

HARALEGA HOLDINGS BERHAD

Registration No. 200601022130 (741883-X)

**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the first quarter ended 30 June 2023**

	Current Quarter Ended 30 Jun 2023 RM'000	Corresponding Quarter Ended 30 Jun 2022 RM'000	Current Year-To-Date 30 Jun 2023 RM'000	Corresponding Year-To-Date 30 Jun 2022 RM'000
Revenue	440,038	845,673	440,038	845,673
Operating expenses	(459,336)	(693,073)	(459,336)	(693,073)
Operating (loss)/profit	<u>(19,298)</u>	<u>152,600</u>	<u>(19,298)</u>	<u>152,600</u>
Other operating expenses	(23,246)	(17,309)	(23,246)	(17,309)
(Loss)/Profit before interest and tax	<u>(42,544)</u>	<u>135,291</u>	<u>(42,544)</u>	<u>135,291</u>
Finance costs	(2,193)	(1,153)	(2,193)	(1,153)
(Loss)/Profit before tax	<u>(44,737)</u>	<u>134,138</u>	<u>(44,737)</u>	<u>134,138</u>
Taxation	(6,433)	(43,253)	(6,433)	(43,253)
Net (loss)/profit for the period	<u>(51,170)</u>	<u>90,885</u>	<u>(51,170)</u>	<u>90,885</u>
Other comprehensive (loss)/income				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation difference for foreign operations	6,232	(5,078)	6,232	(5,078)
Total comprehensive (loss)/income for the period	<u>(44,938)</u>	<u>85,807</u>	<u>(44,938)</u>	<u>85,807</u>
(Loss)/Profit attributable to:				
Owners of the Company	(52,469)	88,280	(52,469)	88,280
Non-controlling interest	1,299	2,605	1,299	2,605
	<u>(51,170)</u>	<u>90,885</u>	<u>(51,170)</u>	<u>90,885</u>
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(47,342)	84,124	(47,342)	84,124
Non-controlling interest	2,404	1,683	2,404	1,683
	<u>(44,938)</u>	<u>85,807</u>	<u>(44,938)</u>	<u>85,807</u>
 (Loss)/Earnings per share (sen)	 (1.54)	 2.58	 (1.54)	 2.58

(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 June 2023

	<i>Unaudited</i> <i>At 30 Jun 2023</i> <i>RM'000</i>	<i>Audited</i> <i>At 31 Mar 2023</i> <i>RM'000</i>
ASSETS		
Non current assets		
Property, Plant & Equipment	1,924,302	1,943,114
Capital work in progress	987,644	951,864
Intangible assets	40,943	42,614
Right-of-use assets	3,996	4,681
Deferred tax assets	2,352	2,251
	<u>2,959,237</u>	<u>2,944,524</u>
Current assets		
Inventories	246,922	232,390
Trade receivables	184,704	200,156
Other receivables, deposits and prepayments	98,576	123,309
Tax assets	78,916	80,070
Cash and cash equivalents	1,665,070	1,724,468
	<u>2,274,188</u>	<u>2,360,393</u>
TOTAL ASSETS	<u><u>5,233,425</u></u>	<u><u>5,304,917</u></u>
EQUITY AND LIABILITIES		
Share capital	1,692,061	1,692,061
Reserves	2,900,658	2,948,000
Equity attributable to owners of the Company	<u>4,592,719</u>	<u>4,640,061</u>
Non-controlling interests	20,706	18,302
Total Equity	<u>4,613,425</u>	<u>4,658,363</u>
Non current liabilities		
Loans and borrowings	41,358	62,302
Lease liabilities	1,462	1,979
Deferred tax liabilities	228,315	228,152
	<u>271,135</u>	<u>292,433</u>
Current liabilities		
Trade payables	49,633	88,645
Other payables and accruals	194,327	164,104
Loans and borrowings	93,569	87,269
Lease liabilities	2,725	2,848
Derivatives financial liabilities	2,667	80
Tax liabilities	5,944	11,175
	<u>348,865</u>	<u>354,121</u>
Total Liabilities	<u>620,000</u>	<u>646,554</u>
TOTAL EQUITY AND LIABILITIES	<u><u>5,233,425</u></u>	<u><u>5,304,917</u></u>
Net assets per share attributable to the owners of the Company (RM)	1.34	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 first quarter ended 30 June 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>
3 Months Ended 30 June 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	-	-	-	(52,469)	(52,469)	1,299	(51,170)
Other comprehensive loss							
Foreign currency translation	-	-	5,127	-	5,127	1,105	6,232
Total comprehensive loss for the period	-	-	5,127	(52,469)	(47,342)	2,404	(44,938)
Transaction with owners							
Dividends	-	-	-	-	-	-	-
Total transaction with owners	-	-	-	-	-	-	-
Balance as at 30 June 2023	1,692,061	(97,474)	2,992	2,995,140	4,592,719	20,706	4,613,425

(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 first quarter ended 30 June 2023

	← Attributable to Owners of the Company →				<i>Non-controlling Interest</i> <i>RM'000</i>	<i>Total Equity</i> <i>RM'000</i>	
	<i>Share Capital</i> <i>RM'000</i>	<i>Treasury Shares</i> <i>RM'000</i>	<i>Translation Reserve</i> <i>RM'000</i>	<i>Retained Profits</i> <i>RM'000</i>			<i>Sub Total</i> <i>RM'000</i>
3 Months Ended 30 June 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	-	-	-	88,280	88,280	2,605	90,885
Other comprehensive loss							
Foreign currency translation	-	-	(4,156)	-	(4,156)	(922)	(5,078)
Total comprehensive income for the period	-	-	(4,156)	88,280	84,124	1,683	85,807
Transaction with owners							
Dividends	-	-	-	(119,611)	(119,611)	-	(119,611)
Total transaction with owners	-	-	-	(119,611)	(119,611)	-	(119,611)
Balance as at 30 June 2022	1,692,061	(97,474)	597	3,490,636	5,085,820	25,250	5,111,070

(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 first quarter ended 30 June 2023

	Current Year-To-Date 30 Jun 2023 RM'000	Corresponding Year-To-Date 30 Jun 2022 RM'000
Cash Flows used in Operating Activities		
(Loss)/Profit before tax	(44,737)	134,138
Adjustments for:		
Depreciation and amortisation	32,575	40,570
Income from fixed income fund	-	(502)
Interest received	(15,785)	(1,544)
Interest expense	2,193	1,153
Other adjustments	7,012	27,083
Operating (loss)/profit before changes in working capital	(18,742)	200,898
Changes in working capital		
Net change in inventories	(14,532)	40,270
Net change in receivables	43,654	(9,136)
Net change in payables	(8,790)	(54,828)
Cash generated from operations	1,590	177,204
Tax paid	(9,971)	(281,850)
Net cash used in operating activities	(8,381)	(104,646)
Cash Flows used in Investing Activities		
Proceeds from disposal of property, plant and equipment	66	533
Addition to:		
Property, plant and equipment	(1,767)	(1,509)
Capital work-in-progress	(45,750)	(85,916)
Income received from fixed income fund	-	502
Interest received	15,785	1,544
Net cash used in investing activities	(31,666)	(84,846)
Cash Flows used in Financing Activities		
Repayment of term loan	(22,240)	(22,813)
Repayment of lease liabilities	(686)	(549)
Interest paid	(2,162)	(1,117)
Dividend paid	-	(119,611)
Net cash used in financing activities	(25,088)	(144,090)
Net decrease in cash and cash equivalents	(65,135)	(333,582)
Effect of exchange rate fluctuations on cash and cash equivalents	5,737	(5,252)
Cash and cash equivalents at beginning of period	1,724,468	2,378,127
Cash and cash equivalents at end of period	1,665,070	2,039,293

(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 First Quarter ended 30 June 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
MFRS10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

- ¹ Effective for annual periods beginning on or after 1 January 2024, with earlier application permitted.
- ² 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 June 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 June 2023.

A7. Dividends Paid

No dividend was paid by the Company during the current quarter and financial year-to-date ended 30 June 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 June 2023
	RM'000
Approved and contracted for	441,627

A11. Material Events Subsequent to the End of Period Reported

There were no material events subsequent to 30 June 2023 and up to the latest practicable date 31 July 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

	1 st Quarter Ended				Year-To-Date			
	30 Jun 2023	30 Jun 2022	Variance		30 Jun 2023	30 Jun 2022	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	440,038	845,673	(405,635)	(48.0)	440,038	845,673	(405,635)	(48.0)
Operating (Loss)/profit	(19,298)	152,600	(171,898)	(112.6)	(19,298)	152,600	(171,898)	(112.6)
(Loss)/Profit before interest and tax	(42,544)	135,291	(177,835)	(131.4)	(42,544)	135,291	(177,835)	(131.4)
(Loss)/Profit before tax	(44,737)	134,138	(178,875)	(133.4)	(44,737)	134,138	(178,875)	(133.4)
(Loss)/Profit after tax	(51,170)	90,885	(142,055)	(156.3)	(51,170)	90,885	(142,055)	(156.3)
(Loss)/Profit attributable to ordinary equity holders of the parents	(52,469)	88,280	(140,749)	(159.4)	(52,469)	88,280	(140,749)	(159.4)

Q1 FY2024 vs Q1 FY2023

For the current quarter ended 30 June 2023 (Q1FY24), the Group registered a lower revenue of RM 440 million, a decrease of RM 406 million or 48% from the corresponding quarter in the preceding year (Q1FY23).

The drop in sales revenue for Q1FY24 was primarily attributed to the lower sales volume and average selling price (ASP) as the industry continued to face oversupply situation and supply chain inventory adjustment.

The Group recorded a loss before tax of RM 45 million as compared to a profit before tax of RM 134 million in Q1FY23. The loss before tax recorded was mainly due to the significant reduction in revenue, as well as higher operating costs despite lower raw material costs. In addition, the Group also recognised a provision for severance pay of RM 47 million following the decommissioning plan announced on 8 May 2023.

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

	Current Quarter Ended 30 June 2023	Preceding Quarter Ended 31 Mar 2023	Variance	
	RM'000	RM'000	RM'000	%
Revenue	440,038	517,546	(77,508)	(15.0)
Operating loss	(19,298)	(8,481)	(10,817)	127.5
Loss before interest and tax	(42,544)	(352,668)	310,124	(87.9)
Loss before tax	(44,737)	(355,141)	310,404	(87.4)
Loss after tax	(51,170)	(328,029)	276,859	(84.4)
Loss attributable to ordinary equity holders of the parents	(52,469)	(319,850)	267,381	(83.6)

Q1 FY2024 vs Q4 FY2023

Revenue for the current quarter decreased by RM 78 million or 15% as compared to the preceding quarter (Q4FY23). The lower revenue recorded in the current quarter was primarily due to a 26% decrease in sales volume, which was partially cushioned by a marginal increase in ASP.

The Group recorded a loss before tax of RM 45 million, as compared to a loss of RM 355 million in the preceding quarter (Q4FY23) which was mainly due to the one-off assets impairment loss of RM 347 million recorded by a subsidiary.

B3. Commentary on Prospects and Targets

Strong headwinds in the glove sector are expected to continue as the global oversupply situation persists. Aggressive capacity expansion by regional players, coupled with excessive inventory build-up during the pandemic have led to the current market supply-demand imbalance and industry-wide suboptimal operating level.

The domestic glove industry has earlier contended with increased operating costs, such as higher energy and labour costs. As a result, glove manufacturers are impacted with operating margins compression as the average selling price for rubber gloves remains competitive amid minimal success with the incremental costs passthrough.

Although capacity rationalisation is expected to continue, the challenging landscape is likely to persist for the time being. To ensure business sustainability and resilience over the longer term, the Group has embarked on a 5-Year Strategic Plan. The ongoing rationalisation exercise represents one of the key approaches under this plan, whereby the Group has commenced decommissioning of Bestari Jaya facility with the objective of consolidating its operations at the Next Generation Integrated Glove Manufacturing Complex (NGC) in Sepang. The decommissioning of the Bestari Jaya facility, which comprises four production plants, some of which have been operational since 2004, is targeted to be completed by 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 moving forward.

Despite the ongoing market adjustment for glove demand following the transition to post-pandemic, 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.

Amidst the increasingly challenging business landscape, the Group will continue to emphasise better cost management, improve operational efficiencies and scale up automation initiatives across our operations. The Group will also continue to focus on enhancing our sustainability and social compliance practices as part of our 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. (Loss)/Profit For The Period

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

	1 st Quarter Ended		Year-To- Date	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	RM'000	RM'000	RM'000	RM'000
Interest income	15,785	1,544	15,785	1,544
Other income including investment income	1,159	7,162	1,159	7,162
Interest expense	(2,193)	(1,153)	(2,193)	(1,153)
Depreciation and amortisation	(32,575)	(40,570)	(32,576)	(40,570)
Gain on disposal of investment	-	2,410	-	2,410
(Loss)/gain on disposal of property, plant and equipment	(297)	259	(297)	259
Realised foreign exchange gain	13,446	1,385	13,446	1,385
Unrealised foreign exchange loss	(4,127)	(11,231)	(4,127)	(11,231)
Fair value loss on derivatives	(2,587)	(16,111)	(2,587)	(16,111)

B6. Taxation

	Current quarter RM'000
Current tax expense	5,894
Deferred tax income	539
	<u>6,433</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, 31 July 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 June 2023 are as follows:

	1st Quarter Ended 30 Jun 2023		1st Quarter Ended 30 Jun 2022	
	Foreign denomination '000	RM '000	Foreign denomination '000	RM '000
<u>Short term borrowings</u>				
Term Loans – secured	USD	20,058	USD	24,430
		<u>93,569</u>		<u>107,687</u>
<u>Long term borrowings</u>				
Term Loans – secured	USD	8,866	USD	27,095
		<u>41,358</u>		<u>119,433</u>
<u>Total borrowings</u>				
Term Loans – secured	USD	28,924	USD	51,525
		<u>134,927</u>		<u>227,120</u>
Exchange Rate RM to USD1.00		4.67		4.41

B9. Financial Derivative Instruments

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

Type of Derivatives	Contract/Notional Value RM'000	Fair Value RM'000
Derivative Financial Liabilities		
Non-hedging derivative at fair value through profit or loss:		
- USD denominated	333,594	(2,667)
	<u>333,594</u>	<u>(2,667)</u>

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 June 2023, the Group recognised a loss of RM 2.6 million arising from the fair value changes of the derivative financial instruments.

B10. Material Litigation

As at the latest practicable date, 31 July 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.



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B12. (Loss)/Earnings per Share

(Loss)/Earnings Per Share	Current Quarter Ended 30 Jun 2023	Corresponding Quarter Ended 30 Jun 2022	Current Year-To- Date 30 Jun 2023	Corresponding Year-To-Date 30 Jun 2022
(Loss)/Profit attributable to owners of the parent (RM'000)	(52,469)	88,280	(52,469)	88,280
Weighted average number of ordinary shares in issue ('000)	3,417,462	3,417,462	3,417,462	3,417,462
(Loss)/Earnings per share (sen)	(1.54)	2.58	(1.54)	2.58

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

Date: 9 August 2023