (RM'000)	789	(6,158)
Basic		
Weighted average number of ordinary shares in issue ('000)	511,977	455,289
Basic EPS/(LPS) (sen)	0.15	(1.35)
Diluted		
Weighted average number of ordinary shares in issue ('000)	511,977	455,289
Effect of dilution from employee share option in issue *	-	-
Effect of dilution from warrants ('000)	37,666	40,172
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	549,643	495,461
Diluted EPS/(LPS) (sen)	0.14	(1.24)

Notes:

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

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

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

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

	Unaudited Current year quarter 30.09.2018 RM'000	Unaudited Current year-to-date 30.09.2018 RM'000
Depreciation of property, plant and equipment	1,146	1,907
Equipment written off	4	4
Impairment loss of trade receivables	-	312
Interest expense	33	49
Provision for compensation claim	-	9,014
Realised gain on foreign exchange	(148)	(698)
Unrealised gain on foreign exchange	(882)	(298)
Interest income	(174)	(1,131)

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

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