



Notes to the Interim financial report for the Third Quarter ended 31 December 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”).

The accounting policies and methods of computation adopted in the preparation of this financial report are consistent with those adopted in the audited financial statements of the Company for the financial year ended 31 March 2008 except for the adoption of the new and revised FRSs, Amendments to FRSs and Issues Committee (“IC”) interpretations that are mandatory for annual periods beginning on or after 1 April 2008.

The interim financial report should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2008 and the accompanying explanatory notes attached to this interim financial report.

A2. Auditors’ Report

The auditors’ report for the immediate preceding annual financial statements of the Company for the financial year ended 31 March 2008 is not qualified.

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.

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 reported in 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

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

There were no dividends paid by the Company during the current quarter and financial year-to-date.

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

The valuations of property plant and equipment have been brought forward without amendment from the 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 December 2008
	RM'000
Approved and contracted for	1,001
Approved but not contracted for	104,886
Total	<u>105,887</u>

A11. Material Events Subsequent to the End of Period Reported

There were no material events subsequent to 31 December 2008 up to latest practicable date, 10 February 2009 that have not been reflected in the financial statements for the current quarter and financial year-to-date.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group in the current quarter and financial year-to-date.

A13. Contingent liabilities and Contingent Assets

There were no contingent liabilities or contingent assets that had arisen since the last annual balance sheet date.



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

B1. Review of Performance of the Company and its Subsidiaries

The Group's performance for the quarter under review versus the corresponding quarter of the previous financial year is tabled below:

	3rd Quarter ended 31 Dec 2008	3rd Quarter ended 31 Dec 2007	Variance	
	RM'000	RM'000	RM'000	%
Revenue	119,056	72,002	47,054	65.4
Profit before tax	25,279	11,929	13,350	111.9

Quarter to quarter, the Group's sales revenue increased by 65.4% and profit before tax increased by 111.9%. The other operating income for the current quarter included net realised foreign exchange gain of RM2.595 million, unrealised foreign exchange gain of RM1.013 million and net insurance compensation of RM1.053 million. The foreign exchange gain is arising from favourable exchange rate from sale proceeds and translation of foreign currency assets and liabilities. The net insurance compensation is arising from insurance compensation for assets damaged by a fire outbreak in a manufacturing plant on 14 February 2008.

The significant achievement in higher sales revenue and profit are basically due to:

- (a) Contribution from new advanced high capacity & efficient glove production lines.
- (b) Reduction in cost due to improvement in production process.
- (c) Favourable exchange rate.

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

	Current Quarter ended 31 Dec 2008	Preceding Quarter ended 30 Sept 2008	Variance	
	RM'000	RM'000	RM'000	%
Revenue	119,056	111,495	7,561	6.8
Profit before tax	25,279	21,455	3,824	17.8

In the current quarter, the Group's revenue was 6.8% higher and the profit before tax was 17.8% higher compared to the preceding quarter. The increase in revenue is due to higher nitrile sale mix and weaker Ringgit Malaysia. The increase in profit before tax is basically due to more efficient production process and higher other operating income.



Hartalega

Holdings Berhad (741883-X)

B3. Current Year Prospect

Our Group's products are sold to the Health Care Industry. Glove consumption is inelastic in the medical environment because the usage of glove is mandatory for disease control. Our Nitrile synthetic glove was well accepted by the end users due to its high quality and elastic properties that mimic that of a natural rubber glove. Our protein free and competitively priced Nitrile glove has made it more affordable for the acute health care industry to continue switching from the Natural Rubber to our synthetic Nitrile glove to avoid the protein allergy problem.

We expect the strong demand to continue into the next quarter despite the economic downturn. With lower natural and synthetic latex prices and favourable exchange rates, the Group has a positive outlook.

The Board of Directors is optimistic that the Group is to achieve its forecast profit after taxation and minority interest of RM55.457 million for the financial year ending 31 March 2009 as disclosed in the Company's Prospectus dated 28 March 2008.

B4. Variance of Profit Forecast/Profit Guarantee

There was no profit guarantee issued by the Group and the profit forecast stated in the Prospectus dated 28 March 2008 is in respect of the year ending 31 March 2009, thus not applicable to this interim report.

B5. Taxation

	Current year quarter RM'000	Current year-to- date RM'000
Current tax expense	1,317	3,508
Deferred tax expense	1,750	4,503
	<u>3,067</u>	<u>8,011</u>

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

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

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



B7. Quoted Securities

- (a) There were no purchases or disposal of quoted securities in 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

There was no corporate proposal announced or not completed as at the latest practicable date 10 February 2009.

B9. Group Borrowings and Debt Securities

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

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowings</u>			
Term Loans (USD2,020,000)	6,999	-	6,999
Bankers Acceptance(RM denominated)	-	11,192	11,192
Term Loan(RM denominated)	6,611	-	6,611
	<hr/>	<hr/>	<hr/>
	13,610	11,192	24,802
<u>Long term borrowings</u>			
Term Loans (USD4,954,000)	17,169	-	17,169
Term Loan (RM denominated)	29,621	-	29,621
	<hr/>	<hr/>	<hr/>
	46,790	-	46,790



B10. Off Balance Sheet Financial Instruments

The Group enters into foreign currency forward contracts to hedge its exposure to movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

At the latest practicable date, 10 February 2009, the Group has entered into foreign currency forward contracts with the following notional amounts and maturities:

Hedged item in RM	Contract Rates	Total Notional Amount	Maturity Within 6 Month
Trade receivables	RM3.2155 to RM3.6080	USD11,000,000	USD11,000,000

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

As at the latest practicable date, 10 February 2009, there are no material litigations against the Group or taken by the Group.

B12. Dividend

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

The Company paid a first interim dividend of 2 sen per share less 25% income tax and 2 sen per share tax exempt amounting to RM8,480,920 on 7 January 2009 in respect of the financial year ended 31 March 2009.

B13. Earnings Per Share

Basic Earnings Per Share	Current Quarter Ended 31/12/2008	Corresponding Quarter Ended 31/12/2007	Cumulative Year-To-Date 31/12/2008	Corresponding Year-To-Date 31/12/2007
Profit attributable to equity holders of the parent (RM'000)	22,228	10,127	53,484	61,334
Weighted average number of ordinary shares in issue ('000)	242,312	242,312	242,312	210,591
Basic earnings per share (sen)	9.17	4.18	22.07	29.12