



Hartalega

Holdings Berhad (741883-X)

Notes to the Interim financial report for the Fourth Quarter ended 31 March 2009

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.



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A7. Dividend Paid

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.

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 March 2009

	RM'000
Approved and contracted for	1,314
Approved but not contracted for	104,886
Total	<u>106,200</u>

A11. Material Events Subsequent to the End of Period Reported

There were no material events subsequent to 31 March 2009 up to latest practicable date, 12 May 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 except as disclosed in the material litigation under Section B11.



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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:

	4th Quarter ended 31 Mar 2009	4th Quarter ended 31 Mar 2008	Variance	
	RM'000	RM'000	RM'000	%
Revenue	124,816	72,796	52,020	71.5
Profit before tax	34,010	10,504	23,506	223.8

Quarter to quarter, the Group's sales revenue increased by 71.5% and profit before tax increased by 223.8%. The other operating income for the current quarter included net insurance compensation of RM5.362 million. The other operating expenses of the corresponding quarter of the previous financial year included the written off of certain property, plant and equipment and inventories amounting to RM1.516 million as disclosed previously.

Year to year, the Group's sales revenue of RM443.204 million for financial year ended 31 March 2009 is 72.1% higher than the previous corresponding year of RM257.582 million. The profit before tax for current financial year of RM95.548 million is 25.7% higher than the previous corresponding financial year of RM76.024 million. It is noted that the previous corresponding financial year ended 31 March 2008 is less than 12 month which includes post acquisition result for the period from 7 May 2007 to 31 March 2008 and also the recognition of negative goodwill of RM34.085 million arising from the acquisition of subsidiary.

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.
- (d) Higher nitrile sales mix.

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

	Current Quarter ended 31 Mar 2009	Preceding Quarter ended 31 Dec 2008	Variance	
	RM'000	RM'000	RM'000	%
Revenue	124,816	119,056	5,760	4.8
Profit before tax	34,010	25,279	8,731	34.5



In the current quarter, the Group's revenue was 4.8% higher and the profit before tax was 34.5% higher compared to the preceding quarter. The other operating income included net insurance compensation of RM5.362 million and RM1.053 million for the current quarter and preceding quarter respectively. The increase in revenue is due to higher nitrile sales mix and favourable movement in exchange rate of United States Dollar. The increase in profit before tax is basically due to more efficient production process and lower price of raw material for both synthetic and natural latex.

B3. Commentary on Prospects

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.

Demand remains strong for both synthetic and natural latex gloves. We plan to build another plant with 12 new advanced high capacity glove production lines. With strong demand, lower raw material price of natural and synthetic latex and favourable exchange rate, the Group has a positive outlook.

The Board of Directors is optimistic that the Group will achieve continuous growth and securing better results for the next financial year.

B4. Variance of Profit Forecast/Profit Guarantee

There was no profit guarantee issued by the Group. The summarised comparison between the actual results and the forecast results for the financial year ended 31 March 2009 as disclosed in the Prospectus dated 28 March 2008 is as follows:

	Actual 31 Mar 2009 RM'000	Forecast 31 Mar 2009 RM'000	Variance	
			RM'000	%
Revenue	443,204	396,387	46,817	11.8
Profit before tax	95,548	63,489	32,059	50.5
Profit after tax and minority interest	84,492	55,457	29,035	52.4

The Group's actual revenue was 11.8% higher than its forecasted revenue. The Group's profit after tax and minority was 52.4% higher than its forecasted result. This was due mainly to the following:

- (a) Higher sales mix of nitrile gloves.
- (b) Favourable movement in exchange rate of United States Dollar.
- (c) Reduction in cost due to improvement in production process.
- (d) The average price of raw material for synthetic latex is lower than forecasted.



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- (e) There is a total net insurance compensation of RM6.415 million arising from asset damaged by fire and consequential loss claim.
- (f) The provision of compensation of RM1.85 million for infringement of patent claim by Tillotson Corporation in the forecast did not materialise.

B5. Taxation

	Current year quarter RM'000	Current year-to- date RM'000
Current tax expense	2,043	5,551
Overprovision in prior year	(85)	(85)
Deferred tax expense	1,072	5,575
	<u>3,030</u>	<u>11,041</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 12 May 2009.

B9. Group Borrowings and Debt Securities

Total Group borrowings as at 31 March 2009 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowings</u>			
Term Loans (USD2,341,000)	8,427	-	8,427
Term Loans(RM denominated)	6,632	-	6,632
	<u>15,059</u>	<u>-</u>	<u>15,059</u>



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Long term borrowings

Term Loans (USD4,074,000)	14,666	-	14,666
Term Loans (RM denominated)	28,006	-	28,006
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	42,672	-	42,672
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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, 12 May 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 3 Month
Trade receivables	RM3.6364 to RM3.6390	USD6,500,000	USD6,500,000

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, 12 May 2009, there are no material litigations against the Group or taken by the Group saved as disclose below:

On 7 April 2009, Smart Glove Holdings Sdn Bhd (the "Plaintiff") has instituted legal proceedings against a group of 6 entities (collectively, the "Defendants"), which includes Hartalega Holdings Berhad ("Hartalega") by way of a writ of summons and a statement of claim in the High Court of Malaya at Kuala Lumpur (the "Action").

The Plaintiff is seeking, as against all the Defendants in the Action jointly and/or severally, certain declarations arising from alleged sequence of events in retaining the legal services of an American firm Messrs Kirkland & Ellis relating to defending and/or challenging legal proceedings in the United States of America by one Tillotson Corporation d.b.a. Best Manufacturing Company in relation to the Tillotson's United States Patent No. 35,616. The Plaintiff is seeking monetary compensation and/or refund approximating RM2.6million. The Plaintiff has also alleged that the Defendants in the Action had unlawfully interfered with its business causing loss of its goodwill and reputation in the trade and loss of sales. With respect to this allegation, the Plaintiff has not provided any monetary value of damages suffered by the Plaintiff resulting from the said allegations.

Solicitors retained by the Defendants, Messrs Sekhar & Suaran, have filed and served the Memorandum of Appearance and are preparing a defence to the Action.



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The Directors of Hartalega in consultation with the solicitors are of the view that the Action is lacking in merit and that the prospects of successfully defending the Action are good. In the unlikely event that the Plaintiff obtains judgment in the Action against the Defendants, Hartalega is confident that it would not give rise to any material or adverse impact to the financial position of Hartalega.

B12. Dividend

The Board has declared a second interim dividend of 4 sen per share tax exempt in respect of the financial year ending 31 March 2009 and payable on 01 July 2009. The entitlement date has been fixed on 05 June 2009.

Based on the number of RM0.50 fully paid ordinary shares in issue and with voting rights as at 15 May 2009 of 242,312,000, the second interim net dividend distribution for the financial year ending 31 March 2009 is approximate RM9,692,480 representing about 11.5% of the attributable profit of the Group for the financial year ended 31 March 2009.

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

(a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 05 June 2009 in respect of ordinary transfers.

(b) Shares bought on Bursa Malaysia Securities Berhad ("BMSB") on a cum entitlement basis according to the rules of BMSB.

The total dividend declared and paid to date by the Company in respect of the financial year ended 31 March 2009 is 8 sen per share.

B13. Earnings per Share

Basic Earnings Per Share	Current Quarter Ended 31/03/2009	Corresponding Quarter Ended 31/03/2008	Cumulative Year-To- Date 31/03/2009	Corresponding Year-To-Date 31/03/2008
Profit attributable to equity holders of the parent (RM'000)	31,008	8,916	84,492	69,554
Weighted average number of ordinary shares in issue ('000)	242,312	242,312	242,312	217,749
Basic earnings per share (sen)	12.80	3.68	34.87	31.94