Notes to the Interim financial report for the Fourth Quarter ended 31 March 2008

A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with requirement of Financial Reporting Standard 134 (FRS 134): Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Appendix 9B part A of the Listing Requirements ("Listing Requirements") of the Bursa Malaysia Securities Bhd ("Bursa Securities"). This is the second interim financial report on the consolidated results for the fourth quarter ended 31 March 2008 announced by the Company in compliance with the Listing Requirements and in conjunction with the admission of the Company to the Main Board of Bursa Securities and as such, there are no comparative figures for the preceding year's corresponding period.

The accounting policies and methods of computation adopted by the Group in this interim financial report are in compliance with the new and revised Financial Reporting Standards issued by the MASB.

The interim financial statements should be read in conjunction with the Proforma Consolidated Financial Information and the Accountants' Report for the financial year ended 31 March 2007 as disclosed in the Prospectus of the Company dated 28 March 2008 and the accompanying explanatory notes attached to this interim financial report

A2. Auditors' Report

There was no qualification on the audited financial statements of the Company for the financial year ended 31 March 2007.

A3. Seasonal and Cyclical Factors

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

A4. Items of Unusual Nature and Amount

There were no items affecting the assets, liabilities, equity, net income or cash flow of the Group that are unusual because of their nature, size or incidence for the current quarter and financial year-to-date save for a negative goodwill of RM34.085 million included in other operating revenue for the financial year to date and property, plant and equipment and inventories written off of RM1.516 million included in other operating expenses for the current quarter and financial year-to-date. The negative goodwill is in respect of excess of fair value of assets and liabilities of Hartalega Sdn Bhd as at the date of its acquisition by the Company over it purchase consideration. In compliance with the Financial Reporting Standard 3: Business Combinations, this negative goodwill is recognised in the income statement. The property, plant and equipment and inventories written off arose from a fire outbreak in a manufacturing plant. Insurance claim for the damages is in progress and the compensation from the insurance will only be recognised upon finalisation and confirmation by the insurance adjusters.

A5. Changes in Estimates

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

A6. Issuances, Cancellations, Repurchase, Resale and Repayments of Debt and Equity Securities

On 7 May 2007, the Company issued 242,311,996 new ordinary share of RM0.50 each for a total consideration of RM123,700,000 to all the shareholders of Hartalega Sdn Bhd ("HSB") in relation to the acquisition of the entire equity interest in HSB.

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

A7. Dividend Paid

The Board had approved the payment of a tax exempt interim dividend of 5 sen per share equivalent to RM12,115,600 for the financial year ended 31 March 2008. The dividend was paid on 30 January 2008.

A8. Segmental Reporting

Segmental reporting is not provided as the Group's primary business segment is principally engaged in the manufacturing and sale of gloves and its operation is principally located in Malaysia.

A9. Valuation of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. The property plant and equipment of the subsidiaries have been brought forward without amendment from their previous annual financial statements.

A10. Capital Commitments

Capital commitment as at end of the current quarter and financial year-to-date are as follows:-

	31 March 2008
	RM'000
Approved and contracted for	9,460
Approved and not contracted for	131,695
Total	141,155

A11. Material Events Subsequent to the End of Period Reported

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group in the current quarter and financial year-to-date save for the acquisition of Hartalega Sdn Bhd pursuant to the listing exercise.

Acquisition of the entire issued and paid-up share capital of Hartalega Sdn Bhd ("HSB") comprising 15,681,997 ordinary shares of RM1.00 each for a total purchase consideration of RM123,700,000 is determined based on the audited consolidated net tangible assets of HSB as at 31 March 2006 after incorporating the effects of disposal of the entire equity interest in Hartalega (Thailand) Co Ltd ("HTCL") and after deducting a net dividend for the said financial year of RM2,352,300 which was approved by HSB's shareholders at its annual general meeting held on 21 September 2006 and paid on 20 October 2006. HTCL, a subsidiary company of HSB as at 31 March 2006, was disposed of subsequent to that date for a total cash consideration of RM1,518,096. The purchase consideration of HSB is satisfied by the issuance of 242,311,996 new ordinary shares of RM0.50 each in HHB at an issue price of approximately RM0.51 per new ordinary share. The acquisition of HSB was completed on 7 May 2007.

A13. Contingent liabilities and Contingent Assets

Save as disclosed below, there were no contingent liabilities or contingent assets that had arisen since the last annual balance sheet date.

The Company and its subsidiaries Hartalega Sdn Bhd("HSB") and Pharmatex USA Inc("PUI") are defendants in relation to the ITC investigations and the Georgia Action (details of which are set out in Section B11). In the event Tillotson wins the Georgia Action, damages will then be determined by the court.

No provision for compensation or damages has been made as the outcome of the investigation and claims are still pending.

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

B1. Review of Performance of the Company and its Subsidiaries

For the current quarter, the Group recorded profit before tax and minority interest of RM10.504 million on the back of revenue of RM72.796 million.

For the financial year-to-date, the Group recorded a profit before tax and minority interest of RM76.095 million on the back of revenue of RM257.581 million. The profit before tax included a negative goodwill on acquisition of Hartalega Sdn Bhd of RM34.085 million.

In the opinion of the Directors, the results for the current quarter and financial year-to-date have not been affected by any transactions or events of a material or unusual nature which has arisen between 31 March 2008 and the date of this report.

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

	Current Quarter ended 31 Mar 2008	Preceding Quarter ended 31 Dec 2007	Variance	
	RM'000	RM'000	RM'000	%
Revenue	72,796	72,002	794	1.10
Profit before tax	10,504	11,929	(1,425)	(11.95)

For the current quarter under review, the Group's profit before tax of RM10.504 million was 11.95% lower than the profit before tax recorded in the preceding quarter mainly due to the written off of certain property, plant and equipment and inventories amounting to RM1.065 million and RM0.451 million respectively, which was damaged by a fire breakout in one of the manufacturing plant.

B3. Prospect for the Next Financial Year

Barring any unforeseen circumstances and based on the principal bases and assumptions upon which the consolidated profit forecast for the financial year ending 31 March 2009 has been arrived at as disclosed in the Company's Prospectus dated 28 March 2008, the Board of Directors remain positive that the Group is likely to achieve its forecast profit after taxation and minority interest of RM55.457 million for the financial year ending 31 March 2009.

B4. Variance of Actual Profit and Forecast Profit

There was no profit guarantee issued by the Group.

In conjunction with the listing of the Company on the Main Board of Bursa Securities, the Company presented a profit estimate for the financial year ended 31 March 2008 in its Prospectus dated 28 March 2008. The estimated consolidated profit after taxation and minority interest presented in the Prospectus amounted to RM69.639 million. The consolidated profit after taxation and minority interest achieved by the Group for the said financial year amounted to RM70.25 million which is 0.88% higher than the estimated profit after tax and minority interest as presented in the Prospectus. As such, the Group achieved the profit estimate. The comparison is as follow:

	Actual results for < ----FYE 31 March 2008---- >			Estimate for FYE		
	Pre-Acq	Post-Acq	Total	31 March 2008	Variance	
	RM'000	RM'000	RM'000	RM'000	RM'000	%
Operating revenue	24,780	257,581	282,361	283,202	(841)	(0.30)
Consolidated profit before taxation and MI	4,647	42,010	46,657	45,973	684	1.49
Taxation	(604)	(5,798)	(6,402)	(6,340)	(62)	0.98
Consolidated profit after taxation but before MI	4,043	36,212	40,255	39,633	622	1.57
Minority interests	-	(47)	(47)	(36)	(11)	30.56
Consolidated profit after taxation and MI	4,043	36,165	40,208	39,597	611	1.54
Pre-acquisition profit			(4,043)	(4,043)	-	-
	4,043	36,165	36,165	35,554	611	1.72
Gain on acquisition of subsidiaries		34,085	34,085	34,085	-	-
Consolidated profit for the year	4,043	70,250	70,250	69,639	611	0.88

B5. Taxation

	Current year quarter RM'000	Current year-to-date RM'000
Current tax expense	381	1,834
Deferred tax expense	1,186	3,964
	1,567	5,798

The lower effective tax rate applicable to the Group for the current quarter is mainly due to availability of reinvestment allowances arising from acquisition of qualifying property, plant and equipment.

The lower effective tax rate applicable to the Group for the current financial year-to-date is mainly due to availability of reinvestment allowances arising from acquisition of qualifying property, plant and equipment as well as non-taxable income namely the negative goodwill of RM34.085 million.

B6. Profit from Sale of Unquoted Investments and/or Properties

There was no disposal of unquoted investments or properties for the current quarter and financial year-to-date.

B7. Quoted Securities

(a) There were no purchases or disposal of quoted securities for the current quarter and financial year-to-date.

(b) There was no investment in quoted securities as at end of the reporting period.

B8. Status of Corporate Proposal

In conjunction with the flotation exercise undertaken by the Company, the Company has, on 28 March 2008, issued a Prospectus in relation to the following:

Offer for sale of 24,210,000 ordinary shares of RM0.50 each in the Company(“Offer Shares”) at an offer price of RM1.80 per Offer Share payable in full upon application comprising:

- 12,116,000 Offer Shares available for application by the Malaysian Public;
- 4,000,000 Offer Shares available for application by the eligible Directors and employees of the Company and its subsidiaries (“Group”) and persons who have contributed to the success of the Group;

- 8,094,000 Offer Shares available for application by identified investors by way of private placement; and

- Offer for sale of 1,475,000 Offer Shares to the selected senior management of the Group who have contributed to the success of the Group via an employee equity scheme at a strike price of RM1.80 per Offer Share.

The admission to the official list and the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board of Bursa Securities was successfully done on 17 April 2008.

B9. Group Borrowings and Debt Securities

Total Group borrowings as at 31 March 2008 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings			
Borrowings (USD2,194,000)	6,999	-	6,999
Borrowings (RM denominated)	12,419	-	12,419
	19,418	-	19,418
Long term borrowings			
Borrowings (USD6,412,000)	20,455	-	20,455
Borrowings (RM denominated)	1,090	-	1,090
	21,545	-	21,545

B10. Off Balance Sheet Financial Instruments

The Group enters into foreign currency forward contracts to protect the Company from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. Exchange gains or losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

At the latest practicable date, 23 May 2008, the Group has entered into foreign currency forward contracts with the following notional amounts and maturities:

Currency	Contract Rates	Total Notional Amount	Maturity Within 1 Year
USD30,800,000	RM3.1836 to RM3.2710	RM99,148,000	RM99,148,000

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

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

B11. Material Litigation

Save as disclosed below, as at the latest practicable date, 23 May 2008, our Company and our subsidiaries are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or subsidiaries and our Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of our Company or any of our subsidiaries:

(i) On 30 May 2007, Tillotson filed a complaint with the ITC alleging that certain Nitrile Gloves which are imported into the USA are in violation of Section 337 of the United States Tarifff Act 1930. Specifically, Tillotson alleged that 31 manufacturers and re-sellers of Nitrile Gloves that were imported into the USA, including HHB, HSB and PUI, infringed Tillotson's U.S. Patent No. RE 35,616. Tillotson is seeking a General Exclusion Order which if granted, would block the importation of those infringing Nitrile Gloves. The evidentiary hearing or trial before the Administrative Law Judge is scheduled to take place on these dates: 19-23 and 27-30 May 2008. The target date, which is the date the ITC will issue its decision on whether to impose an Exclusion Order, will be on 22 November 2008 (extended from 8 September 2008). The evidentiary hearing is the trial and the target date is the date by which the ITC must issue its final decision.

In the event Tillotson prevails in the ITC investigations, the United States Customs Service will be empowered to block the importation of those infringing Nitrile Gloves. The ITC is not authorised to award monetary damages.

HSB has filed a motion to the ITC for summary determination relating to its high stress retention Nitrile Gloves on 9 October 2007 and Tillotson filed its opposition on 30 October 2007. The Administrative Law Judge has not ruled on this motion. Our solicitors are of the opinion that HSB's motion is meritorious and, if successful, will result in a ruling that HSB's high stress retention Nitrile Gloves do not infringe the Tillotson's patent.

(ii) In addition to the said importation block being sought, Tillotson has also filed a claim for unspecified damages, including a reasonable royalty and treble damages in the United States District Court for the Northern District of Georgia on 27 September 2007 against several defendants including HHB, HSB and PUI ("Georgia Action"). Tillotson has not served that claim but, if it does, the defendants will be permitted to request an automatic stay of that case pending the determination of the ITC investigations. The stay in the Georgia Action is automatic and will be made pursuant to 28 U.S.C. sec 1659, which requires that a "district court shall stay, until the determination of the ITC becomes final, proceedings in the civil action with respect to any claim that involves the same issues involved in the proceedings before the ITC."

B12. Dividend

The Board of directors do not recommend any final dividend for the financial year ended 31 March 2008.

B13. Earnings Per Share

The calculation of basic earnings per share for the current quarter and financial year-to-date are based on the Group profit attributable to the equity holders of the parent of RM8.916 million for the current quarter and RM70.25 million (inclusive of negative goodwill recognised of RM34.085 million) for the financial year-to-date divided by 242.312 million shares and 218.42 million shares respectively, being the weighted average ordinary shares in issue for the current quarter and financial year-to-date.