

**HARTALEGA HOLDINGS BERHAD**(Company No. 741883-X)**Condensed Consolidated Statement of Comprehensive Income****For the second quarter ended 30 September 2012 (Unaudited)**

	Current Quarter Ended 30 Sep 2012 RM'000	Corresponding Quarter Ended 30 Sep 2011 RM'000	Current Year-To-Date 30 Sep 2012 RM'000	Corresponding Year-To-Date 30 Sep 2011 RM'000
Revenue	255,019	229,542	502,697	448,913
Operating expenses	(180,134)	(164,043)	(357,693)	(316,867)
Other operating income/(expense)	1,631	(5,500)	1,727	(879)
Finance costs	(234)	(448)	(535)	(946)
Profit before tax	76,282	59,551	146,196	130,221
Taxation	(17,707)	(13,380)	(34,186)	(29,304)
Net profit for the period	58,575	46,171	112,010	100,917
Other comprehensive income				
Foreign exchange translation difference	22	35	17	110
Total comprehensive income for the period	58,597	46,206	112,027	101,027
Profit attributable to:				
Owners of the parent	58,542	46,127	111,900	100,901
Non-controlling interest	33	44	110	16
	58,575	46,171	112,010	100,917
Total comprehensive income attributable to:				
Owners of the parent	58,561	46,039	111,914	100,874
Non-controlling interest	36	167	113	153
	58,597	46,206	112,027	101,027
EPS - Basic ( sen )	8.01	6.34 *	15.31	13.87 *
- Diluted ( sen )	7.93	6.32 *	15.16	13.82 *

\* For comparative purpose, the Earnings Per Share for the corresponding quarter and year to date ended 30 September 2011 had been adjusted to reflect the bonus issue of 1 for 1 existing ordinary shares of RM0.50 each which was completed on 28 May 2012.

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2012 and the accompanying notes attached to this interim financial report.)

**HARTALEGA HOLDINGS BERHAD**(Company No. 741883-X)**Condensed Consolidated Statement of Financial Position as at 30 September 2012**

	<i>Unaudited At 30 Sep 2012 RM'000</i>	<i>Audited At 31 Mar 2012 RM'000</i>	<i>Audited At 01 Apr 2011 RM'000</i>
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, Plant & Equipment	362,643	370,285	348,623
Capital work in progress	117,121	9,454	11
Intangible asset	55	46	50
Other investment	360	360	180
Deferred tax assets	53	53	29
	<u>480,232</u>	<u>380,198</u>	<u>348,893</u>
<b>Current assets</b>			
Inventories	75,592	97,532	64,673
Trade receivables	115,431	107,658	95,746
Other receivables, deposits and prepayment	4,980	9,466	5,259
Tax assets	68	68	69
Derivatives	1,073	-	3,340
Cash & bank balances	<u>165,222</u>	<u>163,217</u>	<u>116,983</u>
	<u>362,366</u>	<u>377,941</u>	<u>286,070</u>
<b>TOTAL ASSETS</b>	<u>842,598</u>	<u>758,139</u>	<u>634,963</u>
<b>EQUITY AND LIABILITIES</b>			
Share capital	365,882	182,544	181,779
Reserves	<u>323,090</u>	<u>436,959</u>	<u>312,665</u>
<b>Equity attributable to owners of the parent</b>	<u>688,972</u>	<u>619,503</u>	<u>494,444</u>
<b>Non-controlling interest</b>	<u>666</u>	<u>553</u>	<u>350</u>
<b>Total Equity</b>	<u>689,638</u>	<u>620,056</u>	<u>494,794</u>
<b>Non current liabilities</b>			
Long term borrowing	6,803	12,071	24,451
Deferred tax liabilities	<u>45,528</u>	<u>40,515</u>	<u>36,868</u>
	<u>52,331</u>	<u>52,586</u>	<u>61,319</u>
<b>Current liabilities</b>			
Trade payables	40,917	29,502	34,386
Other payables and accruals	31,392	30,925	22,780
Short term borrowing	10,708	12,578	14,526
Derivatives	-	765	-
Tax payables	<u>17,612</u>	<u>11,727</u>	<u>7,158</u>
	<u>100,629</u>	<u>85,497</u>	<u>78,850</u>
<b>Total Liabilities</b>	<u>152,960</u>	<u>138,083</u>	<u>140,169</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>842,598</u>	<u>758,139</u>	<u>634,963</u>
Net assets per share attributable to the owners of the Company (sen)	94.27	85.06 *	67.89 *

\* For comparative purpose, the Net assets per share attributable to the owners of the Company as at 31 March 2012 and 1 April 2011 had been adjusted to reflect the bonus issue of 1 for 1 existing ordinary shares of RM0.50 each which was completed on 28 May 2012.

(The Condensed Consolidated of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2012 and the accompanying notes attached to this interim financial report)

**HARTALEGA HOLDINGS BERHAD** (Company No. 741883-X)

**Condensed Consolidated Statement of Changes in Equity**
**For the second quarter ended 30 September 2012 (Unaudited)**

	Attributable to Owners of the Company						Sub Total	Non-controlling Interest	Total Equity
	Share Capital	Share Premium	Translation Reserve	Share-based Payment Reserve	Fair Value Reserve	Retained Profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>6 Months Ended 30 September 2012</b>									
<b>Balance as at 01 April 2012</b>	182,544	9,106	295	6,092	185	421,281	619,503	553	620,056
Total comprehensive income for the period			14			111,900	111,914	113	112,027
<b>Transaction with owners</b>									
Dividends						(47,539)	(47,539)		(47,539)
Share-based payment granted under EES & ESOS				1,470			1,470		1,470
Issuance of bonus share	182,777	(10,987)				(171,790)	-		-
Issuance of ordinary shares pursuant to ESOS	561	3,063					3,624		3,624
Transfer from Share-based payment upon exercise of EES & ESOS		1,295		(1,452)		157	-		-
Total transaction with owners	183,338	(6,629)	-	18	-	(219,172)	(42,445)	-	(42,445)
<b>Balance as at 30 September 2012</b>	<b>365,882</b>	<b>2,477</b>	<b>309</b>	<b>6,110</b>	<b>185</b>	<b>314,009</b>	<b>688,972</b>	<b>666</b>	<b>689,638</b>
<b>6 Months Ended 30 September 2011</b>									
<b>Balance as at 01 April 2011</b>	181,779	500	252	4,733	5	307,175	494,444	350	494,794
Total comprehensive income for the period			(27)			100,901	100,874	153	101,027
<b>Transaction with owners</b>									
Dividends						(43,641)	(43,641)		(43,641)
Share-based payment granted under EES & ESOS				1,789			1,789		1,789
Issuance of ordinary shares pursuant to ESOS	193	1,541					1,734		1,734
Transfer from Share-based payment upon exercise of EES & ESOS		623		(717)		94	-		-
Total transaction with owners	193	2,164	-	1,072	-	(43,547)	(40,118)	-	(40,118)
<b>Balance as at 30 September 2011</b>	<b>181,972</b>	<b>2,664</b>	<b>225</b>	<b>5,805</b>	<b>5</b>	<b>364,529</b>	<b>555,200</b>	<b>503</b>	<b>555,703</b>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2012 and the accompanying notes attached to this interim financial report.)

**HARTALEGA HOLDINGS BERHAD**(Company No. 741883-X)**Condensed Consolidated Statement of Cash Flows****For the second quarter ended 30 September 2012 (Unaudited)**

	Current Year-To-Date 30 Sep 2012 RM'000	Corresponding Year-To-Date 30 Sep 2011 RM'000
<b>Cash Flows from Operating Activities</b>		
Profit before tax	146,196	130,221
Adjustment for:		
Non cash items	14,407	28,660
Operating profit before changes in working capital	160,603	158,881
Changes in working capital		
Net change in inventories	21,940	(49,861)
Net change in receivables	(3,287)	8,879
Net change in payables	11,882	8,274
Cash generated from operations	191,138	126,173
Interest paid	(535)	(946)
Interest received	400	493
Taxation paid	(23,289)	(21,936)
<b>Net cash from operating activities</b>	<b>167,714</b>	<b>103,784</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from disposal of property, plant and equipment	-	112
Capital work in progress incurred	(107,667)	(3,205)
Purchase of property, plant and equipment	(6,989)	(24,609)
<b>Net cash used in investing activities</b>	<b>(114,656)</b>	<b>(27,702)</b>
<b>Cash Flows from Financing Activities</b>		
Repayment of term loan	(7,127)	(6,369)
Repayment of finance lease	(11)	(10)
Proceeds from issuance of shares-ESOS	3,624	1,734
Dividend paid	(47,539)	(43,641)
<b>Net cash used in financing activities</b>	<b>(51,053)</b>	<b>(48,286)</b>
<b>Net change in cash &amp; cash equivalents</b>	<b>2,005</b>	<b>27,796</b>
<b>Cash &amp; cash equivalents at beginning of period</b>	<b>163,217</b>	<b>116,983</b>
<b>Cash &amp; cash equivalents at end of period</b>	<b>165,222</b>	<b>144,779</b>
<b>Cash &amp; cash equivalents at end of period comprise:</b>		
Deposits with licensed banks	14,800	19,100
Licensed Fund Management Companies-Fixed income fund	127,580	93,804
Cash in hand and at banks	22,842	31,875
	165,222	144,779

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2012 and the accompanying notes attached to this interim financial report.)



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Holdings Berhad (741883-X)

**Notes to the Interim financial report for the Second Quarter ended 30 September 2012**

**A. NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 (MFRS 134): INTERIM FINANCIAL REPORTING**

**A1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with requirement of Malaysian Financial Reporting Standard 134 (MFRS 134): Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), International Accounting Standard (“IAS”) 34: Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”) and paragraph 9.22 (Appendix 9B part A) of the Main Market Listing Requirements (“Listing Requirements”) of the Bursa Malaysia Securities Berhad (“Bursa Securities”).

The significant accounting policies and methods of computation adopted in the preparation of this interim financial report are consistent with those adopted in the audited financial statements of the Company for the financial year ended 31 March 2012 except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRS”) and IC Interpretations (“IC Int.”):

**MFRSs/IC Interpretations**

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 4	Insurance Contract
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 7	Financial Instruments: Disclosures
MFRS 8	Operating Segments
MFRS 101	Presentation of Financial Statements
MFRS 102	Inventories
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events after the Reporting Period
MFRS 111	Construction Contracts
MFRS 112	Income Taxes
MFRS 116	Property, Plant & Equipment
MFRS 117	Leases
MFRS 118	Revenue
MFRS 119	Employee Benefits
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 123	Borrowing Costs
MFRS 124	Related Party Disclosures
MFRS 126	Accounting and Reporting by Retirement Benefit Plans
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investment in Associates
MFRS 129	Financial Reporting in Hyperinflationary Economies
MFRS 131	Interest in Joint Ventures



# Hartalega

Holdings Berhad (741883-X)

MFRS 132	Financial Instruments: Presentation
MFRS 133	Earnings Per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instrument: Recognition and Measurement
MFRS 140	Investment Property
MFRS 141	Agriculture
IC Int. 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Int. 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Int. 4	Determining Whether an Arrangement contains a Lease
IC Int. 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitations Funds
IC Int. 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
IC Int. 7	Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies
IC Int. 9	Reassessment of Embedded Derivatives
IC Int. 10	Interim Financial Reporting and Impairment
IC Int. 12	Service Concession Arrangements
IC Int. 13	Customer Loyalty Programmes
IC Int. 14	MFRS 119 –The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Int. 15	Agreements for the Construction of Real Estate
IC Int. 16	Hedges of a Net Investment in a Foreign Operation
IC Int. 17	Distributions of Non-cash Assets to Owners
IC Int. 18	Transfers of Assets from Customers
IC Int. 19	Extinguishing Financial Liabilities with Equity Instruments
IC Int. 107	Introduction of the Euro
IC Int. 110	Government Assistance – No Specific Relation to Operating Activities
IC Int. 112	Consolidation – Special Purpose Entities
IC Int. 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
IC Int. 115	Operating Leases- Incentives
IC Int. 125	Income Taxes – Change in the Tax Status of an Entity or its Shareholders
IC Int. 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC Int. 129	Service Concession Arrangements: Disclosures
IC Int. 131	Revenue – Barter Transactions Involving Advertising Services
IC Int. 132	Intangible Assets – Web Site Costs

The audited financial statements of the Group for the financial year ended 31 March 2012 were prepared in accordance with FRS. As the requirements under FRS and MFRS are similar, the adoption of the above MFRSs and IC Interpretations does not have any significant impact on the financial performance and financial position of the Group. In compliance with MFRS 1, First-time Adoption of MFRS, the Group has presented the statement of financial position as at 1 April 2011, which is the beginning of the earliest comparative period, in the interim financial report without any restatement on the financial information.



## Hartalega

Holdings Berhad (741883-X)

The Group has not applied in advance the following MFRSs, Amendments to MFRSs and IC Interpretations that have been issued by MASB but not yet effective for the current financial year:

		<u>Effective Date</u>
MFRS 9	Financial Instruments	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interest in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The interim financial report should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2012 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 2012 is not subject to any qualification.

### **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. Issues, Repurchases and Repayments of Debt and Equity Securities**

- (a) On 28 May 2012, a total of 365,553,000 new ordinary shares of RM0.50 each were issued pursuant to the Company's bonus issue exercise.
- (b) On 4 June 2012, a total of 73,110,600 warrants were issued pursuant to the free warrants issue exercise.
- (c) During the current quarter ended 30 September 2012, a total of 658,900 new ordinary shares of RM0.50 each were allotted and issued pursuant to the Company's Executive Share Option Scheme.
- (d) For the financial year-to-date, a total of 1,123,300 new ordinary shares of RM0.50 each were allotted and issued pursuant to the Company's Executive Share Option Scheme.

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

**A7. Dividend Paid**

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

- (a) Third interim dividend of 6 sen per share (before bonus issue of 1 for 1) single tier amounting to RM21,933,180 in respect of the financial year ended 31 March 2012 on 13 June 2012.
- (b) Final dividend of 3.5 sen per share single tier amounting to RM25,606,224.02 in respect of the financial year ended 31 March 2012 on 18 September 2012.

**A8. Segment Information**

The Group's business mainly comprises the manufacturing and sale of latex gloves and its manufacturing activities are operated solely in Malaysia. On this basis, the Group Managing Director reviews the operating results of the Group as a whole. Accordingly, no reportable operating segment is presented.

**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 in respect of Property, Plant and Equipment as at end of the current quarter and financial year-to-date are as follows:-

	30 September 2012
	RM'000
Approved and contracted for	89,592
Approved but not contracted for	-
Total	<u>89,592</u>



**Hartalega**  
Holdings Berhad (741883-X)

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

On 10 October 2012, Hartalega Sdn. Bhd., a wholly-owned subsidiary of the Company, incorporated a 70% owned subsidiary company, namely PHARMATEX HEALTHCARE PRIVATE LIMITED in India under the Companies Act 1956 (No. 1 of 1956). The authorised share capital of PHARMATEX HEALTHCARE PRIVATE LIMITED ("PHARMATEX HEALTHCARE") is Rs. 100,000/- divided into 10,000 equity shares of Rs.10/- each with an issued and paid-up share capital of Rs.100,000 divided into 10,000 ordinary shares of Rs.10/- each. Consequently, Pharmatex Healthcare became an indirect subsidiary of the Company.

**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 statement of financial position date except as disclosed in the material litigation under Section B11.



**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 30 Sep 2012	2nd Quarter Ended 30 Sep 2011	Variance		Year-To- Date 30 Sep 2012	Year-To- Date 30 Sep 2011	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	255,019	229,542	25,477	11.1	502,697	448,913	53,784	12.0
Profit before tax	76,282	59,551	16,731	28.1	146,196	130,221	15,975	12.3

For the 2<sup>nd</sup> quarter year-on-year basis, the Group's sales revenue increased by 11.1% and profit before tax increased by 28.1%. The increase in revenue is in line with the Group's continuous expansion in production capacity and increase in demand.

The operating profit before other operating income/(expense) margin increase from 28.5% to 29.4% due to easing in raw material prices of nitrile and natural latex but also offset by more competitive sales pricing for the current quarter compared with the corresponding quarter of the preceding year.

The profit before tax margin increased from 25.9% to 29.9% due to the above mentioned reasons and the recognition of net gain in foreign exchange and changes in fair value in forward exchange contracts of RM489,000 in the current quarter compared with a net loss of RM6,612,000 compared with the corresponding quarter of the preceding year.

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

	Current Quarter ended 30 Sep 2012	Preceding Quarter ended 30 Jun 2012	Variance	
	RM'000	RM'000	RM'000	%
Revenue	255,019	247,678	7,341	3.0
Profit before tax	76,282	69,914	6,368	9.1

In the current quarter, the Group's revenue was 3.0% higher and the profit before tax was 9.1% higher when compared to the preceding quarter.

The increase in revenue and profit before tax for the current quarter is basically due to increase in sales volume and easing of raw material prices of nitrile and natural latex for the current quarter compared with the preceding quarter.



**B3. Commentary on Prospects and Targets**

The global demand for nitrile gloves continued to grow by 29% for the year 2011 due mainly to switching momentum from natural rubber gloves to nitrile gloves. This has spurred a significant increase in nitrile gloves production capacity by the industry which we are confident would be more than matched by resilient demand dynamics. Furthermore, we do not expect a price war from the second half of 2012, as claimed by certain quarters as global demand growth continues to outpace growth in industry capacity.

We anticipate demand growth for nitrile gloves should be sustainable at 20% annually for the mid term. To meet the increasing export demands of nitrile gloves, our new plant, namely Plant 6, have begun construction in February 2012. The first production line had commissioned and commenced operations by end September 2012. Plant 6 will commission 10 production lines in total and is expected to increase our production capacity by 39% which translates to a further 3.9 billion pieces per annum. The construction of the 10 production lines in Plant 6 is expected to be fully completed in July 2013.

In view of current and anticipated bullish market conditions, we are making concerted efforts to put in place the foundation for long term sustainable growth. On this note, we have already strategized to beef up our human resource training facilities and manpower numbers.

We view that the concerted long term planning and efforts should bear fruit due to productivity gains and benefits of economies of scale derived from building capacity and leveraging on in-house technological competency to countervail the potential margin compression arising from greater competition and the impending minimum wage implementation. We remained resilient and continued to grow our top line and bottom line.

The recent easing off of raw material pricing for both nitrile and latex have enabled a more conducive environment for sustained earnings growth.

The Board of Directors is optimistic that the Group will achieve the internal target growth for both the sales revenue and net profit for the financial year ending 31 March 2013.

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

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

**B5. Profit For The Period**

Profit for the period is arrived at after charging/(crediting):

	2nd Quarter Ended 30 Sep 2012	2nd Quarter Ended 30 Sep 2011	Year-To- Date 30 Sep 2012	Year-To- Date 30 Sep 2011
	RM'000	RM'000	RM'000	RM'000
Interest income	(164)	(192)	(400)	(493)
Other income including investment income	(978)	(919)	(2,184)	(1,707)
Interest expense	234	448	535	946



Depreciation and amortization	7,358	7,144	14,634	14,089
Foreign exchange (gain)/loss-realised	2,138	(2,046)	1,543	(4,779)
Foreign exchange (gain)/loss-unrealised	2,418	(2,269)	1,152	(3,917)
Fair value (gain)/loss on derivatives	(5,045)	10,927	(1,838)	11,775

**B6. Taxation**

	Current quarter	Current year-to-date
	RM'000	RM'000
Current tax expense	15,095	29,174
Deferred tax expense	2,612	5,012
	<u>17,707</u>	<u>34,186</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 allowance for increase in export.

**B7. Status of Corporate Proposal**

As at the latest practicable date, 31 October 2012, there was no corporate proposal announced and not completed in the current quarter and financial year-to-date.

**B8. Group Borrowings and Debt Securities**

Total Group borrowings as at 30 September 2012 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowings</u>			
Term Loans (USD denominated)	2,651	-	2,651
Term Loans(RM denominated)	8,043	-	8,043
Finance Lease (USD denominated)	14	-	14
	<u>10,708</u>	<u>-</u>	<u>10,708</u>
<u>Long term borrowings</u>			
Term Loans (USD denominated)	5,235	-	5,235
Term Loans (RM denominated)	1,568	-	1,568
	<u>6,803</u>	<u>-</u>	<u>6,803</u>



## **B9. Financial Derivative Instruments**

As at 30 September 2012, the outstanding foreign currency forward contracts are as follows:

Type of Derivatives	Contract/Notional Value (RM'000)	Fair Value (RM'000)
Foreign Exchange Contracts		
Less than 1 year		
-USD denominated	137,667	138,740

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.

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.

The fair value derivative assets amounting to RM1,073,000 has been recognised in the financial statements.

## **B10. Realised and Unrealised Profits/Losses Disclosure**

	As at 30/09/2012 RM'000	As at 31/03/2012 RM'000
Total retained profits of Hartalega Holdings Berhad and its subsidiaries:		
- Realised	456,064	555,027
- Unrealised	(45,851)	(39,905)
	<u>410,213</u>	<u>515,122</u>
Less: Consolidation adjustments	(96,204)	(93,841)
Total group retained profits as per consolidated accounts	<u>314,009</u>	<u>421,281</u>

## **B11. Material Litigation**

As at the latest practicable date, 31 October 2012, there are no material litigations against the Group or taken by the Group saved as disclosed below:

- (a) Sentinel Engineering (M) Sdn. Bhd. and Hartalega Sdn. Bhd., wholly-owned subsidiaries of the Company (the "Plaintiffs"), have commenced legal proceedings against Ecotherm (TFT) Sdn. Bhd. and Ecotherm Sdn. Bhd. (the "Defendants") by filing a Writ and Statement of Claim on 6 August 2010 at the High Court of Malaya at Kuala Lumpur (the "High Court").



The Plaintiffs are seeking, amongst others, the following reliefs against the Defendants:

- (i) a declaration pursuant to Sections 56 and 57 of the Patents Act 1983 that Claims 1 to 14 of Malaysia Patent No. MY 121188-A (188 Patent) are invalid and null and void in Malaysia;
- (ii) a declaration that the amendments to the application for the 188 Patent are unlawful and ultra vires the Patents Act 1983, further contravene the Patents Regulations 1986 and render the 188 Patent invalid, null and void;
- (iii) a declaration pursuant to Section 62 of the Patent Act 1983 that the making, importing, offering for sale, selling or using of the Sentinel/Hartalega System does not constitute an infringement of any of the claims on the 188 Patent; and
- (iv) damages and costs.

The Defendants counterclaimed, amongst others, for the following reliefs:

- (i) a declaration pursuant to Sections 56 and 57 of the Patents Act 1983 that Claims 1 to 7 of Malaysia Patent No. MY 140770-A (770 Patent) are invalid and null and void in Malaysia;
- (ii) a declaration that the first and/or the second Defendant, as the case may be, is the patentee of the 188 Patent, the said 188 Patent is validly subsisting and has been infringed by the Plaintiffs jointly and severally;
- (iii) an injunction to restrain the Plaintiffs from dealing with the Sentinel/Hartalega System which is the subject matter of the 770 Patent or any other systems that infringe the 188 Patent in whatsoever manner; and
- (iv) damages and costs.

The High Court has delivered its judgment on 25 August 2011 whereby it is adjudged that:-

- (i) Patent No. MY 140770-A (770 Patent) entitled “The Arrangement and Method of Assembling Former Holders” is valid;
- (ii) Patent No. MY 121188-A (188 Patent) entitled “Conveyor System for Use in Dipping Process” is valid;
- (iii) the Plaintiffs’ double former conveyor system does not infringe the Defendants’ 188 Patent.

The Defendants have filed a notice of appeal to the Court of Appeal against part of the decision of the High Court relating to the issue of infringement of the 188 Patent and the validity of the 770 Patent, and the Plaintiffs have filed a Notice of Cross Appeal against part of the decision of the High Court relating to the validity of the 188 Patent. No date has been fixed by the Court of Appeal in relation to the appeal to date. No provision has been made in the financial statements of the Group as the directors in consultation with the solicitors are of the view that the Group has a good chance of success in resisting the Defendants’ appeal. However, the solicitors are of the view that the Plaintiffs do not have a strong case in respect of the cross appeal. As regards to any issue of costs, it has not been quantified as yet.

- (b) Mr. Seow Hoon Hin (the “Plaintiff”), a shareholder of the Company and a former shareholder of Hartalega Sdn. Bhd. (“HSB”), has instituted legal proceedings against the Company, HSB and three (3) individuals by way of a writ of summons and a statement of claim in the High Court of Malaya at Kuala Lumpur (the “Action”). The writ of summons and statement of claim were served on HSB on 24 March 2011.



The Plaintiff claims as against HSB for the following:

- (i) declaration that HSB is trustee for proceeds and/or profits made from use of certain two assembly lines and substantial parts of another two assembly lines (the “said parts”);
- (ii) declaration that HSB is a trustee for unpaid dividends amounting to RM488,765.25 allegedly due and owing to the Plaintiff (the “said dividends”);
- (iii) an order that HSB account to the Plaintiff for the proceeds and/or profits made from the benefit and use of the said parts (the “said proceeds/profits”) and make restitution of the same to the Plaintiff;
- (iv) an order that HSB account to the Plaintiff for the said dividends and make restitution of the same to the Plaintiff;
- (v) interest on the said profits and said dividends at the rate of 8% per annum from the date of the respective dividends were payable until full satisfaction; and
- (vi) such other relief as the Court deems fit and costs.

The High Court had, on 26 August 2011, dismissed the Plaintiff’s application to disqualify Messrs. Cheah Teh & Su from acting for the defendants. Subsequently, the Plaintiff appealed against the High Court’s decision but was dismissed by the Court of Appeal. The case is still in the pre-trial case management where no trial dates have been set. The Plaintiff had since the last case management filed an amendment and a discovery application against defendants. The High Court had allowed the amendment application with no objections from all the defendants on 16 May 2012. The Plaintiff then filed their Amended Statement of Claim on 25 May 2012 and the Group had correspondingly filed the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Defendants’ Re-Amended Defence on 29 June 2012. The 1<sup>st</sup> to 3<sup>rd</sup> Defendants then had on 2 August 2012 and 29 August 2012 filed two applications to strike out the Plaintiff’s claim on the dividends and the conspiracy to injure. As for the status of the discovery application, the High Court has adjourned the hearing of the discovery pending the disposal of HSB’s striking out application. The said striking out application was heard on 31 October 2012 and the Court has adjourned the matter for decision on 7<sup>th</sup> November 2012. The High Court has also set the matter for full trial on 3 December 2012 to 7 December 2012.

The Directors of the Company, 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 as the Action is largely based on issues and events that are clearly time-barred. Accordingly, the Group has not made any provision on the financial statements.

## **B12. Dividend**

The board has declared a first interim dividend of 3.5 sen per share single tier in respect of the financial year ending 31 March 2013 and payable on 13 December 2012 . The entitlement date has been fixed on 23 November 2012.

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 23 November 2012 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>	Current Quarter Ended 30/09/2012	Corresponding Quarter Ended 30/09/2011	Current Year-To- Date 30/09/2012	Corresponding Year-To-Date 30/09/2011
Profit attributable to owners of the parent (RM'000)	58,542	46,127	111,900	100,901
Number of shares in issue as at beginning of the year ('000)	730,017	727,114	730,017	727,114
Effect of exercise of ESOS ('000)	836	592	836	592
Weighted average number of ordinary shares in issue ('000)	730,853	727,706	730,853	727,706
Basic earnings per share (sen)	8.01	6.34	15.31	13.87
<b>Diluted Earnings Per Share</b>	Current Quarter Ended 30/09/2012	Corresponding Quarter Ended 30/09/2011	Current Year-To- Date 30/09/2012	Corresponding Year-To-Date 30/09/2011
Profit attributable to owners of the parent (RM'000)	58,542	46,127	111,900	100,901
Weighted average number of ordinary shares in issue ('000)	730,853	727,706	730,853	727,706
Effect of dilution : share options ('000)	4,544	2,454	4,544	2,454
Effect of dilution : warrants ('000)	2,825	-	2,825	-
Adjusted weighted average number of ordinary shares in issue and issuable('000)	738,222	730,160	738,222	730,160
Diluted earnings per share (sen)	7.93	6.32	15.16	13.82

For comparative purpose, the Earnings Per Share for the corresponding quarter and year to date ended 30 September 2011 had been adjusted to reflect the bonus issue of 1 for 1 existing ordinary shares of RM0.50 each which was completed on 28 May 2012.