Hartalega



# Grounded in Values

**2021**
Annual Report




## Grounded in Values

The theme of this year's report, 'Grounded in Values', reflects how Hartalega's core values of SHIELD – Synergy, Honesty, Innovation, Excellence, Learning and Dedication – are deeply embedded in all that we do. This commitment to do the right thing at all times is instilled in our diverse talent pool of Hartanians. Featured on the cover visual, our Hartanians are the driving force of the Group, leading us forward to achieve our aspirations for sustainable growth, while always staying true to our values to ensure that we progress on our journey with good governance, fairness and integrity as our guiding principles.

# Contents

## Corporate & Management Overview

| | |
|---|---|
| Vision & Values | 2 |
| Industry Firsts | 4 |
| Awards & Recognition | 5 |
| Our Business | 6 |
| Our Presence | 8 |
| The Hartalega Nitrile Glove Story | 10 |
| Financial Summary | 13 |
| Share Price Performance | 15 |
| Corporate Information | 16 |
| Media Milestones | 18 |
| Profile of Directors | 20 |
| Profile of Senior Management Team | 25 |
| Chairman's Review and Management Discussion & Analysis | 28 |
| Sustainability Report | 36 |

15TH ANNUAL GENERAL MEETING
7 SEPTEMBER 2021

## Responsibility & Financials

| | |
|---|---|
| Corporate Governance Overview Statement | 79 |
| Audit Committee Report | 91 |
| Statement on Risk Management and Internal Control | 95 |
| Report of the Directors and Financial Statements | 98 |
| Additional Compliance Information | 169 |
| List of Properties | 170 |
| Analysis of Shareholdings | 172 |
| Notice of Annual General Meeting | 176 |
| Statement Accompanying the Notice of Annual General Meeting | 181 |
| Proxy Form | 183 |

# 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:






Annual Report 2021
Hartalega Holdings Berhad

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.

- **Synergy**
- **Honesty**
- **Innovation**
- **Excellence**
- **Learning**
- **Dedication**

# Industry Firsts

**FIRST** to develop polymer-coated powder-free examination gloves in 1994 and among the first to receive FDA 510(k) 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** in the world to develop and implement successful double former production line with sophisticated process controls

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

**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 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 UNFCCC or Kyoto Protocol, that is in operation and running mainly on empty oil palm fruit bunches

# Leading The Way In Innovation





# Awards & Recognition



- The Edge Billion Ringgit Club Awards 2020 - Company of the Year, Highest Growth in Profit After Tax Over 3 Years (Super Big Cap Companies), Highest Return on Equity Over 3 Years, Highest Growth in Profit After Tax Over 3 Years
- Kincentric Best Employers Malaysia 2020
- HR Excellence Awards 2020
  - Excellence in Talent Acquisition (Bronze)
  - CSR Strategy (Bronze)
- MSC Malaysia APICTA 2020 Awards (Industrial Category – Manufacturing)
- The Star Export Excellence Awards 2019 - Exporter of the Year Award & Gold Award (Other Industries Category)
- The Edge Billion Ringgit Club Awards - Most Profitable Company (Industrial Products Sector) 2013, 2014, 2015 & 2016; Highest Return on Equity Over 3 Years 2018; Highest Return on Equity Over 3 Years & Highest Profit Growth Over 3 Years 2019
- Kincentric Best Employer's Special Recognition for Purposeful Workplace Award 2019
- GCA Graduate Choice Award 2019 (Manufacturing Category)
- HR Excellence Awards 2019 (Excellence in HR Communication Strategy)
- Aon Best Employer Award (2018)
- AIA - Malaysia's Healthiest Employees Award (Large Organisation 2018)
- HR Excellence Awards 2018
  - Excellence in Workplace Wellbeing (Silver)
  - Excellence in HR Communication Strategy (Bronze)
- MREPC Industry Awards 2018
  - Most Outstanding Company
  - Export Excellence
  - Green Business
- M100 Graduate Employer Award (2015)
- 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 & 2013)
- HR Asia Best Companies To Work For in Asia Awards (2013, 2014)
- Asiamoney Best Managed Company (2010, 2012, 2014)
- ISO 9001 : 2015
- ISO 13485 : 2016
- EN ISO 13485 : 2016
- ISO 14001 : 2015
- ISO 45001 : 2018
- EC-Certificate
- JGMP
- U.S. Food and Drug Administration 510(k)
- UL Certification
- National Fire Protection Association
- China Food and Drug Administration
- ANVISA
- ISEGA Food Contact Test Certification (German)
- PPE Cert

Annual Report 2021
Hartalega Holdings Berhad

# Our Business

## Largest

**exporter of nitrile gloves in the world**

Source: Malaysia's Export Performance of Rubber Gloves in 2020 GRE Report by Malaysian Rubber Council



Established in Malaysia in **1988**



Currently employs **8,548 Hartanians**



**Biodegradable and sustainable gloves**



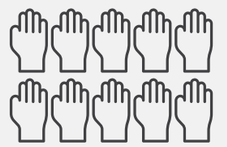
**Metal detectable gloves for food safety**

## Driven by R&D and innovation



**Colloidal Oatmeal Active Therapeutic System, COATS™ therapeutic glove**

COATS
Colloidal Oatmeal System



Current installed production capacity of over **44 billion gloves annually**

Market Capitalisation
**RM30.6 billion**
(as at 31 March 2021)

Turnover FY2021
**RM6.7 billion**

Profit After Tax FY2021
**RM2.9 billion**



**Dividend Payout Policy**
**60%**
**of Profit After Tax since FY2018**



**RM90 million**
**COVID-19 assistance contribution**

Annual Report 2021
Hartalega Holdings Berhad

# Our Presence




**Current manufacturing facilities at Bestari Jaya and Sepang, upcoming future expansion at Banting and Kota Perdana SBEZ**

**Exports to over**

**70 countries**

**across 5 continents worldwide**

# 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 properties 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 per kg 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



Annual Report 2021
Hartalega Holdings Berhad

**2017**
- Launched world's first non-leaching antimicrobial glove
- Completed commissioning of Plant 4 of the NGC

**2018**
- Commenced commissioning of Plant 5 of the NGC
- Hartalega listed on FBM KLCI Top 30 Largest Public Listed Companies in Malaysia

**2019**
- Completed commissioning of Plant 5 of the NGC

**2020**
- Completed commissioning of Plant 6 of the NGC, one year ahead of schedule
- Commenced commissioning of Plant 7 of the NGC

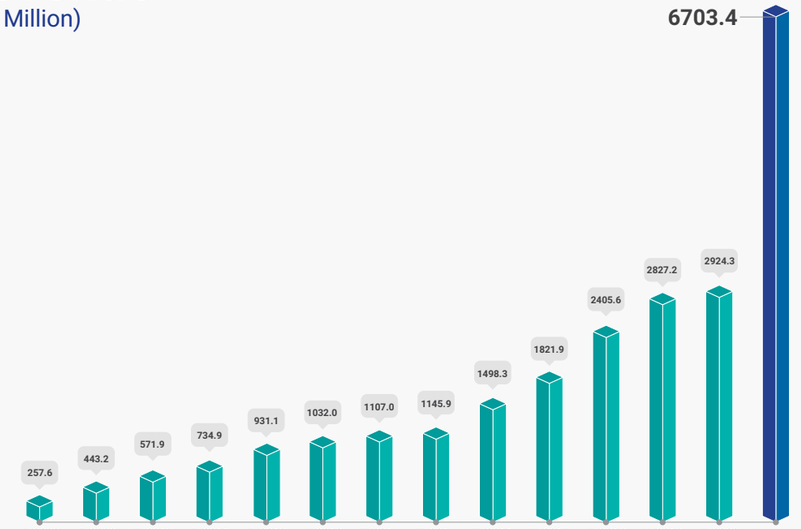




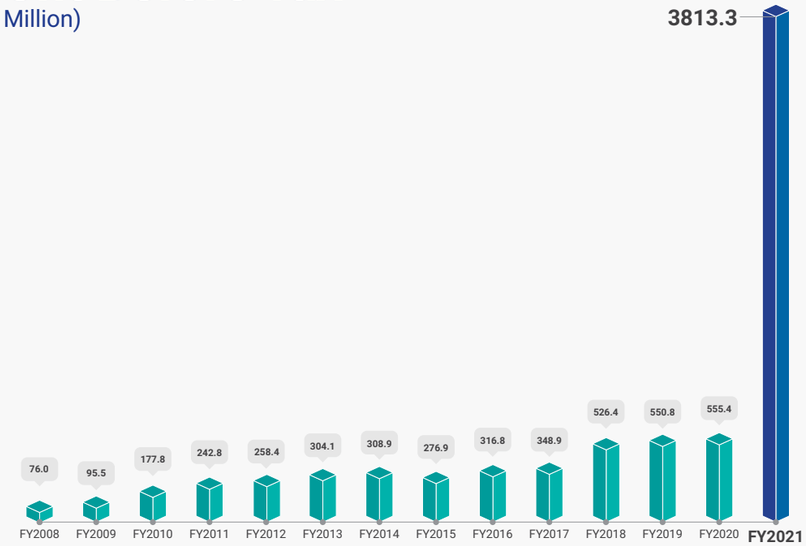



# Financial Summary

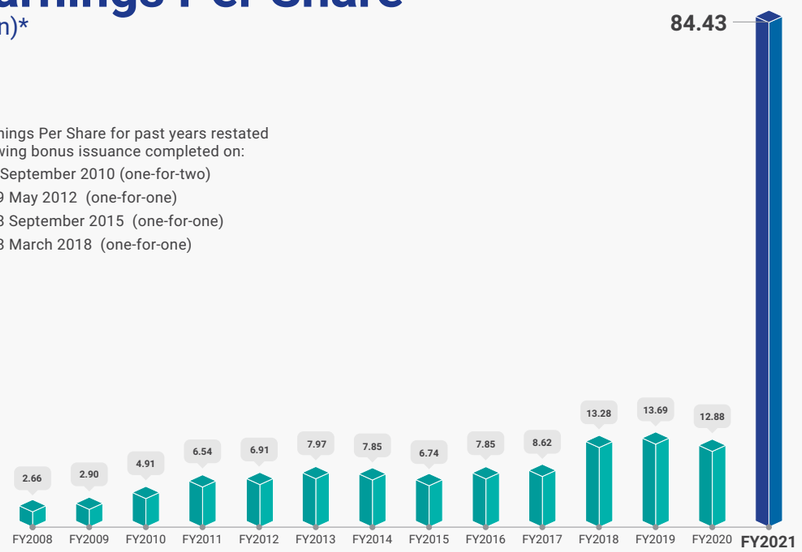
## Revenue
(RM Million)




## Profit Before Tax
(RM Million)



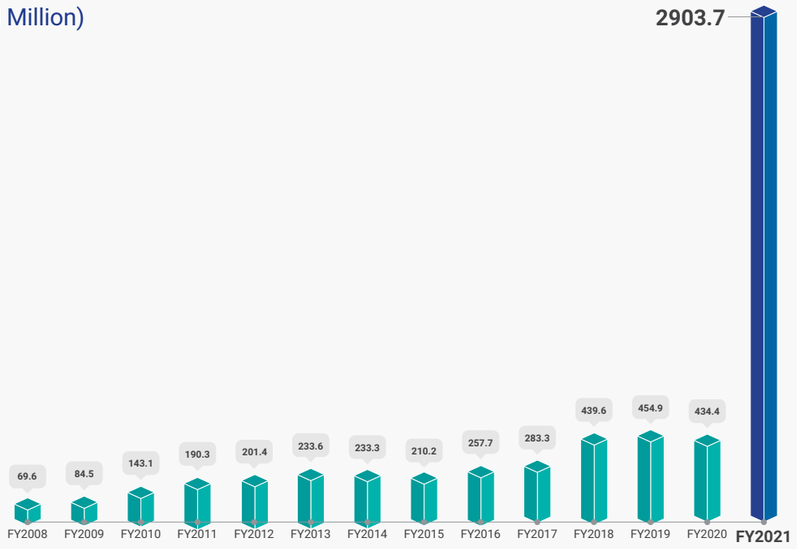
## Earnings Per Share
(Sen)*




* Earnings Per Share for past years restated following bonus issuance completed on:

i. 7 September 2010 (one-for-two)
ii. 29 May 2012 (one-for-one)
iii. 18 September 2015 (one-for-one)
iv. 28 March 2018 (one-for-one)

## Profit After Tax
(RM Million)

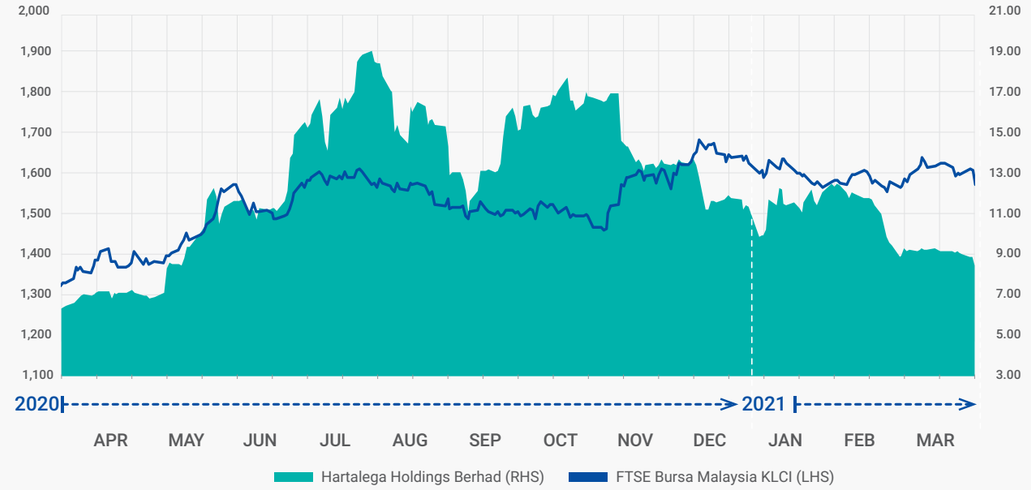





Annual Report 2021
Hartalega Holdings Berhad

# Share Price Performance

## Price Movement






# Corporate Information

## BOARD OF DIRECTORS

| | |
|---|---|
| Kuan Kam Hon @ Kwan Kam Onn | Executive Chairman |
| Kuan Mun Leong | Chief Executive Officer |
| Kuan Mun Keng | Chief Business Officer |
| 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 | Senior Independent Non-Executive Director |
| Datuk Seri Nurmala binti Abd Rahim | Independent Non-Executive Director |
| Datuk Loo Took Gee | 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 |
| Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria | Member |
| Datuk Seri Nurmala binti Abd Rahim | Member |

## NOMINATION COMMITTEE

| | |
|---|---|
| Razman Hafidz bin Abu Zarim | Chairman |
| Dato' Tan Guan Cheong | Member |
| Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria | Member |
| Datuk Loo Took Gee (Appointed on 6/7/2021) | 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 |

## COMPANY SECRETARIES

Wong Maw Chuan (MIA 7413)
SSM PC No.: 202008003554
Wong Youn Kim (F) (MAICSA 7018778)
SSM PC No.: 201908000410
Lee Chin Wen (F) (MAICSA 7061168)
SSM PC No.: 202008001901



Annual Report 2021
Hartalega Holdings Berhad

## REGISTERED OFFICE

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

## INVESTOR RELATIONS

Jayden Liew
Email: liew.jk@hartalega.com.my
Tel: +603-6277 1733, ext 310

## FACTORY LOCATION 1

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

## FACTORY LOCATION 2

No. 1, Persiaran Tanjung
Kawasan Perindustrian Tanjung
43900 Sepang
Selangor Darul Ehsan, Malaysia
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
Cathay United Bank, Labuan Branch

## REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel: +603-7890 4700
Fax: +603-7890 4670

## AUDITORS

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

## CORPORATE OFFICE

C-G-9, Jalan Dataran SD1
Dataran SD, PJU 9
Bandar Sri Damansara
52200 Kuala Lumpur, Malaysia
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

# Media Milestones

March 11, **2021** Berita Harian


Bisnes

Hartalega labur RM7b bina 16 kilang di Kedah

Kemudahan pengeluaran baharu dijangka wujud lebih 12,000 peluang pekerjaan

August 5 **2020** Sin Chew Daily


手套價量齊升＋成本走低

賀特佳首季賺2.2億

August 11 **2020** The Edge CEO Morning Brief


Hartalega to reimburse up to RM40m in recruitment fees

May 5 **2021** Utusan Malaysia


Hartalega catat PAT RM1.12b untuk suku keempat

December 14 **2020** The Edge Malaysia


THE EDGE BILLION RINGGIT Club

October 28 **2020** The Star

Hartalega quarterly net profit expands 424%

Company rides on surge in demand due to pandemic

GLOVES

March 11 **2021** Sin Chew Daily


Signing Ceremony Sales and Purchase Agreement Of Land at Kota Perdana Special Border Economic Zone

March 11 **2021** New Straits Times


HARTALEGA TO SPEND RM7B ON 16 NEW FACILITIES

Firm buys 101.17ha site in Bukit Kayu Hitam for 20-year expansion plan

August 5 **2020** China Press


賀特佳首季獲利漲1.4倍

看好手套續供不應求

August 5 **2020** New Straits Times


HARTALEGA Q1 PROFIT JUMPS 133.6PC

January 26, **2021** New Straits Times


03 FINANCIAL RESULTS

HARTALEGA POSTS RECORD RM1B PROFIT

Company declares second interim single-tier dividend of 9.65 sen per share





March 11, **2021** The Star


Hartalega to invest RM7bil in Kedah

Group plans 16 manufacturing facilities over 2 decades

GLOVES

"This expansion plan will further solidify Malaysia's positioning as the largest glove manufacturer globally. Moreover, this domestic direct investment will contribute to the nation's economic growth."

Kuan Mun Leong

August 11 **2020** The Sun Daily


Hartalega to reimburse up to RM40m in hiring fees

Its Zero Recruitment Cost policy protects welfare of migrant workers and ensures they are free from recruitment costs

January 26 **2021** Nanyang Siang Pau


销量售价冲高·派息 9.65 仙

贺特佳第三季净利破10亿

May 5 **2021** Berita Harian


Hartalega untung bersih RM2.9 bilion

May 5 **2021** The Edge CEO Morning Brief


Hartalega 4Q net profit rises 12% to RM1.12b on higher sales and lower costs; declares 17.7 sen dividend

December 10, **2020** The Edge CEO Morning Brief


Hartalega is The Edge's BRC Company of the Year

# Profile of Directors



**KUAN KAM HON @ KWAN KAM ONN**
EXECUTIVE CHAIRMAN

AGE: **74** | 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**
CHIEF EXECUTIVE OFFICER

AGE: **45** | GENDER: **MALE**
**MALAYSIAN**

Kuan Mun Leong was appointed as Executive Director on 7 May 2007 and re-designated as the Chief Executive Officer on 18 May 2020. Mun Leong is a member of the Risk Management Committee. He holds 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 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**
CHIEF BUSINESS OFFICER / NON-INDEPENDENT EXECUTIVE DIRECTOR

AGE: **46** | GENDER: **MALE**
**MALAYSIAN**

Kuan Mun Keng was appointed as Executive Director on 4 July 2008. He was also promoted to the position of Sales and Marketing Director of Hartalega Holdings Berhad at the same time. On 31 March 2021, he was re-designated as the Chief Business Officer. 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 complements the Sales and Marketing team as he is able to align functions in the company with the needs and wants of customers.



**DATO' TAN GUAN CHEONG**
INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE: **77** | 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.

Earlier in his career, he has worked in international audit firm Coopers & Lybrand (now known as PricewaterhouseCoopers) in New Zealand and Malaysia. Additionally, 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 has been a member of the Malaysian Institute of Accountants since 1983.

He is also currently an Independent Non-Executive Director of Malayan Cement Berhad and Pintar Projek Sdn Bhd, the manager of YTL Hospitality REIT.



**RAZMAN HAFIDZ BIN ABU ZARIM**

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

AGE: **66** | 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.



**TAN SRI DATUK DR. REBECCA FATIMA STA. MARIA**

**SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR**

AGE: **63** | 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 and re-designated as the Senior Independent Non-Executive Director with effect from 15 May 2018. She sits on the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee.

Tan Sri Datuk Dr. Rebecca was the Secretary-General of the Malaysian Ministry of International Trade and Investment from 2010 to 2016, where she oversaw the formulation of Malaysia's international trade policies and positions and often took the lead in their implementation as chief negotiator for bilateral and regional free trade agreements such as the Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership. She played an integral role in Malaysia's participation in multilateral forums such as the Asia-Pacific Economic Cooperation (APEC), where she often represented her economy during the APEC Ministers' Responsible for Trade Meetings and the Small and Medium Enterprises Ministerial Meetings. In the Association of Southeast Asian Nations (ASEAN), she chaired the body that drafted the ASEAN Economic Community 2015 Blueprint as well as the ASEAN Economic Community 2025 Blueprint. An accomplished academic and writer, her scholarship has been recognised through awards from the American Academy of Human Resource Development and from the University of Georgia. In 2017, she authored a book about her personal slice of Malaysian heritage and cuisine, called The Smell of Home. She is currently the executive director of the APEC Secretariat based in Singapore, which serves as advisory body, implementation arm and custodian of institutional memory for the 21 member economies that make up the APEC forum. She is the first woman executive director of the APEC Secretariat.

She also currently serves as Non-Executive Director on the Boards of RHB Bank Berhad, Eco World International Berhad and Sunway Berhad.



Annual Report 2021
Hartalega Holdings Berhad



**DATUK SERI NURMALA BINTI ABD RAHIM**

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

AGE: **66** | 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, Remuneration 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) and M.A. Public Administration, Pennsylvania State University, USA (1988).

Datuk Seri Nurmala has vast experience working with the Government for 38 years as a Diplomatic and Administrative Officer in various capacities in the field of public management, training, planning, coordinating, financial management, ISO 9000, marketing and promotion, performance evaluation of Government Agencies as well as international trade relations and negotiations.

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 DPI Holdings Berhad.



**DATUK LOO TOOK GEE**
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

AGE: **64** | GENDER: **FEMALE**
**MALAYSIAN**

Datuk Loo Took Gee was appointed to the Board on 5 November 2019 as an Independent Non-Executive Director. She graduated from University of Malaya with a Bachelor of Arts (Honours) Degree in 1978 and joined the government service upon graduation. She furthered her postgraduate studies in Japan in 1988 and graduated with a Master's Degree in Policy Science from Saitama University, Japan.

Datuk Loo served in various capacities during her 38 years of service with the Federal Government of Malaysia. She had very broad experiences in policy formulation and implementation in human resources, financial management and infrastructure privatisation while serving at the Public Services Department, Ministry of Works and Ministry of Energy, Green Technology and Water.

She was appointed as the Secretary-General of the Ministry of Energy, Green Technology and Water in August 2010 and served in that capacity before her retirement in August 2016. Subsequently, she was appointed as the Advisor to the Minister of Energy, Green Technology and Water on a one-year contract from September 2016. During her tenure as the Secretary-General, she also served as Chairman of MyPower Corporation as well as Board Member of various government agencies and corporations including Sarawak Hidro Sdn Bhd, Energy Commission, Malaysia Nuclear Power Corporation, Sustainable Energy Development Authority, Malaysia, Malaysia-Thailand Joint Development Authority and Pengurusan Aset Air Berhad.

Currently, Datuk Loo Took Gee is a Board Member of YTL Power International Berhad. She is also the Chairman of the Malaysia-Kazakhstan Business Council.

**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
**CHIEF OPERATING OFFICER**

AGE: 50 • GENDER: MALE • MALAYSIAN

Date of Appointment: 18 May 2020

**Experience:**
Kuan Eu Jin is primarily responsible for Hartalega's Manufacturing Operations, Product Research & Development, Quality Assurance and Operational Excellence departments. He possesses a Bachelor's Degree in Business (Manufacturing Management) from Monash University, Australia and an MBA from the University of Strathclyde Business School, Scotland.

Upon graduating in 1993, he joined Hartalega as a Management Trainee and was transferred to the Quality Assurance ("QA") department and promoted to the position of QA Manager in the same year. In 1996, he was promoted to Deputy Operations Manager to oversee Hartalega's manufacturing operations.

Prior to his current appointment, he was the Director of Research and Development (R&D) and Technical, managing the R&D and Technical functions.

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

## LOH KEAN WOOI
**CHIEF FINANCIAL OFFICER**

AGE: 46 • GENDER: MALE • MALAYSIAN

Date of Appointment: 10 February 2020

**Experience**:
Loh Kean Wooi is primarily responsible for the Finance and Procurement department of the Company. He is a fellow member of the Association of Chartered Certified Accountants (ACCA) and a Chartered Accountant of the Malaysian Institute of Accountants (MIA).

He started his career with Berjaya Group as a management trainee and his last position held was the Group Accountant of one of the affiliate-listed companies of Berjaya Group. Thereafter, he started working with fast-moving consumer goods companies, namely Carlsberg, Reckitt Benckiser and Unilever in Malaysia.

Prior to joining Hartalega, he spent 10 years with the FrieslandCampina group of companies where he started as Financial Controller of Dutch Lady Milk Industries Berhad. In 2014, he was posted to the FrieslandCampina corporate office in the Netherlands where he worked as Corporate Controller. Thereafter, he spent three years as Regional Business Controller based in Singapore and before returning to Malaysia, he was appointed as CFO based in Bangkok for the Betagen Group, a joint venture of FrieslandCampina and a Thai family.

## MUHAMMAD HAKIMI TAN BIN ABDULLAH
**DIRECTOR OF MANUFACTURING**

AGE: 57 • GENDER: MALE • MALAYSIAN

Date of Appointment: 22 June 2012

**Experience:**
Muhammad Hakimi Tan bin Abdullah is responsible for providing technical advisory to Hartalega's manufacturing operations, OJT development and former development.

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.

## JOSEPH KOH PAY LI
**DIRECTOR OF HUMAN RESOURCE**

AGE: 44 • GENDER: MALE • MALAYSIAN

Date of Appointment: 16 November 2020

**Experience:**
Joseph Koh's role is to continuously improve Hartalega's people processes and culture to support business competitiveness, now and in the future. A local graduate of University Putra Malaysia, he obtained his Master in Instructional Technology in University Malaya and an MBA from the University of Strathclyde.

His 23-year career spanned over Korean, American, French and Anglo Dutch multinational companies in Malaysia and the United Kingdom. His work on organisational development, change and business transformation covers all five continents, including unique locations like Libya and Oman, and major countries like the US and China.

His last role prior to joining Hartalega was to transform and sustain the business performance of Upstream and Integrated Gas in Malaysia and the Philippines for Shell.

**Notes**
Save as disclosed, none of the Key Senior Management have:
1. any 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; and
5. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



Annual Report 2021
Hartalega Holdings Berhad

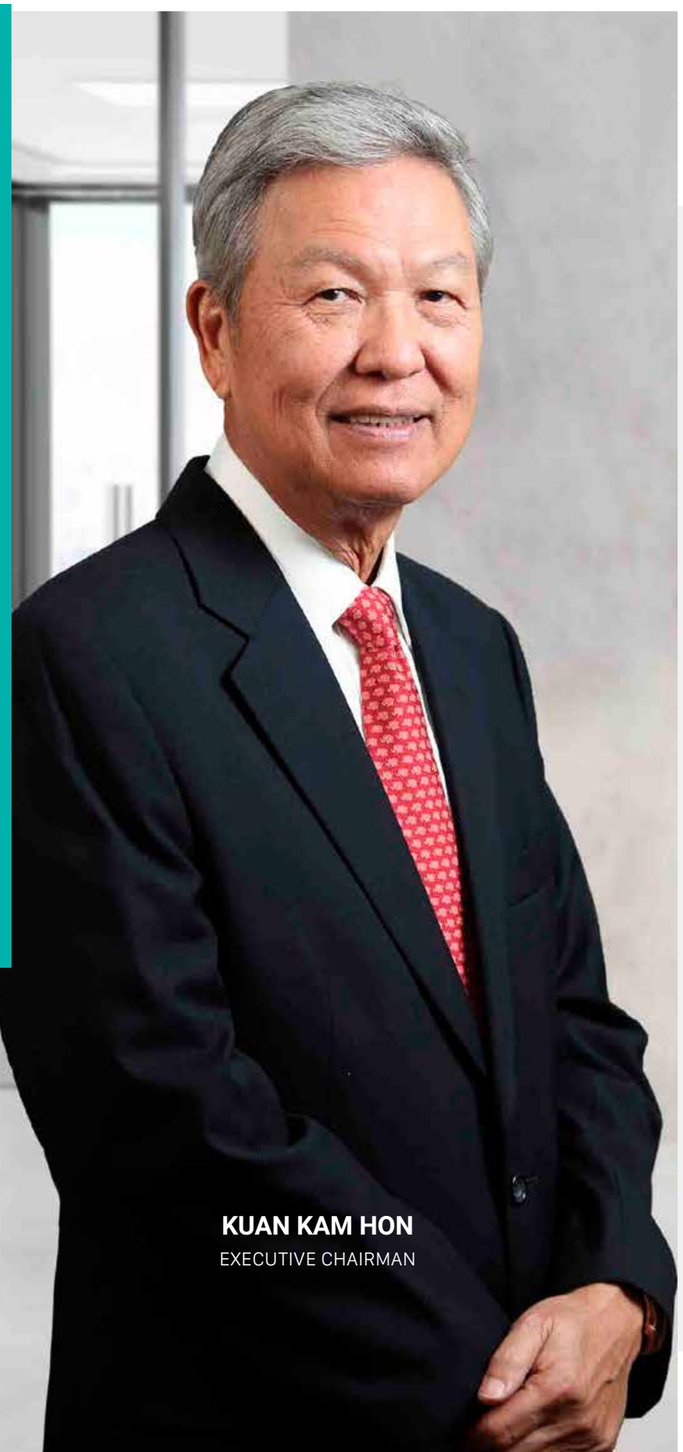


# Chairman's Review and Management Discussion & Analysis

## Dear Shareholder,

It was indeed a tumultuous year as the COVID-19 pandemic continued to affect the world. In the fight against this crisis, the glove industry holds a crucial role. As a leading glove manufacturer, Hartalega remains firmly committed to upholding our responsibility in ensuring a consistent supply of high-quality gloves, as vital personal protective equipment (PPE) for frontliners and healthcare practitioners.

In Hartalega's long history, this financial year was indeed one of our most challenging, as we were confronted with obstacles on multiple fronts. This included the exceptionally high demand for gloves, in addition to facing operational and value chain disruptions through the various waves of COVID-19 outbreaks in Malaysia. Compounding this, Hartalega was not spared in dealing with COVID-19 cases amongst our people. Along with this, globally and particularly for the glove manufacturing sector, there has been a heightened clarion call to enhance social compliance, with a view to protect the welfare of all employees, including foreign employees.



**KUAN KAM HON**
EXECUTIVE CHAIRMAN

Despite these hurdles, we weathered through successfully by leveraging our strong foundation, underpinned by our core values to do the right thing at all times. This is also testament to the mettle of our Hartanians, who have showcased great perseverance and resilience in maintaining our single-minded focus to overcome challenges, and more importantly, excel during these tough times.

On this note, I present to you our annual report for the financial year ended 31 March 2021.



Annual Report 2021
Hartalega Holdings Berhad




## INDUSTRY LANDSCAPE

With the onset of the pandemic, the year 2020 saw a substantial surge in global demand for gloves by more than 30%, compared with previous growth trends which averaged at 8% to 10% per annum, as usage of gloves climbed sharply across the world. Total glove imports globally stood at 347 billion pieces for the year, compared with 263 billion pieces in 2019. Malaysian exports of rubber gloves increased to 95.6 billion pairs of gloves from 79.5 billion pairs in 2019, representing RM34 billion in value terms.

Exports of synthetic rubber gloves grew to 63 billion pairs, translating to RM22 billion in value terms. Synthetic rubber gloves maintained their strong lead compared with natural rubber gloves, with a higher ratio of 67:33 in 2020.

Malaysian exports of synthetic rubber gloves to global markets grew significantly during the year. The US remained a key importer, comprising 42.8% of Malaysia's total export value. This was followed by the European Union (EU) which amounted to 23.6% export value, while the Asian region also saw higher exports in 2020.

In tandem with accelerated demand as a result of the pandemic, the industry continues to experience a structural step-up in baseline demand due to greater hygiene and safety awareness. This is expected to persist over the long term, particularly in countries with lower glove usage per capita. The Group is focused on scaling up our production capacity and efficiency to meet this demand growth over the long run.

## FINANCIAL PERFORMANCE

Hartalega delivered a sterling performance for our financial year ended 31 March 2021. We achieved a historical high as the Group clocked in a 568% increase in profit after tax which came in at RM2.9 billion, while profit before tax grew to RM3.8 billion. Key drivers included higher average selling prices due to strong demand, along with increased capacity during the year. Earnings before interest, tax, depreciation and amortisation (EBITDA) rose by 472% to RM4.0 billion. Revenue increased significantly to RM6.7 billion, from the previous year's RM2.9 billion, primarily arising from higher sales volume which grew to 35 billion pieces.

Revenue

**FY2020** RM2.9 Billion → **FY2021** RM6.7 Billion

**FY2021**
Profit Before Tax RM3.8 Billion

568%
Profit After Tax RM2.9 Billion

This was accomplished despite rising material costs which have doubled during the pandemic, particularly towards the end of the financial year due to shortage of key raw materials.

Hartalega is equally conscious of our commitment to society, particularly as a successful home-grown multinational company. Towards this end, we were pleased to make a contribution of RM90 million to Malaysia's fight against COVID-19. This was channelled to the Government's COVID-19 fund.

Continuing our commitment to the nation, we also undertook a series of initiatives which are highlighted in our Sustainability Report herein.

Apart from this, reflecting our journey in social compliance, the Group made significant advances by initiating the remediation of recruitment fees for foreign workers. The process commenced in November 2020 and was completed in June 2021, with the Group reimbursing a total of RM41 million to workers.

Trade receivables increased by 126% to RM974 million from RM430 million in the previous year, primarily due to higher sales revenue driven by higher selling prices. Meanwhile, inventories increased by 131% to RM633 million from RM274 million. This was mainly driven by high raw material costs coupled with sales of goods which were not shipped due to lack of shipment availability at year-end.

Total capital expenditure for the fiscal year amounted to RM361 million which was mainly utilised for the Group's accelerated capacity expansion. The Group's gearing was manageable at 0.07 times, while cash and bank balances increased to RM2.7 billion. This clearly reflects the Group's strong financial position to fund our future capacity expansion, in line with our long-term plans.

Shareholders' funds stood at RM4.9 billion as at 31 March 2021. Earnings per share improved to 84.43 sen while net assets per share attributable to owners of the Company increased to RM1.45.

Demonstrating our steadfast commitment to driving sustainable growth, The Edge Billion Ringgit Club Corporate Awards, which recognises Malaysia's best-performing companies, bestowed Hartalega with four awards in 2020, including the highest accolade of Company of the Year.

Dividend

**FY2021**

**50.95 Sen Per Share**

**Total Payout**

**RM1.7 Billion**

## DIVIDENDS

Hartalega is steadfast in our commitment to enhance value for our shareholders. This is demonstrated through our dividend policy to distribute a minimum of 60% of the Group's annual net profit.

As a result of our sterling results for the financial year, we are pleased to announce a historical dividend payment of 31.20 sen per share paid out to date. At the upcoming 15th Annual General Meeting, the Board will recommend a final dividend of 19.75 sen per share single tier for shareholders' approval, bringing total dividend for the year to 50.95 sen per share. This will amount to a total payout of RM1.7 billion, reflecting a payout ratio of 60%.

## OPERATIONS REVIEW

### Accelerating Our Capacity Expansion

Conscious of our crucial role in the healthcare value chain, more so during the pandemic, we accelerated our production capacity and expansion plans during the year. In a milestone for the Group, we marked the completion of Plants 1 to 6 of our state-of-the-art Next Generation Integrated Glove Manufacturing Complex (NGC). Leveraging our operational efficiencies and project management capabilities, we were able to bring Plant 6 fully on-stream one year ahead of schedule.

Comprising 12 production lines at each plant, the NGC is equipped with the fastest and most efficient glove production lines in the world running at 45,000 pieces per hour, alongside high-level automation and implementation of Industry Revolution 4.0 (IR 4.0) and Internet of Things (IoT) technologies. Along with the six plants which are fully commissioned, we also successfully commissioned six out of 10 lines for Plant 7 during the year. This saw the Group's total installed capacity increase to 44 billion pieces of gloves, maintaining a high utilisation rate of 90%.

We remain focused on our aim to meet the ever-evolving needs of the healthcare sector by harnessing technology coupled with our manufacturing prowess to scale up our production capabilities and capacity.

### Solidifying Our Pole Position in the Market

As a trusted glove manufacturer with a global presence, Hartalega has maintained a proven track record of excellence, delivering the highest quality products to our clientele. Reflecting our market-leading presence in countries across the world, we recorded a compounded annual sales growth rate of 28% over a period of 13 years.

Further reinforcing this, during the year our total sales volume grew by 13% to 35 billion pieces, with nitrile gloves comprising 97%. North America and Europe remained our key export markets, amounting to 48% and 29% of our total exports respectively, while the Asian region comprised 15% of our total exports.

The ongoing COVID-19 crisis spurred the demand for gloves throughout 2020. Since then, while vaccination programmes are being rolled out globally, there continue to be renewed waves of COVID-19 cases in various regions. As such, the demand for PPE is expected to remain strong.






Annual Report 2021
Hartalega Holdings Berhad



## RESPONDING TO COVID-19

### Driving Operational Continuity Amidst the Pandemic

The repercussions caused by COVID-19 have had a significant impact across industries and sectors, with the various phases of the Movement Control Order and Standard Operating Procedures enforced to stop the spread of COVID-19, compounded by new waves of cases and multiple strains of COVID-19 variants. Amidst this difficult environment, we have channelled a great deal of resources to protect our people, mitigate disruptions to the business and ensure operational continuity.

As part of our efforts to facilitate operations, we established a COVID-19 Emergency Response Plan and COVID-19 Emergency Response Team. Stringent precautionary measures were implemented across our premises. This included physical distancing, sustained and effective awareness programmes, strict entry screening procedures, thermal scanners at high traffic locations, staggered shift hours and frequent sanitising of common areas. We also implemented our Green Barrier initiative at the workplace, creating safe 'bubbles' for groups of employees, to mitigate risk of contagion.

While we did experience COVID-19 cases amongst our employees, we were able to effectively contain the situation and safeguard our other employees as well as the surrounding community. As a result, although some production lines were temporarily shut down, the capacity loss was approximately 5% of our annual output.

A key component of our preventive measures lies in the fact that we have developed a proactive system to monitor, manage and overcome potential COVID-19 cases. This is achieved via the Hartalega Precautionary Investigation (HPI) procedure, which we have had in place at our dedicated in-house sickbay since March 2020. Through the HPI, we have been able to take immediate action to quarantine and conduct COVID-19 tests as needed. As an added measure, we have undertaken precautionary mass COVID-19 testing of all employees and continue to carry out periodic testing.

Further to this, the good living conditions and high standards of our workers' accommodation which surpass requirements have been key in helping to contain the number of cases. We also applied team segregation at all levels of the Group, including foreign workers, to minimise potential cross-exposure.

In addition, to extend a helping hand during the pandemic, the Group rolled out several initiatives to support the wider community. Further details on this can be found in the Sustainability Report herein.

## Sustaining the Momentum

In the wake of the unprecedented COVID-19 outbreak, demand for gloves has far exceeded the historical average of 8% to 10% growth per annum, and this is set to persist given the new waves of cases around the world. Nevertheless, looking beyond the current COVID-19 situation and adopting a long-term perspective towards the structural step-up in global demand, with a strong uptick in glove usage particularly in emerging markets as a result of heightened hygiene awareness, the baseline for demand has shifted and this is expected to be the new normal.

With this in view, the Group has put in place a strategic roadmap to sustain our capacity growth. The first six plants at the NGC are completed and Plant 7 is progressing on track. In tandem, we kicked off our next expansion phase with NGC 1.5, committing an investment of RM1.5 billion for the acquisition and development of 60 acres of land adjacent to the NGC in Sepang. This will see the addition of four production plants contributing 19 billion pieces of gloves to our annual installed capacity.

Looking ahead to our longer-term expansion, we have committed an investment of RM7 billion for the acquisition and development of 250 acres of land




in Kota Perdana Special Border Economic Zone in Bukit Kayu Hitam, Kedah. This sets the stage for an exciting new phase of expansion, charting a course for Hartalega to build 16 new manufacturing facilities over the next 20 years.

## Embracing New Ways of Working

Hartalega stands stronger today due to the spirit and resolve of our Hartanians. They are the heart of the Group and we continuously strive to ensure that we value their contributions. This has allowed us to cultivate a highly capable, fully engaged and performance-driven talent pool.

This year brought about a new normal as a result of the pandemic. Adapting to this, we embraced new solutions to enable Hartanians to remain productive. This included introducing work from home arrangements for employees not required to be on-site, in addition to other efforts which are highlighted in our Sustainability Report.





Hartalega is committed to instilling a positive organisational culture that encourages employees to maximise their potential, guided by our core values of SHIELD (Synergy, Honesty, Innovation, Excellence, Learning and Dedication). We truly believe that Hartanians are the backbone of our organisation and our people remain a key priority. Testament to this, we provide a dynamic and conducive living and working environment for our employees to thrive, as well as investing in their personal and professional growth, which is ultimately aimed at enriching their lives. As a result of our dedicated efforts, despite the pandemic, we were able to continue engaging our people effectively through Group-wide townhalls, briefings, training sessions and workshops that were conducted virtually. Reflecting our best practices in employee engagement and workplace excellence, Hartalega was honoured to be selected as Best Employers Malaysia 2020 by Kincentric.



## ENHANCING SUSTAINABILITY

The growth of our organisation is fundamentally bound to our committed approach to sustainability. We strongly believe in the importance of sustainability to unlock long-term value for the Group and our stakeholders.

Yayasan Hartalega
Engage · Empower · Evolve

Premised on our Sustainability Vision, we are dedicated to positively contributing to our community, environment, marketplace and workplace through Economic, Environmental, and Social pillars. The Group's philanthropic foundation, Yayasan Hartalega, drives our objectives to reach out to the communities in which we have a presence, through various initiatives and programmes.

We are a staunch advocate of fair and equitable treatment of all our employees, regardless of nationality, race, age, gender or background. We constantly strive to move forward in our social compliance journey and adhere to best practices, aligned with international benchmarks to protect the welfare of our people.

Our Sustainability Report contains a comprehensive account of our progress and accomplishments during the year. To continuously enhance our sustainability reporting, this year we adopted global sustainability reporting frameworks, including the Global Reporting Initiative (GRI) Standards and the United Nations Sustainable Development Goals (UN SDGs). We believe embracing the SDGs can continue to help us track and report on our efforts towards sustainable development.



## OUTLOOK

Prospects remain strong for the year ahead and beyond. While demand for gloves is projected to remain high for the short term, this is expected to reach an equilibrium and average selling prices are subsequently expected to stabilise. Nonetheless, we are confident that the Group is well-poised to realise our aspirations for long-term growth, more so as we have a robust structure in place.

Taking a leaf from our history, when Hartalega was first established more than three decades ago in 1988, there were many entrants coming into the glove manufacturing sector. Today, only a handful have withstood the test of time, with Hartalega standing firm as a trusted leader in the industry, and we continue to leverage our proven track record.

Although in recent times, competition in the sector is intensifying with ambitious expansion plans by industry participants and new entrants coming into the sector, we are confident that we will be able to stay the course. To effectively manage the risk of rising operating costs and raw material costs, we will continue to work closely with our suppliers. This will enable us to ensure sufficient supply of raw materials and achieve a cost pass-through mechanism to mitigate potential impact.

We are focused on delivering sustainable growth by continuously raising the bar in quality, innovation and technology, as well as in social compliance and labour practices. In tandem, we will retain our competitive edge by leveraging technology-forward solutions such as automation, IR 4.0, IoT technologies and artificial intelligence to enhance efficiencies and optimise costs.







Catering to demand growth in the coming year, the remaining four lines of Plant 7 of the NGC are set to be completed by 2021. This will see our annual installed capacity increase by an additional 2.7 billion pieces per annum. Along with this, the completion of NGC 1.5 will increase the Group's capacity to 63 billion pieces of gloves per annum. Subsequently, our expansion plans in Kedah will increase our annual installed capacity by another 80 billion pieces per annum.

These expansion plans are aligned with our medium-term milestone to expand our annual installed capacity to 95 billion pieces by 2027. As part of our longer-term strategy, Hartalega's total capacity will increase to 143 billion pieces of gloves per annum with the completion of the Kedah facility. This will help to further solidify Malaysia's position as the leading glove manufacturer globally and contribute to the nation's economic development, particularly for the Northern region, with immense spillover benefits such as generating employment opportunities and upskilling of local talent and vendors.

With these strategic plans in place, we are resolute in fulfilling our role and responsibility in the healthcare value chain, while accelerating our trajectory for the future.



Annual Report 2021
Hartalega Holdings Berhad

## ACKNOWLEDGEMENT

Throughout the year, our Board members and the management team have been a true anchor in our journey. Especially in navigating the volatile climate brought about by COVID-19, their leadership and commitment have led the Group through an unprecedented year.

I would also like to convey our sincere appreciation to all our Hartanians for their valuable contributions and hard work. We are immeasurably grateful for their passion and drive to propel the Group forward.

Our deepest gratitude as well to our shareholders, financiers, business partners, consultants and relevant approving authorities for their steadfast support and trust.

**KUAN KAM HON**
Executive Chairman

# Sustainability Report

With sustainability at our core, Hartalega is firmly committed to continue building on our strong foundation of responsible growth. This enables us to reinforce our position as a leader in the glove sector and create greater value for our stakeholders, while bringing positive impact to society.

Guided by our SHIELD values (*Synergy, Honesty, Innovation, Excellence, Learning and Dedication*), we strive to do the right thing at all times. This is part of our vision to become 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.

Towards this end, our sustainability efforts are premised on Economic, Environmental and Social considerations, focusing on four key pillars:

- Safeguarding the environment
- Contributing to the wellbeing of local communities
- Caring for our employees
- Upholding the highest standards in our business practices and product quality



Annual Report 2021
Hartalega Holdings Berhad

As we cultivate a culture of care, we aim to continue incorporating sustainability elements in everything we do, creating value for all our stakeholders.



Annual Report 2021
Hartalega Holdings Berhad



# ABOUT THIS REPORT

Providing a detailed account of the Group's sustainability performance, this year marks our fifth dedicated Sustainability Report, encapsulating our sustainability efforts, performance and future plans. This Report is aimed at communicating to our stakeholders in a detailed and transparent manner on the efforts we have undertaken in relation to pertinent material sustainability matters.

## Reporting Scope and Boundary

This Report details the Group's sustainability performance for the reporting period 1 April 2020 to 31 March 2021. Comparative information on quantitative data is presented covering the past three financial years, where information is available.

To depict the Group's sustainability footprint, the information and data presented in this Report encompass Hartalega's operations and business units in Malaysia that the Group has direct management control over, unless otherwise specified. This includes Hartalega Sdn Bhd, Hartalega NGC Sdn Bhd (HNGC) and Hartalega Research Sdn Bhd. Joint ventures and associated companies are excluded from this Report.

## Reporting Framework

This Report was developed in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Malaysian Financial Reporting Standards, International Financing Reporting Standards and the Companies Act 2016.

This year, we have adopted global sustainability reporting frameworks to continuously enhance our sustainability performance. Our sustainability reporting is prepared in accordance with Bursa Malaysia Securities Berhad's Main Market Listing Requirements, aligned with the Bursa Malaysia Sustainability Reporting Guide (2nd Edition), Global Reporting Initiative (GRI) Standards and the United Nations Sustainable Development Goals (UN SDGs).

## Assurance

Adhering to strict governance frameworks and reporting procedures, Hartalega is committed to ensuring the accuracy and transparency of all information contained in this Report, including both financial and non-financial information. The Group has not sought external assurance for this Report. We will consider obtaining external assurance as our sustainability reporting continues to mature moving forward.

## Feedback

We are dedicated to continuously enhancing our sustainability reporting and performance. We welcome all feedback, comments and suggestions, which can be directed to ir@hartalega.com.my.

# SUSTAINABILITY GOVERNANCE

Good corporate governance and transparency are intrinsic to achieve responsible and sustainable growth. Our sustainability governance practices are vital in creating a robust structure and framework to drive our sustainability agenda forward.

## Governance Structure

The Group has established a clear governance structure to ensure that all sustainability measures and efforts are carried out effectively. Driven from the top, the Board of Directors holds the highest authority in the Group and is ultimately responsible for the Group's sustainability performance. The Board ensures that sustainability is practised across all business operations.

The Chief Executive Officer (CEO) leads the implementation of sustainability strategies within the Group and works with the Sustainability Working Committee to review existing strategies for continuous improvement, along with providing oversight for the Group's sustainability risks and opportunities. The CEO also oversees the approval of sustainability targets and market disclosures.

The Sustainability Working Committee reports directly to the CEO and comprises representatives from relevant functions across the Group, namely Health, Safety and Environment (HSE), Human Resource (HR), Corporate Social Responsibility (CSR) and Investor Relations. The Committee oversees and monitors the execution of Hartalega's sustainability initiatives and sets relevant targets.

Our governance structure outlines the roles and responsibilities of the Board, CEO and Sustainability Working Committee.

**Board of Directors**

- Responsible for overall governance of the Group's sustainability strategies and performance
- Ensures that the Group's business strategy considers sustainability

**Chief Executive Officer**

- Provides leadership and direction on the implementation of the Group's sustainability strategies
- Oversees the Group's sustainability risks and opportunities
- Approves targets and market disclosures

**Sustainability Working Committee**

- Supports the implementation of sustainability initiatives
- Reviews key sustainability risks and opportunities
- Reports on management targets

# COMMITMENT TO STAKEHOLDER ENGAGEMENT

Our robust engagement approach enables us to maintain strong relationships with our key stakeholders, comprising those who have influence on and interests in our business operations.

Given Hartalega's leadership position in the glove manufacturing industry and our role in the wider value chain of the global healthcare sector, effective engagement with our stakeholders is instrumental to allow us to progress in our sustainability journey. This became all the more important amid the COVID-19 outbreak, to continue addressing the concerns and views of relevant stakeholders and address the unprecedented challenges brought on by the pandemic.

Through proactive engagements, we are able to gain valuable insights and perspectives on material matters of most relevance to key stakeholders, and subsequently align our priorities and sustainability efforts accordingly to deliver long-term value.

A summary of our key stakeholders and stakeholder engagement efforts during the year under review is as follows. In FY2021 we also identified two new stakeholder groups, namely media and non-governmental organisations (NGOs).

| Key Stakeholder | Method and Frequency of Engagement | Key Topics and Concerns | Our Response | Link to Material Matter |
|---|---|---|---|---|
| **Customers** | ● Meetings<br>● Satisfaction surveys<br>● Social compliance audits | • Customer satisfaction or relationship management<br>• Responsible supply chain and reliability of supply<br>• Regulatory compliance<br>• Human rights and fair labour practices<br>• Anti-corruption and anti-bribery<br>• Pricing | • Timely response towards customers' concerns and interests<br>• Supplier Code of Conduct<br>• Social Compliance Policy and audits<br>• Anti-Bribery and Anti-Corruption Policy<br>• Whistleblowing Policy<br>• Provide competitive pricing | • Customer satisfaction and relationship management<br>• Supply chain management<br>• Socioeconomic compliance<br>• Human rights<br>• Business ethics and governance |
| **Employees** | ● Performance appraisals<br>● Induction programme<br>● Engagement surveys<br>● Townhall<br>● Engagement sessions<br>● Volunteer programmes<br>● Recreational events | • Career development<br>• Health and safety<br>• Human rights and fair labour practices<br>• Engagement<br>• Employee welfare and benefits<br>• Hartalega's financial performance | • Provide job-related training and workshops<br>• COVID-19 prevention measures, and health and safety measures<br>• Strict adherence to labour rights laws<br>• Increase communication platforms and engagement frequency<br>• Provision of remuneration and various employee benefits<br>• Provision of quality accommodation for workers<br>• Townhall sessions to share on the company's direction and performance | • Employee management<br>• Health and safety<br>• Human rights<br>• Market presence |
| **Government and Regulators** | ● Meetings<br>● On-site inspections<br>● Correspondence<br>● Social activities<br>● Industry group and local council meetings | • Regulatory compliance<br>• Job creation<br>• Safety compliance for COVID-19<br>• Labour rights | • Strict adherence to laws and regulations as well as applicable standards through reliable reporting and monitoring checklist<br>• New acquisition in the state of Kedah for future expansion | • Socioeconomic compliance<br>• Environmental compliance<br>• Business ethics and governance |
| **Shareholders and Investors** | ● Annual general meeting<br>● Reporting<br>● Investment conferences and analyst briefings<br>● Corporate website | • Business ethics and governance<br>• Regulatory compliance<br>• Human rights and fair labour practices including workers' rights and well-being<br>• Hartalega's financial performance | • Governance policies and systems in place<br>• Provide quality accommodation in accordance with Act 446 Workers' Minimum Standards of Housing and Amenities<br>• Remediation of workers' recruitment fees<br>• Provide timely updates of business performance through briefing sessions | • Business ethics and governance<br>• Human rights<br>• Market presence |
| **Suppliers** | ● Meetings | • Business continuity<br>• Fair and transparent selection of suppliers<br>• Timely payment<br>• Business ethics<br>• Product specification and quality expectations | • Professional approach in reviewing suppliers' proposals<br>• Support local employment throughout supply chain<br>• Strict payment cycles and procedures<br>• Communication of Social Compliance Policy and Anti-Bribery and Anti-Corruption Policy<br>• Communication of product and quality expectations | • Supply chain management<br>• Business ethics and governance<br>• Product quality and innovation |
| **Media** | ● Media releases and interviews<br>● Responses to media enquiries<br>● Corporate website<br>● Social media platforms | • Business performance<br>• Sustainability efforts focusing on human rights and fair labour practices | • Quarterly results release<br>• Press releases on ongoing initiatives<br>• Direct engagement | • Business ethics and governance<br>• Human rights |
| **NGOs** | ● Correspondence | • Human rights and fair labour practices<br>• Business ethics<br>• Environmental impact | • Social Compliance Policy<br>• Zero Recruitment Cost Policy<br>• Whistleblowing Policy and channels<br>• Sustainability Report<br>• Direct engagement | • Human rights<br>• Business ethics and governance<br>• Environmental compliance |
| **Local Communities** | ● Corporate social responsibility programmes<br>● Community engagement activities<br>● Industry association and local council meetings | • Job creation<br>• Environmental impact and compliance<br>• Community engagement and investment | • Support local employment<br>• Strict adherence to environmental-related laws and standards<br>• Yayasan Hartalega – charitable donations, volunteer hours and partnerships, focusing on improving livelihoods and providing educational opportunities | • Local communities<br>• Market presence<br>• Environmental compliance |

● Annually ● Semi annually ● Quarterly ● Ongoing ● As needed

# MATERIALITY ASSESSMENT

Materiality assessment enables us to focus on and manage what matters most to our business and stakeholders. Our materiality assessment is reviewed on an annual basis to keep abreast of our internal and external stakeholders' evolving priorities, reconfirm our long-standing areas of focus and shape our strategies, whilst considering changing external factors. Our approach towards materiality is guided by the Bursa Malaysia Sustainability Reporting Guide (2nd Edition) and GRI Standards.

During the financial year, we conducted targeted surveys with internal and external stakeholders to enhance sustainability awareness and identify material matters for management's consideration. We also organised a materiality assessment workshop attended by key internal stakeholders, including the Group's leadership team and relevant heads of departments. This allowed us to ensure that our material matters remained relevant to the interests of our stakeholders and within the current business operating landscape, against the impact of COVID-19.

To determine key sustainability issues during the year, we undertook a three-step materiality assessment process, as follows.

**Review and Identify**

- We reviewed all relevant material matters, analysing both internal and external factors such as the business operating environment, emerging trends, risks, regulatory requirements, peer benchmarking, media reviews, as well as insights from internal and external stakeholders. We also considered the impact of COVID-19 which transformed the business landscape and affected stakeholders' sentiments and expectations.
- During the financial year, an external stakeholder survey was conducted to gather insights from customers on Hartalega's material sustainability matters.
- Utilising this data, a comprehensive list of material matters was developed.

**Prioritisation**

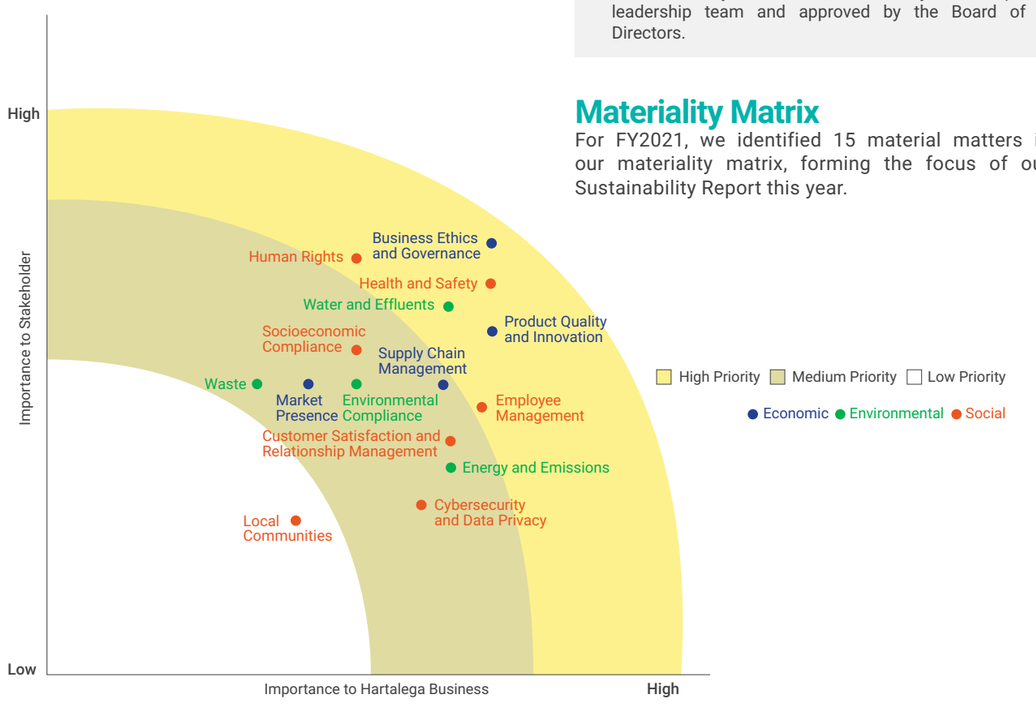
- A stakeholder prioritisation exercise was conducted to determine the level of influence and interests of stakeholders in Hartalega's business.
- During the materiality assessment workshop, the identified material matters were prioritised through anonymous voting, taking into consideration both internal and external stakeholders' perspectives, based on their level of influence and interests.
- Internal stakeholders also acted as proxies for key external stakeholders based on their experience in engaging with the respective stakeholders.
- The voting results defined FY2021's materiality matrix.

**Validation**

- The materiality matrix was validated by the Group's leadership team and approved by the Board of Directors.

## Materiality Matrix

For FY2021, we identified 15 material matters in our materiality matrix, forming the focus of our Sustainability Report this year.








The following table further defines the material matters identified by the Group and their relation to the UN SDGs for the year under review:

| | No. | Material Matters | Definition | Link to UN SDGs |
|---|---|---|---|---|
| High priority | 1 | Business Ethics and Governance | Conduct our business in an ethical and transparent manner by embracing our values and culture | |
| | 2 | Health and Safety | Maintaining a safe work environment and culture through focused and continued investments to anticipate, recognise, evaluate and control hazards arising in or from the workplace that could impair the health and wellbeing of employees, workers and customers | |
| | 3 | Water and Effluents | Management and efficient use of water for manufacturing processes and general purposes, and to configure effluent discharge points to mitigate impact to local communities | |
| | 4 | Human Rights | Respecting and protecting employees' and workers' rights in our operations and supply chain. This includes non-discrimination, child labour, labour rights, freedom from slavery and torture, the right to life and liberty, freedom of opinion and expression and the right to work and education | |
| | 5 | Product Quality and Innovation | Technological advancement efforts and innovative mindset to develop quality products and solutions to meet the evolving needs of the market and customers | |
| | 6 | Employee Management | Attracting and retaining our diverse talent through fair treatment and empowering our people to develop skills for future needs | |
| Medium priority | 7 | Socioeconomic Compliance | Compliance to relevant socioeconomic laws and regulations that pertain to doing business in a responsible manner | |
| | 8 | Supply Chain Management | Management of supply chain activities including support to local suppliers, adherence to significant environmental and social standards | |
| | 9 | Environmental Compliance | Compliance to relevant environmental laws and regulations that pertain to doing business in a responsible manner | |
| | 10 | Market Presence | Efforts to create impact in the market through strategic investments by contributing to economic development in local areas or communities where the business operates | |
| | 11 | Waste | Management of hazardous and non-hazardous waste disposed from our operations | |
| | 12 | Customer Satisfaction and Relationship Management | Fostering meaningful customer relationships and offering quality products and solutions to meet customers' expectations to build customer trust and loyalty in the highly competitive market | |
| | 13 | Energy and Emissions | Management and reduction of environmentally hazardous substances and greenhouse gas (GHG) into the atmosphere | |
| | 14 | Cybersecurity and Data Privacy | Management and protection of our business and stakeholders' data, information and intellectual property against cybersecurity breaches | |
| Low priority | 15 | Local Communities | Voluntary community engagement and activities to create positive social and environmental impact | |

# CONTRIBUTING TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The Group aims to continuously enhance our sustainability approach in support of the United Nations 2030 Agenda for Sustainable Development, towards taking transformative steps to achieve a more sustainable future for the world.

In line with the UN's 17 SDGs and as per our materiality matrix, we have determined 11 out of 17 SDGs by mapping material matters which we believe will allow us to have the most meaningful impact to the business and our stakeholders:










# WE CARE FOR OUR CONSUMERS AND MARKETPLACE

We are single-minded in our focus to fulfil the evolving needs of our clientele across industries and markets by delivering the best protection via our high-quality, innovative products.

In tandem, we strive to uphold the highest standards of governance and integrity in our operations and business practices. Our commitment to best practices is extended to our value chain, as we work closely with our partners to ensure adoption of best practices and industry standards.

## Key Material Matters

Business Ethics and Governance

Market Presence

Product Innovation and Quality

Supply Chain Management

## Business Ethics and Governance

### Why This Matters

Good governance is the bedrock of the Group, enabling us to build a strong foundation of trust amongst our stakeholders. To continue protecting the interests of Hartalega and our stakeholders, our Board of Directors is ultimately responsible and is committed to ensuring that the Company's corporate governance framework incorporates best practices in transparency, integrity and accountability, cultivating a corporate culture that abides by a strict ethical code. Our Executive Chairman leads the Board of Directors in driving the implementation of corporate governance principles and practices across Hartalega's business operations.

### Our Core Values and Commitment to Ethical Practices

Our core values of SHIELD *(Synergy, Honesty, Excellence, Learning and Dedication)* drive us to do the right thing at all times. Premised on these values, we are committed to operating with utmost credibility and integrity through our robust corporate governance framework, which is embedded across all areas of the Group's operations and management levels. This includes our Code of Conduct and Ethics, supported by various policies and guidelines relating to business ethics. Kindly refer to the following table for key policies to inculcate ethical behaviour throughout the organisation.

| | |
|---|---|
| Code of Conduct and Ethics for Directors | The Code of Conduct and Ethics for Directors outlines the Group's values and principles and represents the Board's commitment towards establishing a corporate culture which prescribes ethical conduct that permeates throughout the Company. The provisions of the Code are aligned with the Code of Conduct and Ethics for Employees and all Directors are also required to comply with the Code of Conduct and policies on ethical behaviour.<br><br>The Code is compliant with the Companies Act 1965 and has been updated to align with the practices of the Malaysian Code on Corporate Governance 2017, whereby the Directors shall act to fulfil their fiduciary responsibilities in the best interests of the Group and shareholders. |
| Code of Conduct and Ethics for Employees | Founded on our core values, the Code of Conduct and Ethics for Employees outlines regulatory and procedural compliance pertaining to conflicts of interest, confidentiality and liability of employees, amongst others. This applies to all employees of the Group and is also considered part of employee Terms and Conditions of Service. Employees are required to adhere to a high standard of personal and professional values in the discharge of their duties, and in all business interactions and decisions.<br><br>Awareness and training programmes are regularly conducted for employees. Annual declarations and validation exercises are also carried out to ensure that they have read, understood and will abide by the relevant requirements. Employees are responsible for familiarising themselves and gaining a good understanding of the requirements and directives of the Code. |

| | |
|---|---|
| Anti-Bribery and Anti-Corruption Policy | The Group strictly prohibits any form of corruption, extortion, embezzlement, bribery, fraud or falsification of information initiated or knowingly participated by any employee.<br><br>In line with our zero-tolerance approach to acts of bribery, corruption and politicking, our Anti-Bribery and Anti-Corruption (ABC) Policy was established in accordance with the Malaysian Anti-Corruption Commission Act 2009 and the Guidelines on Adequate Procedures, issued by the Prime Minister's Department. All Hartalega Directors, employees and those in our value chain including suppliers, contractors and service providers must strictly comply with all local laws and regulations pertaining to bribery and corruption. Relevant ABC requirements are included in our Supplier Code of Conduct.<br><br>The Group consistently communicates the ABC Policy to our employees and those in our value chain through various channels including emails and correspondence, engagement sessions and our Supplier Code of Conduct.<br><br>It is also mandatory for all employees to complete an annual refresher training programme as well as an online declaration and assessment to acknowledge that they are aware of, have read, and are compliant with Hartalega's corporate policies and guidelines, including the ABC Policy.<br><br>We carry out regular due diligence and risk assessment as per our risk management process to identify and assess any bribery or corruption risks relevant to the Group's business. |
| Whistleblowing Policy | Our Whistleblowing Policy and Procedure encourages a culture of transparency and accountability by enabling all our employees and those in our value chain to raise any concerns that they may have pertaining to unethical behaviour or acts of non-compliance.<br><br>A whistleblower who is an employee of Hartalega will be accorded protection in accordance with the Companies Act 2016 and Whistleblower Protection Act 2010.<br><br>All whistleblowing reports are treated in a secure and confidential manner and without any risk of reprisal. Reports can be submitted anonymously through various channels including the Hartalega Speak Up website https://secure.deloitte-halo.com/hartalegaspeakup and dedicated email hartalega@tipoffs.com.my.<br><br>To protect the anonymity of whistleblowers, our whistleblowing system is independently handled by a third-party global professional service provider, with professional translators to ensure that reports by foreign workers are attended to. All cases reported will be treated fairly and properly, where investigations will be carried out with impartiality by the Company's Authorised Whistleblowing Representative.<br><br>Findings are reported to the Senior Independent Director, Audit Committee Chairman and Chief Executive Officer. Investigations can be concluded as follows:<br><br>i. Case closed with no further action required, such as non-factual based complaints or allegations unsupported by evidence.<br>ii. Case confirmed to involve internal misconduct, requiring internal disciplinary action, such as immediate dismissal or other corrective action deemed appropriate.<br>iii. Case confirmed to be in breach of laws and/or regulations, requiring reports to be lodged with the relevant authorities.<br><br>Further expanding our commitment to anti-bribery and anti-corruption, our suppliers, contractors and service providers are required to maintain a confidential platform that is easily accessible for their workers to report any violations against the Supplier Code of Conduct. Any reports submitted are to be investigated by the said supplier, contractor or service provider and corrective action to be taken as appropriate.<br><br>In FY2021, we recorded a total of 10 reported cases, of which all were resolved. |





Our policies are available on the Company's website under the Corporate Governance segment at https://hartalega.com.my/about-us/sustainability/corporate-governance/. Further details of our internal processes and controls related to ethical business conduct can be found in the Corporate Governance Overview Statement on page 79 of this Annual Report, and on the Company's website under the Corporate Governance segment at https://hartalega.com.my/about-us/sustainability/corporate-governance/.

## Market Presence

### Why This Matters

Catering to the growing global demand for gloves, we continuously scale up our manufacturing operations and capabilities to accelerate our production capacity. In tandem with our ongoing expansion, Hartalega strives to contribute to the economic development of local communities in the vicinity of our business operations. As a leader in the glove manufacturing sector, we consistently raise the bar through best manufacturing practices and high environmental, social and governance (ESG) benchmarks.

### Our Operations

With manufacturing facilities based in Bestari Jaya and Sepang in Selangor, Malaysia, the high level of automation and proprietary technologies in our operations have enabled us to maintain our competitive edge. This is clearly demonstrated in our Next Generation Integrated Glove Manufacturing Complex (NGC) in Sepang, with seven state-of-the-art plants equipped with the fastest and most efficient production lines in the sector, capable of producing over 45,000 pieces of gloves per hour.

Moving forward, our growth strategy will remain focused on Malaysia, as we are able to leverage on our nation's comprehensive ecosystem and supply chain for the glove sector. As part of our long-term plans, we will be embarking on a significant expansion with the acquisition of 250 acres of land in Kedah, with an investment of RM7 billion to build 16 manufacturing facilities over the next 20 years in the Northern Corridor Economic Region. The land earmarked for the Group's expansion is located in the Kota Perdana Special Border Economic Zone (SBEZ), which is highly conducive for business due to its free industrial and commercial zone status.

Not only will our domestic direct investment contribute to the nation's economic growth, it will also bring positive spillover benefits for the Northern region, with the aim of establishing an integrated industrial park for medical devices in the future to attract both foreign and domestic direct investment. In addition, more than 12,000 jobs are expected to be generated by this expansion, as well as providing upskilling opportunities for local talent and vendors.

As we continue to increase our production capacity, to meet increasing demand across the globe, we aim to tap into new emerging markets with sizable growing population and low glove consumption per capita, beyond the traditional developed markets in which we have a strong foothold.

## Product Innovation and Quality

### Why This Matters

Our drive for excellence and innovation is a testament to our proven track record of excellence for safe and superior quality products. We believe innovation is key to maintain a competitive advantage in this ever-changing world and we are committed to delivering high quality products and solutions that cater to the needs of our various clientele and end users.

### Our Commitment to Quality

Our rigorous quality management system ensures that our products and services are in compliance with international regulatory requirements and quality standards. This includes ISO 2859 Acceptable Quality Level Standards, the American Society of Testing and Materials, the European Committee for Standardisation, the Japanese Institute of Standards as well as the Australia and New Zealand AS/NZS standard. We utilise a risk-based approach, regularly reviewing our performance through comprehensive tests by third party laboratories, benchmarked against internal specifications and standards across all stages of the product lifecycle.

As a result of this robust approach, we have also maintained the following certifications for our product quality standards:

- ISO 9001:2015 by TÜV SÜD Management Service GmbH
- ISO 13485:2016 (MDSAP) by TÜV SÜD America Inc
- EN ISO 13485:2016 by TÜV SÜD Product Service GmbH
- EC Certificate by TÜV SÜD Product Service GmbH
- Halal Assurance System by JAKIM

Quality control is essential to consistently deliver products and services that meet or surpass industry standards and expectations. In addition to carrying out routine quality assurance and testing procedures on finished products, we also conduct in-house testing on procured materials and products under development through research and development to maintain good quality control.

As part of our Inspection and Testing Procedure, testing is first performed on specified materials received to ensure that purchased materials meet our requirements. Similarly, all in-process products

are assessed based on the testing plan stated in the procedure. Where specified, products are held until the required inspections and tests are completed, recorded and approved. All conforming and non-conforming products are identified respectively.

Finished products are also subjected to final inspection and testing in accordance with our Final Inspection and Testing Procedure. This enables us to verify the quality of finished products, taking into account any potential defects, cosmetic appearance and physical characteristics, to confirm that every aspect meets our strict set of requirements.

To provide high-quality products which meet the stringent quality standards required by the healthcare sector, a wide range of tests are conducted on finished products as well as products under development. These include a watertight test, dimension test, physical properties test, particulate residue test, primary skin irritation test and dermal sensitisation test to ensure that the gloves are in compliance with regulatory requirements.

We have also established job-specific training programmes to equip our employees with sufficient knowledge and skills to carry out relevant inspection and testing procedures in line with various international regulatory requirements and quality standards.

## Driving Innovation

Research and development (R&D) is a key pillar for Hartalega to continue maintaining our leadership position through our manufacturing prowess, advanced in-house technologies and product innovation.

We have a strong track record in continuously setting new benchmarks for the industry, from the world's first lightweight nitrile glove to the world's first non-leaching antimicrobial glove, to industry-first automated manufacturing processes.

With our keen insight into the needs of the healthcare sector, we created and patented our Colloidal Oatmeal Active Therapeutic System (COATS). Aimed at addressing common skin problems due to continuous handwashing and use of sanitisers by healthcare professionals, COATS provides a solution to help keep hands hydrated by integrating colloidal oats, a clinically proven skin protectant, into our gloves.

We have also developed product innovations with practical applications in other market segments, such as our FindMe Metal Detectable Glove (MDG). Promoting food safety, MDG is suitable for the food manufacturing industry as it is specifically designed with embedded magnetite to prevent product contamination that may incur costly product recalls. Our patented MDG can be detected with industrial metal detection equipment to help identify and discard products that have been contaminated with glove fragments during the food manufacturing process.

As the COVID-19 pandemic caused a surge in global demand for personal protective equipment (PPE), this has also brought about an increased need for responsible management of PPE waste, with increased volume of discarded gloves and face masks. To this end, our Biodegradable Glove (BDG) provides an eco-friendly end-of-life solution for nitrile gloves. Our BDG integrates an organic additive to accelerate biodegradation rate of our gloves without compromising on quality, reducing waste and supporting a greener environment.

In the financial year under review, we invested more than RM10 million in R&D initiatives to further enhance our operations. Maintaining our innovative drive, for the coming year, we have allocated more than RM40 million for R&D. We remain focused on cultivating an innovative mindset and culture within the organisation, to expand our R&D capabilities and reinforce our foothold in the market.

## Responsible Marketing and Labelling

Responsible marketing and labelling practices are essential, particularly given that the strictly regulated healthcare sector is the primary industry that we serve. To this end, clear and accurate product labelling allows us to ensure compliance with regulatory requirements.

Details of our products and their respective specifications are readily available on our website for customers' reference. These include physical dimension parameters such as length and thickness, as well as physical property parameters such as tensile strength, elongation and force at break. Relevant regulatory compliance requirements, standards and classification for each product is also available online.

In tandem, we work closely with our customers on any new product labelling regulations, to ensure that labelling and claims are in compliance with the respective regulations and not misrepresentative in nature. This is supported by our quality assurance process, whereby our regulatory personnel verify that labelling requirements are in accordance with the respective destination country's regulations, such as the Canadian General Standards Board (CGSB), National Fire Protection Association (NFPA), the Brazilian Health Regulatory Agency (ANVISA) and the PPE Regulation EU 2016/425 guidelines.

All regulatory personnel at Hartalega undergo training on an annual basis, as well as whenever there are changes to regulations which affect product labelling or claims.



Annual Report 2021
Hartalega Holdings Berhad



# Supply Chain Management

## Why This Matters

Supply chain management involves improving the efficiency and sustainability of our entire supply chain. As such, responsible supply chain management contributes to sustainable growth, both for the Group and for our suppliers. Along with developing a strong relationship with our suppliers, as a Supplier Ethical Data Exchange (SEDEX) member, we are strong proponents of fair and ethical procurement practices, advocating for diligent assessment of supply chain performance.

## Cultivating a Responsible Supply Chain

Our efforts are centred upon upholding fair and ethical procurement practices, diligent screening and assessment of supply chain performance and advocating responsible sourcing of raw materials.

As part of our dedication to ethical business conduct, we have put in place the Supplier Code of Conduct to extend this commitment to our suppliers, contractors and service providers. All those in our supply chain are required to sign and adhere to our strict social compliance and ethical policies as well as health, safety and environment standards as stated in the Supplier Code of Conduct.

Our Supply Chain Assessment outlines a set of criteria and a screening process to evaluate suppliers. The selection and appointment process for suppliers includes pre-assessment, due diligence, evaluation, award and monitoring. As part of our selection process, key factors are taken into consideration, such as cost, delivery, quality, product and service level. Regular quality checks are performed on specified materials from suppliers, to ensure that purchased materials conform with specified requirements. Periodic reviews are conducted with key suppliers to monitor their performance in terms of quantitative and qualitative aspects, such as on-time delivery. Plans are also underway to incorporate environmental and social aspects for future assessments.

## Supporting Local Procurement

In line with the Government's efforts to support local talent and spur the nation's economic development, we actively support our local suppliers by providing various job opportunities and awarding work packages, where possible. For the financial year under review, our procurement spending in terms of local and international procurement stood at a ratio of 70:30.

# WE CARE FOR OUR ENVIRONMENT

During the pandemic, the conversation around PPE waste and climate change has intensified and its impact on the environment is increasingly recognised. As one of the world's largest nitrile glove manufacturers, we are dedicated to leading by example through environmental stewardship. This is reflected by Hartalega's Health, Safety and Environment Policy, which outlines our commitment to protecting the environment and minimising the impact of our operations.

## Key Material Matters

Environmental Compliance

Water and Effluent Management

Energy and Emissions Management

Waste Management

## Environmental Compliance

### Why This Matters

Safeguarding our ecosystem not only contributes to creating a greener future for people today and for generations to come, it is also pivotal for the long-term sustainability of a business. As a manufacturing company, we are conscious that our operations must be responsibly managed to preserve our surrounding environment while safeguarding the wellbeing of our surrounding communities. Testament to this, we abide by stringent environmental laws and regulations.

### Environmental Best Practices

We have established a proven track record of excellence in our environmental performance, incorporating best practices that allow us to fully adhere to the requirements of the Malaysian Department of Environment (DOE). Since 2017, we have promoted and encouraged conformity to ISO 14001:2015, an internationally accepted standard for environmental management. Our strong compliance levels have enabled the Group to retain our ISO 14001:2015 certification for our Bestari Jaya facility during the reporting period.

We have clear processes in place to closely track and effectively manage our water and energy consumption, emissions and waste disposal. Upholding strict standards, we conduct constant monitoring as well as internal and external audits, which evaluate relevant areas such as operational controls and legal compliance for waste, emissions and effluent discharge standards. Our internal safety team also annually conducts Environmental Aspect and Impact Assessment to evaluate the potential environmental impact of our operations and develop solutions to better manage and minimise environmental pollution.

During the financial year, three external audits covering the environmental compliance scope were completed. We recorded zero incidents of non-compliance with environmental laws and regulations in the year under review.

Moving forward, we will continue to improve our environmental performance, to further minimise environmental impact and ensure that our operation practices remain in compliance with relevant regulations and standards.

## Water and Effluent Management

### Why This Matters

Given that our operations are water-intensive, responsible water and effluent management is critical to ensure sustainable water use and protect our planet's water sources, which are vital for overall human and ecological health. The quality of water used in our process is critical as it directly influences the quality of our products, particularly surgical and examination gloves. In addition, water is utilised for the leaching of gloves, which is key to remove residual chemicals and proteins, an integral part of our manufacturing processes for both industrial and healthcare products.

### Sustainable Water Usage

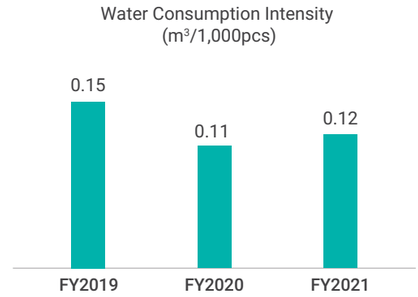
Our main source of water withdrawal is local river sources permitted by the authorities, as well as municipal supply. To reduce usage of municipal water, an ultrafiltration system is installed at certain compounding areas and treated raw water is utilised in place of municipal water at relevant production areas. In the financial year under review, our total water withdrawal stood at 22.3 million $m^3$.

To improve water efficiency and prevent disruption to our production activities, the Group has instituted water management measures across our facilities. We conduct continuous monitoring of water withdrawal and water consumption intensity to maintain optimal usage of water within our operations. The Group also regularly reviews water management plans for all our plants and consistently enhances our approach.





During the year, the Group recorded total water consumption intensity of 0.12 $m^3$ per 1,000 pieces of gloves. The increase was in line with the higher production output and utilisation rate in 2021.




*Note: FY2019 & FY2020 water consumption intensity figures calculated based on NGC facilities only.*

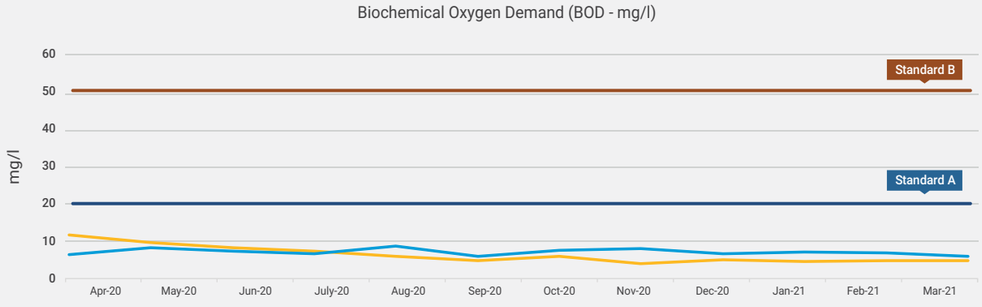
Equally important to water consumption is water discharge management, for which we maintain strict compliance. Guided by ISO 14001:2015 requirements, our effluent discharge is closely monitored by our internal team and regulatory bodies at all sites, and we ensure wastewater is adequately treated via our wastewater treatment plants, before discharging to stormwater drainage.

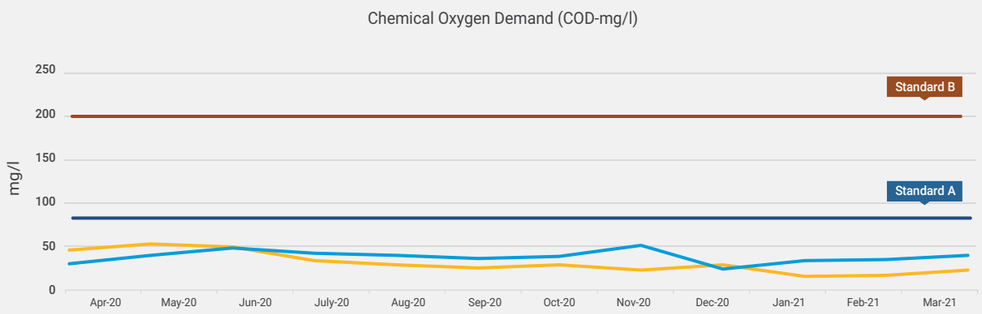


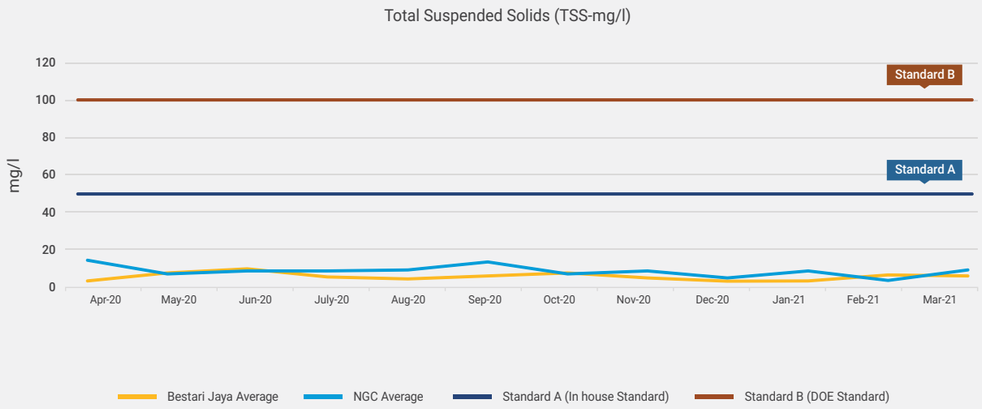
Total water discharged for the year was 18 million $m^3$. Reflecting our effective approach, we recorded zero reported incidents of non-compliance with discharge limits in the past year.

We have invested more than RM75 million into our state-of-the-art wastewater treatment plants to date. Going beyond the rigorous requirements of the DOE, our comprehensive environmental controls have enabled us to retain the highest Standard A rating for biological oxygen demand (BOD), chemical oxygen demand (COD) and total suspended solids (TSS). This surpasses the Standard B benchmark set by the DOE for effluent water discharge.






Looking ahead, we aim to establish wastewater treatment facilities in our future expansion to treat, recycle and reuse the water in our production operations.



Annual Report 2021
Hartalega Holdings Berhad

# Energy and Emissions Management

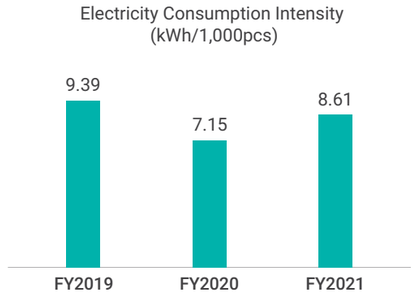
## Why This Matters

We are mindful of the urgent need to address climate change, one of the most pressing issues the world is faced with today, affecting global ecosystems, communities and businesses alike. To contribute to Malaysia's commitment towards reducing carbon emission intensity by 45% by 2030, the Group aims to reduce our environmental footprint through improving our energy consumption and emissions levels. Moreover, the use of natural gas and electricity is essential in our operations and constitutes a significant portion of our operational expenditure. Hence, efficient energy management enables the Group to improve cost efficiency, while minimising our carbon emissions as we continue to expand our business operations.

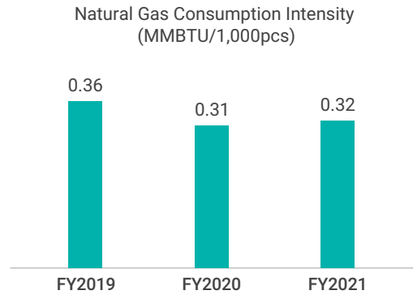
## Our Commitment to Energy Efficiency

The Group adopts a proactive stance in the sustainable management of energy and emissions. In accordance with ISO 14001:2015 standards, we have implemented the Plan-Do-Check-Act model. This process allows us to determine potential areas for energy optimisation and subsequently roll out energy efficiency projects across our production lines.

During the financial year, there was an increase in total natural gas consumption and total electricity consumption for the year under review, compared with the previous fiscal year. This was mainly due to our expansion in NGC, as increased output led to higher consumption and emissions. Production utilisation rates also increased beyond the optimal level at above 90%.




| Total Electricity Consumption (kWh) | |
|---|---|
| FY2019 | 263,694,828 |
| FY2020 | 225,576,708 |
| FY2021 | 313,608,052 |




| Total Natural Gas Consumption (MMBTU) | |
|---|---|
| FY2019 | 10,189,816 |
| FY2020 | 9,677,658 |
| FY2021 | 11,816,296 |

Moving forward, digitalisation and increased IR 4.0 adoption will equip us with the data to strengthen our understanding of the relation between production parameters and output. This facilitates better control of production parameters such as oven temperatures and allows us to identify energy reduction opportunities, without compromising quality and output.

In addition, our cogeneration power plant at the NGC provides an alternative energy source that generates lower carbon emissions. Building on this, plans are underway to extend our energy recovery systems to all production lines, as well as retrofitting advanced burners to further enhance energy efficiency.

Hartalega is also driven to explore the use of renewable and clean energy sources. We plan to install a solar power system at the NGC, which is set to be completed and operational towards the second half of 2021.

## Reducing Our Carbon Footprint

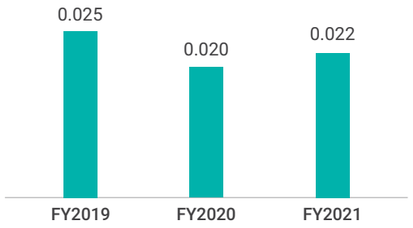
In line with our energy efficiency initiatives, we are progressively working towards reducing our carbon footprint. We have set a target to achieve a 22% reduction in our greenhouse gas (GHG) emission intensity by 2024, using FY2021 as a baseline. Currently, we are implementing measures to ensure that we have quality data collection and measurement systems to enhance our carbon emissions management. We are in the midst of setting the baseline for our Scope 1 and Scope 2 emissions data, with the objective of monitoring our emission reductions for the future.

Similar to our energy efficiency performance, the increase in carbon emissions for FY2021 was due to the higher production output.

| | Scope 1 Emissions (tonnes $CO_2$) | Scope 2 Emissions (tonnes $CO_2$) | Total (tonnes $CO_2$) |
|---|---|---|---|
| FY2019 | 540,671 | 154,261 | 694,932 |
| FY2020 | 513,496 | 131,962 | 645,458 |
| FY2021 | 626,972 | 183,460 | 810,432 |

*Note:*
- *Scope 1 emissions cover the emissions from natural gas consumption from our production facilities.*
- *Scope 2 emissions cover purchased electricity from our production facilities & corporate offices.*
- *Carbon emissions from fuel consumption (natural gas) is calculated based on the emission factors from the Federal Register EPA; 40 CFR Part 98; e-CFR, June 13, 2017.*
- *Carbon emissions from purchased electricity (Scope 2) is calculated based on the emission factors from the 2017 CDM Electricity Baseline For Malaysia [https://www.mgtc.gov/wp-content/uploads/2019/12/2017-CDM-Electricity-Baseline-Final-Report-Publication-Version.pdf] reported by the Malaysian Green Technology Corporation.*

Carbon emission intensity
(tonnes $CO_2$/1,000pcs)




As we scale up our sustainability efforts, the Group remains focused on reducing energy consumption and emissions to achieve operational eco-efficiency. Over the next two years, we plan to establish additional combined heat and power cogeneration plants at NGC 1.5, our latest expansion phase in Sepang. As we continue to increase our use of renewable and clean energy sources, we also aim to expand our solar power installation to our Bestari Jaya facilities to further reinforce our commitment to reducing our environmental footprint.

# Waste Management

## Why This Matters

Waste that is disposed in landfills can be significantly detrimental to the environment, including causing land contamination and increased GHG emissions. The COVID-19 pandemic has also further exacerbated waste and recycling issues due to increased PPE usage. We are dedicated to reducing our impact through effective waste management and ethical disposal of waste generated by our operations.

## Minimising Waste

Working towards our objective to minimise waste disposal to landfills, we have put in place a structured waste management programme which entails systematic monitoring, improved material utilisation and recycling initiatives. This also allows us to achieve better cost efficiency. Our Health, Safety and Environment (HSE) Department is responsible for the management of waste within our operations. Our waste management programme is aligned with ISO 14001:2015 standards, focusing on resource efficiency and minimising waste disposal to landfills.

Our approach to waste management covers waste generated from hazardous and non-hazardous sources. The primary source of waste generated was from non-hazardous waste, which covers general waste, paper packaging, plastics and broken formers. Hazardous waste generated within the operations is primarily sludge.

The management of hazardous or scheduled waste is in compliance with the Scheduled Wastes Regulation 2005 (Environmental Quality Act 1974) by the DOE, encompassing collection, storage and disposal, with audits conducted on a monthly basis.

All hazardous and non-hazardous waste undergoes a careful and thorough process of segregation and is safely stored in dedicated locations before being disposed. Disposal of hazardous or scheduled waste is managed by licensed contractors approved by the DOE.

Internal audits are carried out on a monthly basis by our HSE Department to ensure that all operations comply with waste management regulations. Yearly audits which cover environmental compliance as part of the social audit scope are also conducted by third-party auditors.

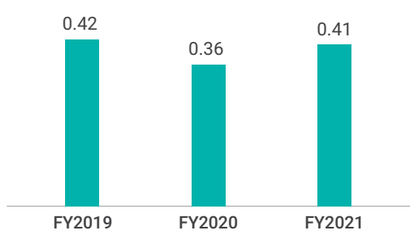
During the year, there were no recorded incidents of non-compliance relevant to waste management.

We also adopt the fundamental 3R (Reduce, Reuse and Recycle) approach across our manufacturing plants and office premises. Recycled waste includes paper packaging, carton boxes, plastic, broken formers and rejected gloves. Our Hartanians are also encouraged to adopt recycling practices into their daily lives.

In 2021, the Group registered an increase in total waste generated. This was mainly attributable to the higher production output as a result of the heightened global demand for gloves, as well as waste generated from the commissioning of new production lines at the NGC. We also recorded an increase in total waste recycled attributable to recycling of brown paper, biomass ash and packaging waste generated from new formers purchased and steel scrap generated from our ongoing expansion activities.

| | Hazardous Waste (MT) | Non-Hazardous Waste (MT) | Total Waste (MT) |
|---|---|---|---|
| FY2019 | 2,024 | 9,743 | 11,767 |
| FY2020 | 1,665 | 9,676 | 11,341 |
| FY2021 | 2,113 | 12,842 | 14,955 |

Total Waste Generated Intensity
(kg/1,000 pcs)




Breakdown of Non-Hazardous Waste

| | Total Landfill Disposal (MT) | Total Waste Recycled (MT) |
|---|---|---|
| FY2019 | 3,497 | 6,245 |
| FY2020 | 3,336 | 6,340 |
| FY2021 | 4,531 | 8,310 |

The Group continues to seek out recycling opportunities within our waste management programme to reduce generated waste and waste disposal. In tandem, we aim to increase cost optimisation by improving material utilisation efficiency, which will indirectly contribute to the reduction of waste generated per unit production. A good example of this is our robust quality control approach, whereby we maintain a high lot acceptance rate to reduce the amount of rejected output, resulting in a lower volume of waste generated.



# WE CARE FOR OUR PEOPLE AND COMMUNITY

As a socially responsible company, our relationships with both internal and external stakeholders are integral to the sustainability of our business. In all that we do, we strive to uphold the trust of our employees, customers and other key stakeholders, as well as to positively contribute to our surrounding communities.

## Key Material Matters

Socioeconomic Compliance

Human Rights

Employee Management

Health and Safety

Cybersecurity and Data Privacy

Customer Satisfaction and Relationship Management

Local Communities

## Socioeconomic Compliance

### Why This Matters

As a leading glove manufacturer with a global market presence, we are dedicated to maintaining the trusted reputation that we have established. Driven by our values and our strict code of ethics, we incorporate best practices in social compliance across our operations, adhering to relevant laws and regulations.

### Upholding Social Compliance

Our Social Compliance (SC) Policy serves as one of our key frameworks, guiding the Group to grow as a responsible corporate entity. The SC Policy covers a range of socioeconomic areas, including health and safety, human rights, ethical business conduct, workplace discrimination and ethical labour practices, amongst others. Further information on our Code of Conduct and policies that we have in place to ensure ethical behaviour can be found on page 45 of this Sustainability Report, and on the Company's website under the Corporate Governance segment at https://hartalega.com.my/about-us/sustainability/corporate-governance/.

Reflecting our commitment to social compliance, the Group has continued to retain our SEDEX membership and remains a constituent of FTSE4Good Bursa Malaysia. Social compliance audits are regularly conducted by our internal team as well as external parties, based on the Business Social Compliance Initiative (BSCI) and SEDEX Members Ethical Trade Audits (SMETA). During the year, the Group undertook a total of three locally and internationally recognised audits to review matters related to health, safety, and environment (HSE), labour practices and business ethics.

Testament to our strict standards, we recorded zero incidents of non-compliance with socioeconomic laws and regulations during the year. We will continue to implement and enhance our environmental and social audit programmes to ensure full compliance with regulations and expected standards.

## Human Rights

### Why This Matters

Human rights are fundamental for any responsible company and a core component of sound ESG practices. Protecting human rights contributes to the performance of a company – driving productivity, increasing employee morale and engagement, as well as upholding the trust of stakeholders. Hartalega is dedicated to treating all our people with fairness and respect, regardless of background.

### Human Rights Governance

Our people are the bedrock of our organisation and we strive to respect and protect the fundamental rights of all Hartanians. To guide us in our approach, a robust set of policies has been put in place to manage our human rights performance.





| | |
|---|---|
| Social Compliance Policy | The Social Compliance (SC) Policy serves as a formal commitment with guidelines for the Group to uphold and protect human rights in accordance with local and international standards, including Malaysian labour laws, the UN Guiding Principles on Business and Human Rights, and the International Labour Organisation's (ILO) 11 Indicators of Forced Labour.<br><br>The SC Policy applies to all employees, suppliers, business partners and customers. The SC Policy is aligned with local and international benchmarks against child labour and young workers, forced labour and workplace discrimination, and espouses strict standards for fair labour and recruitment practices, health and safety, and environmental preservation, amongst others. |
| Supplier Code of Conduct | The Supplier Code of Conduct demonstrates the Group's zero-tolerance approach for all forms of modern slavery in our supply chain. This includes slavery, servitude, forced labour, deceptive recruiting, debt bondage, human trafficking and forced child labour practices. All suppliers, contractors and service providers are required to strictly adhere with this Code.<br><br>Further details on our Supplier Code of Conduct are available on the Company's website under the Corporate Governance segment at https://hartalega.com.my/about-us/sustainability/corporate-governance/. |
| Whistleblowing Policy | The Whistleblowing Policy provides a safe platform for our employees and those in our value chain to report any unethical behaviour, including bribery, abuse of power, human rights violations, environmental, health or safety-related non-compliance issues, amongst others. All reports are confidential to protect the identity of whistleblowers.<br><br>Further details on our Whistleblowing Policy can be found on page 46 of this Sustainability Report, and on the Company's website under the Corporate Governance segment at https://hartalega.com.my/about-us/sustainability/corporate-governance/. |
| Zero Recruitment Cost Policy | Implemented in April 2019, the Zero Recruitment Cost Policy is aimed at protecting the rights of our foreign employees, ensuring that they are not subjected to any recruitment costs to agencies or third parties during the recruitment process. |

We have established a Social Compliance Department and Social Compliance Task Force to drive the execution of our governing policies. The Social Compliance Department is tasked with ensuring that the Group's internal practices are in strict adherence with the relevant human rights standards and labour laws. This includes working closely with other departments in the implementation of social compliance strategies as well as oversight of internal and external social audits to make pertinent recommendations for improvement and manage corrective action plans. The Social Compliance Task Force, which is headed by the Group's Chief Executive Officer, is responsible for reviewing key social compliance risks and opportunities within the organisation and managing stakeholder engagement activities in relation to the Group's labour practices.

Proactive monitoring is carried out to assess our compliance to relevant regulations and codes of conduct. In addition, social audits and assessments in accordance with international standards such as SMETA and BSCI are performed to identify any gaps in our practices and take immediate corrective action.



## Risk Assessment and Management

Evaluating risks to human rights allows for monitoring and fine-tuning of appropriate measures to mitigate impact to the Group. We have procedures and processes in place to effectively manage and assess human rights risks in our operations, as well as to address feedback and concerns.

| | |
|---|---|
| Social Compliance Audits | Social compliance audits in relation to human rights are performed regularly to review our performance and strengthen processes to better manage human rights issues across our value chain. During the year, three external audits were carried out across our operations in Bestari Jaya and at the NGC.<br><br>Since 2019, a total of 30 external audits on social compliance have been carried out, in accordance with internationally recognised standards and systems, including BSCI and SMETA. |
| Human Rights Training and Awareness | It is crucial for our employees to have a good understanding of human rights. We aim to equip our employees with the skills to communicate and manage human rights-related issues, which is essential to building a responsible and ethical corporate culture.<br><br>As such, all employees are mandated to undergo an online training module on the Group's SC Policy. Managerial level employees and relevant departments are also required to undergo in-depth training to further enhance their knowledge and awareness on human rights matters. |
| Due Diligence Assessment of Recruitment Agents | As part of our Zero Cost Recruitment Policy to maintain a fair and ethical recruitment process for our migrant workers, we are constantly enhancing our existing due diligence assessment in the selection of source country recruitment agents. Potential recruitment agents are assessed based on their recruitment practices and track record, business legality, recruitment costs, relevant certification by social compliance bodies and availability of grievance mechanism. This is part of our commitment to ensure that our migrant workers are not required to pay any recruitment fees to agencies or third parties at any stage. |
| Grievances | We have a grievance mechanism in place to provide Hartanians with a safe and confidential platform to report any acts of non-compliance or unethical behaviour. Employees are able to voice out any and all grievances via email, telephone, through worker representatives, department managers, the Human Resource Department, and/or security supervisors.<br><br>Our Social Compliance Team and Human Resource Department will investigate any grievances reported. Findings are then reported directly to the Director of Human Resource and the Chief Executive Officer for appropriate action to be taken. During the year, a total of 13 cases were reported, all of which were subsequently resolved.<br><br>We also have a separate whistleblowing platform that is managed by an independent third-party professional service provider to allow reporting of any acts of non-compliance or unethical behaviour.<br><br>Further details on our Whistleblowing Policy can be found on page 46 of this Sustainability Report, and on the Company's website under the Corporate Governance segment at https://hartalega.com.my/about-us/sustainability/corporate-governance/. |





| | |
|---|---|
| Worker Representation | We adopt a proactive approach to ensure that all our employees, including migrant workers have an equal say when it comes to their rights.<br><br>To enable our migrant workers to share their feedback or concerns, we have a healthy feedback mechanism in place entailing strong engagement with worker representatives, who are elected by the workers themselves through a transparent nomination and election process, whereby all dorms and nationalities are represented. One worker in each dormitory is elected by their peers as a representative to share feedback and concerns during monthly meetings.<br><br>Elected workers' representatives are involved in dorm-related matters, as well as other related committees such as hostel management and canteen management committees which are relevant for migrant workers. |

## Commitment to Best Labour Practices

Hartanians are the heart of the Group and we place great emphasis on nurturing a fair and conducive ecosystem for all our employees, adhering to local and international laws and regulations and incorporating best practices across our operations.

| | |
|---|---|
| Responsible Recruitment | Our Zero Recruitment Cost Policy guides our approach to responsible recruitment, in line with best social compliance practices and the ILO Indicators of Forced Labour.<br><br>Our responsible recruitment standards encompass relevant matters pertaining to the protection of foreign workers' rights, including transparent terms of employment, not retaining personal documents and freedom for workers to keep their passports and personal documents, and prohibition of any recruitment fees, amongst others.<br><br>In our recruitment process, we carry out due diligence in source countries, whereby Hartalega staff will travel to source countries directly to oversee recruitment activities, as well as engaging translators in source countries to ensure smooth communication. We have also engaged an independent legal representative to provide further oversight on the process.<br><br>We have established four checkpoints, namely during the interview stage in the source country, before departure to Malaysia, arrival in Malaysia and three months into employment with Hartalega, to ensure that workers are not required to pay any fees at any point.<br><br>If any contractors or agents are found to be non-compliant with ethical recruitment policies, Hartalega will suspend or terminate the relationship upon further investigation. |
| Remediation Programme | Reflecting our progress in our social compliance journey, we established a remediation programme to reimburse current employees who had joined the Group prior to the implementation of the Zero Recruitment Cost Policy and had previously paid recruitment fees to employment agents in source countries during the recruitment process.<br><br>The remediation programme strives to be equitable and transparent, aligned with the recommendations of the independent third-party organisations that we have engaged. To determine the payment amount, interviews were conducted with our migrant workers via a third-party organisation. Information obtained from these workers' interviews were then calculated utilising scientific statistical analysis to arrive at the appropriate reimbursement for each worker.<br><br>The robust methodology that we used to determine reimbursement fees was validated by two different third parties.<br><br>On 4 June 2021, Hartalega completed the remediation of a total of RM41 million in recruitment fees to workers.<br><br>With the process having commenced in November 2020, the reimbursement was completed within eight months, well ahead of our initial target. |

| | |
|---|---|
| Freedom of Movement | Our migrant workers are at liberty to move about as they wish beyond working hours.<br><br>We also provide free shuttle services to town for leisure and shopping activities, as well as to mosques for prayers, in addition to organising trips to local tourist attractions.<br><br>However, due to COVID-19 and the MCO, shuttle services and trips have been temporarily suspended and workers are required to abide by COVID-19 preventive measures and the movement restrictions set by the authorities. |
| Regulation of Working Hours | Hartalega strictly complies with the Malaysia Employment Act in maintaining decent and ethical working hours for all employees. We strictly regulate working hours and overtime to remain far below the limit of 104 hours per month of overtime set by Malaysian laws.<br><br>Standard working hours at Hartalega are eight hours per day and we implement one rest day per week for every worker. Any overtime is on a voluntary basis and will be paid at the overtime rate, in accordance with the Malaysia Employment Act.<br><br>Working hours are regularly monitored through third-party audits, while digital tools such as card scanners and facial recognition software are also used to track working hours, overtime and rest days in order to better facilitate our labour rights performance.<br><br>As we continue to enhance our practices, plans are underway to implement a 60-hour work week. |
| Decent Workplace for Quality of Life | A safe and conducive environment is vital to improve employees' wellbeing, productivity and performance. As such, we provide a good standard of accommodation and a host of facilities for our migrant workers.<br><br>Hartalega has invested more than RM95 million in providing first-rate workers' accommodation, which meets ILO Housing Standards and surpasses the requirements of the Malaysian Workers' Minimum Standard of Housing and Amenities Act 1990.<br><br>Moreover, the workers' accommodation includes kitchens with commercial-grade cooking facilities and commercial-grade refrigerators for workers to keep their groceries fresh, recreational facilities such as volleyball and futsal courts, outdoor gyms, games rooms and movie corners, free Wi-Fi with internet access for all dormitories, as well as sundry shops for daily fresh provisions and money remittance services available within the hostel area.<br><br>For our NGC 1.5 expansion, we are planning to redesign our accommodation layout in line with pandemic mitigation measures, building on learnings from COVID-19 standard operating procedures. |
| Fair Remuneration | All our employees are paid no less than the minimum rates set by Malaysian laws.<br><br>Our increment policy is aligned with market practice and our migrant workers are entitled to annual increments.<br><br>Since 1994, we have paid bonuses to all our employees, including migrant workers. In FY2021, we paid average bonuses of 2.6 months to our migrant workers.<br><br>The Group does not unlawfully withhold or deduct salaries or impose financial retribution for misconduct. |



Annual Report 2021
Hartalega Holdings Berhad

| | |
|---|---|
| Prohibiting Child Labour | Hartalega has zero-tolerance for child labour across our operations and supply chain. We strictly prohibit the employment of child workers and young workers, comprising those below the age of 15 and those below the age of 18 respectively.<br><br>Our Suppliers Code of Conduct contains a clause which explicitly forbids suppliers and subcontractors to utilise child labour within Hartalega premises. Should there be any cases of child labour, suppliers and subcontractors are required to implement a corrective and preventive action plan, including education and training. The Group will immediately terminate the service of suppliers and subcontractors if corrective action is not made within an agreed timeframe or if further violations occur in the future.<br><br>The Group recorded zero cases of child labour during the year. |
| Advocating Fair Treatment | Treating every individual with respect and dignity is embedded in Hartalega's corporate culture. The Group does not tolerate any harsh or inhumane treatment, regardless of position or rank.<br><br>Through our grievance handling mechanism, any grievances pertaining to corporal punishment or bullying may be channelled to the Human Resource Department or any higher-level superior. Grievances and reports are not restricted to an employee's immediate superior.<br><br>All reported cases will be investigated and any employee found guilty of unfair treatment will face disciplinary action or immediate termination and, if necessary and with consent of the victim, be reported to the authorities.<br><br>The Group recorded zero incidents of discrimination in FY2021. |
| Freedom of Association and Collective Bargaining | Hartalega respects the right of all employees to participate in the formation, membership and lawful activities of a trade union such as the freedom of association and right to bargain collectively, as accorded by the Industrial Relations Act 1967 and the Trade Unions Act 1959.<br><br>Extending this to our supply chain, our Supplier Code of Conduct clearly stipulates that suppliers, contractors and service providers are not to interfere with or obstruct the formation of unions or worker representatives. |

Conscious that social compliance is an ongoing journey, we strive to proactively enhance our practices and continuously improve our human rights management, guided by our SHIELD values to do the right thing at all times.

## Employee Management

### Why This Matters

Our people are the foundation of Hartalega. We recognise the value of every Hartanian and their essential role in our growth and development. Anchored by our SHIELD core values, we invest to empower our employees and harness their talents by offering an environment that fosters mutual support. Through enabling shared success through an engaged workforce, we are committed to continue supporting both the achievement of organisational goals and personal goals of our employees, which is key to the Group's success.

### Equal Employment and Diversity

Creating a diverse and inclusive working environment is vital to the sustainability of our business. Building on this, we aim to instil a culture that is rooted in mutual respect and trust, offering equal opportunities for all through fair recruitment practices. We advocate for fair and equal treatment of all employees, regardless of age, gender, ethnicity, nationality or background. We do not tolerate any form of discrimination and harassment.

Reflecting our commitment, we have maintained a 1:1 male and female entry-level wage ratio and recorded zero reports of discrimination for the year under review.

We aim to continuously seek out opportunities to strengthen our talent pipeline by attracting the right skills and talent to meet our business needs. In the year under review, we organised a Virtual Career Day to reach out to fresh talent, helping our team overcome the challenges of being disconnected from traditional in-person career days. The virtual event provided the opportunity for graduates to meet our Hartanians online and hear from our CEO, to gain insight into Hartalega's background and corporate culture. Apart from this, we participated in virtual

career fairs and engaged with university graduates throughout the year.

To support our new recruits, we have established a two-day onboarding programme to familiarise them with our corporate culture, educate them on our Code of Conduct and policies and help them integrate into their roles.

Today, we have a total of 8,548 Hartanians, dedicated to our goal of delivering high-quality products to protect lives across the world. We aim to improve our attrition rate of 18.4%, providing an exceptional experience for our employees through proactive engagement, provision of career development programmes and attractive benefits.

| | FY2019 | FY2020 | FY2021 |
|---|---|---|---|
| Total employees | 7,766 | 8,889 | 8,548 |
| **Permanent employees by gender** | | | |
| Female | 34% | 34% | 36% |
| Male | 66% | 66% | 64% |
| **Permanent employees by age group** | | | |
| Below 27 | 55% | 48% | 52% |
| 28-47 | 40% | 45% | 44% |
| Above 47 | 5% | 7% | 4% |

| | FY2019 | FY2020 | FY2021 |
|---|---|---|---|
| Total new hires | 2,565 | 3,454 | 1,785 |
| **New hire rates by gender** | | | |
| Female | 14% | 15% | 37% |
| Male | 86% | 85% | 63% |
| **New hire rates by age group** | | | |
| Below 27 | 72% | 78% | 68% |
| 28-47 | 27% | 21% | 31% |
| Above 47 | <1% | <1% | <1% |

## Fair Remuneration and Benefits

As an employer of choice, we offer fair and attractive remuneration packages as well as benefits. This allows us to attract and retain the right talent with the relevant capabilities and skill sets, in tandem with caring for the welfare of our people.

Since 1994, we have also paid out bonuses to all our employees, including our migrant workers. In FY2021, our migrant workers received an average bonus payout of 2.6 months.

As part of our benefits, all employees are covered by insurance packages, including Group personal accident insurance and Group hospitalisation and surgical insurance. Employees are also entitled to annual leave, sick leave, compassionate leave, maternity and paternity leave and study leave.

As a family-friendly employer, we understand the importance of providing a working environment that is considerate to parenting responsibilities for both male and female employees. In FY2021, 25 employees took parental leave and our efforts resulted in a high return to work rate of 96% for these employees.

To protect our people amid the pandemic, we have instituted a work from home (WFH) arrangement for employees not required to be on-site on a rotational basis, to lower the risk of exposure. Subsidies and reimbursements for annual health screening, membership to professional bodies, gym membership, petrol and parking are provided by the Group as well.

To nurture a high-performance workforce, we conduct annual performance reviews to evaluate employee performance in relation to set key performance indicators (KPIs), rewarding those who meet or surpass their KPIs. Our Accelerated Development Programme (ADP) also provides equal career advancement opportunities for all high performers, including migrant workers. In FY2021, we promoted 195 migrant workers through the ADP programme.

## Investing in Our People

Through enhancing the skills of our employees, we enable them to realise their potential. This allows us to develop an agile workforce that is capable of meeting our business needs in a rapidly changing environment. To this end, the Group has developed a robust talent development framework which provides Hartanians with opportunities to continuously enhance their skills and capabilities.

We have a dedicated in-house training department which administers and facilitates all internal training programmes. We also offer external training sessions to support our people in honing their skills for future needs and to remain relevant in the competitive market environment. Due to the pandemic, training sessions were primarily conducted via virtual platforms during the year. Through our HartaLearns e-learning platform which is easily accessible through smartphones and laptops, Hartanians are able to utilise online training modules. The Group has allocated RM2 million to continue developing and improving the platform for the next five years.



Annual Report 2021
Hartalega Holdings Berhad

Our Competency Development Programme (CDP) aims to sharpen employees' functional and leadership skills. This is complemented by our systematic training methodology, Structured On-the-Job Training (SOJT), consisting of over 300 modules to equip employees with job-specific skills.

As part of our succession planning, our Leadership Competency Programme is aimed at nurturing future leaders and providing exposure to good leadership practices. We also partner with external HR consultants for relevant talent development initiatives.

For employees who aim to further their education and enhance their capabilities, our Education Assistance Scheme provides opportunities in the form of financial assistance. The scheme also applies to the children of employees as well.

We are in the midst of launching our new Learning Centre at the NGC, which aims to increase and develop employees' skills and knowledge in relevant fields. The Group will be investing RM6 million for the integration of full scale production technologies as well as IR 4.0 labs and training rooms. Plans are underway to collaborate with educational institutions for a skills development programme through the Learning Centre.

At Hartalega, we are not only committed to building up our human resource capacity for our business, but also in the development of the industry's talent pool. Through the Hartalega Graduate Readiness Internship Programme (GRIP), we offer young Malaysians the opportunity to gain first-hand experience in the glove sector to glean practical skills as they prepare for their future careers.

For the year under review, the Group invested a total of RM1.5 million in training and talent development. We aim to continue building up our human capital, ensuring functional competencies are relevant to evolving business needs.

Total investment into training

**FY2021**

**RM1.5 million**

Total training hours

**FY2021**

**154,540 hours**

## Engaging with Our People

To create a fulfilling working experience, strong employee engagement is crucial. This subsequently helps to drive performance and cultivates a cohesive team that is highly motivated to realise the Group's aspirations. Recognising the impact of the pandemic on mental wellbeing, more proactive engagements with our employee and workers are needed to ensure our people have the necessary support.

During the year, we conducted three Virtual Townhalls, enabling management to interact with employees and provide clear visibility on the path ahead. We also have regular touchpoints with our employees through email and worker representatives to better understand their needs during this period. We also provided health supplements such as Vitamin C to help them boost and maintain their physical health.

To provide feedback on engagement activities or voice any issues, employees are able to utilise our grievance mechanism to lodge reports with the Human Resource Department.

To measure our workplace performance culture, we conduct an annual employee engagement survey to gather input from our employees and identify areas for improvements. We are encouraged by the increase in engagement score from 69 in FY2020 to 74 in FY2021, and we aim to maintain this to ensure that our employees remain productive.

Employee Engagement Score

**FY2020 FY2021**

**69 → 74**

Testament to our strong employee engagement practices, Hartalega was honoured to receive a number of accolades, including Best Employers Malaysia 2020 by Kincentric and the Graduates Choice Award as one of the manufacturing sector's Most Attractive Graduate Employers to work for in 2021.

Moving forward, we aim to achieve an engagement score of 75 through enhanced employee engagement initiatives. With the impact of COVID-19 expected to persist, we are reinforcing our existing preventive measures to minimise risk of exposure, to build a healthy work environment that safeguards our employees' work-life integration, as well as their physical and mental health and safety. In addition, plans are underway to implement a four-day work week and two-day rest shift pattern. This is also aimed at reducing working hours from a 66-hour work week to a 60-hour work week, remaining well below the industry average.

# Health and Safety

## Why This Matters

We are conscious that our people are the heart of our business, and as such, their wellbeing is paramount to the Group. Our mission of protecting lives extends to all Hartanians, as we strive to cultivate a culture of care that prioritises health and safety across the organisation.

This was all the more important with the onset of the COVID-19 pandemic, which saw the Group implement stringent preventive measures to safeguard our employees while ensuring continuity of our operations, to fulfil our critical role in the healthcare value chain.

## Good HSE Governance and Best Practices

To create a safe and conducive working environment, we have established a comprehensive Health, Safety and Environment (HSE) Policy with the purpose of implementing best HSE practices within the Group. The Policy outlines the responsibilities of management and employees in adhering to HSE procedures, a reporting procedure for incidents and hazards, as well as instilling HSE awareness amongst our workforce.

We have a Health and Safety Committee in place, comprising management and employee representatives to steer the development and implementation of our HSE management system. Meetings are conducted once every three months to discuss HSE-related matters such as near-miss incidents, unsafe behaviour and conditions, COVID-19 preventive measures, as well as HSE training workshops. Our migrant workers also have roles as safety ambassadors to conduct daily safety walks in our production areas to highlight any safety-related findings.

Our HSE Department, which sits within the HSE Committee, is responsible for facilitating HSE management within Hartalega. This includes ensuring that the Group abides by HSE regulations and legal requirements, promoting awareness, monitoring HSE key performance indicators, carrying out audit recommendations and relevant internal communications.

Demonstrating our commitment to good HSE practices, our Bestari Jaya plant successfully obtained ISO 45001:2018 certification for our occupational health and safety management system. We are targeting to attain ISO 45001 and ISO 14001 certification for the NGC facility by 2022.

As we strive to nurture a strong safety culture, we apply this to our supply chain as well as through HSE requirements set out in our Supplier Code of Conduct. Key areas include adopting a HSE management approach comprising regular workplace risk assessments, implementation of adequate hazard controls, proper storage and disposal of chemicals, as well as providing workers with a safe and healthy workplace.

As part of our HSE processes, regular assessments are carried out to review the performance and effectiveness of our HSE system across our manufacturing operations. A monthly internal audit is performed by our HSE Committee, while an annual external audit is conducted by DOSH. For the year under review, our Bestari Jaya and NGC facilities both received Grade A ratings in the DOSH audits, with a score of 92 and 95 respectively. We also conduct customer and social compliance audits when necessary.

All audits are in line with local and international standards, including the Business Social Compliance Initiative (BSCI) and Sedex Members Ethical Trade Audits (SMETA).

## Effective Management of Chemicals and Hazardous Materials

Given that our production processes entail the usage of a range of chemicals and certain hazardous materials such as nitric acid, caustic soda and chlorine, the Group applies strict controls for handling of these materials. We adopt the Plan-Do-Check-Act approach to minimise negative impact on the health and safety of our people, local communities and the environment.

Only employees who have undergone the necessary training are permitted to handle chemicals, with mandatory use of PPE provided by the Company. We have a Chemical and Waste Handling team to ensure proper storage of hazardous chemicals and waste at designated areas, with appropriate cautionary signs displayed. Production areas in which chemicals are used are fully equipped with environmental control equipment such as suction hoods and scrubbers. All chemicals are labelled in accordance with Occupational Safety and Health Regulations.

In case of any leakage incidents, we have a chemical spillage and leakage response procedure in place. Relevant personnel are provided with the appropriate training, spillage control kits and PPE to handle such incidents. Hartalega also has dedicated Emergency Response Team (ERT) members specifically trained to handle chemical spillage incidents.

## Health and Safety Grievance Handling Mechanism

Health and safety-related concerns can be addressed via our robust grievance handling mechanism. Utilising a bottom-up approach as per ISO 45001 guidelines, employees are able to escalate potential hazards or near-miss incidents through various channels such as email, telephone, through worker representatives, department managers, human resources and security supervisors.








All incidents such as accidents, dangerous occurrences, near misses, occupational poisoning and occupational diseases must be reported to the HSE Department. In the event of an incident, an initial investigation is conducted by the HSE Officer together with the respective department representatives, and all employees will be alerted. Following a full investigation, based on our findings, necessary countermeasures and corrective actions will be taken and recorded in our Corrective Action Preventive Action system. In the event of any major accidents, the Department of Occupational Safety and Health (DOSH) will be notified, whereby we will provide a detailed report.

## Creating a Safety-First Culture

To enhance awareness amongst our employees and instil adequate knowledge pertaining to HSE-related matters, health and safety training is carried out on a regular basis. This is achieved via our annual HSE Campaign, which encompasses training programmes covering comprehensive topics relevant to on-site safety. This entails on-site training and job-specific training where necessary. Key programmes implemented are emergency response training, first aid training, external forklift license training, noise conservation, chemical management and chlorine handling safety measures, and machinery and safety training, including dealing with new technology and equipment or machinery that presents potential risks to health and safety.

As a result of the disruptions of the pandemic, we were not able to conduct our HSE Campaign in the same manner as previous years. Nevertheless, we pivoted to focus on strengthening engagement with employees on HSE-related matters via other channels. To this end, a two-way communication channel was established to convey relevant HSE information to employees through memos, emails, tool box meetings, one-point lessons as short visual presentations, posters, newsletters and displays at notice boards. We also welcomed feedback and ideas for improvement via suggestion boxes.

The outcomes of investigations pertaining to HSE incidents are also communicated to all employees via email. In addition, HSE-related communication is conveyed in our migrant workers' native languages as well, to ensure that they have a good understanding of HSE matters.

To reinforce our HSE procedures, Hartalega has rolled out a guideline for the inclusion of a safety agenda during operational and non-operational meetings. Participation from all employees is encouraged to discuss topics such as daily safety messages, unsafe acts and conditions, near misses, contractor activities on-site and other safety issues to promote a safety-first culture within the organisation.

Along with this, supervisors and safety ambassadors conduct safety walks daily to detect potential hazards within the site. This includes safety ambassadors appointed among our migrant workers.

## Protecting Our People Amid COVID-19

COVID-19 is a major health crisis that has impacted lives across the world. To safeguard the wellbeing of our people while ensuring operational continuity to deliver a steady supply of high-quality nitrile gloves for healthcare frontliners, we undertook comprehensive preventive measures, putting in place a COVID-19 Emergency Response Plan. This is spearheaded by our COVID-19 Management Committee, which is responsible for planning, administrating and executing relevant precautionary measures and policies, supported by our ERT to handle any potential COVID-19 cases within the organisation.

At our dedicated in-house sickbay, we utilise our Hartalega Precautionary Investigation (HPI) protocol, which is based on the Ministry of Health's Person Under Investigation process to detect and manage COVID-19 cases. Through our stringent in-house HPI standard, individuals who have been identified as potential COVID-19 patients are required to self-quarantine and undergo immediate COVID-19 testing.

Further to that, we have imposed strict COVID-19 standard operating procedures (SOPs) throughout the Group.

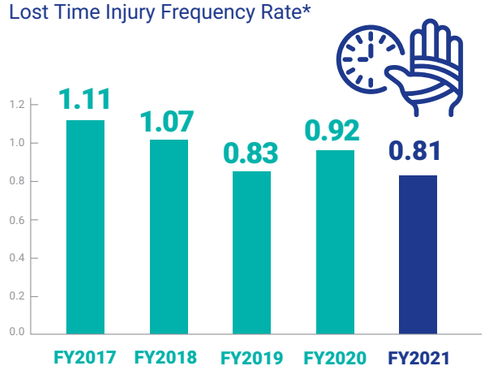
| Initiative | Key Efforts |
|---|---|
| Promoting Safety Among Employees | • The use of the Government's MySejahtera application is compulsory for all employees for contact tracing purposes.<br>• Information about COVID-19 is posted on signages, posters and displays throughout our premises.<br>• Hartalega provides employees with COVID-19 prevention packs consisting of face masks, hand sanitisers and gloves.<br>• Hartanians are required to wear face masks, undergo temperature screening at multiple checkpoints and observe physical distancing at all times, with safe distance indicators in common areas.<br>• We proactively conduct Polymerase Chain Reaction (PCR) testing to detect potential COVID-19 cases as a preventive measure.<br>• In light of heightened COVID-19 cases in Selangor, we have temporarily halted shuttle services, festive events, and sports club activities to prevent mass gatherings.<br>• Workers' hostels have been reorganised based on production phase to limit the movement between workplace and residence.<br>• We have implemented a Green Barrier Strategy to improve existing team segregation measures, to reduce the risk of exposure between respective teams and employees living at hostels.<br>• We provide an on-site money remittance service for those who wish to make money transfers to their home countries.<br>• We organise briefings by embassy representatives for foreign workers.<br>• For employees' added convenience, since March 2020, during the MCO period, we have been providing all employees with free lunch daily. |
| Knowledge Transfer and Training | To enhance awareness on COVID-19 prevention, we provide training for employees and our own frontliners, such as ERT members and those operating in common areas within our premises.<br><br>Key training programmes include toolbox briefing sessions, awareness videos, education on PPE, ERT training and educating participants on respective roles and responsibilities.<br><br>Our COVID-19 knowledge bank consists of relevant information about the pandemic and can be accessed through our intranet for ease of reference. Employees are able to contact our dedicated helpline via telephone, WhatsApp or SMS should they need further information. |
| Sickbay and Ambulance Services | The Group has extended the operational hours of our on-site ambulances and sickbays to be on standby 24/7. An emergency contact number has been established that enables emergency cases to be attended to within 10 minutes.<br><br> |
| Health Management Programme | Our Health Management Programme was specifically developed for workers with underlying health issues such as diabetes or hypertension, some of which require extended medical treatment. The objective of the programme is to facilitate early detection of diseases and ailments, with medical tests borne by the Group. In addition, the programme provides mental health support and counselling sessions if needed.<br><br>We encourage Hartanians to declare to our Sickbay team if they have any underlying health conditions, so that we can work together to manage those conditions. All information shared by Hartanians with the Sickbay team is treated as private and confidential. |





As a result of our progressive HSE efforts, the Group recorded a lower Lost Time Injury Frequency Rate for the year under review.

Lost Time Injury Frequency Rate*




*(Data based on number of Lost Time Injury Frequency per million man hours worked)*

Hartalega remains focused on strict compliance with COVID-19 SOPs and the Occupational Safety and Health Act to safeguard the health and wellbeing of our employees, while continuously improving our HSE governance and management.

## Cybersecurity and Data Privacy

### Why This Matters

Cybersecurity risks are a growing concern, particularly as the COVID-19 pandemic has seen a shift in operational dynamics in the industry, prompting the acceleration of digital transformation.

As Hartalega moves towards increased adoption of IR 4.0 and IoT technologies, the Group is further exposed to cybersecurity vulnerabilities, which can potentially result in significant financial repercussions and disruptions to businesses. Hence, it is vital to implement rigorous systems and processes to safeguard our systems and networks, as well as to effectively manage and protect our business and stakeholders' data, information and intellectual property against potential cybersecurity breaches.

### Enhancing Cybersecurity

We installed a fully-integrated security suite in 2017, providing integrated endpoint protection covering users' devices and emails, as well as our networks and servers. To prevent unauthorised or inadvertent disclosure of confidential Company information, we have established an Information Security policy which clearly details Hartanians' responsibilities pertaining to the appropriate usage of our email system.

Our employees are also subject to the Personal Data Protection Act 2010 (PDPA), which requires them to treat the personal and confidential information of others in a responsible manner at all times. Third parties are also required to read, understand and acknowledge a Non-Disclosure Agreement (NDA) where there is sensitive information required from other parties. A standard personal data clause has been included in all of our service agreements with third parties.

As part of Hartalega's risk assessment process, we actively monitor cyber threats and attacks across our operations to prevent any breaches in information and data. To enhance cybersecurity awareness within the Group, we also disseminate reminders in the form of cybersecurity newsletters on a regular basis to all employees on the latest cybersecurity threats, as well as providing a dedicated channel for employees to report any potential issues. In FY2021, there were zero recorded incidents of identified leaks, theft or losses of customer data and zero substantiated complaints received concerning breaches of customer privacy and losses of customer data.

As we scale up our IR 4.0 adoption, we aim to enhance connectivity between key production equipment and our network. We are in the midst of implementing Operational Technology (OT) Security to protect our OT environment, including machinery and production lines, from exposure to cyber threats.

Moving forward, we will continue to develop robust detection and mitigation measures within our IT infrastructure by implementing best practices. Adopting a cross-industry perspective, we look to explore other approaches to increase the level of cybersecurity awareness and vigilance among our employees.

## Customer Satisfaction and Relationship Management

### Why This Matters

Maintaining a high-level of customer satisfaction is crucial to retaining customer trust and loyalty, which in turn supports sustainable revenue generation. Building on our proven track record of excellence, we are focused on delivering high-quality products while continuously engaging with customers to cater to their evolving requirements.

### Supporting the Healthcare Sector Amid COVID-19

The sharp increase in global demand for nitrile gloves amid the pandemic has led to higher supply required by our customers, to support the heightened needs of the healthcare sector.

To increase our production output without compromising on quality, we undertook systematic resource planning to effectively mobilise resources and optimise operational capacity. Our state-of-the-art manufacturing facilities, high level of automation and advanced proprietary technology and manufacturing processes allowed us to scale up our production capacity. As a result of our efforts, we successfully achieved a utilisation rate of above 95% during the first nine months of the year under review. In addition, despite significant disruption in the supply chain for raw materials, we secured a consistent supply of raw materials through our sourcing strategy.

During this critical period, we also stepped up customer engagement to address needs and concerns and streamlined product variations to increase output.

### Achieving High Customer Satisfaction

Engagement is key to ensuring customer satisfaction. We consistently engage with our customers, enabling us to gauge their needs and expectations. Insights gathered from customer engagement and surveys can be utilised to identify potential areas for improvement, enhance our product and service quality, as well as explore new market segment opportunities.

To better monitor and improve the quality of our relationship with customers, during the year, we incorporated a Customer Satisfaction Index (CSI) as part of our customer satisfaction key performance indicators (KPI). The CSI framework takes into account the results of customer satisfaction surveys, which are conducted twice yearly, as well as other internally measured quality parameters such as lot acceptance rate. Key assessment areas for surveys include timely delivery, product quality, cost and service level.

In 2021, we recorded an improved customer satisfaction score of 86% compared to 81% in the previous year. Our CSI recorded a rating of 4 out of a total of 4. Moving forward, we target to maintain a minimum CSI rating of 3 to ensure that we maintain our commitment to provide exceptional experience to our customers through continuous engagement.

Customer Satisfaction Survey Outcome

**FY2020** 81% → **FY2021** 86%

Customer Satisfaction Index (CSI)

**FY2021**
**Rating of 4/4**

## Local Communities

### Why This Matters

As part of our sustainable growth, we strive to bring about societal benefit by contributing positively to the communities around us. This is driven by our dedicated philanthropic arm, Yayasan Hartalega, established in 2018 to spearhead our corporate social responsibility efforts. Through Yayasan Hartalega, we aim to cultivate a society that is equitable, harmonious and prosperous by supporting those in need. Working towards our goal, we have implemented a range of community outreach programmes and initiatives.

This year, as the COVID-19 pandemic further exacerbated the plight of vulnerable communities, Hartalega continued to extend a helping hand through providing financial contributions, supporting schools and youth employment, empowering disadvantaged youth, as well as health education for rural areas. In addition, we undertook initiatives to promote environmental preservation among the community.

In 2021, Hartanians devoted over 726 volunteer hours through our various programmes, positively impacting more than 68,000 lives.

**726**
**volunteer hours**

**More than**
**68,000**
**people positively impacted**



Annual Report 2021
Hartalega Holdings Berhad

## Supporting Our Community

In line with our aim of enriching quality of life for our surrounding communities, we undertook several initiatives to support vulnerable groups.

| Programme | Details |
|---|---|
| Annual Community Care Campaign | Aimed at easing the burden of those in need in Bestari Jaya and Sepang, through our annual Community Care Campaign, our Corporate Social Responsibility (CSR) team, CSR Hartalega, provided relief in the form of groceries, grocery vouchers, medical supplies and monetary assistance.<br><br>We extended assistance to charitable organisations, which included our annual *gotong-royong* and donating grocery items and medical supplies to Jashiera Old Folks Home every three months, as well as to Rumah Ozanam and Rumah Tunas Harapan.<br><br>Through our Festive Charity Drive, we reach out to underprivileged communities during festive seasons. This year, we provided groceries and financial assistance to underprivileged groups in Bestari Jaya and Sepang during Chinese New Year, Hari Raya and Deepavali.<br><br>We also support local authorities and agencies in the community, sponsoring necessary equipment to help improve service levels and distributing PPE such as gloves, face masks and hand sanitiser. |
| Promoting Good Health in Rural Areas | To raise awareness of good health practices among girls and young women, Yayasan Hartalega supports Athena Empower, an organisation which aims to reduce menstrual poverty issues and raise awareness on eco-friendly and safe menstrual hygiene practices.<br><br>The menstrual health programmes are carried out in B40 communities in rural areas and hygienic materials are supplied. The programme also touches on other relevant topics for young women such as healthy development and dealing with physical, mental and emotional changes, amongst others.<br><br>The programme has benefitted more than 430 girls and young women aged nine to 17 years old.<br> |

## Empowering Young Malaysians

Conscious that providing opportunities for the next generation is vital to cultivate a brighter future for our nation, we have a number of programmes in place to support schools and empower youth in the community.

| Programme | Details |
|---|---|
| COVID-19 School Programme | The COVID-19 School Programme was aimed at supporting students undergoing their Sijil Pelajaran Malaysia (SPM) and Sijil Tinggi Persekolahan Malaysia (STPM) examinations during the pandemic.<br><br>Yayasan Hartalega supplied COVID-19 packs to approximately 6,000 students from schools in Bestari Jaya, Kuala Selangor, Sepang and Banting. Each pack consisted of face masks, hand sanitisers, food vouchers and informative leaflets to spread awareness on COVID-19 preventive measures.<br><br>Along with this, we donated hand sanitisers and sanitising equipment benefitting 9,000 students across 18 schools. |
| Learning Box Project | The COVID-19 pandemic has put a spotlight on the profound inequities for those in rural areas, who can face challenges with learning from home due to less consistent options for internet access.<br><br>To help address this, Yayasan Hartalega was honoured to be the first organisation to collaborate with non-profit organisation Teach For Malaysia (TFM) for the Learning Box project, to help students from rural areas continue learning, even with limited internet connectivity or zero bandwidth.<br><br>The Learning Box is a self-directed learning resource box containing engaging activities and materials, from stationery to activity worksheets and reference books. The learning resources are specifically tailored in line with the school syllabus for students aged eight to 11 years old, with bilingual instructions provided to cater for diverse backgrounds. We partnered with teachers and members of the local community to facilitate community-based learning via the Learning Box.<br><br>This project allowed us to reach approximately 2,000 primary school students in Sarawak, Sabah and Perak. |






| | |
|---|---|
| BOLD @Youth Programme | To help address the growing issue of youth unemployment, Yayasan Hartalega partnered with the Sisterhood Alliance for the Bridge of Learning & Development or BOLD @Youth programme, to assist at-risk youth.<br><br>Participants are provided with soft skills training, including the adoption of digital skills to enhance their portfolio, and assisted with job placement. The programme has benefitted 31 at-risk youth between 18 to 24 years old. |





| Programme | Details |
|---|---|
| Discover Muay Thai (DMT) | Marking our second year collaborating with Discover Muay Thai (DMT), a social enterprise organisation that aims to empower at-risk and underprivileged Malaysian youth, Yayasan Hartalega kicked off an intensive four-month development programme in FY2021 to teach youth the fundamental life values of Muay Thai, followed by a post academy employment programme to pursue meaningful careers in sports and health.<br><br>The four-month programme consisted of two components, namely the DMT Academy Programme and Work Placement and Monitoring Programme. The DMT Academy focused on various modules such as basic English language skills, entrepreneurship skills, customer service, volunteering sessions, team building, financial management, as well as ethics.<br><br>Subsequently, the Work Placement and Monitoring Programme was aimed at providing financial security and upskilling opportunities by placing alumni of DMT Academy with other DMT partners for a minimum of three months after graduation.<br><br>The programme has successfully helped eight participants in securing gainful employment and continues to provide mentorship. |
| Tunku Abdul Rahman University College (TARUC) Student Loan Fund | Since 2018, the Group has collaborated with TARUC through the TARUC Student Loan Fund to help tackle inequality, by providing financial support to deserving students facing financial hardship to complete their studies.<br><br>To date, Yayasan Hartalega has contributed a total of RM1.5 million to the fund, benefitting 21 students. |

## Caring for Our Environment

By joining hands with our local communities, we are able to create a bigger impact for our environmental preservation activities. Our efforts are also premised on educating young Malaysians on the importance of caring for the environment.

| Programme | Details |
|---|---|
| Inspirasi KAWA | To enhance environmental literacy among local youth in the communities near our operations, such as Kuala Selangor, Ijok and Bestari Jaya, Yayasan Hartalega continued to collaborate with social enterprise Inspirasi KAWA for the third consecutive year, encouraging youth participation in biodiversity conservation efforts.<br><br>This year, our focus was on monitoring water quality in Bestari Jaya, adopting the Place-Based Citizen Science (PBCS) approach. Through this, we aim to design a PBCS programme based on the Eco-Heart Index as a citizen science tool to maintain water quality levels, where communities including youth will be able to participate in field collection of water quality monitoring data.<br><br>Moving forward, the project will include water preservation and conservation programmes. |
| Program Denai Sungai | In conjunction with National Water Day in the state of Selangor, CSR Hartalega collaborated with the Selangor State Department of Environment (DOE) on Program Denai Sungai, a river conservation project conducted at Denai Alam, Shah Alam.<br><br>The programme was aimed at increasing awareness among the community on environmental preservation and the importance of the proper disposal of e-waste, with volunteers taking part in river cleaning activities. We sponsored gloves and printed t-shirts for volunteers to support the event. |
| Plogging with the Community | In conjunction with Hari Alam Sekitar Negara, CSR Hartalega partnered with the DOE to organise a community plogging activity in Pantai Bagan Lalang, Sepang. Participants were provided with reusable bags to pick up litter while jogging along the beach area, promoting healthy lifestyles and good environmental habits. This was also part of an ongoing e-waste campaign by the DOE. |

## COVID-19 Relief Efforts

A shortage of PPE could endanger the health of our frontliners, as they rely on PPE to protect themselves and their patients from being infected and infecting others. As one of the leading glove manufacturers, we are committed to upholding our role in supporting our brave frontliners in the fight to stop the spread of the pandemic.

We contributed more than two million pieces of gloves, along with PPE items such as face masks as well as hand sanitisers to healthcare facilities across the nation. We also donated PPE to frontliners from Ibu Pejabat Polis Daerah, Pejabat Kesihatan Daerah, Majlis Daerah, Pejabat Tanah and Bomba, along with other Government agencies and organisations such as Majlis Keselamatan Negara, the Selangor State Government, Air Selangor, MERCY Malaysia and Hospis Malaysia. On top of this, we contributed a total of RM1 million to The Edge COVID-19 Health Care Workers Support Fund established by The Edge Media Group.







In addition, the Group donated 2.3 million pieces of gloves to Wuhan in February 2020 to help combat COVID-19 in China.

We aim to continue to intensify our efforts in community engagement and explore more opportunities to positively impact our surrounding communities, especially during these difficult times caused by the pandemic.








# GRI CONTENT INDEX

| GRI Standards | Disclosure | | Page(s) and/or URL(s) reference |
|---|---|---|---|
| **General Disclosures** | | | |
| GRI 102: General Disclosures | **Organisational Profile** | | |
| | 102-1 | Name of the organisation | Cover page |
| | 102-2 | Activities, brands, products, and services | https://hartalega.com.my/market_segment_category/healthcare/ |
| | 102-3 | Location of headquarters | Page 17 |
| | 102-4 | Location of operations | Page 17 |
| | 102-5 | Ownership and legal form | Page 17 |
| | 102-6 | Markets served | Page 9, 31 |
| | 102-7 | Scale of the organisation | Page 9, 17 |
| | 102-8 | Information on employees and other workers | Page 62 |
| | 102-10 | Significant changes to the organisation and its supply chain | Page 8 - 9, 47 |
| | 102-12 | External initiatives | Page 38 |
| **Strategy** | | | |
| | 102-14 | Statement from senior decision-maker | Page 33 |
| **Ethics and integrity** | | | |
| | 102-16 | Values, principles, standards, and norms of behaviour | Page 45 |
| | 102-17 | Mechanisms for advice and concerns about ethics | Page 45 - 46 |
| **Governance** | | | |
| | 102-18 | Governance structure | Page 39 |
| | 102-19 | Delegating authority | Page 39 |
| | 102-20 | Executive-level responsibility for economic, environmental, and social topics | Page 39 |
| | 102-21 | Consulting stakeholders on economic, environmental, and social topics | Page 40 - 42 |
| | 102-22 | Composition of the highest governance body and its committees | Page 16, 83 - 84 |
| | 102-23 | Chair of the highest governance body | Page 16, 83 |
| | 102-24 | Nominating and selecting the highest governance body | Page 16, 85 |
| | 102-25 | Conflicts of interest | Page 24 - 26, 83 |
| | 102-26 | Role of highest governance body in setting purpose, values, and strategy | Page 39, 79 |
| | 102-29 | Identifying and managing economic, environmental, and social impacts | Page 39, 42 |
| | 102-30 | Effectiveness of risk management processes | Page 95 - 97 |
| | 102-32 | Highest governance body's role in sustainability reporting | Page 39 |
| | 102-35 | Remuneration policies | Page 86 - 87 |
| | 102-36 | Process for determining remuneration | Page 86 - 87 |

| | | | |
|---|---|---|---|
| **Stakeholder engagement** | | | |
| | 102-40 | List of stakeholder groups | Page 40 - 41 |
| | 102-41 | Collective bargaining agreements | Page 61 |
| | 102-42 | Identifying and selecting stakeholders | Page 40 |
| | 102-43 | Approach to stakeholder engagement | Page 40 - 41 |
| | 102-44 | Key topics and concerns raised | Page 40 - 41 |
| **Reporting practice** | | | |
| | 102-45 | Entities included in the consolidated financial statements | Page 144 - 146 |
| | 102-46 | Defining report content and topic Boundaries | Page 38 |
| | 102-47 | List of material topics | Page 43 |
| | 102-48 | Restatements of information | There are no restatements of information. |
| | 102-49 | Changes in reporting | Page 38, 42 |
| | 102-50 | Reporting period | Page 38 |
| | 102-51 | Date of most recent report | Page 38 |
| | 102-52 | Reporting cycle | Page 38 |
| | 102-53 | Contact point for questions regarding the report | Page 38 |
| | 102-54 | Claims of reporting in accordance with the GRI Standards | Page 38 |
| | 102-55 | GRI content index | Page 73 - 78 |
| | 102-56 | External assurance | Page 38, external assurance was not obtained. |
| **Topic-specific Standard: Economic** | | | |
| **GRI 202: Market Presence** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 8 - 9, 47 |
| | 103-2 | The management approach and its components | Page 47 |
| | 103-3 | Evaluation of the management approach | Page 47 |
| GRI 202: Market Presence 2016 | 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | Page 61 |
| **GRI 204: Procurement Practices** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 49 |
| | 103-2 | The management approach and its components | Page 49 |
| | 103-3 | Evaluation of the management approach | Page 49 |
| GRI 204: Procurement Practices 2016 | 204-1 | Proportion of spending on local suppliers | Page 49 |
| **GRI 205: Anti-corruption** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 46 |
| | 103-2 | The management approach and its components | Page 46 |
| | 103-3 | Evaluation of the management approach | Page 46 |
| GRI 205: Anti-Corruption 2016 | 205-2 | Communication and training about anti-corruption policies and procedures | Page 46 |



Annual Report 2021
Hartalega Holdings Berhad

| | | | |
|---|---|---|---|
| **Topic-specific Standard: Environmental** | | | |
| **GRI 302: Energy** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 53 |
| | 103-2 | The management approach and its components | Page 53 |
| | 103-3 | Evaluation of the management approach | Page 53 |
| GRI 302: Energy 2016 | 302-2 | Energy consumption outside of the organisation | Page 53 |
| | 302-3 | Energy intensity | Page 53 |
| **GRI 303: Water and Effluent** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 50 |
| | 103-2 | The management approach and its components | Page 50 - 51 |
| | 103-3 | Evaluation of the management approach | Page 50 - 51 |
| GRI 303: Water and Effluent 2018 | 303-1 | Interactions with water as a shared resource | Page 50 - 51 |
| | 303-2 | Management of water discharge-related impacts | Page 51 |
| | 303-3 | Water withdrawal | Page 50 |
| | 303-4 | Water discharge | Page 51 - 52 |
| | 303-5 | Water consumption | Page 51 |
| **GRI 305: Emissions** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 53 |
| | 103-2 | The management approach and its components | Page 53 - 54 |
| | 103-3 | Evaluation of the management approach | Page 53 - 54 |
| GRI 305: Emissions 2016 | 305-1 | Direct (Scope 1) GHG emissions | Page 54 |
| | 305-2 | Energy indirect (Scope 2) GHG emissions | Page 54 |
| | 305-4 | GHG emission intensity | Page 54 |
| **GRI 306: Waste** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 54 |
| | 103-2 | The management approach and its components | Page 54 - 55 |
| | 103-3 | Evaluation of the management approach | Page 54 - 55 |
| GRI 306: Waste 2020 | 306-1 | Waste generation and significant waste-related impacts | Page 54 |
| | 306-2 | Management of significant waste-related impacts | Page 54 |
| | 306-3 | Waste generated | Page 55 |
| | 306-4 | Waste diverted from disposal | Page 55 |
| | 306-5 | Waste directed to disposal | Page 55 |
| **GRI 307: Environmental Compliance** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 50 |
| | 103-2 | The management approach and its components | Page 50 |
| | 103-3 | Evaluation of the management approach | Page 50 |
| GRI 307: Environmental Compliance 2016 | 307-1 | Non-compliance with environmental laws and regulations | Page 50 |

| Topic-specific Standard: Social | | | |
|---|---|---|---|
| **GRI 401: Employment** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 61 |
| | 103-2 | The management approach and its components | Page 61 - 63 |
| | 103-3 | Evaluation of the management approach | Page 61 - 63 |
| GRI 401: Employment 2016 | 401-1 | New employee hires and employee turnover | Page 62 |
| | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | Page 62 |
| | 401-3 | Parental leave | Page 62 |
| **GRI 403: Occupational Health and Safety** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 64 |
| | 103-2 | The management approach and its components | Page 64 - 67 |
| | 103-3 | The management approach and its components | Page 64 - 67 |
| GRI 403: Occupational Health and Safety 2018 | 403-1 | Occupational health and safety management system | Page 64 |
| | 403-2 | Hazard identification, risk assessment, and incident investigation | Page 64 - 65 |
| | 403-4 | Worker participation, consultation, and communication on occupational health and safety | Page 65 |
| | 403-5 | Worker training on occupational health and safety | Page 65 - 66 |
| | 403-6 | Promotion of worker health | Page 65 - 67 |
| | 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | Page 64 - 66 |
| | 403-9 | Work-related injuries | Page 67 |
| **GRI 404: Training and Education** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 62 |
| | 103-2 | The management approach and its components | Page 62 - 63 |
| | 103-3 | Evaluation of the management approach | Page 62 - 63 |
| GRI 404: Training and Education 2016 | 404-2 | Programs for upgrading employee skills and transition assistance programs | Page 62 - 63 |
| **GRI 405: Diversity and Equal Opportunity** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 61 |
| | 103-2 | The management approach and its components | Page 61 |
| | 103-3 | Evaluation of the management approach | Page 61 - 62 |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 | Diversity of governance bodies and employees | Page 62, 84 |
| | 405-2 | Ratio of basic salary and remuneration of women to men | Page 61 |
| **GRI 406: Non-Discrimination** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 61 |
| | 103-2 | The management approach and its components | Page 61 |
| | 103-3 | Evaluation of the management approach | Page 61 |





| | | | |
|---|---|---|---|
| GRI 406: Non-Discrimination 2016 | 406-1 | Incidents of discrimination and corrective actions taken | Page 61 |
| **GRI 408: Child Labour** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 61 |
| | 103-2 | The management approach and its components | Page 61 |
| | 103-3 | Evaluation of the management approach | Page 61 |
| GRI 408: Child Labour 2016 | 408-1 | Operations and suppliers at significant risk for incidents of child labour | Page 61 |
| **GRI 409: Forced or Compulsory Labour** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 57 - 59 |
| | 103-2 | The management approach and its components | Page 57 - 59 |
| | 103-3 | Evaluation of the management approach | Page 57 - 59 |
| GRI 409: Forced or Compulsory Labour 2016 | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labour | Page 60 |
| **GRI 412: Human Rights Assessment** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 56 - 57 |
| | 103-2 | The management approach and its components | Page 56 - 61 |
| | 103-3 | Evaluation of the management approach | Page 56 - 61 |
| GRI 412: Human Rights Assessment 2016 | 412-1 | Operations that have been subject to human rights reviews or impact assessments | Page 58 |
| | 412-2 | Employee training on human rights policies or procedures | Page 58 |
| **GRI 413: Local Communities** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 68 |
| | 103-2 | The management approach and its components | Page 68 - 72 |
| | 103-3 | Evaluation of the management approach | Page 68 - 72 |
| GRI 413: Local Communities 2016 | 413-1 | Operations with local community engagement, impacts assessments, and development programs | Page 69 - 72 |
| **GRI 416: Customer Health and Safety** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 47, 64 - 65 |
| | 103-2 | The management approach and its components | Page 47 - 48, 64 - 65 |
| | 103-3 | Evaluation of the management approach | Page 47 - 48, 64 - 65 |
| GRI 416: Customer Health and Safety 2016 | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | Page 56 |
| **GRI 418: Customer Privacy** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 67 |
| | 103-2 | The management approach and its components | Page 67 |
| | 103-3 | Evaluation of the management approach | Page 67 |

| | | | |
|---|---|---|---|
| GRI 418: Customer Privacy 2016 | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | Page 67 |
| **GRI 419: Socioeconomic Compliance** | | | |
| GRI 103: Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 56 |
| | 103-2 | The management approach and its components | Page 56 |
| | 103-3 | Evaluation of the management approach | Page 56 |
| GRI 419: Socioeconomic Compliance 2016 | 419-1 | Non-compliance with laws and regulations in the social and economic area | Page 56 |





# Corporate Governance Overview Statement

This Corporate Governance Overview Statement is presented pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The objective of this statement is to provide an overview of the application of the corporate governance practices of the Group during the financial year ended 31 March 2021 with reference to Board Leadership and Effectiveness, Effective Audit and Risk Management and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders as set out in the Malaysian Code on Corporate Governance ("MCCG").

The Board has also provided specific disclosures on the application of each of the Practices in its Corporate Governance Report ("CG Report"). This CG Report was announced together with the Annual Report of the Company on 30 July 2021. Shareholders may obtain this CG Report by accessing the Company's website under the Corporate Governance segment at www.hartalega.com.my/about-us/sustainability/corporate-governance/ for further details and are advised to read this overview statement together with the CG Report.

## Principle A: Board Leadership and Effectiveness

### I. Board Responsibilities

#### Board Charter and Board Committees

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.

The Board is mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary and leadership functions including those reserved for the Board's approval. The Board has defined its Board Charter and Schedule of Matter by setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed as well as the key matters reserved for the Board's approval. These Board Charter and Schedule of Matter were reviewed and published in the Company's website under the Corporate Governance segment at www.hartalega.com.my/about-us/sustainability/corporate-governance/.

The Board is led by an Executive Chairman who ensures smooth functioning of the Board so that the Board can perform its responsibilities effectively in meeting the goals and objectives of the Group and the Company. Under the leadership of the Executive Chairman, the Board continues to function effectively in fulfilling its governance responsibilities during the financial year. The Executive Chairman also encourages healthy debates on important issues and promotes active participation of Board members.

The Independent Directors comprise more than half (1/2) of the Board members 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. Their role is to challenge the management and the Board in an effective and constructive manner as well as to provide justified and sound opinions to the Board of Directors.

The Board has established four (4) Board Committees, namely the Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee that are delegated with specific responsibilities and authorities to assist the Board in carrying out its duties. The delegation of authority to the Committees enables the Board to achieve operational efficiency, by empowering each Committee to review, report and make recommendations to the Board on matters relevant to their roles and responsibilities. The Terms of Reference of each Board Committee are set out in the Board Charter and published in the Company's website under the Corporate Governance segment at www.hartalega.com.my/about-us/sustainability/corporate-governance/.

These Committees have the authority to examine issues and report to the Board with their recommendations. However, the ultimate responsibility for the final decision on all matters lies with the Board.

**Code of Conduct and Ethics**

Good governance at all levels is essential for sustainable development. The Board is committed to embrace the highest standards of corporate governance practices and ethical standards throughout the Group.

In this respect, the Group has established a Code of Conduct and Ethics to provide direction and guidance to all Directors, Senior Management and employees in the discharge of their duties and responsibilities that will be in the best interests of the Group. The Code of Conduct and Ethics has been uploaded on the Company's website under the Corporate Governance segment at www.hartalega.com.my/about-us/sustainability/corporate-governance/.

**Whistleblowing Policy and Procedure**

The Board is committed to achieve and maintain high standards of corporate governance practices across the Group. A Whistleblowing Policy and Procedure has been implemented to provide a channel to enable Directors, employees, shareholders, vendors or any parties with a business relationship with the Company with an avenue to report suspected wrongdoings that may adversely impact the Group. The Group treats all reports in a confidential manner and at the same time provides protection to anyone who reports such concerns in good faith. Whistleblowing reports are lodged to an independent third-party outsourced service provider via email and/or website ("Hartalega Speak Up"), which are available in multiple languages, namely English, Bahasa Malaysia, Burmese, Bengali and Nepali. The Whistleblowing Policy and Procedure is published in the Company's website under the Corporate Governance segment at www.hartalega.com.my/about-us/sustainability/corporate-governance/.

**Anti-Bribery and Anti-Corruption Policy**

An Anti-Bribery and Anti-Corruption Policy was established to set out the Group's zero tolerance approach against all forms of bribery, corruption and politicking and the Group takes a strong stance against such acts. The Group's practices are in accordance to the Malaysian Anti-Corruption Commission Act 2009 and its amendments. The Anti-Bribery and Corruption Policy is published in the Company's website under the Corporate Governance segment at www.hartalega.com.my/about-us/sustainability/corporate-governance/.

**Company Secretaries**

The Board is supported by qualified and competent Company Secretaries who advise the Board, particularly with regards to compliance with regulatory requirements, guidelines, legislations and the principles of best corporate governance practices. All Directors have unrestricted access to the advice and services of the Company Secretaries. The appointment and removal of Company Secretaries or Secretaries of the Board Committees can only be made by the Board.

The Board understands that the supply, timeliness and quality of the information affect the effectiveness of the Board to oversee the conduct of business and to evaluate the Management's performance of the Group. The Board ensures that each Director is provided with timely notices. Board papers are issued prior to the Board meetings to enable the Directors to review and consider the agenda items to be discussed and where necessary, to obtain further explanations in order to be fully briefed before the meeting.

All Board members have unrestricted access to timely and accurate information in furtherance of their duties and subject to the Board's approval may seek independent professional advice when necessary in discharging its various duties, at the Company's expense.





The Company Secretaries ensure that all Board and Board Committees' meetings are properly convened. The Company Secretaries will ensure that accurate and proper records of the proceedings and resolutions passed are recorded and the minutes are circulated to the Board members as soon as possible before the next meeting.

**Information and Support for Directors**

The underlying factors of Directors' commitment to the Company are devotion of time and continuous improvement of knowledge and skill sets.

The Board meets at least once every quarter and additional meetings are convened as and when necessary. During the financial year, six (6) Board meetings were held. The record of attendance is as follows:

| Director | Number of Meetings Attended |
|---|---|
| Kuan Kam Hon @ Kwan Kam Onn | 6/6 |
| Kuan Mun Leong | 6/6 |
| Kuan Mun Keng | 6/6 |
| Dato' Tan Guan Cheong | 6/6 |
| Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria | 6/6 |
| Razman Hafidz bin Abu Zarim | 6/6 |
| Datuk Seri Nurmala binti Abd Rahim | 6/6 |
| Datuk Loo Took Gee | 6/6 |

The Directors are aware of their duty to undergo appropriate training from time to time to ensure that they are well 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.

During the financial year ended 31 March 2021, the external training programmes and seminars attended by the Directors are as follows:

| Conferences / Trainings / Seminars | Date | Attendees |
|---|---|---|
| Business & Leadership | | |
| Seminar on Public Sector Productivity: Reforms, Drivers and Measurement | 14 April 2020 | Datuk Loo Took Gee |
| Trade and Global Value Chains in the Age of COVID-19 | 22 April 2020 | Datuk Loo Took Gee |
| Different Strategies for Different Contexts: Fighting the Pandemic in Developing Countries | 23 June 2020 | Datuk Loo Took Gee |
| The Economist Webinar: The Post-Covid Revolution, Retreat or Return to Normal? | 7 July 2020 | Razman Hafidz bin Abu Zarim |

| Conferences / Trainings / Seminars | Date | Attendees |
|---|---|---|
| SMU Industry Leaders Virtual Dialogue: "Leadership Amidst Turbulence" | 16 July 2020 | Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria |
| CPTPP Roundtable Discussion by the Australian High Commission | 18 September 2020 | Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria |
| The Financial Times Global Summit Series | 21-22 October 2020 | Razman Hafidz bin Abu Zarim |
| Launch of Report by Minister YB Datuk Seri Mustapa Mohamed of EPU "A Silver Lining - Productive and Inclusive Aging for Malaysia" | 24 November 2020 | Datuk Loo Took Gee |
| CLSA Webinar "Covid-19 Vaccines: After efficacy?" | 25 November 2020 | Kuan Mun Leong |
| Supply Chain Transformation Visioning Workshop | 26 November 2020 | Kuan Mun Leong |
| Webinar on Budget 2021: 6 Billion Reasons to Disrupt TVET | 9 December 2020 | Razman Hafidz bin Abu Zarim |
| National Center for APEC Webinar: Beyond Bogor: Exploring APEC's Next Chapter - Trade and Investment | 12 January 2021 | Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria |
| CLSA U Webinar: All about COVID-19 vaccines | 18 January 2021 | Kuan Kam Hon @ Kwan Kam Onn |
| WEF - RAG APAC Dedicated Session: Modernizing Asia-Pacific Supply Chains | 29 January 2021 | Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria |
| IDEAS: Malaysia Outlook Conference 2021 | 2-4 February 2021 | Kuan Kam Hon @ Kwan Kam Onn |
| Pharmaniaga Berhad Webinar "COVID-19 Vaccine: Updates & Highlights" | 24 February 2021 | Kuan Mun Leong |
| Asia CXO Forum on Organization for the Future | 26 February 2021 | Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria |
| DISG 5th Webinar: The background, significance, implications and future prospects of the RCEP from the viewpoint of evolving regional economic architecture | 24 March 2021 | Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria |
| International Trade and the Circular Economy | 25 March 2021 | Datuk Loo Took Gee |
| Innovation & Technology | | |
| Beyond Bogor: Exploring APEC's Next Chapter - Innovation and Digitalization | 27 January 2021 | Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria |
| Regulatory & Governance | | |
| Mandatory Accreditation Programme for Directors of Public Listed Companies | 20-22 July 2020 | Datuk Loo Took Gee |
| Fraud Risk Management Workshop | 16 November 2020 | Datuk Loo Took Gee |
| Progressive Board Review and Director's Global Masterclass | 26-27 January 2021 | Dato' Tan Guan Cheong<br>Datuk Seri Nurmala binti Abd Rahim<br>Datuk Loo Took Gee |
| Audit Committee Conference 2021 | 15-16 March 2021 | Datuk Seri Nurmala binti Abd Rahim |
| Finance & Investor Relations | | |
| 27th Annual CITIC CLSA Flagship Investors' Forum | 8-9 September 2020 | Kuan Mun Keng |
| Nomura Virtual Malaysia Corporate Day 2020 | 7 October 2020 | Kuan Mun Keng |
| Credit Suisse Asia Frontier Markets and ASEAN Virtual Conference | 18 November 2020 | Kuan Mun Keng |
| CIMB Corporate Day | 5 January 2021 | Kuan Mun Keng |
| 12th Credit Suisse ASEAN Conference | 6-7 January 2021 | Kuan Mun Keng |

## II. Board Composition

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 20 to 24 of this Annual Report.

The Board currently has eight (8) members comprising one (1) Senior Independent Non-Executive Director, four (4) Independent Non-Executive Directors and three (3) Non-Independent Executive Directors.

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. As a safeguarding measure, more than half of the Company's Board members are Independent Non-Executive Directors who are able to express objective and independent views in the interest of minority shareholders. 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 more than half (1/2) of the Board members, is sufficient to provide the necessary check and balance 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 challenge 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.

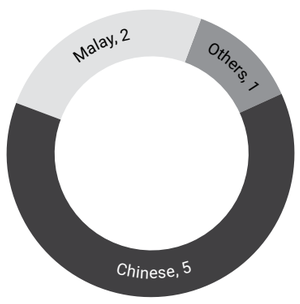
All the Directors have given their undertaking to comply with the Listing Requirements of Bursa Securities and the Independent Directors have confirmed their independence in writing.

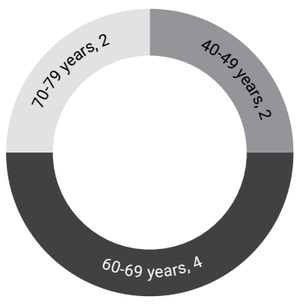
Annually, the Nomination Committee would review the independence of the Independent Directors. Criteria for assessment of independence is based on the requirements and definition of "independent director" as set out in the MMLR. Independent Directors are required to confirm their independence by giving the Board a written confirmation of their independence. In addition, consideration would also be given to assess whether the independent directors are able to meet the minimum criteria of "fit and proper" test of independence, which is part of an annual assessment test, as enumerated in the policy on appointment and continuous assessment of Directors and the suitability and ability of the Independent Non-Executive Director to perform his/her duties and responsibilities effectively shall be based on his/her calibre, qualifications, experience, expertise, personal qualities and knowledge of the Company and industry.

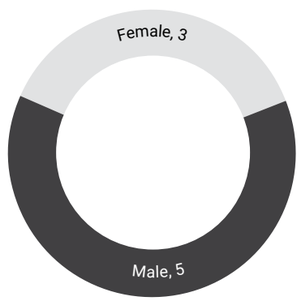
In accordance to the Board Charter, the maximum tenure of an Independent Non-Executive Director shall not exceed the cumulative term of nine (9) years from the date of first appointment as Director or upon the expiry of the ongoing term of appointment as Director, whichever is later. Any extension beyond nine (9) years will require Board justification and shareholder approval unless the said Director wishes to be re-designated as Non-Independent Non-Executive Director which shall be a consideration for the Board to decide.

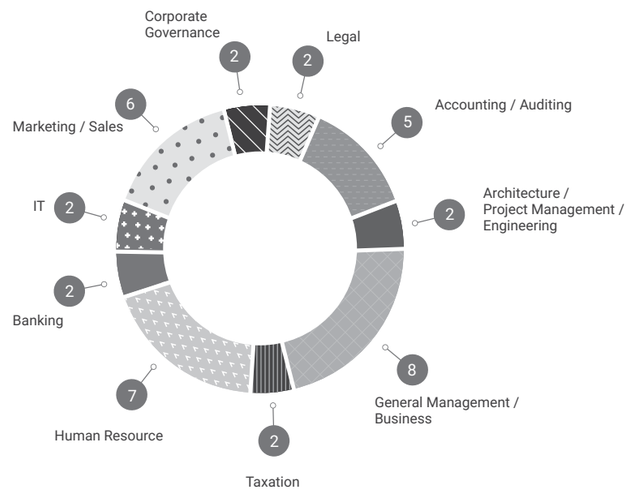
**Diversity on Board**

The appointment of Board is based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. The current diversity in the ethnicity, age distribution, gender and skillsets of the existing Board is as follows:








**Nomination Committee**

The Nomination Committee comprises the following members:

| Name of Director | Designation | Directorship |
|---|---|---|
| Razman Hafidz bin Abu Zarim | Chairman | Independent Non-Executive Director |
| Dato' Tan Guan Cheong | Member | Independent Non-Executive Director |
| Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria | Member | Senior Independent Non-Executive Director |
| Datuk Loo Took Gee (Appointed on 6/7/2021) | Member | Independent Non-Executive Director |

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 ongoing basis.

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

**Evaluation of Board, Board Committees and Individual Directors**

The Nomination Committee annually performs Board self-evaluation to evaluate the performance of the Board, Board Committees and individual Directors, in order to verify that the Board is operating effectively and efficiently as a whole. Each Director completed a detailed questionnaire on the Directors' Performance Evaluation which covered matters relevant to the Board performance, among other things, contribution to interaction, quality of input, understanding of role and personal developments. An evaluation of each Board Committee was done by assessing the structure, roles and responsibilities, performance of the respective Chairman, as well as Committee's performance against its Terms of Reference. These assessments were internally facilitated, whereby results of the assessments were compiled, documented and reported to the Board accordingly, as part of the Company's ongoing corporate governance practices.

Based on the assessment carried out during the financial year, the Nomination Committee concluded the following:

**a.** The Board was found to be competent and had a dynamic and balanced mix of skills and experience wherein the Directors were able to contribute effectively to the Board's decision-making process.

**b.** The current structure, size and composition of the Board, which comprises people who possess a wide range of expertise and experience in various fields with diverse backgrounds and specialisations, would enable the Board to lead and manage the Company effectively.

**c.** The Directors had discharged their responsibilities in a commendable manner, acted competently, contributed effectively to the Board and demonstrated full commitment to their duties as Directors.

**d.** The Board and Board Committees had contributed positively to the Company and its subsidiaries and were operating in an effective manner.

**e.** The Board Chairman provided leadership as well as contributed to the Board.

**f.** The performances of the Board Committees were found to be effective.

**Re-Election of Directors**

In accordance with the Company's Constitution, 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.

**Restriction on Directorships**

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

## III. Remuneration

The Remuneration Committee consists of the following members:

**1.** Razman Hafidz bin Abu Zarim (Chairman)

**2.** Dato' Tan Guan Cheong (Member)

**3.** Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria (Member)

**4.** Datuk Seri Nurmala binti Abd Rahim (Member)

**Remuneration Procedure**

The remuneration of Directors is formulated to be competitive and realistic, with emphasis being placed on performance and calibre 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 recommend to the Board a framework for remuneration for the Board and each Executive Director, which includes but is 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.

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

| | Group | | | | | | | Company | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fee RM | Salaries & Other Emoluments RM | Bonus RM | EPF RM | Benefits-in-Kind RM | ESOS RM | Total RM | Fee RM | Allowance RM | Total RM |
| **Executive Directors** | | | | | | | | | | |
| **Kuan Kam Hon @ Kwan Kam Onn** | 216,000 | 1,203,000 | 375,000 | 63,120 | 58,333 | 11,141,000 | 13,056,453 | 192,000 | - | 192,000 |
| **Kuan Mun Leong** | 168,000 | 1,203,000 | 325,000 | 183,360 | 28,000 | 11,141,000 | 13,048,360 | 144,000 | - | 144,000 |
| **Kuan Mun Keng** | 168,000 | 829,476 | 191,337 | 122,500 | 23,950 | 10,674,100 | 12,009,363 | 144,000 | - | 144,000 |
| **Dr. Danaraj A/L Nadarajah (Resigned on 1 July 2020)** | 30,000 | 232,368 | 57,342 | 9,296 | 4,350 | - | 333,356 | 30,000 | - | 30,000 |
| **Non-Executive Directors** | | | | | | | | | | |
| **Dato' Tan Guan Cheong** | 192,000 | 7,750 | - | - | - | - | 199,750 | 192,000 | 7,750 | 199,750 |
| **Razman Hafidz bin Abu Zarim** | 144,000 | 7,750 | - | - | - | - | 151,750 | 144,000 | 7,750 | 151,750 |
| **Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria** | 144,000 | 7,750 | - | - | - | - | 151,750 | 144,000 | 7,750 | 151,750 |
| **Datuk Seri Nurmala binti Abd Rahim** | 144,000 | 7,750 | - | - | - | - | 151,750 | 144,000 | 7,750 | 151,750 |
| **Datuk Loo Took Gee** | 144,000 | 5,250 | - | - | - | - | 149,250 | 144,000 | 5,250 | 149,250 |

**Principle B: Effective Audit and Risk Management**

**I. Audit Committee**

The Audit Committee consists of the following members:

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

The Chairman of the Audit Committee is not the Chairman of the Board. In addition, the Audit Committee comprises wholly of Independent Non-Executive Directors. The Audit Committee Report is set out separately in this Annual Report. Full details of the Audit Committee's duties and responsibilities are stated in its Terms of Reference which is available on the Company's website at www.hartalega.com.my/about-us/sustainability/corporate-governance/.

**Relationship with Auditor**

The Board has a formal and transparent relationship with its auditor, 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.

**II. Risk Management and Internal Control Framework**

The Risk Management Committee consists of the following members:

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

The Risk Management Committee comprises of a majority of Independent Non-Executive Directors. The Risk Management Committee Report is set out separately in this Annual Report. Full details of the Risk Management Committee's duties and responsibilities are stated in its Terms of Reference which is available on the Company's website under the Corporate Governance segment at www.hartalega.com.my/about-us/sustainability/corporate-governance/.

The Board is committed to maintain 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 on page 95 of this report.



Annual Report 2021
Hartalega Holdings Berhad

**Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders**

**I. Communication with Stakeholders**

The Group recognises the importance of communication with its stakeholders 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 an investor relations team to facilitate two-way communication with its shareholders. 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.

**II. Conduct of General Meetings**

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-eight (28) days prior to the Meeting in accordance to the Malaysian Code on Corporate Governance.

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.

The Company is moving forward to conduct a fully virtual Annual General Meeting this year. In the event that shareholders are unable to virtually attend the AGM in person, they are encouraged to appoint one (1) or up to two (2) proxies to virtually attend and vote in his/her stead. The outcome of the meeting is announced to Bursa Securities on the same day, which is also accessible on the Company's website.

The Company conducts poll voting on each resolution tabled during the general meetings to support shareholder participation. With the electronic poll voting, each shareholder present in person or represented by a proxy at the general meeting will be entitled to vote on a one-share, one-vote basis. At least one (1) scrutineer is appointed to validate the votes cast at the meeting.

**ADDITIONAL COMPLIANCE INFORMATION:**

**Statement of Directors' Responsibilities in respect of the Financial Statements**

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

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.

**Compliance Statement**

The Board is satisfied that the Group has substantially complied with the majority of the practices of the MCCG throughout the financial year. In pursuit of safeguarding the interest of the shareholders and other stakeholders, the Board is committed and will continue to strengthen its application of the best practices in corporate governance.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 6 July 2021.





# Audit Committee Report

The Audit Committee of Hartalega Holdings Berhad is pleased to present the Audit Committee Report for the financial year ended 31 March 2021.

## A. Composition and Attendance

The Audit Committee comprises the following members and details of attendance of each member at committee meetings held during the financial year ended 31 March 2021 are as follows:

| Composition of the Committee | Attendance |
|---|---|
| Dato' Tan Guan Cheong<br>(Chairman / Independent Non-Executive Director) | 5/5 |
| Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria<br>(Senior Independent Non-Executive Director) | 5/5 |
| Razman Hafidz bin Abu Zarim<br>(Independent Non-Executive Director) | 5/5 |
| Datuk Seri Nurmala binti Abd Rahim<br>(Independent Non-Executive Director) | 5/5 |

## B. Composition Compliance

The Audit Committee consists of four (4) members, all of whom are Independent Non-Executive Directors fulfilling the requirements of paragraph 15.09(1)(a) and (b) of Bursa Malaysia Securities Berhad's Main Market Listing Requirement ("MMLR") and Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). None of the appointed Audit Committee members are alternate directors in compliance with requirements of paragraph 15.09(2) of the MMLR.

The Audit Committee is chaired by Dato' Tan Guan Cheong. He is a member of the Malaysian Institute of Accountants, which accordingly complies with paragraph 15.09(1)(c)(i) of the MMLR.

## C. Terms of Reference

The written Terms of Reference of the Audit Committee are consistent with requirements of the MMLR and MCCG 2017.

The written Terms of Reference of the Audit Committee which is accessible to the public for reference on Hartalega's corporate website clearly set out the following:

**i.** Composition

**ii.** Chairman

**iii.** Meetings

**iv.** Objectives

**v.** Authority & Responsibilities

**vi.** Appointment Process

**D. Meetings**

The Audit Committee held five (5) meetings during the financial year ended 31 March 2021, attended by the Audit Committee members. The Audit Committee meetings held were also attended by the appointed secretary, representatives from external and internal auditors, with the presence of senior management by invitation of the Audit Committee to facilitate direct communications and to provide clarifications on audit issues.

Details of attendance of each Audit Committee member are outlined in paragraph A above.

**E. 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 auditors;

**iii.** Reviewed and approved the risk-based annual audit plan of the internal auditors for the financial year;

**iv.** Reviewed budget and resource plan of the internal auditors;

**v.** Approved remuneration and decisions regarding the appointment of the Internal Audit Senior Manager;

**vi.** Reviewed the internal audit reports and ensured that appropriate actions were taken on the recommendations of the internal auditors;

**vii.** Reviewed the external audit nature and scope of the audit and audit planning memorandum covering the main activities of the external audit approach, including evaluation of external auditors' responsibilities, client service team, materiality level, audit risk assessment, significant risks and areas of audit focus, consideration of fraud, the internal control system, involvement of internal auditors and internal specialists, involvement of component auditors, timing of audit, engagement quality control, independence policies and procedures and updates in financial reporting updates with the external auditors;

**viii.** Reviewed the financial year end statements with the external auditors including audit issues and findings noted during the course of audit of the Group's financial statements and Management's response thereto;

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





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

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

**xii.** Reviewed the whistleblowing procedures and whistleblowing activities to monitor the actions taken in respect of whistleblowing reports received; and

**xiii.** Reviewed the Audit Committee Report and Statement of Risk Management and Internal Control 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.

**F. Internal Audit Function**

The Board of Directors and the Audit Committee are assisted by the in-house Internal Audit Department ("IAD") in ensuring that a sound system of internal controls is in place. The IAD reports to the Audit Committee on the performance of its duties and is guided by Internal Audit Charter in its independent appraisal functions. The IAD assists the Group in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve on the effectiveness of governance, risk management and control processes.

The Head of the IAD (Internal Audit Senior Manager) reports functionally to the Board through the Audit Committee and administratively to the Chief Executive Officer to allow an appropriate degree of independence from the operations of the Group. The IAD is headed by the Internal Audit Senior Manager, Ms. Oh Hui Chee ("Chyselle") who possesses 14 years of relevant audit experience and is supported by a Manager and five (5) internal auditors. Ms. Chyselle is a qualified accountant, a fellow member of the Association of Chartered Certified Accountants, a Certified Internal Auditor, a Chartered Member of the Institute of Internal Auditors and a member of the Malaysian Institute of Accountants.

The IAD is guided by the International Professional Practise Framework ("IPPF") and Internal Audit Charter as approved by the Audit Committee. The internal audit activities are in accordance with the annual audit plan that was established using a risk-based approach to determine the priority of the internal audit activities approved by the Audit Committee. The risk-based annual audit plan, which includes both assurance and consulting activities is established 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.

The Audit Committee deliberates on the audit findings and recommendations as reported by the internal auditors and monitors to ensure appropriate actions are taken on the recommendations during the Audit Committee meetings every quarterly. During the financial year ended 2021, the IAD conducted a total of seven (7) audit reviews on key business processes and management focus areas, which includes audit on sales to receipt, project and technology management, production, quality assurance, inventory management as well as compliance review on anti-bribery and anti-corruption measures and hostel compliance. Follow up reviews are performed on audit findings reported to monitor the status of the implementation of action plans by the management and are reported to the Audit Committee.

The total cost incurred for the in-house IAD in discharging its functions and responsibilities for the financial year ended 31 March 2021 was RM588,629 (2020: RM520,932).

**G. Review of the Audit Committee**

The Audit Committee is satisfied that matters reported by it to the Board have been satisfactorily resolved and did not see any matter in breach of the MMLR that warrant reporting to Bursa Malaysia Securities Berhad.

**H. Evaluation of the Audit Committee**

The Nomination 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 paragraph 15.26(b) of 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. Pursuant to the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") requirement for large organisations, the RMC is made up of a majority of Independent Non-Executive Directors.

The system of risk management and internal control is designed to manage risk to a reasonable level rather than to eliminate 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.

The 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 Chief Executive Officer and the Chief Financial Officer 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 also ensures that the Risk Management Working Group provides regular reporting and updates to the Board on key risk management issues.

In discharging its responsibilities, the RMC ensures corporate objectives are supported by a 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. As part of risk governance, a risk heat map is reported to the RMC on a bi-annual basis for oversight and mitigation status. Material risks identified are reported to the Board through the RMC to ensure the Board is updated on significant risks and progress of mitigation actions.

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 Group established and formalised its Enterprise Risk Management Framework ("ERM") in accordance with the Committee of Sponsoring Organisations (COSO) Enterprise Risk Management framework and embarked on risk management initiatives. Under the ERM framework, a Risk Management Working Group ("RMWG") is established to provide regular reporting on key risks to the RMC and to address 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 Chief Executive Officer. The RMWG meets bi-annually where the risk owners have overall responsibility to monitor and report on key risks to the attention of the RMWG. The Chief Executive Officer is responsible to report to the RMC and 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 strategic planning and decision-making.
- 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.

To strengthen the risk management framework, the RWMG continuously enhances risk management practices and increases the scope across subsidiaries.

**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 Department ("IAD") was established by the Board to undertake continuous testing and assessments on the adequacy and effectiveness of the risk management, internal control and governance processes in order to provide reasonable assurance that such systems continue to operate efficiently and effectively. The IAD is headed by an Internal Audit Senior Manager who is a qualified accountant, a fellow member of the Association of Chartered Certified Accountants, a Certified Internal Auditor, a Chartered Member of the Institute of Internal Auditors and a member of the Malaysian Institute of Accountants. The IAD is supported by one (1) Manager and five (5) executives with relevant qualifications and audit experience.

A risk-based approach is used to establish the Annual Audit Plan and approved by the Audit Committee of the Board. The internal audit reports, including significant findings, recommendations for improvements and management response to the recommendations are shared to the Management and reported to the Audit Committee on a quarterly basis. Follow up reviews are performed and the status of the implementation of action plans by the Management are monitored and reported to the Audit Committee.

The IAD is placed under the direct supervision and authority of the Audit Committee of the Board to preserve its independence. The Internal Audit Senior Manager reports functionally to the Audit Committee Chairman and administratively to the Chief Executive Officer.

The IAD's activities are guided by the Internal Audit Charter approved by the Audit Committee and the latest requirements in the International Professional Practice Framework ("IPPF") of the Institute of Internal Auditors Inc.

Scheduled internal and external audits are conducted as per requirements of the ISO 9001:2015, ISO 13485:2016 and ISO 14001:2015 certifications by TÜV SÜD; BRCGS Global Standard for Food Safety Certification by SGS; HACCP and Food GMP by Intertek; and HALAL certification by JAKIM. Issues arising from these external audits are forwarded to the Management for review and implementation of action plans.

**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 9001:2015, ISO 13485:2016 and ISO 14001:2015 management systems and are reviewed annually for their effectiveness;
- Whistleblowing policy was established to provide avenue for whistleblowing report and to promote good corporate governance. An independent third-party service provider is engaged to manage whistleblowing platform which are in multiple languages;
- 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 thorough quality assurance programme. The new machines, production technology and processes go through a systematic and stringent verification and validation process before implementation.

**CONCLUSION**

During the financial year ended 31 March 2021, 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 2021 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 2021


| | |
|---|---|
| Directors' Report | 99 |
| Statement by Directors | 105 |
| Statutory Declaration | 105 |
| Independent Auditors' Report to the Members | 106 |
| Statements of Profit or Loss | 110 |
| Statements of Other Comprehensive Income | 111 |
| Statements of Financial Position | 112 |
| Statements of Changes in Equity | 114 |
| Statements of Cash Flows | 117 |
| Notes to the Financial Statements | 120 |






# 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 2021.

**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 subsidiary is as disclosed in Note 12 to the financial statements.

**RESULTS**

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the financial year | 2,903,747 | 1,015,299 |
| Attributable to: | | |
| Owners of the Company | 2,885,513 | 1,015,299 |
| Non-controlling interests | 18,234 | - |
| | 2,903,747 | 1,015,299 |

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 2.05 sen per share amounting to RM69,454,126 in respect of the financial year ended 31 March 2020, declared on 18 May 2020 and paid on 26 June 2020;

**ii.** final single tier exempt dividend of 2.1 sen per share amounting to RM71,979,744 in respect of financial year ended 31 March 2020, approved by shareholders at the last Annual General Meeting on 15 September 2020 and paid on 16 October 2020;

**iii.** first interim single tier exempt dividend of 3.85 sen per share amounting to RM131,962,865 in respect of the current financial year, declared on 27 October 2020 and paid on 18 December 2020;

**iv.** second interim single tier exempt dividend of 9.65 sen per share amounting to RM330,764,063 in respect of the current financial year, declared on 25 January 2021 and paid on 26 February 2021; and

**v.** third interim single tier exempt dividend of 17.70 sen per share amounting to RM605,307,585 in respect of the current financial year, declared on 4 May 2021 and paid on 9 June 2021.

The directors recommended a final single tier exempt dividend of 19.75 sen per share amounting to RM674,948,718 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 paid and final dividend proposed. Such dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ended 31 March 2021.

**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 financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that proper 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 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 the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

**CURRENT ASSETS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, 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 RM1,509,591,323 to RM1,692,061,447, by way of issuance of 44,193,335 ordinary shares for cash pursuant to the exercise of options under the Employees Share Option Scheme at exercise prices ranging between RM1.89 and RM6.09 per ordinary share as disclosed in Note 19 to the financial statements.

The new ordinary shares issued during the financial year 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 which expired on 22 July 2020 as disclosed in Note 20 to the financial statements.

**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*
DATO' TAN GUAN CHEONG
TAN SRI DATUK DR. REBECCA FATIMA STA. MARIA
RAZMAN HAFIDZ BIN ABU ZARIM
DATUK SERI NURMALA BINTI ABD RAHIM
DATUK LOO TOOK GEE
DR. DANARAJ A/L NADARAJAH (RESIGNED ON 1.7.2020)

*Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries 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 PENG
KUAN EU JIN
KUAN VIN SEUNG
MUHAMMAD HAKIMI TAN BIN ABDULLAH
DAVID TENG WEE TZE
WANG YUE
DR. DANARAJ A/L NADARAJAH
VISHAL LOCHAN AGGARWAL (APPOINTED ON 28.8.2020)

## 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 2021 are as follows:

### (a) Shareholdings in the holding company
### - Hartalega Industries Sdn. Bhd.

| | Number of preference shares | | | |
|---|---|---|---|---|
| | At 1.4.2020 | Bought | Cancelled | At 31.3.2021 |
| **Direct interests** | | | | |
| Kuan Kam Hon @ Kwan Kam Onn | 48,201 | - | 48,201[(1)] | - |
| Kuan Kam Peng | 38,317 | - | 38,317[(2)] | - |
| **Indirect interests** | | | | |
| Kuan Kam Peng | 5,638 | - | 5,638[(3)] | - |

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | At 1.4.2020 | Bought | Cancelled | At 31.3.2021 |
| **Direct interests** | | | | |
| Kuan Kam Hon @ Kwan Kam Onn | 48,251 | - | - | 48,251 |
| Kuan Kam Peng | 38,347 | - | - | 38,347 |
| **Indirect interests** | | | | |
| Kuan Kam Peng | 5,638 | - | 5,638[(3)] | - |

(1) Selective Capital Reduction and repayment exercise of Hartalega Industries Sdn. Bhd. ("HISB") pursuant to Section 117 of the Companies Act 2016 ("Act") in respect of his preference shareholding in HISB.
(2) Selective Capital Reduction and repayment exercise of HISB pursuant to Section 117 of the Act in respect of his preference shareholding in HISB.
(3) Selective Capital Reduction and repayment exercise of HISB pursuant to Section 117 of the Act in respect of his spouse's preference and ordinary shareholding in HISB.

### (b) Shareholdings in the Company

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | At 1.4.2020 | Bought | Sold | At 31.3.2021 |
| **Direct interests** | | | | |
| Kuan Kam Hon @ Kwan Kam Onn | 18,980,880 | 8,281,600 | - | 27,262,480 |
| Kuan Mun Leong | 14,254,000 | 1,700,000 | - | 15,954,000 |
| Kuan Mun Keng | 9,340,800 | 1,560,000 | - | 10,900,800 |
| Dato' Tan Guan Cheong | 240,000 | - | - | 240,000 |
| Datuk Loo Took Gee | - | 10,000 | - | 10,000 |
| **Indirect/Deemed interests** | | | | |
| Kuan Kam Hon @ Kwan Kam Onn [(1)(2)(3)] | 1,660,506,016 | 830,000 | (5,000,000) | 1,656,336,016 |
| Dato' Tan Guan Cheong[(2)] | 80,000 | 100,000 | (40,000) | 140,000 |





(1) Shares held through the holding company, Hartalega Industries Sdn. Bhd. and Budi Tenggara Sdn. Bhd. in which the director has substantial financial interests.
(2) Shares held through spouse/children of the director who herself/himself is not the director of the Company.
(3) Shares held through Yayasan Hartalega in accordance with Section 197 of the Companies Act 2016, in which the director is deemed to have interest by virtue.

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

| | Number of share options | | | | |
|---|---|---|---|---|---|
| | At 1.4.2020 | Granted | Exercised | Lapsed/ Expired | At 31.3.2021 |
| Kuan Kam Hon @ Kwan Kam Onn | 1,700,000 | - | (1,700,000) | - | - |
| Kuan Mun Keng | 1,700,000 | - | (1,700,000) | - | - |
| Kuan Mun Leong | 1,560,000 | - | (1,560,000) | - | - |

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 Note 24 to 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 RM105,000.

There was no indemnity given to or insurance affected for the auditors of the Company in accordance with Section 289 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 2021 is as disclosed in Note 5 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 6 July 2021.

**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 110 to 168 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 2021 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 July 2021.

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 110 to 168 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 6 July 2021

KUAN KAM HON @ KWAN KAM ONN

Before me
**KAPT. (B) JASNI BIN YUSOFF (W465)**
**Commisioner 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 2021 of the Group and of the Company, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 110 to 168.

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 2021, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

***Key Audit 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 year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Annual Report 2021
Hartalega Holdings Berhad

| *Key audit matters* | *How the scope of our audit responded to the key audit matters* |
|---|---|
| **Review of Costing of Inventories**<br>**(Refer to Note 14 to the financial statements)**<br><br>Inventories are stated at the lower of cost and net realisable value and cost is determined on the weighted average basis.<br><br>The cost of inventories comprises the cost of purchase plus the cost incurred in bringing the inventories to their present location and condition.<br><br>Management's judgment is required to estimate the cost of finished goods and work-in-progress which comprise the cost of raw materials, direct labour, other direct costs, and the appropriate allocation of overheads based on normal operating capacity.<br><br>The key bases and assumptions used in the estimation of the cost of inventories are disclosed in Note 2 (d) (iv). | We have performed the following audit procedures in relation to review of inventory costing:<br><br>• Obtained an understanding of the inventories valuation policy and processes implemented by management. We had evaluated the valuation made by management based on the policy;<br><br>• Performed testing on relevant controls surrounding inventory valuation and costing of inventories;<br><br>• Assessed the basis of inventory costing which includes cost of raw materials and direct 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 management for the allocation of production costs and overheads for the purpose of inventory valuation based on normal operating capacity; and<br><br>• Evaluated management assessments of the net realisable value of work-in-progress and finished goods. |
| **Revenue recognition on export sales**<br>**(Refer to Note 4 to the financial statements)**<br><br>Revenue from export sales of two subsidiaries of the Company, Hartalega NGC Sdn. Bhd. and Hartalega Sdn. Bhd. are recognised when control of the goods has been transferred to the customers based on internationally recognised shipping terms stipulated in the contracts.<br><br>As part of their financial reporting process, management reviews and initiates manual adjustments to correct instances where export sales are recorded but control of the goods, due to timing and shipping terms, have yet to be transferred to customers at year-end. Therefore, revenue recognition, particularly relating to export sales around year-end, is a key audit matter to ensure revenue recognised arising from such transactions are recognised in the correct financial year.<br><br>Accordingly, it may potentially give rise to a risk of material misstatement in the revenue recognised on export sales. | We have performed the following audit procedures in relation to revenue recognition on export sales:<br><br>• Evaluated the design and implementation of the relevant internal controls over revenue recognition and tested their operating effectiveness;<br><br>• Engaged our information technology specialists to test the control environment of the IT systems;<br><br>• Performed procedures to corroborate the occurrence and cutoff of revenue by tracing samples of revenue recognised to invoices and supporting documents; and<br><br>• Assessed the appropriateness of manual adjustments recorded in relation to revenue from export sales. |

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to be communicated in our auditors' report.

***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 auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 is 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.

***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 of 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 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.

- 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, actions taken to eliminate threats or safeguards applied.

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**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 12 to the financial statements.

**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)**

**LAI CAN YIEW**
**Partner - 02179/11/2022 J**
**Chartered Accountant**

6 July 2021
Kuala Lumpur

# Statements of Profit or Loss

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

| | Note | Group 2021 RM'000 | Group 2020 RM'000 | Company 2021 RM'000 | Company 2020 RM'000 |
|---|---|---|---|---|---|
| Revenue | 4 | 6,703,485 | 2,924,313 | 1,000,274 | 236,189 |
| Cost of sales | | (2,605,493) | (2,182,778) | - | - |
| **Gross profit** | | 4,097,992 | 741,535 | 1,000,274 | 236,189 |
| Other income | | 53,348 | 12,034 | 23,958 | 23,415 |
| Distribution expenses | | (44,357) | (28,078) | - | - |
| Administrative expenses | | (249,305) | (119,665) | (4,903) | (3,818) |
| Other operating expenses | | (37,763) | (39,605) | (21) | - |
| | | (331,425) | (187,348) | (4,924) | (3,818) |
| **Profit from operations** | | 3,819,915 | 566,221 | 1,019,308 | 255,786 |
| Finance costs | | (6,532) | (10,791) | - | - |
| **Profit before tax** | 5 | 3,813,383 | 555,430 | 1,019,308 | 255,786 |
| Tax expense | 6 | (909,636) | (121,033) | (4,079) | (5,000) |
| **Profit for the financial year** | | 2,903,747 | 434,397 | 1,015,229 | 250,786 |
| **Attributable to:** | | | | | |
| Owners of the Company | | 2,885,513 | 433,618 | 1,015,229 | 250,786 |
| Non-controlling interests | | 18,234 | 779 | - | - |
| | | 2,903,747 | 434,397 | 1,015,229 | 250,786 |
| **Earnings per ordinary share attributable to owners of the Company:** | | | | | |
| Basic earnings per ordinary share (sen) | 7 | 84.43 | 12.88 | | |
| Diluted earnings per ordinary share (sen) | 7 | 84.43 | 12.81 | | |

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





# Statements of Other Comprehensive Income

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

| | Note | Group 2021 RM'000 | Group 2020 RM'000 | Company 2021 RM'000 | Company 2020 RM'000 |
|---|---|---|---|---|---|
| **Profit for the financial year** | | 2,903,747 | 434,397 | 1,015,229 | 250,786 |
| **Other comprehensive income/(loss)** | | | | | |
| ***Items that may be reclassified subsequently to profit or loss*** | | | | | |
| Foreign currency translation, representing other comprehensive income/(loss) for the financial year, net of tax | | 11,336 | (1,434) | - | - |
| **Total comprehensive income for the financial year** | | 2,915,083 | 432,963 | 1,015,229 | 250,786 |
| **Attributable to:** | | | | | |
| Owners of the Company | | 2,894,195 | 432,447 | 1,015,229 | 250,786 |
| Non-controlling interests | | 20,888 | 516 | - | - |
| | | 2,915,083 | 432,963 | 1,015,229 | 250,786 |

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 2021

| | Note | Group 2021 RM'000 | Group 2020 RM'000 | Company 2021 RM'000 | Company 2020 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 8 | 2,156,368 | 2,002,197 | - | - |
| Capital work-in-progress | 9 | 255,897 | 188,910 | - | - |
| Intangible assets | 10 | 32,591 | 28,836 | - | - |
| Right-of-use assets | 11 | 3,670 | 4,489 | - | - |
| Investments in subsidiaries | 12 | - | - | 558,000 | 663,016 |
| Deferred tax assets | 13 | 3,256 | 970 | - | - |
| Amount owing by subsidiaries | 24 | - | - | 757,451 | 787,434 |
| **Total Non-Current Assets** | | 2,451,782 | 2,225,402 | 1,315,451 | 1,450,450 |
| **Current Assets** | | | | | |
| Inventories | 14 | 633,455 | 273,909 | - | - |
| Trade and other receivables | 15 | 1,110,651 | 502,054 | 23,092 | 223 |
| Tax assets | 16 | 1,339 | 7,397 | - | - |
| Amount owing by subsidiaries | 24 | - | - | 216 | 25 |
| Cash, bank balances and short-term investments | 18 | 2,668,741 | 305,161 | 789,218 | 121,398 |
| **Total Current Assets** | | 4,414,186 | 1,088,521 | 812,526 | 121,646 |
| **TOTAL ASSETS** | | 6,865,968 | 3,313,923 | 2,127,977 | 1,572,096 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity Attributable to Owners of the Company** | | | | | |
| Share capital | 19 | 1,692,061 | 1,509,591 | 1,692,061 | 1,509,591 |
| Reserves | 20 | 3,282,839 | 1,030,208 | 435,573 | 61,908 |
| | | 4,974,900 | 2,539,799 | 2,127,634 | 1,571,499 |
| Non-controlling interests | | 24,212 | 3,324 | - | - |
| **Total Equity** | | 4,999,112 | 2,543,123 | 2,127,634 | 1,571,499 |





| | Note | Group 2021 RM'000 | Group 2020 RM'000 | Company 2021 RM'000 | Company 2020 RM'000 |
|---|---|---|---|---|---|
| **Non-Current Liabilities** | | | | | |
| Loans and borrowings | 21 | 250,141 | 188,572 | - | - |
| Lease liabilities | 22 | 2,127 | 2,714 | - | - |
| Deferred tax liabilities | 13 | 197,986 | 172,475 | - | - |
| **Total Non-Current Liabilities** | | 450,254 | 363,761 | - | - |
| **Current Liabilities** | | | | | |
| Trade and other payables | 23 | 1,091,278 | 273,874 | 210 | 83 |
| Loans and borrowings | 21 | 92,913 | 85,416 | - | - |
| Lease liabilities | 22 | 1,621 | 1,830 | - | - |
| Derivatives financial liabilities | 17 | 74,548 | 39,008 | - | - |
| Tax liabilities | 16 | 156,242 | 6,911 | 133 | 514 |
| **Total Current Liabilities** | | 1,416,602 | 407,039 | 343 | 597 |
| **Total Liabilities** | | 1,866,856 | 770,800 | 343 | 597 |
| **TOTAL EQUITY AND LIABILITIES** | | 6,865,968 | 3,313,923 | 2,127,977 | 1,572,096 |

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 2021

| | | ← Attributable to Owners of the Company → | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | ← Non-Distributable → | | Distributable | | | |
| **Group** | **Note** | **Share capital RM'000** | **Translation reserve RM'000** | **Share-based payment reserve RM'000** | **Retained earnings RM'000** | **Sub-total RM'000** | **Non-controlling interests RM'000** | **Total equity RM'000** |
| **At 1 April 2019** | | 1,400,986 | (1,173) | 47,423 | 809,170 | 2,256,406 | 2,808 | 2,259,214 |
| **Comprehensive income** | | | | | | | | |
| Profit for the financial year | | - | - | - | 433,618 | 433,618 | 779 | 434,397 |
| **Other comprehensive loss** | | | | | | | | |
| Foreign currency translation | | - | (1,171) | - | - | (1,171) | (263) | (1,434) |
| **Total comprehensive income for the financial year** | | - | (1,171) | - | 433,618 | 432,447 | 516 | 432,963 |
| **Transactions with owners** | | | | | | | | |
| Dividends | 25 | - | - | - | (248,987) | (248,987) | - | (248,987) |
| Share-based payment relating to ESOS | | - | - | 15,898 | - | 15,898 | - | 15,898 |
| Issuance of ordinary shares pursuant to ESOS | 19 | 84,035 | - | - | - | 84,035 | - | 84,035 |
| Transfer from share-based payment reserve upon exercise/lapse of ESOS | 19 | 24,570 | - | (24,570) | - | - | - | - |
| **Total transactions with owners** | | 108,605 | - | (8,672) | (248,987) | (149,054) | - | (149,054) |
| **At 31 March 2020** | | 1,509,591 | (2,344) | 38,751 | 993,801 | 2,539,799 | 3,324 | 2,543,123 |





| | | ← Attributable to Owners of the Company → | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | ← Non-Distributable → | | Distributable | | | |
| **Group** | **Note** | **Share capital RM'000** | **Translation reserve RM'000** | **Share-based payment reserve RM'000** | **Retained earnings RM'000** | **Sub-total RM'000** | **Non-controlling interests RM'000** | **Total equity RM'000** |
| **At 1 April 2020** | | 1,509,591 | (2,344) | 38,751 | 993,801 | 2,539,799 | 3,324 | 2,543,123 |
| **Comprehensive income** | | | | | | | | |
| Profit for the financial year | | - | - | - | 2,885,513 | 2,885,513 | 18,234 | 2,903,747 |
| **Other comprehensive income** | | | | | | | | |
| Foreign currency translation | | - | 8,682 | - | - | 8,682 | 2,654 | 11,336 |
| **Total comprehensive income for the financial year** | | - | 8,682 | - | 2,885,513 | 2,894,195 | 20,888 | 2,915,083 |
| **Transactions with owners** | | | | | | | | |
| Dividends | 25 | - | - | - | (604,161) | (604,161) | - | (604,161) |
| Issuance of ordinary shares pursuant to ESOS | 19 | 145,067 | - | - | - | 145,067 | - | 145,067 |
| Transfer from share-based payment reserve upon exercise/lapse of ESOS | 19 | 37,403 | - | (38,751) | 1,348 | - | - | - |
| **Total transactions with owners** | | 182,470 | - | (38,751) | (602,813) | (459,094) | - | (459,094) |
| **At 31 March 2021** | | 1,692,061 | 6,338 | - | 3,276,501 | 4,974,900 | 24,212 | 4,999,112 |

| Company | Note | Share capital RM'000 | Non-Distributable: Share-based payment reserve RM'000 | Distributable: Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|
| **At 1 April 2019** | | 1,400,986 | 47,423 | 21,358 | 1,469,767 |
| Profit for the financial year, representing total comprehensive income for the financial year | | - | - | 250,786 | 250,786 |
| **Transactions with owners** | | | | | |
| Dividends | 25 | - | - | (248,987) | (248,987) |
| Share-based payment relating to ESOS | | - | 15,898 | - | 15,898 |
| Issuance of ordinary shares pursuant to ESOS | 19 | 84,035 | - | - | 84,035 |
| Transfer from share-based payment upon exercise of ESOS | 19 | 24,570 | (24,570) | - | - |
| **Total transactions with owners** | | 108,605 | (8,672) | (248,987) | (149,054) |
| **At 31 March 2020** | | 1,509,591 | 38,751 | 23,157 | 1,571,499 |

| Company | Note | Share capital RM'000 | Non-Distributable: Share-based payment reserve RM'000 | Distributable: Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|
| **At 1 April 2020** | | 1,509,591 | 38,751 | 23,157 | 1,571,499 |
| Profit for the financial year, representing total comprehensive income for the financial year | | - | - | 1,015,229 | 1,015,229 |
| **Transactions with owners** | | | | | |
| Dividends | 25 | - | - | (604,161) | (604,161) |
| Issuance of ordinary shares pursuant to ESOS | 19 | 145,067 | - | - | 145,067 |
| Transfer from share-based payment upon exercise of ESOS | 19 | 37,403 | (38,751) | 1,348 | - |
| **Total transactions with owners** | | 182,470 | (38,751) | (602,813) | (459,094) |
| **At 31 March 2021** | | 1,692,061 | - | 435,573 | 2,127,634 |

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 2021

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | | | |
| Profit before tax | 3,813,383 | 555,430 | 1,019,308 | 255,786 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 130,367 | 118,696 | - | - |
| Depreciation of right-of-use assets | 1,859 | 1,445 | - | - |
| Fair value loss on derivative financial instruments | 35,540 | 37,220 | - | - |
| Impairment loss on trade receivables | 230 | - | - | - |
| Share-based payment expense | - | 15,898 | - | - |
| Amortisation of intangible assets | 5,587 | 5,178 | - | - |
| Interest expenses | 6,532 | 10,791 | - | - |
| (Gain)/Loss on disposal of property, plant and equipment | (353) | 38 | - | - |
| Property, plant and equipment and intangible assets written off | 74 | - | - | - |
| Unrealised gain on foreign exchange | (12,893) | (1,377) | - | - |
| Income from fixed income fund | (9,185) | (2,799) | (6,085) | (2,191) |
| Interest income | (5,653) | (3,072) | (17,032) | (21,057) |
| Dividend income from subsidiaries | - | - | (1,000,274) | (236,189) |
| Operating Profit/(Loss) Before Working Capital Changes | 3,965,488 | 737,448 | (4,083) | (3,651) |
| (Increase)/Decrease in inventories | (359,546) | 1,618 | - | - |
| Increase in receivables | (604,452) | (34,761) | (22,869) | - |
| Increase in payables | 817,404 | 14,348 | 127 | 3 |
| Cash Generated From/(Used In) Operations | 3,818,894 | 718,653 | (26,825) | (3,648) |
| Tax refunded | - | 9,782 | - | - |
| Tax paid | (730,714) | (72,711) | (4,460) | (5,492) |
| Net Cash From/(Used In) Operating Activities | 3,088,180 | 655,724 | (31,285) | (9,140) |

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| **CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES** | | | | |
| Proceeds from disposal of property, plant and equipment | 1,072 | 714 | - | - |
| Additions to: | | | | |
| Property, plant and equipment | (7,173) | (7,643) | - | - |
| Intangible assets | (256) | (329) | - | - |
| Capital work-in-progress | (354,198) | (243,500) | - | - |
| Income received from fixed income fund | 9,185 | 2,799 | 6,085 | 2,191 |
| Interest received | 5,653 | 3,072 | 17,032 | 21,057 |
| Dividends received from subsidiaries | - | - | 1,000,274 | 236,189 |
| Net Cash (Used In)/From Investing Activities | (345,717) | (244,887) | 1,023,391 | 259,437 |
| **CASH FLOWS USED IN FINANCING ACTIVITIES** | | | | |
| Proceeds from issuance of shares pursuant to exercise of ESOS | 145,067 | 84,035 | 145,067 | 84,035 |
| ESOS reimbursement received from subsidiaries | - | - | 105,016 | - |
| Net changes in borrowings | 82,800 | (88,269) | - | - |
| Dividends paid | (604,161) | (248,987) | (604,161) | (248,987) |
| Interest paid | (6,413) | (10,791) | - | - |
| Repayment of lease liabilities | (1,955) | (1,405) | - | - |
| Repayment of advances from subsidiaries | - | - | 29,792 | 900 |
| Net Cash Used In Financing Activities | (384,662) | (265,417) | (324,286) | (164,052) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 2,357,801 | 145,420 | 667,820 | 86,245 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | 5,779 | 9,350 | - | - |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 305,161 | 150,391 | 121,398 | 35,153 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 18)** | 2,668,741 | 305,161 | 789,218 | 121,398 |





Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statements of cash flows as cash flows from financing activities.

| Group | As at 1 April RM'000 | Effect of adoption of MFRS 16 RM'000 | Net changes from financing cash flows (i) RM'000 | Non-cash changes (ii) RM'000 | As at 31 March RM'000 |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Loans and borrowings (Note 21) | 273,988 | - | 82,800 | (13,734) | 343,054 |
| Lease liabilities (Note 22) | 4,544 | - | (1,955) | 1,159 | 3,748 |
| **2020** | | | | | |
| Loans and borrowings (Note 21) | 343,939 | - | (88,269) | 18,318 | 273,988 |
| Lease liabilities (Note 22) | - | 1,757 | (1,405) | 4,192 | 4,544 |

i. The cash flows make up the net amount of proceeds and repayments of borrowings and lease liabilities in the statements of cash flows.

ii. Non-cash changes consist of unrealised foreign exchange (gain)/loss arise from revaluation of term and trade loans, and additions and fair value adjustment on lease liabilities.

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 2021

**HARTALEGA HOLDINGS BERHAD**
(Incorporated in Malaysia)

### 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 12.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 6 July 2021.

### 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

**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 ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

**Adoption of new and revised MFRSs, amendments to MFRSs and Issue Committee Interpretation ("IC Interpretation")**

In the current financial year, the Group and the Company have adopted all the revised MFRSs and amendments to MFRSs issued by MASB that are effective for annual financial periods beginning on or after 1 April 2020.

| | |
|---|---|
| MFRS 3 | Definition of Business |
| Amendments to MFRS 7, MFRS 9 and MFRS 139 | Interest Rate Benchmark Reform |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material |
| MFRSs | Amendments to References to the Conceptual Framework in MFRS Standards |





In the current financial year, the Group and the Company have early adopted Amendment to MFRS 16 COVID-19 Related Rent Concessions (as issued by the MASB in June 2020), which is originally effective for annual periods beginning on or after 1 June 2020.

The adoption of these 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.

**Standards and Amendments in Issue But Not Yet Effective**

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

| | |
|---|---|
| Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 | Interest Rate Benchmark Reform - Phase 2 Insurance contracts[1] |
| Amendments to MFRS 16 | COVID-19 - Related Rent Concessions beyond 30 June 2021[2] |
| Amendments to MFRSs | Annual Improvements to MFRS Standards 2018 - 2020[3] |
| Amendments to MFRS 3 | Reference to Conceptual Framework[3] |
| Amendments to MFRS 116 | Property, Plant and Equipment - Proceeds before Intended Use[3] |
| Amendments to MFRS 137 | Onerous Contracts - Costs of Fulfilling a Contract[3] |
| MFRS 17 | Insurance Contracts[4] |
| Amendments to MFRS 4 | Extension of the Temporary Exemption from Applying MFRS 9[4] |
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-current[4] |
| Amendments to MFRS 101 | Disclosure of Accounting Policies[4] |
| Amendments to MFRS 108 | Definition of Accounting Estimates[4] |
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |

1 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 April 2021, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.
5 Effective date deferred to a date to be determined and announced.

The Directors anticipate that abovementioned MFRSs and amendments to MFRSs will be adopted in the annual financial statements 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.

**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 *Share-based Payment*, leasing transactions that are within the scope of MFRS 16 *Leases*, 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 entirety, 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 thousand, 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 assumption 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.

ii. Useful lives of property, plant and equipment (Note 8) - The cost of property, plant and equipment is 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.



Annual Report 2021
Hartalega Holdings Berhad

iii. Determination of functional currency - Functional currency is the currency of the primary economic environment in which the entities of 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 Group has determined that the functional currency of the Group is RM.

iv. Inventories (Note 14) - In determining the costing of inventories, management's judgment 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:

- 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.

**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.



Annual Report 2021
Hartalega Holdings Berhad

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 those 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 end of the reporting period 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.

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 when (or as) a performance obligation in the contract with customer is satisfied, i.e. control over a product underlying the particular performance obligation has been transferred to the buyer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfer control of goods or service at a point in time unless one of the following over time criteria is met:

a. the customer simultaneously receives and consumes the benefits provided as the Group or the Company perform;

b. the Group's or the Company's performance create or enhance an asset that the customer controls as the asset is created or enhanced; or

c. the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company have an enforceable right to payment for performance completed to date.

**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.

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 a qualifying 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 incurs in connection with the borrowing of funds.

**g. Leases**

**i. The Group as lessor**

The Group enters into lease agreements as a lessor with respect to some of its business premises.

Leases for which the Group is a lessor are classified as finance and operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging and operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**ii. The Group as lessee**

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

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

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method), reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The Group remeasures the lease liability and make a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate, unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received, and any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying assets or the site on which it is located.

The right-of-use assets are subsequently measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liability. The upfront payments for right to use the leasehold land over a predetermined period are accounted for as prepaid lease payments and are stated at cost less accumulated amortisation.

Leasehold land recognised as prepaid lease payments are amortised in equal instalments over the respective lease periods.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease and the principal annual rates are as follows:

| | |
|---|---|
| Land | 28 months |
| Factory equipment | 60 months |
| Premises | 12 - 36 months |

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the profit or loss.

**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 end of the reporting period.

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 the end of each reporting period 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.

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.

**l. Impairment of non-financial assets**

The carrying amounts of non-financial assets other than inventories and deferred tax assets are reviewed at the end of each reporting period 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 to. 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 instruments**

**i. Initial recognition and measurement**

Financial instruments are recognised in the Group's and the Company's statements of financial position when the Group and the Company become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.





**ii. Financial instrument categories and subsequent measurement**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are classified as subsequently measured at amortised costs, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVTOCI"). The classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

***i. Financial assets at amortised cost***

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gain and losses and impairment are recognised in profit or loss.

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

Income from financial assets is recognised on an effective interest method for debt instruments other than those financial assets classified as FVTPL.

***ii. Financial assets at FVTPL***

Financial assets that do not meet the amortised cost criteria or the FVTOCI criteria are measured at FVTPL. In addition, financial assets that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVTPL are measured at fair value at the end of each report period, with any fair value gains or losses recognised in profit or loss.

**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 are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or measured at amortised cost.

***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.

***ii. Financial liabilities at amortised cost***

Financial liabilities that are not held for trading, or designated as at FVTPL, are initially measured at fair value, net of transaction costs.

These 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.

**iii. Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity, is recognised in profit or loss.

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

**iv. Impairment of financial assets**

The Group and the Company recognise a loss allowance for expected credit losses ("ECL") on investment in debt instruments that are measured at amortised cost, trade and other receivables and amount owing from subsidiaries. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company recognise lifetime ECL for trade receivables and other receivables and amount owing from subsidiaries. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both





quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information, where available.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the end of the reporting period. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

At the end of each reporting period, the Group and the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes significant financial difficulty of the issuer, default or delinquency in interest or principal payments, or the borrower or it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Receivables assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

In respect of receivables carried at amortised cost, the amount of the impairment loss recognised is 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 carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in profit or loss as bad debts recovered.

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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery amounts due.

**o. Cash and cash equivalents**

The Group and the 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 amounts of cash and which are subject to an insignificant risk of changes in value.

**p. 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.

**q. 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.

**r. 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.

**s. 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 position of the Group and of the Company.

**t. Segment reporting**

For management purposes, the Group is organised into operating segments that engage 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 Chief Executive Officer 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 | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Sales of goods | 6,703,485 | 2,924,313 | - | - |
| Dividend income from subsidiaries | - | - | 1,000,274 | 236,189 |
| | 6,703,485 | 2,924,313 | 1,000,274 | 236,189 |





## 5. PROFIT BEFORE TAX

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

**a. Other items**

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Depreciation of property, plant and equipment (Note 8) | 130,367 | 118,696 | - | - |
| Depreciation of right-of-use assets (Note 11) | 1,859 | 1,445 | - | - |
| Fair value loss on derivative financial instruments (Note 17) | 35,540 | 37,220 | - | - |
| Impairment loss on trade receivables | 230 | - | - | - |
| Interest expenses in respect of: | | | | |
| - term loans | 6,369 | 9,462 | - | - |
| - lease liabilities | 119 | 118 | - | - |
| - other borrowings | 44 | 1,211 | - | - |
| (Gain)/Loss on foreign exchange: | | | | |
| - realised | (20,019) | 712 | - | - |
| - unrealised | (12,893) | (1,377) | - | - |
| Amortisation of intangible assets (Note 10) | 5,587 | 5,178 | - | - |
| Directors' remuneration (Note 5(c)) | 11,644 | 11,787 | 1,314 | 1,039 |
| Auditors' remuneration: | | | | |
| Audit services by auditors of the Company | | | | |
| - current financial year | 370 | 330 | 70 | 60 |
| - underprovision in prior year | 9 | 49 | - | - |
| Audit services by other auditors | 62 | 170 | - | - |
| Other services by member firms of auditors of the Company | 696 | 58 | 301 | 11 |
| (Gain)/Loss on disposal of property, plant and equipment | (353) | 38 | - | - |
| Property, plant and equipment and intangible assets written off | 74 | - | - | - |
| Interest income in respect of: | | | | |
| - Deposits with licensed banks | (5,653) | (3,072) | (475) | (133) |
| - Advances to subsidiaries | - | - | (16,557) | (20,924) |
| Income from fixed income fund | (9,185) | (2,799) | (6,085) | (2,191) |

**b. Staff costs**

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Staff costs | 383,303 | 297,361 | 510 | 480 |
| Included in staff costs are: | | | | |
| Share-based payment expense | - | 15,898 | - | - |
| Contributions to defined contribution plan | 20,199 | 12,307 | - | - |

**c. Directors' remuneration**

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Executive Directors: | | | | |
| Fees: | | | | |
| - directors of the Company | 582 | 552 | 510 | 480 |
| - directors of the subsidiaries | 96 | 96 | - | - |
| Other emoluments: | | | | |
| - directors of the Company | 4,795 | 5,571 | - | - |
| - directors of the subsidiaries | 5,367 | 5,009 | - | - |
| | 10,840 | 11,228 | 510 | 480 |
| Non-Executive Directors: | | | | |
| Fees: | | | | |
| - directors of the Company | 768 | 530 | 768 | 530 |
| Other emoluments: | | | | |
| - directors of the Company | 36 | 29 | 36 | 29 |
| | 804 | 559 | 804 | 559 |
| | 11,644 | 11,787 | 1,314 | 1,039 |

The estimated monetary value of benefits-in-kind of the Group received by the directors of the Company and of the subsidiaries are RM33,070,733 (2020: RM18,141,465) and RM34,686,303 (2020: RM591,184) respectively.





**6. TAX EXPENSE**

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| **Current tax** | | | | |
| **Malaysia income tax** | | | | |
| Current year | 840,332 | 67,895 | 4,087 | 5,039 |
| Under/(over)provision in prior years | 2,870 | 3,970 | (8) | (39) |
| **Overseas income tax** | | | | |
| Overseas - current year | 42,901 | 1,842 | - | - |
| | 886,103 | 73,707 | 4,079 | 5,000 |
| **Deferred tax** | | | | |
| Origination and reversal of temporary differences | 15,278 | 49,057 | - | - |
| Under/(over)provision in prior years | 8,255 | (1,731) | - | - |
| | 23,533 | 47,326 | - | - |
| Tax expense | 909,636 | 121,033 | 4,079 | 5,000 |

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 | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Profit before tax | 3,813,383 | 555,430 | 1,019,308 | 255,786 |
| Tax at the Malaysian statutory income tax rate of 24% (2020: 24%) | 915,212 | 133,303 | 244,634 | 61,389 |
| Effect of different tax rate of foreign subsidiaries | 7,548 | 58 | - | - |
| Tax effects of: | | | | |
| Non-deductible expenses | 11,428 | 7,860 | 1,175 | 368 |
| Non-taxable income | (2,489) | (274) | (241,722) | (56,718) |
| Utilisation of tax incentives | (33,188) | (22,256) | - | - |
| Deferred tax assets not recognised | - | 103 | - | - |
| Under/(Over)provision in prior years: | | | | |
| Current tax | 2,870 | 3,970 | (8) | (39) |
| Deferred tax | 8,255 | (1,731) | - | - |
| Tax expense | 909,636 | 121,033 | 4,079 | 5,000 |

## 7. EARNINGS PER ORDINARY SHARE

| | Group | |
|---|---|---|
| | 2021 | 2020 |
| **Basic earnings per ordinary share** | | |
| Net profit attributable to owners of the Company (RM'000) | 2,885,513 | 433,618 |
| Number of shares in issue as at beginning of the financial year ('000) | 3,383,413 | 3,345,187 |
| Effect of exercise of ESOS (weighted average) ('000) | 34,054 | 20,500 |
| Weighted average number of ordinary shares in issue ('000) | 3,417,467 | 3,365,687 |
| Basic earnings per ordinary share (sen) | 84.43 | 12.88 |
| **Diluted earnings per ordinary share** | | |
| Net profit attributable to owners of the Company (RM'000) | 2,885,513 | 433,618 |
| Weighted average number of ordinary shares in issue ('000) | 3,417,467 | 3,365,688 |
| Effect of dilutive potential ordinary shares - ESOS ('000) | - | 19,486 |
| Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share ('000) | 3,417,467 | 3,385,174 |
| Diluted earnings per ordinary share (sen) | 84.43 | 12.81 |

During the financial year, eligible employees have exercised the options to acquire 44,193,335 (2020: 38,226,400) ordinary shares.

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





## 8. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land RM'000 | Long term leasehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Furniture, fittings and equipment RM'000 | Motor vehicles RM'000 | Renovation RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **Cost** | | | | | | | | |
| At 1 April 2020 | 26,721 | 100,079 | 678,115 | 1,536,593 | 317,545 | 13,019 | 2,975 | 2,675,047 |
| Additions | - | - | 1,597 | 1,552 | 2,862 | 1,071 | 91 | 7,173 |
| Disposals | - | - | - | (367) | (460) | (2,396) | - | (3,223) |
| Written off | - | - | - | (35) | (262) | (272) | - | (569) |
| Transfer from capital work-in-progress (Note 9) | - | - | 32,701 | 212,799 | 31,961 | - | 647 | 278,108 |
| Translation differences | - | 3 | - | - | 80 | (6) | - | 77 |
| At 31 March 2021 | 26,721 | 100,082 | 712,413 | 1,750,542 | 351,726 | 11,416 | 3,713 | 2,956,613 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 April 2020 | - | 5,282 | 58,219 | 462,350 | 137,482 | 6,952 | 2,565 | 672,850 |
| Charge for the financial year | - | 1,047 | 13,607 | 77,469 | 36,298 | 1,839 | 107 | 130,367 |
| Disposals | - | - | - | (67) | (352) | (2,085) | - | (2,504) |
| Written off | - | - | - | (35) | (208) | (269) | - | (512) |
| Translation differences | - | - | - | - | 50 | (6) | - | 44 |
| At 31 March 2021 | - | 6,329 | 71,826 | 539,717 | 173,270 | 6,431 | 2,672 | 800,245 |
| **Net carrying amount** | | | | | | | | |
| At 31 March 2021 | 26,721 | 93,753 | 640,587 | 1,210,825 | 178,456 | 4,985 | 1,041 | 2,156,368 |

| Group | Freehold land RM'000 | Long term leasehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Furniture, fittings and equipment RM'000 | Motor vehicles RM'000 | Renovation RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 April 2019 | 26,721 | 100,080 | 590,045 | 1,433,008 | 289,290 | 11,346 | 2,893 | 2,453,383 |
| Additions | - | - | 360 | 300 | 3,702 | 3,281 | - | 7,643 |
| Disposals | - | - | - | (1,119) | (873) | (1,624) | - | (3,616) |
| Written off | - | - | - | - | (114) | - | - | (114) |
| Transfer from capital work-in-progress (Note 9) | - | - | 87,710 | 104,402 | 25,604 | - | 82 | 217,798 |
| Translation differences | - | (1) | - | 2 | (64) | 16 | - | (47) |
| At 31 March 2020 | 26,721 | 100,079 | 678,115 | 1,536,593 | 317,545 | 13,019 | 2,975 | 2,675,047 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 April 2019 | - | 4,235 | 46,258 | 393,162 | 104,572 | 6,672 | 2,252 | 557,151 |
| Charge for the financial year | - | 1,047 | 11,961 | 69,680 | 33,819 | 1,876 | 313 | 118,696 |
| Disposals | - | - | - | (494) | (758) | (1,612) | - | (2,864) |
| Written off | - | - | - | - | (114) | - | - | (114) |
| Translation differences | - | - | - | 2 | (37) | 16 | - | (19) |
| At 31 March 2020 | - | 5,282 | 58,219 | 462,350 | 137,482 | 6,952 | 2,565 | 672,850 |
| **Net carrying amount** | | | | | | | | |
| At 31 March 2020 | 26,721 | 94,797 | 619,896 | 1,074,243 | 180,063 | 6,067 | 410 | 2,002,197 |

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 RM724,471,048 (2020: RM657,288,167) is pledged as security by way of legal charge and security debenture for banking facilities granted to the Group as disclosed in Note 21.





## 9. CAPITAL WORK-IN-PROGRESS

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| At beginning of year | 188,910 | 173,993 |
| Additions | 354,198 | 243,500 |
| Transfer to property, plant and equipment (Note 8) | (278,108) | (217,798) |
| Transfer to intangible assets (Note 10) | (9,103) | (10,785) |
| At end of year | 255,897 | 188,910 |

The capital work-in-progress is mainly in respect of construction of new factory building and set up of new production plant and machinery.

## 10. INTANGIBLE ASSETS

| | IT software RM'000 | Patent rights RM'000 | Golf club memberships RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost** | | | | |
| At 1 April 2020 | 36,367 | 10,810 | 175 | 47,352 |
| Additions | 228 | 28 | - | 256 |
| Written off | (20) | - | - | (20) |
| Transfer from capital work-in-progress (Note 9) | 9,103 | - | - | 9,103 |
| At 31 March 2021 | 45,678 | 10,838 | 175 | 56,691 |
| **Accumulated amortisation** | | | | |
| At 1 April 2020 | 14,757 | 3,722 | 37 | 18,516 |
| Amortisation during the financial year | 4,881 | 701 | 5 | 5,587 |
| Written off | (3) | - | - | (3) |
| At 31 March 2021 | 19,635 | 4,423 | 42 | 24,100 |
| **Net carrying amount** | | | | |
| At 31 March 2021 | 26,043 | 6,415 | 133 | 32,591 |
| **Cost** | | | | |
| At 1 April 2019 | 25,260 | 10,803 | 175 | 36,238 |
| Additions | 322 | 7 | - | 329 |
| Transfer from capital work-in-progress (Note 9) | 10,785 | - | - | 10,785 |
| At 31 March 2020 | 36,367 | 10,810 | 175 | 47,352 |
| **Accumulated amortisation** | | | | |
| At 1 April 2019 | 10,284 | 3,022 | 32 | 13,338 |
| Amortisation during the financial year | 4,473 | 700 | 5 | 5,178 |
| At 31 March 2020 | 14,757 | 3,722 | 37 | 18,516 |
| **Net carrying amount** | | | | |
| At 31 March 2020 | 21,610 | 7,088 | 138 | 28,836 |





## 11. RIGHT-OF-USE ASSETS

| | Land RM'000 | Factory equipment RM'000 | Premises RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost** | | | | |
| At 1 April 2020 | 771 | 3,568 | 1,842 | 6,181 |
| Additions | - | 601 | 439 | 1,040 |
| At 31 March 2021 | 771 | 4,169 | 2,281 | 7,221 |
| **Accumulated depreciation** | | | | |
| At 1 April 2020 | 220 | 665 | 807 | 1,692 |
| Charge during the financial year (Note 5) | 165 | 750 | 944 | 1,859 |
| At 31 March 2021 | 385 | 1,415 | 1,751 | 3,551 |
| **Net carrying amount** | | | | |
| At 31 March 2021 | 386 | 2,754 | 530 | 3,670 |
| **Cost** | | | | |
| At 1 April 2019 | - | 1,414 | 575 | 1,989 |
| Additions | 771 | 2,154 | 1,267 | 4,192 |
| At 31 March 2020 | 771 | 3,568 | 1,842 | 6,181 |
| **Accumulated depreciation** | | | | |
| At 1 April 2019 | - | 122 | 125 | 247 |
| Charge during the financial year (Note 5) | 220 | 543 | 682 | 1,445 |
| At 31 March 2020 | 220 | 665 | 807 | 1,692 |
| **Net carrying amount** | | | | |
| At 31 March 2020 | 551 | 2,903 | 1,035 | 4,489 |

The Group leases land, factory equipment and premises from various parties under non-cancellable operating leases. The tenure of these leases ranges between 1 to 5 years, with the option to renew upon expiry.

## 12. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Unquoted shares, at cost | 558,000 | 558,000 |
| ESOS granted to employees of subsidiaries | - | 105,016 |
| | 558,000 | 663,016 |

The particulars of subsidiaries are as follows:

| Name of company | Country of incorporation | Principal activities | Proportion of ownership interest and voting power held by the Group | |
|---|---|---|---|---|
| | | | 2021 | 2020 |
| 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% |
| Hartalega NSM Sdn. Bhd. | Malaysia | Manufacturing of latex gloves | 100% | - |
| **Subsidiaries of Hartalega Sdn. Bhd.** | | | | |
| MUN (Australia) Pty Limited [1] | Australia | Retail and wholesale of gloves | 82% | 82% |
| MUN Global USA, Incorporated [1] [2] | United States of America | Retail and wholesale of gloves | - | 80% |
| Yancheng MUN Medical Equipment Co. Ltd. [1] | People's Republic of China | Retail and wholesale of gloves | 70% | 70% |
| MUN Health Product (India) Pvt Ltd [1] | India | Retail and wholesale of gloves | 81% | 81% |
| Derma Care Plus Products (M) Sdn. Bhd. | Malaysia | Sales and marketing of gloves | 100% | 100% |
| Foshan Dynamic Limited [1] | People's Republic of China | Export and trading of medical products | 70% | 70% |





| Name of company | Country of incorporation | Principal activities | Proportion of ownership interest and voting power held by the Group | |
|---|---|---|---|---|
| | | | 2021 | 2020 |
| 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 [1] | New Zealand | Retail and wholesale of gloves | 100% | 100% |

[1] Audited by a firm of auditors other than Deloitte PLT.
[2] On 2 February 2021, MUN Global USA, Incorporated has been liquidated. As MUN Global USA, Incorporated is dormant and has insignificant transactions in the current and previous financial years, thus the result of discontinued operations and effect on liquidation are not presented separately.

**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 | |
|---|---|---|---|
| | | 2021 | 2020 |
| Manufacturing of latex gloves | Malaysia | 3 | 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 |
| | | 7 | 6 |

| Principal activities | Country of incorporation | Number of non wholly-owned subsidiaries | |
|---|---|---|---|
| | | 2021 | 2020 |
| Retail and wholesale of gloves | Australia | 1 | 1 |
| Retail and wholesale of gloves | United States of America | - | 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 | 1 |
| Export and trading of medical products | People's Republic of China | 1 | 1 |
| | | 5 | 6 |

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 allocated to non-controlling interests RM'000 | Accumulated non-controlling interests RM'000 |
|---|---|---|---|
| **2021** | | | |
| MUN (Australia) Pty Limited | 18% | 15,663 | 19,726 |
| Other individually immaterial subsidiaries | 19% - 30% | 2,571 | 4,486 |
| | | 18,234 | 24,212 |
| **2020** | | | |
| MUN (Australia) Pty Limited | 18% | 231 | 2,300 |
| Other individually immaterial subsidiaries | 19% - 30% | 548 | 1,024 |
| | | 779 | 3,324 |

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 | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Non-current assets | 3,171 | 1,045 |
| Current assets | 198,867 | 37,744 |
| Non-current liabilities | (61) | (33) |
| Current liabilities | (92,386) | (25,717) |
| Net assets | 109,591 | 13,039 |
| Equity attributable to owners of the Company | 89,865 | 10,739 |
| Non-controlling interests | 19,726 | 2,300 |
| | 109,591 | 13,039 |
| Revenue | 295,127 | 98,412 |
| Profit for the year | 87,015 | 1,284 |
| Profit attributable to: | | |
| Owners of the Company | 71,352 | 1,053 |
| Non-controlling interests | 15,663 | 231 |
| | 87,015 | 1,284 |





## 13. DEFERRED TAX ASSETS AND LIABILITIES

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| **Deferred tax assets** | | |
| At beginning of year | 970 | 1,529 |
| Recognised in profit or loss | 1,970 | (463) |
| Translation differences | 316 | (96) |
| At end of year | 3,256 | 970 |
| **Deferred tax liabilities** | | |
| At beginning of year | 172,475 | 125,614 |
| Recognised in profit or loss | 25,503 | 46,863 |
| Translation differences | 8 | (2) |
| At end of year | 197,986 | 172,475 |

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

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| **Deferred tax assets** | | |
| Allowance for tax incentives | - | 21,076 |
| Temporary differences in respect of deductible expenses | 29,633 | 6,651 |
| Fair value loss on derivative financial instruments | 8,530 | 8,933 |
| Unrealised foreign exchange losses | 1,003 | 1,741 |
| | 39,166 | 38,401 |
| Offsetting | (35,910) | (37,431) |
| Deferred tax assets (after offsetting) | 3,256 | 970 |
| **Deferred tax liabilities** | | |
| Temporary differences between the carrying amount of property, plant and equipment and its tax base | 229,733 | 207,367 |
| Unrealised foreign exchange gains | 4,102 | 2,506 |
| Temporary differences in respect of taxable income | 61 | 33 |
| | 233,896 | 209,906 |
| Offsetting | (35,910) | (37,431) |
| Deferred tax liabilities (after offsetting) | 197,986 | 172,475 |

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

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Unused tax losses | 300 | 4,201 |

## 14. INVENTORIES

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Raw materials | 181,282 | 56,249 |
| Work-in-progress | 69,174 | 25,432 |
| Finished goods | 307,526 | 142,841 |
| Goods-in-transit | 29,210 | 2,895 |
| Formers | 21,502 | 25,201 |
| Spare parts and consumables | 24,761 | 21,291 |
| | 633,455 | 273,909 |

The cost of inventories recognised as expense and included in cost of sales during the financial year amounted to RM2,603,314,689 (2020: RM2,176,913,570).

## 15. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| **Trade** | | | | |
| Trade receivables | 974,680 | 429,924 | - | - |
| Less: Allowance for impairment | (281) | (29) | - | - |
| Trade receivables, net | 974,399 | 429,895 | - | - |
| **Non-trade** | | | | |
| Other receivables | 37,469 | 12,306 | 218 | 218 |
| Deposits | 66,634 | 27,688 | 22,874 | 5 |
| Prepayments | 32,149 | 32,165 | - | - |
| | 136,252 | 72,159 | 23,092 | 223 |
| | 1,110,651 | 502,054 | 23,092 | 223 |





**a. Credit term of trade receivables**

The Group's normal trade credit terms extended to customers range from 30 to 90 days (2020: 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 | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Neither past due nor impaired | 809,546 | 383,740 |
| 1 to 30 days past due not impaired | 149,513 | 30,996 |
| 31 to 60 days past due not impaired | 12,068 | 9,881 |
| 61 to 90 days past due not impaired | 2,355 | 3,681 |
| 91 to 120 days past due not impaired | 503 | 580 |
| More than 121 days past due not impaired | 414 | 1,017 |
| | 164,853 | 46,155 |
| Impaired - More than 121 days past due | 281 | 29 |
| | 974,680 | 429,924 |

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 RM164,852,775 (2020: RM46,154,795) 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.

Receivables that are impaired

The Group applied the simplified approach whereby allowance for impairment is measured at lifetime expected credit loss as disclosed in Note 3.

Receivables that are individually determined to be credit impaired at the reporting date is as follows:

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Trade receivables (nominal amounts) | 281 | 29 |
| Less: Allowance for impairment losses | (281) | (29) |
| | - | - |

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 | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| At beginning of year | 29 | 31 |
| Impairment (Note 5) | 230 | - |
| Translation differences | 22 | (2) |
| At end of year | 281 | 29 |

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

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| United States Dollar | 932,410 | 410,200 |

**d. Other receivables and deposits**

Included in other receivables and deposits of the Group are Goods and Services Tax recoverable from respective authorities and deposits paid in relation to land acquisition amounting to RM Nil and RM65,013,732 (2020: RM6,770,230 and RM26,309,656) respectively.

## 16. TAX ASSETS AND LIABILITIES

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

## 17. DERIVATIVE FINANCIAL LIABILITIES

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| **Contract notional amount** | | |
| **Non-hedging derivative:** | | |
| Forward currency contracts | | |
| - USD denominated | 4,525,854 | 1,219,153 |
| **At FVTPL** | | |
| **Non-hedging derivative:** | | |
| Current liabilities | | |
| Forward currency contracts | | |
| - USD denominated | (74,548) | (39,008) |





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"), extended to November 2021.

During the financial year, the Group recognised a loss of RM35,540,424 (2020: RM37,219,767) 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.

## 18. CASH, BANK BALANCES AND SHORT-TERM INVESTMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Fixed income fund with licensed fund management companies (redeemable upon 1 day notice) | 1,739,585 | 125,409 | 785,391 | 120,565 |
| Deposits with licensed banks | - | 119 | - | - |
| Cash at banks and on hand | 929,156 | 179,633 | 3,827 | 833 |
| Cash and cash equivalents | 2,668,741 | 305,161 | 789,218 | 121,398 |

In the previous financial year, deposits with licensed banks of the Group earn interest at effective interest rates ranging from 2.30% to 2.60% per annum with maturity period ranging from 30 days to 90 days.

Included in cash at banks of the Group and of the Company are amounts of RM792,722,147 (2020: RM123,883,574) and RM3,827,174 (2020: RM833,171) respectively which earn interest at effective interest rates ranging from 0.25% to 2.20% (2020: 0.05% to 2.20%) per annum.

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

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| United States Dollar | 513,876 | 53,381 |

## 19. SHARE CAPITAL

| | Group/Company | | | |
|---|---|---|---|---|
| | Number of shares | | Amount | |
| | 2021 '000 | 2020 '000 | 2021 RM'000 | 2020 RM'000 |
| **Issued and fully paid:** | | | | |
| At beginning of year | 3,383,413 | 3,345,187 | 1,509,591 | 1,400,986 |
| Issued during the financial year | | | | |
| - exercise of options under ESOS | 44,193 | 38,226 | 182,470 | 108,605 |
| At end of year | 3,427,606 | 3,383,413 | 1,692,061 | 1,509,591 |

**a. 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.

**b. Ordinary shares issued**

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM1,509,591,323 to RM1,692,061,447 by way of issuance of 44,193,335 ordinary shares for cash pursuant to the exercise of options under the Employees Share Option Scheme at exercise prices ranging between RM1.89 and RM6.09 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

## 20. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| **Distributable** | | | | |
| Retained earnings | 3,276,501 | 993,801 | 435,573 | 23,157 |
| **Non-distributable** | | | | |
| Translation reserve | 6,338 | (2,344) | - | - |
| Share-based payment reserve | - | 38,751 | - | 38,751 |
| | 6,338 | 36,407 | - | 38,751 |
| | 3,282,839 | 1,030,208 | 435,573 | 61,908 |

**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. 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.

**c. 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).

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.



Annual Report 2021
Hartalega Holdings Berhad

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 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.

f. The options granted comprises a fixed component of 30% and a variable component of 70% and expired 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 are as follows:

| Grant date | Expiry date | Number of options | | | | |
|---|---|---|---|---|---|---|
| | | At 1.4.2020 '000 | Granted '000 | Exercised '000 | Expired '000 | At 31.3.2021 '000 |
| **2021** | | | | | | |
| 18.05.2015 | 22.07.2020 | 19,259.5 | - | (18,279.2) | (980.3) | - |
| 02.07.2015 | 22.07.2020 | 530.3 | - | (477.4) | (52.9) | - |
| 19.10.2015 | 22.07.2020 | 690.1 | - | (640.1) | (50.0) | - |
| 01.02.2016 | 22.07.2020 | 1,116.7 | - | (1,046.4) | (70.3) | - |
| 29.04.2016 | 22.07.2020 | 1,363.6 | - | (1,227.2) | (136.4) | - |
| 21.07.2016 | 22.07.2020 | 1,525.5 | - | (1,419.1) | (106.4) | - |
| 21.10.2016 | 22.07.2020 | 1,351.9 | - | (1,277.1) | (74.8) | - |
| 23.01.2017 | 22.07.2020 | 1,239.2 | - | (1,174.2) | (65.0) | - |
| 21.04.2017 | 22.07.2020 | 720.1 | - | (668.6) | (51.5) | - |
| 21.07.2017 | 22.07.2020 | 1,658.8 | - | (1,549.1) | (109.7) | - |
| 23.10.2017 | 22.07.2020 | 1,080.7 | - | (956.9) | (123.8) | - |
| 22.01.2018 | 22.07.2020 | 2,520.7 | - | (2,402.6) | (118.1) | - |
| 23.04.2018 | 22.07.2020 | 2,425.2 | - | (2,151.6) | (273.6) | - |
| 21.05.2018 | 22.07.2020 | 61.6 | - | (61.6) | - | - |
| 23.07.2018 | 22.07.2020 | 3,303.5 | - | (3,143.2) | (160.3) | - |
| 22.10.2018 | 22.07.2020 | 2,468.8 | - | (2,128.8) | (340.0) | - |
| 22.01.2019 | 22.07.2020 | 2,029.2 | - | (1,864.0) | (165.2) | - |
| 22.04.2019 | 22.07.2020 | 1,734.5 | - | (1,489.3) | (245.2) | - |
| 22.07.2019 | 22.07.2020 | 1,669.4 | - | (1,479.0) | (190.4) | - |
| 21.10.2019 | 22.07.2020 | 679.4 | - | (565.5) | (113.9) | - |
| 21.01.2020 | 22.07.2020 | 220.5 | - | (192.5) | (28.0) | - |
| | | 47,649.2 | - | (44,193.4) | (3,455.8) | - |





The movement in the Company's unissued shares under options are as follows (continued):

| Grant date | Expiry date | Number of options | | | | |
|---|---|---|---|---|---|---|
| | | At 1.4.2019 '000 | Granted '000 | Exercised '000 | Expired '000 | At 31.3.2020 '000 |
| **2020** | | | | | | |
| 18.05.2015 | 22.07.2020 | 43,621.9 | - | (22,261.1) | (2,101.3) | 19,259.5 |
| 02.07.2015 | 22.07.2020 | 1,549.8 | - | (868.0) | (151.5) | 530.3 |
| 19.10.2015 | 22.07.2020 | 1,930.2 | - | (1,045.8) | (194.3) | 690.1 |
| 01.02.2016 | 22.07.2020 | 2,654.7 | - | (1,327.9) | (210.1) | 1,116.7 |
| 29.04.2016 | 22.07.2020 | 3,481.6 | - | (1,937.3) | (180.7) | 1,363.6 |
| 21.07.2016 | 22.07.2020 | 4,036.5 | - | (2,289.2) | (221.8) | 1,525.5 |
| 21.10.2016 | 22.07.2020 | 3,023.1 | - | (1,499.1) | (172.1) | 1,351.9 |
| 23.01.2017 | 22.07.2020 | 3,152.5 | - | (1,685.2) | (228.1) | 1,239.2 |
| 21.04.2017 | 22.07.2020 | 1,892.8 | - | (1,058.0) | (114.7) | 720.1 |
| 21.07.2017 | 22.07.2020 | 3,776.1 | - | (1,862.8) | (254.5) | 1,658.8 |
| 23.10.2017 | 22.07.2020 | 3,020.4 | - | (1,575.8) | (363.9) | 1,080.7 |
| 22.01.2018 | 22.07.2020 | 2,897.8 | - | (42.0) | (335.1) | 2,520.7 |
| 23.04.2018 | 22.07.2020 | 3,155.5 | - | - | (730.3) | 2,425.2 |
| 21.05.2018 | 22.07.2020 | 61.6 | - | - | - | 61.6 |
| 23.07.2018 | 22.07.2020 | 4,332.2 | - | (76.7) | (952.0) | 3,303.5 |
| 22.10.2018 | 22.07.2020 | 3,414.3 | - | - | (945.5) | 2,468.8 |
| 22.01.2019 | 22.07.2020 | 2,787.1 | - | (287.7) | (470.2) | 2,029.2 |
| 22.04.2019 | 22.07.2020 | - | 2,334.7 | (265.2) | (335.0) | 1,734.5 |
| 22.07.2019 | 22.07.2020 | - | 2,065.0 | (120.2) | (275.4) | 1,669.4 |
| 21.10.2019 | 22.07.2020 | - | 792.2 | (24.4) | (88.4) | 679.4 |
| 21.01.2020 | 22.07.2020 | - | 229.6 | - | (9.1) | 220.5 |
| | | 88,788.1 | 5,421.5 | (38,226.4) | (8,334.0) | 47,649.2 |

As disclosed in Note 19, options exercised during the financial year resulted in the issuance of 44,193,335 (2020: 38,226,400) ordinary shares at exercise prices ranging from RM1.89 to RM6.09 (2020: RM1.89 to RM6.09) each and the weighted average share price at the date of exercise was ranging from RM7.61 to RM17.68 (2020: RM4.88 to RM6.83) each.

In the previous financial year, the fair value of ESOS granted 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 were as follows:

| | 2020 |
|---|---|
| Weighted average fair value of ESOS (RM) | 0.67 |
| Weighted average share price (RM) | 5.16 |
| Weighted average exercise price (RM) | 4.90 |
| Expected volatility (%) | 21.02 - 31.60 |
| Expected life (years) | 1 |
| Risk free rate (%) | 3.39 - 3.57 |
| Expected dividend yield (%) | 1.38 - 1.87 |

The expected volatility was based on assumptions that the historical volatility was 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.

## 21. LOANS AND BORROWINGS

| Group | Effective interest rate per annum | Short-term borrowings within 1 year RM'000 | Long Term Borrowings: 1 to 2 years RM'000 | 2 to 3 years RM'000 | 3 to 4 years RM'000 | 4 to 5 years RM'000 | Sub-total RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | | |
| **Variable rate instruments** | | | | | | | | |
| **Secured** | | | | | | | | |
| Term loans | | | | | | | | |
| - United States Dollar | 1.05% - 2.77% | 92,913 | 100,149 | 83,306 | 56,081 | 10,605 | 250,141 | 343,054 |
| **2020** | | | | | | | | |
| **Variable rate instruments** | | | | | | | | |
| **Unsecured** | | | | | | | | |
| Trade loans | | | | | | | | |
| - United States Dollar | 2.05% - 2.85% | 14,549 | - | - | - | - | - | 14,549 |
| **Secured** | | | | | | | | |
| Term loans | | | | | | | | |
| - United States Dollar | 2.85% - 4.25% | 70,867 | 64,662 | 61,138 | 43,527 | 19,245 | 188,572 | 259,439 |
| | | 85,416 | 64,662 | 61,138 | 43,527 | 19,245 | 188,572 | 273,988 |



Annual Report 2021
Hartalega Holdings Berhad

## 22. LEASE LIABILITIES

| | Group 2021 RM'000 | Group 2020 RM'000 |
|---|---|---|
| Lease liabilities payments: | | |
| - not later than 1 year | 1,709 | 1,941 |
| - later than 1 year and not later than 5 years | 2,207 | 2,830 |
| | 3,916 | 4,771 |
| Future finance charges on lease liabilities | | |
| - not later than 1 year | (88) | (111) |
| - later than 1 year and not later than 5 years | (80) | (116) |
| | (168) | (227) |
| Principal amount relating to lease liabilities | 3,748 | 4,544 |
| Principal amount relating to lease liabilities: | | |
| - not later than 1 year | 1,621 | 1,830 |
| - later than 1 year and not later than 5 years | 2,127 | 2,714 |
| | 3,748 | 4,544 |

## 23. TRADE AND OTHER PAYABLES

| | Group 2021 RM'000 | Group 2020 RM'000 | Company 2021 RM'000 | Company 2020 RM'000 |
|---|---|---|---|---|
| **Trade** | | | | |
| Trade payables | 183,236 | 112,124 | - | - |
| **Non-trade** | | | | |
| Other payables | 713,052 | 68,782 | 2 | 3 |
| Accruals | 194,990 | 92,968 | 208 | 80 |
| | 908,042 | 161,750 | 210 | 83 |
| | 1,091,278 | 273,874 | 210 | 83 |

**Trade payables**

The normal trade credit terms granted to the Group range from 30 to 90 days (2020: 30 to 90 days).

Trade payables denominated in foreign currency are as follows:

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| United States Dollar | 93,986 | 43,768 |

**Other payables**

Included in other payables of the Group is an amount of RM658,371,458 and RM19,075,349 (2020: RM22,762,151 and RM21,689,834) in respect of advance payments received from customers and balances owing to contractors for the construction and set up of new production plant and machinery. Included in accruals of the Group is an amount of RM51,374,867 (2020: RM46,487,070) in respect of and accrued expenses for natural gas and purchase of raw materials.

Other payables denominated in foreign currency are as follows:

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| United States Dollar | 669,390 | 29,321 |

## 24. 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 subsidiaries arose from advances amounting to RM757,450,633 (2020: RM787,433,806) which bear interest rates ranging from 2.00% - 2.65% (2020: 2.65%) per annum and is not expected to be repaid within the next 12 months.

The current portion of amount owing by subsidiaries are non-trade in nature, unsecured and are repayable on demand.

**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 | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Received and receivable from subsidiaries: | | |
| - Dividend income | 1,000,274 | 236,189 |
| - Interest income | 16,557 | 20,924 |





**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 | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Directors' fees | 1,446 | 1,178 | 1,278 | 1,010 |
| Short term employee benefits | 9,334 | 9,763 | 36 | 29 |
| Post-employment benefits | 864 | 846 | - | - |
| Estimated monetary value of benefits-in-kind* | 67,757 | 18,732 | - | - |
| | 79,401 | 30,519 | 1,314 | 1,039 |

*Not recognised in the consolidated financial statements.

## 25. DIVIDENDS

| | Group/Company | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Third interim single tier exempt dividend of 1.9 sen per share in respect of the financial year ended 31 March 2019 | - | 63,577 |
| Final single tier exempt dividend of 1.9 sen per share in respect of the financial year ended 31 March 2019 | - | 63,840 |
| First interim single tier exempt dividend of 1.8 sen per share in respect of the financial year ended 31 March 2020 | - | 60,699 |
| Second interim single tier exempt dividend of 1.8 sen per share in respect of the financial year ended 31 March 2020 | - | 60,871 |
| Third interim single tier exempt dividend of 2.05 sen per share in respect of the financial year ended 31 March 2020 | 69,454 | - |
| Final single tier exempt dividend of 2.1 sen per share in respect of the financial year ended 31 March 2020 | 71,980 | - |
| First interim single tier exempt dividend of 3.85 sen per share in respect of the financial year ended 31 March 2021 | 131,963 | - |
| Second interim single tier exempt dividend of 9.65 sen per share in respect of the financial year ended 31 March 2021 | 330,764 | - |
| | 604,161 | 248,987 |

On 4 May 2021, the directors declared a third interim single tier exempt dividend of 17.70 sen per share amounting to RM605,307,585 in respect of the financial year ended 31 March 2021. The said dividend was paid on 9 June 2021.

The directors recommended a final single tier exempt dividend of 19.75 sen per share amounting to RM 674,948,718 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 paid and final dividend proposed. Such dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ended 31 March 2021.

## 26. CAPITAL COMMITMENT

In respect of acquisition of property, plant and equipment:

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Approved and contracted for | 1,225,439 | 541,564 |

## 27. 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 Chief Executive Officer of the Group 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 | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| North America | 3,207,124 | 1,498,442 |
| Europe | 1,931,528 | 739,654 |
| Asia (excluding Malaysia) | 1,015,445 | 471,900 |
| Australia | 296,314 | 99,190 |
| South America | 133,578 | 56,795 |
| Middle East | 49,342 | 34,117 |
| Malaysia | 31,175 | 12,663 |
| Russia | 20,063 | 4,470 |
| Africa | 18,916 | 7,082 |
| | 6,703,485 | 2,924,313 |





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

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Malaysia | 2,447,772 | 2,223,404 |
| North America | - | 59 |
| Australia | 154 | 191 |
| China | 193 | 305 |
| India | 407 | 473 |
| | 2,448,526 | 2,224,432 |

**Information about major customers**

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

| | Group | | |
|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | Geographical location |
| Customer A | 1,647,143 | 865,091 | North America |

## 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 | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | RM'000 | % of total | RM'000 | % of total |
| **By country:** | | | | |
| United States of America | 547,152 | 56.2 | 204,011 | 47.5 |
| Germany | 104,877 | 10.8 | 46,564 | 10.8 |
| United Kingdom | 61,734 | 6.3 | 23,889 | 5.6 |
| Australia | 39,938 | 4.1 | 14,209 | 3.3 |
| Netherlands | 34,923 | 3.6 | 18,299 | 4.3 |
| Spain | 34,436 | 3.5 | 7,485 | 1.7 |
| Others | 151,339 | 15.5 | 115,438 | 26.8 |
| | 974,399 | 100.0 | 429,895 | 100.0 |

At the reporting date, approximately 43.85% (2020: 41.5% of the Group's trade receivables was due from two (2020: three) major customers. Trade receivable balances from those major customers amounted to RM427,288,562 (2020: RM178,412,629).

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 RM343,053,591 (2020: RM273,987,418) representing the outstanding borrowings of subsidiaries guaranteed by the Company at the reporting date. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

i. The subsidiary is unlikely to pay its credit obligation to the bank in full; or

ii. The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.





**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.

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'000 | Contractual cash flows RM'000 | On demand or within 1 year RM'000 | 1 to 2 years RM'000 | 2 to 5 years RM'000 |
|---|---|---|---|---|---|
| **2021** | | | | | |
| **Group** | | | | | |
| **Financial liabilities:** | | | | | |
| Trade and other payables | 1,091,278 | 1,091,278 | 1,091,278 | - | - |
| Lease liabilities | 3,748 | 3,916 | 1,709 | 1,036 | 1,171 |
| Loans and borrowings | 343,054 | 352,316 | 95,422 | 102,853 | 154,041 |
| | 1,438,080 | 1,447,510 | 1,188,409 | 103,889 | 155,212 |
| **Company** | | | | | |
| **Financial liabilities:** | | | | | |
| Trade and other payables | 210 | 210 | 210 | - | - |
| **2020** | | | | | |
| **Group** | | | | | |
| **Financial liabilities:** | | | | | |
| Trade and other payables | 273,874 | 273,874 | 273,874 | - | - |
| Lease liabilities | 4,544 | 4,771 | 1,941 | 1,253 | 1,577 |
| Loans and borrowings | 273,988 | 280,993 | 87,329 | 66,407 | 127,257 |
| | 552,406 | 559,638 | 363,144 | 67,660 | 128,834 |
| **Company** | | | | | |
| **Financial liabilities:** | | | | | |
| Trade and other payables | 83 | 83 | 83 | - | - |

The table below summarises the maturity profile of the Group's derivative financial liabilities as at 31 March 2021 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'000 | Contractual cash flows RM'000 | Within 1 month RM'000 | 1 to 12 months RM'000 |
| **2021** | | | | |
| **Financial liabilities** | | | | |
| Forward foreign currency contracts | 74,548 | 74,548 | 13,243 | 61,305 |
| **2020** | | | | |
| **Financial liabilities** | | | | |
| Forward foreign currency contracts | 39,008 | 39,008 | 4,450 | 34,558 |

**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 amounting to RM343,053,591 (2020: RM273,987,418) 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.

Sensitivity analysis for interest rate risk

At the reporting date, a change of 75 (2020: 75) basis points in interest rates, with all other variables held constant, would decrease/increase the equity and profit after tax of the Group by approximately RM1,955,405 (2020: RM1,561,728), 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, Renminbi ("RMB") and Indian Rupee ("Rs") are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

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

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| USD/RM - strengthened 5% | 10,082 | 2,945 |
| - weakened 5% | (10,082) | (2,945) |

## 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 trade and other payables**

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. Amount owing by subsidiaries**

The fair value of the long-term financial asset is determined by the present value of future cash flows estimated and discounted using the current interest rates for similar instruments at the end of the reporting period. There is no material difference between the fair value and carrying value of the asset at the end of the reporting period.

**iii. 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).

**iv. Lease liabilities and borrowings**

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

| | Group | |
|---|---|---|
| | Carrying amount RM'000 | Fair value RM'000 |
| **2021** | | |
| **Financial Liabilities** | | |
| Lease liabilities | 3,748 | 3,916 |
| Loans and borrowings | 343,054 | 352,316 |
| **2020** | | |
| **Financial Liabilities** | | |
| Lease liabilities | 4,544 | 4,771 |
| Loans and borrowings | 273,988 | 280,993 |

## 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'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 |
| **2021** | | | | |
| Derivative financial instruments | | | | |
| - foreign currency forward contracts | (74,548) | - | (74,548) | - |
| **2020** | | | | |
| Derivative financial instruments | | | | |
| - foreign currency forward contracts | (39,008) | - | (39,008) | - |

During the financial years ended 31 March 2021 and 2020, 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'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 |
| **2021** | | | | |
| **Financial Liabilities** | | | | |
| Lease liabilities | 3,916 | - | - | 3,916 |
| Loans and borrowings | 352,316 | - | - | 352,316 |
| **2020** | | | | |
| **Financial Liabilities** | | | | |
| Lease liabilities | 4,771 | - | - | 4,771 |
| Loans and borrowings | 280,993 | - | - | 280,993 |

The fair values of lease liabilities and loans and borrowings, which are estimated using discounted cash flow analysis, based on current lending rate for similar types of lease and borrowing arrangements.

## 31. CATEGORY OF FINANCIAL INSTRUMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| **Financial assets** | | | | |
| **FVTPL:** | | | | |
| Short-term investments | 1,739,585 | 125,409 | 785,391 | 120,565 |
| **At amortised costs:** | | | | |
| Trade receivables and other receivables | 1,078,502 | 469,889 | 23,092 | 223 |
| Amount owing by subsidiaries | - | - | 757,667 | 787,459 |
| Cash and bank balances | 929,156 | 179,752 | 3,827 | 833 |
| **Financial liabilities** | | | | |
| **FVTPL:** | | | | |
| Derivative financial liabilities | 74,548 | 39,008 | - | - |
| **At amortised costs:** | | | | |
| Trade and other payables | 1,091,278 | 273,874 | 210 | 83 |
| Lease liabilities | 3,748 | 4,544 | - | - |
| Loans and borrowings | 343,054 | 273,988 | - | - |

## 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. The Board of Directors has announced a policy to distribute a minimum of 60% of the Group annual net profit to its shareholders effective from the financial year ended 31 March 2018.

No changes were made in the objectives, policies and processes since the financial year ended 31 March 2020.

As at 31 March 2021, the total capital managed by the Group which comprises shareholders' equity, amounted to RM4,974,899,840 (2020: RM2,539,798,790).

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 2021 and 2020, which are within the Group's and the Company's objectives of capital management are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Cash, bank balances and short-term investments | 2,668,741 | 305,161 | 789,218 | 121,398 |
| Less: Total interest bearing borrowings | (343,054) | (273,988) | - | - |
| Total net cash | 2,325,687 | 31,173 | 789,218 | 121,398 |
| Total equity | 4,999,112 | 2,543,123 | 2,127,634 | 1,571,499 |
| Gearing ratio (%) | N/A | N/A | N/A | N/A |





# Additional Compliance Information

**A. Utilisation of Proceeds Raised from Corporate Proposals**

During the financial year ended 31 March 2021, there were no proceeds raised from any corporate proposals.

**B. 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 2021 is set out on page 158 of the Annual Report.

**C. Audit and Non-Audit Fees**

The amount of audit and non-audit fees paid/payable by the Company and the Group for services rendered by the external auditor, Deloitte PLT and its affiliates in respect of the financial year ended 31 March 2021 is set out under Note 5(a), page 135 of the Annual Report.

**D. Material Contracts and Contracts Relating to Loan**

During the financial year under review, there were no material contracts and/or contracts relating to loan entered into by the Company and/or its subsidiaries, involving the interests of the Directors and substantial shareholders.

# List of Properties

## AS AT 31 MARCH 2021

| Location Address | Existing Use | Approximate Age of Building | Tenure | Date of Acquisition | Area (m²) | NBV (RM'000) |
|---|---|---|---|---|---|---|
| GRN 193487, Lot 4864<br>Pekan Bestari Jaya<br>Daerah Kuala Selangor<br>Selangor Darul Ehsan | Factory and office building | Between 14 to 26 years | Freehold | 1995 to 2007 | 30,641 (build-up area) | 23,849 |
| H.S.(D) 276179, P.T. No. 7320<br>Pekan Bestari Jaya<br>Daerah Kuala Selangor<br>Selangor Darul Ehsan | Factory and office building | Between 10 to 15 years | Freehold | 2006 to 2011 | 41,736 (build-up area) | 46,431 |
| H.S.(D) 279954, P.T. No. 7321<br>Seksyen 4, Pekan Bestari Jaya<br>Daerah Kuala Selangor<br>Selangor Darul Ehsan | Factory and office building | 8 years | Freehold | 2013 | 31,948 (build-up area) | 50,893 |
| H.S.(D) 36055, P.T. No. 5785<br>Mukim of Labu<br>Daerah Sepang<br>Selangor Darul Ehsan | Factory and office building | Between 2 to 6 years | Leasehold expiring on 9 October 2110 | 2015 to 2019 | 234,580 (build-up area) | 433,948 |
| GRN 193487, Lot 4864<br>Pekan Bestari Jaya<br>Daerah Kuala Selangor<br>Selangor Darul Ehsan | Industrial land | N/A | Freehold | 1993 to 2001 | 43,158 | 4,901 |
| H.S.(D) 276179, P.T. No. 7320<br>Pekan Bestari Jaya<br>Daerah Kuala Selangor<br>Selangor Darul Ehsan | Industrial land | N/A | Freehold | 2006 to 2007 | 57,987 | 10,031 |
| H.S.(D) 279954, PT 7321<br>Seksyen 4, Pekan Bestari Jaya<br>Daerah Kuala Selangor<br>Selangor Darul Ehsan | Industrial land | N/A | Freehold | 2010 to 2011 | 45,220 | 11,671 |
| H.S.(D) 36055, P.T. No. 5785<br>Mukim of Labu<br>Daerah Sepang<br>Selangor Darul Ehsan | Industrial land | N/A | Leasehold expiring on 9 October 2110 | 2013 | 384,449 | 89,850 |
| H.S.(D) 36056, P.T. No. 5786<br>Mukim of Labu<br>Daerah Sepang<br>Selangor Darul Ehsan | Agriculture land | N/A | Leasehold expiring on 9 October 2110 | 2013 | 68,800 | 3,596 |
| H.S.(D) 36055, P.T. No. 5785<br>Mukim of Labu<br>Daerah Sepang<br>Selangor Darul Ehsan | Hostel building | Between 2 to 6 years | Leasehold expiring on 9 October 2110 | 2015 to 2019 | 75,146 (build-up area) | 83,407 |



Annual Report 2021
Hartalega Holdings Berhad

# Analysis of Shareholdings

**AS AT 21 JUNE 2021**

Number of Total Issued and Paid Up Share Capital : 3,427,606,863 ordinary shares
Class of Shares : Ordinary Share
Voting Rights : One vote per ordinary share
Number of Shareholders : 30,266

**DISTRIBUTION OF SHAREHOLDINGS**

| Size of Holdings | No. of Holders | No. of Shares | % |
|---|---|---|---|
| Less than 100 | 289 | 6,397 | 0.00 |
| 100 - 1,000 | 14,455 | 8,359,108 | 0.24 |
| 1,001 - 10,000 | 11,717 | 42,856,151 | 1.25 |
| 10,001 - 100,000 | 2,817 | 86,656,531 | 2.53 |
| 100,001 to 171,380,342 (*) | 985 | 1,579,372,702 | 46.08 |
| 171,380,343 and above(**) | 3 | 1,710,355,974 | 49.90 |
| | **30,266** | **3,427,606,863** | **100** |

Remark: * Less than 5% of issued holdings
** 5% and above of issued holdings



Annual Report 2021
Hartalega Holdings Berhad

**SUBSTANTIAL SHAREHOLDERS**

The following are the substantial shareholders of the Company according to the Register of Substantial Shareholders.

| Name of Shareholder | No. of Shares | % |
|---|---|---|
| Hartalega Industries Sdn Bhd | 1,175,317,618 | 34.29 |
| Budi Tenggara Sdn Bhd | 294,917,656 | 8.60 |
| Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board | 240,120,700 | 7.01 |

**DIRECTORS' SHAREHOLDINGS**

| | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|
| Name of Shareholder | No. of Shares | % | No. of Shares | % |
| Kuan Kam Hon @ Kwan Kam Onn | 100,284,462 | 2.93 | 1,482,523,754*^#+ | 43.25 |
| Kuan Mun Leong | 15,954,000 | 0.47 | - | - |
| Kuan Mun Keng | 10,900,800 | 0.32 | - | - |
| Dato' Tan Guan Cheong | 240,000 | 0.01 | 140,000 | 0.00 |
| Razman Hafidz bin Abu Zarim | - | - | - | - |
| Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria | - | - | - | - |
| Datuk Seri Nurmala binti Abd Rahim | - | - | - | - |
| Datuk Loo Took Gee | 10,000 | 0.00 | - | - |

* Deemed interest through his shareholding in 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.
# Indirect Interest shares held through spouse/children of the director who herself/himself is not the director of the Company.
+ Deemed interest through his shareholding in Yayasan Hartalega by virtue of Section 197 of Companies Act 2016.

Annual Report 2021
Hartalega Holdings Berhad

**30 LARGEST SHAREHOLDERS AS AT 21 JUNE 2021**

| No. | Name of Shareholder | No. of Shares | % |
|---|---|---|---|
| 1 | HARTALEGA INDUSTRIES SDN BHD | 1,175,317,618 | 34.29 |
| 2 | BUDI TENGGARA SDN BHD | 294,917,656 | 8.60 |
| 3 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD | 240,120,700 | 7.01 |
| 4 | KUAN KAM HON @ KWAN KAM ONN | 98,695,862 | 2.88 |
| 5 | KUMPULAN WANG PERSARAAN (DIPERBADANKAN) | 63,615,480 | 1.86 |
| 6 | KUAN KAM PENG | 61,933,000 | 1.81 |
| 7 | WONG KIN SENG @ WONG KIM SENG | 50,000,000 | 1.46 |
| 8 | CIMB GROUP NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR DBS BANK LTD (SFS-PB) | 35,100,000 | 1.02 |
| 9 | CHOW SIEW FONG | 30,790,280 | 0.90 |
| 10 | CARTABAN NOMINEES (ASING) SDN BHD<br>PAMB FOR PRULINK EQUITY FUND | 28,316,900 | 0.83 |
| 11 | KUAN EU JIN | 25,959,400 | 0.76 |
| 12 | CARTABAN NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67) | 24,177,200 | 0.71 |
| 13 | CARTABAN NOMINEES (ASING) SDN BHD<br>STATE STREET AUSTRALIA FUND REMI FOR RETAIL EMPLOYEES SUPERANNUATION TRUST | 21,530,248 | 0.63 |
| 14 | HSBC NOMINEES (ASING) SDN BHD<br>JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND | 21,057,310 | 0.61 |
| 15 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR AIA BHD | 21,034,800 | 0.61 |
| 16 | ANDY TEN | 20,680,436 | 0.60 |
| 17 | JASON TEN JHIA SEENG | 20,680,432 | 0.60 |
| 18 | KEVIN TEN | 20,640,436 | 0.60 |
| 19 | CHCSA SDN BHD | 20,000,000 | 0.58 |
| 20 | KUAN VIN SEUNG | 19,879,400 | 0.58 |
| 21 | HSBC NOMINEES (ASING) SDN BHD<br>JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND | 18,960,394 | 0.55 |
| 22 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1) | 17,756,180 | 0.52 |
| 23 | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC ISLAMIC DIVIDEND FUND | 16,887,600 | 0.49 |
| 24 | KINETIC REGION SDN BHD | 16,306,880 | 0.48 |
| 25 | TAN BOOI CHARN | 15,974,000 | 0.47 |
| 26 | KUAN MUN LEONG | 15,954,000 | 0.47 |
| 27 | HSBC NOMINEES (ASING) SDN BHD<br>BPSS SYD FOR NORTHCAPE CAPITAL GLOBAL EMERGING MARKETS FUND | 15,950,888 | 0.47 |
| 28 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240) | 15,000,000 | 0.44 |
| 29 | CARTABAN NOMINEES (ASING) SDN BHD<br>GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C) | 13,236,700 | 0.39 |
| 30 | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC ISLAMIC EQUITY FUND | 12,415,660 | 0.36 |

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Fifteenth (15th) Annual General Meeting of the Company will be conducted fully virtual from the online meeting platform at https://meeting.boardroomlimited.my provided by Boardroom Share Registrars Sdn Bhd on Tuesday, 7 September 2021, at 9.30 a.m. for the following purposes:

**A G E N D A**

**AS ORDINARY BUSINESS**

1. To table the Audited Financial Statements for the year ended **31 March 2021** 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 19.75 sen per share single tier for the financial year ended **31 March 2021**.

   **(Resolution 1)**

3. To approve the payment of Directors' Fees of RM1,350,000, and benefits of RM36,250, for the financial year ended **31 March 2021**.

   **(Resolution 2)**

4. To approve the payment of Directors' Fees of up to RM1,980,000 and benefits of up to RM53,500, from 1 April 2021 until the next Annual General Meeting.

   **(Resolution 3)**

5. To re-elect the following Directors retiring in accordance with Clause 91 of the Constitution of the Company:

   **a.** Mr. Kuan Mun Keng **(Resolution 4)**

   **b**. Dato' Tan Guan Cheong **(Resolution 5)**

   **c**. Mr. Razman Hafidz bin Abu Zarim **(Resolution 6)**

6. To re-appoint 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 Constitution 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 Constitution 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 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 Constitution of the Company, the Main Market Listing Requirements of Bursa Securities and all other relevant statutory and/or regulatory requirements."

**(Resolution 9)**

**9. ORDINARY RESOLUTION - AUTHORITY TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

"THAT Dato' Tan Guan Cheong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company."

**(Resolution 10)**

**NOTICE OF DIVIDEND ENTITLEMENT**

**NOTICE IS ALSO HEREBY GIVEN** that a final dividend of 19.75 sen per share single tier for the financial year ended 31 March 2021, if approved, will be paid on 8 October 2021, to depositors registered in the Record of Depositors at the close of business on 24 September 2021.

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 24 September 2021, 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) (SSM PC No.: 202008003554)**
**WONG YOUN KIM (F) (MAICSA 7018778) (SSM PC No.: 201908000410)**
**LEE CHIN WEN (F) (MAICSA 7061168) (SSM PC No.: 202008001901)**
Company Secretaries

30 July 2021

**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. There shall be no restriction as to the qualification of the proxy.

**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 Securities Commission Malaysia had on 16 July 2021, revised the Guidance Note and Frequently Asked Questions ("FAQ") on the conduct of General Meetings for Listed Issuers which was originally issued on 18 April 2020 ("the Revised Guidance Note and FAQ"), to require all meeting participants of a fully virtual general meeting including the Chairperson of the meeting, board members, senior management and shareholders to participate in the meeting online. Physical gatherings no matter how small are prohibited. According to the Revised Guidance Note and FAQ, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 provided that the online platform is located in Malaysia. Please follow the procedures as stipulated in the Administrative Details for the Meeting in order to register, participate and vote virtually.

**7.** 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 Share Registrar, Boardroom Share Registrar Sdn Bhd at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or via electronic means through the Boardroom Smart Investor Portal at https://investor.boardroomlimited.com *(Please follow the procedures as stipulated in the Administrative Details)* not less than forty-eight (48) hours before the time appointed for holding of the meeting or at any adjournment thereof.

**8.** Shareholders and proxies would need to register as a user on the Boardroom Smart Investor Portal first before they can request for the Remote Participant User ID and password to virtually attend, participate, speak and vote at the above Meeting, in accordance with Administrative Details.

**9.** Only a depositor whose name appears on the Record of Depositors as at 30 August 2021 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.

**10.** Pursuant to Clause 58 of the Constitution of the Company, all resolutions set out in this Notice will be put to vote by way of poll.

**Explanatory notes on Special Business:**

**11. Resolution 8**

Ordinary Resolution - Authority to allot and issue shares pursuant to Section 75 & 76 of the Companies Act 2016

The proposed Ordinary Resolution 9 is a renewable mandate for the issue of shares under Section 75 & 76 of the Companies Act 2016. If passed, it 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 15 September 2020 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).

**12. 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 can be downloaded from our website.

**13. Resolution 10**

Ordinary Resolution - Authority to Continue in Office as Independent Non-Executive Director

In line with the Malaysian Code on Corporate Governance, the Board of Directors has assessed the independence of Dato' Tan Guan Cheong, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and the Board has recommended for him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:

**i.** Dato' Tan Guan Cheong has fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Securities, and hence, he would be able to provide an element of objectivity, independent judgement and balance to the Board;

**ii.** His length of services on the Board of more than nine (9) years does not in any way interfere with his exercise of objective judgement or his ability to act in the best interests of the Company and Group. In fact, Dato' Tan Guan Cheong has been with the Company for more than nine (9) years, is familiar with the Group's business operations and has devoted sufficient time and commitment to his role and responsibilities as an Independent Director for informed and balanced decision-making; and

**iii.** He has exercised due care during his tenure as Independent Director of the Company and has discharged his duties with reasonable skill and competence, bringing independent judgement and depth into the Board's decision-making in the interest of the Company and its shareholders.

**Personal Data Policy**

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.





# 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 in accordance with Clause 91 of the Constitution of the Company at the Annual General Meeting of the Company are as follows:

**a.** Mr. Kuan Mun Keng **(Resolution 4)**

**b.** Dato' Tan Guan Cheong **(Resolution 5)**

**c.** Mr. Razman Hafidz bin Abu Zarim **(Resolution 6)**

**2.** The detailed profiles of the above Directors who are standing for re-election are set out in the Directors' Profiles set out on pages 20 to 24 of the Annual Report and their securities holdings in the Company are set out in the Analysis of Shareholdings on page 172 to 175.

**3.** Board Meetings held in the financial year ended 31 March 2021

There were Six (6) Board Meetings held during the financial year ended 31 March 2021. Details of the attendance of the Directors are as follows:

| Directors | Attendance |
|---|---|
| MR. KUAN KAM HON @ KWAN KAM ONN | 6/6 |
| MR. KUAN MUN LEONG | 6/6 |
| MR. KUAN MUN KENG | 6/6 |
| DATO' TAN GUAN CHEONG | 6/6 |
| MR. RAZMAN HAFIDZ BIN ABU ZARIM | 6/6 |
| TAN SRI DATUK DR. REBECCA FATIMA STA. MARIA | 6/6 |
| DATUK SERI NURMALA BINTI ABD RAHIM | 6/6 |
| DATUK LOO TOOK GEE | 6/6 |

**4.** Place, Date and Time of Meeting

The Fifteenth (15th) Annual General Meeting of the Company will be conducted fully virtual from the online meeting platform at https://meeting.boardroomlimited.my provided by Boardroom Share Registrars Sdn Bhd on Tuesday, 7 September 2021, at 9.30 a.m.

This page is intentionally left blank

# PROXY FORM

Hartalega

**HARTALEGA HOLDINGS BERHAD**
**Registration No. 200601022130 (741883-X)**
(Incorporated in Malaysia)

*I/*We .....
*(Full Name in Block Capitals)*

of.....
*(Address)*

Mobile Number:.....Email Address:.....

being a member/members of Hartalega Holdings Berhad, hereby appoint:

1) Name of proxy:.....NRIC No: .....
*(Full Name in Block Capitals)*

Address:..... No. of shares represented:.....

Mobile Number:.....Email Address:.....

2) Name of proxy:.....NRIC No: .....
*(Full Name in Block Capitals)*

Address:..... No. of shares represented:.....

Mobile Number:.....Email Address:.....

or, *the Chairman of the Meeting as *my/*our proxy to vote for *me/*us on *my/*our behalf at the **Fifteenth (15th) Annual General Meeting** of **Hartalega Holdings Berhad** to be conducted fully virtual from the online meeting platform at https://meeting.boardroomlimited.my provided by Boardroom Share Registrars Sdn Bhd on Tuesday, 7 September 2021, 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 19.75 sen per share single tier. | | |
| 2 | To approve the payment of Directors' Fees of RM1,350,000, and benefits of RM36,250, for the financial year ended 31 March 2021. | | |
| 3 | To approve the payment of Directors' Fees of up to RM1,980,000 and benefits of up to RM53,500, from 1 April 2021 until the next Annual General Meeting. | | |
| 4 | To re-elect Mr. Kuan Mun Keng as Director | | |
| 5 | To re-elect Dato' Tan Guan Cheong as Director | | |
| 6 | To re-elect Mr. Razman Hafidz bin Abu Zarim as Director | | |
| 7 | To re-appoint DELOITTE PLT (LLP0010145-LCA) (AF0080) as Auditors of the Company and to authorise the Directors to determine their remuneration. | | |
| 8 | **Special Business** - Authority to Issue Shares Pursuant to Section 75 and 76 of the Companies Act 2016. | | |
| 9 | **Special Business** - Authority for purchase of own shares by the Company | | |
| 10 | **Special Business** - Authority to continue in office, Dato' Tan Guan Cheong as Independent Non-Executive Director | | |

*(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.)*

Dated this _____ day of _____ 2021

| | |
|---|---|
| Number of shares held | |
| CDS Account No. | |

Signature / Seal of Shareholders: _____
[*Delete if not applicable]

*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. There shall be no restriction as to the qualification of the proxy.*
*(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 Securities Commission Malaysia had on 16 July 2021, revised the Guidance Note and Frequently Asked Questions ("FAQ") on the conduct of General Meetings for Listed Issuers which was originally issued on 18 April 2020 ("the Revised Guidance Note and FAQ") to require all meeting participants of a fully virtual general meeting including the Chairperson of the meeting, board members, senior management and shareholders to participate in the meeting online. Physical gatherings no matter how small are prohibited. According to the Revised Guidance Note and FAQ, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 provided that the online platform is located in Malaysia. Please follow the procedures as stipulated in the Administrative Details for the Meeting in order to register, participate and vote virtually.*
*(7) 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 Share Registrar, Boardroom Share Registrar Sdn Bhd at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or via electronic means through the Boardroom Smart Investor Portal at https://investor.boardroomlimited.com (Please follow the procedures as stipulated in the Administrative Details) not less than forty-eight (48) hours before the time appointed for holding of the meeting or at any adjournment thereof.*
*(8) Shareholders and proxies would need to register as a user on the Boardroom Smart Investor Portal first before they can request for the Remote Participant User ID and password to virtually attend, participate, speak and vote at the above Meeting, in accordance with Administrative Details.*
*(9) Only a depositor whose name appears on the Record of Depositors as at 30 August 2021 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.*
*(10) Pursuant to Clause 58 of the Constitution of the Company, all resolutions set out in this Notice will be put to vote by way of poll.*

***Personal Data Policy***
*By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.*

fold here

Stamp

**HARTALEGA HOLDINGS BERHAD**
**Registration No. 200601022130 (741883-X)**

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200, Petaling Jaya
Selangor Darul Ehsan

fold here

Hartalega

## Corporate Office

C-G-9, Jalan Dataran SD1
Dataran SD, PJU 9
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
Kawasan Perindustrian Tanjung
43900 Sepang
Selangor Darul Ehsan, Malaysia

**www.hartalega.com.my**