

HARTALEGA HOLDINGS BERHAD

Registration No. 200601022130 (741883-X)

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the second quarter ended 30 September 2023

	Current Quarter Ended 30 Sep 2023 RM'000	Corresponding Quarter Ended 30 Sep 2022 RM'000	Current Year-To-Date 30 Sep 2023 RM'000	Corresponding Year-To-Date 30 Sep 2022 RM'000
Revenue	452,085	584,562	892,123	1,430,235
Operating expenses	(436,163)	(541,007)	(895,499)	(1,234,080)
Operating profit/(loss)	<u>15,922</u>	<u>43,555</u>	<u>(3,376)</u>	<u>196,155</u>
Other operating income/(expenses)	21,843	(4,519)	(1,403)	(21,828)
Profit/(Loss) before interest and tax	<u>37,765</u>	<u>39,036</u>	<u>(4,779)</u>	<u>174,327</u>
Finance costs	(2,216)	(1,722)	(4,409)	(2,875)
Profit/(Loss) before tax	<u>35,549</u>	<u>37,314</u>	<u>(9,188)</u>	<u>171,452</u>
Taxation	(6,666)	(7,874)	(13,099)	(51,127)
Net profit/(loss) for the period	<u>28,883</u>	<u>29,440</u>	<u>(22,287)</u>	<u>120,325</u>
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation difference for foreign operations	(3,970)	(510)	2,262	(5,588)
Total comprehensive income/(loss) for the period	<u>24,913</u>	<u>28,930</u>	<u>(20,025)</u>	<u>114,737</u>
Profit/(Loss) attributable to:				
Owners of the Company	27,695	28,344	(24,774)	116,624
Non-controlling interest	1,188	1,096	2,487	3,701
	<u>28,883</u>	<u>29,440</u>	<u>(22,287)</u>	<u>120,325</u>
Total comprehensive income/(loss) attributable to:				
Owners of the Company	24,427	27,934	(22,915)	112,058
Non-controlling interest	486	996	2,890	2,679
	<u>24,913</u>	<u>28,930</u>	<u>(20,025)</u>	<u>114,737</u>
 Earnings/(Loss) per share (sen)	 0.81	 0.83	 (0.72)	 3.41

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2023 and the accompanying notes attached to this interim financial report.)

HARTALEGA HOLDINGS BERHAD

Registration No. 200601022130 (741883-X)

Condensed Consolidated Statement of Financial Position as at 30 September 2023

	<i>Unaudited At 30 Sep 2023 RM'000</i>	<i>Audited At 31 Mar 2023 RM'000</i>
ASSETS		
Non current assets		
Property, Plant & Equipment	1,898,642	1,943,114
Capital work in progress	1,005,925	951,864
Intangible assets	39,107	42,614
Right-of-use assets	21,167	4,681
Deferred tax assets	2,298	2,251
	<u>2,967,139</u>	<u>2,944,524</u>
Current assets		
Inventories	243,487	232,390
Trade receivables	166,362	200,156
Other receivables, deposits and prepayments	120,777	123,309
Tax assets	78,456	80,070
Derivatives financial assets	1,927	-
Cash and cash equivalents	1,638,138	1,724,468
	<u>2,249,147</u>	<u>2,360,393</u>
TOTAL ASSETS	<u>5,216,286</u>	<u>5,304,917</u>
EQUITY AND LIABILITIES		
Share capital	1,692,061	1,692,061
Reserves	2,925,085	2,948,000
Equity attributable to owners of the Company	<u>4,617,146</u>	<u>4,640,061</u>
Non-controlling interests	<u>21,192</u>	<u>18,302</u>
Total Equity	<u>4,638,338</u>	<u>4,658,363</u>
Non current liabilities		
Loans and borrowings	22,644	62,302
Lease liabilities	1,119	1,979
Deferred tax liabilities	227,950	228,152
	<u>251,713</u>	<u>292,433</u>
Current liabilities		
Trade payables	42,450	88,645
Other payables and accruals	170,412	164,104
Loans and borrowings	89,887	87,269
Lease liabilities	20,231	2,848
Derivatives financial liabilities	-	80
Tax liabilities	3,255	11,175
	<u>326,235</u>	<u>354,121</u>
Total Liabilities	<u>577,948</u>	<u>646,554</u>
TOTAL EQUITY AND LIABILITIES	<u>5,216,286</u>	<u>5,304,917</u>
Net assets per share attributable to the owners of the Company (RM)	1.35	1.36

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2023 and the accompanying notes attached to this interim financial report.)

HARTALEGA HOLDINGS BERHAD

Registration No. 200601022130 (741883-X)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the second quarter ended 30 September 2023

	←	Attributable to Owners of the Company				→	
	<i>Share Capital RM'000</i>	<i>Treasury Shares RM'000</i>	<i>Translation Reserve RM'000</i>	<i>Retained Profits RM'000</i>	<i>Sub Total RM'000</i>	<i>Non-controlling Interest RM'000</i>	<i>Total Equity RM'000</i>
6 Months Ended 30 September 2023							
Balance as at 1 April 2023	1,692,061	(97,474)	(2,135)	3,047,609	4,640,061	18,302	4,658,363
Comprehensive loss							
Loss for the financial period	-	-	-	(24,774)	(24,774)	2,487	(22,287)
Other comprehensive income							
Foreign currency translation	-	-	1,859	-	1,859	403	2,262
Total comprehensive loss for the period	-	-	1,859	(24,774)	(22,915)	2,890	(20,025)
Balance as at 30 September 2023	1,692,061	(97,474)	(276)	3,022,835	4,617,146	21,192	4,638,338

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2023 and the accompanying notes attached to this interim financial report.)

HARTALEGA HOLDINGS BERHAD

Registration No. 200601022130 (741883-X)

Unaudited Condensed Consolidated Statement of Changes in Equity For the second quarter ended 30 September 2023

	← Attributable to Owners of the Company →					Non-controlling	Total
	Share Capital RM'000	Treasury Shares RM'000	Translation Reserve RM'000	Retained Profits RM'000	Sub Total RM'000	Interest RM'000	Equity RM'000
6 Months Ended 30 September 2022							
Balance as at 1 April 2022	1,692,061	(97,474)	4,753	3,521,967	5,121,307	23,567	5,144,874
Comprehensive income							
Profit for the financial period	-	-	-	116,624	116,624	3,701	120,325
Other comprehensive loss							
Foreign currency translation	-	-	(4,566)	-	(4,566)	(1,022)	(5,588)
Total comprehensive income for the period	-	-	(4,566)	116,624	112,058	2,679	114,737
Transaction with owners							
Dividends	-	-	-	(239,222)	(239,222)	-	(239,222)
Total transaction with owners	-	-	-	(239,222)	(239,222)	-	(239,222)
Balance as at 30 September 2022	1,692,061	(97,474)	187	3,399,369	4,994,143	26,246	5,020,389

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2023 and the accompanying notes attached to this interim financial report.)

HARTALEGA HOLDINGS BERHAD

Registration No. 200601022130 (741883-X)

Unaudited Condensed Consolidated Statement of Cash Flows

For the second quarter ended 30 September 2023

	Current Year-To-Date 30 Sep 2023 RM'000	Corresponding Year-To-Date 30 Sep 2022 RM'000
Cash Flows from Operating Activities		
(Loss)/Profit before tax	(9,188)	171,452
Adjustments for:		
Depreciation and amortisation	65,279	80,874
Income from fixed income fund	-	(502)
Interest received	(31,344)	(11,275)
Interest expense	4,409	2,875
Other adjustments	2,971	24,466
Operating profit before changes in working capital	32,127	267,890
Changes in working capital		
Net change in inventories	(11,097)	115,875
Net change in receivables	38,038	82,291
Net change in payables	(39,890)	(109,911)
Cash generated from operations	19,178	356,145
Tax paid	(19,241)	(282,984)
Net cash from operating activities	(63)	73,161
Cash Flows used in Investing Activities		
Proceeds from disposal of property, plant and equipment	456	729
Addition to:		
Property, plant and equipment	(2,412)	(3,550)
Capital work-in-progress	(66,260)	(168,249)
Income received from fixed income fund	-	502
Interest received	31,344	11,275
Net cash used in investing activities	(36,872)	(159,438)
Cash Flows used in Financing Activities		
Draw down of term loan	-	-
Repayment of term loan	(45,117)	(50,398)
Repayment of lease liabilities	(1,861)	(1,064)
Net change in bank borrowings	-	-
Interest paid	(4,253)	(2,807)
Dividend paid	-	(239,222)
Net cash used in financing activities	(51,231)	(293,491)
Net decrease in cash and cash equivalents	(88,166)	(379,768)
Effect of exchange rate fluctuations on cash and cash equivalents	1,836	(5,764)
Cash and cash equivalents at beginning of period	1,724,468	2,378,127
Cash and cash equivalents at end of period	1,638,138	1,992,595

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2023 and the accompanying notes attached to this interim financial report.)

Notes to the Interim financial report for the Second Quarter ended 30 September 2023**A. NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 (MFRS 134): INTERIM FINANCIAL REPORTING****A1. Basis of Preparation**

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

The significant accounting policies and methods of computation adopted in the preparation of this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 March 2023, except for the adoption of the following amendments to Malaysian Financial Reporting Standards (“MFRS”):

MFRS 17	Insurance Contracts
Amendments to:	
MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9
MFRS 17	Insurance Contracts
MFRS 17	Initial application of MFRS 27 and MFRS 9 Comparative Information
MFRS 101	Disclosure of Accounting Policies
MFRS 108	Definition of Accounting Estimates
MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

Standards and Amendments in Issue But Not Yet Effective

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

Amendments to:	
MFRS 101	Classification of Liabilities as Current or Non-current ¹
MFRS 101	Non-current Liabilities with Covenants ¹
MFRS 16	Lease Liability in a Sale and Leaseback ¹
MFRS107 and MFRS 7	Supplier Finance Arrangements ¹
MFRS 121	Lack of Exchangeability ²
MFRS10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³



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- ¹ Effective for annual periods beginning on or after 1 January 2024, with earlier application permitted.
- ² Effective for annual periods beginning on or after 1 January 2025, with earlier application permitted.
- ³ Effective date deferred to a date to be announced by MASB.

The directors anticipate that the abovementioned MFRSs and amendments to MFRSs will be adopted in the annual financial statements of the Group when they become effective. The adoption of these Standards and amendments may have an impact on the financial statements of the Group in the period of initial application. However, it is not practicable to provide a reasonable estimate of the effect from the adoption of the said MFRSs and amendments to MFRSs until the Group undertakes a detailed review.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2023 and the accompanying explanatory notes attached to this interim financial report.

A2. Auditors' Report

The auditors' report for the immediate preceding annual financial statements of the Group for the financial year ended 31 March 2023 is not subject to any qualification.

A3. Seasonal and Cyclical Factors

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

A4. Items of Unusual Nature and Amount

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

A5. Changes in Estimates of amount reported previously

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

A6. Issuances, Repurchases and Repayments of Debt and Equity Securities

As at 30 September 2023, out of the total of 3,427,606,863 issued and fully paid ordinary shares, 10,145,000 ordinary shares were held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016.

Other than the above, there were no issuance and repayments of debt and equity securities during the quarter and the financial year-to-date ended 30 September 2023.

A7. Dividends Paid

No dividend was paid by the Company during the current quarter and financial year-to-date ended 30 September 2023.

A8. Segment Information

The Group's business mainly comprises the manufacturing and sale of latex gloves and its manufacturing activities are operated solely in Malaysia. On this basis, the Chief Executive Officer reviews the operating results of the Group as a whole. Accordingly, no reportable operating segment is presented.

A9. Valuation of property, plant and equipment

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

A10. Capital Commitments

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

	30 September 2023
	RM'000
Approved and contracted for	426,732

A11. Material Events Subsequent to the End of Period Reported

There were no material events subsequent to 30 September 2023 and up to the latest practicable date 27 October 2023 that have not been reflected in the financial statements for the current quarter and financial year-to-date.

A12. Changes in the Composition of the Group

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

A13. Contingent liabilities and Contingent Assets

There were no contingent liabilities or contingent assets that had arisen since the last annual statement of financial position date.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

B1. Review of Performance of the Company and its Subsidiaries

	2nd Quarter Ended				Year-To-Date			
	30 Sep	30 Sep	Variance		30 Sep	30 Sep	Variance	
	2023	2022			2023	2022		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	452,085	584,562	(132,477)	(22.7)	892,123	1,430,235	(538,112)	(37.6)
Operating Profit /(Loss)	15,922	43,555	(27,633)	(63.4)	(3,376)	196,155	(199,531)	(101.7)
Profit /(Loss) before interest and tax	37,765	39,036	(1,271)	(3.3)	(4,779)	174,327	(179,106)	(102.7)
Profit /(Loss) before tax	35,549	37,314	(1,765)	(4.7)	(9,188)	171,452	(180,640)	(105.4)
Profit /(Loss) after tax	28,883	29,440	(557)	(1.9)	(22,287)	120,325	(142,612)	(118.5)
Profit /(Loss) attributable to ordinary equity holders of the parents	27,695	28,344	(649)	(2.3)	(24,774)	116,624	(141,398)	(121.2)

Q2 FY2024 vs Q2 FY2023

For the current quarter ended 30 September 2023 (Q2FY24), the Group registered a lower revenue of RM 452 million, a decrease of RM 132 million or 22.7% from the corresponding quarter in the preceding year (Q2FY23). The lower sales revenue for Q2FY24 was primarily attributed to lower sales volume and lower average selling price (ASP).

The Group registered a lower operating profit of RM 16 million in tandem with the drop in revenue, after offset with savings arising from lower operating costs. Nevertheless, the Group registered a higher profit before tax margin in Q2FY24 of 7.9% as compared to 6.4% in Q2FY23, mainly due to foreign exchange gain and higher interest income.

6M FY2024 vs 6M FY2023

For the 6 months ended 30 September 2023 (6MFY24), the Group registered a lower revenue of RM 892 million, a decrease of RM 538 million or 37.6% from the corresponding period in the preceding year (6MFY23). The Group recorded a loss before tax of RM 9 million as compared to a profit before tax (PBT) of RM 171 million in 6MFY23. The decrease was mainly due to lower sales volume by 27% as well as lower ASP, after offset with lower raw material and labour costs.

The Group would have recorded a PBT of RM 38 million as compared to a PBT of RM 171 million in 6MFY23 should the one-off provision for severance pay of RM 47 million for Bestari Jaya decommissioning recognised in Q1FY24 be excluded.

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

	Current Quarter Ended 30 Sep 2023	Preceding Quarter Ended 30 Jun 2023	Variance	
	RM'000	RM'000	RM'000	%
Revenue	452,085	440,038	12,047	2.70
Operating profit/(loss)	15,922	(19,298)	35,220	182.5
Profit/(Loss) before interest and tax	37,765	(42,544)	80,309	188.8
Profit/(Loss) before tax	35,549	(44,737)	80,286	179.5
Profit/(Loss) after tax	28,883	(51,170)	80,053	156.4
Profit/(Loss) attributable to ordinary equity holders of the parents	27,695	(52,469)	80,164	152.8

Q2 FY2024 vs Q1 FY2024

Revenue for the current quarter increased by RM 12 million or 2.7% as compared to the preceding quarter (Q1FY24) mainly due to the improvement in sales volume of 8%.

Included in the loss before tax in the preceding quarter was an amount of RM 47 million in respect of the provision of severance pay. Aside from this, the Group's performance has improved as compared to the preceding quarter mainly attributable to lower raw material costs and operating costs, as well as cost savings deriving from the operational rationalisation exercise as further elaborated in note B3.

B3. Commentary on Prospects and Targets

The prevailing headwinds in the glove sector are expected to persist for the remainder of the financial year. As the market continues to adjust from global oversupply, pressure on average selling prices is likely to continue amid intense market competition. However, capacity rationalisation across key domestic manufacturers as well as exit by certain smaller players have alleviated a certain degree of oversupply pressure in the market.

Cognisant of the increasingly challenging landscape, the Group has embarked on a 5-Year Strategic Plan to strengthen business sustainability and resilience over the longer term. As announced in May 2023, the ongoing operational rationalisation exercise represents one of the key initiatives under this plan whereby the Group will decommission its Bestari Jaya facility and consolidate all its manufacturing operations at the more efficient and advanced Next Generation Integrated Glove Manufacturing Complex (NGC) in Sepang. The decommissioning of the Bestari Jaya facility is targeted to be completed by the first quarter of calendar year 2024. Upon completion, the Group expects to see improvement in operational and cost efficiencies, thus enhancing the Group's overall competitiveness and putting the Group in a better position for future market recovery.

Notwithstanding the ongoing market adjustment, glove consumption is expected to grow over the long term with increased glove usage, especially from emerging markets that have a low glove consumption base. The increase in demand could also be driven by the higher awareness of hygiene and health consciousness among healthcare practitioners post-pandemic.

Moving forward, the Group will continue to emphasise on better cost management, improve operational efficiencies and scale up automation initiatives across our operations. The Group will also strive to maintain our leading position on the social compliance and sustainability fronts through our continuous efforts in driving the ESG agenda. Looking ahead, the Group remains cautiously optimistic about the long-term prospects for the sector.

B4. Variance of Profit Forecast/Profit Guarantee

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

B5. Profit/(Loss) For The Period

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

	2nd Quarter Ended		Year-To- Date	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Interest income	15,559	9,731	31,344	11,275
Other income including investment income	2,526	1,544	3,684	6,011
Interest expense	(2,216)	(1,722)	(4,409)	(2,875)
Depreciation and amortisation	(32,704)	(40,304)	(65,279)	(80,874)
Allowance for expected credit loss on trade receivable	(2,095)	-	(2,095)	-
Reversal of allowance for inventories written down	420	-	1,227	-
Gain on disposal of investment	-	-	-	2,410
Gain on disposal of property, plant and equipment	236	80	236	339
Impairment of assets	(373)	-	(373)	-
Realised foreign exchange gain/(loss)	3,589	(18,398)	17,035	(17,013)
Unrealised foreign exchange (loss)/gain	(2,239)	(4,024)	(6,366)	(15,255)
Fair value gain/(loss) on derivatives	4,594	6,556	2,007	(9,555)

B6. Taxation

	Current quarter RM'000	Current year- to-date RM'000
Current tax expense	7,041	12,935
Deferred tax (income)/expense	(375)	164
	<u>6,666</u>	<u>13,099</u>

The effective tax rate of the Group during the quarter is disproportionate to the statutory tax rate mainly due to deferred tax assets on losses incurred by certain subsidiaries not being fully recognised.

The effective tax rate of the Group for the current year-to-date is disproportionate to the statutory tax rate mainly due to non-availability of group-relief for set off against taxable income recorded by certain subsidiaries within the Group.

B7. Status of Corporate Proposal

As at the latest practicable date, 27 October 2023, there was no corporate proposal announced and not completed in the current quarter and financial year-to-date.

B8. Group Borrowings and Debt Securities

Total Group borrowings as at 30 September 2023 are as follows:

	2 nd Quarter Ended 30 Sep 2023			2 nd Quarter Ended 30 Sep 2022		
	Foreign denomination '000		RM '000	Foreign denomination '000		RM '000
<u>Short term borrowings</u>						
Term Loans – secured	USD	19,158	<u>89,887</u>	USD	21,383	<u>99,087</u>
<u>Long term borrowings</u>						
Term Loans – secured	USD	4,826	<u>22,644</u>	USD	23,984	<u>111,141</u>
<u>Total borrowings</u>						
Term Loans – secured	USD	23,984	<u>112,531</u>	USD	45,367	<u>210,228</u>
Exchange Rate RM to USD1.00			4.69			4.63

B9. Financial Derivative Instruments

As at 30 September 2023, the outstanding foreign currency forward contracts are as follows:

Type of Derivatives	Contract/Notional Value RM'000	Fair Value Asset RM'000
Foreign Exchange Contracts Less than 1 year		
- USD denominated	825,370	1,927

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

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

During the current quarter and financial year-to-date ended 30 September 2023, the Group recognised a gain of RM 4.6 million and a gain of RM 2.0 million respectively arising from the fair value changes of the derivative financial instruments.

B10. Material Litigation

As at the latest practicable date, 27 October 2023, there were no material litigations against the Group or taken by the Group.

B11. Dividend

No dividend was proposed or declared for the current quarter under review.

B12. Earnings/(Loss) per Share

Earnings/(Loss) Per Share	Current Quarter Ended 30 Sep 2023	Corresponding Quarter Ended 30 Sep 2022	Current Year-To- Date 30 Sep 2023	Corresponding Year-To-Date 30 Sep 2022
Profit/(Loss) attributable to owners of the parent (RM'000)	27,695	28,344	(24,774)	116,624
Weighted average number of ordinary shares in issue ('000)	3,417,462	3,417,462	3,417,462	3,417,462
Earnings/(Loss) per share (sen)	0.81	0.83	(0.72)	3.41

The diluted earnings/(loss) per share of the Group is the same as the basic earnings/(loss) per share as the Group does not have any potential dilutive ordinary shares in issue.

Date: 7 November 2023