

**HARTALEGA HOLDINGS BERHAD**(Company No. 741883-X)**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income****For the second quarter ended 30 September 2019 (Unaudited)**

|  | Unaudited<br>Current<br>Quarter Ended<br>30 Sep 2019<br>RM'000 | Unaudited<br>Corresponding<br>Quarter Ended<br>30 Sep 2018<br>RM'000 | Unaudited<br>Current<br>Year-To-Date<br>30 Sep 2019<br>RM'000 | Unaudited<br>Corresponding<br>Year-To-Date<br>30 Sep 2018<br>RM'000 |
|--|--|--|---|---|
| Revenue  | 709,424  | 714,244  | 1,349,525   | 1,420,597   |
| Operating expenses   | (566,692)  | (558,276)  | (1,082,283)   | (1,109,699)   |
| Operating Profit   | 142,732  | 155,968  | 267,242   | 310,898   |
| Other operating income/(expense)                               | (2,401)  | (11,099)   | (2,007)   | (17,776)  |
| Profit before interest and tax                                 | 140,331  | 144,869  | 265,235   | 293,122   |
| Finance costs  | (3,004)  | (2,517)  | (6,254)   | (4,937)   |
| Profit before tax  | 137,327  | 142,352  | 258,981   | 288,185   |
| Taxation   | (33,121)   | (21,971)   | (60,521)  | (42,716)  |
| Net profit for the period                                      | 104,206  | 120,381  | 198,460   | 245,469   |
| Other comprehensive income                                     |  |  |   |   |
| Items that may be reclassified subsequently to profit or loss: |  |  |   |   |
| Foreign currency translation difference for foreign operations | (438)  | (132)  | (433)   | (242)   |
| Total comprehensive income for the period                      | 103,768  | 120,249  | 198,027   | 245,227   |
| Profit attributable to:  |  |  |   |   |
| Owners of the Company  | 103,867  | 120,216  | 197,930   | 245,089   |
| Non-controlling interest                                       | 339  | 165  | 530   | 380   |
|  | 104,206  | 120,381  | 198,460   | 245,469   |
| Total comprehensive income attributable to:                    |  |  |   |   |
| Owners of the Company  | 103,515  | 120,115  | 197,585   | 244,904   |
| Non-controlling interest                                       | 253  | 134  | 442   | 323   |
|  | 103,768  | 120,249  | 198,027   | 245,227   |
| EPS - Basic ( sen )  | 3.09   | 3.62   | 5.90  | 7.38  |
| - Diluted ( sen )  | 3.06   | 3.56   | 5.84  | 7.25  |

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2019 and the accompanying notes attached to this interim financial report.)

**HARTALEGA HOLDINGS BERHAD**(Company No. 741883-X)  
**Condensed Consolidated Statement of Financial Position as at 30 September 2019**

|   | <i>Unaudited</i><br><i>At 30 Sep 2019</i><br><i>RM'000</i> | <i>Audited</i><br><i>At 31 Mar 2019</i><br><i>RM'000</i> |
|---|--|--|
| <b>ASSETS</b>   |  |  |
| <b>Non current assets</b>   |  |  |
| Property, Plant & Equipment   | 1,868,317  | 1,896,232  |
| Capital work in progress  | 227,139  | 173,993  |
| Intangible assets   | 22,066   | 22,899   |
| Deferred tax assets   | 1,785  | 1,529  |
| Right-of-use assets   | 3,835  | -  |
|   | 2,123,142  | 2,094,653  |
| <b>Current assets</b>   |  |  |
| Inventories   | 303,055  | 275,527  |
| Trade receivables   | 378,580  | 402,509  |
| Other receivables, deposits and prepayments                         | 48,915   | 55,754   |
| Tax assets  | 12,118   | 13,260   |
| Cash & cash equivalents   | 285,868  | 150,391  |
|   | 1,028,536  | 897,441  |
| <b>TOTAL ASSETS</b>   | 3,151,678  | 2,992,094  |
| <b>EQUITY AND LIABILITIES</b>                                       |  |  |
| Share capital   | 1,444,778  | 1,400,986  |
| Reserves  | 922,216  | 855,436  |
| <b>Equity attributable to owners of the Company</b>                 | 2,366,994  | 2,256,422  |
| <b>Non-controlling interests</b>                                    | 3,251  | 2,809  |
| <b>Total Equity</b>   | 2,370,245  | 2,259,231  |
| <b>Non current liabilities</b>                                      |  |  |
| Lease liabilities   | 2,677  | -  |
| Long term borrowings  | 195,261  | 195,361  |
| Deferred tax liabilities  | 157,032  | 125,615  |
|   | 354,970  | 320,976  |
| <b>Current liabilities</b>  |  |  |
| Trade payables  | 99,842   | 105,683  |
| Other payables and accruals   | 204,710  | 153,842  |
| Lease liabilities   | 1,197  |  |
| Short term borrowings   | 114,640  | 148,577  |
| Derivatives   | 5,272  | 1,788  |
| Tax payables  | 802  | 1,997  |
|   | 426,463  | 411,887  |
| <b>Total Liabilities</b>  | 781,433  | 732,863  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                 | 3,151,678  | 2,992,094  |
| Net assets per share attributable to the owners of the Company (RM) | 0.70   | 0.67   |

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2019 and the accompanying notes attached to this interim financial report)

**HARTALEGA HOLDINGS BERHAD**(Company No. 741883-X)

**Condensed Consolidated Statement of Changes in Equity**
**For the second quarter ended 30 September 2019 (Unaudited)**

|   | -----Attributable to Owners of the Company----- |                                |  |                             |                  | <i>Non-controlling<br/>Interest</i> | <i>Total<br/>Equity</i> |
|---|---|--------------------------------|--|-----------------------------|------------------|-------------------------------------|-------------------------|
|   | <i>Share<br/>Capital</i>                        | <i>Translation<br/>Reserve</i> | <i>Share-based<br/>Payment Reserve</i> | <i>Retained<br/>Profits</i> | <i>Sub Total</i> |                                     |                         |
|   | <i>RM'000</i>                                   | <i>RM'000</i>                  | <i>RM'000</i>                          | <i>RM'000</i>               | <i>RM'000</i>    | <i>RM'000</i>                       | <i>RM'000</i>           |
| <b>6 Months Ended 30 September 2019</b>                 |   |                                |  |                             |                  |                                     |                         |
| <b>Balance as at 1 April 2019</b>                       | 1,400,986                                       | (1,173)                        | 47,423                                 | 809,186                     | 2,256,422        | 2,809                               | 2,259,231               |
| Effect of adoption of MFRS 16 (Note A1)                 | -   | -                              | -                                      | (15)                        | (15)             | -                                   | (15)                    |
| <b>Balance as at 1 April 2019 (Restated)</b>            | 1,400,986                                       | (1,173)                        | 47,423                                 | 809,171                     | 2,256,407        | 2,809                               | 2,259,216               |
| Total comprehensive income for the period               | -   | (345)                          | -                                      | 197,930                     | 197,585          | 442                                 | 198,027                 |
| <b>Transaction with owners</b>                          |   |                                |  |                             |                  |                                     |                         |
| Dividends   | -   | -                              | -                                      | (127,417)                   | (127,417)        | -                                   | (127,417)               |
| Share-based payment granted under ESOS                  | -   | -                              | 7,562                                  | -                           | 7,562            | -                                   | 7,562                   |
| Issuance of bonus share                                 | -   | -                              | -                                      | -                           | -                | -                                   | -                       |
| Issuance of ordinary shares pursuant to ESOS            | 32,857  | -                              | -                                      | -                           | 32,857           | -                                   | 32,857                  |
| Transfer from Share-based payment upon exercise of ESOS | 10,935  | -                              | (10,935)                               | -                           | -                | -                                   | -                       |
| Total transaction with owners                           | 43,792  | -                              | (3,373)                                | (127,417)                   | (86,998)         | -                                   | (86,998)                |
| <b>Balance as at 30 September 2019</b>                  | <b>1,444,778</b>                                | <b>(1,518)</b>                 | <b>44,050</b>                          | <b>879,684</b>              | <b>2,366,994</b> | <b>3,251</b>                        | <b>2,370,245</b>        |
| <b>6 Months Ended 30 September 2018</b>                 |   |                                |  |                             |                  |                                     |                         |
| <b>Balance as at 1 April 2018</b>                       | 1,312,309                                       | (707)                          | 42,350                                 | 640,277                     | 1,994,229        | 3,163                               | 1,997,392               |
| Effect of adoption of MFRS 9                            | -   | -                              | -                                      | (92)                        | (92)             | -                                   | (92)                    |
| <b>Balance as at 1 April 2018 (Restated)</b>            | 1,312,309                                       | (707)                          | 42,350                                 | 640,185                     | 1,994,137        | 3,163                               | 1,997,300               |
| Total comprehensive income for the period               | -   | (185)                          | -                                      | 245,089                     | 244,904          | 323                                 | 245,227                 |
| <b>Transaction with owners</b>                          |   |                                |  |                             |                  |                                     |                         |
| Dividends   | -   | -                              | -                                      | (139,394)                   | (139,394)        | -                                   | (139,394)               |
| Share-based payment granted under ESOS                  | -   | -                              | 10,975                                 | -                           | 10,975           | -                                   | 10,975                  |
| Issuance of bonus share                                 | -   | -                              | -                                      | -                           | -                | -                                   | -                       |
| Issuance of ordinary shares pursuant to ESOS            | 26,041  | -                              | -                                      | -                           | 26,041           | -                                   | 26,041                  |
| Transfer from Share-based payment upon exercise of ESOS | 8,342   | -                              | (8,342)                                | -                           | -                | -                                   | -                       |
| Total transaction with owners                           | 34,383  | -                              | 2,633                                  | (139,394)                   | (102,378)        | -                                   | (102,378)               |
| <b>Balance as at 30 September 2018</b>                  | <b>1,346,692</b>                                | <b>(892)</b>                   | <b>44,983</b>                          | <b>745,880</b>              | <b>2,136,663</b> | <b>3,486</b>                        | <b>2,140,149</b>        |

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2019 and the accompanying notes attached to this interim financial report.)

**HARTALEGA HOLDINGS BERHAD**(Company No. 741883-X)**Condensed Consolidated Statement of Cash Flows****For the second quarter ended 30 September 2019 (Unaudited)**

|   | Current<br>Year-To-Date<br>30 Sep 2019<br>RM'000 | Corresponding<br>Year-To-Date<br>30 Sep 2018<br>RM'000 |
|---|--|--|
| <b>Cash Flows from/(used in) Operating Activities</b>         |  |  |
| Profit before tax   | 258,981  | 288,185  |
| Adjustments for:  |  |  |
| Depreciation and amortisation                                 | 61,330   | 49,282   |
| Other adjustments   | 9,018  | 38,287   |
| <b>Operating profit before changes in working capital</b>     | <b>329,329</b>                                   | <b>375,754</b>   |
| <b>Changes in working capital</b>                             |  |  |
| Net change in inventories                                     | (27,528)   | (9,586)  |
| Net change in receivables                                     | 29,354   | (93,334)   |
| Net change in payables  | (18,813)   | 33,056   |
| Cash generated from operations                                | 312,342  | 305,890  |
| Interest received   | 1,467  | 1,120  |
| Income from fixed income fund                                 | 2,852  | 1,897  |
| Tax refunded  | 8,079  | 138  |
| Taxation paid   | (37,522)   | (33,747)   |
| <b>Net cash from operating activities</b>                     | <b>287,218</b>                                   | <b>275,298</b>   |
| <b>Cash Flows from/(used in) Investing Activities</b>         |  |  |
| Proceeds from disposal of property, plant and equipment       | 440  | 33   |
| Capital work in progress incurred                             | (83,506)   | (209,739)  |
| Purchase of property, plant and equipment                     | (1,868)  | (10,495)   |
| Purchase of intangible asset                                  | (329)  | (1,098)  |
| <b>Net cash used in investing activities</b>                  | <b>(85,263)</b>                                  | <b>(221,299)</b>                                       |
| <b>Cash Flows from/(used in) Financing Activities</b>         |  |  |
| Draw down of term loan  | 29,323   | 111,878  |
| Repayment of term loans                                       | (57,928)   | (109,475)  |
| Repayment of lease liabilities                                | (608)  | -  |
| Net change in bank borrowings                                 | (293)  | 95,366   |
| Interest paid   | (6,251)  | (4,937)  |
| Proceeds from issuance of shares-ESOS                         | 32,856   | 26,041   |
| Dividend paid   | (63,577)   | (139,394)  |
| <b>Net cash from financing activities</b>                     | <b>(66,478)</b>                                  | <b>(20,521)</b>  |
| <b>Net change in cash &amp; cash equivalents</b>              | <b>135,477</b>                                   | <b>33,478</b>  |
| <b>Cash &amp; cash equivalents at beginning of period</b>     | <b>150,391</b>                                   | <b>156,561</b>   |
| <b>Cash &amp; cash equivalents at end of period</b>           | <b>285,868</b>                                   | <b>190,039</b>   |
| <b>Cash &amp; cash equivalents at end of period comprise:</b> |  |  |
| Licensed Fund Management Companies-Fixed income fund          | 104,613  | 64,260   |
| Cash in hand and at banks                                     | 181,255  | 125,779  |
|   | <b>285,868</b>                                   | <b>190,039</b>   |

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2019 and the accompanying notes attached to this interim financial report.)



## Notes to the Interim financial report for the Second Quarter ended 30 September 2019

### A. NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 (MFRS 134): INTERIM FINANCIAL REPORTING

#### A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with requirements of paragraph 9.22 (Appendix 9B part A) of the Main Market Listing Requirements (“Listing Requirements”) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) and complies with requirements of the Malaysian Financial Reporting Standards 134 (MFRS 134): Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), International Accounting Standard (“IAS”) 34: Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”), Companies Act 2016 in Malaysia.

The significant accounting policies and methods of computation adopted in the preparation of this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 March 2019 except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRS”) and Issue Committee Interpretations (“IC Interpretations”):

#### MFRSs

|                        |  |
|------------------------|--|
| Amendments to MFRS 9   | Prepayment Features with Negative Compensation       |
| MFRS 16                | Leases   |
| Amendments to MFRS 119 | Plan Amendment, Curtailment or Settlement            |
| Amendments to MFRS 128 | Long-term Interests in Associates and Joint Ventures |
| IC Interpretation 23   | Uncertainty over Income Tax Treatments               |
| Amendments to MFRSs    | Annual Improvements to MFRSs 2015 – 2017 Cycle       |

The adoption of these standards, amendments and interpretations did not result in significant changes in the accounting policies of the Group and had no significant effect on the financial performance or position of the Group.

**Impact of the initial application of MFRS 16**

The following table is a reconciliation of the carrying amount of the Group's statement of financial position from MFRS 117 to MFRS 16 as at 1 April 2019:

|                     | Opening balance<br>as at 1 April<br>2019<br>RM'000 | Initial<br>recognition<br>RM'000 | Restated<br>opening balance<br>as at 1 April<br>2019<br>RM'000 |
|---------------------|--|----------------------------------|--|
| Right-of-use assets | -  | 2,892                            | 2,892  |
| Lease liabilities   | -  | (2,907)                          | (2,907)  |
| Retained earnings   | 809,186  | (15)                             | 809,171  |

**Standards in issue but not yet effective**

At the date of authorisation for issue of these financial statements, the new and revised MFRS, amendments to MFRS and Issue Committee Interpretations ("IC Interpretations") which were in issue but not yet effective and not early adopted by the Company are as listed below:

|                                     |   |
|-------------------------------------|---|
| Amendments to<br>MFRS 2             | Share- Based Payment <sup>1</sup>   |
| Amendments to<br>MFRS 3             | Business Combinations <sup>1</sup>  |
| Amendments to<br>MFRS 14            | Regulatory Deferral Accounts <sup>1</sup>   |
| Amendments to<br>MFRS 101           | Presentation of Financial Statements <sup>1</sup>   |
| Amendments to<br>MFRS 108           | Accounting Policies, Changes in Accounting Estimates and Errors <sup>1</sup>                          |
| Amendments to<br>MFRS 134           | Interim Financial Reporting <sup>1</sup>  |
| Amendments to<br>MFRS 137           | Provisions, Contingent Liabilities and Contingent Assets <sup>1</sup>                                 |
| Amendments MFRS<br>138              | Intangible Assets <sup>1</sup>  |
| MFRS 17                             | Insurance contracts <sup>2</sup>  |
| Amendments to<br>MFRS 10<br>and 128 | Sale or Contribution of Assets between an Investor and Its Associate<br>or Joint Venture <sup>3</sup> |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

<sup>3</sup> Effective date deferred to a date to be determined and announced.

The directors anticipate that the adoption of the abovementioned standards, amendments and interpretations when they become effective, are not expected to have material impact on the financial statements of the Group in the period of initial application.

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

**A2. Auditors' Report**

The auditors' report for the immediate preceding annual financial statements of the Group for the financial year ended 31 March 2019 is not subject to any qualification.

**A3. Seasonal and Cyclical Factors**

The principal business operations of the Group were not affected by any seasonal and cyclical factors.

**A4. Items of Unusual Nature and Amount**

There were no items affecting the assets, liabilities, equity, net income or cash flows of the Group that are unusual because of their nature, size or incidence for the current quarter and financial year-to-date.

**A5. Changes in Estimates of amount reported previously**

There were no changes in the estimates of amounts reported in the prior interim period of the current financial year or changes in the estimates of amounts reported in the prior financial years that have a material effect in the current quarter or financial year-to-date.

**A6. Issues, Repurchases and Repayments of Debt and Equity Securities**

- (a) During the current quarter ended 30 September 2019, a total of 9,056,300 new ordinary shares were allotted and issued pursuant to the Company's Employees Share Option Scheme.
- (b) For the financial year-to-date ended 30 September 2019, a total of 14,816,900 new ordinary shares were allotted and issued pursuant to the Company's Employees Share Option Scheme.

Other than the above, there were no issuance and repayments of debt and equity securities, share buy-backs, share cancellations and shares held as treasury shares for the current quarter and financial year-to-date.

**A7. Dividends Paid**

Dividend paid by the Company during the financial year were as follows:

- (a) Third interim single tier exempt dividend of 1.9 sen per share amounting to RM63,577,285.66 in respect of the financial year ended 31 March 2019, declared on 7 May 2019 and paid on 27 June 2019.
- (b) Final single tier exempt dividend of 1.9 sen per share amounting to RM63,840,076.53 in respect of the financial year ended 31 March 2019, approved at the last Annual General Meeting on 10 September 2019 and paid on 10 October 2019.



### **A8. Segment Information**

The Group's business mainly comprises the manufacturing and sale of latex gloves and its manufacturing activities are operated solely 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.

### **A9. Valuation of property, plant and equipment**

The valuations of property plant and equipment have been brought forward without amendment from the previous annual financial statements.

### **A10. Capital Commitments**

Capital commitment in respect of Property, Plant and Equipment as at end of the current quarter and financial year-to-date are as follows: -

|                             |                   |
|-----------------------------|-------------------|
|                             | 30 September 2019 |
|                             | RM'000            |
| Approved and contracted for | 288,614           |
|                             | <hr/> <hr/>       |

### **A11. Material Events Subsequent to the End of Period Reported**

There were no material events subsequent to 30 September 2019 up to latest practicable date 31 October 2019 that have not been reflected in the financial statements for the current quarter and financial year-to-date.

### **A12. Changes in the Composition of the Group**

There were no changes in the composition of the Group in the current quarter.

### **A13. Contingent liabilities and Contingent Assets**

There were no contingent liabilities or contingent assets that had arisen since the last annual statement of financial position date except as disclosed in the material litigation under Section B10.

**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS**
**B1. Review of Performance of the Company and its Subsidiaries**

|   | 2nd Quarter<br>Ended<br>30 Sep<br>2019 | 2nd Quarter<br>Ended<br>30 Sep<br>2018 | Variance |        | Year-To-<br>Date<br>30 Sep<br>2019 | Year-To-<br>Date<br>30 Sep<br>2018 | Variance |        |
|---|--|--|----------|--------|------------------------------------|------------------------------------|----------|--------|
|   | RM'000                                 | RM'000                                 | RM'000   | %      | RM'000                             | RM'000                             | RM'000   | %      |
| Revenue   | 709,424                                | 714,244                                | (4,820)  | (0.7)  | 1,349,525                          | 1,420,597                          | (71,072) | (5.0)  |
| Operating profit  | 142,732                                | 155,968                                | (13,236) | (8.5)  | 267,242                            | 310,898                            | (43,656) | (14.0) |
| Profit before interest<br>and tax                                   | 140,331                                | 144,869                                | (4,538)  | (3.1)  | 265,235                            | 293,122                            | (27,887) | (9.5)  |
| Profit before tax   | 137,327                                | 142,352                                | (5,025)  | (3.5)  | 258,981                            | 288,185                            | (29,204) | (10.1) |
| Profit after tax  | 104,206                                | 120,381                                | (16,175) | (13.4) | 198,460                            | 245,469                            | (47,009) | (19.2) |
| Profit attributable to<br>ordinary equity holders<br>of the parents | 103,867                                | 120,216                                | (16,349) | (13.6) | 197,930                            | 245,089                            | (47,159) | (19.2) |

**Q2 FY2020 vs Q2 FY2019**

The Group's sales revenue for the quarter amounted to RM 709.4 million, eased by RM 4.8 million or 0.7% from corresponding quarter in preceding year. The reduction in sales revenue was attributed to lower average selling price.

Profit before tax eased by RM5.0 million or 3.5%, mainly due to lower average selling price and higher packaging and natural gas cost.

**6M FY2020 vs 6M FY2019**

The Group achieved sales revenue of RM1.35 billion year-to-date, eased by RM71.1 million or 5.0% from RM1.42 billion recorded in corresponding year-to-date in preceding year. The lower sales revenue reported was mainly due to lower average selling price for the period.

Profit before tax eased by RM 29.2 million or 10.1% to RM 259.0 million as compared to RM 288.2 million in corresponding period in preceding year. The lower reported profit before tax was mainly due to lower average selling price, higher packaging cost and natural gas cost.

**B2. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter**

|   | Current Quarter<br>ended 30 Sep 2019 | Preceding Quarter<br>ended 30 Jun 2019 | Variance |      |
|---|--------------------------------------|--|----------|------|
|   | RM'000                               | RM'000                                 | RM'000   | %    |
| Revenue   | 709,424                              | 640,101                                | 69,323   | 10.8 |
| Operating profit  | 142,732                              | 124,510                                | 18,222   | 14.6 |
| Profit before interest and tax                                | 140,331                              | 124,904                                | 15,427   | 12.4 |
| Profit before tax   | 137,327                              | 121,654                                | 15,673   | 12.9 |
| Profit after tax  | 104,206                              | 94,254                                 | 9,952    | 10.6 |
| Profit attributable to ordinary equity holders of the parents | 103,867                              | 94,063                                 | 9,804    | 10.4 |

**Q2 FY2020 vs Q1 FY2020**

Revenue for the quarter amounted to RM 709.4 million, increased by RM 69.3 million or 10.8%. The higher sales revenue was attributed to higher sales volume for the quarter. Sales volume increased by 12.7%.

Profit before tax for the quarter increased by RM 15.7 million or 12.9% as compared with previous quarter mainly due to increase in sales volume and lower upkeep and labour cost.

**B3. Commentary on Prospects and Targets**

In line with growing rubber glove demand globally, Hartalega will continue with its NGC capacity expansion plans. Plant 5 of NGC facility was fully commissioned during the quarter. First line of Plant 6 is expected to begin commissioning in the 1st quarter of Year 2020 and will have an annual installed capacity of 4.7 billion pieces. Plant 7 which has commenced construction will cater to small orders focusing more on specialty product and will have an annual installed capacity of 3.4 billion pieces. With the progressive commissioning of Plant 6 and 7, Hartalega's annual installed capacity is expected to increase from current 36.6 billion to 44.7 billion pieces by FY2022.

While market demand has picked up in the second half of 2019, business environment continues to remain challenging with rising operating cost. In line with this, Hartalega will continue to embark on cost optimization to mitigate potential margin pressure. In addition, Hartalega will also intensify investment into Industry 4.0 technologies to develop automation solutions, IoT technology & AI solutions in order to reduce dependency on manual labour and enhance operation effectiveness.

Hartalega has recently launched its antimicrobial gloves in Shanghai, China. The Company will continue to market the product in other emerging markets as well as working on securing Federal Drug Administration (FDA) approval for the US market. As the new medical product is in its introductory and educational phase, we expect AMG to contribute more significantly in the coming years.

Moving forward, Hartalega remains optimistic of the longer term prospects underpinned by growing demand for rubber gloves, ongoing NGC expansion and potential growth of AMG sales.

**B4. Variance of Profit Forecast/Profit Guarantee**

Not applicable as no profit forecast/profit guarantee was issued.

**B5. Profit For The Period**

Profit for the period is arrived at after crediting/(charging):

|  | 2nd Quarter<br>Ended<br>30 Sep 2019 | 2nd Quarter<br>Ended<br>30 Sep 2018 | Year-To-<br>Date<br>30 Sep 2019 | Year-To-<br>Date<br>30 Sep 2018 |
|--|-------------------------------------|-------------------------------------|---------------------------------|---------------------------------|
|  | RM'000                              | RM'000                              | RM'000                          | RM'000                          |
| Interest income                          | 579                                 | 599                                 | 1,467                           | 1,120                           |
| Other income including investment income | 1,676                               | 1,130                               | 2,988                           | 1,909                           |
| Interest expense                         | (3,004)                             | (2,517)                             | (6,254)                         | (4,937)                         |
| Depreciation and amortisation            | (31,157)                            | (24,794)                            | (61,330)                        | (49,282)                        |
| Foreign exchange gain/(loss)-realised    | (796)                               | (1,584)                             | 980                             | 4,900                           |
| Foreign exchange gain/(loss)-unrealised  | 1,626                               | (8,290)                             | 1,415                           | (6,261)                         |
| Fair value gain/(loss) on derivatives    | (1,983)                             | (2,927)                             | (3,484)                         | (19,177)                        |
| Impairment loss on trade receivables     | -                                   | -                                   | -                               | (83)                            |

**B6. Taxation**

|                                | Current quarter<br>RM'000 | Current year-to-<br>date<br>RM'000 |
|--------------------------------|---------------------------|------------------------------------|
| Current tax expense            | 15,762                    | 28,221                             |
| Deferred tax expense           | 16,658                    | 31,132                             |
| Under-provision in prior years | 701                       | 1,168                              |
|                                | <u>33,121</u>             | <u>60,521</u>                      |

The effective tax rate of the Group is lower than the statutory tax rate mainly due to the utilisation of tax incentives in some of the local subsidiaries.



### B7. Status of Corporate Proposal

As at the latest practicable date, 31 October 2019, there was no corporate proposal announced and not completed in the current quarter and financial year-to-date.

### B8. Group Borrowings and Debt Securities

Total Group borrowings as at 30 September 2019 are as follows:

|                              | 2nd Quarter Ended 30 Sep 2019 |                | 2nd Quarter Ended 30 Sep 2018 |                |
|------------------------------|-------------------------------|----------------|-------------------------------|----------------|
|                              | Foreign denomination '000     | RM '000        | Foreign denomination '000     | RM '000        |
| <u>Short term borrowings</u> |                               |                |                               |                |
| <u>Secured</u>               |                               |                |                               |                |
| Term Loans (USD)             | USD 22,130                    | 92,701         | USD 39,417                    | 162,003        |
|                              |                               | <u>92,701</u>  |                               | <u>162,003</u> |
| <u>Unsecured</u>             |                               |                |                               |                |
| Bank Borrowings (USD)        | USD 5,237                     | 21,939         | USD 28,030                    | 115,203        |
|                              |                               | <u>21,939</u>  |                               | <u>115,203</u> |
|                              |                               | <u>114,640</u> |                               | <u>277,206</u> |
| <u>Long term borrowings</u>  |                               |                |                               |                |
| <u>Secured</u>               |                               |                |                               |                |
| Term Loans (USD)             | USD 46,613                    | 195,261        | USD 33,384                    | 137,207        |
|                              |                               | <u>195,261</u> |                               | <u>137,207</u> |
| <u>Total borrowings</u>      |                               |                |                               |                |
| Term Loans (USD)             | USD 68,742                    | 287,962        | USD 72,801                    | 299,210        |
| Bank Borrowings (USD)        | USD 5,237                     | 21,939         | USD 28,030                    | 115,203        |
|                              |                               | <u>309,901</u> |                               | <u>414,413</u> |
| Exchange Rate RM to USD1.00  |                               | 4.189          |                               | 4.110          |



### B9. Financial Derivative Instruments

As at 30 September 2019, the outstanding foreign currency forward contracts are as follows:

| Type of Derivatives        | Contract/Notional Value<br>(RM'000) | Fair Value<br>(RM'000) |
|----------------------------|-------------------------------------|------------------------|
| Foreign Exchange Contracts |                                     |                        |
| Less than 1 year           |                                     |                        |
| - USD denominated          | 524,462                             | 519,077                |
| -AUD denominated           | 11,016                              | 11,129                 |

The Group enters into foreign currency forward contracts to hedge its estimated net exposure to movements in exchange rates arising mainly from sales and purchases.

As foreign currencies contracts are hedged with creditworthy financial institutions in line with the Group's policy, the Group does not foresee any significant credit risks.

There are also no cash requirement risks as the Group only uses forward foreign currencies contracts as its hedging instruments.

The fair value derivative liabilities amounting to RM5,272,000 has been recognised in the financial statements.

### B10. Material Litigation

As at the latest practicable date, 31 October 2019, there are no material litigations against the Group or taken by the Group saved as disclosed below:

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 "1<sup>st</sup> Defendant"), HSB ("2<sup>nd</sup> Defendant") and three (3) individuals (3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> 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 3<sup>rd</sup> Defendant, acting on behalf of the 2<sup>nd</sup> Defendant substantial part of another two (2) assembly lines for the manufacture of gloves for storage at the 2<sup>nd</sup> Defendant's factory to which he purportedly intended to be reimbursed for. The Plaintiff contends that the 3<sup>rd</sup> Defendant (whom the Plaintiff contends is the controlling mind and person behind the 2<sup>nd</sup> Defendant) has represented to him that the said parts would be kept in the possession of the 2<sup>nd</sup> Defendant as a trustee for the Plaintiff;

- (ii) the Plaintiff contends that the 2<sup>nd</sup> 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 2<sup>nd</sup> 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
- (iii) the Plaintiff further claims that there was a conspiracy to injure the Plaintiff by the 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> Defendant culminating in the share allotment on 4 April 2005. The Plaintiff states that 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> 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 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> Defendants to injure the Plaintiff resulting in damage and loss to him;
- (iv) that the 2<sup>nd</sup> 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 RM150,000.00 to the 1<sup>st</sup> to 3<sup>rd</sup> Defendants and RM50,000.00 each to the 4<sup>th</sup> and 5<sup>th</sup> 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. On 20 July 2017 and 18 August 2017, the appeal was heard in part. The continued hearing initially scheduled on 31 October 2017 has been rescheduled to 20 December 2017 and 22 December 2017. The hearing of the appeal was completed on the 20 December 2017 and 22 December 2017. On 28 June 2019, the Court of Appeal affirmed the decision of the High Court and the Appeal was dismissed with costs of RM50,000 to each respondent.

On 26 July 2019, Seow Hoon Hin (“Applicant”) by way of a Notice of Motion filed an application for leave to appeal to the Federal Court (“Leave Application”) together with the Affidavit in Support. The leave application is fixed for hearing on 3 February 2020. Based on the current questions of law presented by the Applicant, Hartalega Holdings Berhad in consultation with its solicitors are of the view that the Leave Application has a less probable chance of succeeding in the Federal Court.

**B11. Dividend**

On 5 November 2019, the Board has declared a first interim dividend of 1.8 sen per share single tier in respect of the financial year ending 31 March 2020 and payable on 27 December 2019. The entitlement date has been fixed on 4 December 2019.

A depositor shall qualify for the entitlement only in respect of:

- (a) Shares transferred to the Depositor’s Securities Account before 4.00 p.m. on 4 December 2019 in respect of ordinary shares.
- (b) Shares bought on Bursa Malaysia Securities Berhad (“BMSB”) on a cum entitlement basis according to the rules of BMSB.



### B12. Earnings per Share

|  | Current<br>Quarter<br>Ended<br>30/09/2019 | Corresponding<br>Quarter Ended<br>30/09/2018 | Current<br>Year-To-<br>Date<br>30/09/2019 | Corresponding<br>Year-To-Date<br>30/09/2018 |
|--|---|--|---|---|
| <b>Basic Earnings Per Share</b>  |   |  |   |   |
| Profit attributable to owners of the parent (RM'000)                             | 103,867                                   | 120,216                                      | 197,930                                   | 245,089                                     |
| Number of shares in issue as at beginning of the year ('000)                     | 3,345,187                                 | 3,311,965                                    | 3,345,187                                 | 3,311,965                                   |
| Effect of exercise of ESOS ('000)  | 11,559                                    | 9,410  | 11,559                                    | 9,410                                       |
| Weighted average number of ordinary shares in issue ('000)                       | 3,356,746                                 | 3,321,375                                    | 3,356,746                                 | 3,321,375                                   |
| Basic earnings per share (sen)   | 3.09                                      | 3.62   | 5.90                                      | 7.38  |
| <b>Diluted Earnings Per Share</b>  |   |  |   |   |
| Profit attributable to owners of the parent (RM'000)                             | 103,867                                   | 120,216                                      | 197,930                                   | 245,089                                     |
| Weighted average number of ordinary shares in issue ('000)                       | 3,356,746                                 | 3,321,375                                    | 3,356,746                                 | 3,321,375                                   |
| Effect of dilution : share options ('000)  | 33,401                                    | 60,188                                       | 33,401                                    | 60,188                                      |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000) | 3,390,147                                 | 3,381,563                                    | 3,390,147                                 | 3,381,563                                   |
| Diluted earnings per share (sen)   | 3.06                                      | 3.56   | 5.84                                      | 7.25  |