



HLT GLOBAL BERHAD

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

Year 2019

Quarterly Announcement

For the Third Quarter Ended 30 September 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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2019⁽¹⁾

	Note	--- Individual Quarter ---		--- Cumulative Quarter ---	
		Unaudited Current year quarter 30.09.2019 RM'000	Unaudited Preceding year quarter 30.09.2018 RM'000	Unaudited Current year- to-date 30.09.2019 RM'000	Unaudited Preceding year- to-date 30.09.2018 RM'000
Revenue	A9	38,440	46,831	114,705	88,373
Cost of sales		(34,061)	(44,122)	(103,890)	(80,970)
Gross profit		4,379	2,709	10,815	7,403
Other operating income		441	150	865	1,389
Selling and distribution expenses		(427)	(695)	(1,258)	(1,183)
Administrative and other expenses		(1,540)	(1,320)	(4,057)	(13,696)
Finance costs		(16)	(55)	(83)	(71)
Profit/(Loss) before taxation		2,837	789	6,282	(6,158)
Income tax expense	B4	5	-	65	-
Profit/(Loss) after taxation		2,842	789	6,347	(6,158)
Other comprehensive income		-	-	-	-
Total comprehensive income/(expenses) for the financial period		2,842	789	6,347	(6,158)
Profit/(Loss) after taxation attributable to:					
- Owners of the Company		2,679	963	6,885	(5,695)
- Non-controlling interests		163	(174)	(538)	(463)
		2,842	789	6,347	(6,158)
Total comprehensive income/(expenses) attributable to:					
- Owners of the Company		2,679	963	6,885	(5,695)
- Non-controlling interests		163	(174)	(538)	(463)
		2,842	789	6,347	(6,158)
Earnings/(Loss) per share (sen):					
- Basic	B12	0.52	0.15	1.34	(1.35)
- Diluted ⁽²⁾	B12	0.52	0.14	1.34	(1.35)

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 September 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 SEPTEMBER 2019⁽¹⁾

	Note	Unaudited As at 30.09.2019 RM'000	Audited As at 31.12.2018 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		30,432	32,449
Goodwill		2,785	2,785
		<u>33,217</u>	<u>35,234</u>
CURRENT ASSETS			
Inventories		20,213	23,713
Trade receivables	B5	15,334	24,031
Other receivables, deposits and prepayments		12,616	15,513
Contract assets		9,496	2,434
Amount owing by related party		8,979	1,682
Short-term investment		10,728	6,165
Current tax assets		197	1,007
Cash and bank balances		7,398	10,684
		<u>84,961</u>	<u>85,229</u>
TOTAL ASSETS		118,178	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)		3,270	(3,615)
		<u>54,785</u>	<u>47,900</u>
Equity attributable to owners of the Company		21,883	22,421
Non-controlling interests			
TOTAL EQUITY		76,668	70,321
NON-CURRENT LIABILITIES			
Long-term borrowings	B9	1,976	1,761
Deferred tax liabilities		2,452	2,517
		<u>4,428</u>	<u>4,278</u>
CURRENT LIABILITIES			
Trade payables		22,437	26,524
Other payables and accruals		13,226	14,275
Contract liabilities		735	2,390
Amount owing by related party		59	-
Short-term borrowings	B9	625	2,521
Current tax liabilities		-	154
		<u>37,082</u>	<u>45,864</u>
TOTAL LIABILITIES		41,510	50,142
TOTAL EQUITY AND LIABILITIES		118,178	120,463
Net assets per share (RM)		<u>0.11</u>	<u>0.09</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 2018 and the accompanying explanatory notes attached to this interim financial report.

HLT GLOBAL BERHAD

(Company No: 1163324-H)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2019⁽¹⁾

	← Non-Distributable →		Distributable (Accumulated Losses)/ Retained Profits		Attributable to Owners of the Company	Non-Controlling Interests	Total Equity
	Share Capital RM'000	Merger Deficit RM'000	Employee Share Option Reserve RM'000	RM'000	RM'000	RM'000	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	-	-	-	6,885	6,885	(538)	6,347
Balance at 30 September 2019	73,465	(22,033)	83	3,270	54,785	21,883	76,668

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2019⁽¹⁾ (CONT'D)

	← Non-Distributable →			Distributable			
	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	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
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	-	-	-	(5,695)	(5,695)	(463)	(6,158)
Contributions by and distribution to owners of the Company:							
- Acquisition of a subsidiary	33,000	-	-	(2,845)	30,155	22,393	52,548
- Share issuance expenses	-	-	-	(101)	(101)	-	(101)
Total transactions with owners	33,000	-	-	(2,946)	30,054	22,393	52,447
Balance at 30 September 2018	73,465	(22,033)	83	16,791	68,306	21,930	90,236

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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2019⁽¹⁾

	Unaudited Current year-to-date 30.09.2019 RM'000	Unaudited Preceding year-to-date 30.09.2018 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit/(Loss) before taxation	6,282	(6,158)
Adjustments for:-		
Allowance for impairment loss on trade receivables	212	312
Depreciation of property, plant and equipment	3,530	1,907
Equipment written off	-	4
Provision for compensation claim	-	9,014
Interest expense	83	49
Fair value gain on short-term investment	(3)	-
Unrealised gain on foreign exchange	(498)	(298)
(Gain)/loss on disposal of plant and equipment	(100)	7
Dividend income	(226)	-
Interest income	(8)	(1,131)
Operating profit before working capital changes	9,272	3,706
Decrease in inventories	3,500	6,188
Increase in contract assets	(8,718)	(8,352)
Decrease/(Increase) in trade and other receivables	11,754	(6,431)
Decrease in trade and other payables	(5,142)	(5,484)
Increase in amount owing by related parties	(7,237)	-
CASH FROM/(FOR) OPERATIONS	3,429	(10,373)
Income tax paid	(250)	(68)
Income tax refunded	906	45
Interest received	8	1,131
Interest paid	(83)	(49)
NET CASH FROM/(FOR) OPERATING ACTIVITIES	4,010	(9,314)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	-	5,583
Dividend received	229	-
Purchase of property, plant and equipment	(1,515)	(1,030)
Proceed from disposal of plant and equipment	101	1
NET CASH (FOR)/FROM INVESTING ACTIVITIES	(1,185)	4,554

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2019⁽¹⁾ (CONT'D)

	Unaudited Current year-to-date 30.09.2019 RM'000	Unaudited Preceding year-to-date 30.09.2018 RM'000
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES		
Repayment of term loans	(298)	(179)
Drawdown/(repayment) of hire purchases payables	330	(22)
(Repayment)/ drawdown of bankers' acceptances	(1,382)	501
NET CASH (FOR)/FROM FINANCING ACTIVITIES	(1,350)	300
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,475	(4,460)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	132	(1)
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	18,126	15,127
 Cash and cash equivalents comprise the following:		
- Money market fund	10,728	7,793
- Cash and bank balances	7,398	7,334
	18,126	15,127

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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 9-month period ended 30 September 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.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2019

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

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

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

A6. Material changes in estimates

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

A7. Debt and equity securities

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

A8. Dividends paid

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

A9. Segmental information

(a) Business Segments

The Group is originated into 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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 30.09.2019					
External Revenue	43,345	71,360	-	-	114,705
Inter-segment Revenue	200	-	-	(200)	-
	43,545	71,360	-	(200)	114,705
Segment result					
Profit/(Loss) from operation	8,248	1,759	(250)	130	9,887
Depreciation	(441)	(3,039)	-	(50)	(3,530)
Finance costs	(11)	(72)	-	-	(83)
Interest income	8	-	-	-	8
Profit/(Loss) before taxation	7,804	(1,352)	(250)	80	6,282
Tax expense					65
Profit after taxation					6,347
Attributable to:					
Owners of the Company					6,885
Non-controlling interest					(538)
Profit for the period					6,347
Segment assets	36,313	54,449	72,839	(48,208)	115,393
Goodwill	-	-	-	2,785	2,785
Segment liabilities	30,021	22,172	305	(10,988)	41,510

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 30.09.2018					
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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 30.09.2019 RM’000	Unaudited Preceding year quarter 30.09.2018 RM’000	Unaudited Current year-to- date 30.09.2019 RM’000	Unaudited Preceding year-to- date 30.09.2018 RM’000
Domestic	4,790	6,494	12,072	26,486
Overseas	33,650	40,337	102,633	61,887
	38,440	46,831	114,705	88,373

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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 30.09.2019 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 September 2019 were as follows:-

	---Individual Quarter---		---Cumulative Quarter---	
	Unaudited Current year quarter 30.09.2019 RM’000	Unaudited Preceding year quarter 30.09.2018 RM’000	Unaudited Current year-to- date 30.09.2019 RM’000	Unaudited Preceding year-to- date 30.09.2018 RM’000
Sales of rubber gloves	14,135	-	39,271	-
Sales of glove-dipping machines	5,661	-	16,308	-
Purchase of wood pellets	59	-	59	-

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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 30.09.2019 RM'000	Unaudited Preceding year quarter 30.09.2018 RM'000	Changes		Unaudited Current year-to-date 30.09.2019 RM'000	Unaudited Preceding year-to-date 30.09.2018 RM'000	Changes	
			RM'000	%			RM'000	%
Revenue	38,440	46,831	(8,391)	(17.92)	114,705	88,373	26,332	29.80
Gross profit	4,379	2,709	1,670	61.65	10,815	7,403	3,412	46.09
Profit/(Loss) before taxation	2,837	789	2,048	259.57	6,282	(6,158)	12,440	(202.01)
Profit/(Loss) after taxation	2,842	789	2,053	260.20	6,347	(6,158)	12,505	(203.07)
Revenue								
Glove-Dipping Lines	14,329	11,104	3,225	29.04	43,345	43,253	92	0.21
Rubber Gloves	24,111	35,727	(11,616)	(32.51)	71,360	45,120	26,240	58.16
Corporate	-	-	-	-	-	-	-	-
	38,440	46,831	(8,391)	(17.92)	114,705	88,373	26,332	29.80
Gross profit								
Glove-Dipping Lines	3,426	2,225	1,201	53.98	9,719	7,138	2,581	36.16
Rubber Gloves	953	484	469	96.90	1,096	265	831	313.58
Corporate	-	-	-	-	-	-	-	-
	4,379	2,709	1,670	61.65	10,815	7,403	3,412	46.09
Profit/(Loss) before taxation								
Glove-Dipping Lines	2,557	1,247	1,310	105.05	7,736	(4,439)	12,175	(274.27)
Rubber Gloves	373	(376)	749	(199.20)	(1,204)	(1,017)	(187)	18.39
Corporate	(93)	(82)	(11)	13.41	(250)	(702)	452	(64.39)
	2,837	789	2,048	259.57	6,282	(6,158)	12,440	(202.01)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 RM38.440 million, a decrease of 17.92% as compared to RM46.831 million in the preceding year quarter. The decrease in revenue was mainly attributable to the decline in revenue from rubber gloves segment as compared to corresponding year quarter.

The Group recorded revenue of RM114.705 million for the financial period ended 30 September 2019 ("FPE 2019"), an increase of 29.80% as compared to previous financial period ended 30 September 2018 ("FPE 2018"). The increase in revenue was mainly attributable to the revenue contribution from rubber gloves segment as the acquisition of subsidiary was completed on 17 May 2018. Hence there was only 4-month revenue recognised in FPE 2018.

The Group recorded gross profit of RM4.379 million with a gross profit margin of 11.39% as compared to gross profit of RM2.709 million with gross profit margin of 5.78% in the preceding year quarter. For FPE 2019, the Group recorded gross profit of RM10.815 million with gross profit margin of 9.43% as compared to gross profit of RM7.403 million with gross profit margin of 8.38% for FPE 2018. The improved in the gross profit were due to better performance in both glove-dipping lines and rubber glove segment.

The profit before taxation increased by RM2.048 million as compared to RM0.789 million in the preceding year quarter was due to better performance from both glove-dipping lines and rubber glove segment. For FPE 2019, the Group recorded profit before taxation of RM6.282 million as compared to loss before taxation of RM6.158 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 RM14.329 million, an increase of 29.04% as compared to RM11.104 million in the preceding year quarter. For the FPE 2019, the glove-dipping lines segment recorded revenue of RM43.345 million, a slight increase of 0.21% as compared to RM43.253 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 RM21.947 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, six orders are in progress which comprised of three local orders and three foreign orders. Foreign market contribute significant portion of revenue amounting to RM32.613 million or 75.24% of the glove-dipping lines segment's total revenue.

The glove-dipping lines segment recorded a gross profit of RM3.426 million with a gross profit margin of 23.91% as compared to a gross profit of RM2.225 million with gross profit margin of 20.04% in the preceding year quarter. For FPE 2019, the glove-dipping lines segment recorded gross profit of RM9.719 million with gross profit margin of 22.42% as compared to gross profit of RM7.138 million with gross profit margin of 16.5%. 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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 RM2.557 million as compared to RM1.247 million in the preceding year quarter. For FPE 2019, the glove-dipping lines segment recorded profit before taxation of RM7.736 million as compared to loss before taxation of RM4.439 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. For FPE 2019, the rubber gloves segment posted a revenue of RM71.360 million. For current year quarter, the rubber gloves segment delivered revenue of RM24.111 million, 32.51% lower than preceding year quarter. Export sales contributed 98.12% of the total revenue of rubber gloves segment. The export market mainly consists of Taiwan, Southeast Asia, United States of America and Spain.

The rubber gloves segment recorded a gross profit of RM0.953 million with a gross profit margin of 3.95% as compared to a gross profit of RM0.484 million with gross profit margin of 1.35% in the preceding year quarter. For FPE 2019, the rubber gloves segment recorded gross profit of RM1.096 million with gross profit margin of 1.54% as compared to gross profit of RM0.265 million with gross profit margin of 0.59%. The slight increase in the gross profit margin was due to the decline in the raw material price, in particular latex price.

The rubber gloves segment recorded profit before taxation of RM0.373 million as compared to a loss before taxation of RM0.376 million in preceding year quarter. For FPE 2019, the rubber gloves segment recorded loss before taxation of RM1.204 million as compared to loss before taxation of RM1.017 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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 30.09.2019 RM'000	Unaudited Preceding Quarter 30.06.2019 RM'000	Changes RM'000	%
Revenue	38,440	44,417	(5,977)	(13.46)
Profit before taxation	2,837	2,351	486	20.67
Revenue				
Glove-Dipping Lines	14,329	18,921	(4,592)	(24.27)
Rubber Gloves	24,111	25,496	(1,385)	(5.43)
Corporate	-	-	-	-
	38,440	44,417	(5,977)	(13.46)
Profit/(Loss) before taxation				
Glove-Dipping Lines	2,557	3,662	(1,105)	(30.17)
Rubber Gloves	373	(1,193)	1,566	(131.27)
Corporate	(93)	(118)	25	(21.19)
	2,837	2,351	486	20.67

The Group's revenue for the current quarter eased RM5.977 million or 13.46% to RM38.440 million as compared to RM44.417 million in the preceding quarter, owing to decline in revenue from both of glove-dipping lines segment and rubber gloves segment.

The Group managed to achieve profit before taxation of RM2.837 million as compared to a profit before taxation of RM2.351 million in the preceding quarter. The increase in profit before taxation of RM0.486 million was mainly due to better performance from rubber gloves 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 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 seems promising.

Similarly, 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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 30.09.2019 RM'000	Audited As at 31.12.2018 RM'000
Trade receivables	32,416	40,901
Allowance for impairment losses	(17,082)	(16,870)
	<u>15,334</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	(212)	(16,266)
At 30 September 2019/31 December 2018	<u>(17,082)</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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 September 2019 are as follows:-

	Unaudited As at 30.09.2019 RM'000	Audited As at 31.12.2018 RM'000
Short-term borrowings:-		
Bank overdrafts	-	330
Banker's Acceptances	467	1,849
Hire Purchase	71	-
Term loans	87	342
	625	2,521
Long-term borrowings:		
Hire Purchases	259	-
Term loans	1,717	1,761
	1,976	1,761
Total borrowings	2,601	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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 30.09.2019	Unaudited Current year-to-date 30.09.2019
Profit after taxation attributable to owners of the Company (RM'000)	2,679	6,885
Weighted average number of ordinary shares in issue ('000)	511,977	511,977
Basic EPS (sen)	0.52	1.34
Diluted EPS (sen) ⁽¹⁾	0.52	1.34

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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 30.09.2019 RM'000	Unaudited Current year-to-date 30.09.2019 RM'000
Allowance for impairment loss on trade receivables	140	212
Depreciation of property, plant and equipment	1,201	3,530
Interest expense	16	83
Realised (gain)/loss on foreign exchange	(71)	144
Gain on disposal of plant and equipment	-	(100)
Unrealised gain on foreign exchange	(324)	(498)
Fair value gain on short-term investment	-	(3)
Interest income	(3)	(8)
Dividend income	(103)	(226)

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

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