

# **HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

## **FINANCIAL REPORT**

for the financial year ended 31 December 2020

# HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

## TABLE OF CONTENTS

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	Page
Directors' Report .....	1
Statement by Directors .....	9
Statutory Declaration .....	9
Independent Auditors' Report.....	10
Statements of Financial Position .....	15
Statements of Profit or Loss and Other Comprehensive Income.....	17
Statements of Changes in Equity .....	19
Statements of Cash Flows .....	22
Notes to the Financial Statements .....	25

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### DIRECTORS' REPORT

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The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### RESULTS

	<b>The Group RM</b>	<b>The Company RM</b>
Profit/(Loss) after taxation for the financial year	30,198,036	(6,240,540)
Attributable to:-		
Owners of the Company	15,915,975	(6,240,540)
Non-controlling interests	14,282,061	-
	<u>30,198,036</u>	<u>(6,240,540)</u>

### DIVIDEND

No dividend was recommended by the directors for the financial year.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## **HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### **DIRECTORS' REPORT**

---

#### **ISSUES OF SHARES AND DEBENTURES**

During the financial year:-

- (a) the Company increased its issued and paid-up share capital from RM 73,465,039 to RM 98,318,247 by way of:-
  - (i) issuance of 4,135,000 new ordinary shares from the exercise of options under Company's Employee Share Option Scheme at the exercise prices as disclosed in Note 17(b) to the financial statements which amounted to RM4,766,418.
  - (ii) issuance of 100,433,950 new ordinary shares from exercise of Warrants at the exercise price of RM0.20 per warrant as disclosed in Note 17(b) to the financial statements which amounted to RM20,086,790.
- (b) there were no issues of debentures by the Company.

#### **OPTIONS GRANTED OVER UNISSUED SHARES**

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Company's Employee Share Option Scheme below.

#### **EMPLOYEE SHARE OPTION SCHEME**

The Employee Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 28 October 2016. The ESOS is to be in force for a period of 5 years effective from 2 December 2016.

The details of the ESOS are disclosed in Note 19 to the financial statements.

#### **WARRANTS**

At the Extraordinary General Meeting held on 20 November 2017, the shareholders of the Company have approved the bonus issue of warrants. Based on the issued share capital of the Company as at 22 December 2017, a total of 199,091,998 Warrants were issued by the Company on 28 December 2017 with 5 years tenure ending 27 December 2022. The Warrants are listed and quoted on the ACE Market of Bursa Securities with effect from 2 January 2018. The issue price, entitlement basis and exercise price of the Warrants are as follows:-

- (a) bonus issue of free Warrants on the basis of three (3) Warrants for every four (4) existing ordinary shares; and
- (b) each Warrant is exercisable into one (1) ordinary share at the exercise price of RM0.20 per share.

Warrant holders are not entitled to vote in any general meeting of shareholders of the Company or to participate in any distribution and/or offer of further securities in the Company unless and until the Warrant holder becomes a shareholder of the Company by exercising the Warrants.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### DIRECTORS' REPORT

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#### WARRANTS (CONT'D)

The movements of the Warrants are as follows:-

	Entitlement for Ordinary Shares			At 31.12.2020
	At 1.1.2020	Exercised	Lapsed	
<i>Number of unexercised Warrants</i>				
Warrants	199,091,998	(100,433,950)	-	98,658,048

#### BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

#### CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

#### VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## **HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### **DIRECTORS' REPORT**

---

#### **CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

#### **CHANGE OF CIRCUMSTANCES**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

#### **ITEMS OF AN UNUSUAL NATURE**

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

#### **DIRECTORS**

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Chan Yoke Chun  
Wong Kok Wah  
Chui Mee Chuen  
Wong Koon Wai  
Wong Wai Tzing  
Yau Ming Teck

The name of director of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, is as follows:-

Lin, Kuo-Tang (Resigned on 14 April 2021)

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### DIRECTORS' REPORT

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#### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares, options over unissued shares or warrants of the Company during the financial year are as follows:-

	< ----- Number Of Ordinary Shares ----- >			
	At 1.1.2020	Bought	Sold	At 31.12.2020
<b>The Company</b>				
<i>Direct Interests</i>				
Chan Yoke Chun	140,162,000	2,500,000	-	142,662,000
Wong Kok Wah	139,965,000	-	-	139,965,000
Yau Ming Teck	8,337,600	-	(8,337,600)	-
Wong Koon Wai	270,000	150,000	(320,000)	100,000
Wong Wai Tzing	245,000	30,000	(225,000)	50,000
Chui Mee Chuen	217,500	750,000	(217,500)	750,000
<i>Indirect Interests</i>				
Chan Yoke Chun <sup>#</sup>	139,965,000	-	-	139,965,000
Wong Kok Wah <sup>#</sup>	140,162,000	2,500,000	-	142,662,000

*# Deemed interested through spouse's shareholding in the Company.*

	< ----- Number Of Options under ESOS ----- >			
	At 1.1.2020	Granted	Exercised	At 31.12.2020
<b>The Company</b>				
<i>Direct Interests</i>				
Chan Yoke Chun	-	2,000,000	-	2,000,000
Wong Kok Wah	-	2,000,000	-	2,000,000
Yau Ming Teck	-	3,000,000	-	3,000,000
Wong Koon Wai	-	300,000	-	300,000
Wong Wai Tzing	-	300,000	(30,000)	270,000
Chui Mee Chuen	-	3,000,000	(750,000)	2,250,000
<i>Indirect Interests</i>				
Chan Yoke Chun <sup>#</sup>	-	2,000,000	-	2,000,000
Wong Kok Wah <sup>#</sup>	-	2,000,000	-	2,000,000

*# Deemed interested through spouse's shareholding in the Company.*

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### DIRECTORS' REPORT

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#### DIRECTORS' INTERESTS (CONT'D)

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares, options over unissued shares or warrants of the Company during the financial year are as follows (Cont'd):-

	< ----- Number Of Warrants ----- >			
	At 1.1.2020	Allotted	Sold	At 31.12.2020
<b>The Company</b>				
<i>Direct Interests</i>				
Chan Yoke Chun	68,874,450	-	(68,874,450)	-
Wong Kok Wah	69,982,500	-	(30,335,900)	39,646,600
Yau Ming Teck	4,168,800	-	(4,168,800)	-
Wong Koon Wai	75,000	-	(75,000)	-
Wong Wai Tzing	172,500	-	(80,000)	92,500
Chui Mee Chuen	108,750	-	(108,750)	-
<i>Indirect Interests</i>				
Chan Yoke Chun <sup>#</sup>	69,982,500	-	(30,335,900)	39,646,600
Wong Kok Wah <sup>#</sup>	68,874,450	-	(68,874,450)	-

*# Deemed interested through spouse's shareholding in the Company.*

By virtue of their shareholdings in the Company, Chan Yoke Chun and Wong Kok Wah are deemed to have interests in shares in its subsidiaries during the financial year to the extent of the Company's interest, in accordance with Section 8 of the Companies Act 2016.

#### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 32 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to certain directors pursuant to the ESOS and Warrants as disclosed above.



## **HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### **DIRECTORS' REPORT**

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#### **DIRECTORS' REMUNERATION**

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 31 to the financial statements.

#### **INDEMNITY AND INSURANCE COST**

During the financial year, the amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Group and of the Company were RM5,000,000 and RM13,800 respectively. No indemnity was given to or insurance effected for auditors of the Company.

#### **SUBSIDIARIES**

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

#### **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in Note 37 to the financial statements.

#### **SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD**

The significant events occurring after the reporting period are disclosed in Note 38 to the financial statements.

## **HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### **DIRECTORS' REPORT**

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#### **AUDITORS**

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 27 to the financial statements.

Signed in accordance with a resolution of the directors dated 16 April 2021.



**Chan Yoke Chun**



**Wong Kok Wah**

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Chan Yoke Chun and Wong Kok Wah, being two of the directors of HLT Global Berhad, state that, in the opinion of the directors, the financial statements set out on pages 15 to 108 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 16 April 2021.



Chan Yoke Chun



Wong Kok Wah

### STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Chan Yoke Chun, being the director primarily responsible for the financial management of HLT Global Berhad, do solemnly and sincerely declare that the financial statements set out on pages 15 to 108 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned  
Chan Yoke Chun, NRIC Number: 630107-10-7614  
at Kuala Lumpur  
in the Federal Territory  
on this 16 April 2021

Before me



B-1-2, Blok B, Tingkat 1, Unit 2  
Megan Avenue II  
No 12, Jalan Yap Kwan Seng,  
50450, Kuala Lumpur



Chan Yoke Chun

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HLT GLOBAL BERHAD**

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

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the financial statements of HLT Global Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 108 .

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### **Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence and Other Ethical Responsibilities**

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### **Key Audit Matter**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS  
OF HLT GLOBAL BERHAD (CONT'D)**  
(Incorporated in Malaysia)  
Registration No: 201501038003 (1163324 - H)

**Key Audit Matter (Cont'd)**

We have determined the matter described below to be the key audit matter to be communicated in our report.

<b>Revenue recognition for contract accounting</b> Refer to Note 25 to the financial statements	
<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p>The Group recognises contract revenue and the corresponding contract cost by reference to the progress towards complete satisfaction of the performance obligations stipulated in the contracts. The percentage of completion is determined by reference to the contract costs incurred for work performed to date against the estimated total construction costs.</p> <p>This is an area of focus given the significant judgement by the Management is required in the estimation of total construction costs. Significant changes to contract revenue and cost estimates may lead to significant effects in the reported revenue position and resulting profits.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Conduct and understand the internal control procedures by performing walkthrough test;</li> <li>• Reviewing major contracts at contract inception and identifying the distinct performance obligations;</li> <li>• Assessing basis used in determining the budgeted contract costs;</li> <li>• Reviewing the reasonableness and basis of estimation of the contract works awarded and comparing to the actual costs incurred to date reflects each performance obligation is recognised as revenue when control of the asset is transferred over time; and</li> <li>• Reviewing calculation of recognition of revenue, cost and profit to be consistent with the percentage of completion.</li> </ul>

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HLT GLOBAL BERHAD (CONT'D)**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### **Information Other than the Financial Statements and Auditors' Report Thereon**

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Statements**

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HLT GLOBAL BERHAD (CONT'D)**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### **Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS  
OF HLT GLOBAL BERHAD (CONT'D)**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

Kuala Lumpur

16 April 2021



**Ung Voon Huay**  
03233/09/2022 J  
Chartered Accountant



**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2020**

	Note	The Group		The Company	
		2020 RM	2019 RM	2020 RM	2019 RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investments in subsidiaries	5	-	-	53,313,123	53,313,123
Property, plant and equipment	6	27,099,074	12,219,081	-	-
Right-of-use assets	7	16,969,976	17,304,999	-	-
Goodwill	8	2,785,364	2,785,364	-	-
		<u>46,854,414</u>	<u>32,309,444</u>	<u>53,313,123</u>	<u>53,313,123</u>
<b>CURRENT ASSETS</b>					
Inventories	9	27,521,089	20,785,972	-	-
Trade receivables	10	17,528,984	21,653,136	-	-
Other receivables, deposits and prepayments	11	25,932,379	12,599,985	1,000	1,000
Contract assets	12	4,499,547	1,764,249	-	-
Amount owing by related parties	13	1,229,552	8,922,063	-	-
Amount owing by a subsidiary	14	-	-	11,152,453	11,326,111
Short-term investments	15	69,216,228	9,299,434	33,749,639	7,740,232
Current tax assets		-	298,712	-	-
Fixed deposits with a licensed bank	16	6,220,000	-	720,000	-
Cash and bank balances		41,795,682	12,164,373	193,986	452,147
		<u>193,943,461</u>	<u>87,487,924</u>	<u>45,817,078</u>	<u>19,519,490</u>
<b>TOTAL ASSETS</b>		<u>240,797,875</u>	<u>119,797,368</u>	<u>99,130,201</u>	<u>72,832,613</u>

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2020 (CONT'D)**

	Note	The Group		The Company	
		2020 RM	2019 RM	2020 RM	2019 RM
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	17	98,318,247	73,465,039	98,318,247	73,465,039
Merger deficit	18	(22,032,990)	(22,032,990)	-	-
Employee share option reserve	19	7,730,407	83,049	7,730,407	83,049
Retained profits/ (Accumulated losses)		17,144,894	1,220,882	(7,279,224)	(1,046,721)
Equity attributable to owners of the Company		101,160,558	52,735,980	98,769,430	72,501,367
Non-controlling interests	5	35,879,565	21,597,504	-	-
<b>TOTAL EQUITY</b>		<b>137,040,123</b>	<b>74,333,484</b>	<b>98,769,430</b>	<b>72,501,367</b>
<b>NON-CURRENT LIABILITIES</b>					
Lease liability	20	-	240,923	-	-
Term loans	21	695,901	1,342,470	-	-
Deferred tax liabilities	22	3,995,167	1,948,526	-	-
		4,691,068	3,531,919	-	-
<b>CURRENT LIABILITIES</b>					
Trade payables	23	22,467,199	16,455,846	-	-
Other payables and accruals	24	47,928,865	12,939,467	360,771	331,246
Contract liabilities	12	22,950,297	11,782,378	-	-
Amount owing to related parties	13	390,662	324,150	-	-
Lease liability	20	-	71,454	-	-
Term loans	21	116,993	358,670	-	-
Current tax liabilities		5,212,668	-	-	-
		99,066,684	41,931,965	360,771	331,246
<b>TOTAL LIABILITIES</b>		<b>103,757,752</b>	<b>45,463,884</b>	<b>360,771</b>	<b>331,246</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>240,797,875</b>	<b>119,797,368</b>	<b>99,130,201</b>	<b>72,832,613</b>

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	The Group		The Company	
		2020 RM	2019 RM	2020 RM	2019 RM
REVENUE	25	240,785,841	144,431,581	3,800,000	-
COST OF SALES		(168,094,065)	(130,762,953)	-	-
GROSS PROFIT		72,691,776	13,668,628	3,800,000	-
OTHER OPERATING INCOME		2,703,894	1,213,214	329,709	240,788
		75,395,670	14,881,842	4,129,709	240,788
SELLING AND DISTRIBUTION EXPENSES		(10,291,375)	(1,839,884)	-	-
ADMINISTRATIVE EXPENSES		(8,929,109)	(6,820,754)	(614,936)	(522,413)
OTHER EXPENSES		(10,661,917)	(419,333)	(9,755,313)	-
FINANCE COSTS		(33,798)	(95,856)	-	-
NET REVERSAL/ (IMPAIRMENT LOSSES) ON FINANCIAL ASSETS AND CONTRACT ASSETS	26	484,360	(2,161,595)	-	-
PROFIT/(LOSS) BEFORE TAXATION	27	45,963,831	3,544,420	(6,240,540)	(281,625)
INCOME TAX (EXPENSE)/CREDIT	28	(15,765,795)	468,276	-	-
PROFIT/(LOSS) AFTER TAXATION		30,198,036	4,012,696	(6,240,540)	(281,625)
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR		30,198,036	4,012,696	(6,240,540)	(281,625)

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

		The Group		The Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-</b>					
Owners of the Company		15,915,975	4,835,844	(6,240,540)	(281,625)
Non-controlling interests		14,282,061	(823,148)	-	-
		<u>30,198,036</u>	<u>4,012,696</u>	<u>(6,240,540)</u>	<u>(281,625)</u>
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:-</b>					
Owners of the Company		15,915,975	4,835,844	(6,240,540)	(281,625)
Non-controlling interests		14,282,061	(823,148)	-	-
		<u>30,198,036</u>	<u>4,012,696</u>	<u>(6,240,540)</u>	<u>(281,625)</u>
<b>EARNINGS PER SHARE (SEN):-</b>					
Basic	29	2.92	0.94		
Diluted		2.55	0.94		

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

<b>The Group</b>	<-- Non-Distributable -->			Distributable	Attributable to	Non-	Total
	Share	Merger	Employee	(Accumulated			
	Capital	Deficit	Share	Losses)/	the Company	Interests	RM
	RM	RM	Option	Retained	RM	RM	RM
			Reserve	Profits			
			RM	RM			
Balance at 1.1.2019	73,465,039	(22,032,990)	83,049	(3,614,962)	47,900,136	22,420,652	70,320,788
Profit/(Loss) after taxation/Total comprehensive income/(expenses) for the financial year	-	-	-	4,835,844	4,835,844	(823,148)	4,012,696
Balance at 31.12.2019	73,465,039	(22,032,990)	83,049	1,220,882	52,735,980	21,597,504	74,333,484

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

The Group	Note	<-- Non-Distributable -->			Distributable			Total Equity RM
		Share Capital RM	Merger Deficit RM	Employee Share Option Reserve RM	Retained Profits RM	Attributable to Owners of the Company RM	Non- Controlling Interests RM	
Balance at 31.12.2019/1.1.2020		73,465,039	(22,032,990)	83,049	1,220,882	52,735,980	21,597,504	74,333,484
Profit after taxation/Total comprehensive income for the financial year		-	-	-	15,915,975	15,915,975	14,282,061	30,198,036
Contributions by and distributions to owners of the Company:								
- Issuance of ordinary shares pursuant to:								
- Employees' share options exercised	17(b)	4,766,418	-	(2,099,918)	-	2,666,500	-	2,666,500
- Warrants exercised	17(b)	20,086,790	-	-	-	20,086,790	-	20,086,790
- Share options lapsed		-	-	(8,037)	8,037	-	-	-
- Share options to employees		-	-	9,755,313	-	9,755,313	-	9,755,313
Total transactions with owners		24,853,208	-	7,647,358	8,037	32,508,603	-	32,508,603
Balance at 31.12.2020		98,318,247	(22,032,990)	7,730,407	17,144,894	101,160,558	35,879,565	137,040,123

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

<b>The Company</b>	Note	Share Capital RM	Non- Distributable Employee Share Option Reserve RM	Distributable  Accumulated Losses RM	Total Equity RM
Balance at 1.1.2019		73,465,039	83,049	(765,096)	72,782,992
Loss after taxation/Total comprehensive expenses for the financial year		-	-	(281,625)	(281,625)
Balance at 31.12.2019/1.1.2020		73,465,039	83,049	(1,046,721)	72,501,367
Loss after taxation/Total comprehensive expenses for the financial year		-	-	(6,240,540)	(6,240,540)
Contributions by and distributions to owners of the Company:					
- Issuance of ordinary shares pursuant to:					
- Employees' share options exercised	17(b)	4,766,418	(2,099,918)	-	2,666,500
- Warrants exercised	17(b)	20,086,790	-	-	20,086,790
- Share options lapsed		-	(8,037)	8,037	-
- Share options to employees		-	9,755,313	-	9,755,313
Total transactions with owners		24,853,208	7,647,358	8,037	32,508,603
Balance at 31.12.2020		98,318,247	7,730,407	(7,279,224)	98,769,430

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>				
Profit/(Loss) before taxation	45,963,831	3,544,420	(6,240,540)	(281,625)
Adjustments for:-				
Depreciation of property, plant and equipment	4,791,434	4,405,929	-	-
Depreciation of right-of-use assets	335,023	335,021	-	-
Impairment loss on trade receivables	1,797,588	2,161,595	-	-
Interest expense	33,798	95,856	-	-
Share options to employees	9,755,313	-	9,755,313	-
Unrealised loss/(gain) on foreign exchange	28,709	(10,107)	-	-
Dividend income	(731,233)	(297,270)	(4,123,846)	(238,068)
Fair value gain on short-term investments	(5,863)	(2,720)	(5,863)	(2,720)
Gain on disposal of plant and equipment	(140,193)	(101,635)	-	-
Interest income	(2,574)	(9,454)	-	-
Reversal of impairment loss:				
- trade receivables	(2,281,926)	-	-	-
- contract assets	(22)	-	-	-
Operating profit/(loss) before working capital changes	59,543,885	10,121,635	(614,936)	(522,413)
(Increase)/Decrease in inventories	(6,735,117)	2,926,650	-	-
Net increase in contract liabilities	8,432,643	10,062,180	-	-
(Increase)/Decrease in trade and other receivables	(8,614,054)	3,226,542	-	-
Increase/(Decrease) in trade and other payables	40,992,367	(11,378,477)	29,525	(24,638)
Net decrease/(increase) in amount owing by related parties	7,991,460	(7,091,311)	-	-
<b>CASH FLOWS FROM/(FOR) OPERATIONS</b>	101,611,184	7,867,219	(585,411)	(547,051)
Income tax paid	(8,207,774)	(578,244)	-	-
Income tax refunded	-	1,033,060	-	13,596
Interest received	2,574	9,454	-	-
Interest paid	(33,798)	(95,856)	-	-
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES</b>	93,372,186	8,235,633	(585,411)	(533,455)



**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

	Note	The Group		The Company	
		2020 RM	2019 RM	2020 RM	2019 RM
<b>CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES</b>					
Additional investments in an existing subsidiary		-	-	-	(350,000)
Dividend received		737,096	299,990	4,129,709	240,788
Placement of fixed deposit with tenure more than 3 months		(1,500,000)	-	-	-
Purchase of property, plant and equipment	30(a)	(19,674,517)	(1,342,312)	-	-
Purchase of right-of-use assets	30(a)	-	(100,000)	-	-
Proceeds from disposal of property, plant and equipment		143,283	102,500	-	-
Repayment of advances made to a subsidiary		-	-	173,658	599,392
<b>NET CASH (FOR)/FROM INVESTING ACTIVITIES</b>		<b>(20,294,138)</b>	<b>(1,039,822)</b>	<b>4,303,367</b>	<b>490,180</b>
<b>CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES</b>					
Proceeds from issuance of ordinary shares		22,753,290	-	22,753,290	-
Repayment of term loans	30(b)	(888,246)	(402,101)	-	-
Repayment of bankers' acceptances	30(b)	-	(1,849,000)	-	-
Repayment of lease liability	30(b)	(312,377)	(62,623)	-	-
<b>NET CASH FROM/(FOR) FINANCING ACTIVITIES</b>		<b>21,552,667</b>	<b>(2,313,724)</b>	<b>22,753,290</b>	<b>-</b>

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

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		The Group		The Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		94,630,715	4,882,087	26,471,246	(43,275)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(362,612)	63,191	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		21,463,807	16,518,529	8,192,379	8,235,654
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	30(d)	115,731,910	21,463,807	34,663,625	8,192,379

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# HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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### 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office : Third Floor, No. 77, 79 & 81,  
Jalan SS21/60, Damansara Utama,  
47400 Petaling Jaya, Selangor Darul Ehsan.

Principal place of business : No. 6, Jalan Industri Mas 7,  
Taman Mas, 47130 Puchong,  
Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 16 April 2021.

### 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### 3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3.1 During the current financial year, 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 4: Extension of the Temporary Exemption from Applying MFRS 9

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 the Group's financial statements.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 3. BASIS OF PREPARATION (CONT'D)

- 3.2 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 the current financial year:-

<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

# HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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### 4. SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

##### *Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

##### **(a) Depreciation of Property, Plant and Equipment and Right-of-use Assets**

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment and right-of-use assets are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment and right-of-use assets will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of property, plant and equipment and right-of-use assets as at the reporting date are disclosed in Notes 6 and 7 to the financial statements respectively.

##### **(b) Impairment of Goodwill**

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 8 to the financial statements.

##### **(c) Impairment of Property, Plant and Equipment and Right-of-use Assets**

The Group determines whether an item of its property, plant and equipment and right-of-use assets is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of property, plant and equipment and right-of-use assets as at the reporting date are disclosed in Notes 6 and 7 to the financial statements respectively.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

###### *Key Sources of Estimation Uncertainty (Cont'd)*

###### **(d) Write-down of Inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 9 to the financial statements.

###### **(e) Impairment of Trade Receivables and Contract Assets**

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets. The carrying amounts of trade receivables, contract assets and amount owing by related parties as at the reporting date are disclosed in Notes 10, 12 and 13 to the financial statements respectively.

###### **(f) Impairment of Non-Trade Receivables**

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amounts of other receivables and amount owing by a subsidiary as at the reporting date are disclosed in Notes 11 and 14 to the financial statements respectively.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

###### *Key Sources of Estimation Uncertainty (Cont'd)*

###### **(g) Revenue Recognition for Construction Contracts**

The Group recognises construction revenue by reference to the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amounts of contract assets and contract liabilities as at the reporting date are disclosed in Note 12 to the financial statements.

###### **(h) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax liabilities as at the reporting date is RM5,212,668 (2019: current tax assets - RM298,712).

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

###### *Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

###### **(a) Lease Terms**

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

###### **(b) Contingent Liabilities**

The recognition and measurement for contingent liabilities are based on management's view of the expected outcome on contingencies after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business.

###### **(c) Share-based Payments**

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.



## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

##### **(a) Business Combinations of Entities Under Common Control**

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented of, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any excess or deficiency of the nominal value of the shares acquired is taken to shareholder's equity as a merger reserve or deficit.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.2 BASIS OF CONSOLIDATION (CONT'D)

###### (b) Business Combinations of Entities Under Non-Common Control

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

###### (c) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

###### (d) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.2 BASIS OF CONSOLIDATION (CONT'D)

###### (e) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

##### 4.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

# HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.4 FUNCTIONAL AND FOREIGN CURRENCIES

##### (a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

##### (b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

#### 4.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.5 FINANCIAL INSTRUMENTS (CONT'D)

###### (a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

###### *Debt Instruments*

###### (i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

###### (ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

###### (iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

---

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.5 FINANCIAL INSTRUMENTS (CONT'D)

###### (a) Financial Assets (Cont'd)

###### *Equity Instruments*

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

###### (b) Financial Liabilities

###### (i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expense) of these financial liabilities are recognised in profit or loss.

###### (ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

---

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.5 FINANCIAL INSTRUMENTS (CONT'D)

###### (c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

###### Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

###### (d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

# HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries including the fair value adjustments at inception date or the share options granted to employees of the subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

#### 4.7 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation on property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Buildings	2%
Factory equipment	10%
Plant and machineries	10%
Air conditioners	10% - 20%
Computers	20%
Electrical installation	20%
Furniture and fittings	20%
Lab equipment	20%
Motor vehicles	20%
Office equipment	10% - 20%
Renovation	20%
Tools and utensils	50%



## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

##### 4.8 LEASES

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentive received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

## **HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.8 LEASES (CONT'D)**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

##### **4.9 INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on normal capacity of the production facilities.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

##### **4.10 CONTRACT ASSET AND CONTRACT LIABILITY**

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

##### **4.11 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.12 IMPAIRMENT

###### (a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statements of financial position.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.12 IMPAIRMENT (CONT'D)

###### (b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

##### 4.13 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.14 EMPLOYEE BENEFITS

###### (a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

###### (b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

###### (c) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employee share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

Upon expiry of the share option, the employee share option reserve is transferred to retained profits.

When the share options are exercised, the employee share option reserve is transferred to share capital if new ordinary shares are issued.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.15 INCOME TAXES

###### (a) Current Tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

###### (b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

## **HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.16 CONTINGENT LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

##### **4.17 OPERATING SEGMENTS**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

##### **4.18 EARNINGS PER ORDINARY SHARE**

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise warrants and share options granted to employees.

## **HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.19 BORROWING COSTS**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

##### **4.20 FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.



## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.21 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

##### (a) Manufacturing of Glove-Dipping Machine

Revenue from manufacturing of glove-dipping machine is recognised over time in the period in which the services are rendered using the input method, determined based the proportion of manufacturing costs incurred for work performed to date over the estimated total manufacturing costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using most likely method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.21 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

###### (b) Sale of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

###### (c) Rendering of Services

Revenue is recognised at a point in time when the services have been rendered to the customers and coincides with the delivery of services and acceptance by customers.

##### 4.22 REVENUE FROM OTHER SOURCE AND OTHER OPERATING INCOME

###### (a) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

###### (b) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

#### 5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2020 RM	2019 RM
Unquoted shares, at cost		
At 1 January	53,313,123	52,963,123
Addition during the financial year	-	350,000
At 31 December	<u>53,313,123</u>	<u>53,313,123</u>

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2020 %	2019 %	
HL Advance Technologies (M) Sdn. Bhd. ("HLA")	Malaysia	100	100	Manufacture of glove-dipping machines, fabrication works on metal and stainless steel products and carry out all supporting services associated therewith.
HL Rubber Industries Sdn. Bhd. ("HLRI")	Malaysia	55	55	Manufacture and trading of rubber gloves.

(a) The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest		The Group	
	2020 %	2019 %	2020 RM	2019 RM
HLRI	45	45	<u>35,879,565</u>	<u>21,597,504</u>

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (b) The summarised financial information (before intra-group elimination) for the subsidiary that has non-controlling interests that are material to the Group is as follows:-

	HLRI	
	2020 RM	2019 RM
<u>At 31 December</u>		
Non-current assets	33,216,594	24,990,273
Current assets	107,814,360	41,921,724
Non-current liabilities	(3,995,167)	(2,441,177)
Current liabilities	(57,564,873)	(16,476,366)
Net assets	<u>79,470,914</u>	<u>47,994,454</u>
<u>Financial Year Ended 31 December</u>		
Revenue	172,296,331	90,672,346
Profit/(Loss) for the financial year	41,737,914	(1,829,217)
Total comprehensive income/(expenses)	<u>41,737,914</u>	<u>(1,829,217)</u>
Total comprehensive income/(expenses) attributable to non-controlling interests	<u>14,282,061</u>	<u>(823,148)</u>
Net cash flows from operating activities	64,337,595	8,220,793
Net cash flows for investing activities	(29,677,779)	(1,335,795)
Net cash flows for financing activities	<u>(3,081,131)</u>	<u>(1,772,466)</u>

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****6. PROPERTY, PLANT AND EQUIPMENT**

<b>The Group</b>	At 1.1.2020 RM	Additions (Note 30(a)) RM	Disposal RM	Depreciation Charges (Note 27) RM	At 31.12.2020 RM
<i>Carrying Amount</i>					
Factory equipment	928,281	304,165	-	(270,374)	962,072
Plant and machineries	9,878,057	4,260,000	-	(2,746,984)	11,391,073
Air conditioners	19,879	6,540	-	(10,306)	16,113
Computers	78,897	43,480	(3,090)	(34,903)	84,384
Electrical installation	91,535	-	-	(34,086)	57,449
Furniture and fittings	950	3,600	-	(990)	3,560
Lab equipment	10,281	20,200	-	(4,174)	26,307
Motor vehicles	209,261	144,060	-	(175,974)	177,347
Office equipment	35,859	42,809	-	(20,719)	57,949
Renovation	140,151	-	-	(44,136)	96,015
Tools and utensils	825,930	3,962,323	-	(1,448,788)	3,339,465
Capital work-in-progress	-	10,887,340	-	-	10,887,340
	12,219,081	19,674,517	(3,090)	(4,791,434)	27,099,074

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

<b>The Group</b>	At 1.1.2019 RM	Additions (Note 30(a)) RM	Disposal RM	Depreciation Charges (Note 27) RM	At 31.12.2019 RM
<i>Carrying Amount</i>					
Factory equipment	1,158,539	53,154	-	(283,412)	928,281
Plant and machineries	12,292,446	441,653	-	(2,856,042)	9,878,057
Air conditioners	31,802	-	-	(11,923)	19,879
Computers	93,136	28,513	(865)	(41,887)	78,897
Electrical installation	125,621	-	-	(34,086)	91,535
Furniture and fittings	1,580	-	-	(630)	950
Lab equipment	12,895	-	-	(2,614)	10,281
Motor vehicles	496,883	-	-	(287,622)	209,261
Office equipment	51,753	3,850	-	(19,744)	35,859
Renovation	79,913	99,403	-	(39,165)	140,151
Tools and utensils	938,995	715,739	-	(828,804)	825,930
	<b>15,283,563</b>	<b>1,342,312</b>	<b>(865)</b>	<b>(4,405,929)</b>	<b>12,219,081</b>

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
<b>The Group</b>			
At 31.12.2020			
Factory equipment	3,459,123	(2,497,051)	962,072
Plant and machineries	38,806,849	(27,415,776)	11,391,073
Air conditioners	136,576	(120,463)	16,113
Computers	497,994	(413,610)	84,384
Electrical installation	170,429	(112,980)	57,449
Furniture and fittings	134,038	(130,478)	3,560
Lab equipment	72,364	(46,057)	26,307
Motor vehicles	2,612,216	(2,434,869)	177,347
Office equipment	179,812	(121,863)	57,949
Renovation	249,195	(153,180)	96,015
Tools and utensils	6,386,579	(3,047,114)	3,339,465
Capital work-in-progress	10,887,340	-	10,887,340
	<b>63,592,515</b>	<b>(36,493,441)</b>	<b>27,099,074</b>
At 31.12.2019			
Factory equipment	3,154,958	(2,226,677)	928,281
Plant and machineries	34,589,849	(24,711,792)	9,878,057
Air conditioners	130,036	(110,157)	19,879
Computers	459,509	(380,612)	78,897
Electrical installation	170,429	(78,894)	91,535
Furniture and fittings	130,438	(129,488)	950
Lab equipment	52,164	(41,883)	10,281
Motor vehicles	3,236,772	(3,027,511)	209,261
Office equipment	137,003	(101,144)	35,859
Renovation	249,195	(109,044)	140,151
Tools and utensils	2,974,776	(2,148,846)	825,930
	<b>45,285,129</b>	<b>(33,066,048)</b>	<b>12,219,081</b>

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****7. RIGHT-OF-USE ASSETS**

<b>The Group</b>	At 1.1.2020 RM	Depreciation Charges (Note 27) RM	At 31.12.2020 RM
<b>2020</b>			
<i>Carrying Amount</i>			
Leasehold apartments	72,758	(959)	71,799
Leasehold land	4,094,150	(59,606)	4,034,544
Buildings	12,758,091	(179,458)	12,578,633
Motor vehicle	380,000	(95,000)	285,000
	<b>17,304,999</b>	<b>(335,023)</b>	<b>16,969,976</b>

	At 1.1.2019 RM	Addition RM	Depreciation Charges (Note 27) RM	At 31.12.2019 RM
<b>2019</b>				
<i>Carrying Amount</i>				
Leasehold apartments	73,715	-	(957)	72,758
Leasehold land	4,153,753	-	(59,603)	4,094,150
Buildings	12,937,552	-	(179,461)	12,758,091
Motor vehicle	-	475,000	(95,000)	380,000
	<b>17,165,020</b>	<b>475,000</b>	<b>(335,021)</b>	<b>17,304,999</b>

	<b>2020</b> RM	<b>2019</b> RM
Analysed by:-		
Cost	19,027,556	19,027,556
Accumulated depreciation	(2,057,580)	(1,722,557)
	<b>16,969,976</b>	<b>17,304,999</b>



## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 7. RIGHT-OF-USE ASSETS (CONT'D)

- (a) The Group leases certain pieces of leasehold land and motor vehicle of which the leasing activities are summarised below:-
- |   |  |
|---|--|
| (i) Leasehold apartments and leasehold land | The Group has entered into 4 (2019 - 4) non-cancellable operating lease agreements for the use of apartments and land. The leases are for a period of 99 (2019 - 99) years with no renewal or purchase option included in the agreements. The leases do not allow the Group to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land. |
| (ii) Motor vehicle                          | The Group has leased its motor vehicle under hire purchase arrangement. The Group has an option to purchase the asset at the expiry of the lease period at an insignificant amount.  |
- (b) The leasehold land and buildings of the Group have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 21 to the financial statements.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 8. GOODWILL

	The Group	
	2020 RM	2019 RM
Cost:- At 1 January/31 December	2,785,364	2,785,364

- (a) The Group has assessed the recoverable amounts of goodwill allocated and determined that no impairment is required. The recoverable amount of the cash-generating unit is determined using the value in use approach, and this is derived from the present value of the future cash flows from the cash-generating unit computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amount are as follows:-

	Gross Profit Margin		Growth Rate		Discount Rate	
	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
HLRI	21.00 - 40.00	3.00 - 5.00	-19.00 - 68.00	5.00 - 6.00	27.76	11.35

- (i) Budgeted gross profit margin      Average gross margin achieved in 5 (2019 - 5) financial years immediately before the budgeted period increased for expected efficiency improvements and cost saving measures.
- (ii) Growth rate      Based on the expected projection of the rubber gloves sector.
- (iii) Discount rate (pre-tax)      Reflects specific risks relating to the relevant cash-generating unit.

The values assigned to the key assumptions represent management's assessment of future trends in the cash-generating units and are based on both external sources and internal historical data.

- (b) The directors believe that there is no reasonable possible change in the above key assumptions applied that is likely to materially cause the cash-generating unit carrying amount to exceed its recoverable amount.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 9. INVENTORIES

	The Group	
	2020 RM	2019 RM
Raw materials	17,895,279	6,431,829
Work-in-progress	2,059,033	8,870,912
Goods-in-transit	2,385,800	1,259,649
Finished goods	5,180,977	4,223,582
	<u>27,521,089</u>	<u>20,785,972</u>

None of the inventories is carried at net realisable value.

The amount of inventories recognised as an expense in cost of sales was RM128,736,358 (2019 - RM93,587,815).

#### 10. TRADE RECEIVABLES

	The Group	
	2020 RM	2019 RM
Trade receivables	36,074,710	40,684,333
Allowance for impairment losses	(18,545,726)	(19,031,197)
	<u>17,528,984</u>	<u>21,653,136</u>
Allowance for impairment losses:-		
At 1 January	(19,031,197)	(16,869,602)
Addition during the financial year (Note 26)	(1,797,588)	(2,161,595)
Reversal during the financial year (Note 26)	2,281,926	-
	<u>(18,546,859)</u>	<u>(19,031,197)</u>
Effect of foreign exchange	1,133	-
At 31 December	<u>(18,545,726)</u>	<u>(19,031,197)</u>

The Group's normal trade credit terms range from 30 to 90 (2019 - 30 to 90) days.

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	Note	The Group		The Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Other receivables: -					
Third parties	(a)	604,503	10,443,656	-	-
Goods and services tax recoverable		670,918	670,918	-	-
		1,275,421	11,114,574	-	-
Deposits		1,383,584	422,776	1,000	1,000
Prepayments		495,962	434,568	-	-
Advance payment	(b)	22,777,412	628,067	-	-
		25,932,379	12,599,985	1,000	1,000

- (a) In the last financial year, included in other receivables of the Group is a profit guarantee receivable of RM10,000,000 from the acquisition of a subsidiary.
- (b) The advances to suppliers are unsecured and interest-free. The amount owing will be recovered against future purchases from the suppliers.

**12. CONTRACT ASSETS/(LIABILITIES)**

	The Group	
	2020 RM	2019 RM
<b>Contract Assets</b>		
Contract assets relating to construction contracts	6,987,475	4,252,199
Allowance for impairment losses	(2,487,928)	(2,487,950)
	4,499,547	1,764,249
Allowance for impairment losses:-		
At 1 January	(2,487,950)	(2,487,950)
Reversal during the financial year (Note 26)	22	-
At 31 December	(2,487,928)	(2,487,950)
<b>Contract Liabilities</b>		
Contract liabilities relating to construction contract	(22,950,297)	(11,782,378)

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 12. CONTRACT ASSETS/(LIABILITIES) (CONT'D)

- (a) The contract assets primarily relate to the Group's right to consideration for construction work completed on construction contracts but not yet billed as at the reporting date. The amount will be invoiced within 6 (2019 - 6) months.
- (b) The contract liabilities primarily relate to advance considerations received from few customers for construction contracts of which the revenue will be recognised over the remaining contract term of the specific contract it relates to, ranging from 3 to 6 (2019 - 3 to 6) months.
- (c) The changes to contract asset and contract liability balances during the financial year are summarised below:-

	The Group	
	2020 RM	2019 RM
At 1 January	(10,018,129)	44,051
Revenue recognised in profit or loss during the financial year	66,493,049	50,070,434
Bilings to customers during the financial year	(74,925,692)	(60,132,614)
Reversal of impairment losses on contract assets	22	-
At 31 December	<u>(18,450,750)</u>	<u>(10,018,129)</u>
Represented by:-		
Contract assets	4,499,547	1,764,249
Contract liabilities	<u>(22,950,297)</u>	<u>(11,782,378)</u>
	<u>(18,450,750)</u>	<u>(10,018,129)</u>

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 13. AMOUNTS OWING BY/(TO) RELATED PARTIES

The amounts owing are trade in nature and subject to the normal trade credit term of 30 (2019 - 30) days.

#### 14. AMOUNT OWING BY A SUBSIDIARY

The amount owing is non-trade in nature and represents unsecured payments made on behalf. The amount owing is repayable on demand and is to be settled in cash.

#### 15. SHORT-TERM INVESTMENTS

	The Group			
	2020		2019	
	Carrying Amount RM	Market Value RM	Carrying Amount RM	Market Value RM
Money market fund, at fair value (Note 30(d))	69,216,228	69,216,228	9,299,434	9,299,434

	The Company			
	2020		2019	
	Carrying Amount RM	Market Value RM	Carrying Amount RM	Market Value RM
Money market fund, at fair value (Note 30(d))	33,749,639	33,749,639	7,740,232	7,740,232

#### 16. FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposits with a licensed bank of the Group and the Company at the end of the reporting period bore effective interest rates ranging from 1.7% to 1.85% (2019 - Nil) and 1.70% (2019 - Nil) per annum respectively. The fixed deposits have maturity periods ranging from 4 to 365 (2019 - Nil) days and 4 (2019 - Nil) days for the Group and the Company respectively.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 17. SHARE CAPITAL

	The Group/The Company			
	2020	2019	2020	2019
	Number Of Shares		RM	RM
<b>Issued and Fully Paid-Up</b>				
Ordinary Shares				
At 1 January	511,977,099	511,977,099	73,465,039	73,465,039
New shares issued pursuant to:				
- employees' share options exercised (Note 19)	4,135,000	-	4,766,418	-
- warrants exercised	100,433,950	-	20,086,790	-
At 31 December	<u>616,546,049</u>	<u>511,977,099</u>	<u>98,318,247</u>	<u>73,465,039</u>

- (a) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.
- (b) During the financial year, the Company increased its issued and paid-up share capital from RM73,465,039 to RM98,318,247 by way of:-
- (i) Issuance of 4,135,000 new ordinary shares from the exercise of options under the Company's Employee Share Option Scheme at exercise prices of RM0.30 and RM0.70 which amounted to RM4,766,418.
- (ii) Issuance of 100,433,950 new ordinary shares from exercise of warrants at exercise price of RM0.20 which amounted to RM20,086,790.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

#### 18. MERGER DEFICIT

The merger deficit arose from the difference between the carrying value of the investment and the nominal value of the shares of a subsidiary upon consolidation under the merger accounting principles.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 19. EMPLOYEE SHARE OPTION RESERVE

The employee share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

The Employee Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 28 October 2016. The ESOS is to be in force for a period of 5 years effective from 2 December 2016.

The main features of the ESOS are as follows:-

- (a) Eligible persons are employees or directors of the Group, who have been confirmed in the employment of the Group and have served for at least six (6) months before the date of the offer.
- (b) The maximum number of new ordinary shares of the Company, which may be available under the scheme, shall be up to ten percent (10%) of the issued and paid-up share capital of the Company (excluding treasury shares) at the point in time when an offer is made. The Company will for the duration of the scheme make available sufficient number of new shares in the unissued share capital of the Company to satisfy all subsisting options which may be exercisable from time to time.
- (c) The option price for the IPO ESOS Grant, shall be the initial public offering price. The option which is not granted as part of the IPO ESOS Grant, option price shall be determined by the ESOS Committee based on the five (5) day weighted average market price of ordinary shares immediately preceding the date of offer of the option, with a potential discount of not more than 10% in accordance with any prevailing guideline issued by Bursa Securities or any other relevant authorities as may be amended from time to time, or at the par value of ordinary shares of the Company, whichever is higher.
- (d) The option may be exercised by the grantee by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new ordinary shares of the Company comprised in the ESOS.
- (e) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new ordinary shares.



## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 19. EMPLOYEE SHARE OPTION RESERVE (CONT'D)

The option prices and the details in the movement of the options granted are as follows:-

Date of Offer	Exercise Price	Contractual Life of Options	<-----Number of Options over Ordinary Shares----->				
			At 1 January 2020	Granted	Exercised	Lapsed/ Rejected	At 31 December 2020
2 December 2016	RM0.30*	5 Years	697,500	-	(570,000)	(67,500)	60,000
24 July 2020	RM0.70	5 Years	-	26,070,000	(3,565,000)	(85,000)	22,420,000
			<u>697,500</u>	<u>26,070,000</u>	<u>(4,135,000)</u>	<u>(152,500)</u>	<u>22,480,000</u>

The options which lapsed during the financial year were due to the resignations of employees.

\* Arising from the bonus issue and in accordance with the ESOS By-Laws, adjustments have been made to both the number of options and the subscription price of options.

No person to whom the share option has been granted above has any right to participate by virtue of the option in any share issue of any other company.

The number of options exercisable as at 31 December 2020 was 9,392,500 (2019 - 697,500) and have exercise prices of RM0.30 and RM0.70 (2019 - RM0.30) and a weighted average contractual life of 5 (2019 - 5) years.

On 24 July 2020, the Company has granted 26,070,000 share options under the ESOS, out of which, 12,982,500 were exercisable during the financial year. These options expire on 24 July 2025 and the remaining options are exercisable if the employee remains in service for 3 years from the date of grant.

During the financial year, 4,135,000 share options were exercised at exercise prices of RM0.30 and RM0.70 each in exchange for 4,135,000 new ordinary shares as disclosed in Note 17 to the financial statements.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

#### 19. EMPLOYEE SHARE OPTION RESERVE (CONT'D)

The fair values of the share options granted were estimated using a Trinomial Model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the assumptions used are as follows:-

	The Group/The Company		
	ESOS 1 2020	ESOS 2 2020	ESOS 1 2019
Fair value of share options at the grant date (RM)	0.12	0.57	0.12
Weighted average ordinary share price (RM)	0.45	0.79	0.45
Exercise price of share option (RM)	0.30 <sup>^</sup>	0.70	0.30 <sup>^</sup>
Expected volatility (%)	38.27	84.04	38.27
Expected life (years)	5	5	5
Risk free rate (%)	3.885	2.444	3.885
Expected dividend yield (%)	0	0	0

<sup>^</sup> Adjusted for the alteration in the capital structure of the Company during the option period.

#### 20. LEASE LIABILITY

	The Group	
	2020 RM	2019 RM
At 1 January	312,377	-
Acquisition of new lease	-	375,000
Interest expense recognised in profit or loss (Note 27)	6,346	13,761
Repayment of principal	(312,377)	(62,623)
Repayment of interest expense	(6,346)	(13,761)
At 31 December	-	312,377
Analysed by:-		
Current liabilities	-	71,454
Non-current liabilities	-	240,923
	-	312,377

The lease liability of the Group was secured by the Group's motor vehicle under the hire purchase arrangement as disclosed in Note 7 to the financial statements, with lease term of 5 years and bore effective interest rate of 4.22%.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 21. TERM LOANS

	The Group	
	2020 RM	2019 RM
Current liabilities	116,993	358,670
Non-current liabilities	695,901	1,342,470
	<hr/>	<hr/>
	812,894	1,701,140
	<hr/>	<hr/>

The interest rate profile of the term loans is summarised below:-

	Effective Interest Rate		The Group	
	2020 %	2019 %	2020 RM	2019 RM
Floating rate term loan I	3.27	4.52	812,894	938,214
Floating rate term loan II	-	4.72	-	382,202
Floating rate term loan III	-	4.92	-	380,724
			<hr/>	<hr/>
			812,894	1,701,140
			<hr/>	<hr/>

Term loan I is secured by:-

- (i) deed of assignments cum loan agreements over the leasehold land and buildings of the Group as disclosed in Note 7 to the financial statements; and
- (ii) a joint and several guarantee of certain directors of the Group.

Term loans II and III were secured by:-

- (i) a first charge over the leasehold land and building of the Group;
- (ii) a basic factory debenture over the leasehold land and building of the Group; and
- (iii) a corporate guarantee from a corporate shareholder of the subsidiary.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 22. DEFERRED TAX LIABILITIES

The Group	At 1.1.2020 RM	Recognised in Profit or Loss (Note 28) RM	At 31.12.2020 RM
<b>2020</b>			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	-	1,729,227	1,729,227
Right-of-use assets	1,948,526	335,452	2,283,978
<i>Deferred Tax Asset</i>			
Provisions	-	(18,038)	(18,038)
	<u>1,948,526</u>	<u>2,046,641</u>	<u>3,995,167</u>
	At 1.1.2019 RM	Recognised in Profit or Loss (Note 28) RM	At 31.12.2019 RM
<b>2019</b>			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	2,591,245	(2,591,245)	-
Right-of-use assets	1,970,384	(21,858)	1,948,526
<i>Deferred Tax Asset</i>			
Unused tax losses	(2,044,941)	2,044,941	-
	<u>2,516,688</u>	<u>(568,162)</u>	<u>1,948,526</u>

#### 23. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 7 to 120 (2019 - 7 to 120) days.

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****24. OTHER PAYABLES AND ACCRUALS**

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other payables:-				
Third parties	3,572,077	7,310,156	190,771	160,736
Goods and services tax payable	667,197	667,197	-	-
Sales and services tax payable	154,298	-	-	-
	<u>4,393,572</u>	<u>7,977,353</u>	<u>190,771</u>	<u>160,736</u>
Accruals	6,356,120	4,717,317	170,000	170,510
Advance payment from customers	37,179,173	244,797	-	-
	<u>47,928,865</u>	<u>12,939,467</u>	<u>360,771</u>	<u>331,246</u>

**25. REVENUE**

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Revenue from Contracts with Customers</b>				
<u>Recognised over time</u>				
Manufacturing of glove-dipping machines	66,493,049	50,070,434	-	-
<u>Recognised at a point in time</u>				
Sale of goods	172,450,194	91,740,784	-	-
Rendering of services	1,842,598	2,620,363	-	-
	<u>240,785,841</u>	<u>144,431,581</u>	<u>-</u>	<u>-</u>
<b>Revenue from Other Source</b>				
Dividend income	-	-	3,800,000	-
	<u>240,785,841</u>	<u>144,431,581</u>	<u>3,800,000</u>	<u>-</u>

The information on the disaggregation of revenue by geographical market is disclosed in Note 33.2 to the financial statements.

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****26. NET REVERSAL/(IMPAIRMENT LOSSES) ON FINANCIAL ASSETS AND CONTRACT ASSETS**

	The Group	
	2020 RM	2019 RM
Impairment losses:		
- trade receivables (Note 10)	(1,797,588)	(2,161,595)
Reversal of impairment losses:		
- trade receivables (Note 10)	2,281,926	-
- contract assets (Note 12)	22	-
	484,360	(2,161,595)

**27. PROFIT/(LOSS) BEFORE TAXATION**

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit/(Loss) before taxation is arrived at after charging/ (crediting):-				
Auditors' remuneration:				
- audit fee:				
- current financial year	110,000	107,000	35,000	35,000
- overprovision in the previous financial year	-	(5,000)	-	-
- non-audit fees:				
- current financial year	5,000	5,000	5,000	5,000
Depreciation:				
- property, plant and equipment (Note 6)	4,791,434	4,405,929	-	-
- right-of-use assets (Note 7)	335,023	335,021	-	-
Directors' remuneration:				
- fees	160,000	160,000	160,000	160,000
- non-fees emoluments	1,949,036	1,868,040	-	-
Interest expenses on financial liabilities that are not at fair value through profit or loss:				
- bank overdraft	-	1,740	-	-
- term loans (Note 30(b))	27,452	44,230	-	-
- bankers' acceptances	-	36,125	-	-

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****27. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)**

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit/(Loss) before taxation is arrived at after charging/ (crediting) (Cont'd):-				
Interest expense on lease liability (Note 20) (Note 30(b))	6,346	13,761	-	-
Loss/(Gain) on foreign exchange:				
- realised	853,984	276,534	-	-
- unrealised	28,709	(10,107)	-	-
Rental expenses on:				
- equipment	172,964	289,047	-	-
- factory	45,000	-	-	-
- premises	62,360	37,626	-	-
- warehouse	1,417	11,023	-	-
Share options expense	9,755,313	-	9,755,313	-
Staff costs (including other key management personnel as disclosed in Note 31):				
- short-term employee benefits	13,379,583	13,181,020	-	-
- defined contribution benefits	610,872	524,138	-	-
Dividend income:				
- short-term investments	(731,233)	(297,270)	(323,846)	(238,068)
Fair value gain on financial assets measured at fair value through profit or loss mandatorily:				
- short-term investment	(5,863)	(2,720)	(5,863)	(2,720)
Gain on disposal of property, plant and equipment	(140,193)	(101,635)	-	-
Interest income on financial assets measured at amortised cost:				
- others	(2,574)	(9,454)	-	-

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****28. INCOME TAX EXPENSE/(CREDIT)**

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current tax:	13,669,000	130,000	-	-
- current financial year				
- under/(over)provision in the previous financial year	50,154	(30,114)	-	-
	<u>13,719,154</u>	<u>99,886</u>	<u>-</u>	<u>-</u>
Deferred tax (Note 22):				
- origination and reversal of temporary differences	2,144,138	(481,938)	-	-
- overprovision in the previous financial year	(97,497)	(86,224)	-	-
	<u>2,046,641</u>	<u>(568,162)</u>	<u>-</u>	<u>-</u>
	<u>15,765,795</u>	<u>(468,276)</u>	<u>-</u>	<u>-</u>



**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****28. INCOME TAX EXPENSE/(CREDIT) (CONT'D)**

A reconciliation of income tax expense/(credit) applicable to the profit/(loss) before taxation at the statutory tax rate to income tax expense/(credit) at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit/(Loss) before taxation	45,963,831	3,544,420	(6,240,540)	(281,625)
Tax at the statutory tax rate of 24% (2019 - 24%)	11,031,319	850,661	(1,497,730)	(67,590)
Tax effects of:-				
Non-deductible expenses	5,020,472	303,590	2,488,860	125,379
Non-taxable income	(196,942)	(57,789)	(991,130)	(57,789)
Utilisation of deferred tax assets previously not recognised	(41,711)	(1,448,400)	-	-
Under/(Over)provision of current tax in the previous financial year	50,154	(30,114)	-	-
Overprovision of deferred tax in the previous financial year	(97,497)	(86,224)	-	-
	15,765,795	(468,276)	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019 - 24%) of the estimated assessable profit for the financial year.

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****28. INCOME TAX EXPENSE/(CREDIT) (CONT'D)**

No deferred tax assets were recognised for the following items:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Provisions	18,471,000	18,770,000	-	-
Unabsorbed capital allowances	-	(9,113,000)	-	-
Temporary differences on property, plant and equipment	(799,000)	7,782,000	-	-
	<u>17,672,000</u>	<u>17,439,000</u>	<u>-</u>	<u>-</u>

**29. EARNINGS PER SHARE**

	The Group	
	2020	2019
<b>Basic earnings per share</b>		
Profit after taxation attributable to owners of the Company (RM)	<u>15,915,975</u>	<u>4,835,844</u>
Weighted average number of ordinary shares in issue:-		
Ordinary shares at 1 January	511,977,099	511,977,099
Effects of new ordinary shares issued	33,720,150	-
Weighted average number of ordinary shares at 31 December	<u>545,697,249</u>	<u>511,977,099</u>
Basic earnings per ordinary share (sen)	<u>2.92</u>	<u>0.94</u>

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 29. EARNINGS PER SHARE (CONT'D)

	The Group	
	2020	2019
<b>Diluted earnings per share</b>		
Profit after taxation attributable to owners of the Company (RM)	15,915,975	4,835,844
Weighted average number of ordinary shares for basic earnings per share	545,697,249	511,977,099
Shares deemed to be issued for no consideration:		
- employee share options in issue	2,011,373	-
- warrants in issue	76,425,248	-
Weighted average number of ordinary shares for diluted earnings per share computation	624,133,870	511,977,099
Diluted earnings per ordinary share (sen)	2.55	#

# In the last financial year, the effects of potential ordinary shares arising from the conversion of ESOS and warrants are anti-dilutive and accordingly, they had been ignored in the calculation of dilutive earnings per share. As a result, the diluted earnings per ordinary share is the same as basic earnings per share.

#### 30. CASH FLOW INFORMATION

- (a) The cash disbursed for the purchase of property, plant and equipment and right-of-use assets is as follows:-

	The Group	
	2020 RM	2019 RM
Cash disbursed for purchase of property, plant and equipment (Note 6)	19,674,517	1,342,312
Cost of right-of-use assets (Note 7)	-	475,000
Less: Amount financed through lease (Note (b) below)	-	(375,000)
Cash disbursed for purchase of right-of-use assets	-	100,000
	19,674,517	1,442,312

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****30. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows:-

<b>The Group</b>	Lease Liability RM	Term Loans RM	Total RM	
<b>2020</b>				
At 1 January	312,377	1,701,140	2,013,517	
<u>Changes in Financing Cash Flows</u>				
Repayment of borrowing principal	(312,377)	(888,246)	(1,200,623)	
Repayment of borrowing interests	(6,346)	(27,452)	(33,798)	
	(318,723)	(915,698)	(1,234,421)	
<u>Non-cash Change</u>				
Finance charges recognised in profit or loss (Note 27)	6,346	27,452	33,798	
At 31 December	-	812,894	812,894	
<b>The Group</b>	Lease Liability RM	Bankers' Acceptances RM	Term Loans RM	Total RM
<b>2019</b>				
At 1 January	-	1,849,000	2,103,241	3,952,241
<u>Changes in Financing Cash Flows</u>				
Acquisition of new lease	375,000	-	-	375,000
Repayment of borrowing principal	(62,623)	(1,849,000)	(402,101)	(2,313,724)
Repayment of borrowing interests	(13,761)	(36,125)	(44,230)	(94,116)
	298,616	(1,885,125)	(446,331)	(2,032,840)
<u>Non-cash Change</u>				
Finance charges recognised in profit or loss (Note 27)	13,761	36,125	44,230	94,116
At 31 December	312,377	-	1,701,140	2,013,517

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****30. CASH FLOW INFORMATION (CONT'D)**

(c) The total cash outflows for leases as a leasee are as follows:-

	<b>The Group</b>	
	<b>2020</b>	<b>2019</b>
	RM	RM
Interest paid on lease liability	6,346	13,761
Payment of lease liability	312,377	62,623
	318,723	76,384
	318,723	76,384

(d) The cash and cash equivalents comprise the following:-

	<b>The Group</b>		<b>The Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	RM	RM	RM	RM
Fixed deposits with a licensed bank	6,220,000	-	720,000	-
Cash and bank balances	41,795,682	12,164,373	193,986	452,147
Money market funds (Note 15)	69,216,228	9,299,434	33,749,639	7,740,232
	117,231,910	21,463,807	34,663,625	8,192,379
Less: Fixed deposit with tenure of more than 3 months	(1,500,000)	-	-	-
	115,731,910	21,463,807	34,663,625	8,192,379

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

#### 31. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>(a) Directors</b>				
<u>Directors of the Company</u>				
Non-Executive Directors				
Short-term employee benefits:				
- fees	160,000	160,000	160,000	160,000
- allowances	135,323	134,400	-	-
	<u>295,323</u>	<u>294,400</u>	<u>160,000</u>	<u>160,000</u>
Executive Directors				
Short-term employee benefits:				
- salaries, bonuses and other benefits	1,621,113	1,557,000	-	-
- defined contribution benefits	192,600	176,640	-	-
	<u>1,813,713</u>	<u>1,733,640</u>	<u>-</u>	<u>-</u>
Total directors' remuneration (Note 27)	<u>2,109,036</u>	<u>2,028,040</u>	<u>160,000</u>	<u>160,000</u>
<b>(b) Other Key Management Personnel</b>				
Short-term employee benefits:				
- salaries, bonuses and other benefits	1,115,429	695,713	-	-
- defined contribution benefits	124,504	85,651	-	-
	<u>1,239,933</u>	<u>781,364</u>	<u>-</u>	<u>-</u>
Total compensation for other key management personnel (Note 27)	<u>1,239,933</u>	<u>781,364</u>	<u>-</u>	<u>-</u>

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 32. RELATED PARTY DISCLOSURES

##### (a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationship with its directors, significant investors, key management personnel and entities within the same group of companies.

##### (b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following transactions with the related parties during the financial year:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Dividend from a subsidiary	-	-	3,800,000	-
Purchases from a related party	2,466,207	933,651	-	-
Sales to related parties	20,602,856	75,366,287	-	-

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 33. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Chief Executive Officer as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

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

- Glove-dipping lines - manufacture of glove-dipping machines, fabrication works on metal and stainless steel products and carry out all supporting services associated therewith
  - Rubber gloves - manufacturing and trading of rubber gloves
  - Corporate - provision of corporate services to the entities within the Group
- (a) The Chief Executive Officer assesses the performance of the reportable segments based on their profit before interest expense and taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.
- (b) Each reportable segment assets is measured based on all assets (including goodwill) of the segment other than tax-related assets.
- (c) Each reportable segment liabilities is measured based on all liabilities of the segment other than the borrowings and tax-related liabilities.

Transactions between reportable segments are carried out on agreed terms between both parties. Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties. The effects of such inter-segment transactions are eliminated on consolidation.



**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****33. OPERATING SEGMENTS (CONT'D)**

## 33.1 BUSINESS SEGMENTS

<b>2020</b>	Glove- Dipping Lines RM	Rubber Gloves RM	Corporate RM	<b>The Group RM</b>
<b>Revenue</b>				
External revenue	68,489,510	172,296,331	-	240,785,841
Inter-segment revenue	416,672	-	3,800,000	4,216,672
	<u>68,906,182</u>	<u>172,296,331</u>	<u>3,800,000</u>	<u>245,002,513</u>
Consolidation adjustments				(4,216,672)
Consolidated revenue				<u>240,785,841</u>
<b>Results</b>				
Segment profit/(loss)	11,285,754	54,972,070	(6,240,540)	60,017,284
Finance cost				(33,798)
Consolidation adjustments				(14,019,655)
Consolidated profit before taxation				<u>45,963,831</u>
Segment profit/(loss) include the following:-				
Interest income	(2,574)	-	-	(2,574)
Depreciation	463,562	4,598,931	-	5,126,457*
Net (reversal)/impairment loss on trade receivables	(691,831)	75,157	-	(484,360)#
Gain on disposal of property, plant and equipment	(140,193)	-	-	(140,193)
Unrealised foreign exchange (gain)/loss	(23,911)	52,620	-	28,709
Fair value gain on short term investment	-	-	(5,863)	(5,863)

\* After consolidation adjustments of RM63,964

# After consolidation adjustments of RM132,314

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****33. OPERATING SEGMENTS (CONT'D)**

## 33.1 BUSINESS SEGMENTS (CONT'D)

<b>2020</b>	Glove- Dipping Lines RM	Rubber Gloves RM	Corporate RM	<b>The Group RM</b>
<b>Assets</b>				
Segment assets	62,636,623	133,264,618	99,130,201	295,031,442
Unallocated assets:				
- current tax assets				-
Consolidation adjustments				(54,233,567)
Consolidated total assets				<u>240,797,875</u>
Addition to non-current assets other than financial instruments is:-				
Property, plant and equipment	6,519,731	13,178,163	-	19,674,517*
* After consolidation adjustments of RM23,377				
<b>Liabilities</b>				
Segment liabilities	52,330,050	54,613,954	360,771	107,304,775
Unallocated liabilities:				
- term loan				812,894
- current tax liabilities				5,212,668
Consolidation adjustments				(9,572,585)
Consolidated total liabilities				<u>103,757,752</u>

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****33. OPERATING SEGMENTS (CONT'D)**

## 33.1 BUSINESS SEGMENTS (CONT'D)

<b>2019</b>	Glove- Dipping Lines RM	Rubber Gloves RM	Corporate RM	<b>The Group RM</b>
<b>Revenue</b>				
External revenue	53,759,235	90,672,346	-	144,431,581
Inter-segment revenue	396,243	-	-	396,243
	<u>54,155,478</u>	<u>90,672,346</u>	<u>-</u>	<u>144,827,824</u>
Consolidation adjustments				(396,243)
Consolidated revenue				<u>144,431,581</u>
<b>Results</b>				
Segment profit/(loss)	6,095,962	(2,220,849)	(281,625)	3,593,488
Finance cost				(95,856)
Consolidation adjustments				46,788
Consolidated profit before taxation				<u>3,544,420</u>
Segment profit/(loss) include the following:-				
Interest income	(9,454)	-	-	(9,454)
Depreciation	589,120	4,085,676	-	4,740,950*
Impairment loss on trade receivables	2,161,595	-	-	2,161,595
Gain on disposal of property, plant and equipment	(101,500)	(135)	-	(101,635)
Unrealised foreign exchange loss/(gain)	81,342	(91,449)	-	(10,107)
Fair value gain on short term investment	-	-	(2,720)	(2,720)

\* After consolidation adjustments of RM66,154

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****33. OPERATING SEGMENTS (CONT'D)**

## 33.1 BUSINESS SEGMENTS (CONT'D)

<b>2019</b>	Glove- Dipping Lines RM	Rubber Gloves RM	Corporate RM	<b>The Group RM</b>
<b>Assets</b>				
Segment assets	43,415,235	48,754,183	72,832,613	165,002,031
Unallocated assets:				
- current tax assets				298,712
Consolidation adjustments				(45,503,375)
Consolidated total assets				<u>119,797,368</u>
Additions to non-current assets other than financial instruments are:-				
Property, plant and equipment	24,890	1,336,794	-	1,342,312*
Right-of-use assets	475,000	-	-	475,000
* After consolidation adjustments of RM19,372				
<b>Liabilities</b>				
Segment liabilities	37,953,220	16,206,091	331,246	54,490,557
Unallocated liabilities:				
- lease liability				312,377
- term loans				1,701,140
Consolidation adjustments				(11,040,190)
Consolidated total liabilities				<u>45,463,884</u>

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

#### 33. OPERATING SEGMENTS (CONT'D)

##### 33.2 GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

Revenue	The Group	
	2020 RM	2019 RM
Malaysia	103,560,528	21,971,302
United States	59,097,971	22,219,799
Taiwan	16,075,004	54,774,165
Hong Kong	16,143,591	-
Singapore	11,477,706	-
China	9,877,263	-
Thailand	7,269,790	8,188,956
Vietnam	4,523,174	28,997,360
Others	12,760,814	8,279,999
	<u>240,785,841</u>	<u>144,431,581</u>

All non-current assets of the Group are located in Malaysia during the financial year.

The information on the disaggregation of revenue based on geographical region is summarised below:-

Revenue	At A Point in Time		Over Time		The Group	
	2020 RM	2019 RM	2020 RM	2019 RM	2020 RM	2019 RM
Malaysia	49,109,403	7,732,463	54,451,125	14,238,839	103,560,528	21,971,302
United States	59,097,971	22,219,799	-	-	59,097,971	22,219,799
Taiwan	16,075,004	54,774,165	-	-	16,075,004	54,774,165
Hong Kong	16,143,591	-	-	-	16,143,591	-
Singapore	11,477,706	-	-	-	11,477,706	-
China	9,877,263	-	-	-	9,877,263	-
Thailand	-	-	7,269,790	8,188,956	7,269,790	8,188,956
Vietnam	167,712	-	4,355,462	28,997,360	4,523,174	28,997,360
Others	12,760,814	6,812,717	-	1,467,282	12,760,814	8,279,999
	<u>174,709,464</u>	<u>91,539,144</u>	<u>66,076,377</u>	<u>52,892,437</u>	<u>240,785,841</u>	<u>144,431,581</u>

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 33. OPERATING SEGMENTS (CONT'D)

##### 33.3 MAJOR CUSTOMERS

The following are major customers with revenue equal to or more than 10% of the Group's total revenue:-

	Revenue		Geographical Segment
	2020 RM	2019 RM	
Customer A	N/A	76,753,816	Taiwan
Customer B	38,107,180	N/A	Malaysia
Customer C	41,349,254	N/A	United States

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#### 34. CAPITAL COMMITMENTS

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Purchase of property, plant and equipment	1,008,400	-	-	-

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#### 35. CONTINGENT LIABILITY

No provision is recognised on the following matter as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:-

	The Group	
	2020 RM	2019 RM
Bank guarantee extended by a subsidiary to a third party	910,000	910,000

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## **HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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#### **36. FINANCIAL INSTRUMENTS**

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

##### **36.1 FINANCIAL RISK MANAGEMENT POLICIES**

The Group's policies in respect of the major areas of treasury activity are as follows:-

##### **(a) Market Risk**

###### **(i) Foreign Currency Risk**

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Chinese Yuan ("CNY") and Thai Baht ("THB"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currency for working capital purposes.

The Company does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

---

#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

###### (a) Market Risk (Cont'd)

###### (i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

###### *Foreign Currency Exposure*

<b>The Group</b>	United States Dollar RM	Chinese Yuan RM	Thai Baht RM	Ringgit Malaysia RM	<b>Total RM</b>
<b>2020</b>					
<u>Financial Assets</u>					
Trade receivables	3,414,224	-	-	14,114,760	17,528,984
Amount owing by related parties	1,192,793	-	-	36,759	1,229,552
Other receivables	-	-	-	604,503	604,503
Short-term investments	-	-	-	69,216,228	69,216,228
Fixed deposits with a licensed bank	-	-	-	6,220,000	6,220,000
Cash and bank balances	13,307,885	-	-	28,487,797	41,795,682
	<hr/>				
	17,914,902	-	-	118,680,047	136,594,949
	<hr/>				



## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

###### (a) Market Risk (Cont'd)

###### (i) Foreign Currency Risk (Cont'd)

###### *Foreign Currency Exposure (Cont'd)*

<b>The Group</b>	United States Dollar RM	Chinese Yuan RM	Thai Baht RM	Ringgit Malaysia RM	<b>Total RM</b>
<b>2020</b>					
<u>Financial Liabilities</u>					
Term loan	-	-	-	812,894	812,894
Trade payables	3,484,169	215,635	10,151	18,757,244	22,467,199
Amount owing to a related party	-	-	-	390,662	390,662
Other payables and accruals	-	-	-	9,928,197	9,928,197
	<u>3,484,169</u>	<u>215,635</u>	<u>10,151</u>	<u>29,888,997</u>	<u>33,598,952</u>
Net financial assets/(liabilities)	14,430,733	(215,635)	(10,151)	88,791,050	102,995,997
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	-	(88,791,050)	(88,791,050)
Currency exposure	<u>14,430,733</u>	<u>(215,635)</u>	<u>(10,151)</u>	-	<u>14,204,947</u>

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## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

###### (a) Market Risk (Cont'd)

###### (i) Foreign Currency Risk (Cont'd)

###### *Foreign Currency Exposure (Cont'd)*

<b>The Group</b>	United States Dollar RM	Chinese Yuan RM	Thai Baht RM	Ringgit Malaysia RM	<b>Total RM</b>
<b>2019</b>					
<u>Financial Assets</u>					
Trade receivables	2,377,010	-	-	19,276,126	21,653,136
Amount owing by related parties	8,886,029	-	-	36,034	8,922,063
Other receivables	-	-	-	10,443,656	10,443,656
Short-term investments	-	-	-	9,299,434	9,299,434
Cash and bank balances	3,190,161	-	-	8,974,212	12,164,373
	<hr/> 14,453,200	<hr/> -	<hr/> -	<hr/> 48,029,462	<hr/> 62,482,662

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****36. FINANCIAL INSTRUMENTS (CONT'D)**

## 36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(a) Market Risk (Cont'd)**

## (i) Foreign Currency Risk (Cont'd)

*Foreign Currency Exposure (Cont'd)*

<b>The Group</b>	United States Dollar RM	Chinese Yuan RM	Thai Baht RM	Ringgit Malaysia RM	<b>Total RM</b>
<b>2019</b>					
<u>Financial Liabilities</u>					
Term loans	-	-	-	1,701,140	1,701,140
Trade payables	1,453,659	205,625	46,318	14,750,244	16,455,846
Amount owing to a related party	-	-	-	324,150	324,150
Other payables and accruals	-	-	-	12,027,473	12,027,473
	1,453,659	205,625	46,318	28,803,007	30,508,609
Net financial assets/(liabilities)	12,999,541	(205,625)	(46,318)	19,226,455	31,974,053
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	-	(19,226,455)	(19,226,455)
Currency exposure	12,999,541	(205,625)	(46,318)	-	12,747,598

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

###### (a) Market Risk (Cont'd)

###### (i) Foreign Currency Risk (Cont'd)

###### *Foreign Currency Risk Sensitivity Analysis*

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	The Group	
	2020	2019
	RM	RM
<b>Effects on Profit After Taxation</b>		
USD/RM - strengthened by 5%	548,368	493,983
- weakened by 5%	(548,368)	(493,983)
<b>Effects on Other Comprehensive Income</b>		
USD/RM - strengthened by 5%	548,368	493,983
- weakened by 5%	(548,368)	(493,983)

Any reasonably possible change in the CNY and THB exchange rate at the end of the reporting period against the respective functional currencies of the entities within the Group does not have material impact on the profit after taxation and other comprehensive income of the Group.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

###### (a) Market Risk (Cont'd)

###### (ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed deposits with a licensed bank is carried at amortised cost. Therefore, it is not subject to interest rate risk as defined in MFRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period are disclosed in Note 21 to the financial statements.

Any reasonably possible change in the interest rates of floating rate term loan at the end of the reporting period does not have material impact on the profit after taxation and other comprehensive income of the Group and hence, no sensitivity analysis is presented.

The Company does not have any floating rate borrowings and hence, no sensitivity analysis is presented.

###### (iii) Equity Price Risk

The Group and the Company do not have any quoted investments and hence, is not exposed to equity price risk.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

###### (b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

###### (i) Credit Risk Concentrates Profile

The Group's major concentration of credit risk relates to the amounts owing by 3 customers which constituted approximately 60% of its trade receivables (including related parties) at the end of the reporting period.

###### (ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

###### (iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost and contract assets are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

###### (b) Credit Risk (Cont'd)

###### (iii) Assessment of Impairment Losses (Cont'd)

###### *Trade Receivables and Contract Assets*

The Group applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables (including related parties) and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group considers any trade receivables having financial difficulty or in default with significant balances outstanding for more than a year overdue are deemed credit impaired and assesses for their risk of loss individually.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments as there are only a few customers. All of these customers have low risk of default as they have a strong capacity to meet their debts.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (b) Credit Risk (Cont'd)

##### (iii) Assessment of Impairment Losses (Cont'd)

##### *Trade Receivables and Contract Assets (Cont'd)*

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables (including related parties) and contract assets are summarised below:-

<b>The Group</b>	<b>Gross Amount RM</b>	<b>Individual Impairment RM</b>	<b>Carrying Amount RM</b>
<b>2020</b>			
Current (not past due)	12,388,036	-	12,388,036
1 to 30 days past due	5,237,821	-	5,237,821
31 to 60 days past due	919,282	-	919,282
61 to 90 days past due	160,806	-	160,806
More than 90 days past due	52,591	-	52,591
Credit impaired	18,545,726	(18,545,726)	-
Trade receivables	37,304,262	(18,545,726)	18,758,536
Contract assets	6,987,475	(2,487,928)	4,499,547
	<b>44,291,737</b>	<b>(21,033,654)</b>	<b>23,258,083</b>



## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (b) Credit Risk (Cont'd)

##### (iii) Assessment of Impairment Losses (Cont'd)

##### *Trade Receivables and Contract Assets (Cont'd)*

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables (including related parties) and contract assets are summarised below (Cont'd):-

<b>The Group</b>	<b>Gross Amount RM</b>	<b>Individual Impairment RM</b>	<b>Collective Impairment RM</b>	<b>Carrying Amount RM</b>
<b>2019</b>				
Current (not past due)	10,286,075	-	(4,846)	10,281,229
1 to 30 days past due	4,155,536	-	(1,232)	4,154,304
31 to 60 days past due	9,951,720	-	(26,305)	9,925,415
61 to 90 days past due	1,503,117	-	(3,298)	1,499,819
More than 90 days past due	4,960,677	-	(246,245)	4,714,432
Credit impaired	18,749,271	(18,749,271)	-	-
Trade receivables	49,606,396	(18,749,271)	(281,926)	30,575,199
Contract assets	4,252,199	(2,487,928)	(22)	1,764,249
	<b>53,858,595</b>	<b>(21,237,199)</b>	<b>(281,948)</b>	<b>32,339,448</b>

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Notes 10 and 12 to the financial statements respectively.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

###### (b) Credit Risk (Cont'd)

###### (iii) Assessment of Impairment Losses (Cont'd)

###### *Other Receivables*

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables. Under this approach, the Group assesses whether there is a significant increase in credit risk on the receivables by comparing their risk of default as at the reporting date with the risk of default as at the date of initial recognition based on available reasonable and supportable forward-looking information. Regardless of the assessment, a significant increase in credit risk is presumed if a receivable is more than 30 days past due in making a contractual payment.

The Group considers a receivable is credit impaired when the receivable is in significant financial difficulty, for instances, the receivable is in breach of financial covenants or insolvent. Receivables that are credit impaired are assessed individually while other receivables are assessed on a collective basis.

Based on the assessment performed, the identified impairment loss was immaterial and hence, it is not provided for.

###### *Fixed Deposits with A Licensed Bank, Cash and Bank Balances*

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

###### (b) Credit Risk (Cont'd)

###### (iii) Assessment of Impairment Losses (Cont'd)

###### *Amount Owing By A Subsidiary (Non-trade Balance)*

The Company applies the 3-stage general approach to measure expected credit losses for all intercompany balances. Generally, the Company considers advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiary's advance when they are payable, the Company considers the advances to be in default when the subsidiary is not able to pay when demanded. The Company considers a subsidiary's advance to be credit impaired when the subsidiary is unlikely to repay its advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these advances individually using internal information available.

Based on the assessment performed, the identified impairment loss was immaterial and hence, it is not provided for.

###### (c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (c) Liquidity Risk (Cont'd)

###### *Maturity Analysis*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

<b>The Group</b>	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
<b>2020</b>						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	22,467,199	22,467,199	22,467,199	-	-
Amount owing to a related party	-	390,662	390,662	390,662	-	-
Other payables and accruals	-	9,928,197	9,928,197	9,928,197	-	-
Term loan	3.27	812,894	930,696	150,540	602,160	177,996
		<b>33,598,952</b>	<b>33,716,754</b>	<b>32,936,598</b>	<b>602,160</b>	<b>177,996</b>

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## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (c) Liquidity Risk (Cont'd)

##### *Maturity Analysis (Cont'd)*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

<b>The Group</b>	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
<b>2019</b>						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	16,455,846	16,455,846	16,455,846	-	-
Amount owing to a related party	-	324,150	324,150	324,150	-	-
Other payables and accruals	-	12,027,473	12,027,473	12,027,473	-	-
Lease liability	4.22	312,377	340,244	83,328	256,916	-
Term loans	4.52 - 4.92	1,701,140	2,169,823	452,751	1,122,243	594,829
		<b>30,820,986</b>	<b>31,317,536</b>	<b>29,343,548</b>	<b>1,379,159</b>	<b>594,829</b>

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## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

###### (c) Liquidity Risk (Cont'd)

###### *Maturity Analysis (Cont'd)*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

<b>The Company</b>	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
<b>2020</b>						
<u>Non-derivative Financial Liability</u>						
Other payables and accruals	-	360,771	360,771	360,771	-	-
<b>2019</b>						
<u>Non-derivative Financial Liability</u>						
Other payables and accruals	-	331,246	331,246	331,246	-	-

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## **HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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#### **36. FINANCIAL INSTRUMENTS (CONT'D)**

##### **36.2 CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

There was no change in the Group's approach to capital management during the financial year.

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****36. FINANCIAL INSTRUMENTS (CONT'D)**

## 36.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2020		2019	
	The Group RM	The Company RM	The Group RM	The Company RM
<b>Financial Assets</b>				
<u>Fair Value Through Profit or Loss</u>				
Short-term investments (Note 15)	69,216,228	33,749,639	9,299,434	7,740,232
<u>Designated at Fair Value Through Profit or Loss Upon Initial Recognition</u>				
Other receivables (Note 11)	-	-	10,000,000	-
<u>Amortised Cost</u>				
Trade receivables (Note 10)	17,528,984	-	21,653,136	-
Other receivables (Note 11)	604,503	-	443,656	-
Amount owing by related parties (Note 13)	1,229,552	-	8,922,063	-
Amount owing by a subsidiary (Note 14)	-	11,152,453	-	11,326,111
Fixed deposits with a licensed bank (Note 16)	6,220,000	720,000	-	-
Cash and bank balances	41,795,682	193,986	12,164,373	452,147
	<u>67,378,721</u>	<u>12,066,439</u>	<u>43,183,228</u>	<u>11,778,258</u>
<b>Financial Liability</b>				
<u>Amortised Cost</u>				
Trade payables (Note 23)	22,467,199	-	16,455,846	-
Other payables and accruals (Note 24)	9,928,197	360,771	12,027,473	331,246
Amount owing to a related party (Note 13)	390,662	-	324,150	-
Term loans (Note 21)	812,894	-	1,701,140	-
	<u>33,598,952</u>	<u>360,771</u>	<u>30,508,609</u>	<u>331,246</u>



**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****36. FINANCIAL INSTRUMENTS (CONT'D)**

## 36.4 (GAINS) OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	2020		2019	
	The Group RM	The Company RM	The Group RM	The Company RM
<b>Financial Assets</b>				
<u>Fair Value Through Profit and Loss</u>				
Net gains recognised in profit or loss by:				
- mandatorily required by MFRS 9	<u>(737,096)</u>	<u>(329,709)</u>	<u>(299,990)</u>	<u>(240,788)</u>
<u>Amortised Cost</u>				
Net (gains)/losses recognised in profit or loss	<u>(486,912)</u>	<u>-</u>	<u>2,152,141</u>	<u>-</u>
<b>Financial Liability</b>				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	<u>27,452</u>	<u>-</u>	<u>82,095</u>	<u>-</u>

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

The Group	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>2020</b>								
<u>Financial Asset</u>								
Short-term investments								
- money market fund	-	69,216,228	-	-	-	-	69,216,228	69,216,228
<u>Financial Liability</u>								
Term loan	-	-	-	-	812,894	-	812,894	812,894

**HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020****36. FINANCIAL INSTRUMENTS (CONT'D)**

## 36.5 FAIR VALUE INFORMATION (CONT'D)

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period (Cont'd):-

The Group	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>2019</b>								
<u>Financial Asset</u>								
Short-term investments								
- money market fund	-	9,299,434	-	-	-	-	9,299,434	9,299,434
<u>Financial Liability</u>								
Term loans	-	-	-	-	1,701,140	-	1,701,140	1,701,140

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 36. FINANCIAL INSTRUMENTS (CONT'D)

##### 36.5 FAIR VALUE INFORMATION (CONT'D)

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period (Cont'd):-

The Company	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>2020</b>								
<u>Financial Asset</u>								
Short-term investment								
- money market fund	-	33,749,639	-	-	-	-	33,749,639	33,749,639
<b>2019</b>								
<u>Financial Asset</u>								
Short-term investment								
- money market fund	-	7,740,232	-	-	-	-	7,740,232	7,740,232

## **HLT GLOBAL BERHAD**

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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#### **36. FINANCIAL INSTRUMENTS (CONT'D)**

##### **36.5 FAIR VALUE INFORMATION (CONT'D)**

###### **(a) Fair Value of Financial Instruments Carried at Fair Value**

- (i) The fair value of money market funds is determined by reference to statements provided by the respective financial institutions, with which the investments were entered into.
- (ii) There were no transfer between level 1 and level 2 during the financial year.

###### **(b) Fair Value of Financial Instruments Not Carried at Fair Value**

The fair value of the Group's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

#### **37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

- (a) On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as global pandemic. Following the declaration, the Government of Malaysia has on 18 March 2020 imposed the Movement Control Order ("MCO") and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

The Group's operations have been disrupted by a series of precautionary and control measures taken by the government and private corporations in response to the emergency of the COVID-19 pandemic.

Although the Group's operations have been disrupted, the management has assessed the impact on the Group and of the opinion that there were no material financial impacts arising from the pandemic. Nevertheless, the Group has taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs.

## HLT GLOBAL BERHAD

(Incorporated in Malaysia)

Registration No: 201501038003 (1163324 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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#### 37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

- (b) On 28 August 2020, the wholly-owned subsidiary, HL Advance Technologies (M) Sdn. Bhd. ("HLAT") was served with a sealed Writ of Summons and received a Statement of Claim, both dated 18 August 2020 by WRP Asia Pacific Sdn. Bhd ("WRP"). WRP alleges, inter alia, that in the course of an internal investigation conducted by WRP, it was discovered that the four defendants and HLAT conspired to pay a total of RM36,000,000 to HLAT, to the detriment of WRP.

HLAT is rigorously contesting the alleged claims and is of the view that WRP's claims are without merit and had on 6 October 2020 filed a Defence and Counterclaim through its solicitor against WRP and its subsidiary company, WRP Specialty Products Sdn. Bhd. ("WRP Specialty") for the amount owing of RM10,080,445 and RM6,354,577 respectively.

It is difficult to estimate the impact of this dispute on HLAT's finances and operations at this juncture as the final outcome is dependent on the Court's decision.

The Board of Directors of the Group will continue to take all necessary actions and pursue all available remedies to defend and protect the Group's position.

#### 38. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (a) Subsequent to the reporting date, the numbers of new COVID-19 cases increased substantially in Malaysia and markets in which the Group operates. Given the dynamic nature of the COVID-19 pandemic, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, operating results and cash flows at the date on which these financial statements are authorised for issue.
- (b) On 14 January 2021, the Board of Directors announced that the Company is proposing to acquire the remaining 4,725,000 ordinary shares in its existing subsidiary, HL Rubber Industries Sdn. Bhd. ("HLRI"), representing 45% of the issued and paid-up share capital of HLRI, for a purchase consideration of RM90,000,000 to be satisfied via the issuance of 90,000,000 new ordinary shares in the Company ("Consideration Shares") at an issue price of RM1.00 per Consideration Share. Following the completion of the acquisition on 5 April 2021, HLRI became a wholly-owned subsidiary of the Company.