



HLT GLOBAL BERHAD

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

Year 2020

Quarterly Announcement

For the Third Quarter Ended 30 September 2020

HLT GLOBAL BERHAD

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020⁽¹⁾

	Note	--- Individual Quarter ---		--- Cumulative Quarter ---	
		Unaudited Current year quarter 30.09.2020 RM'000	Unaudited Preceding year quarter 30.09.2019 RM'000	Unaudited Current year- to-date 30.09.2020 RM'000	Unaudited Preceding year- to-date 30.09.2019 RM'000
Revenue	A9	70,264	38,440	147,258	114,705
Cost of sales		(47,194)	(34,061)	(111,947)	(103,890)
Gross profit		23,070	4,379	35,311	10,815
Other operating income		5	441	3,126	865
Selling and distribution expenses		(3,348)	(427)	(5,916)	(1,258)
Administrative and other expenses		(8,286)	(1,540)	(11,727)	(4,057)
Finance costs		-	(16)	(39)	(83)
Profit before taxation		11,441	2,837	20,755	6,282
Income tax (expense)/credit	B4	(4,058)	5	(5,047)	65
Profit after taxation		7,383	2,842	15,708	6,347
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial period		7,383	2,842	15,708	6,347
Profit after taxation attributable to:					
- Owners of the Company		2,362	2,679	9,818	6,885
- Non-controlling interests		5,021	163	5,890	(538)
		7,383	2,842	15,708	6,347
Total comprehensive income attributable to:					
- Owners of the Company		2,362	2,679	9,818	6,885
- Non-controlling interests		5,021	163	5,890	(538)
		7,383	2,842	15,708	6,347
Earnings per share (sen):					
- Basic	B12	0.45	0.52	1.87	1.34
- Diluted ⁽²⁾	B12	0.38	0.52	1.60	1.34

Notes:-

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income are detailed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) Diluted earnings per share of the Company for the individual quarter 30 September 2019 and cumulative quarter 30 September 2019 is equivalent to the basic earnings per share as the potential conversion of warrants and employee share options had an anti-dilutive effect on the basic earnings per share and the Company has no other dilutive potential ordinary shares in issue at the end of the reporting period.

HLT GLOBAL BERHAD

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

	Note	Unaudited As at 30.09.2020 RM'000	Audited As at 31.12.2019 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		16,670	12,219
Right-of-use assets		17,055	17,305
Goodwill		2,785	2,785
		<u>36,510</u>	<u>32,309</u>
CURRENT ASSETS			
Inventories		14,418	20,786
Trade receivables	B5	19,502	21,653
Other receivables, deposits and prepayments		18,622	12,600
Contract assets		4,187	1,764
Amount owing by related parties		1,068	8,922
Fixed deposit with a licensed bank		1,500	-
Short-term investments		41,975	9,299
Current tax assets		-	298
Cash and bank balances		40,792	12,165
		<u>142,064</u>	<u>87,487</u>
TOTAL ASSETS		<u>178,574</u>	<u>119,796</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		93,153	73,465
Merger deficit		(22,033)	(22,033)
Employee share option reserve		3,235	83
Retained profits		11,042	1,221
		<u>85,397</u>	<u>52,736</u>
Equity attributable to owners of the Company		85,397	52,736
Non-controlling interests		27,487	21,597
		<u>112,884</u>	<u>74,333</u>
TOTAL EQUITY		<u>112,884</u>	<u>74,333</u>
NON-CURRENT LIABILITIES			
Long-term borrowing	B9	735	1,583
Deferred tax liabilities		1,932	1,949
		<u>2,667</u>	<u>3,532</u>
CURRENT LIABILITIES			
Trade payables		23,357	16,456
Other payables and accruals		28,975	12,939
Contract liabilities		6,500	11,782
Amount owing to a related party		-	324
Short-term borrowing	B9	115	430
Current tax liabilities		4,076	-
		<u>63,023</u>	<u>41,931</u>
TOTAL LIABILITIES		<u>65,690</u>	<u>45,463</u>
TOTAL EQUITY AND LIABILITIES		<u>178,574</u>	<u>119,796</u>
Net assets per share (RM)		<u>0.14</u>	<u>0.10</u>

Notes:-

(1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position are detailed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020⁽¹⁾

	← Non-Distributable →			Distributable		Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Merger Deficit RM'000	Employee Share Option Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000		
Balance at 1 January 2020	73,465	(22,033)	83	1,221	52,736	21,597	74,333
Profit after taxation/Total comprehensive income for the financial period	-	-	-	9,818	9,818	5,890	15,708
Contributions by and distribution to owners of the Company:							
Issuance of ordinary shares pursuant to:							
- ESOS exercised	3,982	-	(1,747)	-	2,235	-	2,235
- Warrants	15,706	-	-	-	15,706	-	15,706
ESOS options lapsed	-	-	(3)	3	-	-	-
Total transactions with owners	19,688	-	(1,750)	3	17,941	-	17,941
Equity-settled share-based payment	-	-	4,902	-	4,902	-	4,902
Balance at 30 September 2020	93,153	(22,033)	3,235	11,042	85,397	27,487	112,884

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020 ⁽¹⁾ (CONT'D)

	← 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	-	-	-	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

Note:-

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Changes in Equity are detailed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020⁽¹⁾

	Unaudited Current year-to-date 30.09.2020 RM'000	Unaudited Preceding year-to-date 30.09.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	20,755	6,282
Adjustments for: -		
Allowance for impairment loss on trade receivables	132	212
Depreciation of property, plant and equipment	3,454	3,530
Depreciation of right-of-use assets	251	-
Equity-settled share-based payment	4,902	-
Interest expense	39	83
Unrealised gain on foreign exchange	(49)	(498)
Fair value gain on short-term investment	(5)	(3)
Gain on disposal of plant and equipment	(130)	(100)
Reversal of impairment loss on trade receivable	(2,000)	-
Dividend income	(440)	(226)
Interest income	(2)	(8)
	<hr/>	<hr/>
Operating profit before working capital changes	26,907	9,272
Decrease in inventories	6,367	3,500
Increase in contract assets	(7,704)	(8,718)
(Increase)/decrease in trade and other receivables	(1,880)	11,754
Increase/(Decrease) in trade and other payables	22,832	(5,142)
Decrease/(Increase) in amount owing by related parties	7,608	(7,237)
	<hr/>	<hr/>
CASH FROM OPERATIONS	54,130	3,429
Income tax paid	(690)	(250)
Income tax refunded	-	906
Interest received	2	8
Interest paid	(39)	(83)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	53,403	4,010
	<hr/>	<hr/>
CASH FLOWS FOR INVESTING ACTIVITIES		
Dividend received	445	229
Purchase of property, plant and equipment	(7,905)	(1,515)
Proceed from disposal of plant and equipment	130	101
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NET CASH FOR INVESTING ACTIVITIES	(7,330)	(1,185)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020⁽¹⁾ (CONT'D)

	Unaudited Current year-to-date 30.09.2020 RM'000	Unaudited Preceding year-to-date 30.09.2019 RM'000
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Proceeds from conversion of warrants	15,706	-
Proceeds from exercise of ESOS	2,235	-
Repayment of term loans	(851)	(298)
Drawdown of hire purchase obligations	-	330
Drawdown of bankers' acceptances	-	(1,382)
Repayment of lease liability	(312)	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES	16,778	(1,350)
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,851	1,475
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	(48)	132
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	21,464	16,519
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	84,267	18,126
Cash and cash equivalents comprise the following:		
- Fixed deposit with a licensed bank	1,500	-
- Short-term investments	41,975	10,728
- Cash and bank balances	40,792	7,398
	84,267	18,126

Notes:-

- (1) *The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows are detailed in Note A1 and should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.*

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

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

A1. Basis of preparation

The interim financial report of HLT Global Berhad (“**HLT Global**” or “**the Company**”) and its subsidiaries (“**the Group**”) are unaudited and have been prepared in accordance with the requirements of MFRS 134 – Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“**MASB**”), paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

A2. Changes in accounting policies

During the 9-month period ended 30 September 2020, the Group has adopted the following new accounting standards and/ or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)

Amendments to MFRS 3: Definition of a Business

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

Amendments to MFRS 101 and MFRS 108: Definition of Material

Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of the above accounting standards and/ or interpretations (including the consequential amendments, if any) did not have any material impact on this interim financial report.

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

MFRSs (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022

A3. Auditors’ Report of preceding annual financial statements

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

A4. Seasonal or cyclical factors

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

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

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

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

A6. Material changes in estimates

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

A7. Debt and equity securities

During the 9-month period ended 30 September 2020, the Company has issued new ordinary shares as follows:-

	Issue Price	No. of Shares
Exercise of ESOS options	RM0.30	570,000
Exercise of ESOS options	RM0.70	2,947,000
Conversion of Warrants	RM0.20	78,531,650

As at 30 September 2020, the total number of outstanding warrants was 120,560,348.

Other than as disclosed above, there was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter under review.

A8. Dividends paid

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

A9. Segmental information

(a) Business Segments

The Group is originated into three (3) main reportable segments as follows:-

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

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

A9. Segmental information (Cont’d)

(a) Business Segments (Cont’d)

	Glove-Dipping Lines RM’000	Rubber Gloves RM’000	Corporate RM’000	Consolidation adjustments RM’000	Consolidated RM’000
Current year-to-date 30.09.2020					
External Revenue	46,164	101,094	-	-	147,258
Inter-segment Revenue	329	-	3,800	(4,129)	-
	46,493	101,094	3,800	(4,129)	147,258
Segment result					
Profit/(Loss) from operation	9,747	22,922	(1,392)	(14,264)	17,013
Depreciation	372	3,285	-	48	3,705
Finance costs	6	33	-	-	39
Interest income	(2)	-	-	-	(2)
Profit before taxation	10,123	26,240	(1,392)	(14,216)	20,755
Tax expense					(5,047)
Profit before taxation					15,708
Attributable to:					
Owners of the Company					9,818
Non-controlling interest					5,890
Profit for the period					15,708
Segment assets	48,868	89,300	94,787	(57,166)	175,789
Goodwill	-	-	-	2,785	2,785
Segment liabilities	40,039	34,335	836	(9,520)	65,690

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

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

A9. Segmental information (Cont’d)

(a) Business Segments (Cont’d)

	Glove-Dipping Lines RM’000	Rubber Gloves RM’000	Corporate RM’000	Consolidation adjustments RM’000	Consolidated RM’000
Current year-to-date 30.09.2019					
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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

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

A9. Segmental information (Cont’d)

(b) Geographical Information

	---Individual Quarter---		---Cumulative Quarter---	
	Unaudited Current year quarter 30.09.2020 RM’000	Unaudited Preceding year quarter 30.09.2019 RM’000	Unaudited Current year-to- date 30.09.2020 RM’000	Unaudited Preceding year-to- date 30.09.2019 RM’000
Domestic	32,072	4,790	66,051	12,072
Overseas	38,192	33,650	81,207	102,633
	70,264	38,440	147,258	114,705

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 other material events subsequent to the end of the current financial quarter that have not been reflected in this interim financial report.

A12. Changes in the composition of the Group

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

A13. Contingent assets and contingent liabilities

The Group has no contingent asset as at the date of this report. Contingent liability of the Group was as follows: -

	Unaudited As at 30.09.2020 RM’000	Audited As at 31.12.2019 RM’000
Bank guarantee extended by a subsidiary to a third party	910	910

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

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

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 2020 were as follows:-

	---Individual Quarter---		---Cumulative Quarter---	
	Unaudited Current year quarter 30.09.2020 RM’000	Unaudited Preceding year quarter 30.09.2019 RM’000	Unaudited Current year-to- date 30.09.2020 RM’000	Unaudited Preceding year-to- date 30.09.2019 RM’000
Sales of rubber gloves	(1,382)	(14,135)	(15,360)	(39,271)
Sales of glove-dipping machines	(188)	(5,661)	(3,669)	(16,308)
Purchase of wood pellets	568	59	1,292	59
Legal and Advisory fee	12	-	12	-

At the Annual General Meeting held on 22 June 2020 (“AGM”), shareholders of the Company had approved the proposed renewal of existing shareholder’s mandate and new shareholders’ mandate for recurrent related party transactions of a revenue and/or trading nature from the date of AGM up to the date of next AGM.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

Financial review for current quarter:

	--- Individual Quarter ---				--- Cumulative Quarter ---			
	Unaudited Current year quarter	Unaudited Preceding year quarter	Changes		Unaudited Current year-to-date	Unaudited Preceding year-to-date	Changes	
	30.09.2020 RM'000	30.09.2019 RM'000	RM'000	%	30.09.2020 RM'000	30.09.2019 RM'000	RM'000	%
Revenue	70,264	38,440	31,824	82.79	147,258	114,705	32,553	28.38
Gross profit	23,070	4,379	18,691	426.83	35,311	10,815	24,496	226.50
Profit before taxation	11,441	2,837	8,604	303.28	20,755	6,282	14,473	230.39
Profit after taxation	7,383	2,842	4,541	159.78	15,708	6,347	9,361	147.49
Revenue								
Glove-Dipping Lines	19,316	14,329	4,987	34.80	46,164	43,345	2,819	6.50
Rubber Gloves	50,948	24,111	26,837	111.31	101,094	71,360	29,734	41.67
Corporate	-	-	-	-	-	-	-	-
	70,264	38,440	31,824	82.79	147,258	114,705	32,553	28.38
Gross profit								
Glove-Dipping Lines	3,634	3,426	208	6.07	10,827	9,719	1,108	11.40
Rubber Gloves	19,436	953	18,483	1,939.45	24,484	1,096	23,388	2,133.94
Corporate	-	-	-	-	-	-	-	-
	23,070	4,379	18,691	426.83	35,311	10,815	24,496	226.50
Profit/(Loss) before taxation								
Glove-Dipping Lines	2,195	2,557	(362)	(14.16)	9,714	7,736	1,978	25.57
Rubber Gloves	14,271	373	13,898	3,726.01	16,233	(1,204)	17,437	(1,448.26)
Corporate	(5,025)	(93)	(4,932)	5,303.23	(5,192)	(250)	(4,924)	1,976.80
	11,441	2,837	8,604	303.28	20,755	6,282	14,473	230.39

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

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

B1. Review of performance (Cont’d)

For the current financial quarter under review, the Group recorded revenue of RM70.264 million, an increase of 82.79% as compared to RM38.440 million in the preceding year quarter. An increase of RM31.824 million in revenue was mainly attributable to the increase in revenue from both glove-dipping lines and rubber gloves segment.

The Group recorded revenue of RM147.258 million for the financial period ended 30 September 2020 (“FPE 2020”), an increase of 28.38% as compared to previous financial period ended 30 September 2019 (“FPE 2019”). An increase of RM32.553 million in revenue was mainly attributable to the increase in revenue from both glove-dipping lines and rubber gloves segment.

The Group recorded gross profit of RM23.070 million with a gross profit margin of 32.83% as compared to gross profit of RM4.379 million with gross profit margin of 11.39% in the preceding year quarter. For FPE 2020, the Group recorded gross profit of RM35.311 million with gross profit margin of 23.98% as compared to gross profit of RM10.815 million with gross profit margin of 9.43% for FPE 2019. Better performance from both glove-dipping lines and rubber gloves segments has contributed to the increase in the gross profit and gross profit margin.

The Group incurred RM11.629 million in operating expenses, an increase of RM10.087 million compared to preceding year quarter. The increase of RM2.921 million in selling and distribution expenses were mainly due to commission paid for selling of the rubber gloves. Whereas the increase of RM6.746 million of administrative and other expenses were mainly due to fair value recognition of Employees Share Option Scheme, foreign exchange loss as well as increase in staff cost in current year quarter.

Glove-Dipping Lines

The glove-dipping lines segment managed to achieve revenue of RM19.316 million, an increase of 34.80% as compared to RM14.329 million in the preceding year quarter. For the FPE 2020, the glove-dipping lines segment recorded revenue of RM46.164 million, an increase of 6.50% as compared to RM43.345 million in the FPE 2019. The revenue mainly contributed from design, fabrication, installation, testing and commissioning of glove-dipping lines segment (“Sale of New Lines”) backed by revenue contribution of RM42.703 million from two new orders secured in the year 2019 but whose implementation commenced in the year 2020 as well as revenue contribution from outstanding orders brought forward from previous financial year. Currently, five orders are in progress which comprised of two local orders and three foreign order. Local market contributes significant portion of revenue amounting to RM37.969 million or 82.25% of the glove-dipping lines segment’s total revenue.

The glove-dipping lines segment recorded a gross profit of RM3.634 million with a gross profit margin of 18.81% as compared to a gross profit of RM3.426 million with gross profit margin of 23.91% in the preceding year quarter. For FPE 2020, the glove-dipping lines segment recorded gross profit of RM10.827 million with gross profit margin of 23.45% as compared to gross profit of RM9.719 million with gross profit margin of 22.42%. The increase in both gross profit and gross profit margin was mainly attributable to better performance in both Sales of New Lines and provision of upgrading and modification works for glove-dipping lines segment (“Upgrade and Modification”).

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

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

B1. Review of performance (Cont’d)

The glove-dipping lines segment recorded profit before taxation of RM2.195 million as compared to RM2.557 million in the preceding year quarter. For FPE 2020, the glove-dipping lines segment recorded profit before taxation of RM9.714 million as compared to RM7.736 million in the FPE 2020 was due to reversal of impairment on a trade debtor.

Rubber Gloves

HL Rubber Industries Sdn Bhd (“HLRI”) is principally engaged in the business of manufacturing and trading of rubber gloves. The rubber gloves segment delivered revenue of RM50.948 million, an increase of 111.31% as compared to RM24.111 million in the preceding year quarter. For the FPE 2020, the rubber gloves segment recorded revenue of RM101,094 million, an increase of 41.67% as compared to RM71,360 million in the FPE 2019. Export sales contributed 72.22% of the total revenue of rubber gloves segment. The export market mainly consists of Taiwan, United States of America, China, Japan and Hong Kong.

The rubber gloves segment recorded a gross profit of RM19.436 million with a gross profit margin of 38.15% as compared to a gross profit of RM0.953 million with gross profit margin of 3.95% in the preceding year quarter. For FPE 2020, the rubber gloves segment recorded gross profit of RM24.484 million with gross profit margin of 24.22% as compared to gross profit of RM1.096 million with gross profit margin of 1.54%. The significant increase in both gross profit and gross profit margin were mainly attributable to increase in average selling price due to overwhelming demand of gloves during this COVID-19 pandemic.

The rubber gloves segment recorded profit before taxation of RM14.271 million as compared to a profit before taxation of RM0.373 million. For FPE 2020, the rubber gloves segment recorded profit before taxation of RM16.233 million as compared to loss before taxation of RM1.204 million in the FPE 2019.

Corporate

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

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

B2. Comparison with immediate preceding quarter’s results

	Unaudited Current Quarter 30.09.2020 RM’000	Unaudited Preceding Quarter 30.06.2020 RM’000	Changes	
			RM’000	%
Revenue	70,264	50,862	19,402	38.15
Profit before taxation	11,441	7,140	4,301	60.24
Revenue				
Glove-Dipping Lines	19,316	18,003	1,313	7.29
Rubber Gloves	50,948	32,859	18,089	55.05
Corporate	-	-	-	-
	70,264	50,862	19,402	38.15
Profit/(Loss) before taxation				
Glove-Dipping Lines	2,195	4,024	(1,829)	(45.45)
Rubber Gloves	14,271	3,234	11,037	341.28
Corporate	(5,025)	(118)	(4,907)	4,158.47
	11,441	7,140	4,301	60.24

The Group’s revenue for the current quarter has increased by RM19.402 million or 38.15% to RM70.264 million as compared to RM50.862 million in the preceding quarter. The increase in revenue was attributable to higher revenue generated from both glove-dipping lines and rubber gloves segments. Meanwhile, the profit before taxation increase by 60.24% to RM11.441 million as compare to RM7.140 million in the preceding quarter. The significant increase was mainly contributed by rubber gloves segment due to increase in the average selling price of rubber gloves during the COVID-19 pandemic period.

B3. Commentary on prospects

The prospects for growth in the rubber glove industry are positive as the industry is expected to continue to be driven by the growth in the global and domestic healthcare industry, especially the Coronavirus Disease 2019 outbreak as pandemic. The gloves are the essential item for the medical supplies. The growth are also driven by increasing demand arising from other end-user markets such as manufacturing, and availability of raw materials utilised in the manufacturing of rubber gloves. Given the vibrant and growing rubber glove industry in Malaysia, the prospect of our Rubber Gloves Segment would seem promising.

Nevertheless, the prospects for growth in the glove-dipping line industry in Malaysia are positive as the industry is expected to continue being driven by the growth in demand for rubber gloves globally as well as domestically. The Group will continue to execute its business strategies and has put in place a series of future plans to strengthen its position in the glove-dipping line industry in Malaysia as well as the overseas market.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

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

B4. Income tax expense

	---Individual Quarter---		---Cumulative Quarter---	
	Unaudited Current year quarter 30.09.2020 RM’000	Unaudited Preceding year quarter 30.09.2019 RM’000	Unaudited Current year-to- date 30.09.2020 RM’000	Unaudited Preceding year-to- date 30.09.2019 RM’000
Current tax expense	4,063	-	5,063	-
Deferred taxation	(5)	(5)	(16)	(65)
	<u>4,058</u>	<u>(5)</u>	<u>5,047</u>	<u>(65)</u>

B5. Trade receivables

	Unaudited As at 30.09.2020 RM’000	Audited As at 31.12.2019 RM’000
Trade receivables	36,669	40,684
Allowance for impairment losses	(17,167)	(19,031)
	<u>19,502</u>	<u>21,653</u>
Allowance for impairment losses: -		
At 1 January	(19,031)	(16,870)
Addition during the financial year	(132)	(2,161)
Reversal during the financial period	2,000	-
Exchange rate differences	(4)	-
At 30 September/31 December	<u>(17,167)</u>	<u>(19,031)</u>

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

B6. Variance of actual profit from profit forecast and profit guarantee

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement during the current financial quarter under review.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

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

B7. Status of corporate proposal

Save as disclosed below, there was no corporate proposal announced or outstanding as at the date of this report.

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

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

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

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 to 17 November 2021 pending implementation of the Private Placement, which serves to, amongst others, finance/part-finance the land acquisition and factory construction costs pursuant to HLT Global’s business expansion plan to set up a new rubber glove manufacturing plant.

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	Revised utilisation of IPO proceeds RM’000	Actual Utilisation RM’000	Balance RM’000
(a) Working capital	7,316	(7,316)	-
(b) Estimated listing expenses	2,400	(2,400)	-
(c) Upgrading ⁽¹⁾	3,600	-	3,600
(d) New line ⁽²⁾	4,500	-	4,500
Total	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.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

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

B9. Group borrowings and debt securities

Total Group’s borrowings as at 30 September 2020 are as follows:-

	Unaudited As at 30.09.2020 RM’000	Audited As at 31.12.2019 RM’000
Short-term borrowings:		
Lease Liability	-	71
Term loans	115	359
	<hr/>	<hr/>
	115	430
Long-term borrowings:		
Lease Liability	-	241
Term loans	735	1,342
	<hr/>	<hr/>
	735	1,583
Total borrowings	<hr/> <hr/>	<hr/> <hr/>
	850	2,013

The term loans are secured and denominated in Ringgit Malaysia.

B10. Material litigation

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

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

HLA have on 6 October 2020 filed a defence and counterclaim with the High Court of Malaya against the Plaintiff for the amount owing of RM10,080,444.57 and the subsidiary company of the Plaintiff, WRP Specialty Products Sdn. Bhd. for the amount owing of RM6,354,577.14. The amounts owing arising from the supply and commissioning of various latex gloves production lines for the Plaintiff and WRP Specialty Products Sdn. Bhd.

Save as disclosed above, there was no material litigation pending as at the date of this announcement.

B11. Dividends

The Board of Directors does not recommend any dividend for the current financial quarter under review.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

A EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORT (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 30.09.2020	Unaudited Current year-to-date 30.09.2020
Profit after taxation attributable to owners of the Company (RM'000)	2,362	9,818
Basic		
Weighted average number of ordinary shares in issue ('000): -		
Issued ordinary shares on 1 January	511,977	511,977
Effect of new ordinary shares issued pursuant to:		
- ESOS options	603	603
- Warrants	11,408	11,408
Weighted average number of ordinary shares for the financial period	523,988	523,988
Basic EPS (sen)	0.45	1.87
Diluted		
Weighted average number of ordinary shares in issue ('000)	523,988	523,988
Weighted average number of ordinary shares under ESOS options and warrants ('000)	99,825	89,105
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	623,813	613,093
Diluted EPS (sen)	0.38	1.60

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2020

A EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORT (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 30.09.2020 RM’000	Unaudited Current year-to-date 30.09.2020 RM’000
Allowance for impairment loss on trade receivables	132	132
Depreciation of property, plant and equipment	1,187	3,454
Depreciation of right-of-use assets	83	251
Equity-settled share-based payment	4,902	4,902
Interest expense	-	39
Reversal of impairment loss on trade receivable	-	(2,000)
Realised loss/(gain) on foreign exchange	422	326
Unrealised loss/(gain) on foreign exchange	459	(49)
Gain on disposal of plant and equipment	-	(130)
Fair value gain on short-term investment	(7)	(5)
Interest income	-	(2)
Dividend income	(174)	(440)
Rental Income	(2)	(5)

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

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