

**HARTALEGA HOLDINGS BERHAD**(Company No. 741883-X)**Condensed Consolidated Statement of Comprehensive Income****For the third quarter ended 31 December 2012 (Unaudited)**

	Current Quarter Ended 31 Dec 2012 RM'000	Corresponding Quarter Ended 31 Dec 2011 RM'000	Current Year-To-Date 31 Dec 2012 RM'000	Corresponding Year-To-Date 31 Dec 2011 RM'000
Revenue	259,565	241,951	762,262	690,864
Operating expenses	(183,550)	(178,520)	(541,243)	(495,387)
Other operating income/(expense)	2,560	871	4,287	(8)
Finance costs	(207)	(400)	(742)	(1,346)
Profit before tax	78,368	63,902	224,564	194,123
Taxation	(17,747)	(13,239)	(51,933)	(42,543)
Net profit for the period	60,621	50,663	172,631	151,580
Other comprehensive income				
Foreign exchange translation difference	69	79	86	189
Total comprehensive income for the period	60,690	50,742	172,717	151,769
Profit attributable to:				
Owners of the parent	60,529	50,703	172,429	151,604
Non-controlling interest	92	(40)	202	(24)
	60,621	50,663	172,631	151,580
Total comprehensive income attributable to:				
Owners of the parent	60,513	50,768	172,427	151,642
Non-controlling interest	177	(26)	290	127
	60,690	50,742	172,717	151,769
EPS - Basic ( sen )	8.28	6.96 *	23.58	20.82 *
- Diluted ( sen )	8.17	6.94 *	23.28	20.75 *

\* For comparative purpose, the Earnings Per Share for the corresponding quarter and year to date ended 31 December 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 31 December 2012**

	<i>Unaudited At 31 Dec 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	402,796	370,285	348,623
Capital work in progress	100,032	9,454	11
Intangible asset	7,090	46	50
Other investment	360	360	180
Deferred tax assets	53	53	29
	<u>510,331</u>	<u>380,198</u>	<u>348,893</u>
<b>Current assets</b>			
Inventories	70,338	97,532	64,673
Trade receivables	119,648	107,658	95,746
Other receivables, deposits and prepayment	4,576	9,466	5,259
Tax assets	142	68	69
Derivatives	599	-	3,340
Cash & bank balances	158,740	163,217	116,983
	<u>354,043</u>	<u>377,941</u>	<u>286,070</u>
<b>TOTAL ASSETS</b>	<u>864,374</u>	<u>758,139</u>	<u>634,963</u>
<b>EQUITY AND LIABILITIES</b>			
Share capital	366,288	182,544	181,779
Reserves	359,931	436,959	312,665
<b>Equity attributable to owners of the parent</b>	<u>726,219</u>	<u>619,503</u>	<u>494,444</u>
<b>Non-controlling interest</b>	<u>843</u>	<u>553</u>	<u>350</u>
<b>Total Equity</b>	<u>727,062</u>	<u>620,056</u>	<u>494,794</u>
<b>Non current liabilities</b>			
Long term borrowing	5,141	12,071	24,451
Deferred tax liabilities	48,109	40,515	36,868
	<u>53,250</u>	<u>52,586</u>	<u>61,319</u>
<b>Current liabilities</b>			
Trade payables	39,746	29,502	34,386
Other payables and accruals	17,725	30,925	22,780
Short term borrowing	9,673	12,578	14,526
Derivatives	-	765	-
Tax payables	16,918	11,727	7,158
	<u>84,062</u>	<u>85,497</u>	<u>78,850</u>
<b>Total Liabilities</b>	<u>137,312</u>	<u>138,083</u>	<u>140,169</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>864,374</u>	<u>758,139</u>	<u>634,963</u>
Net assets per share attributable to the owners of the Company (sen)	99.32	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 third quarter ended 31 December 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>9 Months Ended 31 December 2012</b>									
Balance as at 01 April 2012	182,544	9,106	295	6,092	185	421,281	619,503	553	620,056
Total comprehensive income for the period			(2)			172,429	172,427	290	172,717
<b>Transaction with owners</b>									
Dividends						(73,152)	(73,152)		(73,152)
Share-based payment granted under EES & ESOS				2,382			2,382		2,382
Issuance of bonus share	182,777	(10,987)				(171,790)	-		-
Issuance of ordinary shares pursuant to ESOS	967	4,594					5,561		5,561
Transfer from Share-based payment upon exercise of EES & ESOS		1,921		(2,580)		157	(502)		(502)
Total transaction with owners	183,744	(4,472)	-	(198)	-	(244,785)	(65,711)	-	(65,711)
<b>Balance as at 31 December 2012</b>	<b>366,288</b>	<b>4,634</b>	<b>293</b>	<b>5,894</b>	<b>185</b>	<b>348,925</b>	<b>726,219</b>	<b>843</b>	<b>727,062</b>
<b>9 Months Ended 31 December 2011</b>									
Balance as at 01 April 2011	181,779	500	252	4,733	5	307,175	494,444	350	494,794
Total comprehensive income for the period			38			151,604	151,642	127	151,769
<b>Transaction with owners</b>									
Dividends						(65,484)	(65,484)		(65,484)
Share-based payment granted under EES & ESOS				2,857			2,857		2,857
Issuance of ordinary shares pursuant to ESOS	421	3,363					3,784		3,784
Transfer from Share-based payment upon exercise of EES & ESOS		1,360		(1,475)		115	-		-
Total transaction with owners	421	4,723	-	1,382	-	(65,369)	(58,843)	-	(58,843)
<b>Balance as at 31 December 2011</b>	<b>182,200</b>	<b>5,223</b>	<b>290</b>	<b>6,115</b>	<b>5</b>	<b>393,410</b>	<b>587,243</b>	<b>477</b>	<b>587,720</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 third quarter ended 31 December 2012 (Unaudited)**

	Current Year-To-Date 31 Dec 2012 RM'000	Corresponding Year-To-Date 31 Dec 2011 RM'000
<b>Cash Flows from Operating Activities</b>		
Profit before tax	224,564	194,123
Adjustment for:		
Non cash items	23,262	33,913
Operating profit before changes in working capital	247,826	228,036
Changes in working capital		
Net change in inventories	27,194	(34,052)
Net change in receivables	(7,100)	4,320
Net change in payables	(2,956)	(6,997)
Cash generated from operations	264,964	191,307
Interest paid	(742)	(1,346)
Interest received	628	682
Taxation paid	(39,225)	(31,054)
<b>Net cash from operating activities</b>	<b>225,625</b>	<b>159,589</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from disposal of property, plant and equipment	-	112
Capital work in progress incurred	(131,872)	(8,126)
Purchase of property, plant and equipment	(20,804)	(31,759)
<b>Net cash used in investing activities</b>	<b>(152,676)</b>	<b>(39,773)</b>
<b>Cash Flows from Financing Activities</b>		
Repayment of term loan	(9,818)	(10,175)
Repayment of finance lease	(17)	(15)
Proceeds from issuance of shares-ESOS	5,561	3,784
Dividend paid	(73,152)	(65,484)
<b>Net cash used in financing activities</b>	<b>(77,426)</b>	<b>(71,890)</b>
<b>Net change in cash &amp; cash equivalents</b>	<b>(4,477)</b>	<b>47,926</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>158,740</b>	<b>164,909</b>
<b>Cash &amp; cash equivalents at end of period comprise:</b>		
Deposits with licensed banks	1,900	24,100
Licensed Fund Management Companies-Fixed income fund	129,068	112,437
Cash in hand and at banks	27,772	28,372
	158,740	164,909

(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.)



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





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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.

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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 31 December 2012, a total of 810,200 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 1,933,500 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 in respect of the financial year ended 31 March 2012 on 18 September 2012.
- (c) First interim dividend of 3.5 sen per share single tier amounting to RM25,613,031.50 in respect of the financial year ended 31 March 2013 on 13 December 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:-

	31 December 2012
	RM'000
Approved and contracted for	71,733
Approved but not contracted for	-
Total	<u>71,733</u>





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

There were no material events subsequent to 31 December 2012 up to latest practicable date, 30 January 2013 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**

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.

**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**

	3rd Quarter Ended 31 Dec 2012	3rd Quarter Ended 31 Dec 2011	Variance		Year-To- Date 31 Dec 2012	Year-To- Date 31 Dec 2011	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	259,565	241,951	17,614	7.3	762,262	690,864	71,398	10.3
Profit before tax	78,368	63,902	14,466	22.6	224,564	194,123	30,441	15.7

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

- For the 3<sup>rd</sup> quarter year-on-year basis, the Group's sales revenue increased by 7.3% and profit before tax increased by 22.6%. 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 26.2% to 29.3% due to easing in raw material prices of nitrile and natural latex for the current quarter compared with the corresponding quarter of the preceding year.
- The profit before tax margin increased from 26.4% to 30.2% 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 RM1,238,000 in the current quarter compared with a net loss of RM202,000 compared with the corresponding quarter of the preceding year.

The Group's performance for the year-to-date versus the corresponding year-to-date of the previous financial year is as follows:

- The Group's sales revenue increased by 10.3%. The increase in revenue is in line with the Group's continuous expansion in production capacity and increase in demand.
- The profit before tax increased by 15.7% due to easing in raw material prices of nitrile and natural latex.

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

	Current Quarter ended 31 Dec 2012	Preceding Quarter ended 30 Sep 2012	Variance	
	RM'000	RM'000	RM'000	%
Revenue	259,565	255,019	4,546	1.8
Profit before tax	78,368	76,282	2,086	2.7

In the current quarter, the Group's revenue was 1.8% higher and the profit before tax was 2.7% 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 for the current quarter compared with the preceding quarter.

### **B3. Commentary on Prospects and Targets**

The global demand for nitrile rubber gloves continued to grow at a high rate of over 20% due mainly to switching momentum from latex to nitrile rubber gloves. This has spurred an increase of nitrile capacity by the industry which we are confident would be more than matched by strong nitrile glove demand. Furthermore, we do not expect price war as claimed by certain quarters as global demand growth continues to outstrip growth in industry capacity. However, margin will be lower as the market size enlarges with more competitors.

To meet the increasing export demand 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 give at least a 30% boost to our production capacity 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 strenuous efforts to put in place the foundation for long term sustainable growth. On this note, we have already made concerted effort in improving our human resource in areas of training and development and man power numbers and have adjusted our salary structure in line with the minimum wage ruling effective January 2013.

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 competencies to mitigate the potential margin compression arising from greater competition. On the back of strong demand for nitrile gloves, we continue to sustain growth for both our top line and bottom line.

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):

	3rd Quarter Ended 31 Dec 2012	3rd Quarter Ended 31 Dec 2011	Year-To- Date 31 Dec 2012	Year-To- Date 31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Interest income	(228)	(188)	(628)	(682)
Other income including investment income	(1,094)	(885)	(3,277)	(2,591)
Interest expense	207	400	742	1,346



Depreciation and amortization	7,909	7,496	22,543	21,585
Foreign exchange (gain)/loss-realised	(1,184)	1,961	358	(2,818)
Foreign exchange (gain)/loss-unrealised	(528)	1,552	624	(2,365)
Fair value (gain)/loss on derivatives	474	(3,311)	(1,364)	8,464

**B6. Taxation**

	Current quarter	Current year-to-date
	RM'000	RM'000
Current tax expense	16,081	45,255
Deferred tax expense	2,582	7,594
Under/(Over) provision in prior years	(916)	(916)
	<u>17,747</u>	<u>51,933</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, 30 January 2013, 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 31 December 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)	7,015	-	7,015
Finance Lease (USD denominated)	7	-	7
	<u>9,673</u>	<u>-</u>	<u>9,673</u>
 <u>Long term borrowings</u>			
Term Loans (USD denominated)	4,555	-	4,555
Term Loans (RM denominated)	586	-	586
	<u>5,141</u>	<u>-</u>	<u>5,141</u>



## **B9. Financial Derivative Instruments**

As at 31 December 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	347,603	348,150
-AUD denominated	5,760	5,812

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 RM599,000 has been recognised in the financial statements.

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

	As at 31/12/2012 RM'000	As at 31/03/2012 RM'000
Total retained profits of Hartalega Holdings Berhad and its subsidiaries:		
- Realised	494,924	555,027
- Unrealised	(48,737)	(39,905)
	<u>446,187</u>	<u>515,122</u>
Less: Consolidation adjustments	(97,262)	(93,841)
Total group retained profits as per consolidated accounts	<u>348,925</u>	<u>421,281</u>

## **B11. Material Litigation**

As at the latest practicable date, 30 January 2013, 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:



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- (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) Sentinel Engineering (M) Sdn Bhd (a subsidiary of Hartalega Sdn Bhd) and Hartalega Sdn Bhd ( a wholly owned subsidiary of Hartalega Holdings Berhad) have on 16<sup>th</sup> January 2013 filed Civil Suit No. 22IP-3-01/2013 in the High Court of Malaya at Kuala Lumpur against Kendek Products Sdn Bhd, Tuck Hua Engineering Sdn Bhd, Top Glove Sdn Bhd, TG Medical Sdn Bhd, Flexitech Sdn Bhd, Latexx Manufacturing Sdn Bhd, Green Prospect Sdn Bhd and YTY Industry Sdn Bhd (“the Defendants”) for the infringement of Malaysian Patent No. MY 140770-A entitled “The Arrangement and Method of Assembling Former Holders” (“770 Patent”).





Sentinel and Hartalega have claimed for, *inter alia*, the following reliefs against the Defendants in the aforesaid suit:

- (i) A Declaration that the 770 Patent has been infringed by the Defendants.
- (ii) An Injunction to restrain the Defendants from infringing the 770 Patent.
- (iii) An order for destruction by the Defendants of all articles in their possession, power, custody and control that are infringing the 770 Patent by the Defendants.
- (iv) An order for disclosure against the Defendants.
- (v) Damages and costs.

The matter has been fixed for case management on 6<sup>th</sup> March 2013 for the defendants to file their respective defences.

- (c) 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.

With regards to the Plaintiff’s Discovery application and the 1<sup>st</sup> to 3<sup>rd</sup> Defendants’ striking out applications, all the applications have been dismissed by the High Court and parties have filed an appeal to the court of appeal where the hearing of the appeal will be heard on 4 April 2013. The matter has gone for trial on 5, 6, 7 December 2012 and 29, 30 January 2013. However the trial has yet to be concluded and will be continued in April 2013.

The Plaintiff had also issued a subpoena duces tecum to Mr. Wong Maw Chuan, the 2<sup>nd</sup> Defendant’s Company Secretary. The said subpoena had since been set aside and the



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Plaintiff has also filed an appeal towards the setting aside of the subpoena. The hearing date for the appeal has yet to be set.

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 second interim dividend of 3.5 sen per share single tier in respect of the financial year ending 31 March 2013 and payable on 21 March 2013. The entitlement date has been fixed on 27 February 2013.

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 27 February 2013 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 31/12/2012	Corresponding Quarter Ended 31/12/2011	Current Year-To- Date 31/12/2012	Corresponding Year-To-Date 31/12/2011
Profit attributable to owners of the parent (RM'000)	60,529	50,703	172,429	151,604
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)	1,148	926	1,148	926
Weighted average number of ordinary shares in issue ('000)	731,165	728,040	731,165	728,040
Basic earnings per share (sen)	8.28	6.96	23.58	20.82



<b>Diluted Earnings Per Share</b>	Current Quarter Ended 31/12/2012	Corresponding Quarter Ended 31/12/2011	Current Year-To- Date 31/12/2012	Corresponding Year-To-Date 31/12/2011
Profit attributable to owners of the parent (RM'000)	60,529	50,703	172,429	151,604
Weighted average number of ordinary shares in issue ('000)	731,165	728,040	731,165	728,040
Effect of dilution : share options ('000)	4,385	2,640	4,385	2,640
Effect of dilution : warrants ('000)	5,028	-	5,028	-
Adjusted weighted average number of ordinary shares in issue and issuable('000)	740,578	730,680	740,578	730,680
Diluted earnings per share (sen)	8.17	6.94	23.28	20.75

For comparative purpose, the Earnings Per Share for the corresponding quarter and year to date ended 31 December 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.