



**Hartalega**

Holdings Berhad (741883-X)

**Notes to the Interim financial report for the Second Quarter ended 30 September 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 2009.

The interim financial report should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2009 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 2009 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**

Dividends paid by the Company during the financial year were as follows:

- (a) Second interim dividend of 4 sen per share tax exempt amounting to RM9,692,480 in respect of the financial year ended 31 March 2009 paid on 1 July 2009.
- (b) Final dividend of 4 sen per share tax exempt amounting to RM9,692,480 in respect of the financial year ended 31 March 2009 paid on 8 October 2009.
- (c) Payment of the differences of 0.5 sen per share amounting to RM1,211,560 on 6 November 2009 arising from the amendment of frank dividend to single tier dividend for the first interim dividend in respect of the financial year ended 31 March 2009 as per announcement dated 19 October 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:-

|                                 | 30 September 2009 |
|---------------------------------|-------------------|
|                                 | RM'000            |
| Approved and contracted for     | 7,667             |
| Approved but not contracted for | 86,636            |
| Total                           | <u>94,303</u>     |

**A11. Material Events Subsequent to the End of Period Reported**

There were no material events subsequent to 30 September 2009 up to latest practicable date, 6 November 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.



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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:

|                   | 2nd Quarter ended<br>30 September 2009 | 2nd Quarter ended<br>30 September 2008 | Variance |      |
|-------------------|--|--|----------|------|
|                   | RM'000                                 | RM'000                                 | RM'000   | %    |
| Revenue           | 134,572                                | 111,495                                | 23,077   | 20.7 |
| Profit before tax | 41,196                                 | 21,455                                 | 19,741   | 92.0 |

Quarter to quarter, the Group's sales revenue increased by 20.7% and profit before tax increased by 92.0%. The significant achievement in revenue and profit before tax is in line with the Group's continuous expansion in production capacity, higher nitrile sales mix, and improvement in production process, lower synthetic & natural latex price and favourable exchange rate.

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

|                   | Current Quarter<br>ended 30 Sept 2009 | Preceding Quarter<br>ended 30 June 2009 | Variance |      |
|-------------------|---------------------------------------|---|----------|------|
|                   | RM'000                                | RM'000                                  | RM'000   | %    |
| Revenue           | 134,572                               | 125,336                                 | 9,236    | 7.4  |
| Profit before tax | 41,196                                | 32,703                                  | 8,493    | 26.0 |

In the current quarter, the Group's revenue was 7.4% higher and the profit before tax was 26.0% higher when compared to the preceding quarter. The increase in profit before tax is basically due to increase in demand, effective cost control and more efficient production process.

**B3. Commentary on Prospects and Targets**

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.



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Demand for gloves surged substantially due to the outbreak of H1N1, resulted in tight supply for both synthetic and natural latex gloves. We have started to build another plant with 10 new advanced high capacity glove production lines in June 2009 and targeted to commission 2 of the production lines by end of the financial year. With continuous growth in demand for gloves from the healthcare and food sector, the Group has a positive outlook.

The Board of Directors is optimistic that the Group will achieve the internal target growth for both sales revenue and net profit for the financial year ended 31 March 2010.

### **B4. Variance of Profit Forecast/Profit Guarantee**

Not applicable as no profit forecast/profit guarantee was issued.

### **B5. Taxation**

|                      | Current quarter | Current year-to-date |
|----------------------|-----------------|----------------------|
|                      | RM'000          | RM'000               |
| Current tax expense  | 7,218           | 12,992               |
| Deferred tax expense | 823             | 1,364                |
|                      | <u>8,041</u>    | <u>14,356</u>        |

The effective tax rate of the Group is lower than the statutory tax rate for the current quarter and financial year-to-date is mainly due to the availability of reinvestment allowances arising from the 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 6 November 2009.



**B9. Group Borrowings and Debt Securities**

Total Group borrowings as at 30 September 2009 are as follows:

|                                 | Secured<br>RM'000 | Unsecured<br>RM'000 | Total<br>RM'000 |
|---------------------------------|-------------------|---------------------|-----------------|
| <u>Short term borrowings</u>    |                   |                     |                 |
| Term Loans (USD denominated)    | 8,427             | -                   | 8,427           |
| Term Loans (RM denominated)     | 6,632             | -                   | 6,632           |
| Finance Lease (USD denominated) | 9                 | -                   | 9               |
|                                 | <hr/>             | <hr/>               | <hr/>           |
|                                 | 15,068            | -                   | 15,068          |
| <br><u>Long term borrowings</u> |                   |                     |                 |
| Term Loans (USD denominated)    | 10,592            | -                   | 10,592          |
| Term Loans (RM denominated)     | 24,750            | -                   | 24,750          |
| Finance Lease (USD denominated) | 10                | -                   | 10              |
|                                 | <hr/>             | <hr/>               | <hr/>           |
|                                 | 35,352            | -                   | 35,352          |

**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, 6 November 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<br>Amount | Maturity Within 3<br>Month |
|-------------------|----------------------|--------------------------|----------------------------|
| Trade receivables | RM3.3900 to RM3.5510 | USD14,000,000            | USD14,000,000              |

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, 6 November 2009, there are no material litigations against the Group or taken by the Group.



**B12. Dividend**

The Board has declared a first interim dividend of 5 sen per share single tier in respect of the financial year ending 31 March 2010 and payable on 24 December 2009. The entitlement date has been fixed on 26 November 2009.

Based on the number of RM0.50 fully paid ordinary shares in issue and with voting rights as at 10 November 2009 of 242,312,000, the first interim dividend distribution for the financial year ending 31 March 2010 is approximate RM12,115,600 representing about 20.4% of the attributable profit of the Group for the financial period ended 30 September 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 26 November 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.

**B13. Earnings per Share**

| <b>Basic Earnings Per Share</b>                              | <b>Current<br/>Quarter<br/>Ended<br/>30/09/2009</b> | <b>Corresponding<br/>Quarter Ended<br/>30/09/2008</b> | <b>Cumulative<br/>Year-To-<br/>Date<br/>30/09/2009</b> | <b>Corresponding<br/>Year-To-Date<br/>30/09/2008</b> |
|--|---|---|--|--|
| Profit attributable to equity holders of the parent (RM'000) | 33,106  | 18,367  | 59,481   | 31,256   |
| Weighted average number of ordinary shares in issue ('000)   | 242,312   | 242,312   | 242,312  | 242,312  |
| Basic earnings per share (sen)                               | 13.66   | 7.58  | 24.55  | 12.90  |