



HLT GLOBAL BERHAD

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

Year 2019

Quarterly Announcement

For the Fourth Quarter Ended 31 December 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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2019⁽¹⁾

	Note	--- Individual Quarter ---		--- Cumulative Quarter ---	
		Unaudited Current year quarter 31.12.2019 RM'000	Unaudited Preceding year quarter 31.12.2018 RM'000	Unaudited Current year- to-date 31.12.2019 RM'000	Audited Preceding year- to-date 31.12.2018 RM'000
Revenue	A9	29,727	41,217	144,432	128,785
Cost of sales		(26,873)	(39,847)	(130,763)	(119,927)
Gross profit		2,854	1,370	13,669	8,858
Other operating income		347	37	1,212	1,888
Selling and distribution expenses		(582)	(876)	(1,840)	(2,059)
Administrative and other expenses		(5,344)	(19,988)	(9,401)	(34,959)
Finance costs		(13)	(59)	(96)	(91)
(Loss)/Profit before taxation		(2,738)	(19,516)	3,544	(26,363)
Income tax expense	B4	403	-	468	289
(Loss)/Profit after taxation		(2,335)	(19,516)	4,012	(26,074)
Other comprehensive income		-	-	-	-
Total comprehensive (expenses) /income for the financial period		(2,335)	(19,516)	4,012	(26,074)
(Loss)/Profit after taxation attributable to:					
- Owners of the Company		(2,196)	(19,841)	4,689	(26,101)
- Non-controlling interests		(139)	325	(677)	27
		(2,335)	(19,516)	4,012	(26,074)
Total comprehensive (expenses)/income attributable to:					
- Owners of the Company		(2,196)	(19,841)	4,689	(26,101)
- Non-controlling interests		(139)	325	(677)	27
		(2,335)	(19,516)	4,012	(26,074)
(Loss)/Earnings per share (sen):					
- Basic	B12	(0.43)	(3.88)	0.92	(5.56)
- Diluted ⁽²⁾	B12	(0.43)	(3.88)	0.92	(5.56)

Notes:-

(1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income are detailed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

(2) Diluted loss per share of the Company for the cumulative quarter 31 December 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 31 DECEMBER 2019⁽¹⁾

	Note	Unaudited As at 31.12.2019 RM'000	Audited As at 31.12.2018 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		29,524	32,449
Goodwill		2,785	2,785
		<u>32,309</u>	<u>35,234</u>
CURRENT ASSETS			
Inventories		20,786	23,713
Trade receivables	B5	21,653	24,031
Other receivables, deposits and prepayments		12,600	15,513
Contract assets		1,764	2,434
Amount owing by related parties		8,922	1,682
Short-term investment		9,299	6,165
Current tax assets		299	1,007
Cash and bank balances		12,164	10,684
		<u>87,487</u>	<u>85,229</u>
TOTAL ASSETS		<u>119,796</u>	<u>120,463</u>
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)		1,074	(3,615)
		<u>52,589</u>	<u>47,900</u>
Equity attributable to owners of the Company		52,589	47,900
Non-controlling interests		21,744	22,421
		<u>74,333</u>	<u>70,321</u>
TOTAL EQUITY		<u>74,333</u>	<u>70,321</u>
NON-CURRENT LIABILITIES			
Long-term borrowings	B9	1,583	1,761
Deferred tax liabilities		1,949	2,517
		<u>3,532</u>	<u>4,278</u>
CURRENT LIABILITIES			
Trade payables		16,456	26,524
Other payables and accruals		12,940	14,275
Contract liabilities		11,782	2,390
Amount owing to a related party		324	-
Short-term borrowings	B9	429	2,521
Current tax liabilities		-	154
		<u>41,931</u>	<u>45,864</u>
TOTAL LIABILITIES		<u>45,463</u>	<u>50,142</u>
TOTAL EQUITY AND LIABILITIES		<u>119,796</u>	<u>120,463</u>
Net assets per share (RM)		<u>0.10</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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2019⁽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	-	-	-	4,689	4,689	(677)	4,012
Balance at 31 December 2019	73,465	(22,033)	83	1,074	52,589	21,744	74,333

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2019⁽¹⁾ (CONT'D)

	← Non-Distributable →			Distributable			
	Share Capital RM'000	Merger Deficit RM'000	Employee Share Option Reserve RM'000	Retained Profits/ (Accumulated Losses) 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)/Profit after taxation/Total comprehensive (expenses)/income for the financial year	-	-	-	(26,101)	(26,101)	27	(26,074)
Contributions by and distribution to owners of the Company:							
- Acquisition of a subsidiary	33,000	-	-	(2,845)	30,155	22,394	52,549
- Share issuance expenses	-	-	-	(101)	(101)	-	(101)
Total transactions with owners	33,000	-	-	(2,946)	30,054	22,394	52,448
Balance at 31 December 2018	73,465	(22,033)	83	(3,615)	47,900	22,421	70,321

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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2019⁽¹⁾

	Unaudited Current year-to-date 31.12.2019 RM'000	Audited Preceding year-to-date 31.12.2018 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit/(Loss) before taxation	3,544	(26,363)
Adjustments for: -		
Depreciation of property, plant and equipment	4,741	3,143
Plant and equipment written off	-	4
Impairment loss on trade receivables	2,162	16,266
Impairment loss on contract assets	-	2,488
Interest expense	96	91
Unrealised (gain)/loss on foreign exchange	(10)	450
(Gain)/Loss on disposal of plant and equipment	(102)	7
Fair value (gain)/loss on short-term investment	(3)	8
Dividend income	(297)	(300)
Interest income	(9)	(907)
	<hr/>	<hr/>
Operating profit/(loss) before working capital changes	10,122	(5,113)
Decrease in inventories	2,927	290
Decrease in contract assets	10,061	3,308
Decrease/(Increase) in trade and other receivables	3,050	(8,812)
(Decrease)/Increase in trade and other payables	(11,378)	4,526
Increase in amount owing by related parties	(6,915)	(1,703)
	<hr/>	<hr/>
CASH FROM/(FOR) OPERATIONS	7,867	(7,504)
Income tax paid	(578)	(213)
Income tax refunded	1,033	45
Interest received	9	907
Interest paid	(96)	(91)
	<hr/>	<hr/>
NET CASH FROM/(FOR) OPERATING ACTIVITIES	8,235	(6,856)
	<hr/>	<hr/>
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash and cash equivalents acquired	-	5,582
Payment of share issuance transaction cost	-	(101)
Dividend received	300	292
Purchase of property, plant and equipment	(1,442)	(2,041)
Proceed from disposal of plant and equipment	103	1
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NET CASH (FOR)/FROM INVESTING ACTIVITIES	(1,039)	3,733
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2019⁽¹⁾ (CONT'D)

	Unaudited Current year-to-date 31.12.2019 RM'000	Audited Preceding year-to-date 31.12.2018 RM'000
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES		
Repayment of term loans	(402)	(291)
Repayment of hire purchases payables	(63)	(22)
(Repayment)/drawdown of bankers' acceptances	(1,849)	383
NET CASH (FOR)/FROM FINANCING ACTIVITIES	(2,314)	70
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,882	(3,053)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	62	(16)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	16,519	19,588
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	21,463	16,519
Cash and cash equivalents comprise the following:		
- Money market fund	9,299	6,165
- Cash and bank balances	12,164	10,684
- Bank overdraft	-	(330)
	21,463	16,519

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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 financial year ended 31 December 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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 31.12.2019					
External Revenue	53,759	90,673	-	-	144,432
Inter-segment Revenue	396	-	-	(396)	-
	<u>54,155</u>	<u>90,673</u>	<u>-</u>	<u>(396)</u>	<u>144,432</u>
Segment result					
Profit/(Loss) from operation	6,676	1,865	(282)	113	8,372
Depreciation	(589)	(4,086)	-	(66)	(4,741)
Finance costs	(14)	(82)	-	-	(96)
Interest income	9	-	-	-	9
Profit/(Loss) before taxation	<u>6,082</u>	<u>(2,303)</u>	<u>(282)</u>	<u>47</u>	<u>3,544</u>
Tax expense					468
Profit after taxation					<u>4,012</u>
Attributable to:					
Owners of the Company					4,689
Non-controlling interest					(677)
Profit for the period					<u>4,012</u>
Segment assets	43,675	48,793	72,833	(48,290)	117,011
Goodwill	-	-	-	2,785	2,785
Segment liabilities	<u>39,203</u>	<u>16,969</u>	<u>331</u>	<u>(11,040)</u>	<u>45,463</u>

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 31.12.2018					
External Revenue	50,251	78,534	-	-	128,785
Inter-segment Revenue	1,293	-	-	(1,293)	-
	<u>51,544</u>	<u>78,534</u>	<u>-</u>	<u>(1,293)</u>	<u>128,785</u>
Segment result (Loss)/Profit from operation	(25,165)	2,108	(357)	(622)	(24,036)
Depreciation	(587)	(2,507)	-	(49)	(3,143)
Finance costs	(7)	(84)	-	-	(91)
Interest income	907	-	-	-	907
Loss before taxation	<u>(24,852)</u>	<u>(483)</u>	<u>(357)</u>	<u>(671)</u>	<u>(26,363)</u>
Tax expense					289
Loss after taxation					<u>(26,074)</u>
Attributable to:					
Owners of the Company					(26,101)
Non-controlling interest					27
Loss for the year					<u>(26,074)</u>
Segment assets	31,881	60,915	73,139	(48,257)	117,678
Goodwill	-	-	-	2,785	2,785
Segment liabilities	<u>33,742</u>	<u>27,333</u>	<u>356</u>	<u>(11,289)</u>	<u>50,142</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 31.12.2019 RM’000	Unaudited Preceding year quarter 31.12.2018 RM’000	Unaudited Current year-to- date 31.12.2019 RM’000	Audited Preceding year-to- date 31.12.2018 RM’000
Domestic	9,883	2,060	21,954	28,302
Overseas	19,844	39,157	122,478	100,483
	29,727	41,217	144,432	128,785

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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 31.12.2019 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 31 December 2019 were as follows: -

	---Individual Quarter---		---Cumulative Quarter---	
	Unaudited Current year quarter 31.12.2019 RM’000	Unaudited Preceding year quarter 31.12.2018 RM’000	Unaudited Current year-to- date 31.12.2019 RM’000	Audited Preceding year-to- date 31.12.2018 RM’000
Sales of rubber gloves	11,091	-	50,362	-
Sales of glove-dipping machines	8,734	1,674	25,042	1,674
Sales of spare part	-	37	7	37
Purchase of wood pellets	875	-	934	-

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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 31.12.2019 RM'000	Unaudited Preceding year quarter 31.12.2018 RM'000	Changes		Unaudited Current year-to-date 31.12.2019 RM'000	Audited Preceding year-to-date 31.12.2018 RM'000	Changes	
			RM'000	%			RM'000	%
Revenue	29,727	41,217	(11,490)	(27.88)	144,432	128,785	15,647	12.15
Gross profit	2,854	1,370	1,484	108.32	13,669	8,858	4,811	54.31
(Loss)/Profit before taxation	(2,738)	(19,516)	16,778	(85.97)	3,544	(26,363)	29,907	(113.44)
(Loss)/Profit after taxation	(2,335)	(19,516)	17,181	(88.04)	4,012	(26,074)	30,086	(115.39)
Revenue								
Glove-Dipping Lines	10,413	6,711	3,702	55.16	53,759	50,251	3,508	6.98
Rubber Gloves	19,314	34,506	(15,192)	(44.03)	90,673	78,534	12,139	15.46
Corporate	-	-	-	-	-	-	-	-
	29,727	41,217	(11,490)	(27.88)	144,432	128,785	15,647	12.15
Gross profit								
Glove-Dipping Lines	2,681	(697)	3,378	(484.65)	12,400	6,727	5,673	84.33
Rubber Gloves	173	2,067	(1,894)	(91.63)	1,269	2,131	(862)	(40.45)
Corporate	-	-	-	-	-	-	-	-
	2,854	1,370	1,484	108.32	13,669	8,858	4,811	54.31
(Loss)/Profit before taxation								
Glove-Dipping Lines	(1,620)	(20,227)	18,607	(91.99)	6,116	(25,261)	31,377	(124.21)
Rubber Gloves	(1,086)	741	(1,827)	(246.56)	(2,290)	(370)	(1,920)	518.92
Corporate	(32)	(30)	(2)	6.67	(282)	(732)	450	(61.48)
	(2,738)	(19,516)	16,778	(85.97)	3,544	(26,363)	29,907	(113.44)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 RM29.727 million, a decrease of 27.88% as compared to RM41.217 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 RM144.432 million for the financial year ended 31 December 2019 ("FYE 2019"), an increase of 12.15% as compared to previous financial year ended 31 December 2018 ("FYE 2018"). The increase in revenue was due to better performance in glove-dipping lines segment and increase in the revenue contribution from rubber gloves segment as the acquisition of subsidiary was completed on 17 May 2018. Hence there was only 8-month revenue recognised in FYE 2018.

The Group recorded gross profit of RM2.854 million with a gross profit margin of 9.60% as compared to gross profit of RM1.37 million with gross profit margin of 3.32% in the preceding year quarter. For FYE 2019, the Group recorded gross profit of RM13.669 million with gross profit margin of 9.46% as compared to gross profit of RM8.858 million with gross profit margin of 6.88% for FYE 2018. The improved in the gross profit were due to better performance in glove-dipping lines segment.

The loss before taxation decreased by RM16.778 million as compared to RM19.516 million in the preceding year quarter was mainly due to impairment loss on two trade receivables and impairment loss on contract assets in the FYE 2018. For FYE 2019, the Group recorded profit before taxation of RM3.544 million as compared to loss before taxation of RM26.363 million in FYE 2018 was mainly due to an one-off compensation claim from a foreign customer relating to the performance of the glove-dipping line manufactured, impairment loss on two trade receivables and impairment loss on contract assets in the FYE 2018.

Glove-Dipping Lines

The glove-dipping lines segment managed to achieve revenue of RM10.413 million, an increase of 55.16% as compared to RM6.711 million in the preceding year quarter. For the FYE 2019, the glove-dipping lines segment recorded revenue of RM53,759 million, an increase of 6.98% as compared to RM50.251 million in the FYE 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 RM27.445 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 markets contribute significant portion of revenue amounting to RM38.784 million or 71.62% of the glove-dipping lines segment's total revenue.

The glove-dipping lines segment recorded a gross profit of RM2.681 million with a gross profit margin of 25.75% as compared to a gross loss of RM0.697 million with gross loss margin of 10.39% in the preceding year quarter. For FYE 2019, the glove-dipping lines segment recorded gross profit of RM12.40 million with gross profit margin of 23.07% as compared to gross profit of RM6.727 million with gross profit margin of 13.39%. 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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 loss before taxation of RM1.620 million as compared to loss before taxation of RM20.227 million in the preceding year quarter. For FYE 2019, the glove-dipping lines segment recorded profit before taxation of RM6.116 million as compared to loss before taxation of RM25.261 million in the FYE 2018 was due to the compensation claim from a foreign customer relating to the performance of the glove-dipping line manufactured and impairment loss on two trade receivables and contract assets in the FYE 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 FYE 2019, the rubber gloves segment posted a revenue of RM90.673 million. For current year quarter, the rubber gloves segment delivered revenue of RM19.314 million, 44.03% lower than preceding year quarter. Export sales contributed 92.30% 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 RM0.173 million with a gross profit margin of 0.90% as compared to a gross profit of RM2.067 million with gross profit margin of 5.99% in the preceding year quarter. For FYE 2019, the rubber gloves segment recorded gross profit of RM1.269 million with gross profit margin of 1.40% as compared to gross profit of RM2.131 million with gross profit margin of 2.71%.

The rubber gloves segment recorded loss before taxation of RM1.086 million as compared to a profit before taxation of RM0.741 million in preceding year quarter. For FYE 2019, the rubber gloves segment recorded loss before taxation of RM2.290 million as compared to loss before taxation of RM0.370 million in the FYE 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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 31.12.2019 RM'000	Unaudited Preceding Quarter 30.09.2019 RM'000	Changes	
			RM'000	%
Revenue	29,727	38,440	(8,713)	(22.67)
Profit before taxation	(2,738)	2,837	(5,575)	(196.51)
Revenue				
Glove-Dipping Lines	10,413	14,329	(3,916)	(27.33)
Rubber Gloves	19,314	24,111	(4,797)	(19.90)
Corporate	-	-	-	-
	29,727	38,440	(8,713)	(22.67)
Profit/(Loss) before taxation				
Glove-Dipping Lines	(1,620)	2,557	(4,177)	(163.36)
Rubber Gloves	(1,086)	373	(1,459)	(391.15)
Corporate	(32)	(93)	61	(65.59)
	(2,738)	2,837	(5,575)	(196.51)

The Group's revenue for the current quarter eased RM8.713 million or 22.67% to RM29.727 million as compared to RM38.440 million in the preceding quarter, owing to decline in revenue from both of glove-dipping lines segment and rubber gloves segment.

The Group recorded loss before taxation of RM2.738 million as compared to a profit before taxation of RM2.837 million in the preceding quarter. The loss was mainly due to recognition of impairment loss on trade receivables and high operating cost.

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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2019

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 31.12.2019 RM'000	Unaudited Preceding year quarter 31.12.2018 RM'000	Unaudited Current year-to- date 31.12.2019 RM'000	Audited Preceding year-to- date 31.12.2018 RM'000
Current tax expense	130	-	130	246
(Over)/Underprovision	(30)	-	(30)	57
Deferred taxation	(503)	-	(568)	(592)
	(403)	-	(468)	(289)

A subsidiary of the Group qualifies for the Pioneer Status incentive under the Promotion of Investment Act 1986. The subsidiary will enjoy full exemption from income tax on its statutory income from pioneer activities for an extended period of 5 years, from 4 November 2014 to 3 November 2019.

B5. Trade receivables

	Unaudited As at 31.12.2019 RM'000	Audited As at 31.12.2018 RM'000
Trade receivables	40,685	40,901
Allowance for impairment losses	(19,032)	(16,870)
	<u>21,653</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	(16,870)	(604)
Addition during the financial year	(2,162)	(16,266)
At 31 December	<u>(19,032)</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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 subsidiary, HLRI. The combined production capacity of the eight (8) existing glove-dipping lines are expected to improve by approximately 30% from the existing 480 million pieces of glove to 624 million pieces of glove per annum.*

(2) *New line – Finance the setting up of one (1) new glove-dipping line at the existing factory premises of HLRI. The new glove-dipping line will be a single former glove-dipping line, caters for the production of special industrial gloves, with a proposed production output of up to 12 thousand pieces of glove per hour.*

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

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 31 December 2019 are as follows:-

	Unaudited As at 31.12.2019 RM'000	Audited As at 31.12.2018 RM'000
Short-term borrowings: -		
Bank overdrafts	-	330
Banker's Acceptances	-	1,849
Hire Purchase	70	-
Term loans	359	342
	429	2,521
Long-term borrowings:		
Hire Purchases	241	-
Term loans	1,342	1,761
	1,583	1,761
Total borrowings	2,012	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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2019

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

B12. (Loss)/Earnings per share (“LPS”/ “EPS”)

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

	Unaudited Current year quarter 31.12.2019	Unaudited Current year-to-date 31.12.2019
(Loss)/ Profit after taxation attributable to owners of the Company (RM'000)	(2,196)	4,689
Weighted average number of ordinary shares in issue ('000)	511,977	511,977
Basic LPS/EPS (sen)	(0.43)	0.92
Diluted LPS/ EPS (sen) ⁽¹⁾	(0.43)	0.92

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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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

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

	Unaudited Current year quarter 31.12.2019 RM'000	Unaudited Current year-to-date 31.12.2019 RM'000
Depreciation of property, plant and equipment	1,211	4,741
Impairment loss on trade receivables	1,950	2,162
Interest expense	13	96
Realised (gain)/loss on foreign exchange	255	399
Gain on disposal of plant and equipment	(1)	(102)
Unrealised loss/(gain) on foreign exchange	488	(10)
Fair value gain on short-term investment	-	(3)
Interest income	(1)	(9)
Dividend income	(71)	(297)

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

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