

HARTALEGA HOLDINGS BERHAD(Company No. 741883-X)**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income****For the second quarter ended 30 September 2018 (Unaudited)**

| | Current Quarter Ended 30 Sep 2018 RM'000 | Corresponding Quarter Ended 30 Sep 2017 RM'000 | Current Year-To-Date 30 Sep 2018 RM'000 | Corresponding Year-To-Date 30 Sep 2017 RM'000 |
|---|---|---|--|--|
| Revenue | 714,244 | 584,617 | 1,420,597 | 1,185,658 |
| Operating expenses | (558,276) | (454,609) | (1,109,699) | (947,131) |
| Operating Profit | 155,968 | 130,008 | 310,898 | 238,527 |
| Other operating income/(expense) | (11,099) | 9,101 | (17,776) | 18,070 |
| Profit before interest and tax | 144,869 | 139,109 | 293,122 | 256,597 |
| Finance costs | (2,517) | (1,864) | (4,937) | (3,616) |
| Profit before tax | 142,352 | 137,245 | 288,185 | 252,981 |
| Taxation | (21,971) | (23,507) | (42,716) | (42,814) |
| Net profit for the period | 120,381 | 113,738 | 245,469 | 210,167 |
| Other comprehensive income, net of tax | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Foreign exchange translation difference | (132) | 62 | (242) | (199) |
| Total comprehensive income for the period | 120,249 | 113,800 | 245,227 | 209,968 |
| Profit attributable to: | | | | |
| Owners of the Company | 120,216 | 113,340 | 245,089 | 209,726 |
| Non-controlling interest | 165 | 398 | 380 | 441 |
| | 120,381 | 113,738 | 245,469 | 210,167 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 120,115 | 113,390 | 244,904 | 209,431 |
| Non-controlling interest | 134 | 410 | 323 | 537 |
| | 120,249 | 113,800 | 245,227 | 209,968 |
| EPS - Basic (sen) | 3.62 | 3.44 * | 7.38 | 6.36 * |
| - Diluted (sen) | 3.56 | 3.40 * | 7.25 | 6.29 * |

*For comparative purpose, the Earnings Per Share for the corresponding quarter and year to date ended 30 September 2017 had been adjusted to reflect the bonus issue of 1 for 1 existing ordinary shares which was completed on 28 March 2018.

(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 2018 and the accompanying notes attached to this interim financial report.)

HARTALEGA HOLDINGS BERHAD(Company No. 741883-X)**Condensed Consolidated Statement of Financial Position as at 30 September 2018**

| | <i>Unaudited</i> <i>At 30 Sep 2018</i> <i>RM'000</i> | <i>Audited</i> <i>At 31 Mar 2018</i> <i>RM'000</i> |
|---|--|--|
| ASSETS | | |
| Non current assets | | |
| Property, Plant & Equipment | 1,575,244 | 1,589,456 |
| Capital work in progress | 341,793 | 155,143 |
| Intangible assets | 19,709 | 20,245 |
| Deferred tax assets | 1,052 | 776 |
| | <u>1,937,798</u> | <u>1,765,620</u> |
| Current assets | | |
| Inventories | 300,861 | 291,274 |
| Trade receivables | 402,144 | 323,710 |
| Other receivables, deposits and prepayments | 90,741 | 82,185 |
| Tax assets | 6,203 | 3,330 |
| Derivatives | - | 9,299 |
| Cash & cash equivalents | 190,039 | 156,561 |
| | <u>989,988</u> | <u>866,359</u> |
| TOTAL ASSETS | <u>2,927,786</u> | <u>2,631,979</u> |
| EQUITY AND LIABILITIES | | |
| Share capital | 1,346,692 | 1,312,309 |
| Reserves | 790,063 | 681,920 |
| Equity attributable to owners of the Company | <u>2,136,755</u> | <u>1,994,229</u> |
| Non-controlling interests | <u>3,486</u> | <u>3,163</u> |
| Total Equity | <u>2,140,241</u> | <u>1,997,392</u> |
| Non current liabilities | | |
| Long term borrowings | 137,207 | 122,273 |
| Deferred tax liabilities | 111,529 | 98,763 |
| | <u>248,736</u> | <u>221,036</u> |
| Current liabilities | | |
| Trade payables | 118,254 | 104,473 |
| Other payables and accruals | 133,471 | 114,195 |
| Short term borrowings | 277,206 | 194,371 |
| Derivatives | 9,878 | - |
| Tax payables | - | 512 |
| | <u>538,809</u> | <u>413,551</u> |
| Total Liabilities | <u>787,545</u> | <u>634,587</u> |
| TOTAL EQUITY AND LIABILITIES | <u>2,927,786</u> | <u>2,631,979</u> |
| Net assets per share attributable to the owners of the Company (RM) | 0.64 | 0.60 |

(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 2018 and the accompanying notes attached to this interim financial report)

HARTALEGA HOLDINGS BERHAD(Company No. 741883-X)

**Condensed Consolidated Statement of Changes in Equity
For the second quarter ended 30 September 2018 (Unaudited)**

| | ←-----Attributable to Owners of the Company-----→ | | | | | <i>Non-controlling Interest</i> RM'000 | <i>Total Equity</i> RM'000 | |
|---|---|------------------------------------|--|--|---------------------------------------|---|-----------------------------------|----------------------------|
| | <i>Share Capital</i> RM'000 | <i>Share Premium</i> RM'000 | <i>Translation Reserve</i> RM'000 | <i>Share-based Payment Reserve</i> RM'000 | <i>Retained Profits</i> RM'000 | | | <i>Sub Total</i> RM'000 |
| 6 Months Ended 30 September 2018 | | | | | | | | |
| Balance as at 1 April 2018 | 1,312,309 | - | (707) | 42,350 | 640,277 | 1,994,229 | 3,163 | 1,997,392 |
| Total comprehensive income for the period | - | - | (185) | - | 245,089 | 244,904 | 323 | 245,227 |
| Transaction with owners | | | | | | | | |
| Dividends | - | - | - | - | (139,394) | (139,394) | - | (139,394) |
| Share-based payment granted under ESOS | - | - | - | 10,975 | - | 10,975 | - | 10,975 |
| Issuance of bonus share | - | - | - | - | - | - | - | - |
| Issuance of ordinary shares pursuant to ESOS | 26,041 | - | - | - | - | 26,041 | - | 26,041 |
| Transfer from Share-based payment upon exercise of ESOS | 8,342 | - | - | (8,342) | - | - | - | - |
| Total transaction with owners | 34,383 | - | - | 2,633 | (139,394) | (102,378) | - | (102,378) |
| Balance as at 30 September 2018 | <u>1,346,692</u> | <u>-</u> | <u>(892)</u> | <u>44,983</u> | <u>745,972</u> | <u>2,136,755</u> | <u>3,486</u> | <u>2,140,241</u> |
| 6 Months Ended 30 September 2017 | | | | | | | | |
| Balance as at 1 April 2017 | 830,316 | - | 805 | 37,508 | 813,532 | 1,682,161 | 2,625 | 1,684,786 |
| Total comprehensive income for the period | - | - | (295) | - | 209,726 | 209,431 | 537 | 209,968 |
| Transaction with owners | | | | | | | | |
| Dividends | - | - | - | - | (74,134) | (74,134) | - | (74,134) |
| Share-based payment granted under ESOS | - | - | - | 9,774 | - | 9,774 | - | 9,774 |
| Issuance of ordinary shares pursuant to ESOS | 31,423 | - | - | - | - | 31,423 | - | 31,423 |
| Transfer from Share-based payment upon exercise of ESOS | 8,831 | - | - | (8,831) | - | - | - | - |
| Transfer arising from "no par value" regime | - | - | - | - | - | - | - | - |
| Total transaction with owners | 40,254 | - | - | 943 | (74,134) | (32,937) | - | (32,937) |
| Balance as at 30 September 2017 | <u>870,570</u> | <u>-</u> | <u>510</u> | <u>38,451</u> | <u>949,124</u> | <u>1,858,655</u> | <u>3,162</u> | <u>1,861,817</u> |

(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 2018 and the accompanying notes attached to this interim financial report.)

HARTALEGA HOLDINGS BERHAD(Company No. 741883-X)**Condensed Consolidated Statement of Cash Flows****For the second quarter ended 30 September 2018 (Unaudited)**

| | Current Year-To-Date 30 Sep 2018 RM'000 | Corresponding Year-To-Date 30 Sep 2017 RM'000 |
|---|--|--|
| Cash Flows from/(used in) Operating Activities | | |
| Profit before tax | 288,185 | 252,981 |
| Adjustments for: | | |
| Depreciation and amortisation | 49,282 | 41,928 |
| Other adjustments | 38,287 | (2,405) |
| Operating profit before changes in working capital | 375,754 | 292,504 |
| Changes in working capital | | |
| Net change in inventories | (9,586) | 20,815 |
| Net change in receivables | (93,334) | (42,417) |
| Net change in payables | 33,056 | 3,199 |
| Cash generated from operations | 305,890 | 274,101 |
| Interest received | 1,120 | 503 |
| Income from fixed income fund | 1,897 | 2,017 |
| Tax refunded | 138 | 114 |
| Taxation paid | (33,747) | (22,411) |
| Net cash from operating activities | 275,298 | 254,324 |
| Cash Flows from/(used in) Investing Activities | | |
| Proceeds from disposal of property, plant and equipment | 33 | 50 |
| Capital work in progress incurred | (209,739) | (102,526) |
| Purchase of property, plant and equipment | (10,495) | (16,641) |
| Purchase of intangible asset | (1,098) | - |
| Net cash used in investing activities | (221,299) | (119,117) |
| Cash Flows from/(used in) Financing Activities | | |
| Draw down of term loan | 111,878 | 14,801 |
| Repayment of term loans | (109,475) | (43,583) |
| Repayment of finance lease | - | (18) |
| Net change in bank borrowings | 95,366 | 13,626 |
| Interest paid | (4,937) | (3,616) |
| Proceeds from issuance of shares-ESOS | 26,041 | 31,423 |
| Dividend paid | (139,394) | (74,134) |
| Net cash from financing activities | (20,521) | (61,501) |
| Net change in cash & cash equivalents | 33,478 | 73,706 |
| Cash & cash equivalents at beginning of period | 156,561 | 121,008 |
| Cash & cash equivalents at end of period | 190,039 | 194,714 |
| Cash & cash equivalents at end of period comprise: | | |
| Licensed Fund Management Companies-Fixed income fund | 64,260 | 45,244 |
| Cash in hand and at banks | 125,779 | 149,470 |
| | 190,039 | 194,714 |

(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 2018 and the accompanying notes attached to this interim financial report.)

Notes to the Interim financial report for the Second Quarter ended 30 September 2018**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 2018 except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRS”) and Issue Committee Interpretations (“IC Interpretations”):

MFRSs

| | |
|------------------------|---|
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in July 2014) |
| MFRS 15 | Revenue from Contracts with Customers |
| Amendments to MFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to MFRS 4 | Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts</i> |
| Amendments to MFRS 140 | Transfers of Investment Property |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to MFRSs | Annual Improvements to MFRSs 2014 – 2016 Cycle |

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

Standards in issue but not yet effective

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

| | |
|----------------------|---|
| MFRS 16 | Leases ¹ |
| MFRS 17 | Insurance contracts ³ |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensation ¹ |

| | |
|-------------------------------|--|
| Amendments to MFRS 10 and 128 | Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture ⁴ |
| Amendments to MFRS 119 | Plan Amendment, Curtailment or Settlement ¹ |
| Amendments to MFRS 128 | Long-term Interests in Associates and Joint Ventures ¹ |
| Amendments to MFRS 2 | Share- Based Payment ² |
| Amendments to MFRS 3 | Business Combinations ² |
| Amendments to MFRS 14 | Regulatory Deferral Accounts ² |
| Amendments to MFRS 101 | Presentation of Financial Statements ² |
| Amendments to MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors ² |
| Amendments to MFRS 134 | Interim Financial Reporting ² |
| Amendments to MFRS 137 | Provisions, Contingent Liabilities and Contingent Assets ² |
| Amendments to MFRS 138 | Intangible Assets ² |
| Amendments to MFRSs | Annual Improvements to MFRSs 2015 – 2017 Cycle ¹ |
| IC Interpretation 23 | Uncertainty over Income Tax Payments ¹ |

¹ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

⁴ Effective date deferred to a date to be determined and announced.

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

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2018 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 2018 is not subject to any qualification.



A3. Seasonal and Cyclical Factors

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

A4. Items of Unusual Nature and Amount

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

A5. Changes in Estimates of amount reported previously

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

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

- (a) During the current quarter ended 30 September 2018, a total of 7,871,700 new ordinary shares were allotted and issued pursuant to the Company's Employees Share Option Scheme.
- (b) For the financial year-to-date ended 30 September 2018, a total of 12,297,500 new ordinary shares were allotted and issued pursuant to the Company's Employees Share Option Scheme.

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

A7. Dividends Paid

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

- (a) Third interim single tier exempt dividend of 2.0 sen per share amounting to RM66,260,034.56 in respect of the financial year ended 31 March 2018, declared on 15 May 2018 and paid on 27 June 2018.
- (b) Final single tier exempt dividend of 2.2 sen per share amounting to RM73,133,780.11 in respect of the financial year ended 31 March 2018, declared on 3 July 2018 and paid on 28 September 2018.

A8. Segment Information

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

A9. Valuation of property, plant and equipment

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



Hartalega

Hartalega Holdings Berhad (741883-X)

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 2018 |
| | RM'000 |
| Approved and contracted for | <u>345,401</u> |

A11. Material Events Subsequent to the End of Period Reported

There were no material events subsequent to 30 September 2018 up to latest practicable date 1 November 2018 that have not been reflected in the financial statements for the current quarter and financial year-to-date.

A12. Changes in the Composition of the Group

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

A13. Contingent liabilities and Contingent Assets

There were no contingent liabilities or contingent assets that had arisen since the last annual statement of financial position date except as disclosed in the material litigation under Section B11.

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

| | 2nd Quarter Ended 30 Sep 2018 | 2nd Quarter Ended 30 Sep 2017 | Variance | | Year-To- Date 30 Sep 2018 | Year-To- Date 30 Sep 2017 | Variance | |
|---|--|--|----------|------|------------------------------------|------------------------------------|----------|------|
| | RM'000 | RM'000 | RM'000 | % | RM'000 | RM'000 | RM'000 | % |
| Revenue | 714,244 | 584,617 | 129,627 | 22.2 | 1,420,597 | 1,185,658 | 234,939 | 19.8 |
| Operating profit | 155,968 | 130,008 | 25,960 | 20.0 | 310,898 | 238,527 | 72,371 | 30.3 |
| Profit before interest and tax | 144,869 | 139,109 | 5,760 | 4.1 | 293,122 | 256,597 | 36,525 | 14.2 |
| Profit before tax | 142,352 | 137,245 | 5,107 | 3.7 | 288,185 | 252,981 | 35,204 | 13.9 |
| Profit after tax | 120,381 | 113,738 | 6,643 | 5.8 | 245,469 | 210,167 | 35,302 | 16.8 |
| Profit attributable to ordinary equity holders of the parents | 120,216 | 113,340 | 6,876 | 6.1 | 245,089 | 209,726 | 35,363 | 16.9 |

Q2 FY2019 vs Q2 FY2018

For the 2nd quarter, the Group achieved sales revenue of RM714.2 million, representing a growth of RM129.6 million or 22.2% from corresponding quarter in preceding year. The higher sales revenue achieved was attributed to stronger demand for nitrile gloves and higher average selling price coupled with growth in sales volume by 10.6%

Profit before tax was higher by RM5.11 million or 3.7%, in tandem with higher sales achieved. The improvement in sales revenue was contributed by growing demand from customers and higher average selling price in tandem with increase in nitrile cost.

6M FY2019 vs 6M FY2018

The Group achieved sales revenue of RM1.42 billion in the current period, representing an increment of RM234.9 million or 19.8% from RM1.19 billion recorded in corresponding period in preceding year. The growth in sales revenue was contributed by improvement in sales volume by 15.4% in tandem with growing demands for nitrile gloves and continuous expansion in improving production capacity. The increase in sales revenue is also contributed by higher average selling price.

Profit before tax registered an increase of RM35.2 million or 13.9%, with improvement from RM253.0 million to RM288.2 million. The increased profit before tax was driven by higher sales volume attributed to favourable demand from customers and additional production capacity.

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

| | Current Quarter ended 30 Sep 2018 | Preceding Quarter ended 30 Jun 2018 | Variance | |
|---|--------------------------------------|--|----------|-------|
| | RM'000 | RM'000 | RM'000 | % |
| Revenue | 714,244 | 706,353 | 7,891 | 1.1 |
| Operating profit | 155,968 | 154,930 | 1,038 | 0.7 |
| Profit before interest and tax | 144,869 | 148,253 | (3,384) | (2.3) |
| Profit before tax | 142,352 | 145,833 | (3,481) | (2.4) |
| Profit after tax | 120,381 | 125,088 | (4,707) | (3.8) |
| Profit attributable to ordinary equity holders of the parents | 120,216 | 124,873 | (4,657) | (3.7) |

Q2 FY2019 vs Q1 FY2019

Revenue for the quarter rose to RM714.2 million from RM706.3 million, improved by RM7.9 million or 1.1%. The growth in sales revenue was in line with higher average selling price in tandem with increase in nitrile cost.

Profit before tax for the quarter eased slightly by RM3.5 million or 2.4% as compared with preceding quarter mainly due to increase in net foreign exchange loss.

B3. Commentary on Prospects and Targets

The global demand for rubber gloves continues to grow with demand supply dynamics in healthy balance. Nitrile glove now accounts for 60% of Malaysian rubber glove export. In meeting the rising demand, Hartalega NGC has begun commissioning Plant 5 in August 2018 with construction of Plant 6 to follow. Plant 5 and Plant 6 will each have annual installed capacity of 4.7 billion pieces. A new plant – Plant 7 is also in the expansion pipeline tailoring to small orders focusing more on specialty products. Plant 7 will have an annual installed capacity of 2.6 billion pieces. The increasing contribution of NGC to Group sales revenue will contribute further to Group earnings.

After the launch of antimicrobial gloves (AMG) in UK last quarter, the first shipment of AMG have been delivered to a major German medical supplies company in September. Meanwhile, Hartalega have also received orders from customers in over 10 countries. Hartalega is also working on securing Federal Drug Administration (FDA) approval for US market where there is greater awareness among US healthcare professionals on the dangers of healthcare-associated infections. Sales of the AMG is expected to gain momentum as it will be priced competitively to ensure quick market acceptance.

Notwithstanding potential challenges arising from rising cost and heightening competition, Hartalega remains optimistic of the prospects moving forward underpinned by ongoing NGC expansion and potential growth of AMG market share.

B4. Variance of Profit Forecast/Profit Guarantee

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

B5. Profit For The Period

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

| | 2 nd Quarter Ended 30 Sep 2018 | 2nd Quarter Ended 30 Sep 2017 | Year-To- Date 30 Sep 2018 | Year-To- Date 30 Sep 2017 |
|--|---|-------------------------------------|---------------------------------|---------------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | 599 | 228 | 1,120 | 503 |
| Other income including investment income | 1,130 | 1,100 | 1,909 | 2,017 |
| Interest expense | (2,517) | (1,864) | (4,938) | (3,616) |
| Depreciation and amortisation | (24,794) | (21,380) | (49,282) | (41,928) |
| Foreign exchange gain/(loss)-realised | (1,584) | 5,268 | 4,900 | 2,478 |
| Foreign exchange gain/(loss)-unrealised | (8,290) | 1,198 | (6,261) | 6,618 |
| Fair value gain/(loss) on derivatives | (2,927) | 1,352 | (19,177) | 6,620 |
| Impairment loss on trade receivables | - | - | (83) | - |

B6. Taxation

| | Current quarter | Current year-to-date |
|-------------------------------|-----------------|----------------------|
| | RM'000 | RM'000 |
| Current tax expense | 14,011 | 30,224 |
| Deferred tax expense | 7,960 | 12,492 |
| Over-provision in prior years | - | - |
| | <u>21,971</u> | <u>42,716</u> |

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

B7. Status of Corporate Proposal

As at the latest practicable date, 1 November 2018, 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 2018 are as follows:

| | 2nd Quarter Ended 30 Sep 2018 | | 2nd Quarter Ended 30 Sep 2017 | | | |
|------------------------------|---------------------------------|------------|---------------------------------|------------|--------|----------------|
| | Foreign denomination '000 | RM '000 | Foreign denomination '000 | RM '000 | | |
| <u>Short term borrowings</u> | | | | | | |
| <u>Secured</u> | | | | | | |
| Term Loans (USD) | USD | 39,417 | 162,003 | USD | 16,977 | 71,797 |
| Term Loans (RM) | | - | - | | - | 18 |
| Finance Lease (USD) | USD | - | - | USD | 5 | 22 |
| | | | <u>162,003</u> | | | <u>71,837</u> |
| <u>Unsecured</u> | | | | | | |
| Bank Borrowings (USD) | USD | 28,030 | <u>115,203</u> | USD | 21,704 | <u>91,788</u> |
| | | | <u>115,203</u> | | | <u>91,788</u> |
| | | | <u>277,206</u> | | | <u>163,625</u> |
| <u>Long term borrowings</u> | | | | | | |
| <u>Secured</u> | | | | | | |
| Term Loans (USD) | USD | 33,384 | 137,207 | USD | 31,034 | 131,242 |
| Term Loans (RM) | | - | - | | - | - |
| | | | <u>137,207</u> | | | <u>131,242</u> |
| <u>Total borrowings</u> | | | | | | |
| Term Loans (USD) | USD | 72,801 | 299,210 | USD | 48,011 | 203,039 |
| Term Loans (RM) | | - | - | | - | 18 |
| Finance Lease (USD) | USD | - | - | USD | 5 | 22 |
| Bank Borrowings (USD) | USD | 28,030 | <u>115,203</u> | USD | 21,704 | <u>91,788</u> |
| | | | <u>414,413</u> | | | <u>294,867</u> |
| Exchange Rate RM to USD1.00 | | | 4.110 | | | 4.229 |

B9. Financial Derivative Instruments

As at 30 September 2018, the outstanding foreign currency forward contracts are as follows:

| Type of Derivatives | Contract/Notional Value (RM'000) | Fair Value (RM'000) |
|----------------------------|-------------------------------------|------------------------|
| Foreign Exchange Contracts | | |
| Less than 1 year | | |
| - USD denominated | 561,177 | 551,235 |
| -AUD denominated | 14,688 | 14,752 |

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

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

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

The fair value derivative liabilities amounting to RM9,878,000 has been recognised in the financial statements.

B10. Material Litigation

As at the latest practicable date, 1 November 2018, there are no material litigations against the Group or taken by the Group saved as disclosed below:

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

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

The Plaintiff claims against the Defendants for the following:

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

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- (ii) the Plaintiff contends that the 2nd Defendant had in flagrant breach of trust utilised the said parts to assemble another 2 assembly lines for the manufacture of latex gloves and that the 2nd Defendant had in breach of trust converted the same for its use and acquired proceeds and/or profits from the assembly of the said parts and as a consequence thereof has purportedly been unjustly enriched
- (iii) the Plaintiff further claims that there was a conspiracy to injure the Plaintiff by the 3rd, 4th and 5th Defendant culminating in the share allotment on 4 April 2005. The Plaintiff states that 3rd, 4th and 5th Defendant had agreed to use the said allotment of shares for the predominant purpose of injuring the Plaintiff and that the said allotment was done pursuant to a purported agreement between the 3rd, 4th and 5th Defendants to injure the Plaintiff resulting in damage and loss to him;
- (iv) that the 2nd Defendant is a trustee for the unpaid dividends amounting to RM488,765.25 due and owing to the Plaintiff; and
- (v) that the Company is guilty of negligent misstatement or alternatively in breach of statutory duty pursuant to Section 357 of the Capital Markets and Services Act, 2007 (“CMSA”) read together with, inter alia, Section 214 of the CMSA and/or tort of breach of statutory duty pursuant to Section 177 and/or Section 179 of the CMSA.

The Plaintiff claims against the Company for the following:

- (i) damages for negligent misstatement or alternatively of breach of statutory duty pursuant to Section 357 of the CMSA read together with, inter alia, Section 214 of the CMSA and/or tort of breach of statutory duty pursuant to Section 177 and/or Section 179 of the CMSA;
- (ii) interest on the said damages at the rate of 8% per annum or any other rate deemed appropriate from 7 April 2008 or such other date deemed appropriate until full satisfaction thereof;
- (iii) such further or other relief the Court deems fit; and
- (iv) costs.

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

- (i) That the Plaintiff has failed in all claims against the Defendants, as prayed for in the Statement of Claim; and
- (ii) That the Plaintiff’s action be dismissed with costs of RM150,000.00 to the 1st to 3rd Defendants and RM50,000.00 each to the 4th and 5th Defendants.

The Plaintiff filed a Notice of Appeal on 8 January 2015 against the entire Judgement of the Kuala Lumpur High Court dated 12 December 2014 which dismissed the plaintiff’s claims.

The hearing before the Court of Appeal which was initially fixed on 15 September 2016 had been adjourned to 5 December 2016 and 6 December 2016. However, the hearing did not proceed on 5 December 2016 and 6 December 2016 but was subsequently adjourned to 29 March 2017. Further, the hearing did not proceed on 29 March 2017 and was adjourned to 20 July 2017. On 20 July 2017 and 18 August 2017, the appeal was heard in part. The continued hearing initially scheduled on 31 October 2017 has been rescheduled to 20 December 2017 and 22 December 2017.

The hearing of the appeal was completed on the 20 December 2017 and 22 December 2017. However, the Court has reserved its decision and will deliver the decision on another date to be informed.

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

B11. Dividend

On 8 November 2018, the Board has declared a first interim dividend of 2.2 sen per share single tier in respect of the financial year ending 31 March 2019 and payable on 28 December 2018. The entitlement date has been fixed on 7 December 2018.

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

- (a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 7 December 2018 in respect of ordinary transfers.
- (b) Shares bought on Bursa Malaysia Securities Berhad ("BMSB") on a cum entitlement basis according to the rules of BMSB.

B12. Earnings per Share

| Basic Earnings Per Share | Current Quarter Ended 30/09/2018 | Corresponding Quarter Ended 30/09/2017 | Current Year-To- Date 30/09/2018 | Corresponding Year-To-Date 30/09/2017 |
|--|---|--|---|---|
| Profit attributable to owners of the parent (RM'000) | 120,216 | 113,340 | 245,089 | 209,726 |
| Number of shares in issue as at beginning of the year ('000) | 3,311,965 | 1,643,009 | 3,311,965 | 1,643,009 |
| Effect of exercise of ESOS ('000) | 9,410 | 5,983 | 9,410 | 5,983 |
| Effect of bonus issue ('000) | - | 1,648,992 | - | 1,648,992 |
| Weighted average number of ordinary shares in issue ('000) | 3,321,375 | 3,297,984 | 3,321,375 | 3,297,984 |
| Basic earnings per share (sen) | 3.62 | 3.44 | 7.38 | 6.36 |
| Diluted Earnings Per Share | Current Quarter Ended 30/09/2018 | Corresponding Quarter Ended 30/09/2017 | Current Year-To- Date 30/09/2018 | Corresponding Year-To-Date 30/09/2017 |
| Profit attributable to owners of the parent (RM'000) | 120,216 | 113,340 | 245,089 | 209,726 |
| Weighted average number of ordinary shares in issue ('000) | 3,321,375 | 3,297,984 | 3,321,375 | 3,297,984 |
| Effect of dilution : share options ('000) | 60,188 | 34,240 | 60,188 | 34,240 |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000) | 3,381,563 | 3,332,224 | 3,381,563 | 3,332,224 |
| Diluted earnings per share (sen) | 3.56 | 3.40 | 7.25 | 6.29 |

For comparative purpose, the Earnings Per Share for the corresponding quarter and year to date ended 30 September 2017 had been adjusted to reflect the bonus issue of 1 for 1 existing ordinary shares which was completed on 28 March 2018.