STANDING **FIRM**

Hartalega

ANNUAL REPORT **2019**

THE COVER

The theme of this year's report, 'Standing Firm', is dedicated to the talent of Hartalega: our people, known as Hartanians. Our most valuable asset, our capable and skilled Hartanians are the backbone and key drivers of the Group's growth and success. The vibrant blue hues of the cover further emphasise positive energy and great team spirit. Beyond this, the theme also exemplifies Hartalega's solid foundation and strength of conviction, allowing the Group to stand firm in all that we do.

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13TH ANNUAL GENERAL MEETING

10 SEPTEMBER 2019

CORPORATE & MANAGEMENT OVERVIEW

RESPONSIBILITY & FINANCIALS

VISION & VALUES

OUR VISION

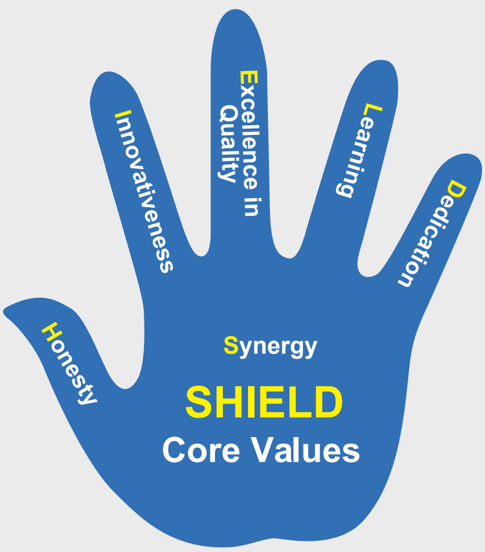
To be the Number One glove company that produces and delivers the best and most innovative gloves in the world; and to be recognised as a caring company to the community and environment.

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:



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

Innovativeness

Excellence in Quality

Learning

Dedication

INDUSTRY FIRSTS

FIRST to develop polymer-coated powder-free examination gloves in 1994 and among the first to receive FDA 510k 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 recipient of the Inaugural Award for Best Factory in 2005 in commodity-based industries by the Malaysian Government

FIRST recipient of the Inaugural Award for Innovation in 2005 by the Rubber Research Institute of Malaysia

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

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

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 world to develop and implement successful double former production line with sophisticated process controls

AWARDS & RECOGNITION

Aon Best Employer Award (2018)

AIA - Malaysia's Healthiest Employees Award (Large Organisation 2018)

The Edge Billion Ringgit Club Corporate Awards - Most Profitable Company (Industrial Products Sector) 2013, 2014, 2015 and 2016; Highest Return on Equity Over 3 Years 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 and 2013)

HR Asia Best Companies To Work For in Asia Awards (2013, 2014)

Asiamoney Best Managed Company (2010, 2012, 2014)

Rubber Industry Award 2005 (Innovative & Large Factory Category)

Best Factory Award 2005 (Latex Goods Category)

Enterprise 50 Award (1998)

ISO 9001 : 2015

ISO 13485 : 2016

EN ISO 13485 : 2016

ISO 14001 : 2015

OHSAS 18001 : 2007

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

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 stretchiness and softness of natural rubber gloves without protein allergy risks, was competitively priced and outside the Tillotson's patent
- Ringgit de-pegged from the US dollar

- 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'

2007

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 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

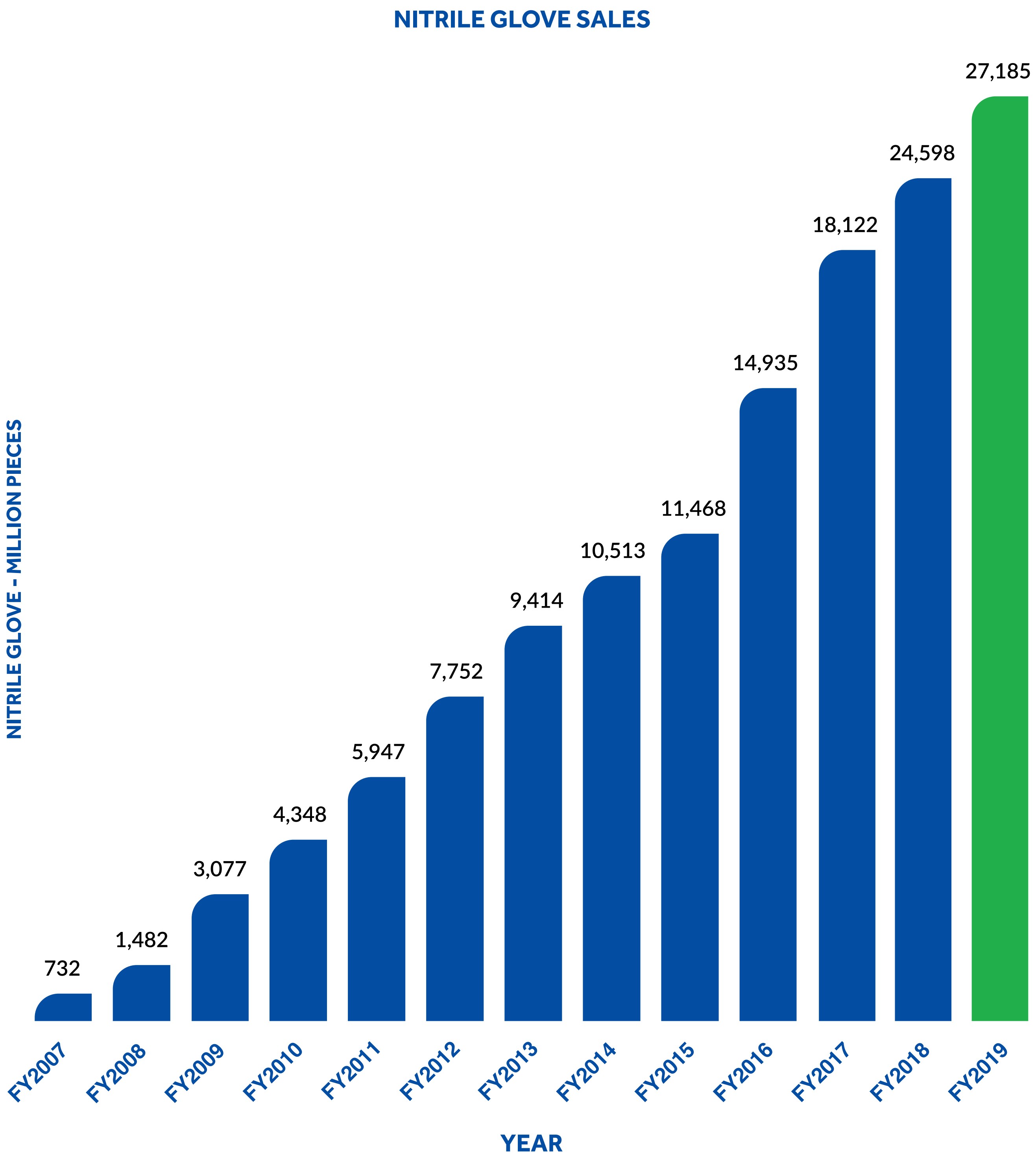
2017

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

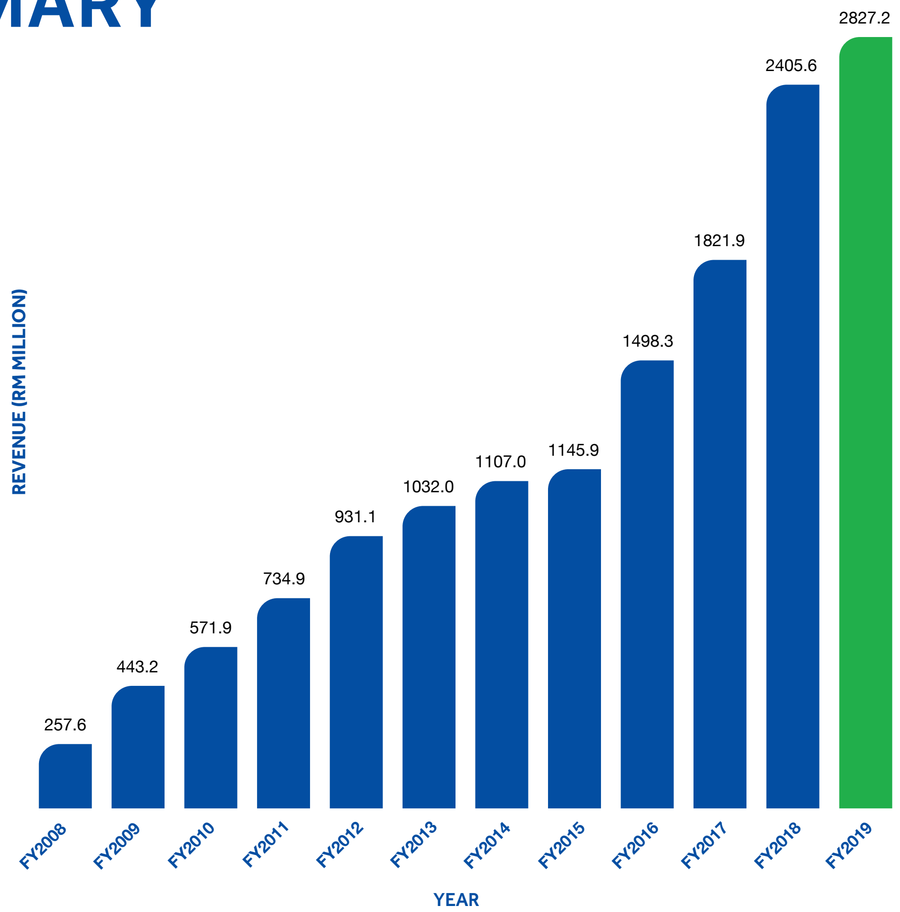
2018

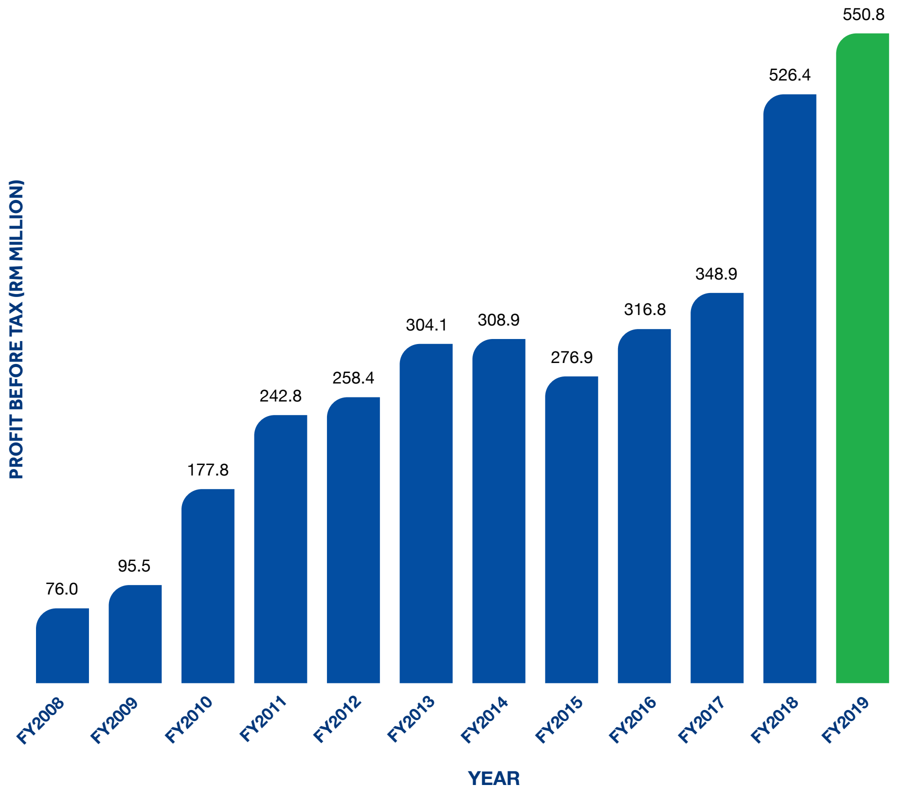
- Commenced commissioning of Plant 5 of the NGC
- Hartalega listed on FBM KLCI Top 30 Largest Public Listed Companies in Malaysia

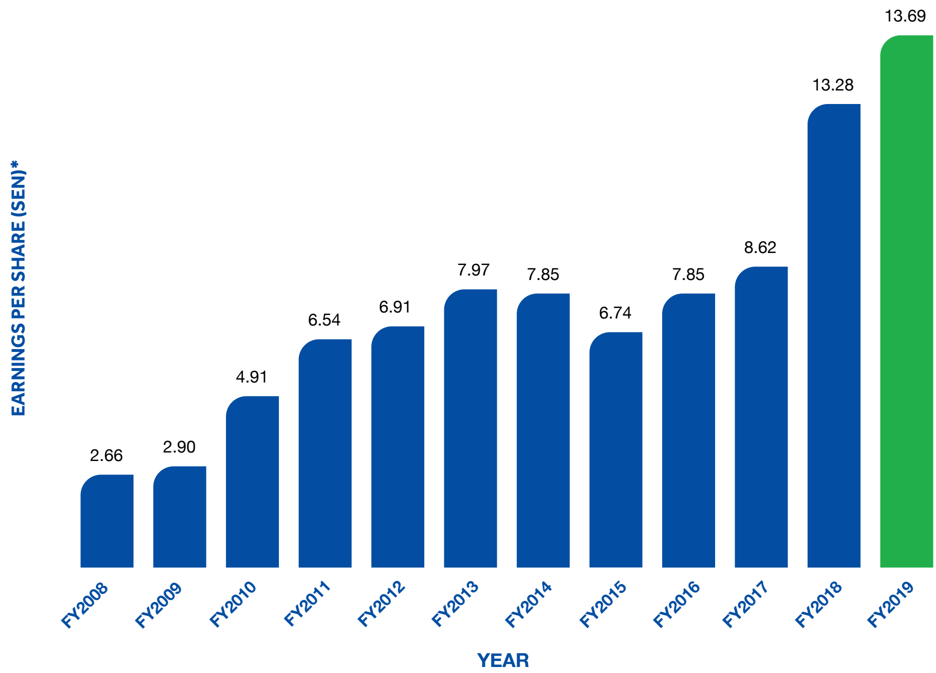
- Successfully remodelled company into a major nitrile glove producer with 95% of sales in nitrile gloves
- Nitrile glove sales (pieces) increased by 37.1 times in 12 years
- Pioneered switching momentum from natural rubber to nitrile gloves
- Largest nitrile glove producer in the world



FINANCIAL SUMMARY







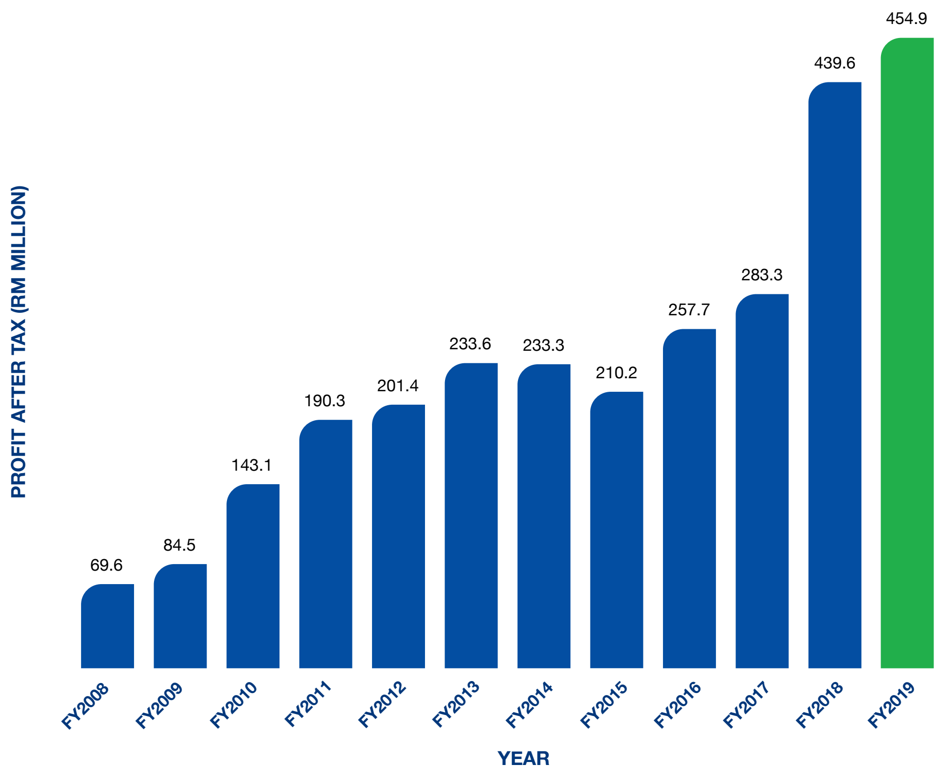
* Earnings Per Share for past years restated following bonus issuance completed on:

i. 7 September 2010 (one-for-two)

ii. 29 May 2012 (one-for-one)

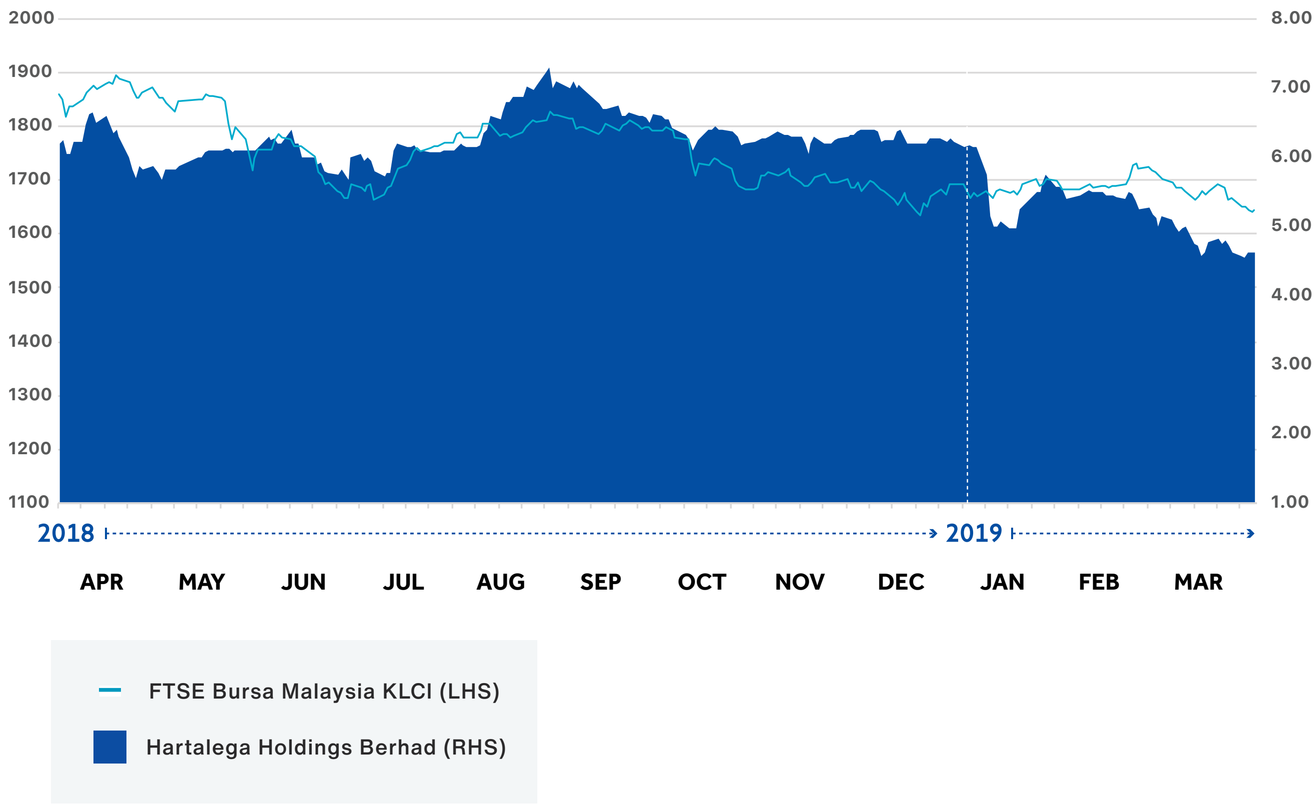
iii. 18 September 2015 (one-for-one)

iv. 28 March 2018 (one-for-one)



SHARE PRICE PERFORMANCE

PRICE MOVEMENT



CORPORATE INFORMATION

BOARD OF DIRECTORS

Kuan Kam Hon @ Kwan Kam Onn	Executive Chairman
Kuan Mun Leong	Managing Director
Kuan Mun Keng	Non-Independent Executive Director
Dr. Danaraj A/L Nadarajah	Non-Independent Executive Director
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

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

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

ESOS COMMITTEE

Kuan Vin Seung	Chairman
Kuan Mun Leong	Member
Kuan Mun Keng	Member
Yong Pat Chau	Member
Say Teck Guan	Member

REGISTERED OFFICE

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

REGISTRAR

Boardroom Share Registrars Sdn Bhd
(Formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7841 8000 Fax: 603 7841-8151

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
Tel: 603 3280 3888

FACTORY LOCATION 2

No. 1, Persiaran Tanjung
Kawasan Perindustrian Tanjung
43900 Sepang, Selangor Darul Ehsan
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

AUDITORS

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

COMPANY SECRETARIES

Wong Maw Chuan (MIA 7413)
Wong Youn Kim (MAICSA 7018778)

CORPORATE OFFICE

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

Utusan Malaysia
May 3, 2018


Hartalega labur RM14j naik taraf sistem ERP

New Straits Times
June 8, 2018


HARTALEGA UNVEILS NEW ANTI-MICROBIAL GLOVES

HARTALEGA LAUNCHES ANTI-MICROBIAL GLOVES IN U.K.

Kosmo
June 8, 2018


Hartalega labur RM39.7 juta

The Edge Financial Daily
August 8, 2018


Hartalega 1Q net profit up 30% on higher sales

The Star
August 11, 2018


Hartalega bets on anti-microbial gloves as the new game changer

We want almost all the nitrile gloves that we produce to be replaced by antimicrobial gloves (AMG) in the future. What's so special about the AMG is that it is the world's first non-leaching glove that is effective in killing prevalent and antibiotic resistant microbes in five minutes.

The Star
August 31, 2018


Handing an edge to Malaysia

China Press
August 25, 2018

Berita Harian
August 25, 2018


Kilang baharu Hartalega tingkat kapasiti pengeluaran

The Malaysian Reserve
August 27, 2018


Hartalega sees the future in antimicrobial gloves

The Edge Financial Daily
September 7, 2018

WINNING DEBUT FOR HARTALEGA

The Busy Weekly
September 24, 2018

人力資源培訓見效
賀特佳獲最佳雇主獎

Harian Metro
May 9, 2019

Hartalega catat peningkatan 3.8%

The Star
November 9, 2018

Hartalega earnings higher

Net profit up 6% to RM120.2mil in Q2 on improved sales

Harian Metro
February 14, 2019

Perkukuh pasaran

The Edge Weekly
December 3, 2018

Hartalega Holdings Bhd

Hartalega introduces wellness programme to re-energise its employees

Kosmo
February 13, 2019

Syarikat catat untung RM119.3 juta pada suku ketiga dengan kenaikan RM113.1 juta

Hartalega optimistik prospek

PROFILE OF DIRECTORS

Datuk Seri Nurmala binti Abd Rahim
Independent Non-Executive Director

Dato' Tan Guan Cheong
Independent Non-Executive Director

Dr. Danaraj A/L Nadarajah
Non-Independent Executive Director

Kuan Mun Leong
Managing Director

Kuan Kam Hon @Kwan Kam Onn
Executive Chairman

Kuan Mun Keng
Non-Independent Executive Director

Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria
Senior Independent Non-Executive Director

Razman Hafidz bin Abu Zarim
Independent Non-Executive Director

Kuan Kam Hon @ Kwan Kam Onn
Executive Chairman

Age: 72 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
Managing Director

Age: 43 Gender: Male Malaysian

Kuan Mun Leong has 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 is a member of the Risk Management and ESOS Committees. 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
Non-Independent Executive Director

Age: 44 **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. Presently, Mun Keng sits on the ESOS Committee. He also sits on the Malaysian Rubber Export and Promotion Council (MREPC) Board of Trustees and was elected and appointed as the Secretary of the Malaysian Association of Rubber Glove Manufacturers (MARGMA). 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 is a complement to the Sales and Marketing team as he is able to align functions in the company with the needs and wants of customers.

Dr. Danaraj A/L Nadarajah
Non-Independent Executive Director

Age: 65 **Gender: Male** **Malaysian**

Dr. Danaraj A/L Nadarajah (Dr. N Danaraj) was appointed as Non-Independent Executive Director/Corporate Advisor on 4 July 2011. He is in charge of Hartalega's subsidiaries in China and India, where he is also an equity partner. Dr. N Danaraj has the unique experience of working as an entrepreneur, corporate executive and advisor and civil servant in the Government of Malaysia. From 2010 to 2011, he was the Technical Advisor in the Special Innovation Unit in the Office of the Prime Minister. Prior to this appointment, he was the Technical Advisor to the National Economic Advisory Council in the Prime Minister's Department. From 2007 to 2008, he was a Senior Fellow at Khazanah Nasional Berhad. Prior to this, he was Professor of Business Strategy and the Director of the Executive MBA programme at the International University of Monaco. He was also a Visiting Fellow at Hitotsubashi University and the United Nations University in Tokyo, and a Research Fellow at the Malaysian Institute of Economic Research. Early in his career, he served in the Malaysian Administrative and Diplomatic Service; his last posting was in the Ministry of Finance. He also worked as a World Bank Consultant. He has been an international entrepreneur for over fifteen years as the owner of a toy manufacturing company in China and Malaysia. He holds a Doctorate and a Masters from Oxford University (UK), a Masters in Public Policy from Harvard University (US), and a BA and MA from University Malaya.

Dato' Tan Guan Cheong

Independent Non-Executive Director

Age: 75 **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 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 Lafarge Malaysia Berhad and Pintar Projek Sdn Bhd, the manager of YTL Hospitality REIT.

Razman Hafidz bin Abu Zarim

Independent Non-Executive Director

Age: 64 **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. He was the Group Chief Executive Officer of Tune Protect Group Berhad until 31 December 2018.

Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria
Senior Independent Non-Executive Director

Age: 61 **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 redesignated 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.

Datuk Seri Nurmala binti Abd Rahim

Independent
Non-Executive Director

Age: 64 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 fields 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 Tabung Haji Plantations Berhad and DPI Holdings Berhad.

» **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

Director of
R&D and Technical

Age: 49 **Gender: Male** **Malaysian**

Date of Appointment: **22 August 2008**

Kuan Eu Jin is primarily responsible for Hartalega's product research and development, where he also oversees the quality assurance department and manages technical support to production. He is also the Quality Management Representative of Hartalega, responsible for all matters relating to the Company's Quality System. He possesses a Bachelor's Degree in Business (Manufacturing Management) from Monash University and an MBA qualification from the University of Strathclyde Business School, Scotland. Upon graduating in 1993, he joined Hartalega as a Management Trainee and was transferred to the QA Department and promoted to the position of QA Manager in the same year. In 1996, he was promoted to Deputy Operations Manager and assisted the Operations Manager to oversee Hartalega's manufacturing operations, as well as managing the R&D Department.

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.

Kuan Vin Seung

Director of
Human Resources

Age: 45 **Gender: Male** **Malaysian**

Date of Appointment: **24 August 2009**

Kuan Vin Seung is responsible for Hartalega's entire spectrum of human capital management, as well as its administration functions, including recruitment and selection, compensation and benefits, performance management, employee engagement, rewards and recognition, learning and development, and industrial relations. He also oversees Hartalega's Corporate Social Responsibility initiatives and Yayasan Hartalega. He is the Chairman of Hartalega's ESOS Committee. He possesses a Bachelor's Degree in Commerce (Accounting & Finance) from Monash University, a CPA certification from CPA Australia and a MBA (Merit) from the Manchester Business School, UK. Having joined Hartalega in 2001, after working for three years in the Assurance and Advisory Business Services (AABS) Department of Ernst & Young, KL, he was exposed to operations and HR. He subsequently headed the HR department from 2004 where he initiated a HR Transformation programme in 2010.

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.

Muhammad Hakimi Tan bin Abdullah
Director of Manufacturing

Age: 56 **Gender: Male** **Malaysian**

Date of Appointment: **22 June 2012**

Muhammad Hakimi Tan bin Abdullah is responsible for providing technical advisory to Hartalega's manufacturing operations, OJT development and former development. He also oversees the Health, Safety and Environment Department of Hartalega Sdn Bhd. 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 June 2012, he was overseeing the manufacturing operations of Hartalega.

Ng Swee Ang
Director of Manufacturing

Age: 52 **Gender: Male** **Malaysian**

Date of Appointment: **01 October 2016**

Ng Swee Ang is responsible for overseeing Hartalega's manufacturing operations covering production, engineering, planning, former management and warehouse & shipping. He possesses an MBA from Open University Malaysia. He has more than 31 years of experience in manufacturing environment with both local and multinational companies and was formerly the General Manager – Operations of GS Paper & Packaging. He joined Hartalega in February 2014 as General Manager – Manufacturing covering NGC and was promoted to his current position in 2016. He played a key role in building Hartalega's Next Generation Integrated Glove Manufacturing Complex, Sepang.

Leang Wah Choon
General Manager Information Technology

Age: 44 **Gender: Male** **Malaysian**

Date of Appointment: **13 July 2015**

Leang Wah Choon is responsible for Hartalega's Group IT. He possesses a Bachelor's Degree (Hons), Electronics and Information Technology from Sheffield Hallam University, United Kingdom. He has more than 19 years of IT professional experience in the various industries such as IT, Oil and Gas, Pharmaceutical, Apparels, Properties, Banking, Shared Service Providers, Telecommunication, etc. He previously held various senior manager positions in the companies he served namely Motorola, Citigroup, CASSIS and IBM. Prior to joining Hartalega, he was Shell Global Delivery ITSO Manager.

Tan Teck Heng
General Manager
Finance

Age: 45 **Gender: Male** **Malaysian**

Date of Appointment: **22 Feb 2016**

Tan Teck Heng is responsible for Hartalega's financial management function. He is a fellow member of the Association of Chartered Certified Accountants (UK) and Chartered Accountant of Malaysian Institute of Accountants. He has more than 23 years of experience in financial management, cost and budgetary control and treasury. He was formerly the Group Financial Controller of a local listed company where he worked for more than 11 years and prior to joining Hartalega, he was the Controller of Malaysia, Australia & India of a multinational specialty chemicals company.

Wong Hoong Ton
General Manager
Manufacturing

Age: 39 **Gender: Male** **Malaysian**

Date of Appointment: **01 August 2016**

Wong Hoong Ton is responsible for overseeing the company's manufacturing operations for the Bestari Jaya Plant as well as heading the Project & Technology team. He possesses a Bachelor's Degree in Mechanical Engineering from University of Technology Tun Hussein Onn and obtained his MBA from University of Strathclyde Business School, Scotland. He has more than 16 years of experience in the Production & Manufacturing environment. He joined Hartalega in March 2011 as Engineering Manager and played a key role in building Hartalega's Next Generation Integrated Glove Manufacturing Complex, Sepang. He was promoted to his current position in 2016.

Ng Kim Lui
General Manager
Sales & Marketing

Age: 54 **Gender: Male** **Malaysian**

Date of Appointment: **06 Feb 2017**

Ng Kim Lui is a member of Chartered Management Accountant (CIMA), Chartered Global Management Accountant (CGMA), CPA Australia and obtained his MBA from Charles Stuart University Australia. He held various senior Sales & Marketing capacities with 19 years working experience serving multinational companies, namely Kereny Norman Pte Ltd, British Telecom Plc, Rank Xerox Ltd and Fuji Xerox Asia Pacific Pte Ltd. Prior to joining Hartalega, he was the General Manager/Country Manager of Greif Incorporated USA (Malaysia Operations). Besides the corporate MNC appointments, he also spent a period of 12 years managing his own established company, Bito Group Worldwide.

Low Tian Chai
General Manager
Quality Assurance

Age: 50 **Gender: Male** **Malaysian**

Date of Appointment: **26 March 2018**

Low Tian Chai is responsible for Hartalega's Group Quality Assurance System. He possesses a Bachelor's Degree in Science majoring in Biology and Chemistry from Campbell University, USA and obtained his MBA from University of Strathclyde Business School, Scotland. He has more than 25 years of production and quality assurance experience in both the Semiconductor and Pharmaceutical industries. He joined Hartalega in March 2018 as General Manager – QAS. Prior to joining Hartalega, he was Quality Assurance Manager of Xepa-Soul Pattinson (M) Sdn Bhd.

Sheldon Deng

General Manager of Human Resources (Talent Management)

Age: 44 **Gender: Male** **Malaysian**

Date of Appointment: **28 August 2018**

Sheldon Deng, is responsible for Talent Management and the development of Hartanians, as well as for the Administration Department. He possesses a Bachelor's Degree in Business Administration from the University of Montana, Missoula and obtained his MBA from the same Business School. His work experience spans over 19 years of experience in Human Resources & Talent Management. He joined Hartalega in August 2018 and his experiences are backed by the various industries he embarked on earlier in his career such as Semi-Conductors, Logistics & Supply Chain, OPC Cement Manufacturing, Fibre Cement Boards, Iron & Steel Manufacturing, Pharmaceutical and Shared Service Providers. Prior to joining Hartalega, he was the Senior Manager, Human Resources of Zuellig Pharma Sdn Bhd.

Dr. Lai Fook Chuan

Head Scientist – Innovation

Age: 53 **Gender: Male** **Malaysian**

Date of Appointment: **03 December 2018**

Dr. Lai Fook Chuan is responsible for Hartalega's Innovation Division. He possesses a Bachelor's Degree and Master Degree (Chemistry & Polymer) and PhD (Civil & Structure Engineering) from National University of Malaysia (UKM). He has more than 27 years of R&D and manufacturing experience in both the Cement Concrete and Speciality Chemicals industries. Prior to joining Hartalega, he was the General Manager – R&D of Hume Concrete Products Research Center (M) Sdn Bhd.

Say Teck Guan

Deputy General Manager of Human Resources

Age: 43 **Gender: Male** **Malaysian**

Date of Appointment: **01 April 2018**

Say Teck Guan is responsible for the company's Human Resource functions of talent acquisition, performance management, employee engagement, rewards and recognition, foreign worker management as well as industrial and employee relations. He is also a member of the ESOS committee. He possesses a Bachelor's Degree in Human Resource Management from Universiti Utara Malaysia (UUM) and an Executive Diploma in Industrial Relations from Malaysian Employers Federation (MEF). He is currently pursuing his MBA with Heriot Watt University, Scotland. He has more than nineteen (19) years of HR professional experience gained from various diverse industries, primarily from manufacturing companies. Prior to joining Hartalega in 2012, he was engaged in a Regional HR roles in Greater China. He was promoted to his current position in 2018.

Seow Teck Choong
Deputy General Manager of Manufacturing (NGC)

Age: 40 **Gender: Male** **Malaysian**

Date of Appointment: **01 April 2018**

Seow Teck Choong is responsible for overseeing the company's manufacturing operations of the Sepang Plant (NGC). He possesses a Bachelor's Degree in Electronic System Design Engineering from the University of Northumbria in Newcastle. He has more than 16 years of Production & Manufacturing experience gained from various industries. He joined Hartalega in August 2012 as Production Manager and played a key role in building Hartalega's Next Generation Integrated Glove Manufacturing Complex, Sepang. He was promoted to his current position in 2018.

Liew Geok Kuan
Deputy General Manager of Engineering (NGC)

Age: 36 **Gender: Male** **Malaysian**

Date of Appointment: **01 April 2018**

Liew Geok Kuan is responsible for the company's engineering department of its Sepang Plant (NGC). He obtained his MBA (Distinction) from Anglia Ruskin University, UK. He has more than 16 years of project and manufacturing experience from both MNCs and local conglomerates. He joined Hartalega in March 2014 as Engineering Manager and played a key role in building Hartalega's Next Generation Integrated Glove Manufacturing Complex, Sepang. He was promoted to his current position in 2018.

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; or
5. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHAIRMAN'S REVIEW AND MANAGEMENT DISCUSSION & ANALYSIS

Kuan Kam Hon @ Kwan Kam Onn
Executive Chairman

Dear Shareholder,

As we complete another financial year, I am pleased to inform that we have once again delivered strong results.

The foundation of our success is premised on the fact that we continue to consciously embrace innovation, which strengthens productivity across all facets of our operations.

With our vast expertise in the field of manufacturing, specifically for nitrile gloves, we are focused on honing our technological advantage in key areas to enhance competitiveness and efficiency. Towards this end, during the period under review we increased automation and heightened adoption of Industry 4.0 and Internet of Things across our business systems and manufacturing processes.

We also commenced the journey to explore the potential of artificial intelligence in our operations. By scaling up these capabilities, we will be able to ensure the sustainable long-term growth of the Group.

On this note, I present to you our annual report for the financial year ended 31 March 2019.

ECONOMIC LANDSCAPE

The glove manufacturing sector continued to enjoy robust global demand as a result of improving healthcare regulations across the globe, particularly in emerging markets. Reflecting this fact, total global exports of rubber gloves rose to approximately 256 billion pieces in 2018, from 228 billion pieces in 2017.

Malaysia remained the world's largest producer and exporter of rubber gloves, contributing to more than 60% of global supply. Malaysian exports of rubber gloves increased to 81.8 billion pairs from 73.2 billion, a 11.8% jump from 2017. This translated to RM17.7 billion in value terms.

Exports of synthetic rubber gloves jumped by 15.7%, from 44.3 billion pairs to 51.2 billion pairs. This reflected a 17.6% increase in value terms, from RM9.3 billion to RM11.0 billion.

As expected from our analysis years ago, the market saw ongoing momentum towards synthetic rubber gloves compared with natural rubber gloves, commanding a 63:37 ratio in the year under review. Mirroring this trend, nitrile gloves comprised 99.6% of synthetic glove exports, an increase of 15.8% in quantity terms and 17.5% in value terms.

Malaysia's exports of synthetic rubber gloves to key regions saw double-digit growth in 2018. The US was the primary importer of Malaysian synthetic rubber gloves, comprising 47% of Malaysia's total export value, while the European Union amounted to 28%. Concurrently, the Asian region also recorded higher exports.

Moving forward, global demand for gloves is expected to expand at 8% per annum. While competition will certainly not subside and is very likely to heighten, against this backdrop, your Group's proven track record and long-term growth plans afford us the edge to capitalise on the opportunities ahead.

FINANCIAL PERFORMANCE

Hartalega delivered an improved performance for its financial year ended 31 March 2019. The Group registered a profit after tax (PAT) of RM454.9 million, up by 3.5% from RM439.6 million in the previous year. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 6.8% to RM665.4 million. Profit before tax (PBT) also increased by 4.6% to RM550.8 million while revenue jumped by 17.5% to RM2.8 billion.

The Group's strong results were achieved on the back of improved sales volume, which grew by 10% year-on-year to 28 billion pieces of gloves. This was supported by increased contributions from the US and Europe, in tandem with the growing global demand for nitrile gloves. The Group was well-positioned to meet this demand growth given our continuous expansion in production capacity via our Next Generation Integrated Glove Manufacturing Complex (NGC).

During the year, we invested a total of RM431.5 million in capital expenditure, primarily utilised for expansion of the NGC. Total borrowings increased from RM316.6 million to RM343.9 million, as additional gearing was utilised to fund capital expenditure and working capital. Nevertheless, given our strong financial position, the Group's gearing ratio remains low at 0.15 times, with cash and bank balances of RM150.3 million. The Group's balance sheet is in a superior position to fund future capacity expansion, with a view to growing our physical footprint via potential land acquisition.

Shareholders' funds increased to RM2.2 billion as at 31 March 2019. Meanwhile, the Group's earnings per share (EPS) for the financial year rose to 13.69 sen. Net assets per share stood at RM0.67 as at 31 March 2019.

We are pleased to inform that the Group's total assets grew by 13.7%, from RM2.63 billion to RM2.99 billion. This was mainly attributable to an increase in property, plant and equipment due to the ongoing commissioning of Plant 5 of the NGC and construction of Plant 6.

We also strengthened our inventory management, which saw our inventory turnover dropping from 57 days to 49 days. As a result, our inventories decreased by RM15.7 million.

In addition, share capital for the Group rose to RM1.4 billion due to issuance of new shares pursuant to the exercise of employees' share options during the year.

As a reflection of our strong performance, Hartalega was included as a component stock of the FBM KLCI, which lists the top 30 largest public listed companies in Malaysia.

DIVIDENDS

We are focused on delivering value to our shareholders, as we are conscious that one of our core objectives is to provide sustained dividends. This is clearly reflected in our dividend policy to distribute a minimum of 60% of our annual net profit.

In line with this aspiration, we are pleased to have paid out a total dividend of 6.3 sen per share to date. At the upcoming 13th Annual General Meeting, the Board will recommend a final dividend of 1.9 sen per share single tier for shareholders' approval. This will bring total dividend for the year to 8.2 sen per share, amounting to a total payout of RM274.0 million, representing a payment ratio of 60.2%.

OPERATIONS REVIEW

Research & Development

Our passion for innovation has always been the driving force of the Group. Research and development (R&D) plays a crucial role, ensuring that we are able to reinforce our pole position in the industry. Our strong R&D efforts have not only contributed to the success of the Group, but have also led to Hartalega setting new benchmarks for the industry.

Testament to this, the development of the world's first non-leaching antimicrobial glove (AMG) was yet another disruption led by Hartalega. This was the result of close collaboration with our UK-based technology partner, expert researchers, scientists and healthcare practitioners.

ANTIMICROBIAL GLOVES

The AMG's value proposition is that it provides a novel approach in preventing cross-contamination. Through its pathogen-killing molecules, the AMG has proven effective against a wide range of bacteria that are commonly found in a hospital environment. Besides, AMG is proven safe as it is designed to be non-leaching whereby the photosensitiser will not leach and transfer to patients. Ultimately, with the AMG we aim to set a new standard for the global healthcare sector in years to come.

Alongside product innovation, our technological prowess is a mainstay of our R&D efforts and will continue to drive our performance. To this end, the Group is focused on enhancing our production capabilities via the NGC. In the year under review, we fully commissioned 10 out of 12 lines for Plant 5 of the NGC. We have a current installed capacity of about 36 billion gloves per annum and target to maintain high utilisation rates of 85% and above.

Our productivity is premised on the state-of-the-art manufacturing processes we have in place in our manufacturing operations. This is aptly demonstrated by our production lines, which are the fastest and most efficient in the sector, producing over 45,000 pieces of gloves per hour.

Marketing

Hartalega continues to make great strides as the world's largest producer of nitrile gloves. Our established track record is reflected through our consistent results, with a compounded annual sales growth rate of 26% over a period of 14 years.

Today, we have a strong presence across global markets including the US, Europe and Asia, where we have earned a reputation for providing top quality products. Reinforcing this, during the year, our total sales volume saw a 10.1% growth to over 28 billion pieces, of which 95% were from nitrile gloves. The US and European Union remained key export markets, accounting for 54% and 25% of our total exports respectively.

Following the launch of our AMG glove in the United Kingdom in May 2018, we have exported this product to over 20 countries to date. Market share growth is certainly promising and we expect that this will gain further momentum in the year ahead.

Human Capital

At Hartalega, we place importance on nurturing and retaining talent in order to fortify our value proposition as a leading glove manufacturer. We have undertaken significant efforts to ensure that our talent pool, fondly known as Hartanians, embrace our six core values of SHIELD, representing Synergy, Honesty, Innovativeness, Excellence in Quality, Learning and Dedication.

Employee engagement is vital as it ensures that our people are fully aligned with the aspirations of the Group. Amongst the many initiatives that we have in place is Hartagize, a programme that encourages health, employee engagement and volunteerism among our staff through a wide range of activities.

In tandem with this objective, with a view to upskill our workforce, we have established numerous talent development programmes. This includes our Competency Development Programme (CDP), which equips employees with pertinent skills and knowledge. Subsequently, this allows us to build a talent pipeline in nurturing future leaders for the Group.

We have also embarked on a digital transformation to enhance our e-learning capabilities, introducing HartaLearns. Complementing the CDP, HartaLearns is powered by SABA Cloud, which enables Hartanians to conveniently access online training via mobile phones and laptops.

To digitalise our people's transformation journey, we implemented the Workday and SABA cloud-based software. These systems will facilitate more effective and efficient management of our HR procedures and talent pool, whilst improving employee engagement and overall experience.

Moving forward, we plan to introduce many new and exciting learning experiences for Hartanians, such as gamification, a built-in rewards system, partnerships with other e-learning modules providers as well as integration with other internal human resource (HR) initiatives. This will establish HartaLearns as a one-stop solution, where Hartanians can Learn, Connect, Engage and Play.

Apart from that, we are strong advocates of the just and fair treatment of all our employees, regardless of their nationality, race, religion, gender or age. We are fully compliant with Malaysian labour laws and regulations, and all our workers, including our migrant workers enjoy a host of employee benefits. The Group adheres to the highest standards, and even goes beyond them, as we believe that our people, both foreign and local, are a key pillar of our success.

In recognition of our human capital management practices, we are honoured to have been bestowed with the Aon Best Employers Award in 2018. This prestigious award acknowledges our talent pool's excellent calibre as well as our people-centric culture, benchmarked against global standards.

SUSTAINABILITY COMMITMENT

Beyond our financial performance, Hartalega is fully committed towards ensuring our sustainable growth. The Group's Economic, Environmental and Social pillars are aligned with our aim to positively contribute to society and preserve our environment. This commitment is demonstrated in our Sustainability Vision of caring, sharing and creating long-lasting benefits for the community, environment, marketplace and workplace.

We are pleased to provide a detailed account of the Group's ongoing sustainability efforts and key achievements in this year's Sustainability Report.

OUTLOOK

In the financial year ahead, various challenges will continue to impact the industry. This includes intensified competition as other glove players increase capacity, increased prices of raw materials, as well as higher labour and electricity costs. Market uncertainty is also expected to persist due to foreign exchange fluctuations and the potential impact of the US-China trade war.

While the way forward will certainly not be easy, we are confident that we have the fundamentals in place to remain resilient. As a forward-looking Group fully cognisant of where the market is headed, we have put in place strategic plans to ensure that we are poised for sustainable, long-term growth.

As the AMG makes steady headway in the healthcare sector, we have undertaken proactive efforts to further reduce barriers to access. We are producing these gloves at an affordable cost that is being transferred to the customer. We are also in the midst of securing approval from the FDA to introduce this product to the US market.

Moving forward, we have committed to an additional investment of RM460 million in capital expenditure, primarily to be utilised for our ongoing NGC expansion in the coming years. As we grow our production capacity, we remain conscious of market supply and demand dynamics, particularly for nitrile gloves.

To this end, construction of Plant 6 of the NGC is underway and construction of Plant 7 is targeted to commence in 2019. Plant 7 will be tailored to cater towards speciality products, ultimately expanding our product portfolio and strengthening Hartalega's position as a one-stop centre for gloves. Upon completion of the NGC, Hartalega's total installed capacity will increase to over 44 billion pieces per annum.

As we operate in today's rapidly-evolving and increasingly globalised world, we are focused on embracing cutting-edge technological solutions such as Industry 4.0 and the Internet of Things, integrated manufacturing operations and improving our business processes. In line with this, we have completed upgrading our Group-wide Enterprise Resource Planning system.

Leveraging on our inherent strengths and competitive edge, we are confident of overcoming the headwinds that may impact the sector, be it cyclical trends or heightened competition.

ACKNOWLEDGEMENT

Without a doubt, Hartalega would not be where we are today without the staunch support of our Board members and management team. I would like to convey my sincere gratitude for their strong leadership and unwavering commitment in ensuring the Group's success.

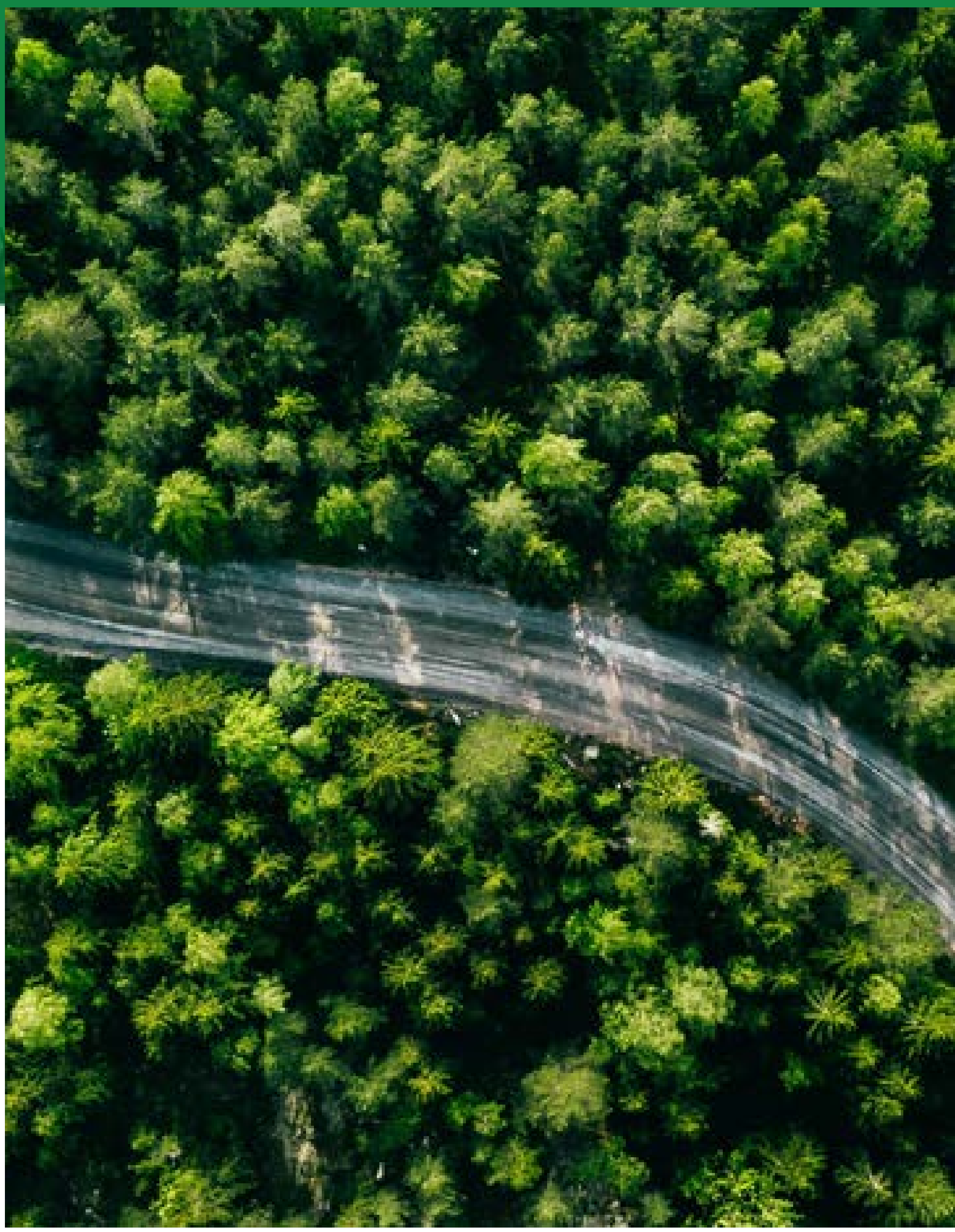
I would also like to thank all our Hartanians for their invaluable contributions to the Group. As the backbone of our Company, Hartalega has certainly grown from strength to strength due to their hard work and dedication.

Our sincere appreciation also goes to our shareholders, financiers, business partners, consultants and relevant approving authorities, for their continued support and trust in Hartalega.

Kuan Kam Hon
Executive Chairman

SUSTAINABILITY REPORT

At Hartalega, sustainability forms the foundation of all that we do. As a leader in the glove sector, we are fully aware of the need to embrace sustainable business practices, not only for financial performance, but to ensure that the Group is geared towards long-term, responsible growth.



Conscious that we operate in an ever-changing business landscape, our sustainability approach is guided by our core values alongside our Economic, Environmental and Social commitments. These are premised on four core objectives:

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

As the Group grows and develops, we are focused on embedding sustainability throughout our operations to enable Hartalega to make a meaningful and long-lasting positive impact.

GOVERNANCE STRUCTURE

To ensure the efficacy of our sustainability efforts, we have put in place a clear governance structure. This provides direction on roles and responsibilities, facilitating management of our sustainability initiatives and material issues during the year.

BOARD OF DIRECTORS	» Reviews and approves the Group's Sustainability Report
MANAGING DIRECTOR	» Reviews sustainability matters with the Sustainability Committee » Reports to the Board on sustainability matters
SUSTAINABILITY COMMITTEE	» Comprises representatives from HSE, HR, CSR and Investor Relations departments » Responsible for Materiality Assessment, Identification and Monitoring of Initiatives/Actions, Execution of Initiatives/Actions and Reporting » Reports to the Managing Director on sustainability matters

MATERIALITY ASSESSMENT PROCESS

We regularly review pertinent sustainability matters via our materiality assessment framework. This allows us to strategise and prioritise sustainability goals and concerns. We then take proactive steps to allocate the appropriate resources in order to manage key material issues.

Stakeholder Mapping	Determine Sustainability Issues	Categorisation & Prioritisation	Process Review
» Identify the Group's key stakeholders	» Stakeholder engagement » Determine material sustainability concerns for each key stakeholder	» Categorise and prioritise key sustainability issues » Action planning and reporting of key sustainability issues	» Review materiality assessment process

COMMITMENT TO STAKEHOLDER ENGAGEMENT

Hartalega does not operate in isolation. Given the depth of our participation in the global nitrile glove manufacturing ecosystem, we adopt a robust engagement approach. We deeply value our stakeholders' insights and engage with them on a consistent basis to better understand their concerns and aspirations. Through these engagements, we are able to align our sustainability commitments with relevant material issues.

We engage with our stakeholders through various platforms and channels throughout the year. Apart from communicating important developments and updates about the Group, these engagements also allow us to receive valuable feedback which ultimately contribute towards our sustainability goals.

As a result of our stakeholder engagement activities, we maintained the following material sustainability issues during the year:

Key Stakeholder Group	Engagement Type	Material Sustainability Issues		
		Economic	Environmental	Social
Customers	Periodic meetings, surveys and social compliance audits	Financial stability	Environmental protection	Human rights, employee welfare, occupational health & safety
Employees (Permanent & Contract Staff)	Yearly performance appraisals, induction programme, employee surveys, engagement sessions, campaigns, volunteer programmes, recreational events	Financial stability, economic contribution and jobs creation	Environmental protection	Occupational health & safety, employee welfare and corporate social responsibility
Government Agencies (Department of Occupational Health & Safety, Department of Environment, local councils, regulatory authorities)	Periodic meetings, on-site inspections, correspondences, social activities, industry group & local council meetings	Domestic investment & jobs creation, labour productivity, regulatory compliance	Environmental standards compliance	Occupational health & safety standards compliance
Local Communities (Communities surrounding Bestari Jaya & Sepang)	Corporate social responsibility programmes, community engagement activities, industry association & local council meetings	Economic contribution and jobs creation	Environmental protection	Corporate social responsibility
Shareholders & Investors	Annual general meeting, quarterly reporting, investment conferences & analyst briefings	Economic contribution	Environmental protection	Corporate social responsibility
Suppliers & Business Partners	Periodic meetings	Procurement practices and financial stability	Environmental protection	Corporate social responsibility

WE CARE FOR OUR ENVIRONMENT

As the world's largest producer of nitrile gloves, we are fully aware of the role we play in preserving our environment. We strive to ensure that our manufacturing processes and business operations are managed in a responsible manner, in order to provide a greener future for generations to come.

In line with this, we have the following environmental initiatives in place:

PERFORMING BEYOND COMPLIANCE STANDARDS

WASTE MANAGEMENT

EFFECTIVE ENERGY MANAGEMENT

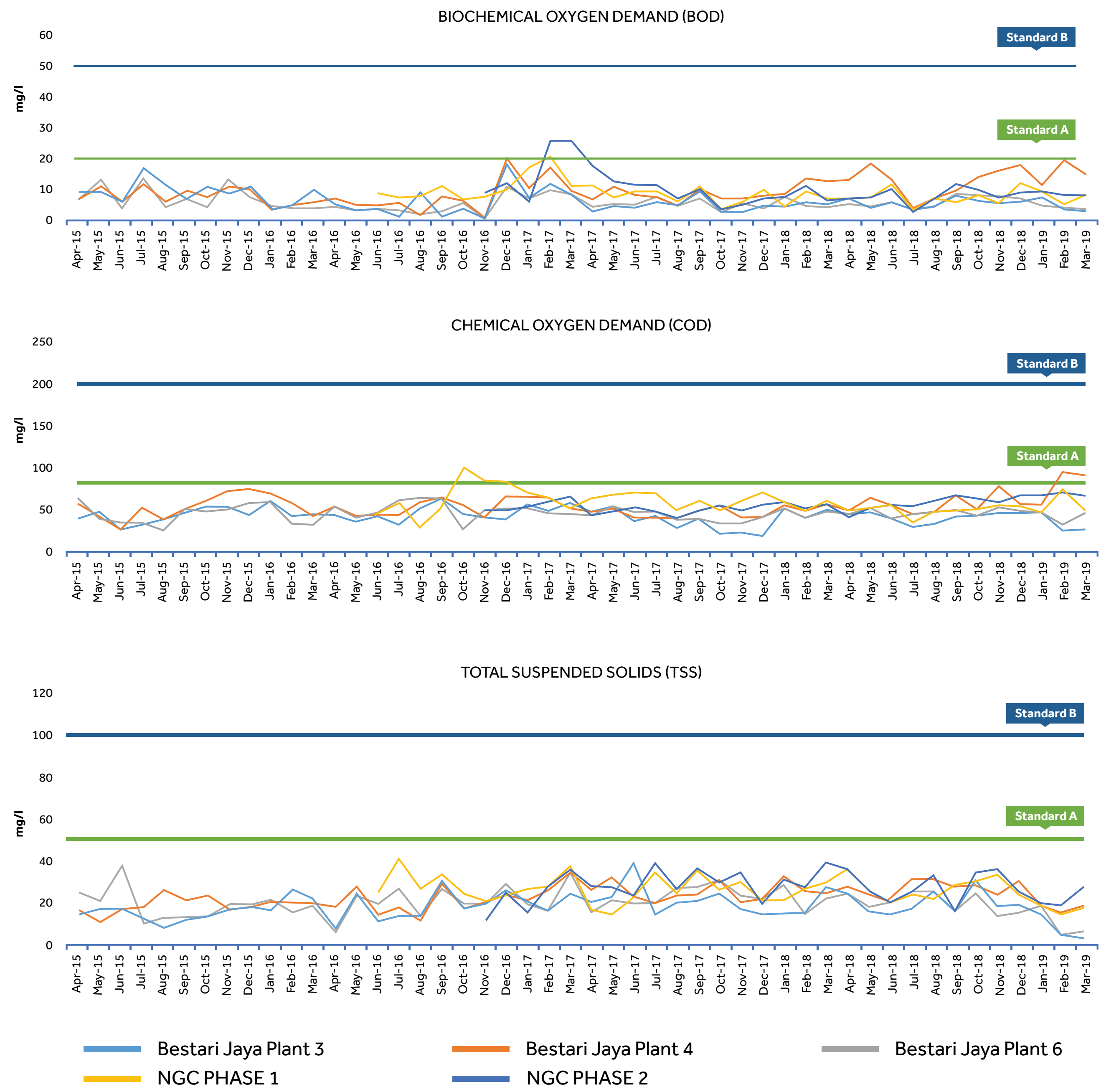
ENVIRONMENTAL CONSERVATION ACTIVITIES

Beyond Compliance Standards

We are focused on incorporating environmental best practices across our operations. Testament to this, we strictly adhere to the stringent regulations of the Malaysian Department of Environment (DOE). In fact, Hartalega consistently surpasses the required compliance standards, reflecting our strong commitment.

We take our custodianship of the environment very seriously, implementing various measures to minimise the impact of our operations on the ecosystem. To this end, we have put in place Key Performance Indicators to ultimately work towards reducing emission levels.

For the year under review, we once again went beyond DOE's requirements for effluent water discharge through our wastewater treatment plants. Our manufacturing facilities complied with the higher Standard A rating, surpassing the required Standard B rating.



As a result of our dedicated efforts, Hartalega was successfully accorded ISO 14001:2015 in 2017, an environmental management systems certification which we first achieved in 2013 and continue to maintain.

Due to our positive track record and experience in environmental management, Hartalega was invited by the DOE to share on the effectiveness of our industrial effluent treatment system at a conference on Environmental Quality (Effluent Industrial) Regulations. We were also bestowed with the Green Business Award by the Malaysian Rubber Export Promotion Council, recognising our efforts towards environmental conservation.

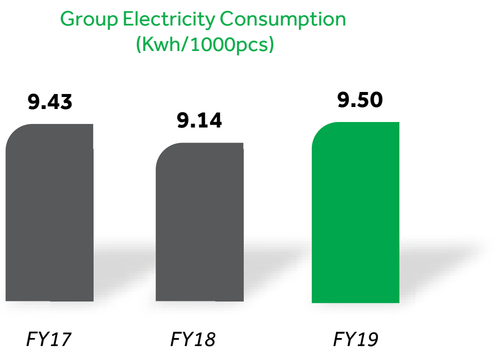
Responsible Energy Management

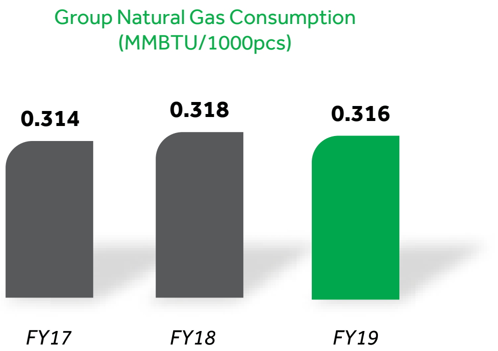
Achieving energy efficiency is a key part of responsible energy management. Towards this end, we continuously upgrade our production lines and enhance automation. As part of the Plan-Do-Check-Act model which is aligned with ISO14001:2015, we undertook various initiatives to closely monitor our premises for potential energy optimisation.

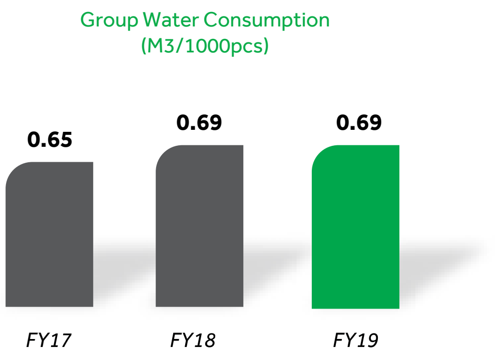
To enhance our energy-saving measures, we continued to install additional economisers at our production facilities. We also increased automation within our plants and ensured that our production lines were operating at optimal levels, with overall equipment effectiveness.

Apart from this, we completed the commissioning of a cogeneration power plant at the NGC. The cogeneration plant presents a more efficient alternative to generate power for this production facility. We are looking to implement additional cogeneration plants, as it is more environmentally friendly compared to drawing power from the grid. This will subsequently enable us to further improve energy efficiency and minimise carbon emissions.

Our ongoing capacity expansion saw Plant 5 of the NGC fully commissioning 10 out of 12 lines. Consequently, our electricity consumption increased to 9.50 kWh/1000 pcs during the year, as compared to the previous year mainly due to the lower utilisation rate. Nevertheless, we succeeded in maintaining our natural gas and water consumption which were consistent with the previous year. We remain steadfast in our goal of achieving sustainable growth and aim to continue utilising our resources responsibly.





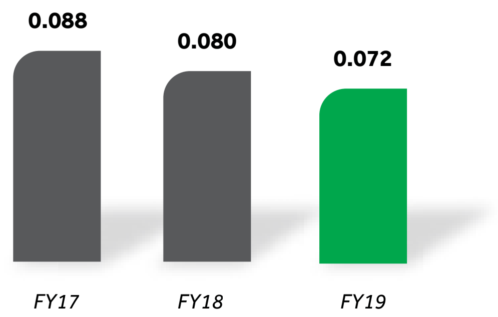


Minimising Waste

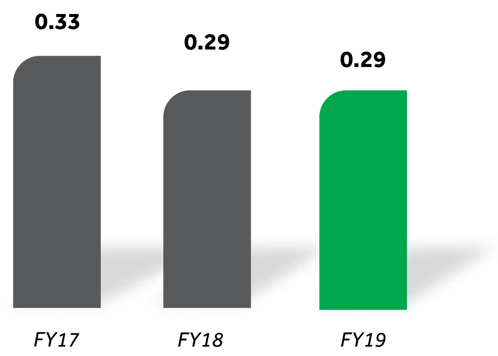
Fully aware of the potential impact of our growing operations, we proactively work on improving our waste management practices. We consistently reduce, reuse and recycle resources across all our manufacturing facilities. In tandem, our employees, fondly known as Hartanians, are consciously aware of the need to embrace good recycling practices.

Due to these efforts, our scheduled waste disposal dropped from 0.08 kg/1000 pcs to 0.072 kg/1000 pcs during the year under review. Non-scheduled waste remained at 0.29 kg/1000 pcs, consistent with the previous year. We will continue to work towards strengthening waste management in our manufacturing processes.

Group Scheduled Waste Disposal kg/1000pcs



Group Non-Scheduled Waste Disposal kg/1000pcs



Nurturing Environmental Conservation

We strongly believe that we can make a greater impact on the environment by joining hands with key stakeholders, including the local community, non-profit organisations and the relevant authorities. By working together, we are able to create a bigger platform to put the spotlight on the need for environmental conservation.

To this end, Hartalega collaborated with the Forest Research Institute Malaysia (FRIM) and the Selangor State Government to publish a children's book entitled, 'Pyro, the Elephant Whisperer'. This was aimed at raising awareness on the plight of the fireflies in Kampung Kuantan, Kuala Selangor. The book effectively conveyed to young minds the importance of safeguarding the rich biodiversity of Kampung Kuantan.

We further strengthened our partnership with Inspirasi KAWA, a social enterprise that aims to empower local youth through environmental education. Together, we conducted a river cleaning initiative which saw 1.8 tonnes of rubbish removed from Sungai Selangor. In addition, we carried out a tree planting activity, successfully planting 100 Berembang seedlings which are essential to the survival of the local firefly population.

WE CARE FOR OUR COMMUNITY

To achieve the sustainable growth of Hartalega, we recognise the need to build up and invest in our community. As the Group expands, it is our responsibility to ensure that we make a positive difference in the areas where we have a presence.

Over the years, we have embarked on numerous community-related programmes through a wide variety of initiatives and strategic partnerships. Our employees have played a significant role, readily volunteering their time and effort. In the year under review, Hartanians contributed over 1,500 hours to these initiatives, reaching out to over 22,000 lives.

1,500
VOLUNTEER HOURS

22,000
PEOPLE POSITIVELY IMPACTED

We also collaborated with the Malaysian Nature Society to conduct a beach cleaning and tree planting activity at Pantai Bagan Lalang. This saw the collection of 175kg of waste from the beach and planting of 342 mangrove seedlings.

342
MANGROVE SEEDLINGS PLANTED

Reinforcing our commitment, we established Yayasan Hartalega as an extension of our corporate social responsibility efforts. The foundation is aimed at enriching quality of life for individuals and communities through impactful programmes that focus on our key pillars of Health, Education and Environment. This is part of our vision to contribute towards nation-building by cultivating a society that is equitable, harmonious and prosperous.

Investing in Our Communities

Ultimately, we understand that supporting the communities around us will have positive long-term benefits for the Group. As such, we strive to help facilitate the growth of resilient, vibrant communities.

To this end, we actively seek to recruit and develop local talent. Applicants from our surrounding communities are given priority when applying for jobs with us. We view this as a strategic opportunity to enhance quality of life for those in the community while nurturing a stronger talent pool. Due to our efforts, approximately 50% of our permanent employees to date are from the surrounding communities.

In line with this, during the year we partnered with *Majlis Perbandaran Sepang* (MPS) for '*Hari Bertemu Pelanggan MPS*', where we promoted Hartalega to the local community in Sepang. This was aimed at providing career opportunities and branding Hartalega as an employer of choice.

Recognising the importance of active lifestyles, we encouraged Malaysians to adopt healthier habits by collaborating with *Kolej Vokasional Kuala Selangor (KVKS)* and the Vocational & Technical Department (*Bahagian Teknik & Vokasional – BPTV*), Ministry of Education Malaysia to organise the KVKS Mountain Bike Jamboree. Similarly, we partnered with *Pejabat Kesihatan Daerah (PKD) Kuala Selangor for 'Kem Nak Sihat with PKD Kuala Selangor'* and tied up with Federation of Malaysian Manufacturers (FMM) for the FMM Run.

Hartalega also conducted numerous other activities within these communities throughout the year, organised in collaboration with local councils and community leaders. This included our annual festive charity drives to support the underprivileged in Bestari Jaya and Sepang, contributing groceries to Jashiera Old Folks Home and Rumah Tunas Harapan Kuala Selangor, as well as our annual gotong-royong at Taman Suria.

Cultivating a Brighter Tomorrow

Hartalega firmly believes in the vital role of education in creating a better future for all. With this in mind, the Group actively provides educational opportunities for young Malaysians.

As the world's largest producer of nitrile gloves, Hartalega is fully cognisant of the necessity to have a solid grasp of the English language in order to thrive in today's globalised world. Towards this end, we support a number of platforms which aim to elevate the level of English language proficiency amongst students.

This includes our continued support for The Star's Newspaper-in-Education pull-out. This year, the initiative benefitted 20 schools in Kuala Selangor and Sepang district, reaching out to approximately 16,000 students. The selected schools were based in sub-urban areas, in order to benefit students in these areas by providing vital exposure to the English language, while encouraging them to keep up-to-date on current affairs.

Additionally, we collaborated with Majlis Daerah Kuala Selangor, Sunway University and Lancaster University for an English Language camp. This was aimed at promoting English literacy to schools in rural areas.

We also teamed up with FRIM and the Selangor State Government to organise book reading sessions of ‘Pyro, the Elephant Whisperer’. Apart from raising environmental awareness, this helped students improve their English reading skills.

On another note, we were excited to kick off our pilot project, ‘Hartalega X Digi Digital Literacy Programme’, where we partnered with Digi to promote digital literacy to students in rural areas. The objective of this project was to bridge the urban-rural divide amongst students with regards to the use of technology.

With our Graduate Readiness Internship Programme (GRIP), we provided students with a hands-on opportunity to learn more about the glove industry. GRIP welcomes diploma and degree students from various fields of study to apply for this 12-week internship, equipping them with pertinent skills to prepare for the working world. Interns receive close mentorship from a supervisor, who shares vital knowledge and skills with them whilst guiding them through assigned projects and tasks.

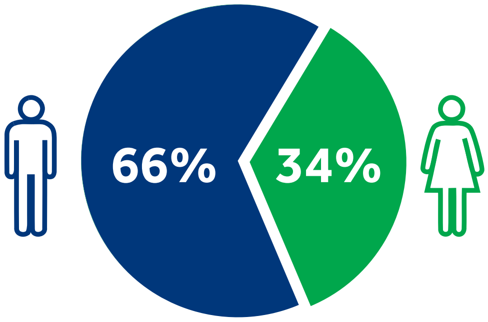
Furthermore, in the year under review, Yayasan Hartalega collaborated with Tunku Abdul Rahman University College to grant study loans for 12 deserving students. Yayasan Hartalega also provided support to Teach for Malaysia, a non-profit organisation which aims to tackle education inequity. This will see Yayasan Hartalega sponsoring three Teach for Malaysia fellows for two years, enabling them to teach at high-need schools in sub-urban areas, which is estimated to impact 600 students per year.

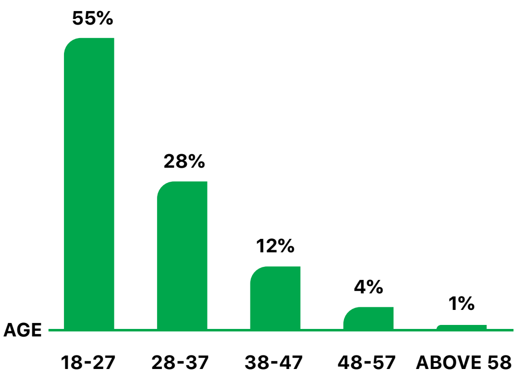
Apart from this, Yayasan Hartalega joined hands with social enterprise Sisterhood Alliance and Discover Muay Thai to support their Students With Ambitions & Goals (SWAG) Programme. This initiative focuses on empowering students' self-esteem and helps them develop critical thinking and communication skills.

Organised in Batang Berjuntai, the four-month programme involved 60 students from four schools, namely SMK Raja Muda Musa, SMK Rantau Panjang, SMK Sultan Sulaiman Shah and Kolej Vokasional Kuala Selangor. The participants went through a series of activities and were assigned projects based on the four foundations of SWAG: life skills, entrepreneurship, outdoor experience and STEAM (Science, Technology, Engineering, Arts and Maths).

WE CARE FOR OUR PEOPLE

Our people are an essential part of our business. Today, we have developed a strong, diverse talent pool comprising over 7,700 people, who are the driving force behind the Group's success and growth.





To ensure that Hartalega continues to progress, we are focused on building an organisational culture geared towards unlocking the potential of our employees, to drive performance in a positive working environment.

In all that we do, we are driven by our core values encapsulated by the acronym SHIELD: Synergy, Honesty, Innovativeness, Excellence in Quality, Learning and Dedication. On top of encouraging each and every employee in Hartalega to live by these values, our company as a whole is guided by them as well.

Investing in Our People

We are conscious that in order to perform at their best, our people must be well-equipped with the necessary skills and knowledge. To this end, we have implemented structured initiatives to develop and nurture our employees.

This includes our Human Resource Transformation Programme. First introduced in 2010, the programme empowers our talent pool at every step of their career. Moreover, we provide various training and development initiatives, as well as the opportunity to participate in both internal and external training sessions.

In the year under review, we extended our induction programme from two days to five days to include additional training materials. During this session, our new employees undergo an onboarding session as an introduction to Hartalega's organisational culture and to gain an understanding of their job scope.

Another key component is our Competency Development Programme (CDP). Via the CDP framework, employees are equipped with core skills and knowledge, strengthening their functional and leadership capabilities. Our systematic training methodology known as Structured On-the-Job Training (SOJT) is an integral part of the CDP, facilitating communication and learning. The SOJT's comprehensive database offers over 300 modules to ensure that our employees possess the required functional skills and knowledge to contribute to our company's growth.

>600 TRAINING PROGRAMMES LINKED TO COMPETENCIES

COMPETENCIES MAPPED **>600**

SOJT MODULES DEVELOPED **337**

TOTAL TRAINING HOURS **>200,000 HOURS**

To help our new staff understand their roles, they participate in relevant training modules according to their respective functions and departments. We also integrate best practices across departments into SOJT modules, which are included in our blueprint for future growth.

As part of our aim to build a sustainable talent pipeline, our Leadership Competency Programme cultivates current leaders as well as those whom we have identified to take on leadership positions. To ensure effective succession planning, we implement good leadership practices developed in collaboration with top-notch external human resources consultants.

We also support employees who wish to pursue their education to upskill themselves through educational and financial assistance.

Through these initiatives, we ensure that our talent pool across all levels has access to the necessary training and development programmes. We believe that this will strengthen our talent pool and enable Hartalega to push forward in today's increasingly competitive environment.

Further to this, as part of our digital transformation, we introduced HartaLearns, a platform which complements the CDP. Powered by SABA Cloud, HartaLearns provides Hartanians with easy access to online training using their mobile phones and laptops. Through HartaLearns, we can enhance e-learning capabilities as well as improve the management of learning activities. We aim to establish HartaLearns as a one-stop solution, providing all Hartanians with the opportunity to Learn, Connect, Engage and Play via this platform.

In tandem, we introduced the Workday and SABA software to digitalise our employees' transformation journey. The cloud-based software offers multiple benefits, such as supporting plans for overseas expansion, providing a seamless system for every stage of an employee's journey, analytics to facilitate the decision-making process based on data and contextual insights, as well as the digitisation and automation of certain processes. Ultimately, this software will enable us to integrate and manage our human resource processes more effectively and efficiently.

As an added incentive to drive performance and create a greater sense of ownership, we have an employee stock option scheme (ESOS) in place. This allows our people to enjoy the tangible benefits of the Group's success. The combined total profit generated by our ESOS programmes for employees to date is more than RM300 million.

2nd ESOS Scheme

We pour in a great deal of resources to strengthen engagement with our people, including via employee engagement surveys, focus groups as well as townhalls and briefings with the management team. During these sessions, we update our workforce on latest developments and address any questions or concerns.

This ensures that our people have a clear understanding of Hartalega's vision and objectives. To ensure that our people are kept updated, we utilise digital platforms such as our Hartanet intranet network as well as email blasts.

As a result of our efforts, we are pleased to note that our attrition rate decreased by more than 10% in the year under review. In recognition of our strong human resource practices, we were awarded the prestigious Aon Best Employers Award in 2018, showcasing the strength of our talent pool.

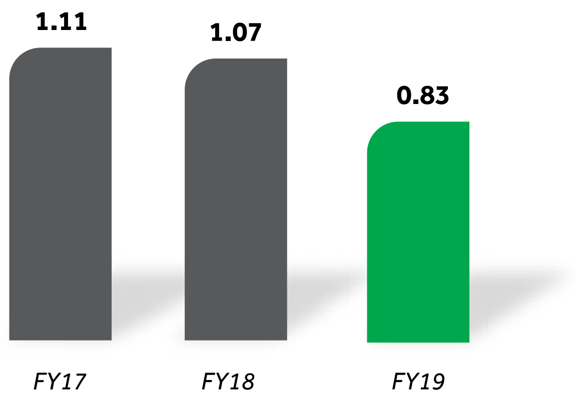
Creating a Safe and Healthy Workplace Environment

Hartalega is committed to safeguarding the welfare of our employees by cultivating a safe and healthy workplace environment. In line with this, we organise our Health, Safety and Environment (HSE) Campaign on an annual basis.

Through this campaign, Hartanians are educated on relevant HSE matters and best practices. This involves a wide range of training modules covering key areas such as emergency response, first aid, external forklift license training, noise conservation, chemical management, chlorine handling safety training and many more. With these comprehensive programmes, we aim to inculcate HSE practices as an integral part of our work culture.

In the year under review, we are pleased to note that our Group Lost Time Injury rate decreased from 1.07 to 0.83.

Lost Time Injury - Frequency Rate (LTI FR) from FY17 - FY19



Data calculated based on number of incidents per million man hours worked

We underwent an audit by the Department of Occupational Safety and Health (DOSH) audit during the year, scoring an outstanding 85.9% in our Batang Berjuntai plant while our NGC scored 90.0%. These reflect highly positive scores within the A-rating.

We also collaborated with DOSH to implement the Systematic Occupational Health Enhancement Level Programme (SoHELP), which saw our NGC achieving level 5 (Excellence). With this successful partnership, the NGC demonstrated compliance with Occupational Safety and Health (OSH) related to industrial hygiene, especially in terms of Noise Conservation, Chemical Management and Ergonomic Intervention.

We were invited to share our experience and best practices implementation during the closing ceremony of SoHELP, showcasing how the programme can help to improve workplace safety and health practices. Ultimately, SoHELP also strengthens engagement between OSH practitioners and DOSH.

In line with our commitment to safety, Hartalega continues to be fully compliant with the Occupational Health and Safety Management System (OHSAS) 18001:2007 certification. With this, our employees can be assured that they are in a safe working environment.

Championing Employee Welfare

As our most valuable asset, we aim to lend our full support to care for the wellbeing of our employees.

To this end, we introduced Hartagize, a programme organised by our Human Resources Department, CSR Department and Sports Club. The purpose of Hartagize is to promote good health and employee engagement, as well as encourage our people to embrace the spirit of volunteerism.

Our Hartagize health initiatives in FY19 included a Mount Kinabalu Climb, where our six fittest Hartanians were selected to embark on the climb, Hartalympics, a family-friendly initiative which saw over 500 Hartanians compete in tele-matches and running events and Mad Warrior, an obstacle challenge which saw participation by 50 Hartanians. There was also a series of Health Talks covering pertinent topics such as the benefits of quitting smoking, dermatitis and dengue.

To strengthen camaraderie amongst our people, we organised events such as movie nights and fun runs. For employees to take the lead and organise their own events, we established the Cari Kaki platform on the intranet, where they could encourage participation from like-minded colleagues by advertising any type of group activity, ranging from foodie trips to hiking expeditions.

We also provide various platforms for our people to contribute to society through opportunities to volunteer. Ultimately, this enables our employees to help play their part in nurturing a better community and environment.

Prioritising Social Compliance

As reflected in our SHIELD values, Hartalega is a highly responsible company which upholds strong business ethics. We advocate the just and fair treatment of all our people, both foreign and local, regardless of their background. Equality, diversity and inclusion are our top priorities when it comes to our recruitment and talent development initiatives.

On this note, we are wholly compliant with all Malaysian labour laws and regulations. From the years 2016 to 2018, we had a total of 16 audits carried out on social compliance, which we passed with commendable ratings. These audits were based on internationally recognised standards and systems such as SA8000, SMETA and Foreign Trade Association's Business Social Compliance Initiative (BSCI). We are also a FTSE4Good Bursa Malaysia constituent and have earned the OHSAS 18001 certification, reflecting our commitment to occupational health and safety management standards.

In terms of income, all Hartanians are paid no less than the minimum rates stated in Malaysian laws. Additionally, all migrant workers, depending on the positions they hold in Hartalega, are eligible for cash bonuses and annual increments above the manufacturing sector average. We do not unlawfully withhold or deduct our employees' salaries, and we do not impose monetary penalties for misconduct.

Based on our records, on average, employees who are eligible for overtime typically perform 70 hours overtime a month. This is far below the maximum limit of 104 hours permitted by Malaysian labour laws, allowing employees to get sufficient rest for at least one day a week. Ultimately, we strictly regulate overtime work and this is very closely monitored by the Group's senior management.

Through our Accelerated Development Programme (ADP), high-performing employees stand equal chance for promotion, regardless of nationality, race, religion, gender or age. We are proud of the fact that more than 900 employees have been promoted through the ADP since we first launched it in 2011. Additionally, our migrant workers can compete to win the title 'Hartanian of the Month/Year' as well as 'Kaizen of the Month/Year'.

In terms of safety and health, all our employees including migrant workers can seek free medical treatment at our in-house Sickbays for minor ailments. For more critical cases, they may seek medical treatment at hospitals, with the cost fully covered by Hartalega or through insurance purchased by Hartalega.

Beyond merely providing the bare minimum amenities, we ensure that the hostels we provide for foreign Hartanians not only comply with local regulations, but also with the International Labour Organisation's Workers' Housing Recommendation. Our migrant workers have unrestricted access to kitchens, complete with commercial-grade cooking equipment and utensils to prepare their meals. Apart from that, grocery shops are available within the hostel area for the convenience of residents. In addition, hostel residents can enjoy leisure and sporting activities such as darts, carom, karaoke, ping pong, futsal, volleyball and an outdoor gym for free.

To ensure that our foreign Hartanians feel at home, we organise a large-scale Festive Night tradition on an annual basis. During this event, entertainment such as cultural dances and performances which originate from the home countries of our employees are held. The highlight of this celebration is where the management team, including our top management, serve food to our workers to show our sincere gratitude for their hard work and dedication towards the company.

We also ensure freedom of movement for all our migrant workers. Outside of their working hours, they are free to move and travel about wherever they wish, and we provide daily shuttle services to town for their leisure, special shuttle services to mosques for Muslims' Friday prayers as well as day trips to tourist sites around Peninsular Malaysia.

It is imperative that our people uphold the highest levels of integrity and professionalism. Reflecting our strong compliance culture, we have a strict Code of Conduct in place that all employees must adhere to, which includes anti-bribery and anti-corruption policies. We have also put in place a whistleblowing mechanism and grievance handling procedure to provide avenues for reporting of any misconduct or non-compliance, with the guarantee of confidentiality. With this, we are able to investigate reports and take action if necessary.

WE CARE FOR OUR CONSUMERS AND MARKETPLACE

As a leader in the glove industry, the Group is dedicated to meeting changing healthcare needs across the world.

To achieve this, we embrace innovation and constantly seek new ways to provide relevant products and services to the market.

Meeting the Highest Standards of Quality and Safety Control

The quality of our products is paramount to the Group. Our commitment to the highest quality standards is reflected in the compliance of our products to international quality standards. These include 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.

Since 1996, we have maintained ISO (International Organisation for Standardisation) certification. Our other certifications we hold include ISO 9001:2015 by TUV SUD Management Service GmbH, ISO14001:2015 by TUV SUD Asia Pacific TUV SUD Group, ISO 13485:2016 (MDSAP) by TUV America, EN ISO 13485:2016 by TUV Product Service GmbH, EC Certificate by TUV Product Service GmbH and OHSAS 18001.

Additionally, we continue to be listed on the FTSE4Good Bursa Malaysia Index, reflecting our strong commitment towards good environmental, social and corporate governance practices.

Sustainability in Product Innovation

Embedded in our DNA, innovation has been the core of the Group since our inception. Year after year, our innovative drive has propelled Hartalega to the forefront of the industry.

Our passion for innovation is clearly reflected in our most recent product: the world's first non-leaching antimicrobial glove, which we successfully introduced to the market in May 2018. After years of hard work, this latest product utilises breakthrough technology that can actively prevent healthcare-associated infections by killing various forms of common bacteria quickly upon contact.

The first glove in the world to demonstrate this kind of efficacy in eliminating antibiotic-resistant bacteria, we are confident that the AMG has the potential to disrupt the entire landscape, not only in the glove manufacturing sector but also in the global healthcare industry.

We also obtained FDA approval for our biodegradable nitrile gloves during the year. This will allow us to introduce the environmentally friendly product to our customers in the US. Utilising the ASTM 5526 method, the product has undergone extensive testing, demonstrating 29.9% biodegradation within 202 days. The biodegradable gloves also maintain the same glove properties and shelf life as standard nitrile gloves, as proven by real-time shelf life test results.

As Hartalega aims to raise the bar through our disruptive innovations, we remain committed to continuously delivering products that serve the needs of consumers and the market, ultimately contributing to the Group's sustainable growth.

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 2019 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 latest 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 31 July 2019. Shareholders may obtain this CG Report by accessing the Company's website under the Corporate Governance segment at https://harta.irplc.com/investor-relations.html 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 https://harta.irplc.com/investor-relations.html.

The Chairman is responsible for instilling good governance practices, leadership and effectiveness of the Board. The presence of Independent Directors which comprise one half (1/2) of the Board members, though not forming a majority, is sufficient 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 and provide justified and sound opinions to the Board of Directors. The Executive Chairman also encourages healthy debates on important issues and promotes active participation by Board members.

The Board has established four (4) Board Committees, namely the Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee that are delegated specific responsibilities and the authority 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 https://harta.irplc.com/investor-relations.html. These Committees have the authority to examine particular 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 interest of the Group. The Code of Conduct and Ethics is uploaded on the Company's website under the Corporate Governance segment at https://harta.irplc.com/investor-relations.html.

Whistleblowing Policy

The Board is committed to achieve and maintain high standards of corporate governance practices across the Group. A Whistleblowing Policy has been implemented to provide a channel to enable Directors, employees, shareholders, vendors or any parties with a business relationship with the Group with an avenue to report suspected wrongdoings that may adversely impact the Group. The Company treats all reports in a confidential manner and at the same time provides protection to anyone who reports such concerns in good faith. The Whistleblowing Policy is published on the Company's website under the Corporate Governance segment at https://harta.irplc.com/investor-relations.html.

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 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 meetings.

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, five (5) Board meetings were held. The record of attendance is as follows:

Director	Number of Meetings Attended
Kuan Kam Hon @ Kwan Kam Onn	5/5
Kuan Mun Leong	5/5
Kuan Mun Keng	4/5
Dr. Danaraj A/L Nadarajah	4/5
Dato' Tan Guan Cheong	5/5
Razman Hafidz bin Abu Zarim	4/5
Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria	4/5
Datuk Seri Nurmala binti Abd Rahim	5/5

The Directors are aware of their duty to undergo appropriate training from time to time to ensure that they are 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 2019, the external training programmes and seminars attended by the Directors are as follows:

Conferences / Trainings / Seminars	Date	Attendees
Business & Leadership		
EUMCCI Business Sustainability Forum	5 April 2018	Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria
AMCHAM APCAC Business Summit	5 April 2018	Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria
Malaysian Economy Update by The Economist	4 May 2018	Razman Hafidz bin Abu Zarim
Singapore's ASEAN Chairmanship 2018: Towards Resilience Conference	28 May 2018	Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria
Forum on Globalisation and Industrialisation: Global Value Chains as Drivers of Structural Change, UNIDO Vienna	18 June 2018	Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria
The Economist's ASEAN Update	20 June 2018	Razman Hafidz bin Abu Zarim
China-ASEAN Think Tanks Seminar: How to Reach Agreement on RCEP	22 June 2018	Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria
Malaysia's International Relations by The Economist	24 July 2018	Razman Hafidz bin Abu Zarim
Business Foresight Forum, Securities Industry Development Corp (SIDC)	8 August 2018	Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria
9th International Rubber Glove Conference and Exhibition 2018	4-6 September 2018	Kuan Kam Hon @ Kwan Kam Onn Kuan Mun Leong Kuan Mun Keng Dr. Danaraj A/L Nadarajah
YTL Leadership Conference 2018 – "Building Resilience in a Changing World"	2 November 2018	Dato' Tan Guan Cheong
Hongqiao International Economic and Trade Forum	5 November 2018	Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria
IMF Presentation - Unfinished Business by Tamim Bayoumi	14 January 2019	Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria
Impact of Potential Sino-US Trade War - Singapore Institute of International Affairs (SIIA)	31 January 2019	Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria
Ring the Bell for Gender Equality 2019	14 March 2019	Datuk Seri Nurmala binti Abd Rahim

Conferences / Trainings / Seminars	Date	Attendees
Innovation & Technology		
Inclusive Insurance (Blockchain & Digital Solutions)	2-3 October 2018	Razman Hafidz bin Abu Zarim
Asia InsurTech Summit	4 October 2018	Razman Hafidz bin Abu Zarim
InsurTech Rising Conference	22-23 October 2018	Razman Hafidz bin Abu Zarim
Thriving in the Age of Disruption by Rich Karlgaard	23 February 2019	Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria
Governance		
Risk Culture Workshop	12 April 2018	Razman Hafidz bin Abu Zarim
Financial Institutions Directors' Education (FIDE) - Module A & B	9-19 July 2018	Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria
Evolving Expectations for Board	11 March 2019	Dato' Tan Guan Cheong
Finance & Investor Relations		
CIMB Investors Roadshow, Singapore	15 October 2018	Razman Hafidz bin Abu Zarim
Citi ASEAN C-Suite Investor Conference 2018	27 June 2018	Kuan Mun Keng
"Non-Financials: Does it Matter?" By Chris Leahy	5 December 2018	Dato' Tan Guan Cheong
CIMB Corporate Day	4 January 2019	Kuan Mun Keng
Invest Malaysia 2019	19-20 March 2019	Kuan Kam Hon @ Kwan Kam Onn Kuan Mun Leong
Regulatory		
IPO Dialogue	11 January 2019	Datuk Seri Nurmala binti Abd Rahim
Briefing on Rules of the ACE Market Listing Requirements issued by Bursa Securities	20 March 2019	Datuk Seri Nurmala binti Abd Rahim

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 16 to 23 of this Annual Report.

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

Kuan Kam Hon 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. The Board has decided to depart from this recommendation of the Code as 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 one half (1/2) of the Board members, though not forming a majority, 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.

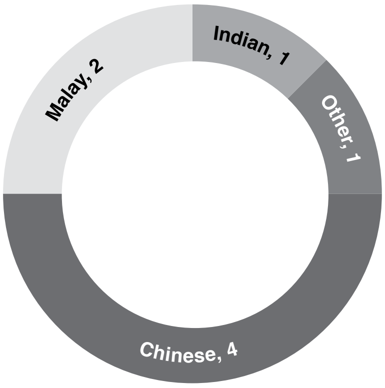
Annually, the Nominating Committee would review the independence of the Independent Directors. Criteria for assessment of independence is based on the requirements and definition of "independent director" as set out in the MMLR. Independent Directors are required to confirm their independence by giving 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.

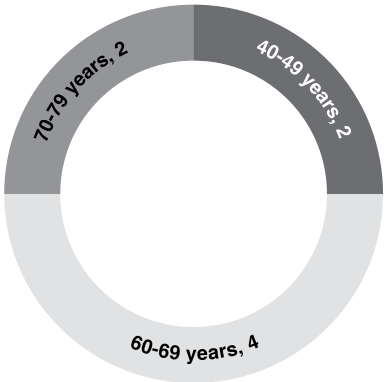
In accordance to the Board Charter, the maximum tenure of an Independent Non-Executive Director shall not exceed the cumulative term of nine years from the date of first appointment as Director or upon the expiry of the ongoing term of appointment as Director, whichever is later. Any extension beyond nine 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.

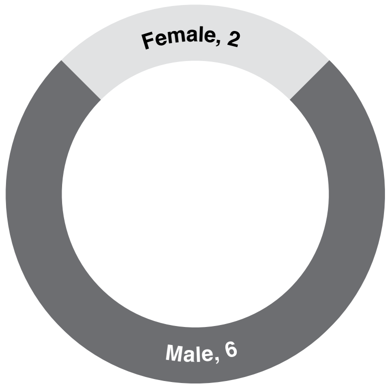
Diversity on Board and Senior Management

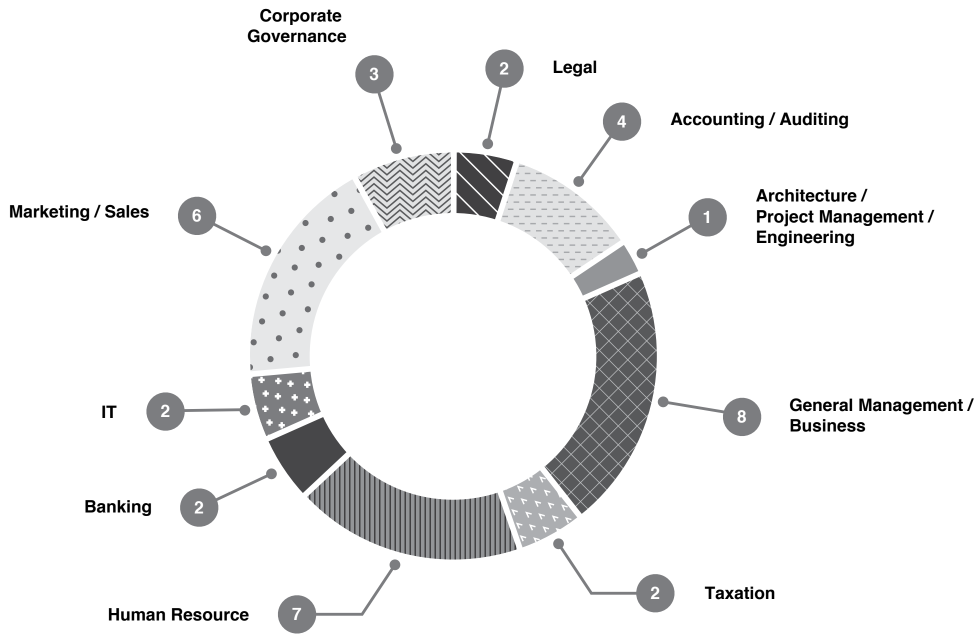
The appointment of Board and senior management is based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

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

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. The assessment was 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 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 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

Remuneration Procedure

The remuneration of Directors is formulated to be competitive and realistic, emphasis being placed on performance and calibre, with aims 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 review the required mix of skills, experience and other qualifications which Directors (including Independent Directors) should bring to the Board in order for the Board to function effectively;

» To annually review and assess the contribution of each individual Director and to recommend to the Board new candidates for appointment as Director if there is a need for additional Board Members;

» 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		
	Fees	Salaries & Other Emoluments	Bonus	EPF	Benefits-in-Kind	ESOS	Total	Fees	Allowance	Total
Executive Directors										
Kuan Kam Hon @ Kwan Kam Onn	144,000	1,200,000	500,000	96,000	28,000	-	1,968,000	120,000	-	120,000
Kuan Mun Leong	144,000	1,200,000	500,000	204,000	19,557	-	2,067,557	120,000	-	120,000
Kuan Mun Keng	144,000	640,860	267,025	113,570	13,325	-	1,178,780	120,000	-	120,000
Dr. Danaraj A/L Nadarajah	120,000	661,644	271,355	99,128	17,400	887,280	2,056,807	120,000	-	120,000
Non-Executive Directors										
Dato' Tan Guan Cheong	120,000	6,250	-	-	-	-	126,250	120,000	6,250	126,250
Razman Hafidz bin Abu Zarim	120,000	5,750	-	-	-	-	125,750	120,000	5,750	125,750
Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria	120,000	5,750	-	-	-	-	125,750	120,000	5,750	125,750
Datuk Seri Nurmala binti Abd Rahim	120,000	7,000	-	-	-	-	127,000	120,000	7,000	127,000

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.

Relationship with Auditors

The Board has a formal and transparent relationship with its auditor Messrs. 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 a majority of Independent Non-Executive Directors. 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 https://harta.irplc.com/investor-relations.html.

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 risk management and internal control are set out in the Statement on Risk Management and Internal Control located on page 72 of this report.

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.

In the event that shareholders are unable to attend the AGM in person, they are encouraged to appoint one (1) or up to two (2) proxies to 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 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.

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 Malaysian Code on Corporate Governance ("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 1 July 2019.

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 2019.

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 2019 are as follows:

Composition of the Committee	Attendance
Dato' Tan Guan Cheong (Chairman / Independent Non-Executive Director)	5/5
Razman Hafidz bin Abu Zarim (Independent Non-Executive Director)	4/5
Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria (Senior Independent Non-Executive Director)	4/5
Datuk Seri Nurmala binti Abd Rahim (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(1)(c) 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 are 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 2019, 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 and internal auditors;
- **iii.** Reviewed with internal auditors their audit plan prior to commencement of audit;
- **iv.** Reviewed the internal audit reports and ensured that appropriate actions were taken on the recommendations of the internal auditor;
- **v.** 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 financial reporting updates with the external auditors;
- **vi.** 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;
- **vii.** Reviewed, assessed and monitored the performance, suitability and independence of the external auditors;
- **viii.** Reviewed any related party transactions and recurring related party transactions that arose within the Group for ratification by the Board;
- **ix.** Reviewed any material provision or allowance and writing off of bad debts in the quarterly financial statements and annual financial statements for Board approval; and
- **x.** Reviewed the Audit Committee Report 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 Group outsourced its internal audit function to an external consultant. The cost incurred for the internal audit function in discharging its functions and responsibilities for the financial year ended 31 March 2019 was RM119,687 (2018: RM101,092).

The role of the internal audit function is to assist the Audit Committee and the Board of Directors in monitoring and managing risks and internal controls of the Group. A systematic and disciplined approach is used to evaluate and improve the effectiveness of risk management, operational and internal controls, and compliance with laws and regulations.

The internal audit was carried out in accordance with the Institute of Internal Auditors' guidance on risk-based internal auditing. The internal audit approaches are as follows:

» Meeting with key staff to gain an understanding of the risks along with the processes reviewed, and the controls put in place;

» Reviewing key documents that support the processes and controls in place;

» Performing walkthrough test and test of control, and in particular management oversight controls, in order to provide assurance as to the design and operational effectiveness of the internal control; and

» Comparing existing processes with established best practices.

The internal audit activities are carried out based on a risk-based audit plan, which include both assurance and consulting activities approved by the Audit Committee, in order 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.

Internal audits are carried out in accordance with the internal annual planning memorandum and reports are issued to the Audit Committee for tabling at the Audit Committee meetings. The Audit Committee deliberates on the findings and recommendations as reported by the Internal Auditors and monitors to ensure appropriate follow-up actions are taken on the recommendations of the internal auditor.

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 Malaysian Code on Corporate Governance ("MCCG") 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 the risk of failure to achieve the Group's business objectives. It can therefore only provide reasonable and not absolute assurance against material misstatement, 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.

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 Managing Director and the General Manager of Finance 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 (RMWG) provides regular reporting and updates to the Board on key risk management issues.

In discharging its responsibilities, the RMC will ensure the corporate objectives are supported by 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. In addition, the RMC exercises oversight over the Group and subsidiaries' risk management and ensure 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 Company embarked on risk management initiatives. The Company has established and formalised its Enterprise Risk Management Framework (ERM). Under the ERM framework, a Risk Management Working Group (RMWG) is established. The key responsibilities of the RMWG are to provide regular reporting on key risks to 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 Managing Director. The RMWG will meet regularly where the risk owners have the overall responsibility to report the key risks to the attention of the RMWG. The Managing Director is responsible to report to the RMC and Board on 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 decision-making and strategic planning.

» 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.

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 function has been outsourced to provide independence from the activities and operations of the Group, thereby providing the Audit Committee and the Board assurance with regards to the adequacy, effectiveness and integrity of the system of internal control.

The Internal Audit Function ("IAF") is carried out in accordance with the International Professional Practice Framework ("IPPF") by an independent professional firm, namely BDO Governance Advisory Sdn Bhd. The IAF team is headed by an Executive Director who possesses the relevant qualification and experience, and is assisted by three (3) staff including a Manager.

The internal audit reviews are executed based on an internal audit plan approved by the Audit Committee. The findings of the internal audit reviews together with Management's comments and action plans to address the audit findings are presented and reviewed by the Audit Committee. Follow-up reviews have also been conducted to report to the Audit Committee on the status of implementation of Management action plans.

As per the requirements of the ISO 9001, ISO 13485 and ISO 14001 certifications, scheduled audits are conducted internally as well as by the certification body, TÜV SÜD. Issues arising from these audits are forwarded to the Management Representative for review.

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 to provide an avenue for whistleblowing report and promote good corporate governance;

» 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 new machines and production processes go through a verification and validation process before implementation.

CONCLUSION

During the financial year ended 31 March 2019, 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 2019 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 2019

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 2019.

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 11 to the financial statements.

RESULTS

	Group RM	Company RM
Profit for the financial year	454,938,312	243,932,802
Attributable to:		
Owners of the Company	455,177,921	243,932,802
Non-controlling interests	(239,609)	-
	454,938,312	243,932,802

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 2.0 sen per share amounting to RM66,260,035 in respect of the financial year ended 31 March 2018, declared on 15 May 2018 and paid on 27 June 2018.

ii. final single tier exempt dividend of 2.2 sen per share amounting to RM73,133,780 in respect of the financial year ended 31 March 2018, approved by shareholders at the last Annual General Meeting on 24 August 2018 and paid on 28 September 2018;

iii. first interim single tier exempt dividend of 2.2 sen per share amounting to RM73,226,182 in respect of the current financial year, declared on 8 November 2018 and paid on 28 December 2018;

iv. second interim single tier exempt dividend of 2.2 sen per share amounting to RM73,557,025 in respect of the current financial year, declared on 12 February 2019 and paid on 28 March 2019; and

v. third interim single tier exempt dividend of 1.9 sen per share amounting to RM63,577,286 in respect of the current financial year, declared on 7 May 2019 and paid on 27 June 2019.

The directors recommended a final single tier exempt dividend of 1.9 sen per share amounting to RM63,668,007 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 declared and final dividend proposed. Such dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2020.

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 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 there were no known bad debts to be written off and that no allowance for doubtful debts was necessary.

At the date of this report, the directors are not aware of any circumstances which would require the writing off of bad debts or setting up of an amount of allowance for doubtful debts in the financial statements of the Group and of the Company.

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 RM1,312,308,547 to RM1,400,985,898, by way of issuance of 33,221,900 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.

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.

EMPLOYEES SHARE OPTION SCHEME ("ESOS")

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 and other terms of the ESOS are disclosed in Note 19(c) to the financial statements.

During the financial year, the Company granted a total of 14,672,700 share options under the ESOS.

Details of all the options granted during the financial year to subscribe for ordinary shares of the Company pursuant to the ESOS are as follows:

Grant date	Expiry date	Exercise price RM	Number of options
23.04.2018	22.07.2020	6.09	3,467,500
21.05.2018	22.07.2020	5.83	61,600
23.07.2018	22.07.2020	5.83	4,670,200
22.10.2018	22.07.2020	6.09	3,625,200
22.01.2019	22.07.2020	4.86	2,848,200
			14,672,700

The Company has been granted exemption by the Companies Commission of Malaysia vide its letter dated 30 April 2019 from having to disclose the list of option holders, other than directors, to whom options have been granted during the financial year and details of their holdings pursuant to Section 255(1) of the Companies Act 2016 in Malaysia except for information of employees who were granted 125,400 options and above.

The list of option holders granted 125,400 options and above during the financial year is as follows:

Name	Grant date	Expiry date	Exercise price RM	Number of share options Granted '000	Exercised '000	31.3.2019 '000
Low Tian Chai	22.10.2018	22.07.2020	6.09	245.1	-	245.1
Pauline Lee Yin Yin	23.04.2018	22.07.2020	6.09	169.4	(4.0)	165.4
Soo Wai Wing	23.07.2018	22.07.2020	5.83	147.4	-	147.4
Melissa binti Abdul Majib	23.07.2018	22.07.2020	5.83	147.4	-	147.4
Wong Yick Ping	23.07.2018	22.07.2020	5.83	147.4	-	147.4
Goh Kok Han	23.07.2018	22.07.2020	5.83	147.4	-	147.4
Mohamed Muqsithu bin Ahamed Rahmudeen	23.04.2018	22.07.2020	6.09	130.9	-	130.9
Liew Jun Keen	22.10.2018	22.07.2020	6.09	125.4	-	125.4
Low Xun Yun	22.10.2018	22.07.2020	6.09	125.4	-	125.4
Ng Chuan Teik	22.10.2018	22.07.2020	6.09	125.4	-	125.4
Wong Voon Tai	22.10.2018	22.07.2020	6.09	125.4	-	125.4
				1,636.6	(4.0)	1,632.6

Directors' options are disclosed under the directors' interests as follows.

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
DR. DANARAJ A/L NADARAJAH
DATO' TAN GUAN CHEONG
RAZMAN HAFIDZ BIN ABU ZARIM
TAN SRI DATUK DR. REBECCA FATIMA STA. MARIA
DATUK SERI NURMALA BINTI ABDUL RAHIM

The name of directors of subsidiaries are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

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 2019 are as follows:

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

	Number of preference shares			
	At 1.4.2018	**Bought**	**Sold**	**At 31.3.2019**
Direct interests				
Kuan Kam Hon @ Kwan Kam Onn	48,201	-	-	48,201

	Number of ordinary shares			
	At 1.4.2018	**Bought**	**Sold**	**At 31.3.2019**
Direct interests				
Kuan Kam Hon @ Kwan Kam Onn[1]	48,251	-	-	48,251

b. Shareholdings in the Company

	Number of ordinary shares			
	At 1.4.2018	Bought	Sold	At 31.3.2019
Direct interests				
Kuan Kam Hon @ Kwan Kam Onn	10,600,680	16,155,000	(11,000,000)	15,755,680
Dato' Tan Guan Cheong	240,000	-	-	240,000
Dr. Danaraj A/L Nadarajah	50,000	504,200	(124,200)	430,000
Kuan Mun Keng	6,045,600	70,000	-	6,115,600
Kuan Mun Leong	10,958,800	70,000	-	11,028,800
Indirect/Deemed interests				
Kuan Kam Hon @ Kwan Kam Onn [1][2]	1,678,052,536	12,353,480	(30,000,000)	1,660,406,016
Dato' Tan Guan Cheong[2]	60,000	120,000	(180,000)	-

[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.

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

	Number of Share Options			
	At 1.4.2018	Granted	Exercised	At 31.3.2019
Kuan Kam Hon @ Kwan Kam Onn	4,925,200	-	-	4,925,200
Kuan Mun Keng	4,925,200	-	-	4,925,200
Kuan Mun Leong	4,925,200	-	-	4,925,200
Dr. Danaraj A/L Nadarajah	847,200	-	(503,200)	344,000

By virtue of his substantial interests in the shares of the Company, 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 22 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 RM66,790.

There was no indemnity given to or insurance affected for the auditors of the Company in accordance with Section 284 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 2019 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 1 July 2019.

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 90 to 147, 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 2019 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 1 July 2019.

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 90 to 147 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 1 July 2019

Before me

KUAN KAM HON @ KWAN KAM ONN

KAPT. (B) JASNI BIN YUSOFF (W465)
Commissioner 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 2019 of the Group and of the Company, and the statements of profit or loss and 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 90 to 147.

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 2019, 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' *Code of Ethics for Professional Accountants* ("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.

Key audit matter	***How the scope of our audit responded to the key audit matter***
Review of Costing of Inventories Inventories are stated at the lower of cost and net realisable value and cost is determined on the weighted average basis. The cost of inventories comprises the cost of purchase plus the cost incurred in bringing the inventories to their present location and condition. 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. The key bases and assumptions used in the estimation of the cost of inventories is disclosed in Note 2 (d) (iv).	We have performed the following audit procedures in relation to review of inventory costing: » Obtained an understanding of the inventories valuation policy and processes implemented by management. We have evaluated the valuation made by management based on the policy; » Performed testing on relevant controls surrounding inventory valuation and costing of inventories; » 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 » Evaluated management assessments of the net realisable value of work-in-progress and finished goods.

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.

Other Information (cont' d)

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 the Company's internal control.

» Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditors' Responsibilities for the Audit of the Financial Statements (cont' d)

- 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, related safeguards.

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 11 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 - 02179/11/2020 J
Chartered Accountant

1 July 2019
Kuala Lumpur

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Revenue	4	2,827,218,410	2,405,638,106	229,929,371	620,520,859
Cost of sales		(2,119,015,652)	(1,790,876,242)	-	-
Gross profit		708,202,758	614,761,864	229,929,371	620,520,859
Other income		13,654,404	62,963,190	21,981,221	10,018,700
Distribution expenses		(26,962,512)	(26,952,306)	-	-
Administrative expenses		(112,497,050)	(99,935,400)	(2,907,181)	(2,219,074)
Other operating expenses		(20,948,330)	(16,484,775)	(3,328)	(779)
		(160,407,892)	(143,372,481)	(2,910,509)	(2,219,853)
Profit from operations		561,449,270	534,352,573	249,000,083	628,319,706
Finance costs		(10,619,940)	(7,923,725)	-	-
Profit before tax	5	550,829,330	526,428,848	249,000,083	628,319,706
Tax expense	6	(95,891,018)	(86,796,517)	(5,067,281)	(2,095,517)
Profit for the financial year		454,938,312	439,632,331	243,932,802	626,224,189
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation, representing other comprehensive loss for the financial year, net of tax		(581,263)	(1,687,434)	-	-
Total comprehensive income for the financial year		454,357,049	437,944,897	243,932,802	626,224,189
Profit attributable to:					
Owners of the Company		455,177,921	438,919,102	243,932,802	626,224,189
Non-controlling interests		(239,609)	713,229	-	-
		454,938,312	439,632,331	243,932,802	626,224,189
Total comprehensive income attributable to:					
Owners of the Company		454,711,821	437,406,669	243,932,802	626,224,189
Non-controlling interests		(354,772)	538,228	-	-
		454,357,049	437,944,897	243,932,802	626,224,189
Earnings per ordinary share attributable to owners of the Company:					
Basic earnings per ordinary share (sen)	7	13.69	13.28		
Diluted earnings per ordinary share (sen)	7	13.50	13.06		

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 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	8	1,896,232,090	1,589,455,722	-	-
Capital work-in-progress	9	173,993,364	155,142,964	-	-
Intangible assets	10	22,899,208	20,245,190	-	-
Investments in subsidiaries	11	-	-	647,118,243	622,176,785
Deferred tax assets	12	1,528,907	776,119	-	-
Amount owing by subsidiaries	22	-	-	787,447,185	788,451,024
Total Non-Current Assets		2,094,653,569	1,765,619,995	1,434,565,428	1,410,627,809
Current Assets					
Inventories	13	275,527,359	291,273,696	-	-
Trade and other receivables	14	458,263,408	405,895,209	222,571	167,431
Tax assets	15	13,259,729	3,330,452	-	-
Amount owing by subsidiaries	22	-	-	910,670	324,409
Derivative financial assets	16	-	9,298,716	-	-
Cash, bank balances and short-term investments	17	150,391,288	156,561,084	35,153,778	7,655,006
Total Current Assets		897,441,784	866,359,157	36,287,019	8,146,846
TOTAL ASSETS		2,992,095,353	2,631,979,152	1,470,852,447	1,418,774,655
EQUITY AND LIABILITIES					
Equity Attributable to Owners of the Company					
Share capital	18	1,400,985,898	1,312,308,547	1,400,985,898	1,312,308,547
Reserves	19	855,435,574	681,919,346	68,780,819	105,942,133
		2,256,421,472	1,994,227,893	1,469,766,717	1,418,250,680
Non-controlling interests		2,808,589	3,163,361	-	-
Total Equity		2,259,230,061	1,997,391,254	1,469,766,717	1,418,250,680
Non-Current Liabilities					
Loans and borrowings	20	195,361,599	122,272,830	-	-
Deferred tax liabilities	12	125,614,922	98,762,525	-	-
Total Non-Current Liabilities		320,976,521	221,035,355	-	-
Current Liabilities					
Trade and other payables	21	259,526,314	218,669,781	79,837	86,341
Loans and borrowings	20	148,577,371	194,371,214	-	-
Derivatives financial liabilities	16	1,788,000	-	-	-
Tax liabilities	15	1,997,086	511,548	1,005,893	437,634
Total Current Liabilities		411,888,771	413,552,543	1,085,730	523,975
Total Liabilities		732,865,292	634,587,898	1,085,730	523,975
TOTAL EQUITY AND LIABILITIES		2,992,095,353	2,631,979,152	1,470,852,447	1,418,774,655

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 2019

		Attributable to Owners of the Company						
			Non-Distributable		Distributable			
Group	Note	Share capital RM	Translation reserve RM	Share-based payment reserve RM	Retained earnings RM	Sub-total RM	Non-controlling interests RM	Total equity RM
At 1 April 2017		830,315,586	805,164	37,508,094	813,532,108	1,682,160,952	2,625,133	1,684,786,085
Comprehensive income								
Profit for the financial year		-	-	-	438,919,102	438,919,102	713,229	439,632,331
Other comprehensive income								
Foreign currency translation		-	(1,512,433)	-	-	(1,512,433)	(175,001)	(1,687,434)
Total comprehensive income for the financial year		-	(1,512,433)	-	438,919,102	437,406,669	538,228	437,944,897
Transactions with owners								
Dividends	23	-	-	-	(198,178,638)	(198,178,638)	-	(198,178,638)
Share-based payment relating to ESOS		-	-	20,543,958	-	20,543,958	-	20,543,958
Issuance of ordinary shares pursuant to ESOS		52,294,952	-	-	-	52,294,952	-	52,294,952
Transfer from share-based payment reserve upon exercise/lapse of ESOS		15,702,355	-	(15,702,355)	-	-	-	-
Issuance of bonus shares		413,995,654	-	-	(413,995,654)	-	-	-
Total transactions with owners		481,992,961	-	4,841,603	(612,174,292)	(125,339,728)	-	(125,339,728)
At 31 March 2018		1,312,308,547	(707,269)	42,349,697	640,276,918	1,994,227,893	3,163,361	1,997,391,254

Group	Note	← Share capital RM	Attributable to Owners of the Company ← Non-Distributable → Translation reserve RM	Share-based payment reserve RM	Distributable Retained earnings RM	→ Sub-total RM	Non-controlling interests RM	Total equity RM
At 1 April 2018		1,312,308,547	(707,269)	42,349,697	640,276,918	1,994,227,893	3,163,361	1,997,391,254
Effect of adoption of MFRS 9	2	-	-	-	(92,043)	(92,043)	-	(92,043)
Balance as at 1 April 2018 (Restated)		1,312,308,547	(707,269)	42,349,697	640,184,875	1,994,135,850	3,163,361	1,997,299,211
Comprehensive income								
Profit for the financial year		-	-	-	455,177,921	455,177,921	(239,609)	454,938,312
Other comprehensive loss								
Foreign currency translation		-	(466,100)	-	-	(466,100)	(115,163)	(581,263)
Total comprehensive income for the financial year		-	(466,100)	-	455,177,921	454,711,821	(354,772)	454,357,049
Transactions with owners								
Dividends	23	-	-	-	(286,177,022)	(286,177,022)	-	(286,177,022)
Share-based payment relating to ESOS		-	-	24,941,458	-	24,941,458	-	24,941,458
Issuance of ordinary shares pursuant to ESOS		68,809,365	-	-	-	68,809,365	-	68,809,365
Transfer from share-based payment reserve upon exercise/lapsed of ESOS		19,867,986	-	(19,867,986)	-	-	-	-
Total transactions with owners		88,677,351	-	5,073,472	(286,177,022)	(192,426,199)	-	(192,426,199)
At 31 March 2019		1,400,985,898	(1,173,369)	47,423,169	809,185,774	2,256,421,472	2,808,589	2,259,230,061

Company	Note	Share capital RM	Non-Distributable Share-based payment reserve RM	Distributable Retained earnings RM	Total equity RM
At 1 April 2017		830,315,586	37,508,094	49,542,539	917,366,219
Profit for the financial year, representing total comprehensive income for the financial year		-	-	626,224,189	626,224,189
Transactions with owners					
Dividends	23	-	-	(198,178,638)	(198,178,638)
Share-based payment relating to ESOS		-	20,543,958	-	20,543,958
Issuance of ordinary shares pursuant to ESOS		52,294,952	-	-	52,294,952
Transfer from share-based payment upon exercise of ESOS		15,702,355	(15,702,355)	-	-
Issuance of bonus shares		413,995,654	-	(413,995,654)	-
Total transactions with owners		481,992,961	4,841,603	(612,174,292)	(125,339,728)
At 31 March 2018		1,312,308,547	42,349,697	63,592,436	1,418,250,680

Company	Note	Share capital RM	Non-Distributable Share-based payment reserve RM	Distributable Retained earnings RM	Total equity RM
At 1 April 2018		1,312,308,547	42,349,697	63,592,436	1,418,250,680
Effect of adoption of MFRS 9		-	-	9,434	9,434
Balance as at 1 April 2018 (Restated)		1,312,308,547	42,349,697	63,601,870	1,418,260,114
Profit for the financial year, representing total comprehensive income for the financial year		-	-	243,932,802	243,932,802
Transactions with owners					
Dividends	23	-	-	(286,177,022)	(286,177,022)
Share-based payment relating to ESOS		-	24,941,458	-	24,941,458
Issuance of ordinary shares pursuant to ESOS		68,809,365	-	-	68,809,365
Transfer from share-based payment upon exercise of ESOS		19,867,986	(19,867,986)	-	-
Total transactions with owners		88,677,351	5,073,472	(286,177,022)	(192,426,199)
At 31 March 2019		1,400,985,898	47,423,169	21,357,650	1,469,766,717

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 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	550,829,330	526,428,848	249,000,083	628,319,706
Adjustments for:				
Depreciation of property, plant and equipment	100,220,878	85,218,119	-	-
Fair value loss/(gain) on derivative financial instruments	11,086,716	(11,026,716)	-	-
Intangible asset written off	-	4,952	-	-
Share-based payment expense	24,941,458	20,543,958	-	-
Amortisation of intangible assets	3,755,683	3,203,250	-	-
Impairment loss on trade receivables	-	21,860	-	-
Interest expenses	10,619,940	7,923,725	-	-
(Gain)/loss on disposal of property, plant and equipment	(56,957)	234,745	-	-
Unrealised loss on foreign exchange	(458,145)	(15,578,216)	-	(779)
Income from fixed income fund	(1,118,922)	(1,756,876)	(703,808)	(1,231,682)
Interest income	(2,494,895)	(1,320,369)	(21,036,144)	(8,730,545)
Dividend income from subsidiaries	-	-	(229,929,371)	(620,520,859)
Operating Profit/(Loss) Before Working Capital Changes	697,325,086	613,897,280	(2,669,240)	(2,164,159)
Decrease/(Increase) in inventories	15,746,337	(20,839,278)	-	-
Increase in receivables	(47,714,437)	(130,841,334)	(45,706)	(90,387)
Increase/(Decrease) in payables	40,159,879	11,698,374	(6,504)	37,664
Cash Generated From/(Used In) Operations	705,516,865	473,915,042	(2,721,450)	(2,216,882)
Tax refunded	169,920	102,847	-	-
Tax paid	(78,288,268)	(70,068,559)	(4,499,022)	(1,877,015)
Net Cash From/(Used In) Operating Activities	627,398,517	403,949,330	(7,220,472)	(4,093,897)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	712,517	168,930	-	-
Additions to:				
Property, plant and equipment	(33,056,977)	(36,733,462)	-	-
Intangible assets	(1,459,386)	(494,482)	-	-
Capital work-in-progress	(398,411,639)	(226,368,069)	-	-
Income received from fixed income fund	1,118,922	1,756,876	703,808	1,231,682
Interest received	2,494,895	1,320,369	8,905,985	8,337,970
Dividends received from subsidiaries	-	-	229,929,371	130,680,310
Net Cash (Used In)/From Investing Activities	(428,601,668)	(260,349,838)	239,539,164	140,249,962

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Proceeds from issuance of shares pursuant to exercise of ESOS	68,809,365	52,294,952	68,809,365	52,294,952
Net changes in borrowings	21,343,885	47,260,922	-	-
Dividends paid	(286,177,022)	(198,178,638)	(286,177,022)	(198,178,638)
Interest paid	(10,619,940)	(7,923,725)	-	-
Payments to finance lease payables	-	(40,596)	-	-
Advances from subsidiaries	-	-	12,547,737	73,486
Net Cash Used In Financing Activities	(206,643,712)	(106,587,085)	(204,819,920)	(145,810,200)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(7,846,863)	37,012,407	27,498,772	(9,654,135)
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS	1,677,067	(1,459,889)	-	779
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	156,561,084	121,008,566	7,655,006	17,308,362
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (NOTE 17)	150,391,288	156,561,084	35,153,778	7,655,006

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**	**Net changes from financing cash flows (i) RM**	**Non-cash changes (ii) RM**	**As at 31 March RM**
2019				
Loans and borrowings (Note 20)	316,644,044	21,343,885	5,951,041	343,938,970
2018				
Loans and borrowings (Note 20)	310,001,374	47,260,922	(40,618,252)	316,644,044
Finance lease payables (Note 20)	40,596	(40,596)	-	-

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

ii. Non-cash changes consist of unrealised foreign exchange loss/(gains) arise from revaluation of term and trade loans.

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 2019

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 subsidiaries is as disclosed in Note 11.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 1 July 2019.

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 the new and amended Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company adopted all the new and revised MFRSs and amendments to MFRSs issued by MASB that are effective for annual financial periods beginning on or after 1 April 2018.

MFRS 9	Financial instruments (IFRS 9 as 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 *Financial Instruments* with MFRS 4 *Insurance Contracts*
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to MFRS 2014 - 2016 Cycle	

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

a. Statement of compliance (cont'd)

The adoption of these new and revised MFRSs, Amendments to MFRSs and IC Interpretation 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 except for the adoption of MFRS 9 and MFRS 15 as disclosed below:

Impact of initial application of MFRS 9 Financial Instruments

In the current year, the Group and the Company applied MFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other MFRS Standards that are effective for an annual period that begins on or after 1 April 2018.

The adoption of MFRS 9 resulted in changes of accounting policies which are set out in Note 3. In accordance with the transition requirements under MFRS 9, comparatives are not restated and the financial impact on the adoption of this Standard is recognised in retained earnings as at 1 April 2018.

The initial application of MFRS 9 has had the following impact on the Group's and the Company's financial assets:

<u>Classification and measurement of financial assets</u>

» Financial assets classified as loans and receivables under MFRS 139 that were measured at amortised cost continue to be measured at amortised cost under MFRS 9 as they are held within a business model whose objective is to collect contractual cash flows and these cash flows consist solely of payment of principal and interest on the principal amount outstanding;

» Short term investments are previously measured at amortised cost in prior years. With the application of fair value option under MFRS 9, investment in short-term funds are designated to be measured as at fair value through profit or loss ("FVTPL") as they are held within a business model whose objective is to collect and sell and held solely for payments of principal and interest.

The following table is a reconciliation of the carrying amounts of the Group's statements of financial position from MFRS 139 to MFRS 9 as at 1 April 2018:

The Group	Short-term Investments RM	Retained Earnings RM
Opening balances as at 1 April 2018 under MFRS 139	12,296,234	640,276,918
Adoption of MFRS 9	(92,043)	(92,043)
Restated opening balances as at 1 April 2018 under MFRS 9	12,204,191	640,184,875

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

a. Statement of compliance (cont'd)

Impairment

In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. With regard to the impact of the expected credit loss model on trade and other receivables and amount owing by subsidiaries, the application of expected credit loss model of MFRS 9 has had no material impact to the Group and the Company's financial statements.

Derivative financial instruments

The Group entered into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks. Further details of derivative financial instruments are disclosed in Note 16.

Derivatives were initially recognised at fair value at the date the derivative contracts were entered into and were subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss was recognised in profit or loss immediately unless the derivative was 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.

The application of MFRS 9 has had no other impact on the results and financial position of the Group for the current and prior years.

Hedge accounting

The new hedge accounting requirements of MFRS 9 retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about any entity's risk management activities have also been introduced.

The application of MFRS 9 has had no other impact on the results and financial position of the Group and the Company for the current and prior years as the Group and the Company did not adopt hedge accounting.

Impact of initial application of MFRS 15 Revenue from Contracts with Customers

In the current year, the Group and the Company applied MFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 April 2018.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1 : Identify the contract(s) with a customer
Step 2 : Identify the performance obligations in the contract
Step 3 : Determine the transaction price
Step 4 : Allocate the transaction price to the performance obligations in the contract
Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

a. Statement of compliance (cont'd)

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The application of MFRS 15 has no impact on the Group’s and Company’s financial statements. The Group and the Company have elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group’s and the Company’s previous accounting policy as disclosed in Note 3.

Standards, Amendments and IC Interpretations 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 MFRS 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 3	Business Combination[2]
Amendments to MFRS 101 and MFRS 108	Definition of Material[2]
IC Interpretation 23	Uncertainty over Income Tax Payments[1]
Annual Improvements to MFRS 2015 - 2017 Cycle[1]	
Amendments to References to the Conceptual Framework in MFRS Standards[2]	

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 abovementioned MFRSs, amendments to MFRSs and IC Interpretations 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.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

a. Statement of compliance (cont'd)

MFRS 16 Leases

MFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. MFRS 16 will supersede the current lease guidance including MFRS 117 Leases and the related interpretations when it becomes effective.

MFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance lease are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows; whereas under MFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The Group has assessed the estimated impact that the initial application of MFRS 16 will have on its consolidated financial statements as at 1 April 2019 as below. The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change until the Group presents its first financial statements that include the date of initial application.

As at 1 April 2019, the Group estimated lease liabilities of RM2,907,241 with corresponding additional right-to-use assets of RM2,892,223, with the difference recognised in retained earnings.

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, leasing transactions that are within the scope of MFRS 117, 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*.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

b. Basis of measurement (cont'd)

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, 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.

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 Company has determined that the functional currency of the Company is RM.

iv. Inventories (Note 13) - 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

a. Basis of consolidation (cont'd)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b. Business combinations (cont'd)

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.

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 that 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c. Foreign currencies (cont'd)

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) control over a product have been transferred to the buyer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of good 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 an 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. Finance lease - the Group as lessee

Assets acquired by way of finance leases where the Group assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g. Leases (cont'd)

i. Finance lease - the Group as lessee (cont'd)

Finance lease are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding finance lease obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease is depreciated in accordance with the depreciation policy for property, plant and equipment.

ii. Operating lease - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on the straight-line basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

MFRS 9 replaces the provisions of MFRS 139 that relate to the recognition, classification and measurement of the financial assets and financial liabilities, derecognition of the financial instruments and impairment of financial assets. The adoption of MFRS 9 from 1 April 2018 resulted in changes in accounting policies as described in Note 2.

Financial instruments are recognised in the Group's and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n. Financial instruments (cont'd)

ii. Financial instrument categories and subsequent measurement

Financial assets - Policy applicable from 1 April 2018

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n. Financial instruments (cont'd)

ii. Financial instrument categories and subsequent measurement (cont'd)

Financial assets - Policy applicable prior to 1 April 2018

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

» it has been acquired principally for the purpose of selling it in the near term; or

» on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

» it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

» such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise; or

» the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

» it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

ii. Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

Regular way purchases or sales are purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or to sell the asset.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n. Financial instruments (cont'd)

ii. Financial instrument categories and subsequent measurement (cont'd)

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 other financial liabilities.

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. Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other 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

Prior to 1 April 2018, the impairment of financial assets was assessed based on the incurred loss model at the end of each reporting period.

With effect from 1 April 2018, the Group and the Company have applied the following accounting policies retrospectively, but has elected not to restate the comparatives on the new impairment model.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n. Financial instruments (cont'd)

iv. Impairment of financial assets (cont'd)

Policy applicable from 1 April 2018

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n. Financial instruments (cont'd)

iv. Impairment of financial assets (cont’d)

Policy applicable from 1 April 2018 (cont’d)

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.

Policy applicable prior to 1 April 2018

The Group and the Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. 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 and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as 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 impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

o. Cash and cash equivalents

The Group and Company adopts 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 amount of cash and which are subject to an insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 engages 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 Managing Director 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Sales of goods	2,827,218,410	2,405,638,106	-	-
Dividend income from subsidiaries	-	-	229,929,371	620,520,859
	2,827,218,410	2,405,638,106	229,929,371	620,520,859

5. PROFIT BEFORE TAX

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

a. Other items

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Depreciation of property, plant and equipment (Note 8)	100,220,878	85,218,119	-	-
Fair value loss/(gain) on derivative financial instruments	11,086,716	(11,026,716)	-	-
Interest expense in respect of:				
- term loans	6,975,673	5,928,109		
- finance lease payables	-	307		
- other borrowings	3,644,267	1,995,309	-	-
Loss/(Gain) on foreign exchange:				
- realised	5,713,336	(13,350,750)	-	-
- unrealised	(458,145)	(15,578,216)	-	(779)
Amortisation of intangible assets (Note 10)	3,755,683	3,203,250	-	-
Rental of:				
- Land	298,080	298,080		
- Machinery	50,600	175,512	-	-
- Premises	1,561,263	2,979,519	-	-
- Motor vehicle	42,249	-	-	-
- Facilities	15,535	27,265	-	-
- Forklift	336,041	-	-	-
Non-executive Directors' remuneration:				
- Fees				
- directors of the Company	480,000	288,000	480,000	288,000
- director of subsidiary	10,000	24,000	-	-
- Other emoluments				
- directors of the Company	24,750	29,000	24,750	29,000
Auditors' remuneration:				
- Audit services	383,874	364,517	55,000	45,000
- Other services by auditors of the Company	70,610	25,000	-	-
Impairment loss on trade receivables	-	21,860	-	-
Intangible asset written off	-	4,952	-	-
Interest income in respect of:				
- Deposits with licensed banks	(2,494,895)	(1,320,369)	(105,694)	(79,062)
- Advances to subsidiaries	-	-	(20,930,450)	(8,651,483)
Income from fixed income fund	(1,118,922)	(1,756,876)	(703,808)	(1,231,682)
(Gain)/Loss on disposal of property, plant and equipment	(56,957)	234,745	-	-

b. Staff costs

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Staff costs	281,517,469	243,662,680	480,000	288,000
Included in staff costs are:				
Share-based payment expense	24,941,458	20,543,958	-	-
Contributions to defined contribution plan	10,769,163	10,108,376	-	-

Included in staff costs is the aggregate amount of remuneration received and receivable by the executive directors of the Company and of the subsidiaries during the financial year as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Fees:				
- directors of the Company	552,000	360,000	480,000	288,000
- directors of the subsidiaries	96,000	96,000	-	-
Other emoluments:				
- directors of the Company	5,753,582	5,266,957	-	-
- directors of the subsidiaries	5,063,256	4,821,754	-	-
	11,464,838	10,544,711	480,000	288,000

The estimated monetary value of benefits-in-kind of the Group received by the directors of the Company and of the subsidiaries are RM965,561 (2018: RM159,943) and RM16,063,290 (2018: RM218,854) respectively.

6. TAX EXPENSE

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Current tax				
Malaysia income tax				
Current year	69,204,039	59,721,162	5,067,400	2,094,300
(Over)/Underprovision in prior years	(9,743)	(476,590)	(119)	1,217
Overseas income tax				
Overseas - current year	623,486	1,231,965	-	-
	69,817,782	60,476,537	5,067,281	2,095,517
Deferred tax				
Origination and reversal of temporary differences	27,774,250	25,900,401	-	-
(Over)/Underprovision in prior years	(1,701,014)	419,579	-	-
	26,073,236	26,319,980	-	-
Tax expense	95,891,018	86,796,517	5,067,281	2,095,517

6. TAX EXPENSE (cont'd)

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before tax	550,829,330	526,428,848	249,000,083	628,319,706
Tax at the Malaysian statutory income tax rate of 24% (2018: 24%)	132,199,039	126,342,924	59,760,020	150,796,729
Effect of different tax rate of foreign subsidiaries	17,058	35,121	-	-
Tax effects of:				
Non-deductible expenses	10,220,012	6,704,468	657,380	517,293
Non-taxable income	(346,724)	(2,896,141)	(55,350,000)	(149,219,722)
Utilisation of allowance for increased exports	(2,466,088)	(43,332,844)	-	-
Utilisation of reinvestment allowance	(42,021,522)	-	-	-
(Over)/Underprovision in prior years:				
Current tax	(9,743)	(476,590)	(119)	1,217
Deferred tax	(1,701,014)	419,579	-	-
Tax expense	95,891,018	86,796,517	5,067,281	2,095,517

7. EARNINGS PER ORDINARY SHARE

	Group	
	2019 RM	2018 RM
Basic earnings per ordinary share		
Net profit attributable to owners of the Company (RM)	455,177,921	438,919,102
Number of shares in issue as at beginning of the financial year	3,311,965,227	1,643,009,613
Effect of exercise of ESOS	13,511,617	7,254,483
	3,325,476,844	1,650,264,096
Effect of Bonus Issue	-	1,655,982,614
Weighted average number of ordinary shares in issue	3,325,476,844	3,306,246,710
Basic earnings per ordinary share (sen)	13.69	13.28
Diluted earnings per ordinary share		
Net profit attributable to owners of the Company (RM)	455,177,921	438,919,102
Weighted average number of ordinary shares in issue	3,325,476,844	3,306,246,710
Effect of dilutive potential ordinary shares – ESOS	46,804,201	54,756,231
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	3,372,281,045	3,361,002,941
Diluted earnings per ordinary share (sen)	13.50	13.06

Since the end of the financial year, eligible employees have exercised the options to acquire 33,221,900 (2018: 12,973,000) 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

Group	Freehold land RM	Long term leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and equipment RM	Motor vehicles RM	Renovation RM	Total RM
Cost								
At 1 April 2018	26,720,978	100,080,997	472,655,987	1,207,733,089	228,723,345	8,880,131	2,794,881	2,047,589,408
Additions	-	-	10,625,437	10,535,314	8,210,247	3,588,073	97,906	33,056,977
Disposals	-	-	-	(601,922)	(129,968)	(1,136,199)	-	(1,868,089)
Transfer from capital work-in-progress (Note 9)	-	-	106,763,499	215,340,009	52,507,416	-	-	374,610,924
Translation differences	-	(501)	-	1,817	(21,300)	14,050	-	(5,934)
At 31 March 2019	26,720,978	100,080,496	590,044,923	1,433,008,307	289,289,740	11,346,055	2,892,787	2,453,383,286
Accumulated depreciation								
At 1 April 2018	-	3,188,615	36,315,072	333,132,219	77,490,096	6,062,451	1,945,233	458,133,686
Charge for the financial year	-	1,046,644	9,942,435	60,247,026	27,132,994	1,544,770	307,009	100,220,878
Disposals	-	-	-	(218,902)	(45,402)	(948,225)	-	(1,212,529)
Translation differences	-	-	-	1,817	(6,555)	13,899	-	9,161
At 31 March 2019	-	4,235,259	46,257,507	393,162,160	104,571,133	6,672,895	2,252,242	557,151,196
Net carrying amount								
At 31 March 2019	26,720,978	95,845,237	543,787,416	1,039,846,147	184,718,607	4,673,160	640,545	1,896,232,090

Group	Freehold land RM	Long term leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and equipment RM	Motor vehicles RM	Renovation RM	Total RM
Cost								
At 1 April 2017	26,720,978	100,061,196	438,495,179	998,528,112	192,041,088	8,221,244	2,744,710	1,766,812,507
Additions	-	19,801	3,166,382	21,746,436	10,805,176	945,496	50,171	36,733,462
Disposals	-	-	-	(547,647)	(174,828)	(250,361)	-	(972,836)
Transfer from capital work-in-progress (Note 9)	-	-	30,994,426	188,133,260	26,153,228	-	-	245,280,914
Reclassification	-	-	-	(122,385)	122,385	-	-	-
Translation differences	-	-	-	(4,687)	(223,704)	(36,248)	-	(264,639)
At 31 March 2018	26,720,978	100,080,997	472,655,987	1,207,733,089	228,723,345	8,880,131	2,794,881	2,047,589,408
Accumulated depreciation								
At 1 April 2017	-	2,141,971	27,493,767	282,841,278	54,852,300	4,663,451	1,649,994	373,642,761
Charge for the financial year	-	1,046,644	8,821,305	50,542,300	22,818,438	1,694,193	295,239	85,218,119
Disposals	-	-	-	(246,671)	(72,129)	(250,361)	-	(569,161)
Translation differences	-	-	-	(4,688)	(108,513)	(44,832)	-	(158,033)
At 31 March 2018	-	3,188,615	36,315,072	333,132,219	77,490,096	6,062,451	1,945,233	458,133,686
Net carrying amount								
At 31 March 2018	26,720,978	96,892,382	436,340,915	874,600,870	151,233,249	2,817,680	849,648	1,589,455,722

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 RM238,158,901 (2018: RM221,766,415) is pledged as security by way of legal charge and security debenture for banking facilities granted to the Group as disclosed in Note 20.

9. CAPITAL WORK-IN-PROGRESS

	Group	
	2019 RM	**2018 RM**
At beginning of year	155,142,964	177,216,079
Additions	398,411,639	226,368,069
Transfer to property, plant and equipment (Note 8)	(374,610,924)	(245,280,914)
Transfer to intangible assets (Note 10)	(4,950,315)	(3,160,270)
At end of year	173,993,364	155,142,964

This is mainly in respect of construction of new factory building and set up of new production plant and machinery.

10. INTANGIBLE ASSETS

Group	IT software RM	Patent rights RM	Golf club memberships RM	Total RM
Cost				
At 1 April 2018	22,557,383	7,095,742	175,000	29,828,125
Additions	1,441,180	18,206	-	1,459,386
Transfer from capital work-in-progress - net (Note 9)	1,261,587	3,688,728	-	4,950,315
At 31 March 2019	25,260,150	10,802,676	175,000	36,237,826
Accumulated amortisation				
At 1 April 2018	7,130,306	2,424,999	27,630	9,582,935
Amortisation during the financial year	3,154,209	596,869	4,605	3,755,683
At 31 March 2019	10,284,515	3,021,868	32,235	13,338,618
Net carrying amount				
At 31 March 2019	14,975,635	7,780,808	142,765	22,899,208
Cost				
At 1 April 2017	18,912,152	7,091,173	175,000	26,178,325
Additions	489,913	4,569	-	494,482
Transfer from capital work-in-progress - net (Note 9)	3,160,270	-	-	3,160,270
Written off	(4,952)	-	-	(4,952)
At 31 March 2018	22,557,383	7,095,742	175,000	29,828,125
Accumulated amortisation				
At 1 April 2017	4,385,769	1,970,890	23,026	6,379,685
Amortisation during the financial year	2,744,537	454,109	4,604	3,203,250
At 31 March 2018	7,130,306	2,424,999	27,630	9,582,935
Net carrying amount				
At 31 March 2018	15,427,077	4,670,743	147,370	20,245,190

11. INVESTMENTS IN SUBSIDIARIES

	Company 2019 RM	Company 2018 RM
Unquoted shares, at cost	558,000,002	558,000,002
ESOS granted to employees of subsidiaries	89,118,241	64,176,783
	647,118,243	622,176,785

The particulars of subsidiaries are as follows:

Name of company	Country of incorporation	Principal activities	Proportion of ownership 2019	Proportion of ownership 2018
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%
Subsidiaries of Hartalega Sdn. Bhd.				
* MUN (Australia) Pty Limited	Australia	Retail and wholesale of gloves	82%	82%
* MUN Global USA, Incorporated	United States of America	Retail and wholesale of gloves	80%	80%
* Yancheng MUN Medical Equipment Co. Ltd.	People's Republic of China	Retail and wholesale of gloves	70%	70%
* MUN Health Product (India) Pvt Ltd	India	Retail and wholesale of gloves	81%	81%
Derma Care Plus Products (M) Sdn. Bhd.	Malaysia	Sales and marketing of gloves	100%	100%
Sentinel Engineering (M) Sdn. Bhd.	Malaysia	Leasing of property, research and development of automation systems	100%	100%
* Foshan Dynamic Limited	People's Republic of China	Export and trading of medical products	70%	70%
Subsidiary of MUN (Australia) Pty Limited Sdn. Bhd.				
* MUN (New Zealand) Limited	New Zealand	Retail and wholesale of gloves	100%	100%

* Audited by a firm of auditors other than Deloitte PLT.

11. INVESTMENTS IN SUBSIDIARIES (cont'd)

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 2019	Number of wholly-owned subsidiaries 2018
Manufacturing of latex gloves	Malaysia	2	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
		6	6

Principal activities	Country of incorporation	Number of non wholly-owned subsidiaries 2019	Number of non wholly-owned subsidiaries 2018
Retail and wholesale of gloves	Australia	1	1
Retail and wholesale of gloves	United States of America	1	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
		6	6

Acquisition of new subsidiary company

In previous financial year ended 31 March 2018, Hartalega Sdn Bhd, a 100% owned subsidiary of the Company, acquired 70% equity of Foshan Dynamic Limited, a private limited company incorporated in the People's Republic of China for a cash consideration of RM438,400.

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/(Loss) allocated to non-controlling interests RM	Accumulated non-controlling interests RM
2019			
MUN (Australia) Pty Limited	18%	(307,116)	2,257,160
Other individually immaterial subsidiaries	19% - 30%	67,507	551,429
		(239,609)	2,808,589
2018			
MUN (Australia) Pty Limited	18%	248,397	2,628,001
Other individually immaterial subsidiaries	19% - 30%	464,832	535,360
		713,229	3,163,361

11. INVESTMENTS IN SUBSIDIARIES (cont'd)

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	
	2019 RM	**2018 RM**
Non-current assets	1,671,554	949,354
Current assets	46,202,685	41,523,869
Non-current liabilities	(30,137)	(37,198)
Current liabilities	(35,027,826)	(27,571,437)
Net assets	12,816,276	14,864,588
Equity attributable to owners of the Company	10,559,116	12,236,587
Non-controlling interests	2,257,160	2,628,001
	12,816,276	14,864,588
Revenue	93,337,521	86,598,239
(Loss)/Profit for the year	(1,706,203)	1,379,985
(Loss)/Profit attributable to:		
Owners of the Company	(1,399,087)	1,131,588
Non-controlling interests	(307,116)	248,397
	(1,706,203)	1,379,985

12. DEFERRED TAX ASSETS AND LIABILITIES

	Group	
	2019 RM	**2018 RM**
Deferred tax assets		
At beginning of year	776,119	4,875,999
Recognised in profit or loss	780,024	(3,975,028)
Translation differences	(27,236)	(124,852)
At end of year	1,528,907	776,119
Deferred tax liabilities		
At beginning of year	98,762,525	76,421,486
Recognised in profit or loss	26,853,260	22,344,952
Translation differences	(863)	(3,913)
At end of year	125,614,922	98,762,525

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

	Group	
	2019 RM	2018 RM
Deferred tax assets		
Allowance for increase in export sales	44,328,193	47,699,444
Reinvestment allowance	6,708,301	-
Temporary differences in respect of deductible expenses	5,521,240	5,688,998
Fair value loss on derivative financial instruments	2,679,120	-
Unrealised foreign exchange losses	2,067,419	2,599,500
Unused tax losses	777,198	-
	62,081,471	55,987,942
Offsetting	(60,552,564)	(55,211,823)
Deferred tax assets (after offsetting)	1,528,907	776,119
Deferred tax liabilities		
Differences between the carrying amount of property, plant and equipment and its tax base	185,005,211	144,873,145
Unrealised foreign exchange gains	1,132,137	6,399,285
Temporary differences in respect of taxable income	30,138	37,198
Fair value gain on derivative financial instruments	-	2,664,720
	186,167,486	153,974,348
Offsetting	(60,552,564)	(55,211,823)
Deferred tax liabilities (after offsetting)	125,614,922	98,762,525

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

	Group	
	2019 RM	2018 RM
Unused tax losses	3,769,036	3,769,036

13. INVENTORIES

	Group	
	2019 RM	2018 RM
Raw materials	54,027,016	60,263,384
Work-in-progress	20,237,150	23,444,211
Finished goods	145,311,537	147,472,376
Goods-in-transit	2,050,933	6,759,460
Formers	31,041,443	35,384,124
Spare parts and consumables	22,859,280	17,950,141
	275,527,359	291,273,696

13. INVENTORIES (cont'd)

The cost of inventories recognised as expense and included in cost of sales during the financial year amounted to RM2,114,626,660 (2018: RM1,784,742,078).

The Group's inventories of RM4,372,521 (2018: RM2,636,097) are expected to be recovered after more than twelve months.

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade				
Trade receivables	402,541,088	324,075,970	-	-
Less: Allowance for impairment	(31,612)	(302,998)	-	-
Trade receivables, net	402,509,476	323,772,972	-	-
Non-trade				
Other receivables	18,385,645	46,490,369	218,071	162,931
Deposits	1,978,587	3,436,213	4,500	4,500
Prepayments	35,389,700	32,195,655	-	-
	55,753,932	82,122,237	222,571	167,431
	458,263,408	405,895,209	222,571	167,431

a. Credit term of trade receivables

The Group's normal trade credit terms extended to customers range from 30 to 90 days (2018: 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	
	2019 RM	2018 RM
Neither past due nor impaired	309,335,799	282,012,293
1 to 30 days past due not impaired	48,748,729	33,217,287
31 to 60 days past due not impaired	11,416,688	2,325,078
61 to 90 days past due not impaired	12,171,365	4,958,696
91 to 120 days past due not impaired	2,582,679	698,997
More than 121 days past due not impaired	18,254,216	560,621
	93,173,677	41,760,679
Impaired – More than 121 days past due	31,612	302,998
	402,541,088	324,075,970

14. TRADE AND OTHER RECEIVABLES (cont'd)

b. Ageing analysis of trade receivables (cont'd)

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 RM93,173,677 (2018: RM41,760,679) 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 2. Comparative amount for 2018 represent allowance account for credit losses and reflect measurement basis under MFRS 139.

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

	Group	
	2019 RM	**2018 RM**
Trade receivables (nominal amounts)	31,612	302,998
Less: Allowance for impairment losses	(31,612)	(302,998)
	-	-

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	
	2019 RM	**2018 RM**
At beginning of year	302,998	329,876
Charge for the financial year	-	21,860
Written-off	(278,452)	-
Translation differences	7,066	(48,738)
At end of year	31,612	302,998

14. TRADE AND OTHER RECEIVABLES (cont'd)

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

	Group	
	2019 RM	2018 RM
United States Dollar	383,914,742	279,543,852

d. Other receivables and prepayments

Included in other receivables and prepayments of the Group are Goods and Services Tax recoverable from respective authorities and advances to creditors for foreign workers' expense amounting to RM12,454,042 and RM1,196,950 (2018: RM32,270,761 and RM5,943,469) respectively.

15. TAX ASSETS AND LIABILITIES

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

16. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Group	
	2019 RM	2018 RM
Contract notional amount		
Non-hedging derivative:		
Forward currency contracts		
- USD denominated	1,467,174,100	1,334,317,900
- AUD denominated	5,490,000	15,312,000
	1,472,664,100	1,349,629,900
At FVTPL		
Non-hedging derivative:		
Current (liabilities)/assets		
Forward currency contracts		
- USD denominated	(2,050,000)	8,921,716
- AUD denominated	262,000	377,000
	(1,788,000)	9,298,716

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") and Australian Dollar ("AUD"), extending to December 2019.

During the financial year, the Group recognised a loss of RM11,086,716 (2018: gain of RM11,026,716) 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.

17. CASH, BANK BALANCES AND SHORT-TERM INVESTMENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fixed income fund with licensed fund management companies (redeemable upon 1 day notice)	37,705,968	12,296,234	32,857,218	5,377,844
Fixed deposit	12,405	-	-	-
Cash at banks and on hand	112,672,915	144,264,850	2,296,560	2,277,162
Cash and cash equivalents	150,391,288	156,561,084	35,153,778	7,655,006

Deposits with licensed banks of the Group and of the Company earn interest at effective interest rates ranging from 2.30% to 3.00% (2018: 2.30% to 3.00%) per annum with maturity period ranging from 1 day to 30 days (2018: 1 day to 30 days).

Included in cash at banks of the Group and of the Company are amounts of RM69,911,045 (2018: RM96,967,571) and RM2,296,560 (2018: RM2,277,162) respectively which earn interest at effective interest rates ranging from 0.05% to 2.00% (2018: 0.05% to 2.00%) per annum.

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

	Group	
	2019 RM	2018 RM
United States Dollar	79,721,242	93,541,147

18. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2019	2018	2019 RM	2018 RM
Issued and fully paid:				
At beginning of year	3,311,965,227	1,643,009,613	1,312,308,547	830,315,586
Issued during the financial year				
- bonus issue	-	1,655,982,614	-	413,995,654
- exercise of options under ESOS	33,221,900	12,973,000	88,677,351	67,997,307
At end of year	3,345,187,127	3,311,965,227	1,400,985,898	1,312,308,547

18. SHARE CAPITAL (cont'd)

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 RM1,312,308,547 to RM1,400,985,898, by way of issuance of 33,221,900 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.

19. RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Distributable				
Retained earnings	809,185,774	640,276,918	21,357,650	63,592,436
Non-distributable				
Translation reserve	(1,173,369)	(707,269)	-	-
Share-based payment reserve	47,423,169	42,349,697	47,423,169	42,349,697
	46,249,800	41,642,428	47,423,169	42,349,697
	855,435,574	681,919,346	68,780,819	105,942,133

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).

19. RESERVES (cont'd)

c. Share-based payment reserve (cont'd)

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.

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 the 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.

19. RESERVES (cont'd)

c. Share-based payment reserve (cont'd)

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 during the financial year are as follows:

		←		Number of options		→
Grant date	Expiry date	At 1.4.2018 '000	Granted '000	Exercised '000	Expired '000	At 31.3.2019 '000
2019						
18.05.2015	22.07.2020	68,252.6	-	(22,273.2)	(2,357.5)	43,621.9
02.07.2015	22.07.2020	2,404.8	-	(715.4)	(139.6)	1,549.8
19.10.2015	22.07.2020	3,080.6	-	(1,013.9)	(136.5)	1,930.2
01.02.2016	22.07.2020	3,996.8	-	(1,067.0)	(275.1)	2,654.7
29.04.2016	22.07.2020	4,952.2	-	(1,301.3)	(169.3)	3,481.6
21.07.2016	22.07.2020	6,030.0	-	(1,703.5)	(290.0)	4,036.5
21.10.2016	22.07.2020	4,815.8	-	(1,386.1)	(406.6)	3,023.1
23.01.2017	22.07.2020	4,924.8	-	(1,342.2)	(430.1)	3,152.5
21.04.2017	22.07.2020	2,656.2	-	(591.5)	(171.9)	1,892.8
21.07.2017	22.07.2020	5,264.2	-	(1,167.5)	(320.6)	3,776.1
23.10.2017	22.07.2020	3,991.0	-	(621.5)	(349.1)	3,020.4
22.01.2018	22.07.2020	3,023.0	-	(31.8)	(93.4)	2,897.8
23.04.2018	22.07.2020	-	3,467.5	(4.0)	(308.0)	3,155.5
21.05.2018	22.07.2020	-	61.6	-	-	61.6
23.07.2018	22.07.2020	-	4,670.2	(3.0)	(335.0)	4,332.2
22.10.2018	22.07.2020	-	3,625.2	-	(210.9)	3,414.3
22.01.2019	22.07.2020	-	2,848.2	-	(61.1)	2,787.1
		113,392.0	14,672.7	(33,221.9)	(6,054.7)	88,788.1

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

				←			Number of options			→
Grant date	Expiry date	Exercise price prior to bonus issue RM	Exercise price after bonus issue RM	At 1.4.2017 '000	Granted '000	Exercised '000	Expired '000	Balance prior to adjustment for bonus issue '000	Adjustment for bonus issue '000	At 31.3.2018 '000
2018										
18.05.2015	22.07.2020	3.78	1.89	47,191.6	-	(8,554.5)	(4,510.8)	34,126.3	34,126.3	68,252.6
02.07.2015	22.07.2020	4.03	2.01	2,326.2	-	(696.8)	(427.0)	1,202.4	1,202.4	2,404.8
19.10.2015	22.07.2020	4.49	2.25	2,336.4	-	(622.3)	(173.8)	1,540.3	1,540.3	3,080.6
01.02.2016	22.07.2020	5.39	2.70	3,191.1	-	(734.4)	(458.3)	1,998.4	1,998.4	3,996.8
29.04.2016	22.07.2020	4.28	2.14	3,708.0	-	(748.4)	(483.5)	2,476.1	2,476.1	4,952.2
21.07.2016	22.07.2020	4.11	2.06	4,363.4	-	(721.4)	(627.0)	3,015.0	3,015.0	6,030.0
21.10.2016	22.07.2020	4.64	2.32	3,328.9	-	(465.4)	(455.6)	2,407.9	2,407.9	4,815.8
23.01.2017	22.07.2020	4.39	2.20	3,251.6	-	(284.6)	(504.6)	2,462.4	2,462.4	4,924.8
21.04.2017	22.07.2020	4.70	2.35	-	1,604.3	(71.2)	(205.0)	1,328.1	1,328.1	2,656.2
21.07.2017	22.07.2020	6.47	3.24	-	2,872.2	(64.1)	(176.0)	2,632.1	2,632.1	5,264.2
23.10.2017	22.07.2020	7.27	3.64	-	2,058.9	(9.9)	(53.5)	1,995.5	1,995.5	3,991.0
22.01.2018	22.07.2020	10.46	5.23	-	1,581.2	-	(69.7)	1,511.5	1,511.5	3,023.0
				69,697.2	8,116.6	(12,973)	(8,144.8)	56,696	56,696	113,392

19. RESERVES (cont'd)

c. Share-based payment reserve (cont'd)

As at 31 March 2019, the total number of outstanding options was 88,788,100 (2018: 113,392,000). The weighted average remaining contractual life for these options is 1.50 years (2018: 2.50 years).

As disclosed in Note 18, options exercised during the financial year resulted in the issuance of 33,221,900 (2018: 12,973,000) ordinary shares at exercise prices ranging from RM1.89 and RM6.09 (2018: RM3.78 to RM7.27) each and the weighted average share price at the date of exercise was ranging from RM5.11 to RM6.41 (2018: RM4.93 to RM11.72) each.

The fair value of ESOS granted during the financial year 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 are as follows:

	2019	2018
Weighted average fair value of ESOS (RM)	1.67	1.95
Weighted average share price (RM)	6.04	7.60
Weighted average exercise price (RM)	5.74	7.23
Expected volatility (%)	30.74 - 62.44	27.01 - 60.14
Expected life (years)	1 - 2	2 - 3
Risk free rate (%)	3.74 - 3.84	3.64 - 3.78
Expected dividend yield (%)	1.22 - 1.71	1.40 - 1.94

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

20. LOANS AND BORROWINGS

		Long Term Borrowings						
Group	Effective interest rate per annum	Short-term borrowings within 1 year RM	1 to 2 years RM	2 to 3 years RM	3 to 4 years RM	4 to 5 years RM	Sub-total RM	Total RM
2019								
Variable rate instruments								
Unsecured								
Trade loans								
- United States Dollar	2.15% - 3.10%	35,111,568	-	-	-	-	-	35,111,568
Secured								
Term loans								
- United States Dollar	2.36% - 4.27%	113,465,803	136,037,185	42,737,228	16,587,186	-	195,361,599	308,827,402
		148,577,371	136,037,185	42,737,228	16,587,186	-	195,361,599	343,938,970
2018								
Variable rate instruments								
Unsecured								
Trade loans								
- United States Dollar	1.80% - 2.93%	100,676,382	-	-	-	-	-	100,676,382
Secured								
Term loans								
- United States Dollar	2.36% - 3.41%	93,694,832	93,694,832	28,577,998	-	-	122,272,830	215,967,662
		194,371,214	93,694,832	28,577,998	-	-	122,272,830	316,644,044

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Trade				
Trade payables	105,683,974	104,474,608	-	-
Non-trade				
Other payables	94,005,863	61,910,909	-	28,155
Accruals	59,836,477	52,284,264	79,837	58,186
	153,842,340	114,195,173	79,837	86,341
	259,526,314	218,669,781	79,837	86,341

Trade payables

The normal trade credit terms granted to the Group range from 30 to 90 days (2018: 30 to 90 days).

Trade payables denominated in foreign currency are as follows:

	Group	
	2019 RM	**2018 RM**
United States Dollar	75,663,240	41,134,448

Other payables

Included in other payables of the Group is an amount of RM30,718,971 (2018: RM15,332,704) in respect of balances owing to contractors for the construction and set up of new production plant and machinery.

Other payables denominated in foreign currency are as follows:

	Group	
	2019 RM	**2018 RM**
United States Dollar	18,632,362	15,989,767

22. 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 RM787,447,185 (2018: RM788,451,024) which bear interest at 2.65% (2018: 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 except for advances amounting to RM910,670 (2018: RM324,409) which bear interest at 2.65% (2018: 2.65%) per annum.

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	
	2019 RM	**2018 RM**
Received and receivable from subsidiaries:		
- Dividend income	229,929,371	620,520,859
- Interest income	20,930,450	8,651,483

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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Directors' fees	1,138,000	768,000	960,000	576,000
Short term employee benefits	9,896,824	9,351,603	24,750	29,000
Post-employment benefits	944,764	766,108	-	-
Estimated monetary value of benefits-in-kind *	17,029,482	378,796	-	-
	29,009,070	11,264,507	984,750	605,000

* Not recognised in the consolidated financial statements

23. DIVIDENDS

	Group/Company	
	2019 RM	**2018 RM**
Third interim single tier exempt dividend of 2 sen per share in respect of the financial year ended 31 March 2017	-	32,879,294
Final single tier exempt dividend of 2.5 sen per share in respect of the financial year ended 31 March 2017	-	41,255,035
First interim single tier exempt dividend of 3.5 sen per share in respect of the financial year ended 31 March 2018	-	57,824,652
Second interim single tier exempt dividend of 4 sen per share in respect of the financial year ended 31 March 2018	-	66,219,657
Third interim single tier exempt dividend of 2.0 sen per share in respect of the financial year ended 31 March 2018	66,260,035	-
Final single tier exempt dividend of 2.2 sen per share in respect of the financial year ended 31 March 2018	73,133,780	-
First interim single tier exempt dividend of 2.2 sen per share in respect of the financial year ended 31 March 2019	73,226,182	-
Second interim single tier exempt dividend of 2.2 sen per share in respect of the financial year ended 31 March 2019	73,557,025	-
	286,177,022	198,178,638

On 7 May 2019, the directors declared a third interim single tier exempt dividend of 1.9 sen per share amounting to RM63,577,286 in respect of the financial year ended 31 March 2019. The said dividend was paid on 27 June 2019.

The directors recommended a final single tier exempt dividend of 1.9 sen per share amounting to RM63,668,007 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 declared and final dividend proposed. Such dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2019.

24. CAPITAL COMMITMENT

In respect of acquisition of property, plant and equipment:

	Group	
	2019 RM	**2018 RM**
Approved and contracted for	248,550,606	403,351,534
Approved but not contracted for	409,954,887	656,557,525

25. 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 Group Managing Director 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	
	2019 RM	2018 RM
North America	1,528,310,615	1,419,432,878
Europe	716,268,025	559,641,987
Asia (excluding Malaysia)	383,581,063	249,687,691
Australia	93,394,444	86,921,722
Malaysia	10,038,861	4,261,400
South America	70,026,543	50,764,598
Middle East	24,191,416	33,054,019
Russia	1,407,443	1,873,811
	2,827,218,410	2,405,638,106

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

	Group	
	2019 RM	2018 RM
Malaysia	2,091,667,479	1,763,278,000
North America	70,011	16,342
Australia	272,843	274,435
China	378,492	461,049
India	735,837	814,050
	2,093,124,662	1,764,843,876

Information about major customers

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

	Group		
	2019 RM	2018 RM	Geographical location
Customer A	760,313,317	515,649,920	North America

26. CONTINGENT LIABILITIES

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 Plantiff 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;

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.

26. CONTINGENT LIABILITIES (cont'd)

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 to the 1st to 3rd Defendants and RM50,000 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 2017 and 6 December 2017 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 20 December 2017 and 22 December 2017.

On 28 June 2019, the Court of Appeal affirmed the decision of the Kuala Lumpur High Court and the Appeal was dismissed. Accordingly, the Group has not made any provision on the financial statements.

27. 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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

a. Credit risk management (cont'd)

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			
	2019		2018	
	RM	% of total	RM	% of total
By country:				
United States of America	175,791,034	43.67	144,199,287	44.54
Germany	58,505,177	14.54	51,631,340	15.95
Australia	23,335,508	5.80	11,355,773	3.51
Canada	5,247,047	1.30	4,713,475	1.46
Japan	6,163,338	1.53	7,302,864	2.26
Brazil	17,671,903	4.39	8,885,843	2.75
Ireland	2,124,995	0.53	53,156,045	16.42
Spain	12,388,210	3.08	7,981,129	2.46
Hong Kong	8,362,565	2.08	3,521,385	1.09
Others	92,919,699	23.08	31,025,831	9.56
	402,509,476	100.00	323,772,972	100.00

At the reporting date, approximately 46.39% (2018: 45.69%) of the Group's trade receivables was due from three (2018: three) major customers. Trade receivable balances from those major customers amounted to RM186,721,574 (2018: RM147,914,215).

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 results of the subsidiary and repayments made by the 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 RM343,938,970 (2018: RM316,644,044) 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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

a. Credit risk management (cont'd)

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	Contractual cash flows RM	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years
2019					
Group					
Financial liabilities:					
Trade and other payables	259,526,314	259,526,314	259,526,314	-	-
Loans and borrowings	343,938,970	359,571,499	158,299,394	140,702,408	60,569,697
	603,465,284	619,097,813	417,825,708	140,702,408	60,569,697
Company					
Financial liabilities:					
Trade and other payables	79,837	79,837	79,837	-	-
2018					
Group					
Financial liabilities:					
Trade and other payables	218,669,781	218,669,781	218,669,781	-	-
Loans and borrowings	316,644,044	324,384,865	200,179,806	95,367,435	28,837,624
	535,313,825	543,054,646	418,849,587	95,367,435	28,837,624
Company					
Financial liabilities:					
Trade and other payables	86,341	86,341	86,341	-	-

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b. Liquidity risk management (cont'd)

The table below summarises the maturity profile of the Group's derivative financial liabilities as at 31 March 2019 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	Contractual cash flows RM	1 month RM	1-7 months RM
2019				
Financial liabilities				
Forward foreign currency contracts	1,788,000	1,788,000	1,450,000	338,000

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 RM343,938,970 (2018: RM316,644,044) 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 50 (2018: 50) 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 RM1,306,968 (2018: RM1,203,247), 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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

d. Foreign currency risk management (cont'd)

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, RMB and 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	
	2019 RM	2018 RM
USD/RM - strengthened 5%	(887,354)	(313,061)
- weakened 5%	887,354	313,061

28. 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 payables, and amount owing by subsidiaries

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. 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).

iii. Borrowings

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

	Group	
	Carrying amount RM	Fair value RM
2019		
Financial Liabilities		
Loans and borrowings	343,938,970	354,016,382
2018		
Financial Liabilities		
Loans and borrowings	316,644,044	320,908,260

29. 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	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**
2019				
Derivative financial instruments				
- foreign currency forward contracts	(1,788,000)	-	(1,788,000)	-
2018				
Derivative financial instruments				
- foreign currency forward contracts	9,298,716	-	9,298,716	-

During the financial years ended 31 March 2019 and 2018, 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	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**
2019				
Financial Liabilities				
Loans and borrowings	354,016,382	-	-	354,016,382
2018				
Financial Liabilities				
Loans and borrowings	320,908,260	-	-	320,908,260

30. CATEGORY OF FINANCIAL INSTRUMENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Financial assets				
FVTPL:				
Derivative financial assets	-	9,298,716	-	-
Short-term investments	37,705,968	-	32,857,218	-
Loans and receivables:				
Trade receivables and other receivables	-	373,699,554	-	167,431
Amount owing by subsidiaries	-	-	-	788,775,433
Short-term investments	-	12,296,234	-	5,377,844
Cash and bank balances	-	144,264,850	-	2,277,162
At amortised costs:				
Trade receivables and other receivables	422,873,708	-	222,571	-
Amount owing by subsidiaries	-	-	788,357,855	-
Cash and bank balances	112,685,320	-	2,296,560	-
Financial liabilities				
FVTPL:				
Derivative financial liabilities	1,788,000	-	-	-
Other financial liabilities:				
Trade and other payables	259,526,314	218,669,781	79,837	86,431
Loans and borrowings	343,938,970	316,644,044	-	-

31. 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 2018.

As at 31 March 2019, the total capital managed by the Group which comprises shareholders' equity, amounted to RM2,256,421,472 (2018: RM1,994,227,893).

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 2019 and 2018, which are within the Group's and the Company's objectives of capital management are as follows:

31. CAPITAL MANAGEMENT (cont'd)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Total interest bearing borrowings	343,938,970	316,644,044	-	-
Less: Cash, bank balances and short-term investments	(150,391,288)	(156,561,084)	(35,153,778)	(7,655,006)
Total net debts/(net cash)	193,547,682	160,082,960	(35,153,778)	(7,655,006)
Total equity	2,259,230,061	1,997,391,254	1,469,766,717	1,418,250,680
Gearing ratio (%)	9%	8%	N/A	N/A

ADDITIONAL COMPLIANCE INFORMATION

A. 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 2019 is set out on page 136 of the Annual Report.

B. Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by any relevant regulatory bodies during the financial year.

C. Non-Audit Fees Paid/Payable

The amount of non-audit fees paid/payable by the Group for services rendered by the external auditor, Deloitte PLT and its affiliates in respect of the financial year amounted to RM70,610 (2018:RM85,100).

D. Variation In Result

There was no profit forecast announced by the Group for the financial year.

E. Profit Guarantees

There was no profit guarantee given by the Group for the financial year.

F. Revaluation of Landed Properties

The Company does not have a revaluation policy on its landed properties.

G. Material Contracts

During the year, there were no material contracts entered into by the Company and its subsidiaries which involved Directors' and major shareholders' interests.

H. Contracts Relating to Loan

There were no contracts relating to loan by the Company and its subsidiaries.

LIST OF PROPERTIES

Location Address	Existing Use	Approximate Age of Building	Tenure	Date of Acquisition	Area (m²)	NBV (RM)
GRN 193487, Lot 4864 Pekan Bestari Jaya Daerah Kuala Selangor Selangor Darul Ehsan	Factory and office building	Between 13 to 25 years	Freehold	1995 - 2007	30,641 (build-up area)	24,969,036
H.S.(D) 276179, P.T. No. 7320 Pekan Bestari Jaya Daerah Kuala Selangor Selangor Darul Ehsan	Factory and office building	Between 9 to 11 years	Freehold	2006 - 2011	41,736 (build-up area)	48,730,614
H.S.(D) 279954, P.T. No. 7321 Seksyen 4, Pekan Bestari Jaya Daerah Kuala Selangor Selangor Darul Ehsan	Factory and office building	7 years	Freehold	2013	31,948 (build-up area)	52,678,691
H.S.(D) 36055, P.T. No. 5785 Mukim of Labu Daerah Sepang Selangor Darul Ehsan	Factory and office building	Between 2 to 4 years	Leasehold expiring on 9 Oct 2110	2015 - 2018	204,276 (build-up area)	344,520,713
GRN 193487, Lot 4864 Pekan Bestari Jaya Daerah Kuala Selangor Selangor Darul Ehsan	Industrial land	N/A	Freehold	1993 - 2001	43,158	4,901,383
H.S.(D) 276179, P.T. No. 7320 Pekan Bestari Jaya Daerah Kuala Selangor Selangor Darul Ehsan	Industrial land	N/A	Freehold	2006 - 2007	57,987	10,031,396
H.S.(D) 279954, P.T. No. 7321 Seksyen 4, Pekan Bestari Jaya Daerah Kuala Selangor Selangor Darul Ehsan	Industrial land	N/A	Freehold	2010 - 2011	45,220	11,671,112
H.S.(D) 36055, P.T. No. 5785 Mukim of Labu Daerah Sepang Selangor Darul Ehsan	Industrial land	N/A	Leasehold expiring on 9 Oct 2110	2013	384,449	91,856,306
H.S.(D) 36056, P.T. No. 5786 Mukim of Labu Daerah Sepang Selangor Darul Ehsan	Agriculture land	N/A	Leasehold expiring on 9 Oct 2110	2013	68,800	3,676,664

Location Address	Existing Use	Approximate Age of Building	Tenure	Date of Acquisition	Area (m^2)	NBV (RM)
H.S.(D) 36057, P.T. No. 5787 Mukim of Labu Daerah Sepang Selangor Darul Ehsan	Industrial Land	N/A	Leasehold expiring on 9 Oct 2110	2014	650	160,922
H.S.(D) 1742, P.T. No. 2965 Mukim of Batang Berjuntai Daerah Kuala Selangor Selangor Darul Ehsan	Vacant land	N/A	Leasehold expiring on 14 Mar 2090	1998	3,237	132,048
C-G-9, Jalan Dataran SD1 Dataran SD, PJU 9 Bandar Sri Damansara 52200 Kuala Lumpur	4-storey office building	12 years	Leasehold expiring on 27 Aug 2102	2007	410 (build-up area)	1,430,074
No. 2A, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	15 years	Freehold	2009	143	146,038
No. 6, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	15 years	Freehold	2009	144	146,160
No. 8, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	15 years	Freehold	2009	145	146,291
No. 10, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	15 years	Freehold	2009	146	146,423
No. 12, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	15 years	Freehold	2010	147	150,465
H.S.(D) 36055, P.T. No. 5785 Mukim of Labu Daerah Sepang Selangor Darul Ehsan	Hostel building	Between 2 to 4 years	Leasehold expiring on 9 Oct 2110	2015 - 2018	75,146 (build-up area)	53,659,300

ANALYSIS OF SHAREHOLDINGS AS AT 20 JUNE 2019

Number of Total Issued and Paid Up Share Capital	:	3,346,172,928 ordinary shares
Class of Shares	:	Ordinary Share
Voting Rights	:	One vote per ordinary share
Number of Shareholders	:	14,446

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	No. of Shares	%
Less than 100	123	2,031	0.00
100 - 1,000	4,491	3,050,921	0.09
1,001 - 10,000	6,716	27,767,277	0.83
10,001 - 100,000	2,274	74,404,789	2.22
100,001 to 165,650,085 (*)	840	1,436,519,774	42.93
165,650,085 and above(**)	2	1,804,428,136	53.93
	14,446	**3,346,172,928**	**100.00**

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

SUBSTANTIAL SHAREHOLDERS

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

Name of Shareholders	Direct Interest		Indirect Interest/Deemed Interest	
	No. of Shares	%	No. of Shares	%
Hartalega Industries Sdn Bhd	1,618,558,936	48.37	0	0.00
Kuan Kam Hon @ Kwan Kam Onn	15,755,680	0.47	1,660,406,016*^#	49.62
Kuan Kam Peng	80,292,000	2.40	1,618,558,936^	48.37
Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	1,85,869,200	5.55	0	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 a director of the Company.

DIRECTORS' SHAREHOLDINGS

Name of Shareholders	Direct Interest		Indirect Interest/Deemed Interest	
	No. of Shares	%	No. of Shares	%
Kuan Kam Hon @ Kwan Kam Onn	15,755,680	0.47	1,660,406,016*^#	49.62
Kuan Mun Leong	11,028,800	0.33	0	0.00
Kuan Mun Keng	6,115,600	0.18	0	0.00
Dr. Danaraj A/L Nadarajah	250,000	0.01	0	0.00
Dato' Tan Guan Cheong	240,000	0.01	0	0.00
Razman Hafidz bin Abu Zarim	0	0.00	0	0.00
Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria	0	0.00	0	0.00
Datuk Seri Nurmala binti Abd Rahim	0	0.00	0	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 a director of the Company.

LIST OF 30 LARGEST SHAREHOLDERS AS AT 20 JUNE 2019

No.	Name of Shareholders	No. of Shares	%
1	HARTALEGA INDUSTRIES SDN BHD	1,618,558,936	48.37
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	185,869,200	5.55
3	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	100,692,480	3.01
4	KUAN KAM PENG	80,292,000	2.40
5	CITIGROUP NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	50,415,280	1.51
6	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS-PB)	35,184,000	1.05
7	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	30,909,900	0.92
8	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	30,846,400	0.92
9	RHB NOMINEES (ASING) SDN BHD MEDLINE INDUSTRIES INC.	29,957,100	0.90
10	BUDI TENGGARA SDN BHD	26,493,600	0.79
11	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	23,657,938	0.71
12	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	23,472,600	0.70
13	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	23,226,900	0.69
14	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	23,083,400	0.69
15	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC EQUITY FUND	21,390,260	0.64

LIST OF 30 LARGEST SHAREHOLDERS AS AT 20 JUNE 2019

No.	Name of Shareholders	No. of Shares	%
16	KEVIN TEN	21,248,036	0.63
17	ANDY TEN	20,680,436	0.62
18	JASON TEN JHIA SEENG	20,680,432	0.62
19	TAN BOOI CHARN	20,121,800	0.60
20	CARTABAN NOMINEES (ASING) SDN BHD GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)	18,883,700	0.56
21	KUAN EU JIN	18,294,200	0.55
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	18,253,800	0.55
23	SEOW HOON HIN	16,403,200	0.49
24	KINETIC REGION SDN BHD	16,306,880	0.49
25	KUAN KAM HON @KUAN KAM ONN	15,755,680	0.47
26	PACIFIC VENUE SDN BHD	15,143,600	0.45
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	15,000,000	0.45
28	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)	14,095,310	0.42
29	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR JPMORGAN ASEAN FUND (BK EASTASIA TST)	12,461,400	0.37
30	KUAN MUN LEONG	11,028,800	0.33

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth (13th) Annual General Meeting of the Company will be held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, No. 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 10 September 2019, 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 2019** 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 1.9 sen per share single tier for the financial year ended **31 March 2019.**

   (Resolution 1)

3. To approve the payment of Directors' Fees of RM960,000.00 and benefits of RM24,750.00, for the financial year ended **31 March 2019**.

   (Resolution 2)

4. To approve the payment of Directors' Fees of up to RM960,000.00 and benefits of up to RM31,000.00, in respect of the financial year ending **31 March 2020**.

   (Resolution 3)

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

   a. Mr. Kuan Kam Hon @ Kwan Kam Onn **(Resolution 4)**

   b. Dr. Danaraj A/L Nadarajah **(Resolution 5)**

   c. Dato' Tan Guan Cheong **(Resolution 6)**

6. To re-appoint Messrs 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 and/or share premium account 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.
- **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:

vi. 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

vii. the expiration of the period within which the next AGM after that date is required by law to be held; or

viii. 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. SPECIAL RESOLUTION
PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY

"THAT approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company, as set out in Appendix II of the Circular to Shareholders dated 31 July 2019 be and is hereby adopted as the Constitution of the Company ("Proposed Adoption of New Constitution).

AND THAT the Board of Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities (if any) and to do all acts and things and take all such steps as may be considered necessary to give full effect to the Proposed Adoption of the New Constitution."

(Resolution 10)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a final dividend of 1.9 sen per share single tier for the financial year ended 31 March 2019, if approved, will be paid on 10 October 2019, to depositors registered in the Record of Depositors at the close of business on 26 September 2019.

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 26 September 2019, 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)
WONG YOUN KIM (F) (MAICSA 7018778)
Company Secretaries

31 July 2019

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 and the provisions of Section 334(1) of the Companies Act 2016 shall not apply to the Company.

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 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 Company's Registrars, Boardroom Share Registrars Sdn. Bhd. (Formerly known as Symphony Share Registrars Sdn. Bhd.), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

7. Only a depositor whose name appears on the Record of Depositors as at 3 September 2019 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.

Explanatory notes on Special Business:

8. Resolution 8

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

The proposed Ordinary Resolution 8 is a renewable mandate for the issue of shares under Section 75 & 76 of the Companies Act 2016. If passed, 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 has been issued and allotted by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting held on 24 August 2018 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).

9. 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 is dispatched together with this Annual Report.

10. Resolution 10

Special Resolution – Proposed Adoption of New Constitution of the Company

The Proposed Resolution 10 is undertaken primarily to streamline the existing Memorandum and Articles of Association (Constitution) of the Company with the Companies Act 2016, which was effective on and from 31 January 2017. The Proposed Adoption of the New Constitution is also to align the existing Constitution with the recent amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that came into effect from 2 January 2018, to provide clarity to certain provisions thereof and to render consistency throughout in order to facilitate and further enhance administrative efficiency.

The details are as set out in Appendix II of the Circular to Shareholders dated 31 July 2019, which is dispatched together with this Annual Report.

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 at the Annual General Meeting of the Company are as follows:

a. Mr. Kuan Kam Hon @ Kwan Kam Onn **(Resolution 4)**

b. Dr. Danaraj A/L Nadarajah **(Resolution 5)**

c. Dato' Tan Guan Cheong **(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 16 to 23 of the Annual Report and their securities holdings in the Company are set out in the Analysis of Shareholdings on page 151 to 154.

3. Board Meetings held in the financial year ended 31 March 2019

There were Five (5) Board Meetings held during the financial year ended 31 March 2019. Details of the attendance of the Directors are as follows:

Directors	Attendance
KUAN KAM HON @ KWAN KAM ONN	5/5
KUAN MUN LEONG	5/5
KUAN MUN KENG	4/5
DR. DANARAJ A/L NADARAJAH	4/5
DATO' TAN GUAN CHEONG	5/5
RAZMAN HAFIDZ BIN ABU ZARIM	4/5
TAN SRI DATUK DR. REBECCA FATIMA STA. MARIA	4/5
DATUK SERI NURMALA BINTI ABD RAHIM	5/5

4. Place, Date and Time of Meeting

The Thirteenth (13th) Annual General Meeting of the Company will be held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, No. 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 10 September 2019, at 9.30 a.m.

PROXY FORM

HARTALEGA HOLDINGS BERHAD (741883-X)
(Incorporated in Malaysia)

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

of ....
(Address)

being a *member/members of Hartalega Holdings Berhad, hereby appoint ....
(Full Name in Block Capitals)

.... of .... or failing *him/her, ...

.... or, *the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the **Thirteenth (13th) Annual General Meeting** of **Hartalega Holdings Berhad** to be held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, No. 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 10 September 2019, 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 1.9 sen per share single tier		
2	To approve the payment of Directors' fees and benefits for the financial year ended 31 March 2019		
3	To approve the payment of Directors' fees and benefits for the financial year ending 31 March 2020		
4	To re-elect Mr. Kuan Kam Hon @ Kwan Kam Onn as Director		
5	To re-elect Dr. Danaraj A/L Nadarajah as Director		
6	To re-elect Dato' Tan Guan Cheong as Director		
7	To re-appoint Messrs 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** - To approve the Proposed Adoption of New Constitution of the Company		

(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.)

Number of shares held	

Dated this ______ day of _____________ 2019

____
Signature(s)/Seal of Shareholder(s)
[*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 and the provisions of Section 334(1) of the Companies Act 2016 shall not apply to the Company.

(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 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 Company's Registrars, Boardroom Share Registrars Sdn. Bhd. (Formerly known as Symphony Share Registrars Sdn. Bhd.) Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

(7) Only a depositor whose name appears on the Record of Depositors as at 3 September 2019 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.

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Stamp

HARTALEGA HOLDINGS BERHAD (741883-X)

Boardroom Share Registrars Sdn Bhd
(Formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

fold here

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52200 Kuala Lumpur, Malaysia

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Email : info@hartalega.com.my

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Hartalega

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