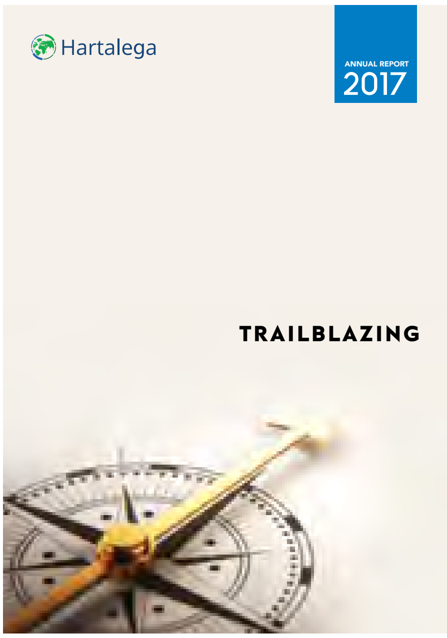
Hartalega

ANNUAL REPORT
2017

TRAILBLAZING



THE COVER

The theme of this year's report, 'Trailblazing', is depicted in the visual of a compass, demonstrating how Hartalega's strategic progress is on track as a trailblazer in the glove manufacturing industry. The navigation arrow in a gold hue pointing forward illustrates Hartalega's consistent growth which continues to surpass targets, particularly during the 2017 financial year. The visual also reflects how the Group is forging ahead, geared towards greater growth.

11TH ANNUAL GENERAL MEETING
22 AUGUST 2017

CONTENTS

CORPORATE & MANAGEMENT OVERVIEW

Vision & Values	2
Industry Firsts	4
Awards & Recognition	5
The Hartalega Nitrile Glove Story	6
Financial Summary	10
Share Price Performance	12
Corporate Information	13
Media Milestones	14
Profile of Directors	16
Profile of Senior Management Team	22
Chairman's Review and Management Discussion & Analysis	26
Sustainability Report	34

RESPONSIBILITY & FINANCIALS

Corporate Governance and Directors' Responsibility Statement	50
Audit Committee Report	60
Statement on Risk Management and Internal Control	64
Report of the Directors and Financial Statements	68
Additional Compliance Information	141
List of Properties	142
Analysis of Shareholdings	144
Notice of Annual General Meeting	148
Statement Accompanying the Notice of Annual General Meeting	153
Proxy Form	155

VISION & VALUES

OUR VISION

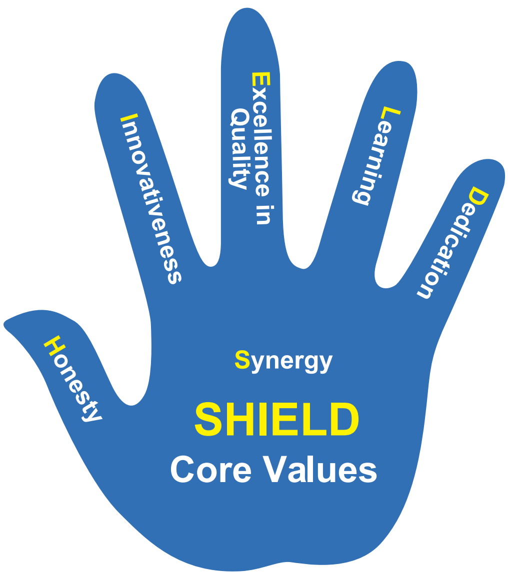
To be the Number One glove company that produces and delivers the best and most innovative gloves in the world; and to be recognised as a caring company to the community and environment.

OUR MISSION

To deliver the best possible protection to people who work with their hands in exposed and challenging environments by providing consistently superior, safer, and more convenient gloves in chosen product markets.

DRIVEN BY CORE VALUES

Our Core Values are embodied in the acronym, SHIELD, which stands for:



These values represent the qualities that Hartalega incorporates in all that we do, in order to propel the Group forward and enable us to realise our Vision and Mission to deliver the best possible protection via our high quality gloves.

INNOVATIVENESS

EXCELLENCE IN QUALITY

LEARNING

DEDICATION

INDUSTRY FIRSTS

FIRST to develop polymer-coated powder-free examination gloves in 1994 and among the first to receive FDA 510k to market low protein latex gloves

FIRST Malaysian company to develop and implement a robotic glove stripping system in 1995, which mimics the human hand motion to strip gloves off from the production lines

FIRST to commercially produce high-stress-relaxation NBR examination and surgical gloves in 2002 and 2006 respectively

FIRST in the industry to use industrial bar-coding and RFID Tags for product traceability and stock management

FIRST recipient of the Inaugural Award for Best Factory in 2005 in commodity-based industries by the Malaysian Government

FIRST recipient of the Inaugural Award for Innovation in 2005 by the Rubber Research Institute of Malaysia

FIRST in the industry to use empty oil palm fruit bunches as biomass fuel to generate heat for production processes

FIRST in the industry to have successfully registered our biomass energy plants with the United Nations Framework Convention on Climate Change (UNFCCC) or Kyoto Protocol

FIRST biomass energy plant in Malaysia registered with the United Nations Framework Convention on Climate Change (UNFCCC) or Kyoto Protocol, that is in operation and running mainly on empty oil palm fruit bunches

FIRST to commission high-capacity production lines operating at a record speed of 45,000 pieces of gloves per hour, setting a new benchmark for the industry

FIRST in the world to develop and implement successful double former production line with sophisticated process controls

AWARDS & RECOGNITION

The Edge Billion Ringgit Club Corporate Awards – Most Profitable Company (Industrial Products Sector) 2013, 2014, 2015 and 2016

Malaysia's 100 Leading Graduate Employers Award - Chemical & Heavy Industries Category (2015 Winner - Overall Ranking 77, 2016 Runner Up - Overall Ranking 33)

Asiamoney Corporate Governance Award 2015

University of Malaya Excellence Awards 2014 - Human Capital Development

FinanceAsia Best Companies 2014 - Best Mid Cap Malaysia

Forbes Asia Best Under A Billion List 2010, 2011, 2012 and 2013

HR Asia Best Companies To Work For in Asia Awards 2013 and 2014

Selangor Investors Appreciation Award 2013

Asiamoney Overall Best Managed Company in Malaysia 2012 (Mid Cap)

Asiamoney Overall Best Managed Company in Malaysia 2010 and 2014 (Small Cap)

KPMG Shareholder Value Award 2010 (Industrial Markets - Manufacturing Category)

Selangor Innovative Excellence Award 2007

Selangor Export Excellence Award 2005

Commodity Industry Award 2005

Rubber Industry Award 2005 (Innovative & Large Factory Category)

Best Factory Award 2005 (Latex Goods Category)

Enterprise 50 Award 1998

ISO 9001 : 2008

ISO 13485 : 2003

EN ISO 13485 : 2003

ISO 14001 : 2004

OHSAS 18001 : 2007

EC-Certificate

CE Marking

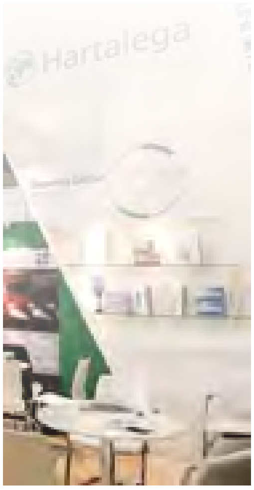
Medical Device Licence - Health Canada

Canadian General Standard Board Certificate

U.S. Food and Drug Administration 510(k)

THE HARTALEGA NITRILE GLOVE STORY

2002



- Commenced R&D on elastic thin nitrile glove
- Overcame technology, pricing and intellectual property barriers
- Introduced users to a nitrile glove that mimics the softness and stretchiness of a natural rubber glove

2003

- Commenced R&D on production technology
- Focused on effective and low-cost nitrile glove production
- Operated the world's first double former production line at year end 2003
- Increased production line capacity to 28,000 pcs/hr of nitrile gloves – highest in the industry

2005

- Launched the world's first 4.7g nitrile glove. It mimicked the stretchiness and softness of natural rubber gloves without protein allergy risks, was competitively priced and outside the Tillotson's patent
- Ringgit de-pegged from the US dollar

2007

- Competitor launched a 4.2g nitrile glove
- Hartalega responded with the world's first 3.7g nitrile glove. It was developed at the same time as the 4.7g glove but kept in the 'war chest'

2008

- Hartalega's nitrile glove production increased by 30-fold
- Became the nation's largest and world's second largest nitrile glove producer
- Obtained 20% share of the US synthetic glove market

2010

- Hartalega became the world's largest nitrile glove producer
- Natural rubber price reached a record RM9.83 and nitrile gloves became cheaper than natural rubber gloves

2011

- Launched 3.2g soft nitrile gloves
- Nitrile sales increased 59 times over a period of seven years

2012

- Increased production line capacity to 45,000 pcs/hr of nitrile gloves, the fastest in the industry
- Strong switching momentum to nitrile gloves continued worldwide

2013

» 25th Anniversary Silver Jubilee Celebration of Hartalega
» Groundbreaking for the Next Generation Integrated Glove Manufacturing Complex (NGC)
» Launched 2.7g nitrile glove
» Introduced patented glove coating technology, Colloidal Oatmeal Active Therapeutic System or COATS

2014

» Commissioned first production lines of the NGC
» Launched new global distribution arm, MUN
» Launched new umbrella brand, GloveOn

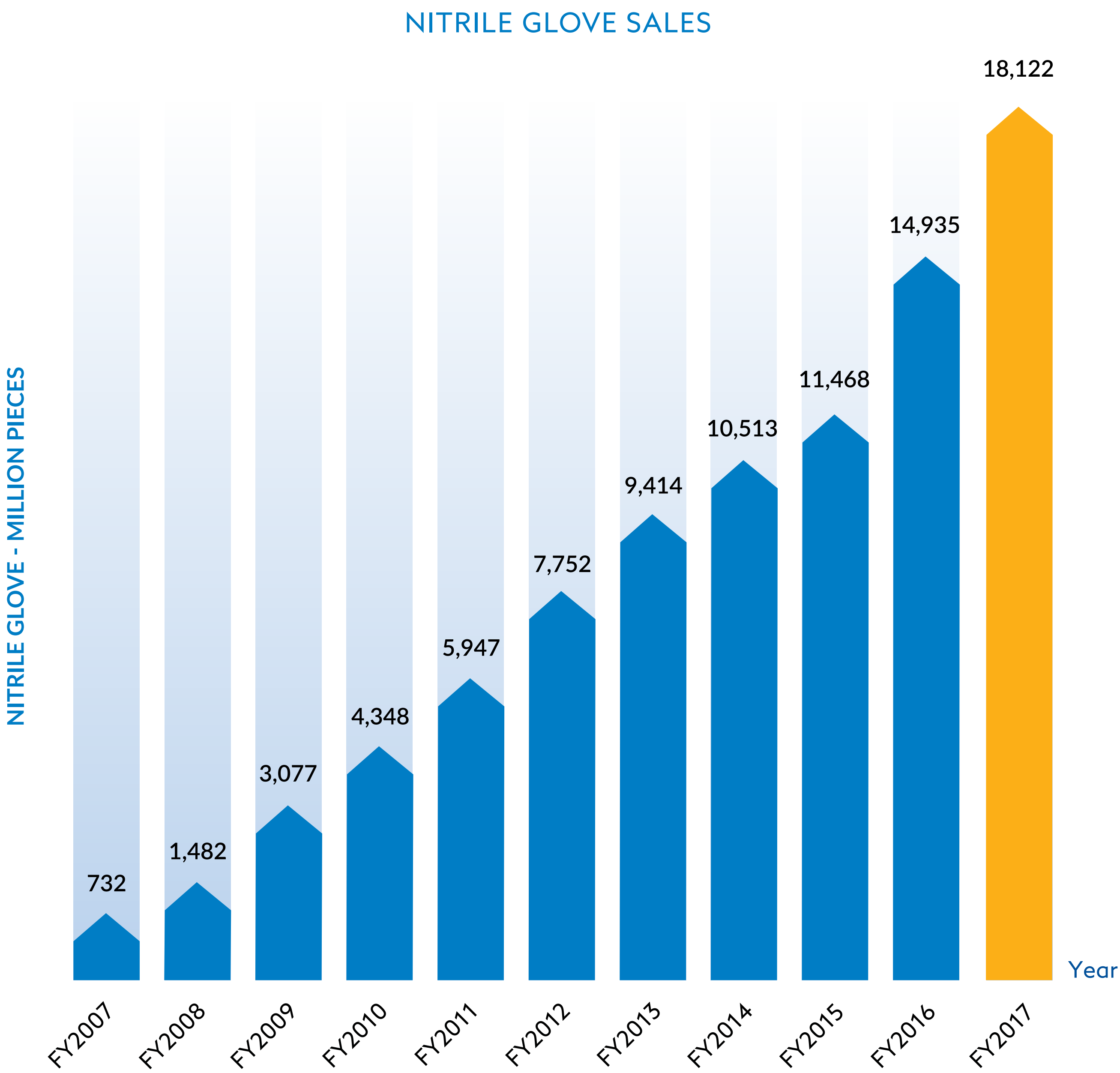
2015

» Completed Plants 1 and 2 of the NGC

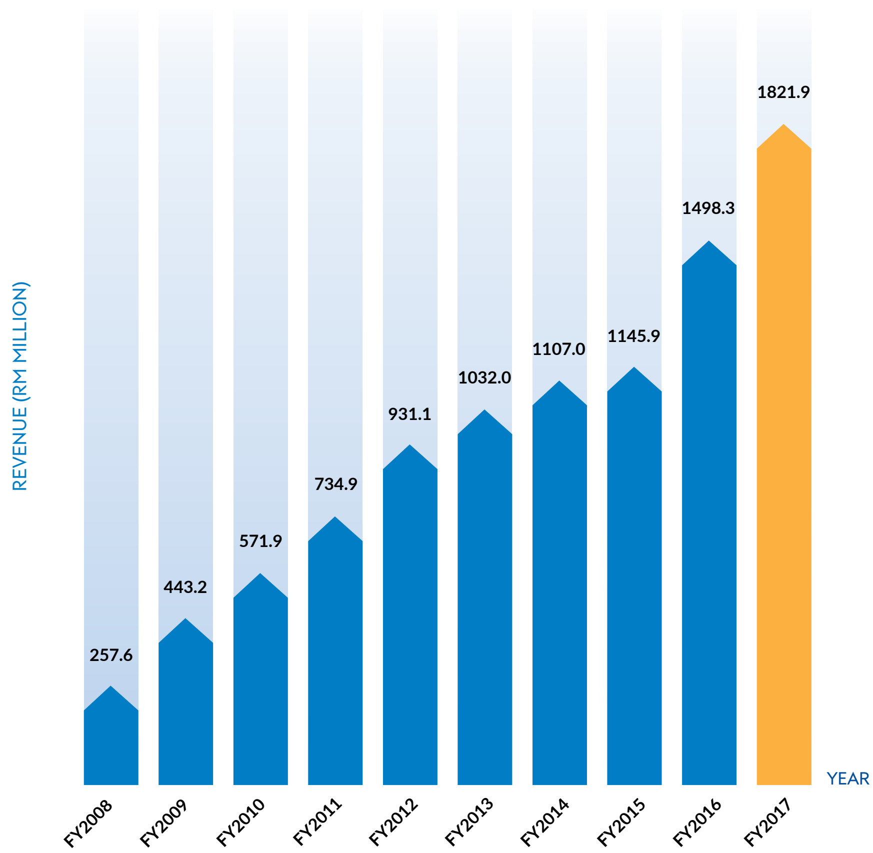
2016

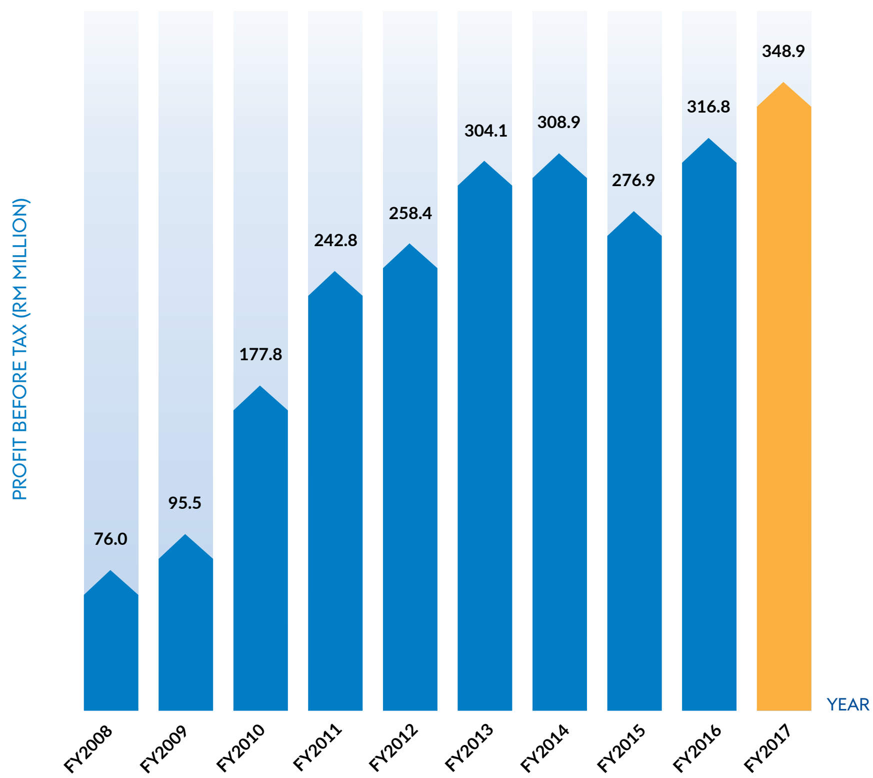
» Commenced commissioning of Plant 3 of the NGC
» Launched patented Goodpac packing technology

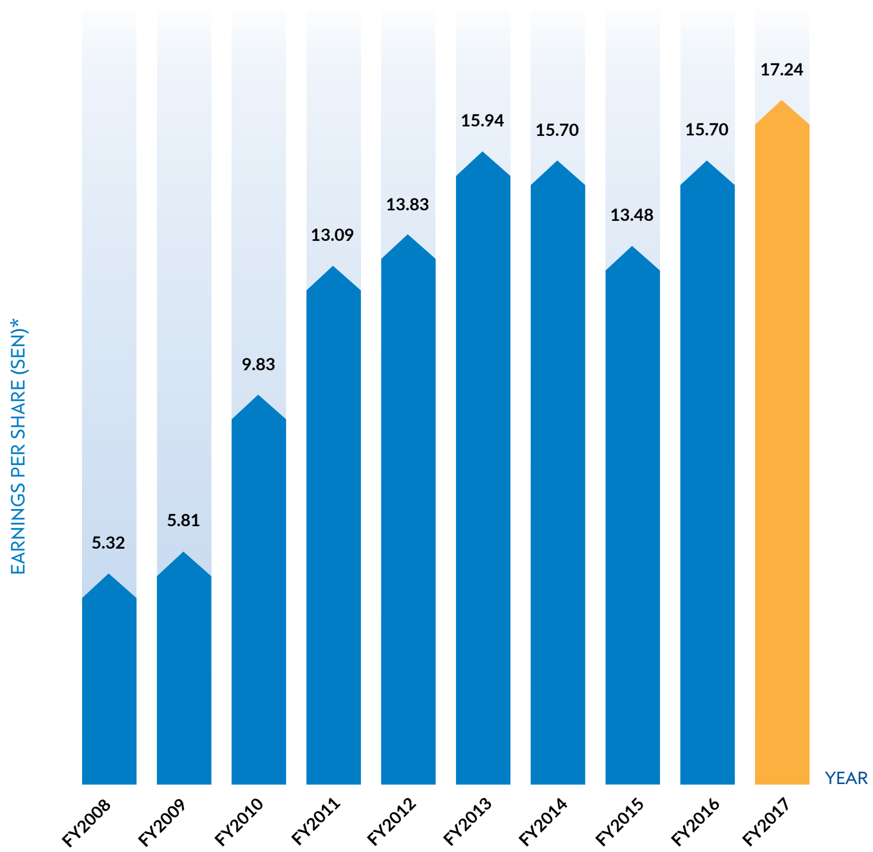
- Successfully remodelled company into a major nitrile glove producer with 90% of sales in nitrile gloves
- Nitrile glove sales (pieces) increased by 24.7 times in 10 years
- Pioneered switching momentum from natural rubber to nitrile gloves
- Largest nitrile glove producer in the world



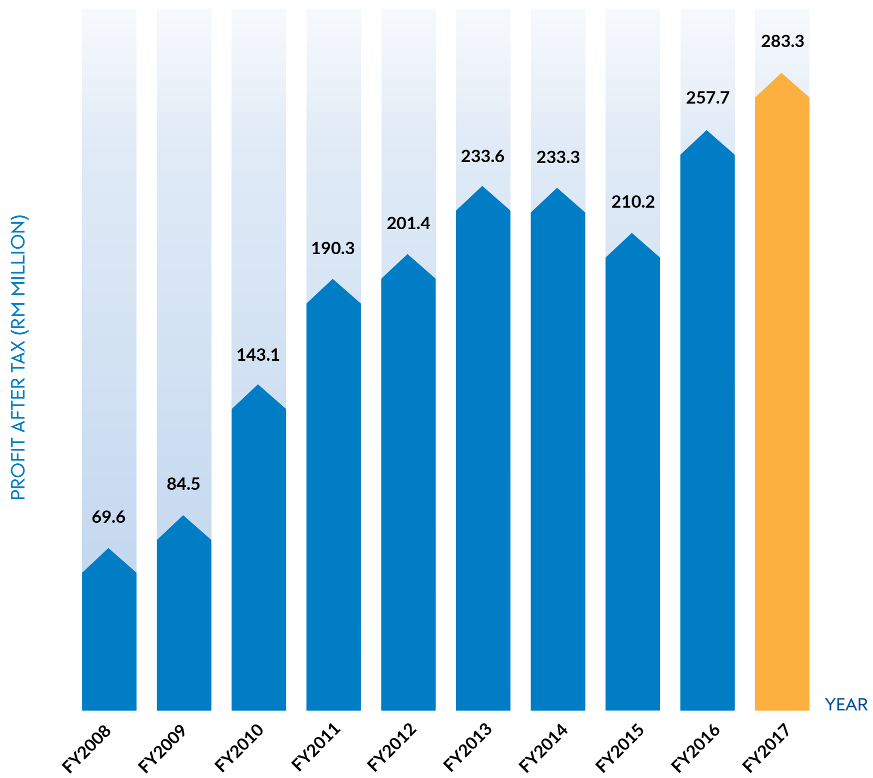
FINANCIAL SUMMARY





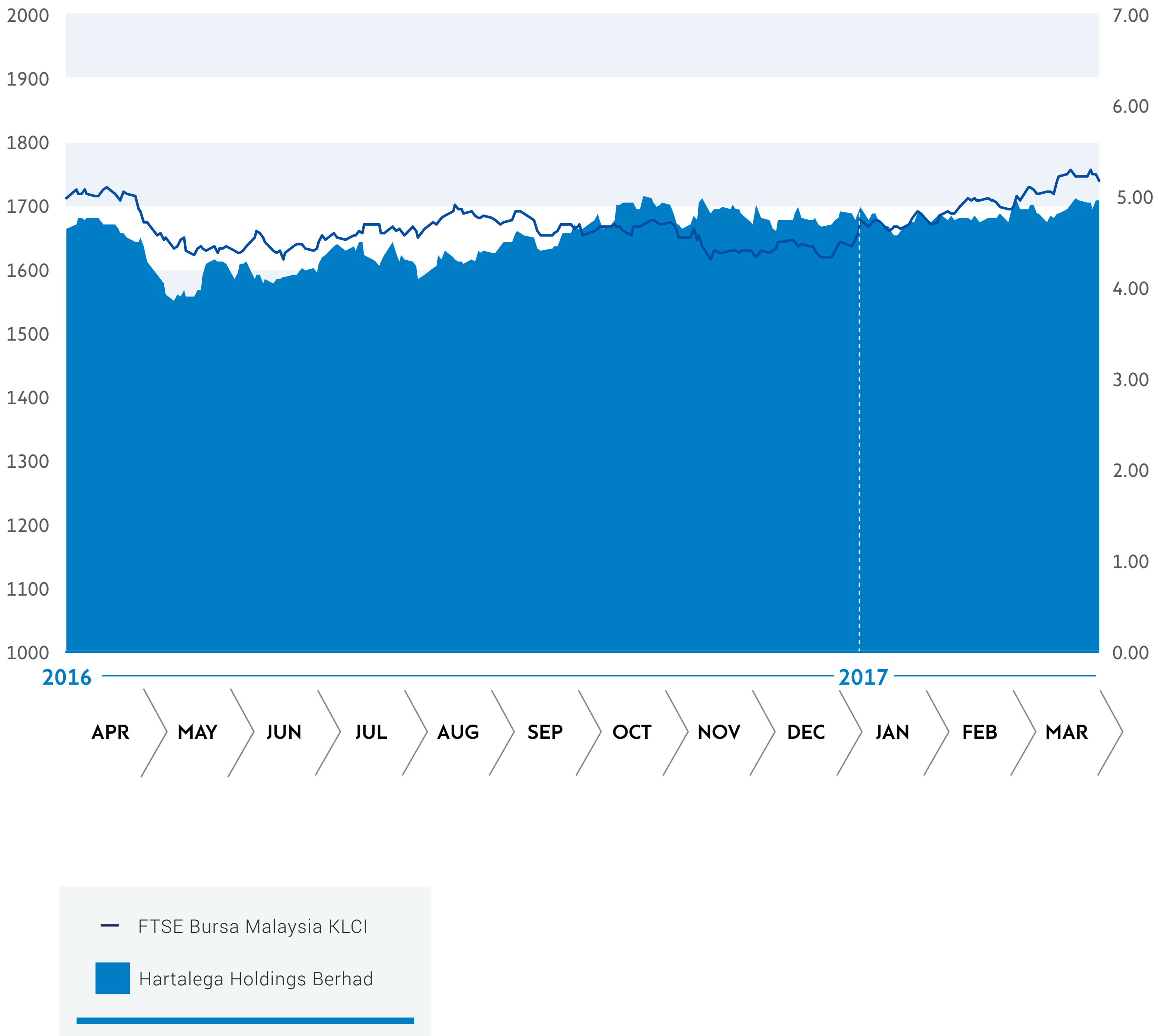


* Earnings Per Share for past years restated following one-for-one bonus issue on 17 September 2015



SHARE PRICE PERFORMANCE

PRICE MOVEMENT



CORPORATE INFORMATION

BOARD OF DIRECTORS

Kuan Kam Hon @ Kwan Kam Onn	Executive Chairman
Kuan Mun Leong	Managing Director
Kuan Mun Keng	Non-Independent Executive Director
Dr Danaraj A/L Nadarajah	Non-Independent Executive Director
Dato' Tan Guan Cheong	Independent Non-Executive Director
Razman Hafidz bin Abu Zarim	Independent Non-Executive Director
Tan Sri Datuk Dr Rebecca Fatima Sta. Maria (Appointed on 23 August 2016)	Independent Non-Executive Director
Datuk Seri Nurmala binti Abd Rahim (Appointed on 23 August 2016)	Independent Non-Executive Director
Dato' Mohamed Zakri bin Abdul Rashid (Resigned on 1 August 2016)	Senior Independent Non-Executive Director
Liew Ben Poh (Resigned on 1 August 2016)	Independent Non-Executive Director

AUDIT COMMITTEE

Dato' Tan Guan Cheong	Chairman
Razman Hafidz bin Abu Zarim	Member
Tan Sri Datuk Dr Rebecca Fatima Sta. Maria	Member
Datuk Seri Nurmala binti Abd Rahim	Member

REMUNERATION COMMITTEE

Razman Hafidz bin Abu Zarim	Chairman
Dato' Tan Guan Cheong	Member
Kuan Mun Keng	Member

NOMINATION COMMITTEE

Razman Hafidz bin Abu Zarim	Chairman
Dato' Tan Guan Cheong	Member
Tan Sri Datuk Dr Rebecca Fatima Sta. Maria	Member

RISK MANAGEMENT COMMITTEE

Dato' Tan Guan Cheong	Chairman
Razman Hafidz bin Abu Zarim	Member
Tan Sri Datuk Dr Rebecca Fatima Sta. Maria	Member
Datuk Seri Nurmala binti Abd Rahim	Member
Kuan Mun Leong	Member

ESOS COMMITTEE

Kuan Vin Seung	Chairman
Kuan Mun Leong	Member
Kuan Mun Keng	Member
Yong Pat Chau	Member
Say Teck Guan	Member

REGISTERED OFFICE

B-25-2, Block B, Jaya One
No. 72A, Jalan Universiti
46200 Petaling Jaya
Selangor Darul Ehsan
Tel: 603 7955 0955 Fax: 603 7955 0959

REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 603 7849-0777 Fax: 603 7841-8151
Email: ssr.helpdesk@symphony.com.my

FACTORY Location 1

No. 7, Kawasan Perusahaan Suria
45600 Bestari Jaya, Selangor Darul Ehsan
Tel: 603 3280 3888

FACTORY Location 2

No. 1, Persiaran Tanjung
Kawasan Perindustrian Tanjung
43900 Sepang
Selangor Darul Ehsan
Tel: 603 8707 3000

PRINCIPAL BANKERS

Hong Leong Bank Berhad
Standard Chartered Bank Malaysia Berhad
CIMB Bank Berhad
Ambank (M) Berhad
Sumitomo Mitsui Banking Corporation Malaysia Berhad
RHB Bank Berhad

AUDITORS

DELOITTE PLT (LLP0010145-LCA)(AF0080)
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur

COMPANY SECRETARIES

Wong Maw Chuan (MIA 7413)
Wong Youn Kim (MAICSA 7018778)

CORPORATE OFFICE

C-G-9, Jalan Dataran SD1
Dataran SD, PJU 9
Bandar Sri Damansara
52200 Kuala Lumpur
Tel: 603 6277-1733
Url: www.hartalega.com.my
Email: info@hartalega.com.my

STOCK EXCHANGE

Main Market of Bursa Malaysia Securities Berhad
Stock Name: Harta
Stock Code: 5168
ADR United States: HRGHY

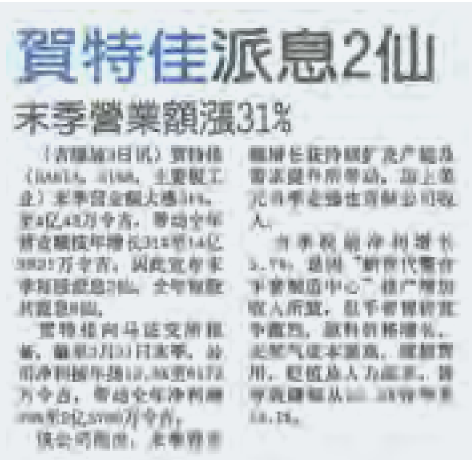
MEDIA MILESTONES

Lending a helping hand

THE STAR APR 29, 2016

Hartalega catat untung sebelum cukai RM257.9 juta

KOSMO MAY 4, 2016



賀特佳派息2仙

末季營業額漲31%

CHINA PRESS MAY 4, 2016

Hartalega profit up 12%

Glove maker attributes rise in Q4 income to expansion, demand

THE STAR MAY 4, 2016

HARTALEGA POSTS 20PC GROWTH

Glove maker declares second interim dividend of two sen per share single tier, to be paid on March 29

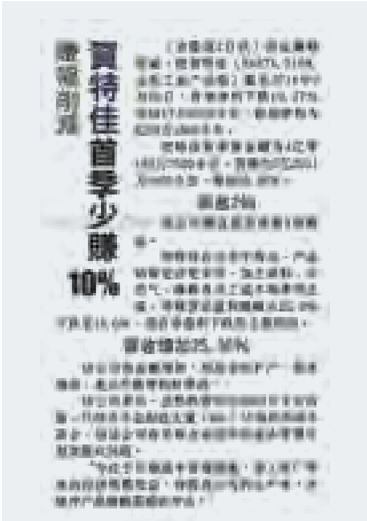
NEW STRAITS TIMES FEB 15, 2016

Hartalega: Profit margins will improve

THE SUN DAILY AUG 24, 2016


Language boost for teens

THE STAR JUL 24, 2016


賀特佳首季少賺10%

SIN CHEW DAILY AUG 3, 2016


CorporateBrief

Hartalega's new complex drives profit up by 17.9%

THE MALAYSIAN RESERVE NOV 9, 2016


Hartalega Q2 net profit rises to RM71.22mil

THE STAR NOV 9, 2016

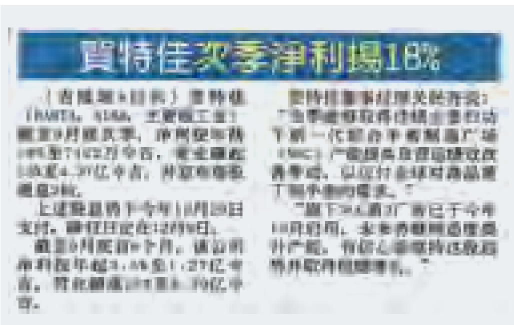

Hartalega 2Q net profit up 18%, pays 2 sen dividend

THE EDGE FINANCIAL DAILY NOV 9, 2016

UTUSAN MALAYSIA AUG 3, 2016


Hartalega earnings in line with expectations

THE STAR AUG 3, 2016


賀特佳次季淨利揚18%

CHINA PRESS NOV 9, 2016

PROFILE OF DIRECTORS

FROM LEFT TO RIGHT

Dr Danaraj A/L Nadarajah
Datuk Seri Nurmala binti Abd Rahim
Razman Hafidz bin Abu Zarim
Kuan Kam Hon @ Kwan Kam Onn
Kuan Mun Leong
Tan Sri Datuk Dr Rebecca Fatima Sta. Maria
Kuan Mun Keng
Dato' Tan Guan Cheong

KUAN KAM HON @ KWAN KAM ONN
EXECUTIVE CHAIRMAN

AGE: 70
GENDER: MALE
MALAYSIAN

Kuan Kam Hon @ Kwan Kam Onn was appointed as Executive Chairman and Managing Director on 7 May 2007. He stepped down as Managing Director on 16 November 2012, and continues to play an integral role in the Group as Executive Chairman. Kuan Kam Hon is primarily responsible for the overall business, strategic planning and entire operations of the Group, including research and development. He began his career in the building and construction sector in 1969 under Kuan Yuen & Sons Company, a well-known quality homebuilder in the 70s specialising in upper-class residential units in the Klang Valley. In 1978, he started Timol Weaving Sdn Bhd, one of the pioneers in woven labels and badges. In 1981, he formed Hartalega Sdn Bhd. Under his leadership, Hartalega Sdn Bhd has since become a reputable manufacturer of latex gloves in the industry and is now a public listed company on the Main Board of Bursa Malaysia Securities Berhad, known as Hartalega Holdings Berhad. He has established a set of management values that is quality-driven and encourages creativity and innovation to produce highly-skilled personnel. He presently sits on the Board of several other private limited companies as well.

KUAN MUN LEONG
MANAGING DIRECTOR

AGE: 41
GENDER: MALE
MALAYSIAN

Kuan Mun Leong has a Bachelor's Degree in Mechanical Engineering from Monash University, Australia, and a Masters in Business Administration (MBA) from the University of Strathclyde, Scotland. Mun Leong began his career in the renewable energy sector as a project engineer overseeing EPCC (Engineering, Procurement, Construction and Commissioning) of renewable energy plants for two years before he joined Hartalega's engineering department in 2001. He moved up the ranks to be appointed as an Executive Director of the Group in 2007. He was also duly appointed as the Deputy Managing Director and subsequently as the Managing Director in 2012. Mun Leong is a member of the Risk Management and ESOS Committees. Mun Leong spearheaded the implementation of the sector's first oil palm empty fruit bunch fibre fuelled renewable energy plant in 2004 and was instrumental in leading its successful registration with the United Nations Framework Convention on Climate Change (UNFCCC) or Kyoto Protocol. He went on to undertake several glove production capacity expansion projects that were key to Hartalega's current leading position in manufacturing technology and efficiency. He currently leads the organisation's transformation efforts, taking it to the next level by creating a vision to guide the necessary change to ensure sustainable growth by having the right systems, processes and people in place. In his capacity as Managing Director, Hartalega's sales revenue has grown more than two-fold through many expansion projects, the most notable being the Next Generation Integrated Glove Manufacturing Complex. He continues to chart the organisation's strategy with the aim for Hartalega to attain global mobility in the near future.

KUAN MUN KENG

NON-INDEPENDENT EXECUTIVE DIRECTOR

AGE: 42
GENDER: MALE
MALAYSIAN

Kuan Mun Keng was appointed as Executive Director on 4 July 2008. Mun Keng sits on the Remuneration Committee and ESOS Committee. Presently, he is the Sales and Marketing Director of Hartalega Holdings Berhad and is also responsible for the Group's Corporate Finance. He is a member of the MREPC (Malaysian Rubber Export and Promotion Council) Board of Trustees and also sits on the Management Committee of MARGMA (Malaysian Association of Rubber Glove Manufacturers) as Secretary. He graduated with a Bachelor's Degree in Business (Accounting) and a Bachelor's Degree in Computing from Monash University, Australia, in 1997. He is also a Certified Practising Accountant with CPA Australia. Upon graduation, he joined Kassim Chan Business Services as an Analyst in the Information Technology Consultation Division in 1997. In 1998, he left to join Hartalega as a Production Executive. He then worked in the Accounts and Management Information Services Departments implementing various beneficial changes before he was promoted to Deputy Operations Manager in 2003. His long experience in operations is a complement to the Sales and Marketing team as he is able to align functions in the company with the needs and wants of customers.

DR DANARAJ A/L NADARAJAH

NON-INDEPENDENT EXECUTIVE DIRECTOR

AGE: 63
GENDER: MALE
MALAYSIAN

Dr Danaraj A/L Nadarajah (Dr N Danaraj) was appointed as Non-Independent Executive Director/Corporate Advisor on 4 July 2011. He is in charge of Hartalega's subsidiaries in China and India, where he is also an equity partner. Dr N Danaraj has the unique experience of working as an entrepreneur, corporate executive and advisor and civil servant in the Government of Malaysia. From 2010 to 2011, he was the Technical Advisor in the Special Innovation Unit in the Office of the Prime Minister. Prior to this appointment, he was the Technical Advisor to the National Economic Advisory Council in the Prime Minister's Department. From 2007 to 2008, he was a Senior Fellow at Khazanah Nasional Berhad. Prior to this, he was Professor of Business Strategy and the Director of the Executive MBA programme at the International University of Monaco. He was also a Visiting Fellow at Hitotsubashi University and the United Nations University in Tokyo, and a Research Fellow at the Malaysian Institute of Economic Research. Early in his career, he served in the Malaysian Administrative and Diplomatic Service; his last posting was in the Ministry of Finance. He also worked as a World Bank Consultant. He has been an international entrepreneur for over fifteen years as the owner of a toy manufacturing company in China and Malaysia. He holds a Doctorate and a Masters from Oxford University (UK), a Masters in Public Policy from Harvard University (US), and a BA and MA from University Malaya.

DATO' TAN GUAN CHEONG

INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE: 73
GENDER: MALE
MALAYSIAN

Dato' Tan Guan Cheong was appointed as an Independent Non-Executive Director on 31 December 2011. Dato' Tan sits on the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. He holds a Bachelor of Commerce degree from Otago University, New Zealand, majoring in economics, marketing management and accountancy. He is a member of the Malaysian Institute of Accountants since 1983. He has worked in international audit firm Coopers & Lybrand (now known as PricewaterhouseCoopers) in New Zealand and Malaysia. Dato' Tan has wide working experience in the financial services industry and has served in various senior capacities. He joined Orix Leasing Malaysia Bhd, an international diversified financial services institution, in 1976 as a financial and accounting controller. Dato' Tan rose to become the Managing Director in 1988 and held this position until his retirement. He is also an Independent Non-Executive Director of YTL Cement Berhad.

RAZMAN HAFIDZ BIN ABU ZARIM

INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE: 62
GENDER: MALE
MALAYSIAN

Razman Hafidz bin Abu Zarim was appointed as Independent Non-Executive Director on 2 March 2015. Razman sits on the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. A Chartered Accountant by qualification, Razman's career in Accountancy began in 1977 when he joined Touche Ross & Co, London, as an Auditor. He then went on to become a Partner at Hacker Young, a medium-sized international accounting firm. He returned to Malaysia in 1989, joining Price Waterhouse (PW) as an Audit Partner. He was subsequently promoted to Partner-In-Charge of PW's Management Consulting Practice and became one of the six members of the firm's Executive Board. His leadership and execution of the firm's Regional Privatisation and Corporate Finance assignments are some of his many notable achievements. In 1994, he founded Norush Sdn Bhd, an investment holding and business advisory firm, where he was Chairman until 31 March 2016. Over the years, he assumed positions as Managing Director and Chief Executive Officer of various public listed companies. He is currently the Group Chief Executive Officer of Tune Protect Group Berhad.

TAN SRI DATUK DR REBECCA FATIMA STA. MARIA

INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE: 59
GENDER: FEMALE
MALAYSIAN

Tan Sri Datuk Dr Rebecca Fatima Sta. Maria was appointed to the Board as Independent Non-Executive Director on 23 August 2016. She sits on the Audit Committee, Nomination Committee and Risk Management Committee. Tan Sri Datuk Dr Rebecca began her career in the Malaysian Administrative and Diplomatic Service in 1981 and served in various capacities in the then Ministry of Trade and Industry. In the course of her civil service career, she had a brief stint as the Chief Administration and Procurement Officer of the ASEAN Plant Quarantine and Training Centre, and contributed to human capital development at the National Institute of Public Administration (INTAN). She retired as the Secretary-General of the Ministry of International Trade and Industry on 2 July 2016. As MITI Sec-Gen, a post she held since December 2010, she provided oversight for the formulation and implementation of Malaysia's international trade policies and positions. This involved Malaysia's participation in bilateral, regional (ASEAN, APEC, OIC) and multilateral (World Trade Organisation) fora. She was the ASEAN Chair for the ASEAN-India Trade in Goods Agreement, Chief Negotiator for the bilateral free trade agreements with India and Turkey. She also provided oversight for the TPP negotiations and other bilateral and regional FTAs, including the Regional Comprehensive Economic Partnership between ASEAN and her six FTA partners. On the regional front, she had a key role in ASEAN economic integration and chaired the ASEAN Senior Economic Officials Meeting as well as the ASEAN High Level Task Force for Economic Integration. She is Senior Policy Fellow for the Economic Research Institute for ASEAN and East Asia (ERIA). She serves on the Board of Trustees of MyKasih, an NGO that focuses on alleviating urban poverty; and Council Member of the Institute for Democracy and Economic Affairs (IDEAS). In the academic field, in April 2000 she was awarded the Malcolm Knowles Award for the best PhD dissertation in 2000 in the field of Human Resource Development by the American Academy of Human Resource Development. She was also awarded "Professional Achievement Awards by School of Education, University of Georgia (2013)". She also currently serves as Non-Executive Director on the Boards of RHB Bank Berhad, Lafarge Malaysia Berhad, Eco World International Berhad and Sunway Construction Berhad.

DATUK SERI NURMALA BINTI ABD RAHIM
INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE: 62
GENDER: FEMALE
MALAYSIAN

Datuk Seri Nurmala binti Abd Rahim was appointed as Independent Non-Executive Director on 23 August 2016. Datuk Seri Nurmala is a member of the Audit Committee and Risk Management Committee. She holds various qualifications, which are B.A. Hons. Social Science, Universiti Sains Malaysia (1977), Diploma in Public Administration, INTAN (1978), M.A. Public Administration, Pennsylvania State University, USA (1988), Women Directors On-Boarding Training Program, Nam Institute for the Empowerment of Women (2013) and Certificate for the Mandatory Accreditation Program for Directors of Public Listed Companies (May 2014). She has held various positions in the past, which include Assistant Secretary, International Division, Ministry of Agriculture; Assistant Secretary, Planning and Development Division, Ministry of Agriculture; Principal Private Secretary to the Hon. Minister of Agriculture (1978-1984); Senior Project Officer, National Institute Of Public Administration (INTAN) (1984-1986), Assistant Director/ Principal Assistant Director, MAMPU, Prime Minister's Department (1988-2002); Director of ASEAN Division, Ministry of International Trade And Industry (MITI) (2002-2004); Minister Counsellor, MITI Office, Malaysian Embassy, Tokyo, Japan (2004-2006); Senior Director, Strategic Planning Division, MITI; Senior Director, Management Services, MITI (2006); Deputy Secretary General, Ministry of Plantation Industries and Commodities (2007) and Secretary General, Ministry of Plantation Industries and Commodities (2011-2014). She also currently holds a non-executive directorship position in Tabung Haji Plantations Berhad.

- **Family Relationship with Director and/or Major Shareholder**
  Kuan Kam Hon @ Kwan Kam Onn is the father of Kuan Mun Keng and Kuan Mun Leong. Save as disclosed herein, none of the Directors have any family relationships with any director and/or major shareholder of the Company.

- **Conflict of Interest**
  None of the Directors have any conflicts of interest with the Company.

- **Conviction of Offences**
  None of the Directors have been convicted of any offences in the past five (5) years.

PROFILE OF SENIOR MANAGEMENT TEAM

KUAN EU JIN

DIRECTOR OF R&D AND TECHNICAL

AGE: 47
GENDER: MALE
MALAYSIAN

DATE OF APPOINTMENT:
22 AUGUST 2008

Kuan Eu Jin is primarily responsible for Hartalega's product research and development, where he also oversees the quality assurance department and manages technical support to production. He is also the Quality Management Representative of Hartalega, responsible for all matters relating to the Company's Quality System. He possesses a Bachelor's Degree in Business (Manufacturing Management) from Monash University and an MBA qualification from the University of Strathclyde Business School, Scotland. Upon graduating in 1993, he joined Hartalega as a Management Trainee and was transferred to the QA Department and promoted to the position of QA Manager in the same year. In 1996, he was promoted to Deputy Operations Manager and assisted the Operations Manager to oversee Hartalega's manufacturing operations, as well as managing the R&D Department.

His uncle, Kuan Kam Hon @ Kwan Kam Onn and his cousins Kuan Mun Keng and Kuan Mun Leong are members of the Board. His father, Kuan Kam Peng is a major shareholder.

KUAN VIN SEUNG

DIRECTOR OF HUMAN RESOURCES

AGE: 43
GENDER: MALE
MALAYSIAN

DATE OF APPOINTMENT:
24 AUGUST 2009

Kuan Vin Seung is responsible for Hartalega's entire spectrum of human capital management as well as administration functions, including recruitment and selection, performance management, rewards and recognition, learning and development, industrial and employee relations. He also oversees Hartalega's Corporate Responsibility (CR) initiatives and is the Chairman of the ESOS Committee. He possesses a Bachelor's Degree in Commerce (Accounting & Finance) from Monash University, a CPA certification from CPA Australia and a MBA (Merit) from the Manchester Business School, UK. Having joined Hartalega in 2001, after working for three years in the Assurance and Advisory Business Services (AABS) Department of Ernst & Young, KL, he was exposed to operations and HR. He subsequently headed the HR department from 2004 where he initiated a HR Transformation program in 2010.

His uncle, Kuan Kam Hon @ Kwan Kam Onn and his cousins Kuan Mun Keng and Kuan Mun Leong are members of the Board. His father, Kuan Kam Peng is a major shareholder.

MUHAMMAD HAKIMI TAN BIN ABDULLAH
DIRECTOR OF MANUFACTURING

AGE: 54
GENDER: MALE
MALAYSIAN

DATE OF APPOINTMENT:
22 JUNE 2012

Muhammad Hakimi Tan bin Abdullah is responsible for providing technical advisory to manufacturing operations, OJT development, former development as well as safety, health & environment. He possesses a Bachelor's Degree in Science majoring in Biology and Chemistry from Campbell University, USA and Certified in Production and Inventory Management (CPIM) certification from the APICS Association for Operations Management, USA. He began his career with Hartalega after graduating in 1988 as one of the pioneer production staff and worked his way up the ranks over the years due to his dedicated service and stellar contributions. Prior to his current role which he assumed from October 2016, he was overseeing the manufacturing operations of Hartalega.

NG SWEE ANG
DIRECTOR OF MANUFACTURING

AGE: 50
GENDER: MALE
MALAYSIAN

DATE OF APPOINTMENT:
01 OCTOBER 2016

Ng Swee Ang is responsible for overseeing Hartalega's manufacturing operations covering production, engineering, planning, former management and warehouse & shipping. He possesses an MBA from Open University Malaysia. He has more than 30 years of experience in manufacturing environment with both local and multinational companies and was formerly the General Manager – Operations of GS Paper & Packaging. He joined Hartalega in February 2014 as General Manager – Manufacturing covering NGC and was promoted to his current position in 2016.

WONG HOONG TON

GENERAL MANAGER MANUFACTURING

AGE: 37
GENDER: MALE
MALAYSIAN

DATE OF APPOINTMENT:
01 AUGUST 2016

Wong Hoong Ton is responsible for overseeing the company's manufacturing operations of the Bestari Jaya Plant as well as heading the Project & Technology team. He possesses a Bachelor's Degree in Mechanical Engineering from the University of Technology Tun Hussein Onn and obtained his MBA from the University of Strathclyde Business School, Scotland. He has more than 15 years of experience in Production & Manufacturing environment. He joined Hartalega in March 2011 as Engineering Manager and played a lead role in building Hartalega's Next Generation Integrated Glove Manufacturing Complex in Sepang. He was promoted to his current position in 2016.

LEANG WAH CHOON

GENERAL MANAGER – MIS

AGE: 42
GENDER: MALE
MALAYSIAN

DATE OF APPOINTMENT:
13 JULY 2015

Leang Wah Choon is responsible for the Hartalega's Group IT requirement. He possesses a Bachelor's Degree (Hons), Electronics and Information Technology from Sheffield Hallam University, United Kingdom. He has more than 18 years of IT professional experience in the various industries such as IT, Oil and Gas, Pharmaceutical, Apparels, Properties, Banking, Shared Service Providers, Telecommunication, etc. He previously held various senior manager positions in the companies he served namely Motorola, Citigroup, CASSIS, and IBM. Prior to joining Hartalega, he was Shell Global Delivery ITSO Manager.

NG KIM LUI
GENERAL MANAGER
SALES & MARKETING

AGE: 52
GENDER: MALE
MALAYSIAN

DATE OF APPOINTMENT:
6 FEB 2017

Ng Kim Lui is a member of Chartered Management Accountant (CIMA), Chartered Global Management Accountant (CGMA), CPA Australia and obtained his MBA from Charles Sturt University, Australia. He held various senior sales and marketing capacities with 19 years of working experience serving multinational companies, namely Kereny Norman Pte Ltd, British Telecom Plc, Fuji Xerox Asia Pacific Pte Ltd and Greif Inc USA. He also spent more than 12 years managing his own company, Bito Group.

TAN TECK HENG
GENERAL MANAGER
FINANCE

AGE: 43
GENDER: MALE
MALAYSIAN

DATE OF APPOINTMENT:
22 FEB 2016

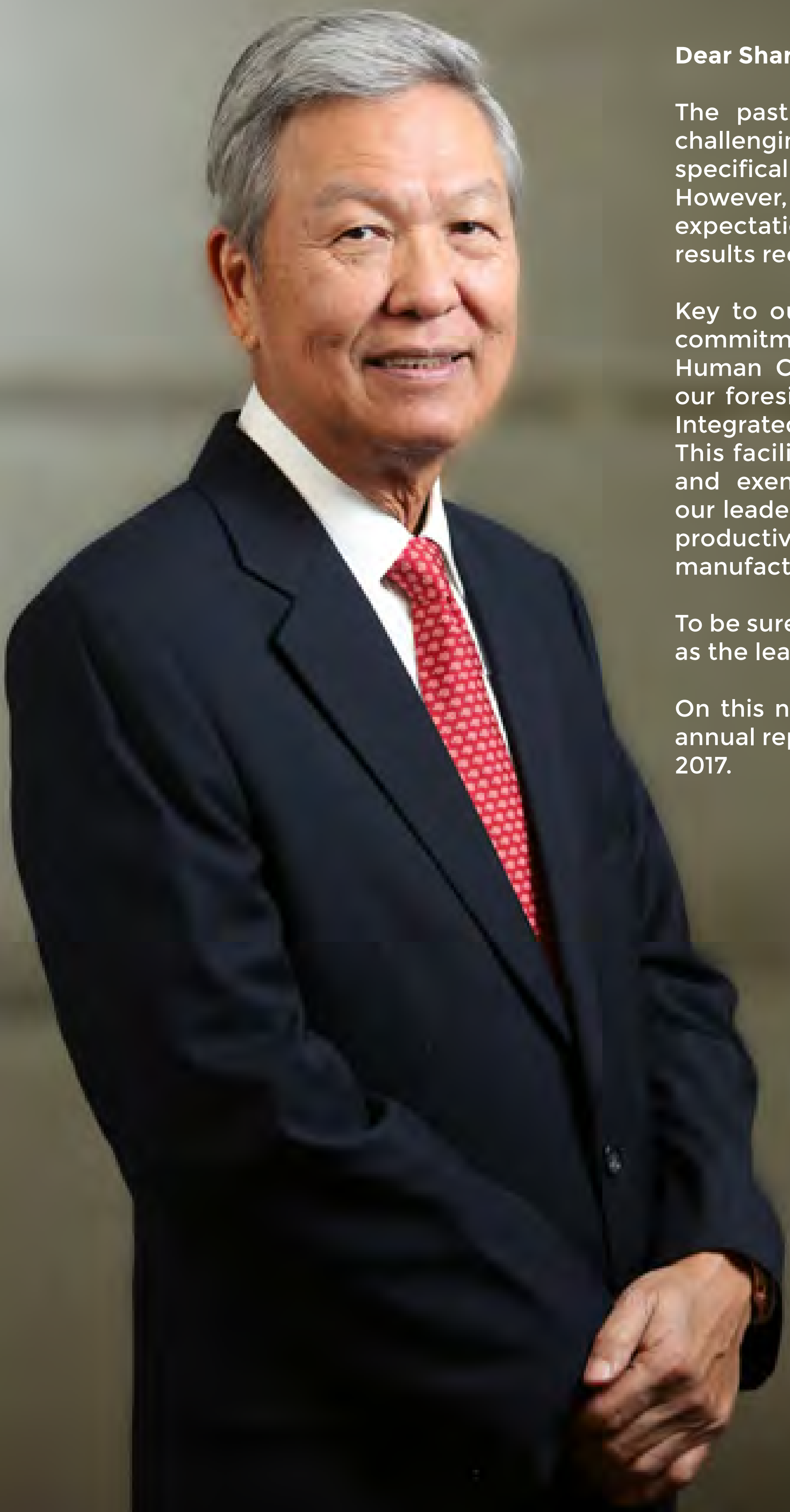
Tan Teck Heng is responsible for Hartalega's entire financial management function. He is a fellow member of the Association of Chartered Certified Accountants (UK) and Chartered Accountant of Malaysia Institute of Accountants. He has more than 22 years of experience in financial management, cost and budgetary control and treasury. He was formerly the Group Financial Controller of Kian Joo Can Factory Berhad where he worked for more than 11 years. Prior to joining Hartalega, he was the Controller, Malaysia, Australia & India of Allnex, a multinational specialty chemicals manufacturing group.

Notes

Save as disclosed, none of the Key Senior Management have:

1. directorship in public companies and listed issuers;
2. any family relationship with any Directors and/or major shareholders of the Company;
3. any conflict of interest with the Company;
4. any conviction for offences within the past 5 years other than traffic offences; or
5. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHAIRMAN'S REVIEW AND MANAGEMENT DISCUSSION & ANALYSIS



Dear Shareholder,

The past year, especially the first half, was a challenging one for the manufacturing sector, specifically the glove manufacturing sector. However, Hartalega prevailed and even exceeded expectations, the proof of which is in the excellent results recorded in the financial year under review.

Key to our growth was not only our continued commitment to product and quality improvement, Human Capital Development and R&D, but also our foresight investment in our Next Generation Integrated Glove Manufacturing Complex (NGC). This facility builds on our already solid foundation and exemplifies our determination to maintain our leadership in this industry through innovation, productivity and continuous enhancements in our manufacturing processes.

To be sure, we are firmly focused on forging ahead as the leader in this industry.

On this note, I am pleased to present to you our annual report for the financial year ended 31 March 2017.

Kuan Kam Hon @
Kwan Kam Onn
Executive Chairman

ECONOMIC LANDSCAPE

A combination of domestic factors made 2016 a tough year for the glove manufacturing sector. This included natural gas price hikes, implementation of higher minimum wages, as well as volatile raw material prices, all of which resulted in higher operating costs. Further, heightened competition amongst glove manufacturers affected selling prices and consequently impacted margins.

Revenue growth in the sector was muted in the first half of 2016. However, the market subsequently picked up in the second half of the year as raw material prices stabilized and the US Dollar strengthened.

On the global front, 2016 saw the glove industry registering healthy demand, growing in the region of 6% to 8% year-on-year. Malaysia remained the market leader, commanding over 63% of total global market share.

Malaysia's exports of rubber gloves increased by 7% during the year to 62.5 billion pairs. This was once again led by synthetic rubber gloves, which surpassed natural rubber gloves, with a demand ratio of 57% to 43%.

Exports of synthetic rubber gloves increased by 5.7% to 35.7 billion pairs, equivalent to a rise of 12.9% in value terms to RM7.2 billion. Nitrile gloves, which comprised 99.5% of total synthetic glove exports, rose by 5.7% in quantity terms and 11.3% in value terms.

Developed markets such as the US and the European Union recorded an increase in value terms in imports of synthetic rubber gloves in 2016. The US remained the key importer with a 49.1% share of the total export value in 2016, followed by the EU with 27.5%.

ASEAN recorded the highest increase in imports of Malaysian synthetic rubber gloves in 2016, expanding by 24.3% in value and 35.1% in quantity.

Overall, Malaysia's exports of synthetic rubber gloves to most key regions saw double-digit growth.

We can expect this positive trend to be sustained as the global healthcare market continues to grow and healthcare awareness increases in emerging markets. Hartalega is well-positioned to take advantage of these prospects as we maintain our momentum, driven by the NGC.

FINANCIAL PERFORMANCE

For the financial year ended 31 March 2017, the Group delivered a strong performance with top and bottom line growth. We registered a profit after tax of RM283.0 million, representing a 9.9% increase compared with RM257.4 million in the last financial year. Profit before tax rose to RM348.9 million, up by 10.1% from RM316.8 million in the previous fiscal year. Revenue for the period saw double-digit growth, increasing by 21.6% to RM1.822 billion from RM1.498 billion.

Our improved performance was driven by our NGC, which enabled the Group to increase production capacity via additional high capacity production lines, as well as enhanced operating efficiencies. Robust demand for nitrile gloves and higher sales volume coupled with the stronger US Dollar also contributed to our higher revenue.

During the year, we invested a total of RM240 million in capital expenditure. This was primarily for the continuous expansion of our production capacity via the NGC, as well as ongoing automation and cost optimisation measures.

The Group's key financial indicators reflect our strength: earnings before interest, taxation, depreciation and amortisation rose to RM420.6 million for the year under review, compared with RM387.8 million in the previous financial year.

Meanwhile, net cash for your Group increased to RM121.0 million compared with RM84.3 million last year, reflecting our strong balance sheet. On the back of this, our gearing ratio to total equity was low at 0.18 times. Shareholders' funds remained healthy, growing to RM1.684 billion as at 31 March 2017.

Earnings per share for the year grew to 17.2 sen compared with 15.7 sen in the last financial year. Net assets per share attributable to owners of the Company was 102.3 sen compared with the previous year's 91.5 sen.

DIVIDENDS

We are firmly committed to enhancing value for our shareholders via consistent dividend yields. This is clearly reflected in our dividend policy, which ensures a minimum payout of 45% of our annual net profit.

In line with this, we have successfully paid out a total dividend of 6 sen per share to date. At the 11th Annual General Meeting, the Board will propose a final dividend of 2.5 sen per share for shareholders' approval. This will bring total dividends to 8.5 sen per share, bringing the total dividend payout to RM139.6 million for the year, representing a payout ratio of 49.3%.

OPERATIONS REVIEW

RESEARCH AND DEVELOPMENT

Research and development (R&D) is fundamental to Hartalega. Our passion for innovation is the cornerstone of the Group's success. Our pole position in the glove manufacturing sector is based on our innovative products, state-of-the-art manufacturing facilities and advanced proprietary technology.

Our NGC is a clear example of this, as the only facility of this nature in the world. To date, we have invested RM1.13 billion in the NGC. We have successfully completed Phase 1 of the NGC, comprising Plants 1 and 2. During the year we embarked on Phase 2 to progressively commission production lines of Plant 3. Our strategy for staggering the pace of bringing our lines on stream is premised on market dynamics and sustainable growth. As at 31 March 2017, a total of 32 lines are operational at NGC.

Through the NGC, we have successfully set new benchmarks for the industry. The NGC's high-capacity production lines have resulted in a substantial improvement in productivity. Our superior manufacturing technologies and automation have enabled us to have an average line speed capacity of 45,000 pieces of gloves per hour, the fastest in the industry. This has had a direct positive impact on the Group's performance.

Overall, we have progressed our installed capacity to 23 billion pieces per annum as at 31 March 2017. We continue to maintain high utilisation rates of above 85%.

We have not only grown our production capacity, we have also achieved productivity gains through increased automation in our manufacturing processes, reduction of manual labour, ongoing cost optimisation initiatives and ensuring overall equipment effectiveness. This has led to a high productivity level of 2.6 employees per million pieces of gloves, far surpassing the industry average of 4.7 employees per million pieces of gloves.

In tandem with this, we are making great strides in product innovation through R&D in new products. We remain focused on developing superior high-quality products that meet the evolving needs of the market. Our pipeline of game-changing innovations will ensure that we remain the market leader.

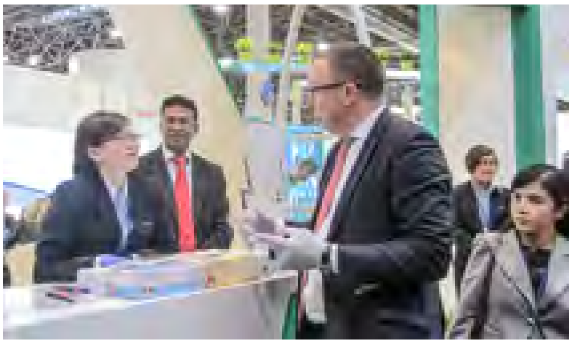
MARKETING

With an impressive track record of consistent top line growth, Hartalega remains the undisputed market leader in the nitrile glove segment. Proof of this is in our compounded annual sales growth rate, which was 14.3% over a period of five years.

We have established a reputation as pioneers in both product and process innovation. As a result of this, we have maintained a solid client base, with increasing market share in key markets.

Our sales volume saw good growth during the year, as we focused on the needs of our existing clients while reaching out to clients in new markets. The Group's total sales volume for the period under review grew by 24% to over 19 billion pieces, of which nitrile gloves amounted to 93% of the total. North America and Europe were our primary markets, accounting for 57% and 25% of our rubber glove exports, respectively.

Complementing our marketing and branding strategy is our overseas distribution arm, MUN. This enables us to enhance our brand presence and better leverage on prospects in new markets, specifically in China and India, where healthcare awareness still has much room to grow. MUN continues to expand its reach in China and India, extending its outposts from Yancheng to Foshan, and from Mumbai to Chennai, respectively.



HUMAN CAPITAL

An organisation can only move forward with the right talent in place. As such, we are committed to creating a conducive environment for our employees by nurturing their capabilities and facilitating their career development. With this, we hope to drive performance and productivity.

We have invested in numerous programmes to equip our human capital with the necessary skills. A key initiative is our ongoing Human Resources Transformation Programme, which aims to cultivate a high-calibre workforce with the right skills and competencies. This is all the more important given the advanced processes of the NGC. Along with this, we have leadership programmes to ensure that the Group is led by a strong team of professionals.

SUSTAINABILITY COMMITMENT

At Hartalega, we are conscious of our responsibility of leaving a positive impact in the areas in which we operate. This is embodied in our Sustainability Vision of caring, sharing and creating long-lasting benefits for the community, environment, marketplace and workplace. For us, sustainability is not just a vision, it is manifested in our actions throughout the Group. Just as we are proud of being known for inventing the world's first lightweight nitrile glove, we also take pride in being the first in the industry to use biomass fuel made from empty oil palm fruit bunches in our production processes. This is only one example of the initiatives we have taken to ensure that our Sustainability Vision moves beyond rhetoric.

We have a range of sustainability initiatives covering economic, environment and social perspectives. We have a roadmap for the actions that must be taken and established a Sustainability Committee to oversee the implementation of the initiatives.

As testament of our dedication to sustainability, we have also made our Sustainability Report an integral part of this year's Annual Report.

OUTLOOK

Prospects are bright for the glove manufacturing industry. Global demand is expected to grow between 8% and 10% per annum and nitrile gloves continue to see an uptrend in both developed and emerging markets. Pressure on prices has eased as capacity growth in the glove manufacturing sector has been tempered to maintain the supply and demand equilibrium.

With the NGC, Hartalega is well-prepared to meet rising demand growth. We have commenced Phase 2 of the NGC, and 8 out of 12 lines at Plant 3 are already operational. The remaining lines at Plants 3 and 4 are expected to be operational by 2018. We will be able to expand our capacity with an additional 4 billion pieces of gloves this year. However, we will continue to manage our capacity growth in a sustainable manner.

We have allocated capital expenditure in the region of RM300 million to RM400 million for the year ahead, which will go towards our expansion plans.

While being optimistic about the outlook, we are aware of the challenges ahead. These include the increase in natural gas prices, increased cost of living, and the Government's aim to limit the number of foreign workers. Of course, these impact the manufacturing industry as a whole. For Hartalega, we will focus on managing the challenges and risks associated with the policy changes. It is imperative to look at ways to reduce dependency on manual labour as well as to reduce energy consumption. Given our prowess in technology, automation and innovation through R&D, we are optimistic that we will be able to weather these challenges.

We take a holistic approach in our strategic growth plans. This includes nurturing a strong talent pool, enhancing our business capabilities and manufacturing processes, incorporating sustainability measures and implementing global best practices across our operations and organisational structure. We are confident that the effective implementation, monitoring and evaluation of our strategic action plans will further cement our position as the market leader in nitrile gloves.

ACKNOWLEDGEMENT

My deepest gratitude to our Board members and management team for steering the Group effectively. To all our employees, we appreciate your hard work and commitment to ensure Hartalega's success.

I would also like to take this opportunity to thank Dato' Mohamed Zakri bin Abdul Rashid and Mr Liew Ben Poh, who have stepped down from our Board. Having been with us since 2007, both have been important in driving the Group forward. We thank them for their dedication over the past decade and wish them all the best in their journey ahead.

On behalf of the Group, a warm welcome to our newest Board members, Tan Sri Datuk Dr Rebecca Fatima Sta. Maria and Datuk Seri Nurmala binti Abd Rahim. As seasoned professionals, they bring with them a wealth of experience and vast expertise.

Last but not least, I would like to thank our shareholders, financiers, business partners, consultants and relevant approving authorities for their steadfast support.

Kuan Kam Hon @ Kwan Kam Onn
Executive Chairman

SUSTAINABILITY REPORT

From the early days of Hartalega, we have been committed to embedding sustainability into the heart of our business. From our corporate strategy to our operations and products, sustainability is deeply rooted in our organisation as we pursue our aim of becoming the world's number one glove company.

Driven by our core values, our sustainability vision is anchored on strong custodianship of the environment, giving back to the communities in which we operate, caring for the wellbeing of our employees, as well as adhering to responsible operating principles for the benefit of our consumers and the marketplace.

We strive to affect positive change through our sustainability efforts not just for today, but for generations to come.

SYNERGY

HONESTY

INNOVATIVENESS

EXCELLENCE IN QUALITY

LEARNING

DEDICATION

GOVERNANCE STRUCTURE

To emphasise our commitment towards sustainability, we have put in place a clearly defined governance structure for the Group. This structure facilitates the supervision and management of sustainability issues during the year.

BOARD OF DIRECTORS	» Reviews and approves the Group's Sustainability Report
MANAGING DIRECTOR	» Reviews sustainability matters with the Sustainability Committee » Reports to the Board on sustainability matters
SUSTAINABILITY COMMITTEE	» Comprises representatives from HSE, HR, CSR and Investor Relations departments » Responsible for Materiality Assessment, Identification and Monitoring of Initiatives/ Actions, Execution of Initiatives/Actions and Reporting » Reports to the Managing Director on sustainability matters

MATERIALITY ASSESSMENT PROCESS

Our materiality assessment process allows us to manage our sustainability agenda by determining key priorities. This enables us to align time, resources and investment accordingly to address pertinent sustainability issues.

STAKEHOLDER MAPPING	DETERMINE SUSTAINABILITY ISSUES	CATEGORISATION & PRIORITISATION	PROCESS REVIEW
» Identify the Group's key stakeholders	» Stakeholder engagement » Determine material sustainability concerns for each key stakeholder	» Categorise and prioritise key sustainability issues » Action planning and reporting of key sustainability issues	» Review materiality assessment process

COMMITMENT TO STAKEHOLDER ENGAGEMENT

We are cognisant that our stakeholders have a considerable influence on our business performance, and as such, their views are important to the Group. By regularly engaging with our stakeholders, we ensure that we are better equipped to address their needs and concerns.

Our engagement activities consist mainly of tradeshows, exhibitions, engagement meetings, surveys and audits. In all our engagements, we prioritise open and honest communication to collaboratively identify more ways to build value for our business, our stakeholders, our communities and our environment.

Key stakeholder engagement activities and material sustainability issues identified in the 2017 fiscal year were as follows:

KEY STAKEHOLDER GROUP	ENGAGEMENT TYPE	MATERIAL SUSTAINABILITY ISSUES		
		ECONOMIC	ENVIRONMENTAL	SOCIAL
Customers	Periodic meetings, surveys and social compliance audits	Financial stability	Environmental protection	Human rights, employee welfare, occupational health & safety
Employees (Permanent & Contract Staff)	Employee surveys, engagement sessions, campaigns, volunteer programmes, recreational events	Financial stability, economic contribution and jobs creation	Environmental protection	Occupational health & safety, employee welfare and corporate social responsibility
Government Agencies (Department of Occupational Health & Safety, Department of Environment, local councils, regulatory authorities)	Periodic meetings, on-site inspections, correspondences, social activities, industry group & local council meetings	Domestic investment & jobs creation, labour productivity, regulatory compliance	Environmental standards compliance	Occupational health & safety standards compliance
Local Communities (Communities surrounding Bestari Jaya & Sepang)	Corporate social responsibility programmes, community engagement activities, industry association & local council meetings	Economic contribution and jobs creation	Environmental protection	Corporate social responsibility activities
Shareholders & Investors	Annual general meeting, quarterly reporting, investment conferences & analyst briefings	Economic contribution	Environmental protection	Corporate social responsibility
Suppliers & Business Partners	Periodic meetings	Procurement practices and financial stability	Environmental protection	Corporate social responsibility

In addition, through our membership and participation in Malaysian Rubber Export Promotion Council (MREPC) and Malaysian Rubber Glove Manufacturers Association (MARGMA) meetings, seminars and exhibitions, we were able to interact with other glove industry players, authorities and communities, while sharing our views and keeping abreast of the latest developments in the industry. Our Executive Director Kuan Mun Keng sits on the Board of Trustees of MREPC and the Management Committee of MARGMA.

WE CARE FOR OUR ENVIRONMENT

As a leading glove manufacturer, the environment is of utmost importance to us. This is mirrored in the way in which we undertake our manufacturing processes in an environmentally-conscious manner.

It has always been our philosophy to take a holistic approach in protecting our eco-system. To attest to this, we have undertaken comprehensive efforts to reduce our environmental footprint.

Our key environmental initiatives are focused on the following:

» Performing beyond compliance standards
» Energy management
» Waste management
» Environmental conservation activities

These combined efforts have placed us in a leading position in the glove manufacturing sector, as our contributions to environmental sustainability far surpass industry norms.

Beyond Compliance Standards

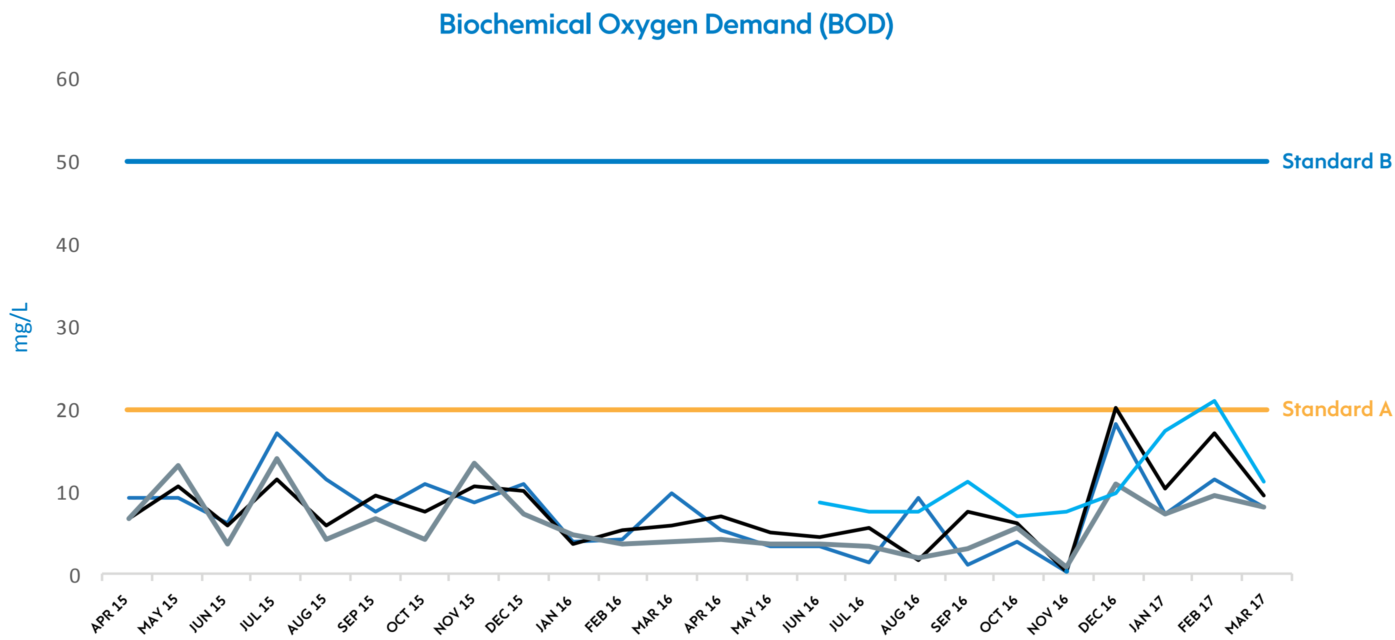
Reflecting our commitment to the environment, we have deployed significant resources, from time, quality control and financial investments to ensure that we adhere to high standards of environmental controls in line with regulations set by the Malaysian Department of Environment (DOE).

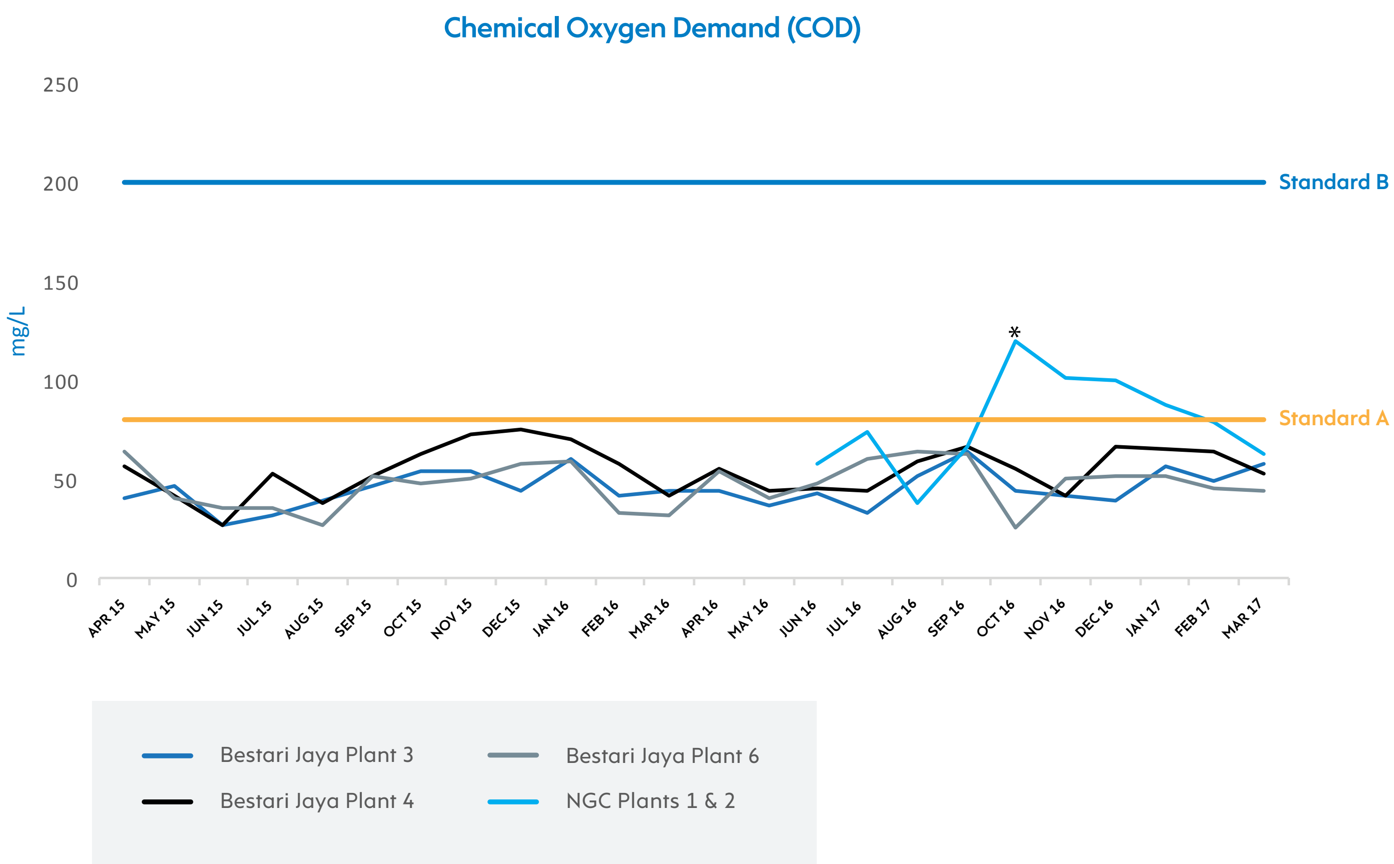
As a matter of fact, Hartalega consistently surpasses these compliance standards and has raised the bar internally. Towards this end, we have established a matrix of Key Performance Indicators which keeps us far ahead in terms of sustainability practices.

Further underscoring our commitment to the environment, Hartalega has been accorded ISO 14001 environmental management systems certification.

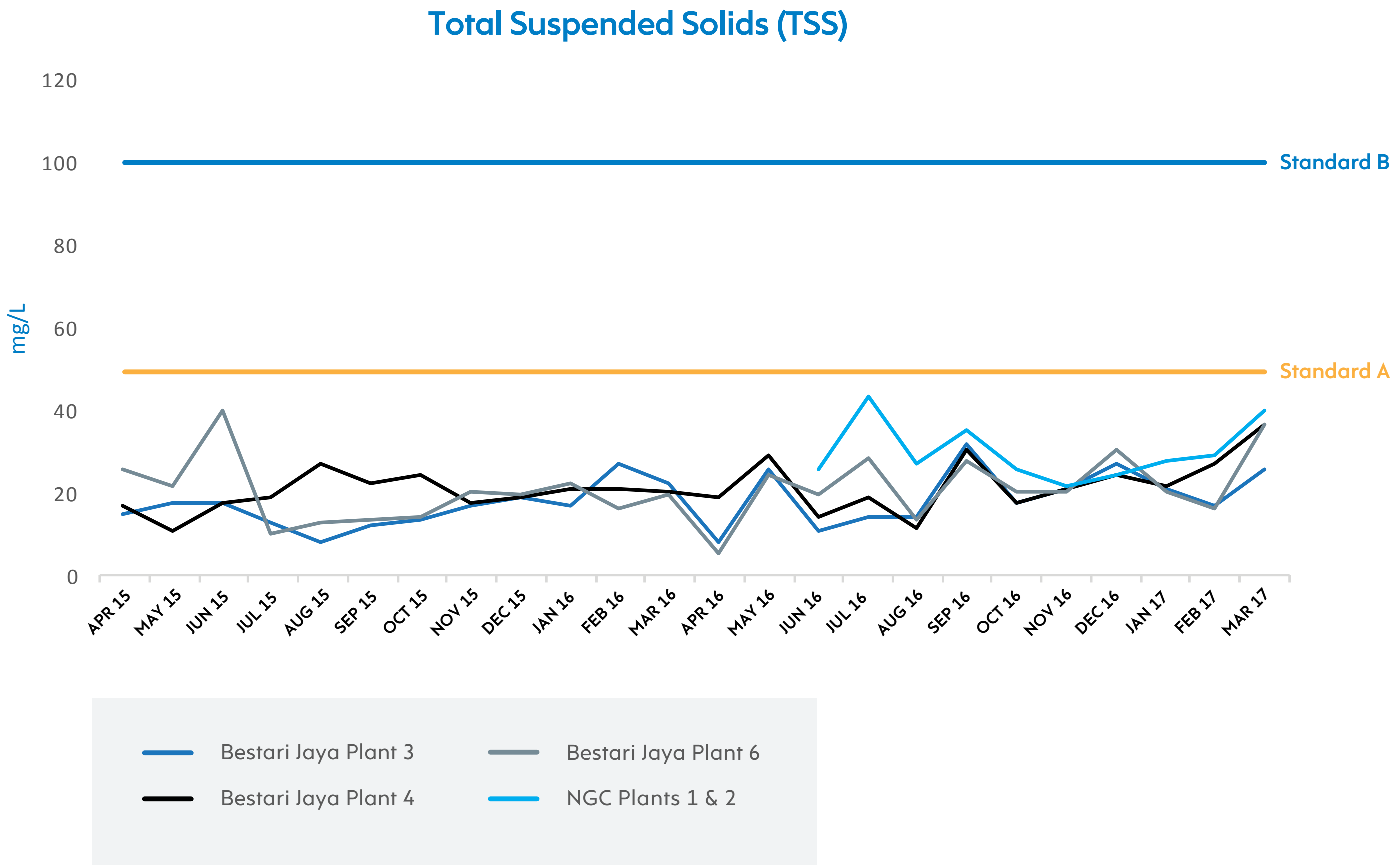
Demonstrating our proactive stance in managing environmental controls, our waste water treatment plants utilise advanced dissolved air flotation technology from Austria, ensuring that the effluent that we discharge is harmless to the environment.

As a result of our dedicated sustainability efforts, Hartalega has surpassed the Standard B rating required by DOE for effluent water discharge. We have gone even further, pouring in greater resources to voluntarily comply with DOE's highest benchmark, the Standard A rating.





**Note : The brief spike for the NGC occurred due to the fact that Plants 1 and 2 were under commissioning at the time and parameters were still being fine-tuned. Once this was completed, COD levels reduced to below Standard A rating.*



In addition, we conduct regular scheduled monitoring to ensure that our operations are well under the parameters of air emission levels and in adherence with environmental compliance standards.

Responsible Energy Management

We continuously innovate in terms of re-engineering our production lines and improving automation to conserve energy and reduce energy cost. To this end, we successfully reduced energy consumption by 4.1% during the fiscal year compared with the previous financial year.

4.1% REDUCTION IN ENERGY CONSUMPTION IN FY2017

In order to optimise energy consumption, we ensure that our facilities, equipment and manufacturing processes utilise energy in an efficient manner. We have also installed energy-saving lighting in our manufacturing plants and warehouses, in addition to carrying out energy conservation practices throughout our operations.

Other initiatives we have implemented include the installation of spiral heat exchangers, economiser installations for ovens and boilers, air leakage reviews, installation of a heat recovery system, along with close monitoring by our respective production departments.

As a result of our energy efficiency measures, in the year under review we reduced our natural gas consumption by 6.8% compared with the previous year.

6.8% REDUCTION IN NATURAL GAS CONSUMPTION IN FY2017

Hartalega is cognisant that the environment must be protected for our next generation. One of the key initiatives that we have in place is the use of renewable energy. Towards this end, we invested in biomass energy plants in 2004, with a RM16 million investment in a fully automated plant under the computerised monitoring system (SCADA or Supervisory Control and Data Acquisition System) operating with good combustion and emission controls. In fact, Hartalega's biomass energy plants were the first in Malaysia to be successfully registered to the United Nations Framework Convention on Climate Change (UNFCCC) or Kyoto Protocol in 2007.

Minimising Waste

We have several measures in place to minimise waste throughout our operations. This includes diligently reducing, reusing and recycling our resources and materials wherever possible.

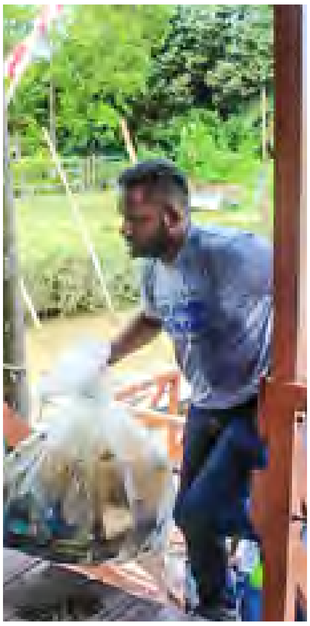
As a result of these efforts, during the year, we successfully reduced our non-scheduled waste by 25%.

25% REDUCTION IN NON-SCHEDULED WASTE IN FY2017

Nurturing Environmental Conservation

Over the past year, Hartalega worked together with the local community, non-profit organisations, authorities and employees for a greener environment.

We collaborated with Kelab Alami Kawa, a non-profit organisation focused on increasing awareness on environmental protection, as well as encouraging appreciation for Malaysia's natural heritage, particularly among young Malaysians. This social enterprise also aims to empower local youth through capacity building for scientific monitoring of local habitats, in addition to providing a viable alternative income through ecotourism skills training and infrastructure development.



Hartalega collaborated with Kelab Alami Kawa and UMCares, the University of Malaya's Community & Sustainability Centre, on the Sungai Selangor clean-up initiative, which aimed to raise awareness on the importance of keeping rivers clean, given that water is essential to life. By the end of the five-hour clean-up, as much as 590 kilogrammes of trash was collected from the river. The activity also raised awareness on Sungai Selangor's role as a habitat for fireflies.

590 KG **OF TRASH COLLECTED FROM SUNGAI SELANGOR**

Apart from this, during the year the Group collaborated with Forest Research Institute Malaysia (FRIM) for our joint 'Fireflies of Sungai Selangor, Kampung Kuantan' conservation initiatives during Program Tanam Pokok Negeri Selangor Tahun 2017 at Taman Alam Kuala Selangor. In conjunction with International Day of Forests 2017, the programme was held in support of mangrove ecosystem preservation and saw the planting of 6,060 mangrove saplings. The highlight of the event was the participation of Duli Yang Maha Mulia Sultan Selangor, Sultan Sharafuddin Idris Shah Alhaj Ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Alhaj.

WE CARE FOR OUR COMMUNITY

As a caring corporate citizen, we recognise the importance of elevating the standards of living and the quality of life of the communities we operate within. It is our intention to answer the Government's call for corporate Malaysia to step forward and make a sustainable difference in the lives of those in need.

Over the years, we have contributed to building sustainable communities through our various investments, strategic partnerships and the thoughtful engagement of our employees who volunteer their time and energy to make a positive difference in society.

During the year, staff members contributed over 600 volunteer hours to proactively reach out to the community in areas such as healthcare, the environment and education, impacting over 8,000 individuals.

Investing in Our Communities

We take a conscious and proactive effort to create job opportunities in the communities in which we operate. This is a priority for Hartalega, in order to help raise socioeconomic standards in these areas. Applicants from local communities are given preference when applying for jobs, as demonstrated by the fact that close to half of all permanent Hartalega employees are from the surrounding communities.

Through our strong links to communities surrounding our facilities, we have been able to undertake active engagements with local community leaders to determine the best way for us to contribute to local development.

Beyond providing job opportunities, we also support cultural activities in the community. For the past four years, Hartalega has contributed to Kg Bestari Jaya's Annual Wau Flying Competition which was revived after years of inactivity as a result of financial constraints. We are glad to see that participation and attendance has been growing for this competition that is unique to Kg Bestari Jaya.

During the year, we provided financial assistance to our local communities via our annual charity drives in conjunction with Hari Raya, Deepavali and Chinese New Year.

Through our contributions, we were able to touch the lives of over 600 individuals in need from Bestari Jaya and Salak Tinggi. The funds were utilised to help ease their burden in preparing for the festivities.

We provided a monthly contribution to Jashiera Old Folks Home in Bestari Jaya, which assists the home in managing the daily needs of its senior citizens and sustaining their operations. Along with this, our employees are given the opportunity to engage with the community and fellow colleagues in a meaningful way.

Access to quality care is imperative to quality of life. On a monthly basis, we subsidised the cost of medical treatments for over 700 residents of Taman Suria, Bestari Jaya.

We also sponsored medical supplies every month to Rumah Ozanam, Batu Arang, which shelters displaced women and children living with HIV/AIDS.

In addition, we continued to support Assisi Palliative Care with annual assistance, which helped the not-for-profit organisation provide free palliative care for the community.

Cultivating a Brighter Tomorrow

Hartalega is dedicated to making a positive difference in young lives. By ensuring that young Malaysians have access to quality education, we are able to play our part in contributing to our nation's progress over the long-term.

As part of our collaboration with our adopted school, SMK Sultan Sulaiman Shah in Bestari Jaya, we introduced various educational programmes as well as extra-curricular activities in order to cultivate a thirst for knowledge, self-improvement, entrepreneurship and innovativeness amongst students.

During the year, we upgraded the school's facilities to create a more conducive learning environment and provide financial support for needy students.

Apart from the opportunity to participate in the Young Enterprise Program of Junior Achievement Malaysia by the American Malaysian Chambers of Commerce, our students were also sent to Tokyo, Japan to expose them to the Japanese culture and education system.

As a Group that employs personnel from various fields and backgrounds, we understand the importance of investing in education to build a sustained and diverse pipeline of talent for the nation.

To this end, Hartalega awarded scholarships to disadvantaged students who displayed academic distinction during the year so that these talented young minds can pursue their interests irrespective of their economic upbringing.

The Group also subsidised monthly tuition fees for less fortunate pupils of Taman Suria, Bestari Jaya as well as Kampung Sungai Darah, Bestari Jaya.

In today's globalised world, the role of English in opening up opportunities cannot be denied or ignored. We sponsored The Star's Newspaper in Education programme, amounting to 50,000 newspapers for 16 schools in the Kuala Selangor and Sepang districts which provided over 4,000 students with the opportunity to utilise critical thinking to address language, grammar and literature components in a fun and interactive way.

The Group also sponsored an English Language Camp in partnership with the Reading Bus Club, Sunway University and Lancaster University, UK for 200 primary school students from Bestari Jaya. The programme encouraged reading amongst the students while improving their language skills.

In addition to educational excellence, we look to encourage students to excel in sports and live a healthier lifestyle. The Group sponsored a Weightlifting Programme for SMK Raja Muda Musa, Kuala Selangor (SMKRMM).

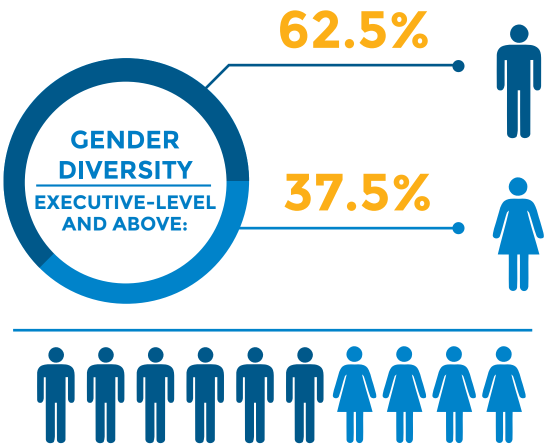
With our help, SMKRMM is among the first schools to have their own gym for weightlifting. This enables talented young athletes to improve their performance with the use of the right equipment.

Since the gym's establishment, the school has achieved various successes in the district as well as at state level. During the year, the SMKRMM weightlifting team competed in four national tournaments and emerged victorious, winning gold, silver and bronze medals.

Hartalega also collaborated with Majlis Perbandaran Sepang to organise the Karnival Komuniti Sepang to increase community awareness on various issues including the environment, economy, social and safety matters.

WE CARE FOR OUR PEOPLE

Our human capital is the Group's strongest asset. We greatly value our diverse workforce of over 6,000 individuals and we are committed to nurturing our talent pool.



Throughout the year, we implemented initiatives focused on cultivating an engaged, passionate and dedicated workforce, providing them with the right rewards, incentives, working environment and career development prospects.

Investing In Our People

One of the most tangible ways to invest in our human capital is to ensure continuous upscaling of skills. In line with this, in 2010, we invested in a Human Resource (HR) Transformation Programme to boost our management system and transform the way we attract, develop and retain people to support Hartalega's growth.

Given the Group's need to increase our pool of quality talent in order to cope with our expanding operations and in line with Hartalega's values and people development principles, we continued to invest in various training and development programmes during the year, managed by our learning and development department.

We have a dedicated and specialised in-house skills development programme. To complement this, various in-house and external courses were offered to employees. This included a comprehensive on-boarding programme to ensure that new employees can assimilate efficiently into their roles and the Hartalega organisational culture.

We established a Competency Development Programme (CDP) to equip our staff with relevant competencies in the three areas of core, leadership and functional. Through our Structured on the Job Training (SOJT) programmes we look to equip our employees with the functional skills and knowledge required to excel in the workplace. In addition, our employees have the opportunity to take part in our Leadership Development Program (LDP) managed by leading international HR consulting firm, AonHewitt.

As part of the CDP, our workforce was exposed to the latest developments within the sector through our participation in multiple seminars, conventions as well as workshops.

Recognising the need to prepare our talent for the manufacturing sector's rapidly changing environment, we offer financial support to high-potential employees who wish to pursue their education further through our education assistance scheme.

In addition to a competitive salary and benefits package, we provide our employees with employee stock options (ESOS) that can be exercised over a period of five years. We are glad to have been able to witness the transformative impact the ESOS scheme has had on the livelihood of our employees, as they have been able to benefit from the Group's strong performance over the years.

As a reflection of this, during our first ESOS scheme from 2010 to 2015, from the closing price of the stock option, the share price appreciated in value by at least 275% over the five-year period. This saw a total of RM51 million in profit generated as benefits-in-kind for executives and managers participating in the first ESOS scheme.

Meanwhile for our second ESOS programme which commenced in 2015, we extended it to non-executive level employees, making us one of a handful of employers in Malaysia to do so. From the initial offer, share price has appreciated in value by 93% to date. With our ESOS programme, we are able to create a greater sense of ownership and more

SHARE PRICE APPRECIATION

275%

FIRST ESOS SCHEME

RM51 MILLION PROFIT

importantly, our employees are able to participate in the growth and success of Hartalega. This is a clear demonstration of Hartalega's holistic vision to improve the socioeconomic conditions of our talent pool by leaps and bounds.

In line with our aim to develop the nation's human capital, we offered practical training opportunities to young Malaysians through our Graduate Readiness Internship Program (GRIP), a structured programme for interns that enables them to gain valuable hands-on experience.

Over the years, Hartalega has been recognised for our people practices and the emphasis we place on developing our human capital. We received the HR Asia Best Employer Award for 2013 as well as 2014. In 2015, we won the Leading Graduate Employers Award for the Chemicals & Heavy Industries Category. During the year, we improved our overall ranking from 77 to 33 as part of the M100 Leading Graduate Employers Award 2016.

In an increasingly competitive marketplace, we are proud to be recognised as an employer of choice among employees as well as students and graduates due to our strong people practices.

Creating a Safe and Healthy Workplace Environment

Group lost time injury rate:*	
FY15	2.15
FY16	1.37
FY17	1.11

Group fatality rate:	
FY15	0
FY16	0
FY17	0

**Data calculated based on number of incidents per million man hours worked*

As an industry leader with dedicated Health and Safety practices, we strive to improve, adapt and monitor all aspects of our operations to ensure sustainable growth and development.

Our annual Health, Safety and Environment Campaign undertaken in collaboration with local authorities allows us to educate staff and enhance awareness on the importance of adhering to safety procedures and taking proactive precautions.

With on-site safety as one of our top priorities, we have instilled a culture of safety consciousness at our facilities through our various training programmes. This includes emergency response plan training, first-aid training, ambulance training, evacuation drill, fire-fighting training, chlorine management training, safety patrols as well as other safety awareness campaigns.

Since our Occupational Health and Safety Management System (OHSAS) 18001:2007 certification in February 2016, we continue to implement health checks for employees, conduct first aid and emergency response training as well as chemical safety and equipment safety training. We are constantly upgrading our OHSAS with a view to ensure the absolute safety of our employees.

Championing Employee Welfare

Understanding the importance of ensuring that our staff are comfortable at work at all times, we endeavour to offer a conducive environment for our workforce across the board.

Due to the fact that heat is essential in the production of gloves, this results in high temperatures in certain areas of our production lines. To ensure the wellbeing of our factory workers, we have taken measures to mitigate this by utilising air handling units, which help to channel cool air into these areas and reduce temperatures to comfortable levels.

While this may seem like a simple effort, we are cognisant of the need to pay attention to the small details for a happy and productive workforce.

In line with our efforts to prioritise the welfare and wellbeing of our employees and their families, the Group provides health screenings, health insurance, health and safety campaigns, in-house ambulance service and free medical care through our on-site clinics with qualified nurses and doctors.

In addition, we offer nutritious and balanced canteen fare that includes complimentary lunch once a week. We also offer financial support for employees who require assistance to supplement their children's education.

In line with our efforts to encourage healthy habits among employees, we organised various events including teambuilding activities such as paintball competitions and family days as well as social events such as movie nights, Durian Fest and sports carnivals.

During the year, we also took part in the annual Kuala Lumpur Rat Race 2016, organised by The Edge Communications Sdn Bhd.

Prioritising Social Compliance

As a responsible corporate entity, we constantly promote and protect human rights. We firmly believe that all employees must be treated fairly and with respect.

To this end, Hartalega's social compliance policy is in adherence with international social compliance standards. These include the abolition of child labour, the elimination of discrimination in the workplace as well as the eradication of forced or compulsory labour.

Demonstrating our commitment, we are compliant with the standards of the Foreign Trade Association's Business Social Compliance Initiative (BSCI), a leading supply chain management system that supports companies in integrating social compliance throughout their business culture and operations.

WE CARE FOR OUR CONSUMERS & MARKETPLACE

Our vendors, suppliers and customers are more than just their individual roles, as we consider them to be part of the extended Hartalega Family.

We work hard to make superior products through collaboration with our suppliers as well as customers to deliver what the market demands in the most efficient and sustainable manner.

Meeting the Highest Standards of Quality and Safety Control

Our commitment to quality means that all our products rolled out to the market are rigorously tested by third party laboratories and certification bodies. We await approval by the Food and Drug Administration (FDA) in the United States and related parties before launching a product.

In line with our commitment to product quality, Hartalega products conform to all internationally recognised standards, such as Acceptable Quality Level Standards according to ISO 2859, American Society of Testing and Materials (ASTM), European Committee for Standardization (CEN), Japanese Institute of Standards (JIS) as well as the Australia and New Zealand AS/NZS standard.

We have been ISO (International Organization for Standardization) Quality certified since 1996 and are currently accredited to ISO 9001:2008 by TUV Management Service GmbH, ISO 14001:2004 by TUV SUD Asia Pacific TUV SUD Group, ISO 13485:2003 (CMDCAS) by TUV America, EN ISO 13485:2012 by TUV Product Service GmbH, EC Certificate by TUV Product Service GmbH as well as OHSAS 18001.

In addition, we were inducted into the FTSE4Good Bursa Malaysia Index in recognition of our dedication towards good environmental, social and corporate governance practices.

Sustainability in Product Innovation

Our commitment to sustainability extends even to our products. In 2005, we launched the world's first 4.7 gram lightweight nitrile glove, when the industry average was at least 7 grams, mimicking the stretchiness and softness of natural rubber gloves, without the protein allergy risks usually associated with latex gloves.

Our lightweight nitrile glove proved to be a disruptive innovation that transformed the landscape of the industry, causing a switching momentum to nitrile gloves which was previously dominated by natural latex, and triggering a reduction in the weight of gloves.

Over the years, we have continued to reduce the weight of our gloves, allowing us to conserve cost while reducing our carbon footprint. We launched the first 3.7 gram lightweight nitrile glove in 2007, which was later followed by a 3.2 gram lightweight nitrile glove.

The lightweight nitrile glove also allows for greater efficiency of resources compared with thicker natural latex gloves, in terms of raw materials utilised, disposal of waste and energy consumption.

Clearly, innovation has been ingrained in Hartalega since our inception, and we remain focused on catering to the evolving needs of the market. Among our key product innovations is the COATS (Colloidal Oatmeal Activated Therapeutic System) glove. This product addresses a widespread problem for medical practitioners, whereby frequent handwashing causes dry and damaged skin. This can compromise the skin barrier and cause greater susceptibility to infection. Our COATS gloves help to prevent this by acting as an emollient to soften and moisturise hands when worn, subsequently reducing costs associated to non-productive time in the healthcare profession as a result of damaged skin.

In addition, our patented Goodpac packaging technology facilitates our sustainability efforts as it utilises less packaging materials. This in turn requires less trucks and fuel for transport purposes as well as reduced warehouse storage space, allowing us and our customers to save on cost, while at the same time reducing environmental impact.

This same Goodpac technology is also designed to ensure single glove dispensing, as the packaging prevents accidental dispensing of multiple gloves. This helps the medical community reduce wastage and contamination. At present, 93% of our gloves are sold to the healthcare sector.

Goodpac™
Dispense one glove at a time

Through these sustainability measures, which then instil our products with sustainable attributes, we also look to help customers reduce their environmental footprint and help to meet their sustainability goals.

CORPORATE GOVERNANCE AND DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors ("the Board") of Hartalega Holdings Berhad ("the Company" or "Hartalega") is committed to safeguarding the interests of its stakeholders and recognises the importance of corporate governance in achieving this objective. The Board knows that transparent disclosure of its organisational and management structure as well as other aspects of its corporate governance helps stakeholders to assess the quality of the Group and its management and assists investors in their investment decisions.

The Board is committed to ensuring that the Group's corporate governance is in line with the principles and best practices set out in Part 1 of The Malaysian Code on Corporate Governance ("the Code"). The Board further acknowledges the recommended best practices and the adopted alternative practices set out in Part 2 of the Code and continues to evaluate the status of the practices and the adopted alternatives.

SECTION 1: THE BOARD OF DIRECTORS

The Board takes full responsibility for the performance of the Group and guides the Group towards achieving its short and long term objectives, setting corporate strategies for growth and new business development while providing advice and direction to the Management to enable the Group to achieve its corporate goals and objectives.

Composition of the Board and Board Balance

The Board comprises members who have vast experience in the glove industry as well as professionals in the finance and consulting sectors. The Board brings in a wide spectrum of diverse skills and expertise to the Group which allows it to meet its objectives in the competitive glove manufacturing landscape.

A brief profile of each Director is presented on pages 16 to 21 of this Annual Report.

The Board currently has eight (8) members comprising four (4) Non-Independent Executive Directors and four (4) Independent Non-Executive Directors. This fulfils the one third (1/3) independence requirement.

Mr. Kuan Kam Hon @ Kwan Kam Onn takes on the role of Executive Chairman of the Group. Given his capability to show leadership, entrepreneurship skills, business acumen and vast experience in the glove industry, the Board continues to maintain this arrangement which is in the best interests of the Group.

The Code recommends that the Chairman of the Board must be a Non-Executive member and where the Chairman is not an Independent Director, it must comprise a majority of Independent Directors. The Board has decided to depart from this recommendation of the Code as the Board acknowledges that the Executive Chairman is the single largest shareholder and there is the advantage of shareholder leadership and a natural alignment of interest. In addition, the Executive Chairman is the founder of the Group with extensive knowledge and experience and he is competent to lead the Group towards achieving the highest level of interest to the Company and all its stakeholders. In respect of potential conflicts of interest, the Board is comfortable that there is no undue risk involved as all related party transactions are disclosed and strictly dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"). The Board is always mindful of the potential conflict of interest that may arise in each transaction, in which case, interested Directors are abstained from decision-making.

The presence of Independent Directors which comprise one half (1/2) of the Board members, though not forming a majority, is sufficient to provide the necessary checks and balances on the decision-making process of the Board. They possess integrity and extensive experience to provide unbiased and independent views to the Board. They consistently challenged the management and the Board in an effective and constructive manner and therefore are able to function as check and balance and bring in justified opinions to the Board of Directors. The Executive Chairman also encourages healthy debates on important issues and promotes active participation by Board members.

All the Directors have given their undertaking to comply with the Listing Requirements of Bursa Securities and the Independent Directors have confirmed their independence in writing.

Board Responsibilities

Having recognised the importance of an effective and dynamic Board, the Board's members are guided by the area of responsibilities as outlined:

» Reviewing and adopting strategic plans for the Group;

» Overseeing the conduct of the Group's businesses to evaluate whether the businesses are properly managed;

» Identifying the principal risks and key performance indicators of the Group’s businesses and ensuring that appropriate systems are implemented and/or steps are taken to manage these risks;

» Developing and implementing an investor relations programme or shareholder communication policy for the Group; and

» Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Appointments to the Board

Nomination Committee

The Nomination Committee comprises the following members:

Name of Director	Designation	Directorship
Razman Hafidz bin Abu Zarim	Chairman	Independent Non-Executive
Dato’ Tan Guan Cheong	Member	Independent Non-Executive
Tan Sri Datuk Dr Rebecca Fatima Sta. Maria	Member	Independent Non-Executive

The Board annually reviews the required mix of skills, experience and other qualities of the Directors to ensure that the Board is functioning effectively and efficiently.

The Nomination Committee's primary responsibilities include:

a. leading the process for Board appointments and making recommendations to the Board.

b. assessing Directors on an on-going basis.

c. annually reviewing the required skills and core competencies of Non-Executive Directors, including familiarisation with the Company's operations.

Re-Election of Directors

In accordance with the Company's Article of Association, all Directors including Directors holding an executive position of Chief Executive Officer or Managing Director, if any, shall retire from office at each Annual General Meeting, provided always that every Director shall retire at least once every three (3) years. The retiring Directors shall be eligible to offer themselves for re-election. Directors who are appointed by the Board during the financial year shall hold office until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

Director's Training

The Group acknowledges the fact that continuous education is vital for the Board members to gain insight into the state of the economy, technological advances in the core business, latest regulatory updates, and management strategies. In compliance with the Listing Requirements and the relevant Practice Note issued by Bursa Securities, all Directors have completed their Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities.

The Directors are also aware of their duty to undergo appropriate training from time to time to ensure that they are equipped to carry out their duties effectively. The Board is mindful therefore of the need to keep abreast of changes in both the regulatory and business environments as well as with new developments within the industry in which the Group operates. Whenever the need arises, the Company provides briefings of new recruits to the Board, to ensure they have a comprehensive understanding on the operations of the Group and the Company.

During the financial year, the Directors have attended the following conferences and training programmes:

Training Attended	Date
Cybersecurity Awareness	3 May 2016
Economist's Regional Economic Outlook	4 May 2016
Capital Market Director Programme	15 – 17 May 2016
Forensic Auditing	1 – 2 June 2016
Economist's Brexit Implications	27 June 2016
Malaysian Code on Corporate Governance	2 August 2016
Advocacy Sessions for CEOs & CFOs by Bursa Malaysia Securities Berhad	16 August 2016
MSC Status Briefing by EY	21 September 2016

Training Attended	Date
Role of the Chairman & Independent Directors	28 September 2016
Economic Outlook by ValueCAP	26 October 2016
Data Surveillance & Security - Commercial Applications by SingTel	7 November 2016
Budget 2016 entitled “Reform in the Malaysian Corporate Landscape”	8 November 2016
Economic Forum by ValueCAP	23 November 2016
Accounting for Revenue under MFRS 15	7 December 2016
YTL Leadership Conference 2016	19 December 2016
The Companies Act 2016 & Its Impact	14 February 2017
ASEAN Data Analytics Exchange by MDEC	28 March 2017

Supply of Information

The Board has a formal schedule of matters for decision-making to ensure that the direction and control of the Group is firmly in its hands.

Prior to each Board meeting, a full agenda together with relevant reports and comprehensive Board papers would be distributed to all Directors on a timely basis to enable the Directors to consider the matters to be deliberated and where necessary, obtain further information.

Proceedings of Board meetings are duly recorded and signed by the Chairman of the meeting.

Every Director has full and timely access to all Group information, records, documents and property to enable them to discharge their duties and responsibilities effectively. The Directors, whether collectively or individually, may seek independent professional advice in furtherance of their duties at the Company's expense, if required.

Board Meetings

During the financial year under review, five (5) board meetings were held. Details of attendance of each individual Director in respect of the meetings held are disclosed below:

Name of Director	Meetings Attended
Kuan Kam Hon @ Kwan Kam Onn	5/5
Dr Danaraj A/L Nadarajah	5/5
Kuan Mun Keng	3/5
Kuan Mun Leong	5/5
Dato' Tan Guan Cheong	5/5
Razman Hafidz bin Abu Zarim	4/5
Tan Sri Datuk Dr Rebecca Fatima Sta. Maria (appointed on 23 August 2016)	2/2
Datuk Seri Nurmala binti Abd Rahim (appointed on 23 August 2016)	2/2
Dato' Mohamed Zakri bin Abdul Rashid (resigned on 1 August 2016)	2/2
Liew Ben Poh (resigned on 1 August 2016)	2/2

During the financial year ended 31 March 2017, five (5) Board meetings were convened on 03/05/2016, 05/07/2016, 02/08/2016, 08/11/2016 and 14/02/2017 respectively.

Restriction on Directorships

The number of Directorships held by the Directors is stated in the Profile of Directors in the Annual Report.

Board Committees

The Board has established the following Committees to assist the Board in discharging its duties and responsibilities effectively:

» Audit Committee

» Nomination Committee

» Remuneration Committee

» Risk Management Committee

The terms of reference of each Board Committee are set out in Board Charter and have been approved by the Board. These Committees have the authority to examine particular issues and report to the Board with their recommendations. However, the ultimate responsibility for the final decision on all matters lies with the Board.

Audit Committee

The report of the Audit Committee is set out on pages 60 to 63 of this Annual Report.

Nomination Committee

The details of the Nomination Committee are set out on page 13 of this Annual Report.

Remuneration Committee

The details of the Remuneration Committee are set out on page 13 of this Annual Report.

Risk Management Committee

The details of the Risk Management Committee are set out on page 13 of this Annual Report.

In line with best practices in Corporate Governance, the Code recommends the establishment of the following committees:

1. **Nomination Committee**

   The primary function of the Nomination Committee is to propose new nominees for the Board and to assess Directors on an ongoing basis.

   As the existing Board members are professionals from diverse disciplines, the Board collectively undertakes to review the required skills sets annually to ensure that it has an optimal mix of expertise and experience.

2. **Remuneration Committee**

   The primary function is to set the policy framework for the remuneration of the Directors to ensure that the policy on directors is sufficient to attract and retain directors of the calibre needed to manage the Group successfully.

   The determination of remuneration of our Executive and Non-Executive Directors shall be a matter to be determined by our Board as a whole after taking into consideration the Remuneration Committee's recommendation.

3. **Risk Management Committee**

   The primary function is to assist the Board to oversee the management of all identified material risks including inter-alia reviewing risk management policies and frameworks, reviewing and approving risk management limits, reviewing risk exposures and portfolio composition, and ensuring that infrastructure, resources and systems are put in place for effective risk management oversight.

   The Committee ensures that the Risk Management Working Group (RMWG) provides regular reporting and update to the Board on key risk management issues and exercises oversight over the Group and subsidiaries' risk management and ensure that appropriate processes are established to monitor the subsidiaries' compliance with the Group's risk management policies.

SECTION 2: DIRECTOR'S REMUNERATION

a. Remuneration Procedure

The remuneration of directors is formulated to be competitive and realistic, emphasis being placed on performance and calibre, with aims to attract, motivate and retain Directors with the relevant experience, expertise and quality needed to assist in managing the Group effectively.

For Executive Directors, the remuneration packages link rewards to corporate and individual performance whilst for the Non-Executive Directors, the level of remuneration is linked to their experience and level of responsibilities undertaken.

The level of remuneration for the Executive Directors is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. The determination of the remuneration package of Non-Executive Directors, including Executive Chairman should be a matter for the Board as a whole. The individuals concerned should abstain from discussing their own remuneration.

The Remuneration Committee's primary responsibilities include establishing, reviewing and recommending to the Board the remuneration packages of each individual Executive Director and the Company Secretary.

The Remuneration Committee is also responsible for recommending the remuneration for the senior management and that the remuneration should reflect the responsibility and commitment that goes with it.

The primary roles and responsibilities of the Committee are clearly defined and include the following:

» To review the required mix of skills, experience and other qualifications which Directors (including Independent Directors) should bring to the Board in order for the Board to function effectively;

» To annually review and assess the contribution of each individual Director and to recommend to the Board new candidates for appointment as Director if there is a need for additional Board Members;

» To recommend to the Board a framework for remuneration for the Board and each Executive Director, which include but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind; and

» To establish objectives, performance criteria and measurement to evaluate the performance and effectiveness of the Board as a whole and to assess the contribution by each individual Director.

b. Directors' Remuneration

In the case of Executive Directors, the remuneration package is structured to reward corporate and individual performance while for Non-Executive Directors the remuneration reflects the experience and level of responsibilities undertaken.

The aggregate Directors' remuneration paid or payable or otherwise made available to all Directors of the Company during the financial year was as follows:

	Group			Company		
Category	Fees (RM)	Salaries & Other Emoluments (RM)	Benefit in Kind (RM)	Fees (RM)	Salaries & Other Emoluments (RM)	Benefit in Kind (RM)
Executive Director	360,000	3,827,536	159,943	288,000	-	-
Non-Executive Director	312,000	21,750	-	288,000	21,750	-
Total	672,000	3,849,286	159,943	576,000	21,750	-

Directors' remuneration is broadly categorised into the following bands:

Range of Remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM50,001 to RM100,000	0	4
RM650,001 to RM700,000	1	0
RM750,001 to RM800,000	1	0
RM1,150,001 to RM1,200,000	1	0
RM1,750,001 to RM1,800,000	1	0

SECTION 3: SHAREHOLDERS

Dialogue between Company and Investors

The Group recognises the importance of communication with its shareholders and utilises many channels to disseminate information and to interact with them. The Group has a website in which shareholders and the public can access up-to-date information about the business and the Group. The Group's website can be accessed via www.hartalega.com.my.

In addition, the Group makes various announcements on business developments using traditional mass media throughout the year. The Group also releases financial results on a quarterly basis according to Bursa Malaysia's requirements.

The Group also aims to have full interaction with fund managers, institutional investors and analysts. The Group has established a Corporate Affairs department designated for investor relations. During the year, the Group has arranged for Executive Directors and Senior Management to communicate and meet with investors and analysts to brief them on the ongoing business landscape.

Information is disseminated in strict adherence to disclosure requirements of Bursa Malaysia Securities Berhad.

The Annual General Meeting

The Annual General Meeting serves as an important means for shareholder communication. Notice of the Annual General Meeting and Annual Reports are sent to shareholders twenty-one days prior to the Meeting.

At each Annual General Meeting, the Board presents the progress and performance of the Group's business and encourages attendance and participation of shareholders during question and answer sessions. The Chairman and the Board will respond to all questions raised by the shareholders during the Annual General Meeting.

SECTION 4: ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects through the quarterly announcement of results to Bursa Malaysia as well as the Chairman's statement, review of operations and annual financial statements in the Annual Report. The Audit Committee assists the Board in ensuring accuracy and adequacy of information by overseeing and reviewing the financial statements and quarterly announcements prior to the submission to Bursa Securities.

The Directors are responsible to ensure that the annual financial statements are drawn up in accordance with the applicable approved accounting standards in Malaysia and the Companies Act 2016. The Statement of Directors' Responsibilities in relation to preparing the financial statements is set out separately in Section 5.

Risk Management and Internal Control

The Board is committed to maintaining a sound system of internal control within the Group. The Board acknowledges that a good system of internal control covering all aspects of the business including compliance and risk management is required to safeguard shareholders' investment and the Group's assets.

Information on the Group's internal control is set out in the Statement on Risk Management and Internal Control located on page 64 of this report.

Relationship with Auditors

The Board has a formal and transparent relationship with its auditor Messrs. Deloitte PLT. The external auditor through its statutory audit function continues to review, evaluate and refine the Group's accounting policies and procedures including internal control measures.

This statement is made in accordance with the resolution of the Board of Directors dated 4 July 2017.

SECTION 5: RESPONSIBILITY STATEMENT BY DIRECTORS

The Board is responsible to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flow of the Group and the Company for the financial year ended.

In preparing the financial statements, the Directors have:

i. Adopted the appropriate accounting policies and applied them consistently;

ii. Made judgements and estimates that are reasonable and prudent;

iii. Ensured applicable approved accounting standards have been followed and any material departures have been disclosed and explained in the financial statements; and

iv. Ensured the financial statements have been prepared on a going concern basis.

The Board is responsible for keeping proper accounting records of the Group and the Company, which disclose with reasonable accuracy the financial position of the Group and the Company, and which will enable them to ensure the financial statements have complied with the provisions of the Companies Act 2016 and the applicable approved accounting standards in Malaysia.

The Board is also responsible for taking reasonable steps to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

SECTION 6: COMPLIANCE STATEMENT

Having reviewed the governance structure and practices of the Group, the Board considers that it has complied with the best practices as set out in the Code unless otherwise stated as well as the items set out in Part A of Appendix 9C of the Listing Requirements of Bursa Securities in relation to the requirement of a separate disclosure in the Annual Report.

This statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 4 July 2017.

AUDIT COMMITTEE REPORT

A. Composition and Attendance

The Audit Committee comprises the following members and details of attendance of each member at committee meetings held during the year ended 31 March 2017 are as follows:

Composition of the Committee	Attendance
Dato' Tan Guan Cheong (Chairman / Independent Non-Executive Director)	5/5
Razman Hafidz bin Abu Zarim (Independent Non-Executive Director)	4/5
Tan Sri Datuk Dr Rebecca Fatima Sta. Maria (Independent Non-Executive Director, Appointed on 23 August 2016)	2/2
Datuk Seri Nurmala binti Abd Rahim (Independent Non-Executive Director, Appointed on 23 August 2016)	2/2
Dato' Mohamed Zakri bin Abdul Rashid (Senior Independent Non-Executive Director, Resigned on 1 August 2016)	2/2

B. Composition Compliance

The Audit Committee consists of four (4) members of which all are independent non-executive directors. None of them are alternate directors. Dato' Tan Guan Cheong chairs the Audit Committee.

C. Terms of Reference

The Terms of Reference of the Audit Committee are consistent with the MMLR of Bursa Malaysia and the MCCG 2012 and all the requirements under the Terms of Reference are fully complied with.

The Terms of Reference of the Audit Committee are accessible to the public for reference on Hartalega's corporate website.

Meetings

The Committee will meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. The external auditors may request a meeting if they consider that one is necessary.

The Quorum for each meeting shall be two (2) members and the majority of members present must be Independent Non-Executive Directors.

The authorised Officers and a representative of the external auditors may attend meetings at the invitation of the Committee. Other Board members shall also have the right of attendance upon the invitation of the Committee. If necessary, the Committee shall meet with the external auditors without executive Board members present.

The Secretary to the Committee shall be the Company Secretary or any other person appointed by the Committee.

The Secretary shall be responsible, in conjunction with the Chairman, for drawing up the Agenda and circulating it to the Committee members prior to each meeting. The Secretary will also be responsible for keeping the minutes of the meeting of the Committee, and circulating to the Committee members and to other members of the Board.

A Resolution in writing signed or approved by letter by all the members of the Audit Committee who are sufficient to form a Quorum shall be valid and effectual as if it had been passed at a meeting of the Audit Committee duly called and constituted. All such resolution shall be described as “Audit Committee Circular Resolution” and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company’s minute book. Any such resolution may consist of several documents in like form, each signed by one (1) or more members.

D. Summary of Activities

The following activities were carried out by the Audit Committee during the year under review:

i. Reviewed the quarterly financial statements and annual financial statements of the Group before submission to the Board for approval, focusing on major accounting policy changes, significant audit issues in relation to the estimates and judgement areas, significant and unusual events, and compliance with accounting standards and other legal requirements;

ii. Reviewed the audit fees and remuneration payable to external and internal auditors;

iii. Reviewed with internal auditors their audit plan prior to commencement of audit;

iv. Reviewed the internal audit reports and ensured that appropriate actions were taken on the recommendations of the internal auditor;

v. Reviewed the audit plan and audit reports, including the evaluation of the internal control system with the external auditors;

vi. Reviewed, assessed and monitored the performance, suitability and independence of the external auditors;

vii. Reviewed any related party transactions and recurring related party transactions that arose within the Group for ratification by the Board;

viii. Reviewed any material provision or allowance and writing off of bad debts in the quarterly financial statements and annual financial statements for Board approval; and

ix. Reviewed the Audit Committee Report and its recommendation to the Board for inclusion in the Annual Report.

The Committee discharged its duties and responsibilities in accordance with its Terms of Reference.

E. Internal Audit Function

The Group outsourced its internal audit function to an external consultant. The cost incurred for the internal audit function in respect of the financial year ended 31 March 2017 was RM84,000 (2016: RM69,000).

The role of the internal audit function is to assist the Audit Committee and the Board of Directors in monitoring and managing risks and internal controls of the Group. A systematic and disciplined approach is used to evaluate and improve the effectiveness of risk management, operational and internal controls, and compliance with laws and regulations.

The internal audit was carried out in accordance with the Institute of Internal Auditors' guidance on risk-based internal auditing. The internal audit approaches are as follows:

» Meeting with key staff to gain an understanding of the risks along with the processes reviewed, and the controls put in place;

» Reviewing key documents that support the processes and controls in place;

» Performing walkthrough test and test of controls, and in particular management oversight controls, in order to provide assurance as to the design and operational effectiveness of the internal control; and

» Comparing existing processes with established best practices.

The internal audit activities are carried out based on a risk-based audit plan, which include both assurance and consulting activities approved by the Audit Committee, in order to achieve the following objectives:

» Compliance with legislation, regulations, policies and procedures;

» Economy and efficiency of operations;

» Safeguarding of assets;

» Reliability and integrity of financial and operational information; and

» Achievement of operational objectives.

Internal audits are carried out in accordance with the internal annual planning memorandum and reports are issued to the Audit Committee for tabling at the Audit Committee meetings. The Audit Committee deliberates on the findings and recommendations as reported by the Internal Auditors and monitors to ensure appropriate follow-up actions are taken on the recommendations of the internal auditor.

F. Review of the Audit Committee

The nominating committee reviews the term of office and performance of the audit committee and each of its members through an annual effectiveness evaluation. The nominating committee is satisfied that the audit committee and members have carried out their duties in accordance with their terms of reference.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Statement on Risk Management and Internal Control (the "Statement") is prepared pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, a publication of Bursa Malaysia Securities Berhad.

BOARD RESPONSIBILITIES

The Board of Directors ("the Board") is committed to maintaining a sound system of risk management and internal control within the Group. The Board also acknowledges that it is their responsibility to review, in an ongoing manner, the risk management and internal control system for its adequacy, effectiveness and integrity. Thus, the Board, through the Risk Management Committee ("RMC"), maintains overall responsibility for risk oversight within the Group.

The system of risk management and internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve the Group's business objectives. It can therefore only provide reasonable and not absolute assurance against material misstatement or financial losses or fraud. In achieving the Group's business objectives, the Board assumes its responsibilities in designing the system of risk management and internal control based on the ongoing process of identifying and prioritising risk, evaluating the likelihood of those risks being realised and the impact should they be realised, and then, managing them effectively, efficiently and economically.

Management is responsible for assisting the Board in implementing and monitoring the procedures and processes which identify, assess and monitor business risks and internal controls, and to take responsive corrective action as and when needed.

The Board has received assurance from the Managing Director and the Corporate Finance Director that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets. The following outlines the nature and scope of risk management and internal control of the Group.

RISK MANAGEMENT COMMITTEE

The RMC is to assist the Board to oversee the management of all identified material risks including inter-alia reviewing risk management policies and frameworks, reviewing and approving risk management limits, reviewing risk exposures and portfolio composition, and ensuring that infrastructure, resources and systems are put in place for effective risk management oversight. The RMC will also ensure the Risk Management Working Group (RMWG) provides regular reporting and update to the Board on key risk management issues.

In discharging its responsibilities, the RMC will ensure the corporate objectives are supported by sound risk management strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of the Group's activities and to provide effective oversight to ensure business activities are aligned to the risk strategy, risk appetite and policies approved by the Board of Directors. In addition, the RMC exercises oversight over the Group and subsidiaries' risk management and ensures that appropriate processes are established to monitor the subsidiaries' compliance with the Group's risk management policies.

RISK MANAGEMENT FRAMEWORK

In line with the increasing focus of shareholders on Corporate Governance, the Company embarked on risk management initiatives. The Company has established and formalised its Enterprise Risk Management Framework (ERM). Under the ERM framework, a Risk Management Working Group (RMWG) is established. The key responsibilities of the RMWG are to provide regular reporting and update to the Board on key risk management issues. The RMWG is also responsible to champion and promote the ERM and to ensure that the risk management process and culture are embedded throughout the Group.

The RMWG is headed by the Managing Director. The RMWG will meet regularly where the Head of Departments have the overall responsibility to report the key risks to the attention of the RMWG. The Managing Director is responsible to report to the Board on a regular basis on major risk areas.

The key principles of the Group's ERM policy are:

» Effective risk management contributes to effective governance and is integral to the achievement of business objectives.

» It is the responsibility of every employee of the organisation to manage risks within their areas of responsibility.

» Risk management should be embedded into day-to-day management processes and is explicitly applied in decision-making and strategic planning.

» The risk management processes applied should aim to take advantage of opportunities, manage uncertainties and minimise threats.

» Regular reporting and monitoring activities emphasise the accountability and responsibility for managing risks.

INTERNAL AUDIT AND ISO AUDIT FUNCTION

To maintain a sound system of internal control, the Group relies on its two (2) assurance mechanisms, namely:

i. Internal Audit; and

ii. ISO Audit

The internal audit function has been outsourced to provide independence from the activities and operations of the Group, thereby providing the Audit Committee and the Board assurance with regards to the adequacy, effectiveness and integrity of the system of internal control.

The internal audit reviews are executed based on an internal audit plan approved by the Audit Committee. The findings of the Internal Audit reviews together with management's comments and action plans to address the audit findings are presented and reviewed by the Audit Committee. Follow-up reviews have also been conducted to report to the Audit Committee on the status of implementation of management action plans.

As per requirement of the ISO 9001, ISO 13485 and ISO 14001 certifications, scheduled audits are conducted internally as well as by the certification body, TÜV SÜD. Issues arising from these audits are forwarded to the Management Representative for review.

OTHER KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL

Apart from risk management and internal audit function, the Board has also put in place the following elements as part of the Group's system of internal control:

» Company policies and procedures that adhere to ISO 9001:2008, ISO 13485:2003 and ISO 14001:2004 management systems and they are reviewed annually for their effectiveness;

» Clearly defined organisational structure with proper delegation of responsibilities and accountability. Appropriate authority limits are established for the approval process, therefore minimising the risk of unauthorised transactions;

» Annual budget system is in place. There is requirement for the timely submission of monthly financial reports and key operational performance indicators to the management;

» Human resource function sets out policies for recruitment, training and staff appraisal to ensure that staff is competent and adequately trained in carrying out their responsibilities; and

» All new products go through defined design control, and new machines and production processes go through a verification and validation process before implementation.

CONCLUSION

During the financial year ended 31 March 2017, the Board is of the view that there have been no significant weaknesses identified in the risk management and internal control system. However, a number of non-critical internal control weaknesses were noted, all of which have been, or are being addressed. These were not expected to result in any material loss, contingencies or uncertainties that would require disclosure in this Annual Report.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in the annual report of the Group for the year ended 31 March 2017 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system.

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

69 Directors' Report

76 Statement by Directors

76 Statutory Declaration

77 Independent Auditors' Report to the Members

82 Statements of Profit or Loss and Other Comprehensive Income

83 Statements of Financial Position

84 Statements of Changes in Equity

88 Statements of Cash Flows

90 Notes to the Financial Statements

140 Supplementary Information on the Disclosure of Realised and Unrealised Profits and Losses

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the holding company in each subsidiaries is as disclosed in Note 11 to the financial statements.

RESULTS

	Group RM	Company RM
Profit for the financial year	283,317,411	135,099,535
Attributable to:		
Owners of the Company	283,001,350	135,099,535
Non-controlling interests	316,061	-
	283,317,411	135,099,535

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

DIVIDENDS

Dividends paid, declared and proposed by the Company since the end of the previous financial year were:

i. third interim single tier exempt dividend of 2 sen per share amounting to RM32,820,753 in respect of financial year ended 31 March 2016 as reported in the directors' report of that financial year, declared on 3 May 2016 and paid on 23 June 2016;

ii. final single tier exempt dividend of 2 sen per share amounting to RM32,822,190 in respect of financial year ended 31 March 2016 as reported in the directors' report of that financial year, approved by shareholders at the last Annual General Meeting on 23 August 2016 and paid on 28 September 2016;

iii. first interim single tier exempt dividend of 2 sen per share amounting to RM32,828,590 in respect of the current financial year, declared on 8 November 2016 and paid on 29 December 2016;

iv. second interim single tier exempt dividend of 2 sen per share amounting to RM32,849,400 in respect of the current financial year, declared on 14 February 2017 and paid on 29 March 2017; and

v. third interim single tier exempt dividend of 2 sen per share amounting to RM32,879,294 in respect of the current financial year, declared on 9 May 2017 and paid on 23 June 2017.

The directors recommended a final single tier exempt dividend of 2.5 sen per share amounting to RM41,099,118 based on the number of outstanding ordinary shares in issue as at the date of this report, in respect of the current financial year, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect the third interim dividend declared and final dividend proposed. Such dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2018.

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.

BAD AND DOUBTFUL DEBTS

Before the statements of profit or loss and other comprehensive income and statements of financial position 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 doubtful debts and had satisfied themselves that there were no known bad debts to be written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would require the writing off of bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had 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 of the Group and of the Company 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 method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

i. any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

ii. any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

No contingent liabilities or other liabilities of the Group or 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 affect the ability of the Group or of the Company to meet their obligations as and 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

In the opinion of the Directors:

i. the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

ii. 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 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.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM820,514,607 to RM830,315,586 by way of:

i. issuance of 1,980,400 ordinary shares for cash pursuant to the exercise of Employees Share Option Scheme at exercise prices ranging between RM3.78 and RM4.28 per ordinary share; and

ii. transfer of share premium to share capital in accordance with Companies Act 2016 amounting to RM3,038,313.

The new ordinary shares issued during the financial year pursuant to the exercise of Employees Share Option Scheme ranked pari passu in all respects with the existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company or of any other company during the financial year apart from the Employees Share Option Scheme.

EMPLOYEES SHARE OPTION SCHEME ("ESOS")

At an Extraordinary General Meeting held on 26 August 2014, shareholders approved the ESOS to subscribe for unissued new ordinary shares in the Company which were granted to eligible persons of the Company and/or its subsidiaries (excluding subsidiaries that are dormant).

The salient features and other terms of the ESOS are disclosed in Note 19(d) to the financial statements.

During the financial year, the Company granted a total of 16,816,000 share options under the ESOS.

Details of all the options granted during the financial year to subscribe for ordinary shares of the Company pursuant to the ESOS as at 31 March 2017 are as follows:

Grant date	Expiry date	Exercise price RM	Number of options
29.04.2016	22.07.2020	4.28	4,753,500
21.07.2016	22.07.2020	4.11	4,973,200
21.10.2016	22.07.2020	4.64	3,596,200
23.01.2017	22.07.2020	4.39	3,493,100
			16,816,000

The Company has been granted exemption by the Companies Commission of Malaysia vide its letter dated 4 July 2017 from having to disclose the list of option holders, other than directors, to whom options have been granted during the financial year and details of their holdings pursuant to Section 255(1) of the Companies Act 2016 in Malaysia except for information of employees who were granted 150,700 options and above.

The list of option holders granted 150,700 options and above during the financial year are as follows:

				Number of share options		
Name	Grant date	Expiry date	Exercise price RM	Granted '000	Exercised '000	At 31.3.2017 '000
Leang Wah Choon	29.04.2016	22.07.2020	4.28	337.6	-	337.6
Tan Teck Heng	21.10.2016	22.07.2020	4.64	294.6	-	294.6
Wong Chee Kheong	23.01.2017	22.07.2020	4.39	190.5	-	190.5
Yoong Chin Fook	29.04.2016	22.07.2020	4.28	172.7	(9.9)	162.8
Tan Chong Poh	21.07.2016	22.07.2020	4.11	161.7	-	161.7
Lim Tian Li	21.07.2016	22.07.2020	4.11	161.7	-	161.7
Chau Chen Hoeu	21.07.2016	22.07.2020	4.11	161.7	-	161.7
Yoong Poh Mun	21.07.2016	22.07.2020	4.11	161.7	-	161.7
Mohd Edhzuan Bin Arbangai	21.10.2016	22.07.2020	4.64	150.7	-	150.7
Abdul Malek Bin Rosli	21.10.2016	22.07.2020	4.64	150.7	-	150.7
				1,943.6	(9.9)	1,933.7

Directors' options are disclosed under the directors' interests as follows.

DIRECTORS OF THE COMPANY

The directors of the Company in office during the financial year and during the period from the end of the financial year to date of this report are:

KUAN KAM HON @ KWAN KAM ONN	
KUAN MUN KENG	
KUAN MUN LEONG	
DR. DANARAJ A/L NADARAJAH	
DATO' TAN GUAN CHEONG	
RAZMAN HAFIDZ BIN ABU ZARIM	
DATO' MOHAMED ZAKRI BIN ABDUL RASHID	(Resigned on 1 August 2016)
LIEW BEN POH	(Resigned on 1 August 2016)
TAN SRI DATUK DR REBECCA FATIMA STA MARIA	(Appointed on 23 August 2016)
DATUK SERI NURMALA BINTI ABD RAHIM	(Appointed on 23 August 2016)

DIRECTORS' INTERESTS

The interests of the directors in office as at the end of the financial year in the shares and options over ordinary shares of the Company and of the related corporations during the financial year ended 31 March 2017 are as follows:

a. Shareholdings in the holding company

- Hartalega Industries Sdn. Bhd.

	Number of preference shares			
	At 1.4.2016	**Bought**	**Sold**	**At 31.3.2017**
Direct interests				
Kuan Kam Hon @ Kwan Kam Onn	45,933	-	-	45,933

	Number of ordinary shares			
	At 1.4.2016	**Bought**	**Sold**	**At 31.3.2017**
Direct interests				
Kuan Kam Hon @ Kwan Kam Onn[(1)]	45,983	-	-	45,983

b. Shareholdings in the Company

	Number of ordinary shares			
	At 1.4.2016	Bought	Sold	At 31.3.2017
Direct interests				
Kuan Kam Hon @ Kwan Kam Onn	5,123,340	5,927,000	(3,500,000)	7,550,340
Dato' Tan Guan Cheong	68,000	10,000	(20,000)	58,000
Dr. Danaraj A/L Nadarajah	200,000	-	(125,000)	75,000
Kuan Mun Keng	3,022,800	-	-	3,022,800
Kuan Mun Leong	3,029,400	-	-	3,029,400
Deemed interests				
Kuan Kam Hon @ Kwan Kam Onn (2)	859,445,508	-	(319,240)	859,126,268

(1) Shares held through a corporation in which the director has substantial financial interests.

(2) Shares held through the holding company, Hartalega Industries Sdn. Bhd. and Budi Tenggara Sdn. Bhd. in which the director has substantial financial interests.

c. Share Options in the Company
Employees Share Option Scheme ("ESOS")

	Number of ESOS over ordinary shares			
	At 1.4.2016	Granted	Exercised	At 31.3.2017
Kuan Kam Hon @ Kwan Kam Onn	2,462,600	-	-	2,462,600
Kuan Mun Keng	2,462,600	-	-	2,462,600
Kuan Mun Leong	2,462,600	-	-	2,462,600
Dr. Danaraj A/L Nadarajah	423,600	-	-	423,600

By virtue of his substantial interests in the shares of the Company, Mr. Kuan Kam Hon @ Kwan Kam Onn is also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during and at the end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the financial statements) 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.

Neither during nor at the end of the financial year, was 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 ESOS.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains directors' and officers' liability insurance for purposes of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance coverage for the Directors and Officers of the Company. The amount of insurance premium paid during the year amounted to RM66,000.

There were no indemnity given to or insurance affected for the auditors of the Company in accordance with Section 284 of the Companies Act 2016.

HOLDING COMPANY

The directors regard Hartalega Industries Sdn. Bhd., a private limited company incorporated in Malaysia, as the ultimate holding company of the Company.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended 31 March 2017 is as disclosed in Note 5 to the financial statements.

SUBSEQUENT EVENT

Details of subsequent event are disclosed in Note 27 to the financial statements.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 4 July 2017.

KUAN KAM HON @ KWAN KAM ONN

KUAN MUN LEONG

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, the undersigned, being two of the directors of the Company, do hereby state that, in the opinion of the directors, the accompanying financial statements as set out on pages 82 to 139, 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 at 31 March 2017 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 140 has been prepared in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 4 July 2017.

KUAN KAM HON @ KWAN KAM ONN

KUAN MUN LEONG

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Kuan Kam Hon @ Kwan Kam Onn, being the director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that, to the best of my knowledge and belief, the financial statements as set out on pages 82 to 139 and the supplementary information as set out on page 140 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared at Kuala Lumpur in the Federal Territory on 4 July 2017

KUAN KAM HON @ KWAN KAM ONN

Before me

KAPT. (B) JASNI BIN YUSOFF (W465)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARTALEGA HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hartalega Holdings Berhad, which comprise the statements of financial position as at 31 March 2017 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 a summary of significant accounting policies, as set out on pages 82 to 139.

In our opinion, the accompanying financial statements of the Group and of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017, and of their financial performance and their cash flows for the 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' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters presented below are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company of the current period. 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.

Key audit matter	*How the scope of our audit responded to the key audit matter*
Review of Costing of Inventories Inventories are stated at the lower of cost and net realisable value and cost is determined on the weighted average basis. The cost of inventories comprise the cost of purchase plus the cost incurred in bringing the inventories to their present location and condition. Management's judgment is required to estimate the costs of finished goods and work-in-progress which comprise the costs of raw materials, direct labour, other direct costs, and the appropriate allocation of overheads based on normal operating capacity.	We have performed the following audit procedures in relation to review of inventory costing: » Obtained an understanding of the inventories valuation policy and processes implemented by the management. We have evaluated the valuation made by management based on the policy; » Performed testing on relevant controls surrounding inventory valuation and costing of inventories; » Reviewed the basis of inventory costing which includes costs of raw material and labour, production overheads and other incidental costs incurred in bringing the inventories to their present location and condition. Discussed and based on our understanding and observations, determined appropriateness of the basis used by the management for the allocation of production costs and overheads for the purpose of inventory valuation based on normal operating capacity; and » Reviewed management assessments of the net realisable value of work in progress and finished goods.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report of the Group but does not include the financial statements of the Group and of the Company and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

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 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 Board of Directors for the Financial Statements

The Board of Directors of the Company are responsible for the preparation of financial statements so as to 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 Board of Directors is also responsible for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements 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 Board of Directors is 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 Board of Directors either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

The Audit and Risk Committee of the Company is responsible for overseeing the Group's and the Company's financial reporting process.

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 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.

As part of an audit in accordance with approved standards on auditing in Malaysia, we exercise professional judgment 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 management.

» Conclude on the appropriateness of management's 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 consolidated financial statements 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.

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

» 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 and the Company to express an opinion on the financial statements of the Group and of the Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, 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 year and are therefore the key audit matters. We describe these matters in our auditor's 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 11 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out on page 140 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Securities. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Securities.

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.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)

TEO SWEE CHUA
Partner - 2846/01/18 (J)
Chartered Accountant

4 July 2017
Kuala Lumpur

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	4	1,821,873,353	1,498,336,638	130,160,575	210,609,220
Cost of sales		(1,331,301,353)	(1,096,644,577)	-	-
Gross profit		490,572,000	401,692,061	130,160,575	210,609,220
Other income		13,848,838	32,917,664	8,251,922	8,035,854
Distribution expenses		(21,152,967)	(18,228,218)	-	-
Administrative expenses		(82,784,751)	(67,534,851)	(1,408,858)	(1,714,013)
Other operating expenses		(50,487,096)	(31,592,091)	-	-
		(154,424,814)	(117,355,160)	(1,408,858)	(1,714,013)
Profit from operations		349,996,024	317,254,565	137,003,639	216,931,061
Finance costs		(1,018,219)	(376,585)	-	-
Profit before tax	5	348,977,805	316,877,980	137,003,639	216,931,061
Tax expense	6	(65,660,394)	(59,117,989)	(1,904,104)	(1,749,901)
Profit for the financial year		283,317,411	257,759,991	135,099,535	215,181,160
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation, representing other comprehensive gain for the financial year, net of tax		1,245,964	499,402	-	-
Total comprehensive income for the financial year		284,563,375	258,259,393	135,099,535	215,181,160
Profit attributable to:					
Owners of the Company		283,001,350	257,427,543	135,099,535	215,181,160
Non-controlling interests		316,061	332,448	-	-
		283,317,411	257,759,991	135,099,535	215,181,160
Total comprehensive income attributable to:					
Owners of the Company		284,021,301	257,837,883	135,099,535	215,181,160
Non-controlling interests		542,074	421,510	-	-
		284,563,375	258,259,393	135,099,535	215,181,160
Earnings per ordinary share attributable to owners of the Company:					
Basic earnings per ordinary share (sen)	7	17.24	15.70		
Diluted earnings per ordinary share (sen)	7	17.14	15.58		

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	8	1,393,169,746	1,133,687,859	-	-
Capital work-in-progress	9	177,216,079	267,852,294	-	-
Intangible assets	10	19,798,640	19,483,421	-	-
Investments in subsidiaries	11	-	-	601,632,827	581,615,604
Deferred tax assets	12	4,875,999	1,015,703	-	-
Amount owing by subsidiary	22	-	-	298,609,505	297,935,711
Total Non-Current Assets		1,595,060,464	1,422,039,277	900,242,332	879,551,315
Current Assets					
Inventories	13	270,434,418	201,536,795	-	-
Trade and other receivables	14	300,115,771	239,044,258	77,044	32,476
Tax assets	15	154,536	99,890	-	-
Amount owing by subsidiary	22	-	-	6,290	673,793
Derivative financial assets	16	-	13,998,000	-	-
Cash, bank balances and short-term investments	17	121,008,566	84,381,327	17,308,362	6,223,708
Total Current Assets		691,713,291	539,060,270	17,391,696	6,929,977
TOTAL ASSETS		2,286,773,755	1,961,099,547	917,634,028	886,481,292
EQUITY AND LIABILITIES					
Equity Attributable to Owners of the Company					
Share capital	18	830,315,586	820,514,607	830,315,586	820,514,607
Reserves	19	851,845,366	681,427,666	87,050,633	65,554,699
		1,682,160,952	1,501,942,273	917,366,219	886,069,306
Non-controlling interests		2,625,133	2,083,059	-	-
Total Equity		1,684,786,085	1,504,025,332	917,366,219	886,069,306
Non-Current Liabilities					
Loans and borrowings	20	162,549,914	205,609,301	-	-
Deferred tax liabilities	12	76,421,486	60,810,812	-	-
Total Non-Current Liabilities		238,971,400	266,420,113	-	-
Current Liabilities					
Trade and other payables	21	206,971,407	147,387,988	48,677	80,216
Loans and borrowings	20	147,492,056	42,441,387	-	-
Derivatives financial liabilities	16	1,728,000	-	-	-
Tax liabilities	15	6,824,807	824,727	219,132	331,770
Total Current Liabilities		363,016,270	190,654,102	267,809	411,986
Total Liabilities		601,987,670	457,074,215	267,809	411,986
TOTAL EQUITY AND LIABILITIES		2,286,773,755	1,961,099,547	917,634,028	886,481,292

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

		Attributable to Owners of the Company							
			Non-Distributable			Distributable			
Group	Note	Share capital RM	Share premium RM	Translation reserve RM	Share-based payment reserve RM	Retained earnings RM	Sub-total RM	Non-controlling interests RM	Total equity RM
At 1 April 2015		400,779,017	254,422,564	(625,127)	-	614,423,049	1,268,999,503	1,661,549	1,270,661,052
Comprehensive income									
Profit for the financial year		-	-	-	-	257,427,543	257,427,543	332,448	257,759,991
Other comprehensive income									
Foreign currency translation		-	-	410,340	-	-	410,340	89,062	499,402
Total comprehensive income for the financial year		-	-	410,340	-	257,427,543	257,837,883	421,510	258,259,393
Transactions with owners									
Dividends	23	-	-	-	-	(122,912,222)	(122,912,222)	-	(122,912,222)
Share-based payment granted under ESOS		-	-	-	19,247,503	-	19,247,503	-	19,247,503
Issuance of ordinary shares pursuant to Warrants		9,437,862	68,707,635	-	-	-	78,145,497	-	78,145,497
Issuance of ordinary shares pursuant to Bonus Issue		410,216,878	(323,130,199)	-	-	(87,086,679)	-	-	-
Issuance of ordinary shares pursuant to ESOS		80,850	543,259	-	-	-	624,109	-	624,109
Transfer from share-based payment reserve upon exercise of ESOS		-	154,733	-	(154,733)	-	-	-	-
Total transactions with owners		419,735,590	(253,724,572)	-	19,092,770	(209,998,901)	(24,895,113)	-	(24,895,113)
At 31 March 2016		820,514,607	697,992	(214,787)	19,092,770	661,851,691	1,501,942,273	2,083,059	1,504,025,332

Group	Note	Share capital RM	Share premium RM	Translation reserve RM	Share-based payment reserve RM	Retained earnings RM	Sub-total RM	Non-controlling interests RM	Total equity RM
		Attributable to Owners of the Company							
			Non-Distributable			Distributable			
At 1 April 2016		820,514,607	697,992	(214,787)	19,092,770	661,851,691	1,501,942,273	2,083,059	1,504,025,332
Comprehensive income									
Profit for the financial year		-	-	-	-	283,001,350	283,001,350	316,061	283,317,411
Other comprehensive income									
Foreign currency translation		-	-	1,019,951	-	-	1,019,951	226,013	1,245,964
Total comprehensive income for the financial year		-	-	1,019,951	-	283,001,350	284,021,301	542,074	284,563,375
Transactions with owners									
Dividends	23	-	-	-	-	(131,320,933)	(131,320,933)	-	(131,320,933)
Share-based payment granted under ESOS		-	-	-	20,017,224	-	20,017,224	-	20,017,224
Issuance of ordinary shares pursuant to ESOS		5,619,866	1,881,221	-	-	-	7,501,087	-	7,501,087
Transfer from share-based payment reserve upon exercise/lapsed of ESOS		1,142,800	459,100	-	(1,601,900)	-	-	-	-
Transfer arising from "no par value" regime	18	3,038,313	(3,038,313)	-	-	-	-	-	-
Total transactions with owners		9,800,979	(697,992)	-	18,415,324	(131,320,933)	(103,802,622)	-	(103,802,622)
At 31 March 2017		830,315,586	-	805,164	37,508,094	813,532,108	1,682,160,952	2,625,133	1,684,786,085

STATEMENTS OF CHANGES IN EQUITY

Company	Note	Share capital RM	← Non-Distributable Share premium RM	Share-based payment reserve RM →	Distributable Retained earnings RM	Total equity RM
At 1 April 2015		400,779,017	254,422,564	-	40,581,678	695,783,259
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	215,181,160	215,181,160
Transactions with owners						
Dividends	23	-	-	-	(122,912,222)	(122,912,222)
Share-based payment granted under ESOS		-	-	19,247,503	-	19,247,503
Issuance of ordinary shares pursuant to Warrants		9,437,862	68,707,635	-	-	78,145,497
Issuance of ordinary shares pursuant to Bonus Issue		410,216,878	(323,130,199)	-	(87,086,679)	-
Issuance of ordinary shares pursuant to ESOS		80,850	543,259	-	-	624,109
Transfer from share-based payment upon exercise of ESOS		-	154,733	(154,733)	-	-
Total transactions with owners		419,735,590	(253,724,572)	19,092,770	(209,998,901)	(24,895,113)
At 31 March 2016		820,514,607	697,992	19,092,770	45,763,937	886,069,306

Company	Note	Share capital RM	← Non-Distributable → Share premium RM	Share-based payment reserve RM	Distributable Retained earnings RM	Total equity RM
At 1 April 2016		820,514,607	697,992	19,092,770	45,763,937	886,069,306
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	135,099,535	135,099,535
Transactions with owners						
Dividends	23	-	-	-	(131,320,933)	(131,320,933)
Share-based payment granted under ESOS		-	-	20,017,224	-	20,017,224
Issuance of ordinary shares pursuant to ESOS		5,619,866	1,881,221	-	-	7,501,087
Transfer from share-based payment upon exercise of ESOS		1,142,800	459,100	(1,601,900)	-	-
Transfer arising from "no par value" regime	18	3,038,313	(3,038,313)	-	-	-
Total transactions with owners		9,800,979	(697,992)	18,415,324	(131,320,933)	(103,802,622)
At 31 March 2017		830,315,586	-	37,508,094	49,542,539	917,366,219

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	348,977,805	316,877,980	137,003,639	216,931,061
Adjustments for:				
Depreciation of property, plant and equipment	67,826,824	68,305,093	-	-
Fair value loss/(gain) on derivative financial instruments	15,726,000	(15,945,000)	-	-
Property, plant and equipment written off	544	-	-	-
Share-based payment expense	20,017,224	19,247,503	-	-
Amortisation of intangible assets	2,835,093	2,327,326	-	-
Impairment loss on trade receivables	112,783	-	-	-
Interest expenses	1,018,219	376,585	-	-
(Gain)/loss on disposal of property, plant and equipment	(57,882)	23,194	-	-
Unrealised loss/(gain) on foreign exchange	10,694,023	(4,940,777)	-	-
Income from fixed income fund	(814,972)	(1,336,020)	(278,365)	(169,077)
Interest income	(561,736)	(1,256,243)	(7,973,488)	(7,304,002)
Dividend income from a subsidiary	-	-	(130,160,575)	(210,609,220)
Operating Profit/(Loss) Before Working Capital Changes	465,773,925	383,679,641	(1,408,789)	(1,151,238)
Increase in inventories	(68,897,623)	(81,373,447)	-	-
Increase in receivables	(61,184,296)	(48,688,332)	(44,568)	(27,976)
Increase/(Decrease) in payables	48,889,396	50,227,001	(31,539)	(1,752,696)
Cash Generated From/(Used In) Operations	384,581,402	303,844,863	(1,484,896)	(2,931,910)
Tax refunded	-	319,012	-	199,012
Tax paid	(47,828,033)	(64,667,340)	(2,016,742)	(1,417,590)
Net Cash From/(Used In) Operating Activities	336,753,369	239,496,535	(3,501,638)	(4,150,488)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Decrease/(Increase)in deposit in Escrow Account	5,330,204	(97,108)	-	-
Proceeds from disposal of property, plant and equipment	268,760	27,000	-	-
Additions to:				
Property, plant and equipment	(48,313,733)	(45,461,225)	-	-
Intangible assets	(371,597)	(1,237,992)	-	-
Capital work-in-progress	(191,321,785)	(379,252,168)	-	-
Income received from fixed income fund	814,972	1,336,020	278,365	169,077
Interest received	561,736	1,256,243	7,973,488	137,513
Dividends received from a subsidiary	-	-	130,160,575	210,609,220
Equity contributions received from a subsidiary	-	-	-	3,600,000
Advances to subsidiary	-	-	(6,290)	(172,739,766)
Subscription of shares in a subsidiary	-	-	-	(2)
Net Cash (Used In)/From Investing Activities	(233,031,443)	(423,429,230)	138,406,138	41,776,042
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Proceeds from issuance of shares pursuant to:				
Exercise of Warrants	-	78,145,497	-	78,145,497
Exercise of ESOS	7,501,087	624,109	7,501,087	624,109
Drawdown of term loans	240,852,116	244,326,661	-	-
Dividends paid	(131,320,933)	(122,912,222)	(131,320,933)	(122,912,222)
Repayments of term loans	(178,835,240)	(1,678,886)	-	-
Interest paid	(1,018,219)	(1,321,479)	-	-
Payments to finance lease payables	(25,594)	(24,466)	-	-
Net Cash (Used In) /From Financing Activities	(62,846,783)	197,159,214	(123,819,846)	(44,142,616)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	40,875,143	13,226,519	11,084,654	(6,517,062)
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS	1,082,300	556,697	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	79,051,123	65,267,907	6,223,708	12,740,770
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR (Note 17)	121,008,566	79,051,123	17,308,362	6,223,708

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

1. CORPORATE INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at B-25-2, Block B, Jaya One, No.72A, Jalan Universiti, 46200 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at C-G-9, Jalan Dataran SD1, Dataran SD PJU9, Bandar Sri Damansara, 52200 Kuala Lumpur.

The Company is principally engaged in investment holding.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 11.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 4 July 2017.

2. BASIS OF PREPARATION

a. Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

i. Adoption of new and amended Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company adopted all the new and revised MFRSs and amendments to MFRSs issued by MASB that are effective for annual financial periods beginning on or after 1 April 2016.

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012 - 2014 cycle	

The adoption of these new and revised MFRSs and Amendments to MFRSs did not result in significant changes in the accounting policies of the Group and of the Company and has no significant effect on the financial performance or position of the Group and of the Company.

2. BASIS OF PREPARATION (cont'd)

a. Statement of compliance (cont'd)

ii. New and amended Standards and Issues Committee Interpretation ("IC Interpretation") in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and amended MFRSs and IC Interpretation which were in issue but not yet effective and not early adopted by the Group and by the Company are as listed below:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)[2]
MFRS 15	Revenue from Contracts with Customers[2]
Amendments to MFRS 2	Classification and measurement of Share-based Payment Transactions[2]
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts[2]
Amendments to MFRS 16	Leases[3]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[4]
Amendments to MFRS 107	Disclosure Initiative[1]
Amendments to MFRS 112	Recognition of Deferred Tax Assets Under Unrealised Losses[1]
Amendments to MFRS 140	Transfers of Investment Property[2]
Amendments to MFRSs	Annual Improvement to MFRSs 2014 - 2016 cycle[2]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration[2]

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted provided MFRS 15 is also applied.

[4] Effective date deferred to a date to be determined and announced, with earlier application still permitted.

The directors anticipate that abovementioned standards will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these standards will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

2. BASIS OF PREPARATION (cont'd)

b. Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost convention except for certain financial instruments that are measured at fair value or at amortised cost at the end of the reporting date as explained in the significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described 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.

c. Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

d. Significant accounting estimates and judgements

The preparation of financial statements of the Group and of the Company require management to make assumptions, estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the assumptions or estimate is revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows:

i. Tax expense (Note 6) - Significant judgement is required in determining the capital allowances, allowance for increased exports and deductibility of certain expenses when estimating the provision for taxation. There were transactions during the ordinary course of business for which the ultimate tax determination of whether additional taxes will be due is uncertain. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax in the periods in which the outcome is known.

2. BASIS OF PREPARATION (cont'd)

d. Significant accounting estimates and judgements (cont'd)

ii. Useful lives of property, plant and equipment (Note 8) - The cost of property, plant and equipment was depreciated on a straight line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 4 to 50 years. These are the common life expectancies applied generally. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

The Group changed its depreciation method from reducing balance basis to straight line basis during the financial year to more realistically reflect the estimated remaining economic useful lives of the assets. The financial effect of the change, resulted in a decrease of depreciation expense in the current financial year by RM14,235,056.

iii. Determination of functional currency - Functional currency is the currency of the primary economic environment in which the entities where the Group operate. When indicators of the primary economic environment are mixed, management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Company has determined that the functional currency of the Company is RM.

iv. Inventories (Note 13) - In determining the costing of inventories, management's judgement is required in determining the basis of finished goods and work-in-progress valuation which comprise costs of raw materials, direct labour, other direct costs, and the appropriate allocation of overheads based on normal operating capacity.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

» has power over the investee;

» is exposed, or has rights, to variable returns from its involvement with the investee; and

» has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

a. Basis of consolidation (cont'd)

» the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

» potential voting rights held by the Company, other vote holders or other parties;

» rights arising from other contractual arrangements; and

» any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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 of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted at the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised and 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 and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets and deferred tax liabilities and assets and liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with MFRS 139 or MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b. Business combinations (cont'd)

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interests were disposed of.

If the initial accounting for a business combination is incomplete by end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items of which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

c. Foreign currencies

i. Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the Group's functional currency (foreign currencies) are recorded in the Group entities' functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items and on the translation of monetary items are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

ii. Foreign operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

- **i.** Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
- **ii.** Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- **iii.** All resulting exchange differences are taken to other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c. Foreign currencies (cont'd)

ii. Foreign operations denominated in functional currencies other than Ringgit Malaysia ("RM") (cont'd)

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

Upon disposal of a foreign subsidiary, the cumulative amount of translation differences at the date of disposal of the subsidiary is taken to the consolidated profit or loss.

d. Revenue recognition

i. Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

ii. Dividend income

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

iii. Interest income

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

iv. Income from fixed income fund

Income from fixed income fund is recognised when the right to receive payment is established.

e. Employee benefits

i. Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii. Defined contribution plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred.

iii. Share-based payment

The Company operates the Employee Share Option Scheme ("ESOS"), an equity-settled share-based compensation plan which allows the Group's eligible employees to acquire ordinary shares of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e. Employee benefits (cont'd)

iii. Share-based payment (cont'd)

The total fair value of ESOS granted to employees are recognised as expenses in profit or loss of the Group over the vesting periods of the grant, with a corresponding increase in share-based payment reserve. The fair value of ESOS are measured at grant date, taking into account, if any, the market non-vesting conditions upon which the ESOS were granted but excluding the impact of a non-market vesting condition. Non-market vesting conditions are included in assumption about the number of ESOS that are expected to become exercisable on vesting date.

At each reporting date, the Group revises its estimates of the number of ESOS that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment in share-based payment reserve over the remaining vesting period.

The share-based payment reserve is transferred to retained earnings upon expiry of the ESOS. When the ESOS are exercised, the share-based payment reserve is transferred to share capital.

f. Borrowing costs

All borrowing costs are recognised in profit or loss using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incur in connection with the borrowing of funds.

g. Leases

i. Finance lease - the Group as lessee

Assets acquired by way of finance leases where the Group assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

Finance lease are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding finance lease obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease is depreciated in accordance with the depreciation policy for property, plant and equipment.

ii. Operating lease - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on the straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

h. Tax expense

Tax expense in profit or loss represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year, using tax rates enacted or substantially enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises 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 nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same tax authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

i. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets' carrying amount or recognised as separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated.

As disclosed in Note 2(ii), during the financial year, the Group changed its depreciation method of property, plant and equipment (other than freehold land) from reducing balance basis to straight line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

i. Property, plant and equipment (cont'd)

The principal annual rates used for this purpose are:

Long term leasehold land	92 to 96 years
Buildings	2%
Plant and machinery	5%
Furniture, fittings and equipment	10% - 25%
Motor vehicles	20%
Renovation	10%

The residual values, useful lives and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items 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 or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

j. Capital work-in-progress

Capital work-in-progress is stated at cost during the period of construction.

No depreciation is provided on capital work-in-progress and upon completion of construction, the cost will be transferred to property, plant and equipment.

k. Intangible assets

Intangible assets representing IT software, patent rights and golf club memberships, which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised in the profit or loss on a straight-line method to allocate the cost of IT software, patent rights and golf club memberships over their useful lives. The principal annual rates used for this purpose are:

IT software	8 years
Patent rights	15 years
Golf club memberships	38 years

The residual values, useful lives and amortisation method are reviewed at each financial year end to ensure that the amount, method and period of amortisation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

l. Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost to sell and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount. An impairment loss is recognised as expense in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised in profit or loss.

m. Inventories

Inventories are stated at the lower of cost and net realisable value and cost is determined on the weighted average basis. The costs of raw materials, spare parts, consumables and goods-in-transit comprise cost of purchase plus the cost of bringing the inventories to their present location and condition. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportion of overheads based on normal operating capacity. The cost of formers comprises cost of purchase plus the cost of bringing the inventories to their present location and condition and is recognised in profit or loss progressively over the period of their consumption.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

n. Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and have categorised financial assets in financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n. Financial assets (cont'd)

i. Financial assets at FVTPL (cont'd)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

ii. Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or to sell the asset.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

o. Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

p. Cash and cash equivalents

The Group and Company adopt the indirect method in the preparation of the statements of cash flows. Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

q. Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

r. Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

r. Financial liabilities (cont'd)

i. Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives do not include exchange differences.

The Group has not designated any financial liabilities as at fair value through profit or loss.

ii. Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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 through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

s. Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

t. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

u. Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liabilities or assets are not recognised in the statements of financial positions of the Group and of the Company.

v. Segment reporting

For management purposes, the Group is organised into operating segments 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. The operating segment’s operating results are reviewed regularly by the chief operating decision maker, which is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sales of goods	1,821,873,353	1,498,336,638	-	-
Dividend income from a subsidiary	-	-	130,160,575	210,609,220
	1,821,873,353	1,498,336,638	130,160,575	210,609,220

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

a. Other items

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration:				
- Audit services	310,700	244,326	40,000	30,000
- Other services by auditors of the Company	-	2,155	-	2,155
Amortisation of intangible assets	2,835,093	2,327,326	-	-
Depreciation of property, plant and equipment	67,826,824	68,305,093	-	-
Fair value loss/(gain) on derivative financial instruments	15,726,000	(15,945,000)	-	-
Impairment loss on trade receivables	112,783	-	-	-
Interest expense in respect of:				
- term loans	15,366	36,345	-	-
- finance lease payables	1,109	1,593	-	-
- other borrowings	1,001,744	338,647	-	-
Non-Executive Directors' remuneration:				
- Fees				
- directors of the Company	288,000	252,000	288,000	252,000
- director of subsidiary	24,000	24,000	-	-
- Other emoluments				
- directors of the Company	21,750	23,500	21,750	23,500
Property, plant and equipment written off	544	-	-	-
Rental of:				
- Land	329,440	204,000	-	-
- Machinery	55,629	24,414	-	-
- Premises	2,992,793	3,521,219	-	-
- Motor vehicle	14,560	22,100	-	-
(Gain)/Loss on disposal of property, plant and equipment	(57,882)	23,194	-	-
Loss/(Gain) on foreign exchange:				
- realised	14,150,631	23,180,229	309	1,255
- unrealised	10,694,023	(4,940,777)	-	-
Income from fixed income fund	(814,972)	(1,336,020)	(278,365)	(169,077)
Interest income in respect of:				
- Deposits with licensed banks	(561,736)	(1,256,243)	(20,639)	(137,513)
- Advances to subsidiaries	-	-	(7,952,849)	(7,166,489)

b. Staff costs

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Staff costs	200,689,964	172,793,978	288,000	252,000
Included in staff costs are:				
Share-based payment expense	20,017,224	19,247,503	-	-
Contributions to defined contribution plan	7,417,605	5,496,978	-	-

5. PROFIT BEFORE TAX (cont'd)

b. Staff costs (cont'd)

Included in staff costs is the aggregate amount of remuneration received and receivable by the executive directors of the Company and of the subsidiaries during the financial year as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fees:				
- directors of the Company	360,000	324,000	288,000	252,000
- directors of the subsidiaries	96,000	96,000	-	-
Other emoluments:				
- directors of the Company	3,827,536	3,653,546	-	-
- directors of the subsidiaries	3,863,844	3,461,240	-	-
	8,147,380	7,534,786	288,000	252,000

The estimated monetary value of benefits-in-kind of the Group received by the directors of the Company and of the subsidiaries are RM159,943 (2016: RM93,300) and RM64,629 (2016: RM482,137) respectively.

6. TAX EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax				
Malaysia income tax				
Current year	53,838,114	52,373,520	1,904,000	1,749,360
(Over)/Underprovision in prior years	(1,196,251)	1,272,593	104	541
Overseas income tax				
Overseas - current year	1,131,604	929,372	-	-
	53,773,467	54,575,485	1,904,104	1,749,901
Deferred tax				
Origination and reversal of temporary differences	4,021,836	3,584,565	-	-
Underprovision in prior years	7,865,091	957,939	-	-
	11,886,927	4,542,504	-	-
Tax expense	65,660,394	59,117,989	1,904,104	1,749,901

6. TAX EXPENSE (cont'd)

The reconciliation of the tax amount at statutory income tax rate to the Group's and the Company's tax expense is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax	348,977,805	316,877,980	137,003,639	216,931,061
Tax at the Malaysian statutory income tax rate of 24% (2016:24%)	83,754,673	76,050,715	32,880,873	52,063,455
Effect of different tax rate of foreign subsidiaries	175,063	150,861	-	-
Tax effect of:				
Non-deductible expenses	4,945,043	3,181,148	328,296	232,659
Non-taxable income	(1,269,096)	(2,349,226)	(31,305,169)	(50,546,754)
Deferred tax assets not recognised	-	14,703	-	-
Utilisation of allowance for increased exports	(28,418,463)	(19,474,668)	-	-
Utilisation of reinvestment allowances	(195,666)	(686,076)	-	-
Under/(Over)provision in prior years:				
Current tax	(1,196,251)	1,272,593	104	541
Deferred tax	7,865,091	957,939	-	-
Tax expense	65,660,394	59,117,989	1,904,104	1,749,901

The Malaysian income tax is calculated at the statutory tax rate of 24% of the estimated taxable profits for the year of assessment 2017 and 2016. The computation of deferred tax as at 31 March 2017 has reflected these changes.

7. EARNINGS PER ORDINARY SHARE

	Group 2017 RM	Group 2016 RM
Basic earnings per ordinary share		
Net profit attributable to owners of the Company (RM)	283,001,350	257,427,543
Number of shares in issue as at beginning of the financial year	1,641,029,213	801,558,033
Effect of exercise of ESOS	472,667	36,225
Effect of exercise of Warrants	-	17,840,874
	1,641,501,880	819,435,132
Effect of Bonus Issue	-	820,433,757
Weighted average number of ordinary shares in issue	1,641,501,880	1,639,868,889
Basic earnings per ordinary share (sen)	17.24	15.70
Diluted earnings per ordinary share		
Net profit attributable to owners of the Company (RM)	283,001,350	257,427,543
Weighted average number of ordinary shares in issue	1,641,501,881	1,639,868,889
Effect of dilutive potential ordinary shares – ESOS	9,420,910	12,237,363
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	1,650,922,791	1,652,106,252
Diluted earnings per ordinary share (sen)	17.14	15.58

Since the end of the financial year, eligible executives have exercised the options to acquire 955,100 (2016: 50,100) ordinary shares.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the authorisation of these financial statements.

8. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Long term leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and equipment RM	Motor vehicles RM	Renovation RM	Total RM
Cost								
At 1 April 2016	26,720,978	95,221,752	317,181,355	848,687,505	141,836,714	8,207,004	2,583,870	1,440,439,178
Additions	-	6,748,688	3,254,387	24,936,204	12,123,639	1,089,975	160,840	48,313,733
Disposals	-	-	-	-	(30,569)	(1,107,942)	-	(1,138,511)
Transfer from capital work-in-progress (Note 9)	-	-	116,150,193	133,492,864	32,314,943	-	-	281,958,000
Reclassification	-	(1,909,244)	1,909,244	(8,592,625)	8,592,625	-	-	-
Transfer to intangible assets (Note 10)	-	-	-	-	(2,878,551)	-	-	(2,878,551)
Written off	-	-	-	-	(560)	-	-	(560)
Translation differences	-	-	-	4,164	82,847	32,207	-	119,218
At 31 March 2017	26,720,978	100,061,196	438,495,179	998,528,112	192,041,088	8,221,244	2,744,710	1,766,812,507
Accumulated depreciation								
At 1 April 2016	-	1,095,327	21,045,329	242,069,772	37,455,703	3,723,110	1,362,078	306,751,319
Charge for the financial year	-	1,046,644	6,448,438	41,011,443	17,192,517	1,839,866	287,916	67,826,824
Disposals	-	-	-	-	(1,448)	(926,185)	-	(927,633)
Reclassification	-	-	-	(244,100)	244,100	-	-	-
Transfer to intangible assets (Note 10)	-	-	-	-	(99,836)	-	-	(99,836)
Written off	-	-	-	-	(16)	-	-	(16)
Translation differences	-	-	-	4,163	61,280	26,660	-	92,103
At 31 March 2017	-	2,141,971	27,493,767	282,841,278	54,852,300	4,663,451	1,649,994	373,642,761
Net carrying amount								
At 31 March 2017	26,720,978	97,919,225	411,001,412	715,686,834	137,188,788	3,557,793	1,094,716	1,393,169,746

Group	Freehold land RM	Long term leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and equipment RM	Motor vehicles RM	Renovation RM	Total RM
Cost								
At 1 April 2015	26,720,978	95,221,752	236,473,053	592,458,794	99,937,296	6,699,314	2,583,870	1,060,095,057
Additions	-	-	3,367,437	35,217,334	5,382,269	1,494,185	-	45,461,225
Disposals	-	-	-	(151,305)	-	-	-	(151,305)
Transfer from capital work-in-progress (Note 9)	-	-	77,340,865	221,161,205	36,492,153	-	-	334,994,223
Translation differences	-	-	-	1,477	24,996	13,505	-	39,978
At 31 March 2016	26,720,978	95,221,752	317,181,355	848,687,505	141,836,714	8,207,004	2,583,870	1,440,439,178
Accumulated depreciation								
At 1 April 2015	-	101,474	16,090,833	190,821,207	27,541,828	2,733,215	1,225,521	238,514,078
Charge for the financial year	-	993,853	4,954,496	51,349,493	9,891,364	979,330	136,557	68,305,093
Disposals	-	-	-	(101,111)	-	-	-	(101,111)
Translation differences	-	-	-	183	22,511	10,565	-	33,259
At 31 March 2016	-	1,095,327	21,045,329	242,069,772	37,455,703	3,723,110	1,362,078	306,751,319
Net carrying amount								
At 31 March 2016	26,720,978	94,126,425	296,136,026	606,617,733	104,381,011	4,483,894	1,221,792	1,133,687,859

8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

a. The long term leasehold land of the Group has remaining unexpired lease period of more than 50 years.

b. Net carrying amount of the property, plant and equipment amounting to RM228,057,608 (2016: RM283,549,894) is pledged as security by way of legal charge and security debenture for banking facilities granted to the Group as disclosed in Note 20.

c. Net carrying amount of motor vehicles held under finance lease arrangements amounting to RM32,624 (2016: RM57,869).

9. CAPITAL WORK-IN-PROGRESS

	Group	
	2017 **RM**	**2016** **RM**
At beginning of year	267,852,294	222,649,455
Additions	191,321,785	380,197,062
Transfer to property, plant and equipment (Note 8)	(281,958,000)	(334,994,223)
At end of year	177,216,079	267,852,294

This is in respect of construction of new factory building and set up of new production plant and machinery.

Included in the capital work-in-progress are interest expense capitalised during the financial year amounting to RM4,864,980 (2016: RM944,894).

10. INTANGIBLE ASSETS

Group	IT software RM	Patent rights RM	Golf club memberships RM	Total RM
Cost				
At 1 April 2016	15,761,840	7,091,173	175,000	23,028,013
Additions	371,597	-	-	371,597
Transfer from property, plant and equipment - net (Note 8)	2,778,715	-	-	2,778,715
At 31 March 2017	18,912,152	7,091,173	175,000	26,178,325
Accumulated amortisation				
At 1 April 2016	2,015,051	1,511,120	18,421	3,544,592
Amortisation during the financial year	2,370,718	459,770	4,605	2,835,093
At 31 March 2017	4,385,769	1,970,890	23,026	6,379,685
Net carrying amount				
At 31 March 2017	14,526,383	5,120,283	151,974	19,798,640
Cost				
At 1 April 2015	14,536,224	7,078,797	175,000	21,790,021
Additions	1,225,616	12,376	-	1,237,992
At 31 March 2016	15,761,840	7,091,173	175,000	23,028,013
Accumulated amortisation				
At 1 April 2015	151,482	1,051,968	13,816	1,217,266
Amortisation during the financial year	1,863,569	459,152	4,605	2,327,326
At 31 March 2016	2,015,051	1,511,120	18,421	3,544,592
Net carrying amount				
At 31 March 2016	13,746,789	5,580,053	156,579	19,483,421

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Unquoted shares, at cost	558,000,002	558,000,002
ESOS granted to employees of subsidiaries	43,632,825	23,615,602
	601,632,827	581,615,604

11. INVESTMENTS IN SUBSIDIARIES (cont'd)

The particulars of subsidiaries are as follows:

Name of company	Country of incorporation	Principal activities	Proportion of ownership 2017	2016
Hartalega Sdn. Bhd.	Malaysia	Manufacturing of latex gloves	100%	100%
Hartalega NGC Sdn. Bhd.	Malaysia	Manufacturing of latex gloves	100%	100%
Hartalega Research Sdn. Bhd.	Malaysia	Research and development	100%	100%
MUN Global Sdn. Bhd.	Malaysia	Sales and marketing of gloves	100%	100%
Subsidiaries of Hartalega Sdn. Bhd. * MUN (Australia) Pty Limited	Australia	Retail and wholesale of gloves	82%	82%
* MUN Global USA, Incorporated	United States of America	Retail and wholesale of gloves	80%	80%
* Yancheng MUN Medical Equipment Co. Ltd.	People's Republic of China	Retail and wholesale of gloves	70%	70%
* MUN Health Product (India) Pvt Ltd	India	Retail and wholesale of gloves	81%	81%
Derma Care Plus Products (M) Sdn. Bhd.	Malaysia	Sales and marketing of gloves	100%	100%
Sentinel Engineering (M) Sdn. Bhd.	Malaysia	Leasing of property, research and development of automation systems	100%	100%
Subsidiary of MUN (Australia) Pty Limited * MUN (New Zealand) Limited	New Zealand	Retail and wholesale of gloves	100%	-

* Audited by a firm of auditors other than Deloitte.

11. INVESTMENTS IN SUBSIDIARIES (cont'd)

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Country of incorporation	Number of wholly-owned subsidiaries 2017	2016
Manufacturing of latex gloves	Malaysia	2	2
Research and development	Malaysia	1	1
Sales and marketing of gloves	Malaysia	2	2
Leasing of property, research and development of automation systems	Malaysia	1	1
		6	6

Principal activities	Country of incorporation	Number of non wholly-owned subsidiaries 2017	2016
Retail and wholesale of gloves	Australia	1	1
Retail and wholesale of gloves	United States of America	1	1
Retail and wholesale of gloves	People's Republic of China	1	1
Retail and wholesale of gloves	India	1	1
Retail and wholesale of gloves	New Zealand	1	-
		5	4

Acquisition of new subsidiary company

During the financial year, MUN (Australia) Pty Limited, a 82% owned subsidiary of the Company, acquired the entire equity of MUN (New Zealand) Limited, a private limited company incorporated in New Zealand ("NZD"), with a registered share capital of 100 shares for a cash consideration of NZD100.

The table below shows details of non wholly-owned subsidiaries of the Group that have material non-controlling interests:

	Percentage of ownership interests held by NCI	Profit/(Loss) allocated to non-controlling interests RM	Accumulated non-controlling interests RM
2017			
MUN (Australia) Pty Limited	18%	349,286	2,739,246
Other individually immaterial subsidiaries		(33,225)	(114,113)
		316,061	2,625,133
2016			
MUN (Australia) Pty Limited	18%	323,947	2,097,852
Other individually immaterial subsidiaries		8,501	(14,793)
		332,448	2,083,059

11. INVESTMENTS IN SUBSIDIARIES (cont'd)

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	MUN (Australia) Pty Limited	
	2017 RM	2016 RM
Non-current assets	957,568	556,496
Current assets	38,713,187	29,412,418
Non-current liabilities	(21,091)	(14,487)
Current liabilities	(24,172,978)	(18,041,034)
Net assets	15,476,686	11,913,393
Equity attributable to owners of the Company	12,737,440	9,815,541
Non-controlling interests	2,739,246	2,097,852
	15,476,686	11,913,393
Revenue	70,649,454	50,365,798
Profit for the year	1,940,477	1,799,704
Profit attributable to:		
Owners of the Company	1,591,191	1,475,757
Non-controlling interests	349,286	323,947
	1,940,477	1,799,704

12. DEFERRED TAX ASSETS AND LIABILITIES

	Group	
	2017 RM	2016 RM
Deferred tax assets		
At beginning of year	1,015,703	4,205,386
Recognised in profit or loss	3,721,647	(3,213,967)
Translation differences	138,649	24,284
At end of year	4,875,999	1,015,703
Deferred tax liabilities		
At beginning of year	60,810,812	59,481,431
Recognised in profit or loss	15,608,574	1,328,537
Translation differences	2,100	844
At end of year	76,421,486	60,810,812

12. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax assets/(liabilities) provided in the financial statements are in respect of the tax effects of the following:

	Group	
	2017 RM	2016 RM
Deferred tax assets		
Temporary differences in respect of deductible expenses	4,533,570	4,077,998
Unused tax losses	727,243	638,088
Unrealised profit on inventories	1,187,827	1,819,581
Fair value loss on derivative financial instruments	3,774,240	-
Unrealised foreign exchange losses	4,733,395	721,919
Allowance for increase in export sales	38,129,687	19,474,668
Unabsorbed capital allowances	-	11,707,657
	53,085,962	38,439,911
Offsetting	(48,209,963)	(37,424,208)
Deferred tax assets (after offsetting)	4,875,999	1,015,703
Deferred tax liabilities		
Temporary differences in respect of taxable income	21,091	14,487
Differences between the carrying amount of property, plant and equipment and its tax base	123,206,499	92,858,729
Fair value gain on derivative financial instruments	-	3,359,520
Unrealised foreign exchange gains	1,403,859	2,002,284
	124,631,449	98,235,020
Offsetting	(48,209,963)	(37,424,208)
Deferred tax liabilities (after offsetting)	76,421,486	60,810,812

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:

	Group	
	2017 RM	2016 RM
Unused tax losses	3,769,036	3,769,036

13. INVENTORIES

	Group	
	2017 RM	2016 RM
Raw materials	53,945,867	36,868,273
Work-in-progress	22,958,352	34,810,297
Finished goods	150,221,327	97,265,376
Goods-in-transit	5,508,697	4,115,343
Formers	23,882,100	18,744,350
Spare parts and consumables	13,918,075	9,733,156
	270,434,418	201,536,795

13. INVENTORIES (cont'd)

The cost of inventories recognised as expense and included in cost of sales during the financial year amounted to RM1,327,348,709 (2016: RM1,092,168,454).

The Group's inventories of RM2,402,820 (2016: RM1,963,948) are expected to be recovered after more than twelve months.

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade				
Trade receivables	255,028,854	204,862,945	-	-
Less: Allowance for impairment	(329,876)	(205,337)	-	-
Trade receivables, net	254,698,978	204,657,608	-	-
Non-trade				
Other receivables	34,735,150	19,349,483	72,544	27,976
Deposits	3,539,464	9,677,385	4,500	4,500
Prepayments	7,142,179	5,359,782	-	-
	45,416,793	34,386,650	77,044	32,476
	300,115,771	239,044,258	77,044	32,476

a. Credit term of trade receivables

The Group's normal trade credit terms extended to customers range from 30 to 90 days (2016: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis.

b. Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables at the reporting date is as follows:

	Group	
	2017 RM	2016 RM
Neither past due nor impaired	215,498,166	136,977,300
1 to 30 days past due not impaired	30,522,693	30,304,533
31 to 60 days past due not impaired	4,325,090	3,466,041
61 to 90 days past due not impaired	258,599	5,907,905
91 to 120 days past due not impaired	311,531	12,680,037
More than 121 days past due not impaired	3,782,899	15,321,792
	39,200,812	67,680,308
Impaired – More than 121 days past due	329,876	205,337
	255,028,854	204,862,945

14. TRADE AND OTHER RECEIVABLES (cont'd)

b. Ageing analysis of trade receivables (cont'd)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables of the Group amounting to RM39,200,812 (2016: RM67,680,308) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. An amount of RM4,726,603 (2016: RM29,236,515) included in trade receivables of the Group is secured by standby Letter of Credit from customers.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date is as follows:

	Group Individually Impaired	
	2017 RM	2016 RM
Trade receivables (nominal amounts)	329,876	205,337
Less: Allowance for impairment losses	(329,876)	(205,337)
	-	-

The impaired debtors at the reporting date are in significant financial difficulties and had defaulted in payment. These receivables are not secured by any collateral or credit enhancements.

The movement of allowance account used to record the impairment is as follows:

	Group	
	2017 RM	2016 RM
At beginning of year	205,337	204,813
Charge for the financial year	112,783	-
Translation differences	11,756	524
At end of year	329,876	205,337

14. TRADE AND OTHER RECEIVABLES (cont'd)

c. Trade receivables denominated in foreign currency are as follows:

	Group	
	2017 RM	2016 RM
United States Dollar	239,006,151	193,478,162

d. Other receivables and prepayments

Included in other receivables and prepayments of the Group are GST recoverable from respective authorities and advances to creditors for foreign workers expense amounting to RM24,088,061 and RM5,997,489 (2016: RM15,036,938 and RM3,673,090) respectively.

In previous financial year, included in other receivables and prepayments of the Group amounting to RM7,500,634 represents advances to suppliers for purchase of raw materials and machinery.

15. TAX ASSETS AND LIABILITIES

These are in respect of tax recoverable and payable from/(to) the Inland Revenue Board.

16. DERIVATIVE FINANCIAL (LIABILITIES)/ASSETS

	Group	
	2017 RM	2016 RM
Contract notional amount		
Non-hedging derivative:		
Forward currency contracts	320,899,020	423,090,000
At FVTPL		
Non-hedging derivative:		
Current (liabilities)/assets		
Forward currency contracts	(1,728,000)	13,998,000

The Group uses forward currency contracts to manage sales transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. Forward currency contracts are used to hedge the Group's trade receivables and sales denominated in United States Dollar ("USD"), extending to September 2017.

During the financial year, the Group recognised a loss of RM15,726,000 (2016: gain of RM15,945,000) arising from fair value changes of derivative financial instruments. The method and assumption applied in determining the fair value of derivatives is disclosed in Note 29.

17. CASH, BANK BALANCES AND SHORT-TERM INVESTMENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fixed income fund with licensed fund management companies (redeemable upon 1 day notice)	40,088,288	6,636,446	16,950,711	5,805,185
Deposit in Escrow Account	-	5,330,204	-	-
Deposits with licensed banks	350,000	5,440,000	-	350,000
Cash at banks and on hand	80,570,278	66,974,677	357,651	68,523
	121,008,566	84,381,327	17,308,362	6,223,708
Less: Deposit in Escrow Account	-	(5,330,204)	-	-
Cash and cash equivalents	121,008,566	79,051,123	17,308,362	6,223,708

Deposits with licensed banks of the Group and of the Company earn interest at effective interest rates ranging from 2.20% to 2.95% (2016: 1.85% to 2.95%) per annum with maturity period ranging from 1 day to 30 days (2016: 1 day to 30 days).

Deposit in Escrow Account of the Group earns interest at effective interest rate of 2.10% (2016: 2.10%) per annum.

Included in cash at banks of the Group and of the Company are amounts of RM64,539,456 (2016: RM45,098,663) and RM357,651 (2016: RM68,523) respectively which earn interest at effective interest rates ranging from 0.05% to 2.00% (2016: 0.05% to 2.00%) per annum.

Cash and cash equivalents of the Group denominated in foreign currency are as follows:

	Group	
	2017 RM	2016 RM
United States Dollar	49,175,091	54,707,857

18. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2017	2016	2017 RM	2016 RM
Ordinary shares				
Authorised:				
At beginning of year	6,000,000,000	1,500,000,000	3,000,000,000	750,000,000
Created during the year	-	4,500,000,000	-	2,250,000,000
Arising from "no par value" regime	(6,000,000,000)	-	(3,000,000,000)	-
At end of year	-	6,000,000,000	-	3,000,000,000
Issued and fully paid:				
At beginning of year	1,641,029,213	801,558,033	820,514,607	400,779,017
Issued during the financial year				
- bonus issue	-	820,433,756	-	410,216,878
- exercise of ESOS	1,980,400	161,700	6,762,666	80,850
- exercise of Warrants	-	18,875,724	-	9,437,862
Transfer of share premium in accordance with the Companies Act 2016	-	-	3,038,313	-
At end of year	1,643,009,613	1,641,029,213	830,315,586	820,514,607

a. Companies Act 2016

The Company's authorised and issued and fully paid-up share capital in 2016 comprises ordinary shares with a par value of RM0.50 each. The new Companies Act 2016 ("Act"), which came into effect on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

In accordance with the transitional provision of the Act, the amount standing to the credit of the Company's share premium account has become part of the Company's share capital. These changes do not have an impact on the number of shares in issue or the relative entitlement of the shareholders.

However, the Company has a period of 24 months from the effective date of the Act to use the existing balance in the share premium account in manner as specified by the Act.

b. Ordinary shares

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

18. SHARE CAPITAL (cont'd)

c. Ordinary shares issued

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM820,514,607 to RM830,315,586 by way of:

i. issuance of 1,980,400 ordinary shares for cash pursuant to the exercise of Employees Share Option Scheme at exercise prices ranging between RM3.78 and RM4.28 per ordinary share; and

ii. transfer of share premium to share capital in accordance with Companies Act 2016 amounting to RM3,038,313.

The new ordinary shares issued during the financial year pursuant to the exercise of Employees Share Option Scheme ranked pari-passu in all respects with the existing ordinary shares of the Company.

19. RESERVES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Distributable				
Retained earnings	813,532,108	661,851,691	49,542,539	45,763,937
Non-distributable				
Share premium	-	697,992	-	697,992
Translation reserve	805,164	(214,787)	-	-
Share-based payment reserve	37,508,094	19,092,770	37,508,094	19,092,770
	38,313,258	19,575,975	37,508,094	19,790,762
	851,845,366	681,427,666	87,050,633	65,554,699

a. Retained earnings

The retained earnings of the Company is available to be distributed as single tier dividend to the shareholders of the Company.

b. Share premium

The share premium arose from the issue of the Company's shares in prior years. During the current financial year, the amount has been transferred to share capital in accordance with the Companies Act 2016.

c. Translation reserve

The translation reserve comprises all foreign currency differences arising from translation of the financial statements of the entities within the Group with functional currencies other than RM.

d. Share-based payment reserve

The share-based payment reserve arose from the granting of options under the Employees Share Option Scheme ("ESOS") to eligible employees.

At an Extraordinary General meeting held on 26 August 2014, shareholders approved the ESOS to subscribe for unissued new ordinary shares in the Company which were granted to eligible persons of the Company and/or its subsidiaries (excluding subsidiaries that are dormant).

19. RESERVES (cont'd)

d. Share-based payment reserve (cont'd)

The salient features of the ESOS are:

a. The maximum number of new shares of the Company, which may be available under the ESOS shall not exceed in aggregate 10% of the total issued and paid-up capital of the Company at any one time during the existence of the ESOS.

b. The ESOS will be made available for participation by eligible persons of the Group who meet the following criteria on the Date of Offer:

» has attained the age of at least 18 years old;

» who is confirmed in service in a company within the Group;

» who has at least 6 months of continuous service within the Group; and/or

» be under such categories and criteria that the Option Committee may decide at its absolute discretion from time to time.

Notwithstanding the above, the eligibility and number of options to be offered to an eligible person under the scheme shall be at the sole and absolute discretion of the Option Committee and the decision of the Option Committee shall be final and binding.

c. The maximum number of new shares of the Company that may be offered under the ESOS and allotted to an eligible person shall be at the sole and absolute discretion of the Option Committee after taking into consideration, amongst others, the position and length of service of the eligible person and such other factors that the Option Committee may deem relevant, and not more than 10% (or such other percentage as may be permitted by Bursa Securities or any other relevant regulatory authorities from time to time) of the number of new Company shares to be issued pursuant to the ESOS shall be allocated to any eligible person who, either singly or collectively through persons connected, holds 20% or more of issued and paid-up capital of the Company, provided always that it is in accordance with any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

d. The ESOS shall be in force for a period of 5 years and 6 months from 23 January 2015 and may be extended or renewed (as the case may be), at the sole and absolute discretion of the Board of Directors of the Company upon the recommendation by the Option Committee, provided always that the initial ESOS period stipulated above and such extension of the ESOS made pursuant to the By-Laws shall not in aggregate exceed a duration of 10 years from 23 January 2015.

e. The option price payable for each new share of the Company upon exercise of the options shall be the higher of the following:

i. the 5-day weighted average market price of the Company's shares at the time the options are offered, with a discount of not more than 5%; or

ii. the par value of the Company's shares.

The price payable for each new share of the Company upon exercise of the options may however be subject to adjustments under the provisions of the By-Laws.

19. RESERVES (cont'd)

d. Share-based payment reserve (cont'd)

f. The options granted comprises a fixed component of 30% and a variable component of 70% and expires on 22 July 2020. For the variable component, the quantity of options exercisable in each year of the scheme will depend on performance appraisal rating at the end of each financial year.

Options exercisable in a particular year but not exercised can be carried forward to the subsequent years provided that no options shall be exercised beyond the date of expiry of the ESOS.

The movement in the Company's unissued shares under options during the financial year are as follows:

			Number of options				
Grant date	Expiry date	Exercise price RM	At 1.4.2016 '000	Granted '000	Exercised '000	Expired '000	At 31.3.2017 '000
2017							
18.5.2015	22.7.2020	3.78	55,496.0	-	(1,929.6)	(6,374.8)	47,191.6
7.2.2015	22.7.2020	4.03	2,913.2	-	(40.9)	(546.1)	2,326.2
19.10.2015	22.7.2020	4.49	3,665.1	-	-	(1,328.7)	2,336.4
1.2.2016	22.7.2020	5.39	3,500.6	-	-	(309.5)	3,191.1
29.4.2016	22.7.2020	4.28	-	4,753.5	(9.9)	(1,035.6)	3,708.0
21.7.2016	22.7.2020	4.11	-	4,973.2	-	(609.8)	4,363.4
21.10.2016	22.7.2020	4.64	-	3,596.2	-	(267.3)	3,328.9
23.1.2017	22.7.2020	4.39	-	3,493.1	-	(241.5)	3,251.6
			65,574.9	16,816.0	(1,980.4)	(10,713.3)	69,697.2

			Number of options				
Grant date	Expiry date	Exercise price RM	At 1.4.2015 '000	Granted '000	Exercised '000	Expired '000	At 31.3.2016 '000
2016							
18.5.2015	22.7.2020	3.78	-	55,638.0	(142.0)	-	55,496.0
2.7.2015	22.7.2020	4.03	-	2,915.6	(2.4)	-	2,913.2
19.10.2015	22.7.2020	4.49	-	3,682.4	(17.3)	-	3,665.1
1.2.2016	22.7.2020	5.39	-	3,500.6	-	-	3,500.6
			-	65,736.6	(161.7)	-	65,574.9

As at 31 March 2017, the total number of exercisable options was 69,697,200 (2016: 65,574,900). The weighted average remaining contractual life for these options is 3.75 years (2016: 4.87 years).

As disclosed in Note 18, options exercised during the financial year resulted in the issuance of 1,980,400 (2016: 161,700) ordinary shares at exercise prices ranging from RM3.78 to RM4.28 (2016: RM3.78 to RM4.49) each and the weighted average share price at the date of exercise was ranging from RM4.32 to RM4.88 (2016: RM3.97 to RM5.67) each.

19. RESERVES (cont'd)

d. Share-based payment reserve (cont'd)

The fair value of ESOS granted during the financial year was estimated using Trinomial model, taking into account the terms and conditions upon which the ESOS were granted. The fair value of ESOS measured at grant date and the assumptions used are as follows:

	2017	2016
Weighted average fair value of ESOS (RM)	2.06	1.67
Weighted average share price (RM)	4.58	4.65
Weighted average exercise price (RM)	4.36	4.42
Expected volatility (%)	59.01 - 60.44	17.59 - 57.97
Expected life (years)	3 - 4	4 - 5
Risk free rate (%)	3.46 - 3.70	3.79 - 4.10
Expected dividend yield (%)	1.99 - 2.29	1.44 - 1.96

The expected volatility was based on assumptions that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. No other features of the ESOS grant were incorporated into the measurement of fair value.

20. LOANS AND BORROWINGS

			← Long Term Borrowings →					
Group	Effective interest rate per annum	Short-term borrowings within 1 year RM	1 to 2 years RM	2 to 3 years RM	3 to 4 years RM	4 to 5 years RM	Sub-total RM	Total RM
2017								
Unsecured								
Variable rate instruments								
Trade loans								
- United States Dollar	1.70% - 2.65%	78,162,197	-	-	-	-	-	78,162,197
Secured								
Fixed rate instruments								
Term loans								
- United States Dollar	1.09% - 2.20%	69,192,072	69,192,071	69,192,071	24,159,914	-	162,544,056	231,736,128
- Ringgit Malaysia	8.00%	103,049	-	-	-	-	-	103,049
Finance lease payables								
- United States Dollar	1.99%	34,738	5,858	-	-	-	5,858	40,596
		147,492,056	69,197,929	69,192,071	24,159,914	-	162,549,914	310,041,970
2016								
Unsecured								
Variable rate instruments								
Trade loans								
- United States Dollar	1.51% - 1.67%	40,768,834	-	-	-	-	-	40,768,834
Secured								
Fixed rate instruments								
Term loans								
- United States Dollar	1.93% - 2.19%	1,482,643	61,349,573	61,349,573	61,349,573	21,421,538	205,470,257	206,952,900
- Ringgit Malaysia	8.00%	159,715	103,049	-	-	-	103,049	262,764
Finance lease payables								
- United States Dollar	1.99%	30,195	35,995	-	-	-	35,995	66,190
		42,441,387	61,488,617	61,349,573	61,349,573	21,421,538	205,609,301	248,050,688

20. LOANS AND BORROWINGS (cont'd)

Present value of finance lease payables is as follows:

	Group	
	2017 RM	2016 RM
Minimum lease payments	40,785	66,833
Less: Future finance charges	(189)	(643)
Present value of minimum lease payments	40,596	66,190
Current liabilities		
Payable within one year		
Minimum lease payments	34,895	30,671
Less: Future finance charges	(157)	(476)
Present value of minimum lease payments	34,738	30,195
Non-current liabilities		
Payable after one year but not later than five years		
Minimum lease payments	5,890	36,162
Less: Future finance charges	(32)	(167)
Present value of minimum lease payments	5,858	35,995
Total present value of minimum lease payments	40,596	66,190

The term loans of the Group are secured by:

i. legal charges over subsidiaries' certain buildings (Note 8);

ii. specific debenture over subsidiaries' certain plant and machinery (Note 8); and

iii. corporate guarantee from the Company.

At the reporting date, the Group has credit facilities totalling RM420,330,000 (2016: RM257,650,000) obtained from local licensed bank. The credit facilities are secured by corporate guarantee by the Company.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade				
Trade payables	113,155,352	91,022,056	-	-
Non-trade				
Other payables	65,836,893	31,826,597	8,676	50,214
Accruals	27,979,162	24,539,335	40,001	30,002
	93,816,055	56,365,932	48,677	80,216
	206,971,407	147,387,988	48,677	80,216

21. TRADE AND OTHER PAYABLES (cont'd)

Trade payables

The normal trade credit terms granted to the Group range from 30 to 90 days (2016: 30 to 90 days).

Trade payables denominated in foreign currency are as follows:

	Group	
	2017 RM	2016 RM
United States Dollar	77,453,514	35,860,476

Other payables

Included in other payables of the Group is an amount of RM19,914,784 (2016: RM13,119,206) in respect of balances outstanding owing to contractors for the construction and set up of new production plant and machinery.

Other payables denominated in foreign currency are as follows:

	Group	
	2017 RM	2016 RM
United States Dollar	8,559,711	7,484,377

22. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The directors regard Hartalega Industries Sdn. Bhd., a private limited company incorporated in Malaysia, as the ultimate holding company of the Company.

The non-current portion of amount owing by subsidiary arose from advances amounting to RM298,609,505 (2016: RM297,935,711) which bear interest at 2.65% (2016: 2.65%) per annum and is not expected to be repaid within the next 12 months.

The current portion of amount owing by subsidiary are non-trade in nature, unsecured, interest free and repayable on demand except for advances amounting to RM1,463 (2016: RM673,793) which bear interest at 2.65% (2016: 2.65%) per annum.

Identity of related parties

Parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. The Group and the Company have related party relationship with the holding company, subsidiaries, key management personnel and companies related to directors.

Related party transactions

	Company	
	2017 RM	2016 RM
Received and receivable from subsidiaries:		
- Dividend income	130,160,575	210,609,220
- Interest income	7,952,849	7,166,489

22. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly. The key management personnel of the Group and of the Company include directors of the Company and subsidiaries.

The compensation of the key management personnel are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors' fees	768,000	696,000	576,000	504,000
Short term employee benefits	7,080,811	6,573,618	21,750	23,500
Post-employment benefits	632,319	564,668	-	-
Estimated monetary value of benefits-in-kind*	224,571	575,437	-	-
	8,705,701	8,409,723	597,750	527,500

* Not recognised in the consolidated financial statements

23. DIVIDENDS

	Group/Company	
	2017 RM	2016 RM
Third interim single tier exempt dividend of 3 sen per share in respect of the financial year ended 31 March 2015	-	24,457,102
Final single tier exempt dividend of 4 sen per share in respect of the financial year ended 31 March 2015	-	32,817,350
First interim single tier exempt dividend of 2 sen per share in respect of the financial year ended 31 March 2016	-	32,817,350
Second interim single tier exempt dividend of 2 sen per share in respect of the financial year ended 31 March 2016	-	32,820,420
Third interim single tier exempt dividend of 2 sen per share in respect of the financial year ended 31 March 2016	32,820,753	-
Final single tier exempt dividend of 2 sen per share in respect of the financial year ended 31 March 2016	32,822,190	-
First interim single tier exempt dividend of 2 sen per share in respect of the financial year ended 31 March 2017	32,828,590	-
Second interim single tier exempt dividend of 2 sen per share in respect of the financial year ended 31 March 2017	32,849,400	-
	131,320,933	122,912,222

23. DIVIDENDS (cont'd)

On 9 May 2017, the directors declared a third interim single tier exempt dividend of 2 sen per share amounting to RM32,879,294 in respect of the financial year ended 31 March 2017. The said dividend was paid on 23 June 2017.

The directors recommended a final single tier exempt dividend of 2.5 sen per share amounting to RM41,099,118 based on the number of outstanding ordinary shares in issue as at the date of this report, in respect of the current financial year, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect the third interim dividend declared and final dividend proposed. Such dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2018.

24. CAPITAL COMMITMENT

In respect of acquisition of property, plant and equipment:

	Group	
	2017 RM	2016 RM
Approved and contracted for	155,725,164	478,626,129
Approved but not contracted for	1,012,637,266	888,380,683

25. SEGMENT INFORMATION

The Group's business mainly comprises the manufacturing and sale of latex gloves. The Group's manufacturing activities are operated solely in Malaysia whilst its revenue are mainly earned in Malaysia. On this basis, the Group Managing Director reviews the operating results of the Group as a whole. Accordingly, no reportable operating segment is presented as all information required has been disclosed in the financial statements.

Information about geographical areas

Revenue information based on the geographical location of customers is as follows:

	Group	
	2017 RM	2016 RM
North America	1,045,010,189	810,740,268
Europe	453,602,804	451,927,977
Asia (excluding Malaysia)	178,568,441	154,588,451
Australia	71,309,920	51,360,852
Malaysia	3,212,774	6,574,814
South America	70,169,225	23,144,276
	1,821,873,353	1,498,336,638

25. SEGMENT INFORMATION (cont'd)

Non-current assets which do not include deferred tax assets analysed by geographical location of the assets are as follows:

	Group	
	2017 RM	2016 RM
Malaysia	1,589,017,462	1,420,709,760
North America	51,536	83,565
Australia	301,327	114,367
China	37,351	59,664
India	776,789	56,218
	1,590,184,465	1,421,023,574

Information about major customers

The following is major customer with revenue equal or more than 10% of Group revenue:

	Group		
	2017 RM	2016 RM	Geographical location
Customer A	436,099,293	374,697,012	North America

26. CONTINGENT LIABILITIES

Mr. Seow Hoon Hin (the "Plaintiff"), a shareholder of the Company and a former shareholder of Hartalega Sdn. Bhd. ("HSB") vs Hartalega Holdings Berhad ("the Company" or "1st Defendant"), HSB ("2nd Defendant") and three (3) individuals ("3rd , 4th and 5th Defendant") (collectively "the Defendants") (Kuala Lumpur High Court Writ and Statement of Claim)

The Plaintiff has instituted legal proceedings against the Defendants by filing a Writ of Summons and a Statement of Claim in the High Court of Malaya at Kuala Lumpur (the "Action"). The Writ of Summons and Statement of Claim were served on the Company on 24 March 2011.

The Plaintiff claims against the Defendants for the following:

i. he had delivered to the 3rd Defendant, acting on behalf of the 2nd Defendant substantial part of another two (2) assembly lines for the manufacture of gloves for storage at the 2nd Defendant's factory to which he purportedly intended to be reimbursed for. The Plantiff contends that the 3rd Defendant (whom the Plaintiff contends is the controlling mind and person behind the 2nd Defendant) has represented to him that the said parts would be kept in the possession of the 2nd Defendant as a trustee for the Plaintiff;

ii. the Plaintiff contends that the 2nd Defendant had in flagrant breach of trust utilised the said parts to assemble another 2 assembly lines for the manufacture of latex gloves and that the 2nd Defendant had in breach of trust converted the same for its use and acquired proceeds and/or profits from the assembly of the said parts and as a consequence thereof has purportedly been unjustly enriched;

26. CONTINGENT LIABILITIES (cont'd)

iii. the Plaintiff further claims that there was a conspiracy to injure the Plaintiff by the 3rd, 4th and 5th Defendant culminating in the share allotment on 4 April 2005. The Plaintiff states that 3rd, 4th and 5th Defendant had agreed to use the said allotment of shares for the predominant purpose of injuring the Plaintiff and that the said allotment was done pursuant to a purported agreement between the 3rd, 4th and 5th Defendants to injure the Plaintiff resulting in damage and loss to him;

iv. that the 2nd Defendant is a trustee for the unpaid dividends amounting to RM488,765.25 due and owing to the Plaintiff; and

v. that the Company is guilty of negligent misstatement or alternatively in breach of statutory duty pursuant to Section 357 of the Capital Markets and Services Act 2007 ("CMSA") read together with, inter alia, Section 214 of the CMSA and/or tort of breach of statutory duty pursuant to Section 177 and/or Section 179 of the CMSA.

The Plaintiff claims against the Company for the following:

i. damages for negligent misstatement or alternatively of breach of statutory duty pursuant to Section 357 of the CMSA read together with, inter alia, Section 214 of the CMSA and/or tort of breach of statutory duty pursuant to Section 177 and/or Section 179 of the CMSA;

ii. interest on the said damages at the rate of 8% per annum or any other rate deemed appropriate from 7 April 2008 or such other date deemed appropriate until full satisfaction thereof;

iii. such further or other relief the Court deems fit; and

iv. costs.

The matter has since gone for trial on 5, 6, 7 December 2012, 29 and 30 January 2013 and 1 and 2 April 2013 in which the trial has been concluded. The Judge heard parties' oral submissions on 19 March 2014, 2 May 2014, 5 May 2014, and 9, 10, 11 and 13 June 2014. Decision was pronounced on 12 December 2014, wherein the learned Judge held the following:

i. That the Plaintiff has failed in all claims against the Defendants, as prayed for in the Statement of Claim; and

ii. That the Plaintiff's action be dismissed with costs of RM150,000 to the 1st to 3rd Defendants and RM50,000 each to the 4th and 5th Defendants.

The Plaintiff filed a Notice of Appeal on 8 January 2015 against the entire Judgement of the Kuala Lumpur High Court dated 12 December 2014 which dismissed the plaintiff's claims. The hearing before the Court of Appeal which was initially fixed on 15 September 2016 had been adjourned to 5 December 2016 and 6 December 2016. However, the hearing did not proceed on 5 December 2016 and 6 December 2016 but was subsequently adjourned to 29 March 2017. Further, the hearing did not proceed on 29 March 2017 and was adjourned to 20 July 2017.

The directors of the Company, in consultation with the solicitors, are of the opinion that there is no real merit in the Appellant's appeal. Accordingly, the Group has not made any provision on the financial statements.

27. SUBSEQUENT EVENT

Subsequent to the financial year end, on 1 April 2017, Hartalega Sdn. Bhd., a wholly-owned subsidiary of the Company, incorporated a 70% owned subsidiary, namely Foshan Dynamic Limited in China. The registered share capital of Foshan Dynamic Limited is USD250,000. Consequently, Foshan Dynamic Limited became an indirect subsidiary of the Company.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Group's risk management seeks to minimise the potential adverse effects from the exposures to variety of risks in the normal course of business.

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are disclosed below.

a. Credit risk management

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's and the Company's exposure to credit risk arises mainly from its receivables and the maximum risk associated with the recognised financial assets is the carrying amounts as presented in the statements of financial position and corporate guarantee provided by the Company to banks on a subsidiary's term loans.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's net trade receivables at the reporting date is as follows:

	Group			
	2017		2016	
	RM	% of total	RM	% of total
By country:				
United States of America	148,907,814	58.46	119,056,009	58.17
Germany	42,227,390	16.58	33,047,077	16.15
Australia	10,685,795	4.20	7,280,376	3.56
Canada	5,212,659	2.05	732,042	0.36
Japan	5,672,268	2.23	1,371,155	0.67
Brazil	15,541,091	6.10	14,914,393	7.29
Others	26,451,961	10.38	28,256,556	13.80
	254,698,978	100.00	204,657,608	100.00

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

a. Credit risk management (cont'd)

At the reporting date, approximately 41.55% (2016: 43.98%) of the Group's trade receivables was due from two (2016: two) major customers. Trade receivable balances from those major customers amounted to RM105,827,847 (2016: RM90,007,190) of which RM26,574,000 (2016: RM27,489,000) are secured by standby Letter of Credit from customers.

Financial guarantee

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary.

The Company monitors on an ongoing basis the repayments made by the subsidiary and its financial performance.

The maximum exposure to credit risk amounts to RM310,001,374 (2016: RM247,984,498) representing the outstanding borrowings of subsidiaries guaranteed by the Company at the reporting date. At the reporting date, there was no indication that these subsidiaries would default on their repayments.

The financial guarantee has not been recognised at fair value on initial recognition as the amount was immaterial since the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiary's borrowings in view of the security pledged by the subsidiary and it is unlikely the subsidiary will default in repayment within the guarantee period.

b. Liquidity risk management

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b. Liquidity risk management (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment of obligations.

	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Over 5 years RM
2017						
Group						
Financial liabilities:						
Trade and other payables	206,971,407	206,971,407	206,971,407	-	-	-
Loans and borrowings	310,041,970	319,536,829	152,540,548	72,097,379	94,898,902	-
	517,013,377	526,508,236	359,511,955	72,097,379	94,898,902	-
Company						
Financial liabilities:						
Trade and other payables	48,677	48,677	48,677	-	-	-
2016						
Group						
Financial liabilities:						
Trade and other payables	147,387,988	147,387,988	147,387,988	-	-	-
Loans and borrowings	248,050,688	259,773,984	47,262,520	64,946,577	147,564,887	-
	395,438,676	407,161,972	194,650,508	64,946,577	147,564,887	-
Company						
Financial liabilities:						
Trade and other payables	80,216	80,216	80,216	-	-	-

The table below summarises the maturity profile of the Group's derivative financial liabilities as of 31 March 2017 based on contractual undiscounted repayment obligations. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

	Group			
	Carrying amount RM	Contractual cash flows RM	1 month RM	1-7 months RM
2017				
Financial liabilities				
Forward foreign currency contracts	1,728,000	1,728,000	1,445,000	283,000

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

c. Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from deposits placed with licensed banks, fixed income fund and borrowings. The deposits placed with licensed banks at fixed rate expose the Group to fair value interest rate risk whilst fixed income fund at variable rate expose the Group to cash flow interest rate risk.

Borrowings and finance lease payables amounting to RM310,041,970 (2016: RM248,050,688) expose the Group to interest rate risk.

The Group manages its interest rate risk exposure by reviewing its debts portfolio to ensure favourable rates are obtained.

The Group does not have any fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore, a change in the interest rates at the reporting date would not affect profit or loss.

<u>Sensitivity analysis for interest rate risk</u>

At the reporting date, a change of 50 (2016: 50) basis points in interest rates, with all other variables held constant, would decrease/increase the equity and profit/(loss) after tax of the Group by approximately RM1,178,159 (2016: RM942,593), arising mainly as a result of higher/lower interest expense on floating rate financial liabilities.

d. Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily Ringgit Malaysia ("RM"), United States Dollar ("USD") and Australian Dollar ("AUD"). The foreign currency in which these transactions are denominated is mainly USD.

The Group also holds cash and cash equivalents denominated in USD for working capital purposes and have term loans denominated in USD.

Forward foreign currency contracts are used by the Group to reduce exposure to fluctuations in foreign currency risk. In addition, the Group holds cash and cash equivalents denominated in USD to pay its foreign purchases as a natural hedge against fluctuations in foreign currency risk.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investment in United States of America, Australia, People's Republic of China and India are not hedged as currency positions in USD, AUD, RMB and Rs are considered to be long-term in nature.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

d. Foreign currency risk management (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit/(loss) for the financial year to a reasonably possible change in the USD exchange rate against RM, with all other variables held constant.

	Group	
	2017 RM	**2016 RM**
USD/RM - strengthened 5%	(6,386,641)	(1,036,574)
- weakened 5%	6,386,641	1,036,574

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

The methods and assumptions used to estimate the fair value of the following classes of financial assets and liabilities are as follows:

i. Cash and cash equivalents, trade and other receivables and payables, and amount owing by subsidiaries

The carrying amounts of these financial assets and financial liabilities carried at amortised cost in the financial statements approximate their fair values due to the short maturities of these financial instruments.

ii. Derivative financial instruments

Forward currency contracts are valued using a valuation technique with market observation inputs. The fair value of the forward foreign currency contracts is determined by reference to discounting the difference between the contracted rate and the current forward price at the reporting date for the residual maturity of the contracts using risk-free interest rate (based on government bonds).

iii. Borrowings

The fair values of variable, fixed rate loans and borrowings and finance lease payables, which are estimated using discounted cash flow analysis, based on current lending rate for similar types of borrowing arrangements, are as follows:

	Group	
	Carrying amount RM	**Fair value RM**
2017		
Financial Liabilities		
Loans and borrowings	310,001,374	319,496,312
Finance lease payables	40,596	40,517
2016		
Financial Liabilities		
Loans and borrowings	247,984,498	259,707,151
Finance lease payables	66,190	66,833

30. FAIR VALUE HIERARCHY

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

i. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

ii. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

iii. Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments that are measured at fair value in the statements of financial position at the end of the reporting date

	Group			
	Fair value RM	Level 1 RM	Level 2 RM	Level 3 RM
2017				
Derivative financial instruments				
- foreign currency forward contracts	(1,728,000)	-	(1,728,000)	-
2016				
Derivative financial instruments				
- foreign currency forward contracts	13,998,000	-	13,998,000	-

During the financial years ended 31 March 2017 and 2016, there was no transfer between fair value measurement hierarchy.

Fair value of financial instruments that are not measured at fair value in the statements of financial position at the end of the reporting date (but fair value disclosures are required)

	Group			
	Fair value RM	Level 1 RM	Level 2 RM	Level 3 RM
2017				
Financial Liabilities				
Loans and borrowings	319,496,312	-	-	319,496,312
Finance lease payables	40,517	-	-	40,517
2016				
Financial Liabilities				
Loans and borrowings	259,707,151	-	-	259,707,151
Finance lease payables	66,833	-	-	66,833

31. CATEGORY OF FINANCIAL INSTRUMENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Financial assets				
FVTPL:				
Derivative financial assets	-	13,998,000	-	-
Loans and receivables:				
Trade receivables and other receivables	268,885,531	218,647,538	77,044	32,476
Amount owing by subsidiary	-	-	298,615,795	298,609,504
Cash, bank balances and short-term investments	121,008,566	84,381,327	17,308,362	6,223,708
Financial liabilities				
FVTPL:				
Derivative financial liabilities	1,728,000	-	-	-
Other financial liabilities:				
Trade and other payables	206,971,407	147,387,988	48,677	80,216
Loans and borrowings	310,041,970	248,050,688	-	-

32. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group's capital includes its shareholders' funds and interest-bearing borrowings. The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. On 18 August 2011, the Board of Directors has announced a policy to distribute a minimum of 45% of the Group annual net profit to its shareholders effective from the financial year ended 31 March 2012.

No changes were made in the objectives, policies and processes since the financial year ended 31 March 2016.

As at 31 March 2017, the total capital managed by the Group which comprises shareholders' equity, amounted to RM1,682,160,952 (2016: RM1,501,942,273).

The Group is not subject to any externally imposed capital requirements.

The Group and the Company monitor capital using a group gearing ratio, which is net debts divided by total capital. Net debts comprise borrowings (including finance lease payables) less cash, bank balances and short-term investments whilst total capital is the total equity of the Group. The gearing ratio as at 31 March 2017 and 2016, which are within the Group's and the Company's objectives of capital management are as follows:

32. CAPITAL MANAGEMENT (cont'd)

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Total interest bearing borrowings	310,041,970	248,050,688	-	-
Less: Cash, bank balances and short-term investments	(121,008,566)	(84,381,327)	(17,308,362)	(6,223,708)
Total net debts/(net cash)	189,033,404	163,669,361	(17,308,362)	(6,223,708)
Total equity	1,684,786,085	1,504,025,332	917,366,219	886,069,306
Gearing ratio (%)	11%	11%	N/A	N/A

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The following analysis of realised and unrealised retained earnings of the Group and of the Company is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

The retained earnings of the Group and of the Company as at the reporting date is analysed as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Total retained earnings of the Company and its subsidiaries				
- realised	1,003,876,832	809,218,661	49,542,539	45,763,937
- unrealised	(83,967,510)	(40,856,332)	-	-
	919,909,322	768,362,329	49,542,539	45,763,937
Less: Consolidation adjustments	(106,377,214)	(106,510,638)	-	-
Total retained earnings	813,532,108	661,851,691	49,542,539	45,763,937

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purpose.

ADDITIONAL COMPLIANCE INFORMATION

A. Related Party Transactions

A list of the significant related party transactions between the Company and its subsidiaries, and between the Group and other related parties including relevant Key Management personnel for the financial year ended 31 March 2017 is set out on page 127 of the Annual Report.

B. Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by any relevant regulatory bodies during the financial year.

C. Non-Audit Fees Paid/Payable

The amount of non-audit fees paid/payable to the external auditor in respect of the financial year amount to RM Nil (2016: RM2,155).

D. Variation In Result

There was no profit forecast announced by the Group for the financial year.

E. Profit Guarantees

There was no profit guarantee given by the Group for the financial year.

F. Revaluation of Landed Properties

The Company does not have a revaluation policy on its landed properties.

G. Material Contracts

During the year, there were no material contracts entered into by the Company and its subsidiaries which involved Directors' and major shareholders' interests.

H. Contracts Relating Loan

There were no contracts relating to loan by the Company and its subsidiaries in respect of item J.

LIST OF PROPERTIES

Location Address	Existing Use	Approximate Age of Building	Tenure	Date of Acquisition	Area (m^2)	NBV (RM)
GRN 193487, Lot 4864 Pekan Bestari Jaya Daerah Kuala Selangor Selangor Darul Ehsan	Factory and office building	Between 11 to 23 years	Freehold	1995 - 2007	30,641 (build-up area)	25,002,712
H.S.(D) 276179, P.T. No. 7320 Pekan Bestari Jaya Daerah Kuala Selangor Selangor Darul Ehsan	Factory and office building	Between 7 to 9 years	Freehold	2006 - 2011	41,736 (build-up area)	51,256,361
H.S.(D) 279954, P.T. No. 7321 Seksyen 4, Pekan Bestari Jaya Daerah Kuala Selangor Selangor Darul Ehsan	Factory and office building	5 years	Freehold	2013	31,948 (build-up area)	54,428,572
H.S.(D) 36055, P.T. No. 5785 Mukim of Labu Daerah Sepang Selangor Darul Ehsan	Factory and office building	Between 1 to 3 years	Leasehold expiring on 9 Oct 2110	2015 - 2017	120,913 (build-up area)	250,838,981
GRN 193487, Lot 4864 Pekan Bestari Jaya Daerah Kuala Selangor Selangor Darul Ehsan	Industrial land	N/A	Freehold	1993 - 2001	43,158	4,901,383
H.S.(D) 276179, P.T. No. 7320 Pekan Bestari Jaya Daerah Kuala Selangor Selangor Darul Ehsan	Industrial land	N/A	Freehold	2006 - 2007	57,987	10,031,396
H.S.(D) 279954, P.T. No. 7321 Seksyen 4, Pekan Bestari Jaya Daerah Kuala Selangor Selangor Darul Ehsan	Industrial land	N/A	Freehold	2010 - 2011	45,220	11,671,112
H.S.(D) 36055, P.T. No. 5785 Mukim of Labu Daerah Sepang Selangor Darul Ehsan	Industrial land	N/A	Leasehold expiring on 9 Oct 2110	2013	384,449	93,862,267
H.S.(D) 36056, P.T. No. 5786 Mukim of Labu Daerah Sepang Selangor Darul Ehsan	Agricul-ture land	N/A	Leasehold expiring on 9 Oct 2110	2013	68,800	3,756,955

Location Address	Existing Use	Approximate Age of Building	Tenure	Date of Acquisition	Area (m^2)	NBV (RM)
H.S.(D) 36057, P.T. No. 5787 Mukim of Labu Daerah Sepang Selangor Darul Ehsan	Industrial Land	N/A	Leasehold expiring on 9 Oct 2110	2014	650	164,436
H.S.(D) 1742, P.T. No. 2965 Mukim of Batang Berjuntai Daerah Kuala Selangor Selangor Darul Ehsan	Vacant land	N/A	Leasehold expiring on 14 Mar 2090	1998	3,237	135,569
C-G-9, Jalan Dataran SD1 Dataran SD, PJU 9 Bandar Sri Damansara 52200 Kuala Lumpur	4-storey office building	10 years	Leasehold expiring on 27 Aug 2102	2007	410 (build-up area)	1,499,834
No. 2A, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	13 years	Freehold	2009	143	153,162
No. 6, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	13 years	Freehold	2009	144	153,289
No. 8, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	13 years	Freehold	2009	145	153,427
No. 10, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	13 years	Freehold	2009	146	157,630
No. 12, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	13 years	Freehold	2010	147	153,565
H.S.(D) 36055, P.T. No. 5785 Mukim of Labu Daerah Sepang Selangor Darul Ehsan	Hostel building	Between 1 to 2 years	Leasehold expiring on 9 Oct 2110	2016 - 2017	4,469 (build-up area)	27,203,876

ANALYSIS OF SHAREHOLDINGS
AS AT 20 JUNE 2017

Number of Total Issued and Paid Up Share Capital	:	1,643,964,714 ordinary shares
Class of Shares	:	Ordinary Share
Voting Rights	:	One vote per ordinary share
Number of Shareholders	:	4,623

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	No. of Shares	%
Less than 100	103	1,764	0.00
100 - 1,000	962	674,998	0.04
1,001 - 10,000	2,053	9,093,396	0.55
10,001 - 100,000	1,063	37,057,167	2.25
100,001 - 82,198,234 (*)	440	666,460,321	40.54
82,198,235 and above (**)	2	930,677,068	56.61
	4,623	**1,643,964,714**	**100.00**

Remark: * Less than 5% of issued holdings
** 5% and above of issued holdings

SUBSTANTIAL SHAREHOLDERS

The following are the substantial shareholders of the Company according to the Register of Substantial Shareholders.

Name of Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Hartalega Industries Sdn Bhd	809,279,468	49.23	0	0.00
Kuan Kam Hon @ Kwan Kam Onn	7,550,340	0.46	859,126,268*	52.26
Kuan Kam Peng	45,836,000	2.79	809,279,468**	49.23
Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	121,397,600	7.38	0	0.00

* Deemed interest through his shareholding in Hartalega Industries Sdn Bhd and Budi Tenggara Sdn Bhd by virtue of Section 8 of the Companies Act 2016.

** Deemed interest through his shareholding in Hartalega Industries Sdn Bhd by virtue of Section 8 of the Companies Act 2016.

DIRECTORS' SHAREHOLDINGS

Name of Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Kuan Kam Hon @ Kwan Kam Onn	7,550,340	0.46	859,126,268*	52.26
Kuan Mun Leong	3,029,400	0.18	0	0.00
Kuan Mun Keng	3,022,800	0.18	0	0.00
Dr Danaraj A/L Nadarajah	75,000	0.00	0	0.00
Dato' Tan Guan Cheong	58,000	0.00	0	0.00
Razman Hafidz bin Abu Zarim	0	0.00	0	0.00
Tan Sri Datuk Dr Rebecca Fatima Sta. Maria	0	0.00	0	0.00
Datuk Seri Nurmala binti Abd Rahim	0	0.00	0	0.00

* Deemed interest through his shareholding in Hartalega Industries Sdn Bhd and Budi Tenggara Sdn Bhd by virtue of Section 8 of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS

LIST OF 30 LARGEST SHAREHOLDERS AS AT 20 JUNE 2017

No.	Name of Shareholders	No. of Shares	%
1	HARTALEGA INDUSTRIES SDN BHD	809,279,468	49.23
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	121,397,600	7.38
3	BUDI TENGGARA SDN BHD	49,846,800	3.03
4	KUAN KAM PENG	45,836,000	2.79
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	30,844,800	1.88
6	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	19,958,800	1.21
7	SEOW HOON HIN	15,322,700	0.93
8	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	14,794,640	0.90
9	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	14,199,400	0.86
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEOW HOON HIN (472187)	14,000,000	0.85
11	RHB NOMINEES (ASING) SDN BHD MEDLINE INDUSTRIES INC.	13,240,600	0.81
12	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LSF)	12,650,000	0.77
13	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR SEAFARER OVERSEAS GROWTH AND INCOME FUND	12,000,000	0.73
14	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (DR)	10,988,200	0.67
15	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC EQUITY FUND	10,781,180	0.66

LIST OF 30 LARGEST SHAREHOLDERS AS AT 20 JUNE 2017

No.	Name of Shareholders	No. of Shares	%
16	HSBC NOMINEES (ASING) SDN BHD TNTC FOR MONDRIAN EMERGING MARKETS SMALL CAP EQUITY FUND, L.P.	10,780,020	0.66
17	KEVIN TEN	10,444,018	0.64
18	ANDY TEN	10,340,218	0.63
19	JASON TEN JHIA SEENG	10,340,216	0.63
20	HSBC NOMINEES (ASING) SDN BHD JPMBL SA FOR AVIVA INVESTORS	10,247,620	0.62
21	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	9,824,300	0.60
22	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	9,310,400	0.57
23	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	8,823,800	0.54
24	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	8,701,780	0.53
25	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT ENTERPRISES FUND	8,254,000	0.50
26	KINETIC REGION SDN BHD	8,153,440	0.50
27	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 3)	7,800,000	0.47
28	KUAN KAM HON @ KWAN KAM ONN	7,550,340	0.46
29	KUAN EU JIN	7,547,100	0.46
30	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)	7,234,120	0.44

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eleventh (11th) Annual General Meeting of the Company will be held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, No. 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 22 August 2017, at 9.30 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To table the Audited Financial Statements for the year ended **31 March 2017** together with the Reports of the Directors and Auditors thereon.

(Please refer to Note A)

2. To approve the payment of a final dividend of 2.5 sen per share single tier for the financial year ended **31 March 2017**. **(Resolution 1)**

3. To approve the payment of Directors' Fees totalling RM576,000 for the financial year ended **31 March 2017**. **(Resolution 2)**

4. i. To re-elect the following Director retiring in accordance with Article 91 of the Articles of Association of the Company:

a. Mr. Kuan Kam Hon @ Kwan Kam Onn **(Resolution 3)**

ii. To re-elect the following Directors retiring in accordance with Article 96 of the Articles of Association of the Company:

a. Tan Sri Datuk Dr Rebecca Fatima Sta. Maria **(Resolution 4)**

b. Datuk Seri Nurmala binti Abd Rahim **(Resolution 5)**

5. To re-appoint the following Director retiring under the resolution passed at the last Annual General Meeting held on 23 August 2016 pursuant to Section 129 of the Companies Act 1965 (which was then in force), to continue to act as Director of the Company from the date of this Annual General Meeting:

a. Dato' Tan Guan Cheong **(Resolution 6)**

6. To re-appoint Messrs DELOITTE PLT (LLP0010145-LCA) (AF0080) as Auditors of the Company and to authorise the Directors to fix their remuneration.

(Resolution 7)

AS SPECIAL BUSINESS

To consider and if thought fit, to pass with or without any modifications, the following as Ordinary Resolutions:

7. **ORDINARY RESOLUTION - AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 75 & 76 OF THE COMPANIES ACT 2016**

"THAT subject to the Companies Act 2016, the Articles of Association of the Company and the approvals of the Securities Commission, Bursa Malaysia Securities Berhad and other relevant governmental and/or regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised and empowered pursuant to Section 75 & 76 of the Companies Act 2016 to allot and issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued share capital of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval for the listing and quotation of the additional shares so issued on the Bursa Malaysia Securities Berhad and THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

(Resolution 8)

8. **ORDINARY RESOLUTION - PROPOSED RENEWAL OF AUTHORITY FOR PURCHASE OF OWN SHARES BY THE COMPANY**

"THAT subject always to the provisions of the Companies Act 2016 ("Act"), the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant statutory and/or regulatory requirements, the Company be authorised, to the fullest extent permitted by law, to buy-back such amount of Shares in the Company as may be determined by the Directors of the Company from time to time, through Bursa Securities, upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company, provided that:

i. the aggregate number of Shares bought-back does not exceed 10% of the total issued and paid-up ordinary share capital of the Company at any time;

ii. the maximum amount of funds to be allocated for the shares buy-back shall not exceed the Company's audited retained earnings and/or share premium account at any point in time;

iii. the Shares purchased shall be treated in the following manner:

a. the purchased Shares shall be cancelled; or

b. the purchased Shares shall be retained as treasury shares for distribution as dividend to the shareholders and/or resale on Bursa Securities in accordance with the relevant rules of Bursa Securities and/or cancellation subsequently; or

c. part of the purchased Shares shall be retained as treasury shares and the remainder shall be cancelled; or

d. in such other manner as Bursa Securities and other relevant authorities may allow from time to time; or

e. any combination of (a), (b), (c) and (d) above.

AND THAT the authority conferred by this resolution shall commence upon the passing of this resolution until:

i. the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed, at which time the authority will lapse unless renewed by ordinary resolution, either unconditionally or subject to conditions; or

ii. the expiration of the period within which the next AGM after that date is required by law to be held; or

iii. revoked or varied by resolution passed by the Company in general meeting;

whichever occurs first.

AND FURTHER THAT authority be and is hereby given to the Directors of the Company to take all such steps as may be necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities (Central Depository) Industry Act 1991, and the entering into and execution of all agreements, arrangements and guarantees with any party or parties) to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the Shares bought-back) in accordance with the provisions of the Act, the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Securities and all other relevant statutory and/or regulatory requirements."

(Resolution 9)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a final dividend of 2.5 sen per share single tier for the financial year ended 31 March 2017, if approved, will be paid on 27 September 2017 to depositors registered in the Record of Depositors at the close of business on 15 September 2017.

A depositor shall qualify for the dividend in respect of:

a. Shares transferred into the Depositor's Securities Account before 5.00 p.m. on 15 September 2017 in respect of ordinary transfers; and

b. Shares bought on the Bursa Malaysia on a cum entitlement basis according to the Rules of Bursa Malaysia.

By Order of the Board

WONG MAW CHUAN (MIA 7413)
WONG YOUN KIM (F) (MAICSA 7018778)
Company Secretaries

31 July 2017

Notes:

A. The Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this agenda item is not put forward for voting.

1. A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 334(1) of the Companies Act 2016 shall not apply to the Company.

2. Subject to Note (3) below, where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

3. The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney duly authorised.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. Where the Form of Proxy is executed by a corporation, it must be executed under its seal or under the hand of its attorney.

6. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must, to be valid, be deposited at the office of the Company's Registrars, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

7. Only a depositor whose name appears on the Record of Depositors as at 16 August 2017 shall be entitled to attend the said meeting and to appoint a proxy or proxies to attend, speak and/or vote on his/her behalf.

Explanatory notes on Special Business:

8. Resolution 8

Ordinary Resolution - Authority to allot and issue shares pursuant to Section 75 & 76 of the Companies Act 2016

The proposed Ordinary Resolution 8 is a renewable mandate for the issue of shares under Section 75 & 76 of the Companies Act 2016. If passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares (other than bonus or rights issue) and for such purposes as they consider would be in the best interests of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

No shares have been issued and allotted by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting held on 23 August 2016 pursuant to this authority.

The general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to the placing of shares, funding future investment(s), acquisition(s) and working capital and thereby reducing administrative time and cost associated with the convening of such meeting(s).

9. Resolution 9

Ordinary Resolution – Proposed renewal of authority for purchase of own shares by the Company

The proposed Ordinary Resolution 9 if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share of the Company. This authority unless revoked or varied by the Company at a General Meeting will expire at the next Annual General Meeting.

Further information on the Proposed Renewal of Authority for Purchase of Own Shares by the Company is set out in the Share Buy-Back Statements to Shareholders of the Company which is dispatched together with this Annual Report.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

1. The Directors who are standing for re-election at the Annual General Meeting of the Company are as follows:

   a. Mr. Kuan Kam Hon @ Kwan Kam Onn (Article 91) **(Resolution 3)**

   b. Tan Sri Datuk Dr Rebecca Fatima Sta. Maria (Article 96) **(Resolution 4)**

   c. Datuk Seri Nurmala binti Abd Rahim (Article 96) **(Resolution 5)**

2. The Director standing for re-election at the Annual General Meeting of the Company pursuant to Section 129(6) of the Companies Act 1965 (which was then in force), is as follows:

   a. Dato' Tan Guan Cheong **(Resolution 6)**

3. The detailed profiles of the above Directors who are standing for re-election are set out in the Directors' Profiles on pages 16 to 21 of the Annual Report and their securities holdings in the Company are set out in the Analysis of Shareholdings on page 144 to 147.

4. Board Meetings held in the financial year ended 31 March 2017.

   There were Five (5) Board Meetings held during the financial year ended 31 March 2017. Details of the attendance of the Directors are as follows:

Directors	Attendance
KUAN KAM HON @ KWAN KAM ONN	5/5
KUAN MUN LEONG	5/5
KUAN MUN KENG	3/5
DR. DANARAJ A/L NADARAJAH	5/5
DATO' TAN GUAN CHEONG	5/5
RAZMAN HAFIDZ BIN ABU ZARIM	4/5
TAN SRI DATUK DR REBECCA FATIMA STA. MARIA (appointed on 23 August 2016)	2/2
DATUK SERI NURMALA BINTI ABD RAHIM (appointed on 23 August 2016)	2/2
DATO' MOHAMED ZAKRI BIN ABDUL RASHID (resigned on 1 August 2016)	2/2
LIEW BEN POH (resigned on 1 August 2016)	2/2

5. Place, Date and Time of Meeting

The Eleventh (11th) Annual General Meeting of the Company will be held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, No. 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 22 August 2017, at 9.30 a.m.

PROXY FORM

Hartalega

HARTALEGA HOLDINGS BERHAD (741883-X)
(Incorporated in Malaysia)

*I/We ....
(Full Name in Block Capitals)

of ....
(Address)

being a *member/members of Hartalega Holdings Berhad, hereby appoint ....
(Full Name in Block Capitals)

.... of .... or failing *him/her, ...

.... or, *the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the **Eleventh (11th) Annual General Meeting** of **Hartalega Holdings Berhad** to be held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, No. 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 22 August 2017, at 9.30 a.m. or at any adjournment thereof.

*My/Our Proxy(ies) *is/are to vote as indicated below:

NO.	RESOLUTIONS	FOR*	AGAINST*
1	To approve the payment of a final dividend of 2.5 sen per share single tier.		
2	To approve the payment of Directors' fees		
3	To re-elect Mr. Kuan Kam Hon @ Kwan Kam Onn as Director		
4	To re-elect Tan Sri Datuk Dr Rebecca Fatima Sta. Maria as Director		
5	To re-elect Datuk Seri Nurmala binti Abd Rahim as Director		
6	To re-elect Dato' Tan Guan Cheong as Director		
7	To re-appoint Messrs DELOITTE PLT (LLP0010145-LCA) (AF0080) as Auditors of the Company and to authorise the Directors to determine their remuneration.		
8	**Special Business** - To approve the Authority to Directors to allot and issue shares pursuant to Section 75 & 76 of the Companies Act 2016.		
9	**Special Business** - To approve the Proposed Renewal of Authority for Purchase of Own Shares by the Company.		

(Please indicate with an "X" in the appropriate space above how you wish your votes to be cast. If you do not do so, the Proxy will vote or abstain from voting at his/her discretion.)

Number of shares held	

Dated this ______ day of ____________ 2017

[*Delete if not applicable]

____
Signature(s)/Seal of Shareholder(s)

Notes:

(A) The Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this agenda item is not put forward for voting.

(1) A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 334(1) of the Companies Act 2016 shall not apply to the Company.

(2) Subject to Note (3) below, where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

(3) The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney duly authorised.

(4) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(5) Where the Form of Proxy is executed by a corporation, it must be executed under its seal or under the hand of its attorney.

(6) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must, to be valid, be deposited at the office of the Company's Registrars, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

(7) Only a depositor whose name appears on the Record of Depositors as at 16 August 2017 shall be entitled to attend the said meeting and to appoint a proxy or proxies to attend, speak and/or vote on his/her behalf.

fold here

Stamp

HARTALEGA HOLDINGS BERHAD (741883-X)

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

fold here

Corporate Office

C-G-9, Jalan Dataran SD1, Dataran SD PJU9, Bandar Sri Damansara
52200 Kuala Lumpur, Malaysia

Tel : +603 6277 1733
Fax : +603 6280 2533
Email : info@hartalega.com.my

Factory

No. 7, Kawasan Perusahaan Suria, 45600 Bestari Jaya
Selangor Darul Ehsan, Malaysia

Tel : +603 3280 3888
Fax : +603 3271 0135

No. 1, Persiaran Tanjung, Lot PT 4330
Kawasan Perindustrian Tanjung, Jalan B20
64000 Sepang, Selangor Darul Ehsan
Malaysia