



Hartalega

Holdings Berhad (741883-X)

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



Hartalega

Holdings Berhad (741883-X)

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.
- (d) First interim dividend of 5 sen per share single tier amounting to RM12,115,600 in respect of the financial year ending 31 March 2010 paid on 24 December 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 December 2009

	RM'000
Approved and contracted for	22,644
Approved but not contracted for	69,195
Total	<u>91,839</u>

A11. Material Events Subsequent to the End of Period Reported

There were no material events subsequent to 31 December 2009 up to latest practicable date, 22 January 2010 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 December 2009	3rd Quarter ended 31 December 2008	Variance	
	RM'000	RM'000	RM'000	%
Revenue	148,599	119,056	29,543	24.8
Profit before tax	47,477	25,279	22,198	87.8

Quarter to quarter, the Group's sales revenue increased by 24.8% and profit before tax increased by 87.8%. The significant achievement in revenue and profit before tax is in line with the Group's continuous expansion in production capacity, increase in demand and more efficient production process, higher premium nitrile gloves, 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 ended 31 Dec 2009	Preceding Quarter ended 30 Sept 2009	Variance	
	RM'000	RM'000	RM'000	%
Revenue	148,599	134,572	14,027	10.4
Profit before tax	47,477	41,196	6,281	15.2

In the current quarter, the Group's revenue was 10.4% higher and the profit before tax was 15.2% higher when compared to the preceding quarter. The increase in profit before tax is basically due to increase in demand and effective cost control.

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.



Hartalega

Holdings Berhad (741883-X)

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	8,545	21,537
Under provision in prior years	267	267
Deferred tax expense	1,413	2,777
	<u>10,225</u>	<u>24,581</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 22 January 2010.

**B9. Group Borrowings and Debt Securities**

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

	Secured RM'000	Unsecured RM'000	Total 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
 <u>Long term borrowings</u>			
Term Loans (USD denominated)	8,575	-	8,575
Term Loans (RM denominated)	23,080	-	23,080
Finance Lease (USD denominated)	7	-	7
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	31,662	-	31,662

B10. Off Balance Sheet Financial Instruments

The Group enters into foreign currency forward contracts to hedge its estimated net exposure to movements in exchange rates arising mainly from sales and purchases.

At the latest practicable date, 22 January 2010, the Group has entered into foreign currency forward contracts with the following notional amounts.

Hedged item in RM	Contract Rates	Total Notional Amount	Maturity Within 5 Month
Trade receivables and anticipated sales	RM3.3690 to RM3.4396	USD22,500,000	USD22,500,000

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, 22 January 2010, there are no material litigations against the Group or taken by the Group.



Hartalega

Holdings Berhad (741883-X)

B12. Dividend

The Board has declared a second interim dividend of 5 sen per share single tier in respect of the financial year ending 31 March 2010 and payable on 25 March 2010. The entitlement date has been fixed on 2 March 2010.

Based on the number of ordinary shares in issue and with voting rights as at 28 January 2010 of 242,312,000, the second interim dividend distribution for the financial year ending 31 March 2010 is approximate RM12,115,600 representing about 12.5% of the attributable profit of the Group for the financial period ended 31 December 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 2 March 2010 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 up to now for the current financial year ending 31 March 2010 was 10 sen per share.

B13. Earnings per Share

Basic Earnings Per Share	Current Quarter Ended 31/12/2009	Corresponding Quarter Ended 31/12/2008	Cumulative Year-To- Date 31/12/2009	Corresponding Year-To-Date 31/12/2008
Profit attributable to equity holders of the parent (RM'000)	37,200	22,228	96,681	53,484
Weighted average number of ordinary shares in issue ('000)	242,312	242,312	242,312	242,312
Basic earnings per share (sen)	15.35	9.17	39.90	22.07