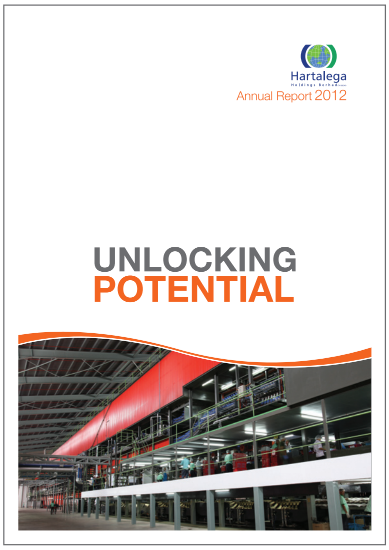
Hartalega
Holdings Berhad (741883-X)

Annual Report 2012

UNLOCKING POTENTIAL



THE COVER

The state-of-the-art production lines and machinery featured on the cover represent the gateway to Unlocking Potential, the theme of this year's report. As the cornerstone of Hartalega's growth and ability to achieve continued profits, these elements encapsulate the tangible results generated during the financial year and how this will drive our earnings potential over the coming years.

Contents

FIRST IN THE INDUSTRY

FIRST to develop polymer-coated powder-free examination gloves in 1994 and among the first to receive FDA 510k to market low protein latex gloves

FIRST Malaysian company to develop and implement a robotic glove stripping system in 1995, which mimics the human hand motion to strip gloves off from the production lines

FIRST to commercially produce high-stress-relaxation NBR examination and surgical gloves in 2002 and 2006 respectively

FIRST in the industry to use industrial bar-coding and RFID Tags for product traceability and stock management

FIRST recipient of the Inaugural Award for Best Factory in 2005 in commodity-based industries by the Malaysian Government

FIRST recipient of the Inaugural Award for Innovation in 2005 by the Rubber Research Institute of Malaysia

FIRST in the industry to use empty oil palm fruit bunches as biomass fuel to generate heat for production processes

FIRST in the industry to have successfully registered our biomass energy plants with the United Nations Framework Convention on Climate Change (UNFCCC) or KYOTO Protocol

FIRST biomass energy plant in Malaysia registered with the United Nations Framework Convention on Climate Change (UNFCCC) or KYOTO Protocol, that is in operation and running mainly on empty oil palm fruit bunches

FIRST to commission high-capacity production lines operating at a record speed of 40,000 pieces of gloves per hour, setting a new benchmark for the industry

FIRST in the world to develop and implement successful double former production line with sophisticated process controls

AWARDS & RECOGNITION

Forbes Asia
Best Under A Billion List 2011

Forbes Asia
Best Under A Billion List 2010

KPMG Shareholder
Value Award 2010
(Industrial Markets - Manufacturing
Category)

Overall Best Managed
Company in Malaysia 2010
(Small Cap)
by Asiamoney

Selangor Innovative
Excellence Award 2007

Selangor Export
Excellence Award 2005

Commodity Industry
Award 2005

Rubber Industry Award 2005
(Innovative & Large Factory
Category)

Best Factory Award 2005
(Latex Goods Category)

Enterprise 50 Award 1998

ISO 9001 : 2008

ISO 13485 : 2003

EN ISO 13485 : 2003

EC-Certificate

CE Marking

Medical Device Licence -
Health Canada

Canadian General
Standard Board Certificate

U.S. Food and Drug
Administration 510(k)

THE HARTALEGA NITRILE GLOVE STORY

2002

- Commenced R&D on elastic thin nitrile glove
- Overcame technology, pricing and intellectual property barriers
- Introduced users to a nitrile glove that mimics the softness and stretchiness of a natural rubber glove

2003

- Commenced R&D on production technology
- Focused on effective and low cost nitrile glove production
- Operated the world's first double former production line at year end 2003
- Increased production line capacity to 28,000 pcs/hr of nitrile gloves – highest in the industry

2005

- Launched the world's first 4.7g nitrile glove. It mimicked the stretchiness and softness of natural rubber gloves without protein allergy risks, was competitively priced and outside the Tillotson's patent
- Ringgit de-pegged from the US dollar

THE HARTALEGA NITRILE GLOVE STORY

2007

- Competitor launched a 4.2g nitrile glove
- Hartalega responded with the world's first 3.7g nitrile glove. It was developed at the same time as the 4.7g glove but kept in the 'war chest'

2008

- Hartalega's nitrile glove production increased by 30 fold
- Became the nation's largest and world's second largest nitrile glove producer
- Obtained 20% share of the US synthetic glove market

2010

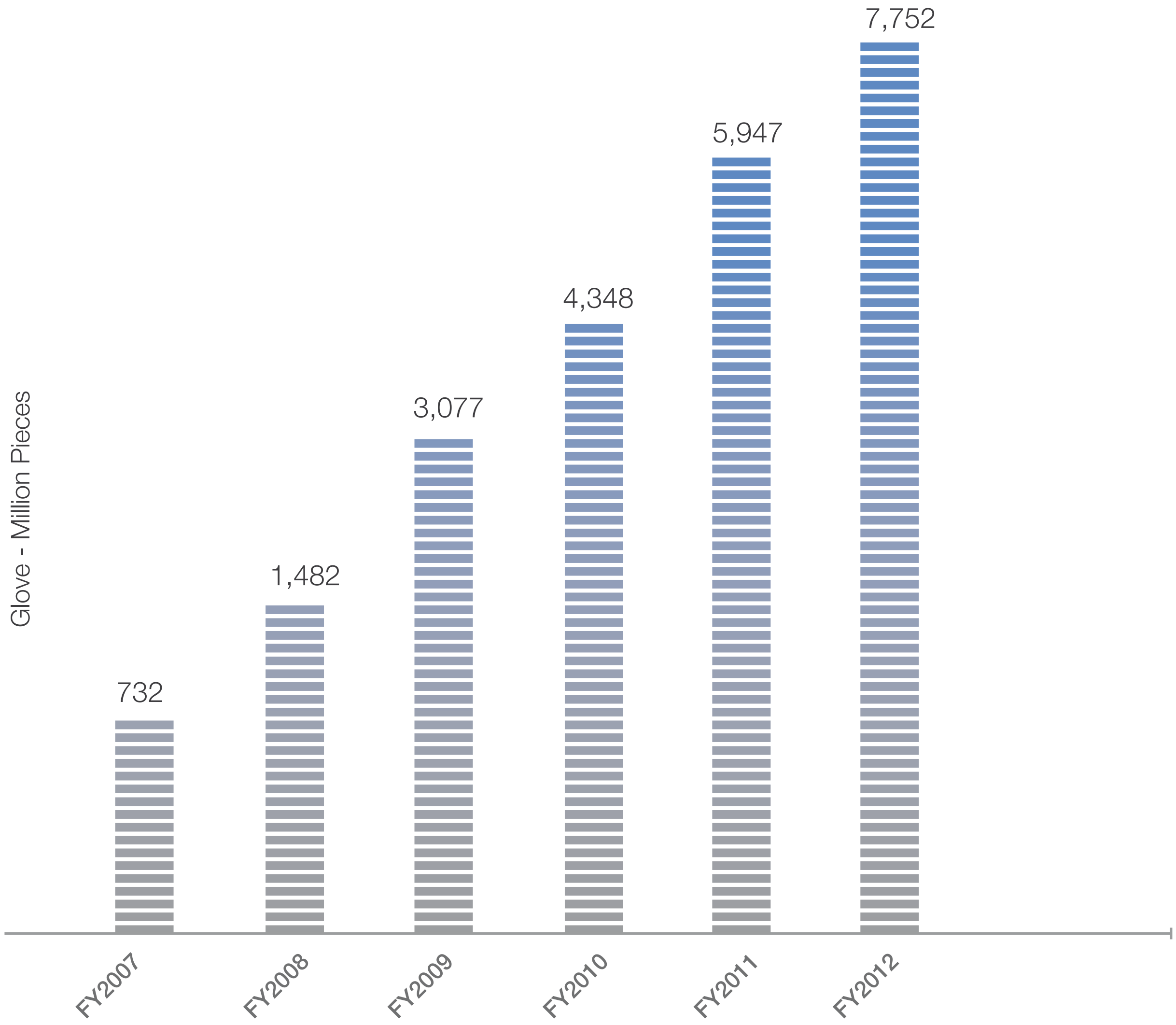
- Hartalega became the world's largest nitrile glove producer
- Natural rubber price reached a record RM7.46 and nitrile gloves became cheaper than natural rubber gloves

2011

- Launched 3.2g soft nitrile gloves
- Nitrile sales increased 59 times over a period of seven years
- Strong switching momentum to nitrile gloves continues worldwide

THE HARTALEGA NITRILE GLOVE STORY

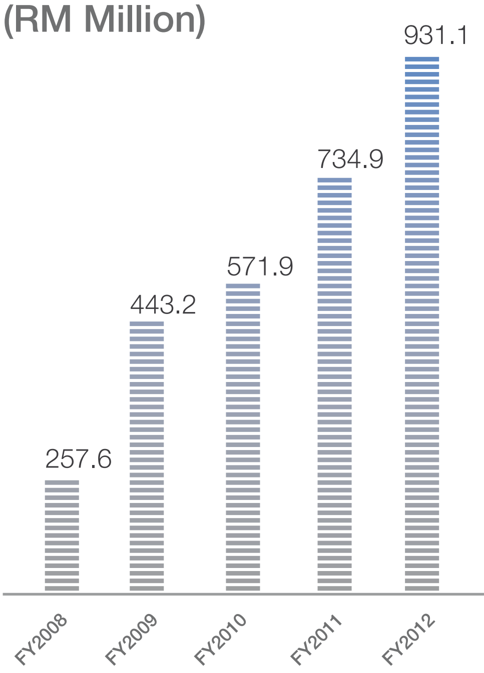
Nitrile Sale (Million Pieces)



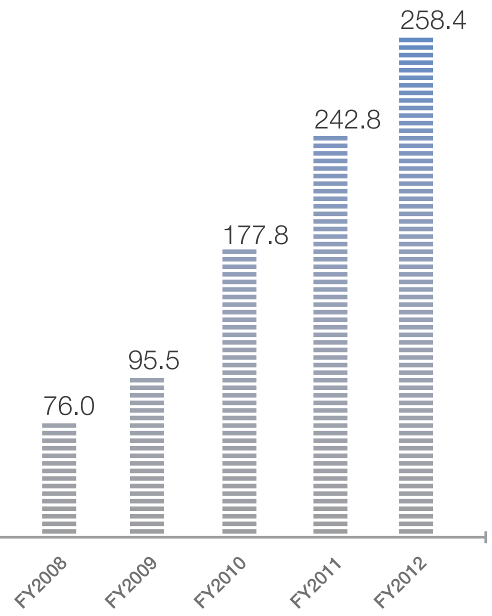
- Successfully remodelled company into a major nitrile glove producer; 90% of sales in nitrile gloves
- Nitrile sales (pieces) increased by eight fold in four years
- Pioneered switching momentum from natural rubber to nitrile gloves
- Largest nitrile glove producer in the world today

FIVE YEAR GROWTH SUMMARY

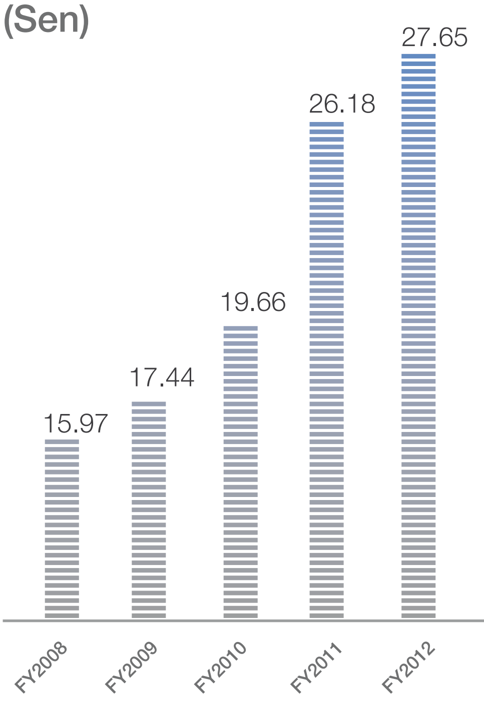
Revenue (RM Million)



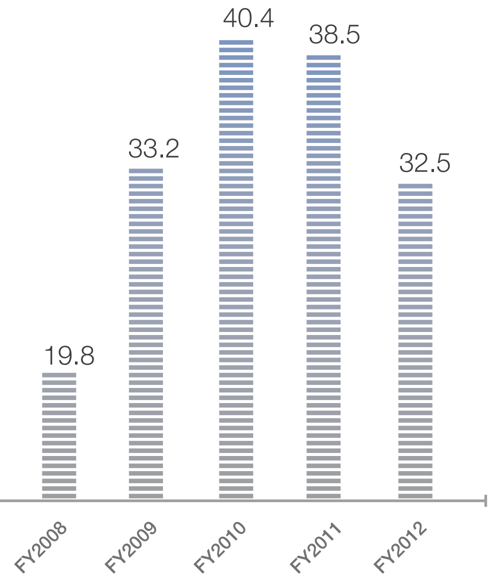
Profit Before Tax (RM Million)



Earnings Per Share * (Sen)



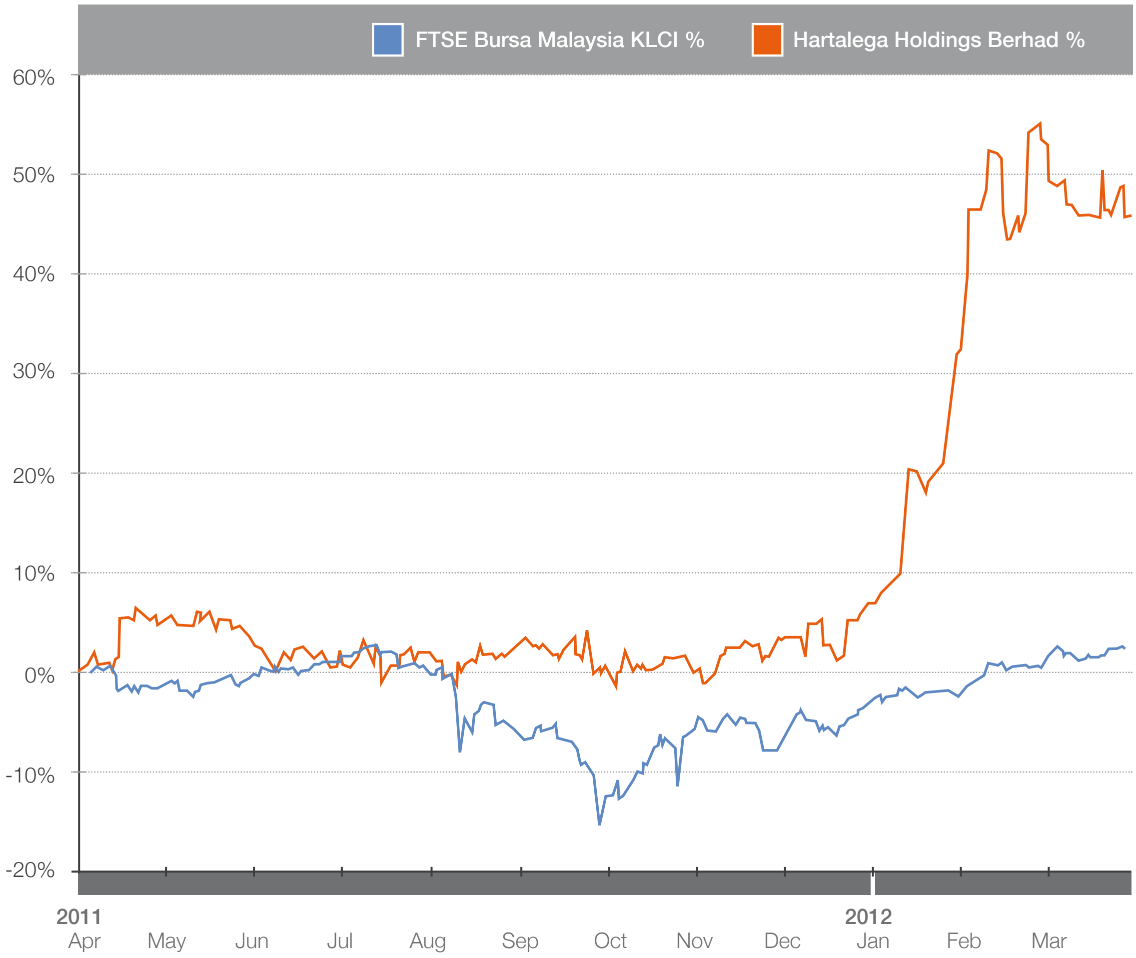
Return On Equity (%)



* *Earnings Per Share figures restated following one-for-one bonus issue*

SHARE PRICE PERFORMANCE

Price Movement %



CORPORATE INFORMATION

BOARD OF DIRECTORS

Kuan Kam Hon @ Kwan Kam Onn	Executive Chairman and Managing Director
Chuah Phaik Sim	Independent Non-Executive Director
Dato' Mohamed Zakri bin Abdul Rashid	Independent Non-Executive Director
Kuan Mun Keng	Non-Independent Executive Director
Kuan Mun Leong	Non-Independent Executive Director
Liew Ben Poh	Non-Independent Non-Executive Director
Dr Danaraj A/L Nadarajah *(Appointed on 2 July 2011)*	Non-Independent Executive Director
Dato' Tan Guan Cheong *(Appointed on 31 December 2011)*	Independent Non-Executive Director
Abdul Hamid bin Sh Mohamed *(Resigned on 31 December 2011)*	Independent Non-Executive Director

AUDIT COMMITTEE

Chuah Phaik Sim	Chairperson
Dato' Mohamed Zakri bin Abdul Rashid	Member
Dato' Tan Guan Cheong	Member

REMUNERATION COMMITTEE

Dato' Mohamed Zakri bin Abdul Rashid	Chairman
Liew Ben Poh	Member
Dato' Tan Guan Cheong	Member

NOMINATION COMMITTEE

Dato' Mohamed Zakri bin Abdul Rashid	Chairman
Chuah Phaik Sim	Member
Liew Ben Poh	Member

ESOS COMMITTEE

Kuan Vin Seung	Chairman
Kuan Mun Leong	Member
Kuan Mun Keng	Member
Yong Pat Chau	Member

COMPANY SECRETARIES

Wong Maw Chuan (MIA 7413)
Lee Seet Mei (MAICSA 7007527)

REGISTERED OFFICE

No.6, Jalan Bangsar Utama 9
Bangsar Utama
59000 Kuala Lumpur
Tel: 603 2287 6833
Fax: 603 2287 1032

CORPORATE OFFICE

C-G-9, Jalan Dataran SD1
Dataran SD PJU 9
Bandar Sri Damansara
52200 Kuala Lumpur
Tel: 603 6277 1733
Url: www.hartalega.com.my
Email: info@hartalega-kl.com.my

FACTORY

No. 7, Kawasan Perusahaan Suria
45600 Bestari Jaya, Selangor Darul Ehsan
Tel: 603 3280 3888

PRINCIPAL BANKERS

CIMB Bank Berhad
Hong Leong Bank Berhad
Citibank Berhad
Standard Chartered Bank Malaysia Berhad

AUDITORS

Moore Stephens AC (AF. 001826)
A-37-1, Level 37, Menara UOA Bangsar
No.5, Jalan Bangsar Utama 1
59000 Kuala Lumpur

REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Selangor Darul Ehsan
Tel: 603 7841 8000
Fax: 603 7841 8151

STOCK EXCHANGE

Main Market of Bursa Malaysia
Securities Berhad
Stock Name: Harta
Stock Code: 5168
Warrants: 5168-WA

MEDIA MILESTONES

Harta proposes bonus issue

KUALA LUMPUR: Hartalega Holdings Bhd, which reported a 3% rise in net profit to RM50.7 million for its third quarter ended Dec 31, 2011, from RM49.2 million a year ago, has proposed a one-for-one bonus issue of 371.7 million shares of 50 sen each.

It is also proposing to issue 74,330,988 free warrants on the basis of one free warrant for every five Hartalega shares held.

Hartalega's Q3 revenue grew 29% to RM242 million from RM188.1 million a year ago, in line with the glove maker's continuous expansion in production capacity and increase in demand.

"The increase in natural rubber prices followed by the dr

for the production o

The Sun
23 Feb 2012

Nilai keprihatinan

Hartalega beri sumbangan kepada penduduk Bestari Jaya

Harian Metro
8 Feb 2012

STREETS YOUR DIARY

Carnival for the community

OUTREACH PROGRAMME: Hartalega reaches out to locals in its mission to promote a healthy and safe community

"We have always incorporated the value of caring in our company's vision."

Kuan Mun Leong,
executive director and deputy managing director

New Straits Times
27 Feb 2012

需求增成本減

賀特佳首季賺5477萬

（吉隆坡9日讯）归功于产能扩充、需求增加，和成本撙节措施奏效，贺特佳（HARTA, 5168, 主板工业产品组）截至2011年6月30日止第一季，净利从前期的

后，成功在欧洲获得良好反应，需求

断增长，乐观截至2012年3月31日止

年营业额和净利目标可期。

"目前，欧洲市场占贺特佳总

Sin Chew Jit Poh
10 Aug 2011

MEDIA MILESTONES

Continuous expansion pushes Hartalega profit up 32.2% for 3Q

by JOHN GILBERT

HARTALEGA Holdings Bhd saw its net profit up 32.2% or 13.54 sen per share for the third-quarter ended Dec 31, 2010, due to the company's continuous expansion in production capacity, increase in demand, effective cost control and improvement in production processes.

Revenue for the company rose 26.5% to RM188.1 million compared to RM148.5 million recorded in the same quarter last year, it said in a filing to Bursa Malaysia yesterday.

The company has commissioned three new advanced high capacity glove production lines for the current quarter ended Dec 31 while its last production line from Plant 5 was commissioned in January 2011.

"Delivering consistent growth has always been an integral objective of ours as we

Kuan is confident that Hartalega's prospects remain strong as they have the first mover advantage in the nitrile glove segment

In order to meet the increasing demand for nitrile gloves, he said three more new advanced high capacity glove production lines have come on-stream during the quarter under review "bringing our annual production capacity from 8.1 billion pieces previ-

tion line for Plant 5 is expected to be completed by the fourth-quarter of this financial year which will further boost its production capacity.

"We also note that due to escalating natural rubber prices and the weakening of the US dollar, it is increasingly difficult for natural rubber (NR) glove producers to grow their capacity.

"As a result, we are seeing more competition from NR glove producers who are converting their capacity to nitrile. We are confident that Hartalega's prospects remain strong and we are less suscep- tible to the vagaries heightened competiti have the first mover a in the nitrile glove s he said.

He said the comp cilities are specific signed to produce hig nitrile gloves with th cost possible and as s talega is poised to new competition wit operations and its products.

"Moreover, the high es have opened up ne tunities in markets South America, the East and China wh previously dominate gloves.

"I believe our oppo in these markets are v tive as we will contin ture larger marke through our value tion," he said in a stat

The Malaysian Reserve
8 Feb 2012

New Straits Times
27 Jan 2011

Hartalega complies with environmental standards: Miti

THE Ministry of International Trade and Industry (Miti) said Hartalega Holdings Bhd's facility in Bestari Jaya complies with the Malaysian environmental regulatory standards.

"The ministry has consulted the relevant authorities on this issue and the Department of Environment assessment clearly shows that the company did not violate its requirements on effluent discharge," Deputy Minister Datuk Jacob Dungau Sagan said in a statement.

He visited the company recently as part of the efforts to foster engagement with the private sector.

The visit was also to obtain updates on the domestic investment activities undertaken by the company.

Miti was briefed by Hartalega on the company's contribution in terms of investments and exports as well as its support to the economic activities surrounding the Bestari Jaya area.

Miti took a serious view of the

產能擴充・成本管制奏效

賀特佳首9月淨利漲43%

派息5仙

美元疲软冲击大

Sin Chew Jit Poh
8 Feb 2012

賀特佳無意併購

至少45%淨利供派息

股價遭嚴重低估
賀特佳直呼不平

China Press
19 Aug 2011

業績佳派紅股

賀特佳雙喜臨門漲21仙

■贺特佳今年2月新加两条生产线，有助带动盈利成长。

China Press
24 Feb 2012

PROFILE OF DIRECTORS

Front row / from left to right

Chuah Phaik Sim
Independent Non-Executive Director

Kuan Kam Hon @ Kwan Kam Onn
Executive Chairman and Managing Director

Dato' Mohamed Zakri bin Abdul Rashid
Independent Non-Executive Director

Back row / from left to right

Dr Danaraj A/L Nadarajah
Non-Independent Executive Director

Liew Ben Poh
Non-Independent Non-Executive Director

Kuan Mun Keng
Non-Independent Executive Director

Kuan Mun Leong
Non-Independent Executive Director

Dato' Tan Guan Cheong
Independent Non-Executive Director

PROFILE OF DIRECTORS

Kuan Kam Hon
@ Kwan Kam Onn
Executive Chairman
and Managing Director,
Malaysian

Kuan Kam Hon @ Kwan Kam Onn, aged 65, was appointed as Executive Chairman and Managing Director on May 7, 2007. Kuan Kam Hon is primarily responsible for the overall business, strategic planning and entire operations of the Group, including research and development. He began his career in the building and construction sector in 1969 under Kuan Yuen & Sons Company, a well-known quality homebuilder in the 70s specialising in upper-class residential units in the Klang Valley. In 1978, he started Timol Weaving Sdn Bhd, one of the pioneers in woven labels and badges. In 1981, he formed Hartalega Sdn Bhd. Under his leadership, Hartalega Sdn Bhd has since become a reputable manufacturer of latex gloves in the industry and is now a public listed company on the Main Board of Bursa Malaysia Securities Berhad, known as Hartalega Holdings Berhad. He has established a set of management values that is quality-driven and encourages creativity and innovation to produce highly-skilled personnel. He presently sits on the Board of several other private limited companies as well.

Dato' Mohamed Zakri
bin Abdul Rashid
Independent
Non-Executive Director,
Malaysian

Dato' Mohamed Zakri bin Abdul Rashid, aged 69, was appointed as Independent Non-Executive Director on May 7, 2007, and sits on the Audit Committee. Dato' Mohamed Zakri was appointed to Hartalega Sdn Bhd's Board on November 27, 1998, as a Non-Executive Director. He holds a Bachelor of Arts Degree with Honours and a Diploma in Public Administration from Universiti Malaya. He also holds a Masters Degree in Public Administration from the University of Southern California, USA. He retired from Government service in 1998 as Director General of the Department of Immigration of Malaysia after having served the department for more than four years. Previously, he served the Government in various capacities in the Ministry of Transport, Ministry of Finance and the Prime Minister's Department for more than 30 years. He also serves as an Independent Non-Executive Director of Dialog Group Berhad.

PROFILE OF DIRECTORS

Dr Danaraj A/L Nadarajah
Non-Independent Executive Director,
Malaysian

Dr Danaraj A/L Nadarajah (Dr N Danaraj), aged 58, was appointed as a Non-Independent Executive Director on July 4, 2011. He holds a Doctor of Philosophy from Oxford University, a Masters in Public Administration from Harvard University, a Masters in Arts and a Bachelor of Arts with Honours from the University of Malaya. Dr N Danaraj began an illustrious career in Government in the Malaysian Administrative and Diplomatic Service, which culminated with his posting in the Ministry of Finance. During his service, he consulted on a number of projects crucial to the development of the nation. Dr N Danaraj was also the Technical Advisor in the Special Innovation Unit in the Office of the Prime Minister and was involved in formulating the National Innovation Policy. He is also a staunch academic and has collaborated with several prestigious educational institutions in various countries. Dr N Danaraj is currently responsible for the Group's brand marketing strategy in the US, China, India and other emerging markets.

Dato' Tan Guan Cheong
Independent
Non-Executive Director,
Malaysian

Dato' Tan Guan Cheong, aged 68, was appointed as an Independent Non-Executive Director on December 31, 2011. He holds a Bachelor of Commerce degree from Otago University, New Zealand, majoring in economics, marketing management and accountancy. He is a Chartered Accountant and a member of the Malaysian Institute of Accountants since 1983. He has worked in international audit firm Coopers & Lybrand (now known as PricewaterhouseCoopers) in New Zealand and Malaysia. Dato' Tan has wide working experience in the financial services industry and has served in various senior capacities. He joined Orix Leasing Malaysia Bhd, an international diversified financial services institution in 1976 as a financial and accounting controller. Dato' Tan rose to become the Managing Director in 1988 and held this position until his retirement. Dato' Tan is a member of the Audit Committee and the Remuneration Committee. He is also a Director of Box-Pak (Malaysia) Berhad and YTL Cement Berhad.

PROFILE OF DIRECTORS

Chuah Phaik Sim
Independent
Non-Executive Director,
Malaysian

Chuah Phaik Sim, aged 43, was appointed as Independent Non-Executive Director on May 7, 2007. Chuah is a member of the Malaysian Institute of Certified Public Accountants and a Chartered Accountant with the Malaysian Institute of Accountants. She started her career in January 1989 with KPMG Desa Megat & Co (now known as KPMG) as an articled student and rose through the ranks to become a qualified Audit Senior in 1993. Her experience in KPMG includes external audits, restructuring, as well as initial public offering and valuation exercises. She left KPMG in 1994 to become a Finance Manager of a public listed company and was responsible for the overall financial and administrative management of the company and the consolidation of the group's accounts. In 1995, she joined Kumpulan Jetson Berhad as the Internal Auditor, reporting functionally to the Audit Committee. She was responsible for the setting up and overall management of the Internal Audit Department. In 2000, she left Kumpulan Jetson Berhad and was appointed Director of several private limited companies. She has since remained active in providing corporate advisory and consultancy services for restructuring, mergers and acquisitions, and valuation exercises.

Liew Ben Poh
Non-Independent
Non-Executive Director,
Malaysian

Liew Ben Poh, aged 63, was appointed as Executive Director on May 7, 2007, and re-designated as a Non-Executive Director on July 14, 2010, after he retired from the position of Sales and Marketing Director. On July 7, 2011, he was appointed as member of the Nomination and the Remuneration Committees. During his 16 years of service, he has helped Hartalega Holdings Berhad in establishing a strong international client base. In addition, he is one of the key personnel involved in the research and development aspects of Hartalega Holdings Berhad. He is very active in the latex glove industry and was President of the Malaysian Rubber Glove Manufacturers' Association (MARGMA) for two terms. He was the first Chairman of the ASEAN Rubber Gloves Manufacturers' Association and was re-elected to serve as Chairman for 2008-2009. He is also a Board Member of the Malaysian Rubber Export and Promotion Council (MREPC) under the Ministry of Primary Products and Commodities. Owing to his vast knowledge of the latex glove industry, he is regularly invited to speak at international conferences in Malaysia as well as overseas.

PROFILE OF DIRECTORS

Kuan Mun Leong
Non-Independent
Executive Director,
Malaysian

Kuan Mun Leong, aged 36, joined the company's Engineering Department in 2001. He was appointed as an Executive Director of the Group in 2007 and is also the Deputy Managing Director, assisting the Managing Director in the business operations of Hartalega. He graduated from Monash University, Australia, with a Bachelor's Degree in Mechanical Engineering in 1999 and later obtained a Masters in Business Administration (MBA) from the University of Strathclyde, Scotland in 2007. He began his career in the industrial boiler sector and subsequently brought in-depth knowledge of green energy technology into Hartalega. He then spearheaded the implementation of the sector's first empty oil palm fruit bunch biomass energy plant in 2004 and was instrumental in leading the plant to a successful registration with the United Nations Framework Convention on Climate Change (Kyoto Protocol) in 2007, enabling Hartalega to sell emission reduction credits. Throughout his career in Hartalega, he has led capacity expansion projects that have not only increased production capacity by seven fold but also accomplished several sectors' unprecedented engineering breakthroughs in production technology. Today, Hartalega is touted as the sector's most efficient rubber glove manufacturer.

Kuan Mun Keng
Non-Independent
Executive Director,
Malaysian

Kuan Mun Keng, aged 37, was appointed as Executive Director on July 4, 2008. Presently, he is the Sales and Marketing Director of Hartalega Holdings Berhad and is also responsible for the Group's Corporate Finance. He graduated with a Bachelor's Degree in Business (Accounting) and a Bachelor's Degree in Computing from Monash University, Australia, in 1997. He is also a Certified Practising Accountant with CPA Australia. Upon graduation, he joined Kassim Chan Business Services as an Analyst in the Information Technology Consultation Division in 1997. In 1998, he left to join Hartalega as a Production Executive. He then worked in the Accounts and Management Information Services Departments implementing various beneficial changes before he was promoted to Deputy Operations Manager in 2003. His long experience in operations is a complement to the Sales and Marketing team as he is able to align functions in the company with the needs and wants of customers.

PROFILE OF DIRECTORS

Notes

- **Family Relationship with Director and/or Major Shareholder**
  Kuan Kam Hon is the father of Kuan Mun Keng and Kuan Mun Leong. Save as disclosed herein, none of the Directors have any family relationships with any director and/or major shareholder of the Company.

- **Conflict of Interest**
  None of the Directors have any conflicts of interest with the Company.

- **Conviction of Offences**
  None of the Directors have been convicted of any offences in the past ten (10) years.

EXECUTIVE CHAIRMAN'S STATEMENT

Kuan Kam Hon @ Kwan Kam Onn
Executive Chairman and Managing Director

Dear Shareholder,

As the world's largest producer of premium quality nitrile gloves, your Group is pleased to inform that we have again performed well this year. By building on our strong operational capabilities and technological expertise, we have successfully defended our position as a leader in the sector.

The year under review saw an escalation in the ongoing shift to nitrile gloves as more of our peers recognised the high growth potential for nitrile gloves given that customers in the sector are driving this switching momentum. Nevertheless, your Group remained resilient and maintained our competitive advantage as the first mover in the nitrile glove segment.

Through our unparalleled research and development efforts coupled with our unrelenting drive to progressively improve manufacturing efficiency and expand production capacity, we are confident that we will be able to advance by leaps and bounds.

On this note, I am pleased to present to you our annual report for the year ended 31 March 2012.

EXECUTIVE CHAIRMAN'S STATEMENT

ECONOMIC LANDSCAPE

The glove industry was impacted by challenging economic conditions during the financial year, including a fluctuating US dollar, rising raw material prices and increased fuel costs. The nitrile segment experienced declining margins due to price discounting by competitors to gain market share as well as higher raw material costs.

Despite this demanding landscape, the global glove industry saw positive growth largely due to robust demand, significantly buoyed by the nitrile segment which, in terms of value, saw a 40.1% surge in demand in 2011 compared with a contraction of about 3.5% for natural rubber.

Global demand for Malaysian-produced rubber gloves continued to flourish during the year under review. In line with the Government's commitment towards achieving a high-income nation with the Economic Transformation Programme (ETP) as a roadmap to propel the country forward, Malaysia's glove manufacturers maintained their position as the world's leading producer of medical-grade rubber gloves with over 60% global market share. In 2011, Malaysian exports of synthetic rubber gloves in terms of quantity increased by 29% and of the 14.8 billion pairs of synthetic rubber gloves exported during the year, 14.6 billion pairs were nitrile gloves, indicating a clear upward trend for nitrile. Meanwhile, Malaysian exports of natural rubber gloves fell for the second consecutive year with a 19.6% drop in 2011.

Although market observers have speculated that the switching trend may lead to an oversupply, we are confident that global demand will outpace the industry's current capacity as the switching momentum heightens. To substantiate this fact, Malaysian exports of synthetic gloves climbed significantly in key markets in 2011, rising by 10.6% in the United States and 81.2% in Europe.

Market trends indicate that this growth in demand is expected to continue at an exponential rate over the coming years, particularly in Europe and hitherto untapped markets such as China and India. In order to meet this demand, glove manufacturers must be able to sharpen their capabilities to improve production capacities in the nitrile category while managing costs. This certainly augurs well for Hartalega as we are a leader and an innovator in the segment today.

EXECUTIVE CHAIRMAN'S STATEMENT

FINANCIAL PERFORMANCE

Your Group has outpaced the expectations of the market by delivering our fifth consecutive year of growth in revenue as well as profitability. For our financial year ended 31 March 2012, we recorded a revenue of RM931.1 million, representing a significant 27% jump from RM734.9 million in the previous fiscal year. Profit before tax rose to RM258.4 million from RM242.8 million in financial year 2011, while profit after tax also increased to RM201.4 million compared with RM190.3 million for the last financial year.

Our commitment to strengthening our balance sheet and sustaining profitability is clearly reflected in our earnings before interest, taxation, depreciation and amortisation (EBITDA), which was RM289.2 million for the year under review, compared with RM270.2 million in the previous financial year.

Net cash for your Group remained high at RM163 million compared with RM117 million last year. These financial indicators are born out of the fact that we have achieved consistent growth as reflected by our compounded annual sales growth rate (CAGR) of 34.8% over a period of four years.

Earnings per share ended at 27.65 sen compared with 26.18 sen in the last financial year.* Net assets per share attributable to the owners of the Company was 85 sen compared with the previous year's 68 sen.**

I am pleased to inform that although our profit margins narrowed slightly compared with the previous financial year, your Group maintains the highest margins in the sector globally. This contraction was not unexpected as we are fully cognisant of market trends, particularly future trends that may impact our sector. Although margins contracted, it is because of this foresight that we still achieved an absolute increase in our bottom line on a year-on-year basis.

Our resolute focus towards improving efficiencies and reducing costs whilst ensuring quality will enable Hartalega to uphold our pole position in the nitrile category and stay well ahead of our peers.

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* *Earnings Per Share figures restated following one-for-one bonus issue*

** *Net assets per share figures restated following one-for-one bonus issue*

EXECUTIVE CHAIRMAN'S STATEMENT

DIVIDENDS

Delivering consistent positive growth for the Group has always been a fundamental aim of Hartalega in order to generate value for our shareholders. This is all the more important given the fact that since our listing, we have a loyal group of shareholders who have remained with us and have enjoyed strong dividend yields coupled with significant capital appreciation in their investments.

To reflect our commitment to our shareholders, we have implemented a dividend policy to pay out a minimum of 45% of the Group's annual net profit as dividends, effective the financial year ended 31 March 2012.

For the financial year under review, total dividend paid nett of tax to date was 18 sen compared with 15 sen during the corresponding period in the last financial year.

OPERATIONS REVIEW

Research and Development

As the most efficient nitrile glove manufacturer in the world, your Group's constant drive towards technological innovation is what sets us apart in the industry. Our strong focus on research and development has resulted in superior quality nitrile gloves and higher productivity via our advanced automated production facilities and proprietary technology.

Over the years we have continued to develop and refine our level of automation for greater productivity. Apart from our high capacity production lines which were developed in-house, we have also pioneered a glove removal system which is a state-of-the-art automated stripping system. Moreover, we have created the industry's first glove stacking device as well as a fully automatic dipping simulator utilising robotic technology.

Through our research and development efforts, we have raised the bar with our various inventions and have far surpassed the industry due to our engineering capabilities in our manufacturing processes. Hartalega is the only glove manufacturer in the world with the ability to operate production lines that boast the highest capacity, far exceeding the industry average. In fact, during the year under review we successfully commissioned high-capacity production lines that operate at a speed of 40,000 pieces of gloves per hour, setting a new global benchmark for the industry.

EXECUTIVE CHAIRMAN'S STATEMENT

We also undertook productivity enhancements as a result of our technological prowess. Through process optimisation, we have intensified our efforts towards increasing the efficiency of our production lines. Meanwhile, our ongoing focus on automating our packaging and end processes has led to improved productivity and reduced costs.

These initiatives have brought about a successful 6% increase in output at our plants. Collectively, such engineering feats have helped us increase our total installed capacity to 10 billion pieces of gloves per annum.

We have always been single-minded that the strength of our success lies in our ability to innovate. Towards this end, we have commenced collaborations with local universities and leading scientific research facilities to further develop proprietary in-house technology for the long-term strategic growth of the Group.

Environmental Performance

As a responsible corporate citizen, Hartalega appreciates that sustainable development is critical to our nation's future. Hence, your Group is dedicated to maintaining the highest environmental standards.

We have consistently undertaken the necessary measures to adhere to the strict regulations and requirements of Jabatan Alam Sekitar (JAS), even going above and beyond regulatory guidelines to ensure sustainable practices are implemented in our operations and manufacturing processes.

In line with the Environmental Quality Act 1974, we are conscious of our responsibility to protect our ecosystem. In an effort to preserve our water supply and air quality, we have measures in place to ensure that our effluent water discharge and air emission levels are not only in compliance but more importantly exceed the standards established by JAS. To reinforce this fact, our Chemical Oxygen Demand and Biological Oxygen Demand levels are also well below the limits set by JAS, as well as our scrubber emission levels.

In addition to these efforts, we are committed to the efficient management of our waste water and biomass plants via a state-of-the-art computerised control system. The system is designed to monitor all factors that may affect environmental standards and issue an alert should there be any anomalies in our waste water discharge.

EXECUTIVE CHAIRMAN'S STATEMENT

Marketing

Our strong track record coupled with our commitment to staying true to our reputation as the highest quality and lowest cost producer of nitrile gloves has enabled us to significantly boost our sales during the year under review.

We continue to lead in the nitrile segment in our primary markets, namely the United States and Europe which represent approximately 52% and 30% of our total exports respectively. The Group's sales of nitrile gloves to Europe in particular saw a substantial rise, increasing to 2.4 billion pieces of gloves compared with 907 million pieces in the previous financial year.

We are also building up our presence in emerging markets such as China and India where demand is set to grow, given that at present the per capita glove consumption is relatively low in these countries despite high population figures.

During the year under review we achieved significant wins, bringing in 13 new customers. We continued to receive numerous enquiries from across the globe and demand from existing customers continues to grow. This significant progress, building on our organic growth in terms of sales and marketing while capturing greenfield sales opportunities, mirrors our fundamental unique selling proposition, namely the fact that we manufacture a high quality premium glove at a highly competitive price.

Human Capital

Our key success factor is our strong talent pool. We have cultivated a highly skilled workforce capable of managing our operations and delivering growth for the long term. This fact complements our technological capabilities, given that our sales generated per employee stands at approximately RM310,000 while our profit per employee has increased to more than RM70,000. These results are testament to the fact that we have been able to synthesise our technological abilities while raising the standard of our talent pool in terms of skill-set.

By adopting world-class best practices coupled with a competitive remuneration package, Hartalega has become the preferred company for talent, not only in the glove manufacturing sector but in the manufacturing sector at large. Our Human Resource Transformation Programme is on track, ensuring that we recruit, foster and retain performance-centric individuals.

EXECUTIVE CHAIRMAN'S STATEMENT

To demonstrate our strategy to broaden opportunities for our talent pool, during the financial year our top performers had the opportunity to travel to Germany and participate in Europe's largest medical exhibition. There, they were able to gain valuable insights into the global medical industry which would have a positive impact on our future growth prospects.

We are cognisant that the performance of our employees is integral to the Group's ongoing development. By instituting the Performance Management System, we are now able to better cultivate a performance-driven culture. Thus far, the programme has resulted in significant improvements in accountability and has inculcated a stronger sense of ownership in our employees.

Training, which is the cornerstone to strengthening our talent pool, was a high priority during the year under review. We implemented several training programmes to encourage professional development and foster leadership skills amongst our employees. This included the Supervisor Development Programme, which is an accelerated structured programme designed to groom high-performing individuals into supervisors.

Your Group is a firm believer in building talent at all levels. Towards this end, we introduced the Group Leader Apprentice Programme, which invites talented students that have successfully completed their Sijil Pelajaran Malaysia examinations to join Hartalega as part of a structured development programme. The participants are equipped with the necessary skills and knowledge and upon successful completion, they could be offered permanent employment. By mentoring the youth of Malaysia, we are committed to building a skilled workforce that will be able to contribute to the growth of the nation.

EXECUTIVE CHAIRMAN'S STATEMENT

OUTLOOK

On the backdrop of a booming nitrile segment, your Group is well-positioned to take advantage of this growth trend, leveraging on our sterling track record and robust prospects to lead the way forward.

Margins may contract further in the short term due to increased participation from other glove manufacturers. However, given our pole position we are more than confident that we will be able to overcome these challenges while maintaining our superior margins over our peers. Hartalega's yields and returns are already the highest in the sector as we supply 17% of the world's demand for 45 billion pieces of nitrile gloves per year.

Your Group is cognisant that there is much more room to grow, particularly given the resilient demand from both developed and emerging markets. Furthermore, we anticipate that the declining trend in nitrile prices will spur demand to greater heights and require that glove manufacturers develop the necessary production capacities to meet this rapidly rising growth.

To this end, we have implemented a long-term sustainable growth strategy in order to cement our position. This will be supported by the construction of Plant 6, which is well underway. The first production line is expected to commence operations by August 2012. With nine more lines to be commissioned by mid-2013, the completion of Plant 6 will increase our total production capacity by over 30% with an additional 3.7 billion pieces per annum.

Coupled with the construction of our Next Generation Integrated Glove Manufacturing Complex (NGC), shareholders are assured of our continued growth for the foreseeable future via a significant jump in capacity over the next eight years.

The NGC project is set to begin in 2013 and is targeted for completion by 2021. Rolled out in two four-year phases, the first phase will run from 2013 to 2017 and we aim to commission 40 production lines with a total annual installed capacity of 14 billion pieces per annum. Meanwhile, the second phase from 2017 to 2021 will see 30 new production lines come on-stream with a total annual installed capacity of 10.4 billion pieces per annum.

Once completed, the NGC project will result in Hartalega increasing its total production capacity to 38 billion pieces per annum. Along with boosting your Group's capacity, the NGC project will also enhance productivity and efficiencies as well as reduce costs through greater automation and technological innovation.

Clearly, these salient points have met with the approval of the Government, which has resulted in the NGC being accorded Entry Point Project status under the ETP due to the high impact on Gross National Income (GNI). Upon completion of the NGC project, the Hartalega Group is expected to contribute more than RM1.2 billion to the nation's GNI.

Moreover, the NGC will contribute significantly to the Government's objective of cultivating a talented and high-income workforce. We intend to develop facilities to train a large pool of skilled employees as we deploy them to manage our cutting-edge technology and modernised manufacturing facilities. These efforts will certainly push Malaysia's glove manufacturing sector to a much higher level.

At the same time, the increased automation at the NGC will allow us to reduce our dependence on manual labour which in turn will result in further cost reductions. We expect the ratio of skilled workers to increase from 35% to 51% due to the utilisation of more advanced technologies. Simultaneously, output per employee should grow to 69% higher than our existing operations.

Ultimately, we are confident that we will be able to generate stronger earnings on the back of substantially increased capacity and volume. While Plant 6 will sustain our capacity growth for 2013, the NGC will subsequently drive this further and accelerate our market share, propelling your Group forward for the many financial years ahead.

ACKNOWLEDGEMENT

Hartalega's achievements and continued development are the result of a collective effort. On this note and on behalf of the Group, I would like to express my sincere gratitude to the Board, the management team and our employees for their tireless efforts and dedication to ensuring Hartalega's success and positive growth.

Our utmost appreciation also goes to our shareholders, financiers, business partners, consultants and relevant approving authorities for their loyalty and support.

It would be remiss of me if I did not personally thank Encik Abdul Hamid bin Sh Mohamed, who has decided to leave our Board. He has been with us since our IPO and we are grateful for his valuable contributions to our Group.

At the same time, it gives me great pleasure to welcome to our Board Dr N Danaraj and Dato' Tan Guan Cheong. These two gentlemen bring with them a vast array of experience and foresight which I am certain will strengthen the Board as we grow the Group further.

Kuan Kam Hon
Executive Chairman

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Hartalega Group is conscious of our responsibility to improve the environment as well as the health and safety of our workforce, coupled with our commitment to the larger community. Among all the commercial entities in the area in which we operate, your Group has maintained a leadership role in providing support and contributing positively to the community.

SAFETY, HEALTH AND ENVIRONMENT (SHE)

Ensuring the safety and wellbeing of our employees is paramount to our objective of being the preferred employer in the manufacturing sector. Towards this end, numerous initiatives have been put in place, including improvements in our Occupational Safety and Health procedures. Areas that we continue to review and strengthen would be:

- Health checks for employees (including hearing tests)
- Emergency response team training
- Chemical and equipment safety training
- Periodic checks on air, noise and water quality
- Fire drills

The Group is committed to preserving the environment and as part of our efforts, we have gone to great lengths and made substantial investments to maintain the technology developed in Europe which drives our clean energy practices. To date, we have invested well over RM15 million in this initiative, ensuring that we have a negligible impact on the environment.

To reinforce our sustainability initiatives, we continue to successfully surpass the guidelines set by JAS and other regulators. Our effluent water treatment plants far exceed the standards set by the regulators, which require an investment in excess of RM16 million. These steps by the Hartalega Group are a reflection of our philosophy to ensure that the legacy we leave behind is not merely one of profit, but also social responsibility.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

COMMUNITY PROGRAMME

At the heart of every thriving community are its people and we are determined to reach out to deserving members of the community. By providing support and financial assistance, we have strived to make positive contributions to all segments of the population including women and children in need of shelter, the elderly, the underprivileged, victims of natural disasters as well as our neighbours in the vicinity of our plants.

As one of the major contributors to the local economy, we embrace the opportunity to play our part in the development of our nation's young minds. To this end, in order to nurture academic development within our community, we have provided financial aid to a number of educational institutions.

This includes contributions to *Persatuan Keluarga Polis* to enable the upkeep of their family and education programmes, tuition fee subsidies for the students of high impact classes, cash rewards to incentivise high-achieving PMR and UPSR students as well as support to numerous parent-teacher associations. Keeping in mind that all work and no play makes for a dull childhood, we did not neglect to contribute to recreational programs such as a Youth Carnival Programme and various sporting events.

We are dedicated to seeing the community which we have set our roots in grow alongside us and evolve as we have. In support of this, your Group hosted a *Kami Prihatin* carnival for the Bestari Jaya community via our Safety Awareness Programme. With the aim of cultivating a safer and healthier community, the carnival featured numerous practical safety demonstrations along with free health screenings and a blood donation drive. The Group also sponsored funds to Polis Diraja Malaysia for the My Distress Emergency Response Programme and distributed monetary rewards, donations and hampers to the community.

We will continue to channel our energies to support the community, more so as they in return contribute to the smooth running of our operations with their encouragement and positive attitude.

CALENDAR OF EVENTS

Hartalega Family Day Carnival
01 May 2012

Pesta Merdeka at Taman Sinaran, sponsored by HSB
31 Aug 2011

JobStreet Career Fair, Kuala Lumpur
30 Mar - 01 Apr 2012

CALENDAR OF EVENTS





Pesta Ponggal Taman Kilauan Bestari Jaya
21 Aug 2011





Kami Prihatin Mini Carnival
22 Jan 2012





Visit by Permanent Secretary, Ministry of Industrial Development Sarawak
6 Jun 2012

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is committed to safeguarding the interests of its stakeholders and recognises the importance of corporate governance in achieving this objective. The Board knows that transparent disclosure of its organisational and management structure as well as other aspects of its corporate governance helps stakeholders to assess the quality of the Group and its management and assists investors in their investment decisions.

The Board is committed to ensuring that the Group's corporate governance is in line with the principles and best practices set out in Part 1 of The Malaysian Code on Corporate Governance ("the Code"). The Board further acknowledges the recommended best practices and the adopted alternative practices set out in Part 2 of the Code and continues to evaluate the status of the practices and the adopted alternatives.

A. Board of Directors

Composition of the Board

The Board comprises members who have vast experience in the glove industry as well as professionals in the finance and consulting sectors. The Board brings in a wide spectrum of diverse skills and expertise to the Group which allows it to meet its objectives in the competitive glove manufacturing landscape.

The Board currently has eight (8) members comprising four (4) Non-Independent Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. This fulfils the one third (1/3) independence requirement.

The Board continues to be mindful of the combined role of the Chairman and Managing Director positions currently held by Kuan Kam Hon. This combined role is maintained as the valuable knowledge in the business operation contributed by Kuan Kam Hon is essential to the effective management of the Group and is in its best interest.

Any concerns can be conveyed to any of the Directors as they exercise their responsibilities collectively.

Board Committee

The Board is assisted by several board committees which operate within clearly defined terms of reference.

- **Audit Committee**
  The Audit Committee assists the Board in meeting its responsibilities regarding financial reporting and review and evaluates the internal and external audit functions.
- **Remuneration Committee**
  The Remuneration Committee recommends to the Board the remuneration of the Executive and Non-Executive Directors. The Committee also assists the Board in assessing the responsibility and commitment undertaken by our Board Members.

CORPORATE GOVERNANCE STATEMENT

- **Nomination Committee**
  The Nomination Committee reviews the composition of the Board and nominates candidates to the Board when the need arises. It also assesses the skills and performance of the Directors and ensures that the Board appointees undergo appropriate training.

Board Meetings and Supply of Information

During the financial year under review, six (6) Board meetings were held. Details of attendance of each individual Director in respect of the meetings held are disclosed below:

Name of Directors	Meetings Attended
Kuan Kam Hon @ Kwan Kam Onn	6/6
Dr Danaraj A/L Nadarajah	4/5
Chuah Phaik Sim	5/6
Dato’ Mohamed Zakri bin Abdul Rashid	6/6
Kuan Mun Keng	6/6
Kuan Mun Leong	5/6
Liew Ben Poh	5/6
Dato’ Tan Guan Cheong *(Appointed on 31 December 2011)*	1/1
Abdul Hamid bin SH Mohamed *(Resigned on 31 December 2011)*	4/5

Board meetings were held to discuss matters that require members’ input and decision. Board meetings are structured with pre-set agendas circulated in advance to ensure sufficient time is given to understand the key issues and contents. The Company Secretary is responsible for ensuring the Board meeting procedures are followed and applicable rules and regulations are complied with.

Appointment and Re-election of Directors

In accordance with the Company’s Articles of Association, one third (1/3) of all the Directors shall retire by rotation at each AGM provided always that all Directors, including the Managing Director, shall retire from office at least once in three (3) years. The Directors retiring from office shall be eligible for re-election by the shareholders.

Directors’ Training

All Directors are encouraged to participate in relevant training programmes for continuous professional development and to further enhance their skills and knowledge. The Directors are mindful that they shall receive appropriate training which may be required from time to time to keep them abreast with the current developments in the industry as well as new statutory and regulatory developments.

CORPORATE GOVERNANCE STATEMENT

During the financial year, the Directors have attended the following conferences and training programmes:

Training Attended	Date
HR Transformation - Train The Trainer	01 April 2011
Lateral Thinking	04 July 2011
Bridging A Gap in Developing CSR Capability	06 July 2011
Private Equity Valuation Methodologies	07 July 2011
2011 11A International Conference by The Institute of Internal Auditors	10-13 July 2011
In-House Directors' Training by Tricor Corporate Services Sdn Bhd on: • Corporate Governance Blueprint 2011 • Key Amendments to Listing Requirements 2011 • Corporate Disclosure Guide	14 November 2011
MFRS 1 – First-Time Adoption of Malaysian Financial Reporting Standards by BDO Malaysia	29 February 2012
Corporate Director Training Programme	01 March 2012
EUMCCI Quarterly Financial Panel Discussion 2012	08 March 2012
The Power of Emotional Intelligence At Work	29-30 March 2012

All Directors of the Company attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Malaysia Securities Berhad for directors of public listed companies.

B. Directors' Remuneration

In the case of Executive Directors the remuneration package is structured to reward corporate and individual performance, while for Non-Executive Directors the remuneration reflects the experience and level of responsibilities undertaken.

CORPORATE GOVERNANCE STATEMENT

The aggregate Directors' remuneration paid or payable or otherwise made available to all Directors of the Company during the financial year was as follows:

Category	Fees (RM)	Salaries & Other Emoluments (RM)	Benefit in Kind (RM)
Executive Director	183,000	2,834,092	50,200
Non-Executive Director	168,000	42,723	0

Directors' remuneration is broadly categorised into the following bands:

Range of Remuneration (RM)	Number of Executive Directors	Number of Non-Executive Directors
Below 50,000	0	2
50,001 – 100,000	0	2
250,001 – 300,000	1	0
350,001 – 400,000	1	0
500,001 – 550,000	1	0
1,850,001 – 1,900,000	1	0

C. Relationship with Shareholders and Investors

The Group recognises the importance of communication with its shareholders and utilises many channels to disseminate information and to interact with them. The Group has a website in which shareholders and the public can access up-to-date information about the business and the Group. The Group's website can be accessed via www.hartalega.com.my.

In addition, the Group makes various announcements on business developments using traditional mass media throughout the year. The Group also releases financial results on a quarterly basis according to Bursa Malaysia's requirements.

The Group also aims to have full interaction with fund managers, institutional investors and analysts. The Group has established a Corporate Affairs department designated for investor relations. During the year, the Group has arranged for Executive Directors and Senior Management to communicate and meet with investors and analysts to brief them on the ongoing business landscape.

Information is disseminated in strict adherence to disclosure requirements of Bursa Malaysia Securities Berhad.

CORPORATE GOVERNANCE STATEMENT

D. Accountability and Audit

Financial Reporting

The Board aims to present a balanced assessment of the Company and the Group's financial performance and prospects through its Annual Report, quarterly announcements and press releases.

The Statement of Directors' Responsibility in relation to the preparation of the annual financial statements is set out in pg. 43 of this report.

Internal Control

The Board is committed to maintaining a sound system of internal control within the Group. The Board acknowledges that a good system of internal control covering all aspects of the business including compliance and risk management is required to safeguard shareholders' investment and the Group's assets.

Information on the Group's internal control is set out in Statement of Internal Control located within pg. 41 of this report.

Relationship with External Auditor

The Board has a formal and transparent relationship with its auditor Moore Stephens AC. The external auditor through its statutory audit function continues to review, evaluate and refine the Group's accounting policies and procedures including internal control measures.

This statement is made in accordance with the resolution of the Board of Directors dated 10 July 2012.

AUDIT COMMITTEE REPORT

A. Composition and Attendance

The Audit Committee comprises the following members and details of attendance of each member at committee meetings held during the year ended 31 March 2012 are as follows:

Composition of the Committee	Attendance
Chuah Phaik Sim (Chairperson/Independent Non-Executive Director)	5/6
Dato' Mohamed Zakri bin Abdul Rashid (Independent Non-Executive Director)	6/6
Abdul Hamid bin Sh Mohamed (Independent Non-Executive Director) *(Resigned on 31 December 2011)*	4/5
Dato' Tan Guan Cheong (Independent Non-Executive Director) *(Appointed on 31 December 2011)*	1/1

B. Composition Compliance

The Audit Committee consists of three (3) members of which all are Independent Non-Executive Directors. None of them are alternate Directors. Chuah Phaik Sim who is a member of MIA, chairs the Audit Committee.

C. Terms of Reference

Authority

The Committee shall, in accordance with procedures determined by the Board and at the expense of the Company:

- Investigate any activity within its terms of reference, with the co-operation of all employees as directed by the Board and the Committee;
- Have full and unrestricted access to all information, documents and resources required to perform its duties as well as to the internal and external auditors and Senior Management of the Company and Group;
- Obtain independent professional advice or other advice and secure the attendance of external parties with relevant experience and expertise if necessary;
- Convene meetings with the internal or external auditors, without the attendance of the Executive Directors, whenever deemed necessary; and
- Make relevant reports when necessary to the relevant authorities when a breach of the Listing Requirements has occurred.

AUDIT COMMITTEE REPORT

Responsibilities and Duties

The Audit Committee shall be the focal point for communication between external auditors, internal auditors, Directors and the Management on matters in connection with financial accounting, reporting and controls. It shall also ensure that accounting policies and practices are adhered to by the Company and its subsidiaries.

The duties of the Audit Committee shall include the following:

i) To review the quality of the external auditors and to make recommendations on their appointment, termination and remuneration;
ii) To review the audit plan and audit reports, including the evaluation of the internal control system with the external auditors;
iii) To review the independence and objectivity of the external auditors and their services, including non-audit services;
iv) To review the liaison between the external auditors, Management and the Board, and the assistance given by Management to the external auditors;
v) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss;
vi) To review the external auditors' audit report, management letter and Management's response;
vii) To review the assistance given by the employees of the Company and its subsidiaries to the external auditor;
viii) To consider the appointment of the internal auditor, the audit fees and any questions of their resignation or dismissal;
ix) To review the internal audit functions namely:
    - The adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
    - The internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal auditor; and
    - The performance of the internal auditor, whose role includes the examination and evaluation of the Group's operations and their compliance with the relevant policies, codes and legislations;
x) To review the quarterly reporting to Bursa Malaysia Securities Berhad and year-end annual financial statements before submission to the Board, focusing on major accounting policy changes, significant audit issues in relation to the estimates and judgement areas, significant and unusual events, and compliance with accounting standards and other legal requirements;
xi) To monitor any related party transactions and recurring related party transactions that may arise within the Group and to report, if any, transactions that may arise within the Group and any related party outside the Group that are not based on arms-length terms and are disadvantageous to the Group;

AUDIT COMMITTEE REPORT

xii) To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or cause of conduct that may raise questions of management integrity;
xiii) To consider the major findings of internal investigations and Management's response;
xiv) To verify the allocation of the Executive Share Option Scheme ("ESOS") in compliance with criteria as stipulated in the by-laws of the ESOS of the Company;
xv) To review and monitor the effectiveness of the Group's system of internal control; and
xvi) To consider other matters as defined by the Board.

Meetings

The Committee will meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. The external auditors may request a meeting if they consider that one is necessary.

The quorum for each meeting shall be two (2) members and the majority of members present must be Independent Non-Executive Directors.

The authorised Officers and a representative of the external auditors may attend meetings at the invitation of the Committee. Other Board members shall also have the right of attendance upon the invitation of the Committee. If necessary, the Committee shall meet with the external auditors without executive Board members present.

The Secretary to the Committee shall be the Company Secretary or any other person appointed by the Committee.

The Secretary shall be responsible, in conjunction with the Chairman, for drawing up the Agenda and circulating it to the Committee members prior to each meeting. The Secretary will also be responsible for keeping the minutes of the meeting of the Committee, and circulating to the Committee members and to other members of the Board.

A Resolution in writing signed or approved by letter by all the members of the Audit Committee who are sufficient to form a quorum shall be valid and effectual as if it had been passed at a meeting of the Audit Committee duly called and constituted. All such resolution shall be described as "Audit Committee Circular Resolution" and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company's minute book. Any such resolution may consist of several documents in like form, each signed by one (1) or more members.

AUDIT COMMITTEE REPORT

D. Summary of Activities

The following activities were carried out by the Audit Committee during the year under review:

i) Reviewed the quarterly financial statements and Annual Report of the Group prior to presentation to the Board for approval;
ii) Reviewed the audit fees and remuneration payable to external and internal auditors;
iii) Reviewed with internal auditors their audit plan prior to commencement of audit;
iv) Reviewed the audit plan and audit reports, including the evaluation of the internal control system with the external auditors;
v) Reviewed the internal audit reports and ensured that appropriate actions were taken on the recommendations of the internal auditor.

The Committee discharged its duties and responsibilities in accordance with its Terms of Reference.

E. Internal Audit Function

The Group outsourced its internal audit function to an external consultant. The cost incurred for the internal audit function in respect of the financial year ended 31 March 2012 was RM112,000 (2011: RM55,000).

The role of the internal audit function is to assist the Audit Committee and the Board of Directors in monitoring and managing risks and internal controls of the Group. A systematic and disciplined approach is used to evaluate and improve the effectiveness of risk management, operational and internal controls, and compliance with laws and regulations.

The internal annual audit planning memorandum established is reviewed and approved by the Audit Committee before commencement of the financial year.

Internal audits are carried out in accordance with the internal annual planning memorandum and reports are issued to the Audit Committee for tabling at the Audit Committee meetings. The Audit Committee deliberates on the findings and recommendations as reported by the Internal Auditors and monitors to ensure appropriate follow-up actions are taken on the recommendations of the internal auditor.

STATEMENT ON INTERNAL CONTROL

The Board of Directors is committed to maintaining a sound system of internal control within the Group. The Board acknowledges that a good system of internal control covering all aspects of the business including compliance and risk management is required to safeguard shareholders' investment and the Group's assets. The Board also further acknowledges that it is their responsibility to review the internal control system for its adequacy and integrity to achieve the said objectives. The following outlines the nature and scope of internal control of the Group.

The system on internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve the Group's business objectives. It can therefore only provide reasonable and not absolute assurance against material misstatement or financial losses or fraud. In achieving the Group's business objectives, the Board assumes its responsibilities in designing the system of internal control based on the principles of identifying and prioritising risk, evaluating the likelihood of those risks being realised and the impact should they be realised, and then, managing them effectively, efficiently and economically.

In line with the increasing focus of shareholders on Corporate Governance the Company embarked on risk management initiatives and the Company appointed an independent external consultant to assist in establishing and formalising its Enterprise Risk Management Framework (ERM). Arising from the review, an ERM policy, framework and the Group risk profile was established and presented to the Board on 08 May 2012.

Under the ERM framework, a Risk Management Working Group (RMWG) is established. The key responsibilities of the RMWG are to provide regular reporting and update to the Board on key risk management issues. The RMWG is also responsible to champion and promote the ERM and to ensure that the risk management process and culture are embedded throughout the Group.

The RMWG is headed by the Deputy Managing Director. The RMWG meets regularly where the Head of Departments have the overall responsibility to report the key risks to the attention of the RMWG. The Deputy Managing Director is responsible to report to the Board on regular basis on major risk areas.

The key elements of the Group's internal control system are described below:

- Company policies and procedures that adhere to ISO 9001:2008 and ISO 13485:2003 quality management systems are in place for its major subsidiary company, Hartalega Sdn Bhd and they are reviewed annually for their effectiveness;
- Clearly defined organisational structure with proper delegation of responsibilities and accountability. Appropriate authority limits are established for the approval process, therefore minimising the risk of unauthorised transactions;
- Requirement for the timely submission of monthly financial reports and key operational performance indicators to the management;
- Human resource function sets out policies for recruitment, training and staff appraisal to ensure that staff is competent and adequately trained in carrying out their responsibilities; and
- All new products go through defined design control, and new machines and production processes go through a verification and validation process before implementation.

STATEMENT ON INTERNAL CONTROL

Assurance Mechanism

To maintain a sound system of internal control, the Group relies on its two (2) assurance mechanisms namely the:

i) Internal Audit; and
ii) ISO Audit.

The internal audit function has been outsourced to provide independence to the activities and operations of the Group, thereby providing the Audit Committee and the Board assurance with regards to the adequacy and integrity of the system of internal control.

The internal audit reviews are executed based on the internal audit plan approved by the Audit Committee. The findings of the Internal Audit reviews together with Management's comments and action plans to address the audit findings are presented and reviewed by the Audit Committee. Follow up reviews have also been conducted to report to the Audit Committee on the status of implementation of Management action plans.

As per requirement of the ISO 9001 and ISO 13485 certifications, scheduled audits are conducted internally as well as by the certification body, TÜV SÜD. Issues arising from these audits are forwarded to the Quality Management Representative for review.

The Group applies a balanced approach to risk-taking and is committed to implementing an active approach to the mitigation of risk. There were no material internal control failures which resulted in material losses or contingencies during the financial year.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Internal Control for the inclusion in the annual report of the Group for the year ended 31 March 2012 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the Group and the Company's results and cash flows for the financial year. The Directors consider that in presenting the financial statements, the Group has used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors have a general responsibility for ensuring that the Group and the Company keep accounting records and financial statements which disclose with reasonable accuracy, the financial position of the Group and of the Company. The Directors have taken steps to ensure that such financial statements comply with the Companies Act 1965, approved accounting standards in Malaysia and other regulatory provisions.

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REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

DIRECTORS' REPORT

Hartalega Holdings Berhad
(Incorporated in Malaysia)

Directors' Report
The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2012.

Principal Activities
The Company is principally engaged in investment holding, whilst the principal activities of its subsidiaries are stated in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Profit for the year	201,432,315	266,142,538
Attributable to:		
Owners of the parent	201,380,287	266,142,538
Non-controlling interests	52,028	-
	201,432,315	266,142,538

Dividends
Dividends paid by the Company since the end of the previous financial year were:

(i) third interim single tier exempt dividend of 6 sen per share amounting to RM21,813,432 in respect of financial year ended 31 March 2011 as reported in the Directors' Report of that year, declared on 10 May 2011 and paid on 10 June 2011;

(ii) final single tier exempt dividend of 6 sen per share amounting to RM21,827,808 in respect of financial year ended 31 March 2011 as reported in the Directors' Report of that year, declared on 18 August 2011 and paid on 21 September 2011;

(iii) first interim single tier exempt dividend of 6 sen per share amounting to RM21,843,384 in respect of the current financial year, declared on 8 November 2011 and paid on 8 December 2011;

(iv) second interim single tier exempt dividend of 6 sen per share amounting to RM21,905,316 in respect of the current financial year, declared on 22 February 2012 and paid on 28 March 2012; and

(v) third interim single tier exempt dividend of 6 sen per share amounting to RM21,933,180 in respect of the current financial year, declared on 8 May 2012 and paid on 13 June 2012.

DIRECTORS' REPORT (CONT'D)

Dividends (cont'd)

The Directors recommended a final single tier exempt dividend of 3.5 sen per share amounting to RM25,588,710 based on the number of outstanding ordinary shares in issue as at the date of this report, in respect of the current financial year, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect the third interim dividend and final dividend. Such dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2013.

Reserves And Provisions

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

Bad and Doubtful Debts

Before the Statements of Comprehensive Income and Statements of Financial Position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off as bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

Current Assets

Before the Statements of Comprehensive Income and Statements of Financial Position of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Valuation Methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT (CONT'D)

Contingent and Other Liabilities

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

No contingent liability or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

Change of Circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Items of an Unusual Nature

In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which are likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Issue of Shares

During the financial year, the issued and paid-up ordinary share capital of the Company has been increased from RM181,778,600 to RM182,544,300 by way of the issuance of 1,531,400 ordinary shares of RM0.50 each pursuant to the exercise of Executive Share Option Scheme of the Company at an exercise price of between RM4.39 and RM4.98 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

DIRECTORS' REPORT (CONT'D)

Executive Share Option Scheme

No options were granted to any person to take up unissued shares of the Company or of any other company during the financial year apart from the issue of options pursuant to the Executive Share Option Scheme ("ESOS").

At an Extraordinary General Meeting held on 25 March 2010, shareholders approved the ESOS to subscribe for unissued new ordinary shares of RM0.50 each in the Company which were granted to eligible executive Directors and executives of the Company and/or its subsidiaries (excluding subsidiaries that are dormant).

The salient features and other terms of the ESOS are disclosed in Note 21 to the financial statements.

During the financial year, the Company granted a total of 955,900 share options under the ESOS.

Details of all the options granted during the financial year to subscribe for ordinary shares of the Company pursuant to the ESOS as at 31 March 2012 are as follows:

Expiry Date	Exercise Price RM	Number of Options
31.3.2015	4.93	303,600
31.3.2015	4.89	101,200
31.3.2015	4.90	551,100
		955,900

DIRECTORS' REPORT (CONT'D)

Executive Share Option Scheme (cont'd)

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the name of option holders, other than Directors, who have been granted options to subscribe for less than 56,200 ordinary shares of RM0.50 each. The names of option holders granted options to subscribe for 56,200 or more ordinary shares of RM0.50 each during the financial year are as follows:

				<-- Number of Share Options -->		
Name	Grant Date	Expiry Date	Exercise Price RM	Granted '000	Exercise '000	At 31.3.2012 '000
Muhammad Hadi bin Abdullah Sani	10.6.2011	31.3.2015	4.93	56.2	(14.0)	42.2
Farouk Alfi bin Suhaimi	10.6.2011	31.3.2015	4.93	56.2	(14.0)	42.2
Rosli bin Yaacob	10.6.2011	31.3.2015	4.93	56.2	(14.0)	42.2
Romeysyam bin Abu Samah	15.8.2011	31.3.2015	4.89	56.2	-	56.2
Wong Hoong Ton	9.11.2011	31.3.2015	4.90	146.2	-	146.2
Jainah binti Japri	9.11.2011	31.3.2015	4.90	56.2	-	56.2
Norita binti Ali Agbar	9.11.2011	31.3.2015	4.90	67.5	-	67.5
Mohd Razki bin Abas	9.11.2011	31.3.2015	4.90	56.2	-	56.2
				550.9	(42.0)	508.9

No options were granted to Directors of the Company during the financial year.

Directors of the Company

The Directors in office since the date of the last report are:

KUAN KAM HON @ KWAN KAM ONN
DATO' MOHAMED ZAKRI BIN ABDUL RASHID
CHUAH PHAIK SIM
KUAN MUN KENG
KUAN MUN LEONG
LIEW BEN POH
DR. DANARAJ A/L NADARAJAH
ABDUL HAMID BIN SH MOHAMED *(Resigned on 31 December 2011)*
DATO' TAN GUAN CHEONG *(Appointed on 31 December 2011)*

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS

The interests of the Directors in office as at the end of the financial year in the shares of the Company and of the related corporations during the financial year are as follows:

(a) Shareholdings in the holding company Hartalega Industries Sdn Bhd

	Number of Preference Shares of RM1.00 Each			
	At 1.4.2011	Bought	Sold	At 31.3.2012
Direct interests				
Kuan Kam Hon @ Kwan Kam Onn	45,933	-	-	45,933

	Number of Ordinary Shares of RM1.00 Each			
	At 1.4.2011	Bought	Sold	At 31.3.2012
Direct interests				
Kuan Kam Hon @ Kwan Kam Onn	45,959	-	-	45,959
Deemed interests				
Kuan Kam Hon @ Kwan Kam Onn (1)	49	-	-	49

(1) Shares held through a corporation in which the Director has substantial financial interests.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (cont'd)

(b) Shareholdings in the Company

	Number of Ordinary Shares of RM0.50 Each			
	At 1.4.2011/ date of appointment	Exercised/ Bought	Sold	At 31.3.2012
Direct interests				
Dato' Mohamed Zakri bin Abdul Rashid	570,500	-	(20,000)	550,500
Dato' Tan Guan Cheong	14,500	5,500	-	20,000
Dr Danaraj A/L Nadarajah	-	127,000	-	127,000
Chuah Phaik Sim	817,500	-	-	817,500
Kuan Mun Keng	687,000	-	-	687,000
Kuan Mun Leong	688,500	-	-	688,500
Liew Ben Poh	521,000	70,000	(141,000)	450,000
Deemed interests				
Dato' Mohamed Zakri bin Abdul Rashid	25,500	-	-	25,500
Kuan Kam Hon @ Kwan Kam Onn (2)	183,927,152	18,147,000	-	202,074,152
Chuah Phaik Sim (1)	2,175,000	-	-	2,175,000
Liew Ben Poh (3)	6,000	-	-	6,000

(1) Shares held through a corporation in which the Director has substantial financial interests.
(2) Shares held through the holding company, Hartalega Industries Sdn Bhd and Budi Tenggara Sdn Bhd in which the Director has substantial financial interests.
(3) Shares held through spouse/children of the Director who herself/himself is not Director of the Company.

By virtue of his substantial interests in the shares of the Company, Kuan Kam Hon @ Kwan Kam Onn is also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

(c) Employee Equity Scheme ("EES")

	Number of EES over Ordinary Shares of RM0.50 Each			
	At 1.4.2011	Granted	Exercised	At 31.3.2012
Liew Ben Poh	139,350	-	(70,000)	69,350

DIRECTORS' REPORT (CONT'D)

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any deemed benefits which may arise from transactions entered into in the ordinary course of business as disclosed in Note 26 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body other than those arising from the ordinary shares granted under the Employee Equity Scheme.

Ultimate Holding Company

The Directors regard Hartalega Industries Sdn Bhd, a private limited company incorporated in Malaysia, as the ultimate holding company of the Company.

Significant Events

Details of significant events arising during the financial year are disclosed in Note 29 to the financial statements.

Auditors

The auditors, Messrs. Moore Stephens AC, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 10 July 2012.

KUAN KAM HON @ KWAN KAM ONN

KUAN MUN LEONG

STATEMENT BY DIRECTORS

(PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965)

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 57 to 132, are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2012 and of their financial performance and cash flows for the year then ended.

The supplemental information set out on page 133 has been prepared in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 10 July 2012.

KUAN KAM HON @ KWAN KAM ONN

KUAN MUN LEONG

STATUTORY DECLARATION

(PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965)

I, Kuan Kam Hon @ Kwan Kam Onn, being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 57 to 132 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory
on 10 July 2012.

KUAN KAM HON @ KWAN KAM ONN

Before me

FAUZILAWATI BINTI ISHAK (W 561)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HARTALEGA HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

Report on the Financial Statements

We have audited the financial statements of Hartalega Holdings Berhad, which comprise the Statements of Financial Position as at 31 March 2012 of the Group and of the Company, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 57 to 132.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2012 and of their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARTALEGA HOLDINGS BERHAD (CONT'D) (INCORPORATED IN MALAYSIA)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, except for the unaudited financial statements of a subsidiary and we have considered its unaudited financial statements thereon, which are indicated in Note 11 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 133 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Securities. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Securities.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

MOORE STEPHENS AC	LEE KONG WENG
Chartered Accountants	2967/07/13 (J)
AF 001826	Chartered Accountant

Kuala Lumpur
10 July 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

Hartalega Holdings Berhad
(Incorporated in Malaysia)

	Note	2012 RM	2011 RM
Operating revenue	4	931,064,704	734,920,894
Cost of sales		(634,436,715)	(461,855,394)
Gross Profit		296,627,989	273,065,500
Other income		6,446,101	9,569,150
Distribution expenses		(10,797,889)	(10,392,931)
Administrative expenses		(27,596,251)	(24,943,976)
Other operating expenses		(4,538,866)	(1,993,129)
		(42,933,006)	(37,330,036)
Profit from operations		260,141,084	245,304,614
Finance costs		(1,736,186)	(2,470,506)
Profit before tax	5	258,404,898	242,834,108
Tax expense	6	(56,972,583)	(52,509,825)
Profit for the year		201,432,315	190,324,283
Other comprehensive income			
Net fair value changes on available-for-sale financial assets		180,000	-
Foreign currency translation		194,066	158,223
Other comprehensive income for the year		374,066	158,223
Total comprehensive income for the year		201,806,381	190,482,506

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2012 (CONT'D)

Hartalega Holdings Berhad
(Incorporated in Malaysia)

	Note	2012 RM	2011 RM
Profit attributable to:			
Owners of the parent		201,380,287	190,296,590
Non-controlling interests		52,028	27,693
		201,432,315	190,324,283
Total comprehensive income attributable to:			
Owners of the parent		201,604,017	190,424,659
Non-controlling interests		202,364	57,847
		201,806,381	190,482,506
Earnings per ordinary share attributable to owners of the parent:			
Basic earnings per ordinary share (sen)	7	27.65	26.18
Diluted earnings per ordinary share (sen)	7	27.53	26.12

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

Hartalega Holdings Berhad
(Incorporated in Malaysia)

	Note	2012 RM	2011 RM
ASSETS			
Non-current assets			
Property, plant and equipment	8	370,285,315	348,622,650
Capital work-in-progress	9	9,453,816	10,736
Intangible assets	10	46,332	50,007
Other investments	12	360,000	180,000
Deferred tax assets	13	52,967	29,278
		380,198,430	348,892,671
Current assets			
Inventories	14	97,532,022	64,672,881
Trade and other receivables	15	117,124,219	101,005,839
Tax assets	16	68,327	69,158
Derivative financial assets	18	-	3,340,300
Deposits, cash and bank balances	19	163,216,565	116,982,830
		377,941,133	286,071,008
TOTAL ASSETS		758,139,563	634,963,679

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012 (CONT'D)

Hartalega Holdings Berhad

(Incorporated in Malaysia)

	Note	2012 RM	2011 RM
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	20	182,544,300	181,778,600
Reserves	21	436,958,714	312,665,114
		619,503,014	494,443,714
Non-controlling interests		553,034	350,670
Total Equity		620,056,048	494,794,384
Liabilities			
Non-current liabilities			
Loans and borrowings	22	12,070,893	24,450,934
Deferred tax liabilities	13	40,515,013	36,867,648
		52,585,906	61,318,582
Current liabilities			
Trade and other payables	23	60,427,299	57,166,155
Loans and borrowings	22	12,578,508	14,526,016
Derivatives financial liabilities	18	765,000	-
Tax liabilities		11,726,802	7,158,542
		85,497,609	78,850,713
Total Liabilities		138,083,515	140,169,295
TOTAL EQUITY AND LIABILITIES		758,139,563	634,963,679

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

Hartalega Holdings Berhad
(Incorporated in Malaysia)

		<------------------------- Attributable to Owners of the Parent ------------------------->								
		<------------- Non-Distributable --------------				>Distributable				
		Share Capital	Share Premium	Translation Reserve	Share-based Payment Reserve	Fair Value Reserves	Retained Earnings	Sub Total	Non-controlling interests	Total Equity
	Note	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1.4.2010		121,156,000	792,233	123,668	371,570	-	231,645,954	354,089,425	292,823	354,382,248
Effect of adopting FRS 139		-	-	-	-	5,000	1,845,750	1,850,750	-	1,850,750
		121,156,000	792,233	123,668	371,570	5,000	233,491,704	355,940,175	292,823	356,232,998
Comprehensive income										
Profit for the year		-	-	-	-	-	190,296,590	190,296,590	27,693	190,324,283
Other comprehensive income										
Foreign currency translation		-	-	128,069	-	-	-	128,069	30,154	158,223
Total comprehensive income for the year		-	-	128,069	-	-	190,296,590	190,424,659	57,847	190,482,506
Transactions with owners										
Dividends	24	-	-	-	-	-	(56,946,805)	(56,946,805)	-	(56,946,805)
Share-based payment granted under EES & ESOS	21.4	-	-	-	4,702,951	-	-	4,702,951	-	4,702,951
Issuance of bonus share		60,578,000	(713,567)	-	-	-	(59,864,433)	-	-	-
Share issuance expenses		-	(78,666)	-	-	-	-	(78,666)	-	(78,666)
Issuance of ordinary shares pursuant to ESOS		44,600	356,800	-	-	-	-	401,400	-	401,400
Transfer from Share-based payment upon exercise of EES & ESOS		-	143,612	-	(341,290)	-	197,678	-	-	-
Total transactions with owners		60,622,600	(291,821)	-	4,361,661	-	(116,613,560)	(51,921,120)	-	(51,921,120)
At 31.3.2011		181,778,600	500,412	251,737	4,733,231	5,000	307,174,734	494,443,714	350,670	494,794,384

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2012 (CONT'D)

Hartalega Holdings Berhad

(Incorporated in Malaysia)

		<------------------------- Attributable to Owners of the Parent						------------------------->		
			<------------- Non-Distributable			-------------->	Distributable			
		Share Capital	Share Premium	Translation Reserve	Share-based Payment Reserve	Fair Value Reserves	Retained Earnings	Sub Total	Non-controlling interests	Total Equity
	Note	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1.4.2011		181,778,600	500,412	251,737	4,733,231	5,000	307,174,734	494,443,714	350,670	494,794,384
Comprehensive income										
Profit for the year		-	-	-	-	-	201,380,287	201,380,287	52,028	201,432,315
Other comprehensive income										
Fair value changes on available-for-sale financial assets		-	-	-	-	180,000	-	180,000	-	180,000
Foreign currency translation		-	-	43,730	-	-	-	43,730	150,336	194,066
Total other comprehensive income		-	-	43,730	-	180,000	-	223,730	150,336	374,066
Total comprehensive income for the year		-	-	43,730	-	180,000	201,380,287	201,604,017	202,364	201,806,381
Transactions with owners										
Dividends	24	-	-	-	-	-	(87,389,940)	(87,389,940)	-	(87,389,940)
Share-based payment granted under EES & ESOS	21.4	-	-	-	3,925,001	-	-	3,925,001	-	3,925,001
Issuance of ordinary shares pursuant to ESOS		765,700	6,154,522	-	-	-	-	6,920,222	-	6,920,222
Transfer from Share-based payment upon exercise of EES & ESOS		-	2,450,716	-	(2,566,364)	-	115,648	-	-	-
Total transactions with owners		765,700	8,605,238	-	1,358,637	-	(87,274,292)	(76,544,717)	-	(76,544,717)
At 31.3.2012		182,544,300	9,105,650	295,467	6,091,868	185,000	421,280,729	619,503,014	553,034	620,056,048

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2012

Hartalega Holdings Berhad
(Incorporated in Malaysia)

	Note	2012 RM	2011 RM
Cash Flows from Operating Activities			
Profit before tax		258,404,898	242,834,108
Adjustments for:			
Amortisation of intangible asset		3,675	3,674
Bad debts written off		152	165
Depreciation of property, plant and equipment		29,026,681	24,949,786
Interest expense		1,736,186	2,470,506
Property, plant and equipment written off		-	364,592
Share-based payment expense		3,925,001	4,702,951
Unrealised (gain)/loss on foreign exchange		(1,871,237)	1,462,498
Fair value loss/(gain) on derivative financial instruments		4,105,300	(879,300)
Gain on disposal of property, plant and equipment		(18,316)	(3,802)
Interest income		(938,270)	(2,066,996)
Dividend income from fixed income fund		(2,665,728)	(339,904)
Impairment loss/(Reversal of impairment loss) on trade receivables		429	(1,320)
Operating profit before working capital changes		291,708,771	273,496,958
Increase in inventories		(32,859,141)	(36,594,721)
Increase in receivables		(14,812,817)	(17,012,498)
Increase in payables		3,217,361	12,756,763
Cash generated from operations		247,254,174	232,646,502
Interest paid		(1,736,186)	(2,470,506)
Dividend received from fixed income fund		2,665,728	339,904
Interest received		938,270	2,066,996
Tax paid		(48,779,816)	(47,760,714)
Net cash from operating activities		200,342,170	184,822,182
Cash Flows from Investing Activities			
Capital work-in-progress incurred		(24,789,922)	(59,614,019)
Proceeds from disposal of property, plant and equipment		121,553	171,000
Net withdrawal of fixed deposits		-	108,583
Purchase of property, plant and equipment	8	(35,444,185)	(21,660,909)
Net cash used in investing activities		(60,112,554)	(80,995,345)
Balance carried down		140,229,616	103,826,837

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2012 (CONT'D)

Hartalega Holdings Berhad

(Incorporated in Malaysia)

	Note	2012 RM	2011 RM
Balance brought down		140,229,616	103,826,837
Cash Flows from Financing Activities			
Drawdown of term loans		-	13,502,000
Repayments of term loans		(14,551,524)	(15,968,044)
Payments to finance lease payables		(21,560)	(49,619)
Dividend paid		(87,389,940)	(56,946,805)
Net proceeds from exercise of ESOS		6,920,222	401,400
Share issuance expenses		-	(78,666)
Net cash used in financing activities		(95,042,802)	(59,139,734)
Net increase in cash and cash equivalents		45,186,814	44,687,103
Effect of exchange rate fluctuations on cash and cash equivalents		1,046,921	(2,326,794)
Cash and cash equivalents at beginning of the year		116,982,830	74,622,521
Cash and cash equivalents at end of the year		163,216,565	116,982,830

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

Hartalega Holdings Berhad
(Incorporated in Malaysia)

	Note	2012 RM	2011 RM
Operating revenue	4	265,025,749	60,532,508
Other income		2,172,965	1,491,073
		267,198,714	62,023,581
Administrative expenses		(904,551)	(931,652)
Profit before tax	5	266,294,163	61,091,929
Tax expense	6	(151,625)	(271,233)
Profit for the year, representing total comprehensive income for the year		266,142,538	60,820,696

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

Hartalega Holdings Berhad
(Incorporated in Malaysia)

	Note	2012 RM	2011 RM
ASSETS			
Non-current asset			
Investments in subsidiaries	11	142,803,586	128,878,585
Current assets			
Other receivables	15	152,699	4,500
Tax assets	16	67,923	2,934
Amounts owing by subsidiaries	17	146,579,238	-
Deposits, cash and bank balances	19	96,981,458	66,807,703
		243,781,318	66,815,137
TOTAL ASSETS		386,584,904	195,693,722
EQUITY AND LIABILITY			
Equity			
Share capital	20	182,544,300	181,778,600
Reserves	21	202,444,491	13,612,370
Total Equity		384,988,791	195,390,970
Current liability			
Other payables and accruals	23	1,596,113	302,752
Total Liability		1,596,113	302,752
TOTAL EQUITY AND LIABILITY		386,584,904	195,693,722

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

Hartalega Holdings Berhad
(Incorporated in Malaysia)

		<-- Non-Distributable	-->		Distributable	
		Share Capital	Share Premium	Share-based Payment Reserve	Retained Earnings	Total Equity
	Note	RM	RM	RM	RM	RM
At 1.4.2010		121,156,000	792,233	371,570	64,171,591	186,491,394
Comprehensive income						
Profit for the year, representing total comprehensive income for the year		-	-	-	60,820,696	60,820,696
Transactions with owners						
Dividends	24	-	-	-	(56,946,805)	(56,946,805)
Share-based payment granted under EES & ESOS	21.4	-	-	4,702,951	-	4,702,951
Issuance of bonus share		60,578,000	(713,567)	-	(59,864,433)	-
Share issuance expenses		-	(78,666)	-	-	(78,666)
Issuance of ordinary shares pursuant to ESOS		44,600	356,800	-	-	401,400
Transfer from Share-based payment upon exercise of EES & ESOS		-	143,612	(341,290)	197,678	-
Total transactions with owners		60,622,600	(291,821)	4,361,661	(116,613,560)	(51,921,120)
At 31.3.2011		181,778,600	500,412	4,733,231	8,378,727	195,390,970
Comprehensive income						
Profit for the year, representing total comprehensive income for the year		-	-	-	266,142,538	266,142,538
Transactions with owners						
Dividends	24	-	-	-	(87,389,940)	(87,389,940)
Share-based payment granted under EES & ESOS	21.4	-	-	3,925,001	-	3,925,001
Issuance of ordinary shares pursuant to ESOS		765,700	6,154,522	-	-	6,920,222
Transfer from Share-based payment upon exercise of EES & ESOS		-	2,450,716	(2,566,364)	115,648	-
Total transactions with owners		765,700	8,605,238	1,358,637	(87,274,292)	(76,544,717)
At 31.3.2012		182,544,300	9,105,650	6,091,868	187,246,973	384,988,791

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

Hartalega Holdings Berhad
(Incorporated in Malaysia)

	Note	2012 RM	2011 RM
Cash Flows from Operating Activities			
Profit before tax		266,294,163	61,091,929
Adjustments for:			
Dividend income from a subsidiary		(265,025,749)	(60,532,508)
Dividend income from fixed income fund		(1,882,464)	(339,904)
Interest income		(290,476)	(1,151,073)
Operating loss before working capital changes		(904,526)	(931,556)
(Increase)/Decrease in receivables		(148,199)	2,520
Increase in payables		1,293,361	42,341
Cash generated from/(used in) operations		240,636	(886,695)
Dividend received from fixed income fund		1,882,464	339,904
Interest received		290,476	1,151,073
Tax paid		(216,614)	(199,050)
Net cash from operating activities		2,196,962	405,232
Cash Flows from Investing Activities			
Advances to subsidiaries		(146,579,238)	-
Dividend received from a subsidiary		265,025,749	121,300,246
Net cash from investing activities		118,446,511	121,300,246
Cash Flows from Financing Activities			
Subscription of shares in a new subsidiary		(10,000,000)	-
Dividend paid		(87,389,940)	(56,946,805)
Net proceeds from exercise of ESOS		6,920,222	401,400
Share issuance expenses		-	(78,666)
Net cash used in financing activities		(90,469,718)	(56,624,071)
Net increase in cash and cash equivalents		30,173,755	65,081,407
Cash and cash equivalents at beginning of the year		66,807,703	1,726,296
Cash and cash equivalents at end of the year		96,981,458	66,807,703

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012

1. CORPORATE INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at No. 6, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur.

The principal place of business of the Company is located at C-G-9, Jalan Dataran SD1, Dataran SD PJU9, Bandar Sri Damansara, 52200 Kuala Lumpur.

The Company is principally engaged in investment holding, whilst the principal activities of its subsidiaries are stated in Note 11. There have been no significant changes in the nature of these activities during the financial year.

The holding and ultimate holding company of the Company during the financial year is Hartalega Industries Sdn Bhd, a private limited company incorporated in Malaysia.

The financial statements were authorised for issue in accordance with a resolution passed at the Board of Directors meeting held on 10 July 2012.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB") and complied with the provisions of the Companies Act 1965 in Malaysia.

New and revised FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Releases ("TRs") adopted

On 1 April 2011, the Group and the Company adopted the following new and revised FRSs, Amendments to FRSs, IC Interpretations and TRs:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements (Revised)

Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters (Amendment to FRS 1)
Additional Exemptions for First-time Adopters (Amendment to FRS 1)
Improving Disclosures about Financial Instruments (Amendment to FRS 7)
Amendments to FRS 2 Share-based Payment
Group Cash-settled Share-based Payment Transactions (Amendment to FRS 2)

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

New and revised FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Releases ("TRs") adopted (cont'd)

Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138 Intangible Assets
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"

IC Interpretation 4	Determining whether an Arrangement contain a Lease
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfer of Assets from Customers

Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives

TR i-4	Shariah Compliant Sale Contracts

The adoption of the above FRSs, Amendments to FRSs, IC Interpretations and TRs does not have any effect on the financial statements of the Group and of the Company except for those discussed below.

Revised FRS 3 Business Combination and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised FRS 3 introduces a number of significant changes to the accounting for business combinations with greater use of fair value. These changes include recognising all acquisition-related costs as expense, measuring any pre-existing interest at fair value and allowing measurement of non-controlling interest (previously known as minority interest) at either fair value or at its proportionate share of the acquiree's net identifiable assets. The revised FRS 127 requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the non-controlling interests to be absorbed by minority shareholders instead of by the parent even if the losses exceed the non-controlling interests in the subsidiary's equity. The Group has applied the changes of revised FRS 3 and FRS 127 prospectively. There is no financial impact on the financial statements of the Group for the current financial year other than changes in accounting policies.

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

New and revised FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Releases ("TRs") adopted (cont'd)

Improving Disclosures about Financial Instruments (Amendments to FRS 7)

The amendments to FRS 7 expand the disclosures required in respect of fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. The amendment to FRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Notes 32 and 30 respectively. The Group has elected not to provide comparative information for these expanded disclosures in current year in accordance with the transitional reliefs offered in these amendments.

Amendments to FRS 101 [Improvements to FRSs (2010)]

The amendment clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the Statement of Changes in Equity or in the Notes to the Financial Statements. There is no financial impact on the financial statements of the Group for the current financial year other than the presentation of Statements of Changes in Equity.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

New and revised FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Releases ("TRs") adopted (cont'd)

MFRS Framework, revised FRSs, Amendments to FRSs, IC Interpretation issued but not yet effective

On 19 November 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework") in conjunction with the MASB's plan to converge with International Financial Reporting Standards ("IFRS") in 2012. The MFRS Framework comprises Standards as issued by the International Accounting Standards Board ("IASB") that are effective on 1 January 2012 and new/revised Standards that will be effective after 1 January 2012.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer.

As such, the Group and the Company will present their first financial statements using the MFRS framework for the financial year ending 31 March 2013. In presenting their first MFRS financial statements, the Group and the Company may be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework.

The Group is currently in the process of determining the financial impact arising from the adoption of the MFRS Framework.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policy notes.

(c) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

2. BASIS OF PREPARATION (cont'd)

(d) Significant accounting estimates and judgements

The preparation of financial statements of the Group and of the Company require management to make assumptions, estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the assumptions or estimate is revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows:

(i) Tax expense (Note 6) - Significant judgement is required in determining the capital allowances, reinvestment allowances and deductibility of certain expenses when estimating the provision for taxation. There were transactions during the ordinary course of business for which the ultimate tax determination of whether additional taxes will be due is uncertain. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax in the periods in which the outcome is known.

(ii) Useful life of property, plant and equipment (Note 8) - The cost of property, plant and equipment is depreciated on a reducing balance basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 4 to 50 years. These are the common life expectancies applied generally. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Share-based payment reserve (Note 21) – The measurement of the fair value for the Employee Equity Scheme ("EES") and the Executive Share Option Scheme ("ESOS") are determined using valuation technique based on assumptions about future volatility of and dividend on the underlying shares.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and all of its subsidiaries which are disclosed in Note 11 made up to the end of the financial year.

All intra-group balances, transactions and resulting unrealised profits and losses (unless cost cannot be recovered) are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

Subsidiaries are consolidated using the purchase method, from the date of acquisition being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. The assets, liabilities and contingent liabilities assumed from a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated financial statements. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Where the present ownership interests in the acquiree entitles the holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects for each individual business combination, whether non-controlling interests in the acquisition is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the Consolidated Statement of Comprehensive Income and within equity in the Consolidated Statement of Financial Position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributable to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

The Group has applied the revised FRS 127 prospectively on 1 April 2011 in accordance with the transitional provisions. Accordingly, transactions with non-controlling interests prior to the respective effective date have not been restated to comply with the Standard.

(b) Foreign currencies

(i) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currencies (cont'd)

(ii) Foreign operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

(i) Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;

(ii) Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(iii) All resulting exchange differences are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

Upon disposal of a foreign subsidiary, the cumulative amount of translation differences at the date of disposal of the subsidiary is taken to the consolidated profit or loss.

(c) Revenue recognition

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred.

(iii) Share-based payment

Certain shareholders of the Company established the Employee Equity Scheme ("EES") for the benefit of eligible senior management personnel of the Group. Pursuant to the EES, a special purpose company was formed to administer the offering of the EES shares offered by the shareholders to the eligible employees.

The Company operates the Executive Share Option Scheme ("ESOS"), an equity-settled share-based compensation plan which allows the Group's eligible executives to acquire ordinary shares of the Company.

The total fair value of EES and ESOS granted to employees are recognised as expenses in profit or loss of the Group over the vesting periods of the grant, with a corresponding increase in share-based payment reserve. The fair value of EES and ESOS are measured at grant date, taking into account, if any, the market non-vesting conditions upon which the EES and the ESOS were granted but excluding the impact of a non-market vesting condition. Non-market vesting conditions are included in assumption about the number of EES and ESOS that are expected to become exercisable on vesting date.

At each reporting date, the Group revises its estimates of the number of EES and ESOS that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment in share-based payment reserve over the remaining vesting period.

The share-based payment reserve is transferred to retained earnings upon expiry of the EES and ESOS. When the EES and ESOS are exercised, the share-based payment reserve is transferred to retained earnings and share premium respectively.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Borrowing costs

All borrowing costs are recognised in profit or loss using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(f) Leases

(i) Finance lease – the Group as lessee

Assets acquired by way of finance leases where the Group assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

Finance lease are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding finance lease obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease is depreciated in accordance with the depreciation policy for property, plant and equipment.

(ii) Operating lease – the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on the straight-line basis.

(g) Tax expense

Tax expense in profit or loss represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year, using tax rates enacted or substantially enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Tax expense (cont'd)

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

(h) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets' carrying amount or recognised as separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Long term leasehold land is depreciated over the lease term of 94 years. Freehold land is not depreciated. All other property, plant and equipment are depreciated on the reducing balance basis to write off the cost of the property, plant and equipment over their estimated useful lives.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Property, plant and equipment and depreciation (cont'd)

The principal annual rates used for this purpose are:

Buildings	2%
Plant and machinery	10%
Furniture, fittings and equipment	10% - 25%
Motor vehicles	20%
Renovation	10%

The residual values, useful lives and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(i) Capital work-in-progress

Capital work-in-progress is stated at cost during the period of construction.

No depreciation is provided on capital work-in-progress and upon completion of construction, the cost will be transferred to property, plant and equipment.

(j) Intangible assets

Intangible assets representing patent rights, which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised in the Statement of Comprehensive Income on a straight-line method to allocate the cost of patent rights over their useful lives of 15 years. The residual values, useful lives and amortisation method are reviewed at each financial year end to ensure that the amount, method and period of amortisation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the assets.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Subsidiaries

A subsidiary is an entity in which the Company has the power to exercise control over its financial and operating policies so as to obtain benefits from its activities. In assessing control, the existence and effect of potential voting rights that are currently exercisable are taken into account.

Investments in subsidiaries, which are eliminated on consolidation, are stated at cost less impairment losses, unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale). Acquisition related costs are recognised as expenses in the period in which the costs are incurred. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(l) Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost to sell and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount. An impairment loss is recognised as expense in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Inventories

Inventories are stated at the lower of cost and net realisable value and cost is determined on the weighted average basis. Cost includes the actual cost of materials and incidentals in bringing the inventories into store and for manufactured inventories, it also includes a portion of labour and relevant production overheads. Prior to 1 April 2011, the cost of inventories was determined on the first-in-first-out basis. The Group believes that the change to the weighted average basis provide more relevant information about the financial position of the Group. The change in accounting policy was applied retrospectively and had an insignificant impact on the financial statements of the Group.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Financial assets

Financial assets are recognised in the Statements of Financial Position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and have categorised financial assets in financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets.

(i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other losses or other income.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial assets (cont'd)

(i) Financial assets at FVTPL (cont'd)

Financial assets at FVTPL could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

The Group and the Company classify the following financial assets as loans and receivables:
- cash and cash equivalents; and
- trade and other receivables, including deposits and amounts owing by subsidiaries.

(iii) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in financial assets at FVTPL, held-to-maturity investments and loans and receivables.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial assets (cont'd)

(iii) Available-for-sale financial assets (cont'd)

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

The Group classifies its investment in transferable club memberships as available-for-sale financial assets.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Company commit to purchase or sell the asset.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Impairment of financial assets (cont'd)

(ii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(q) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the Statements of Financial Position when, and only when, the Group become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives do not include exchange differences.

The Group have not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Financial liabilities (cont'd)

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(s) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(t) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities or assets are not recognised in the statements of financial positions of the Group.

(u) Segment reporting

For management purposes, the Group is organised into operating segments that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating segment's operating results are reviewed regularly by the chief operating decision maker, which is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

4. OPERATING REVENUE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Sales of goods	931,064,704	734,920,894	-	-
Dividend income	-	-	265,025,749	60,532,508
	931,064,704	734,920,894	265,025,749	60,532,508

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging / (crediting):

(a) Other items

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Auditors' remuneration				
- Audit services	187,439	157,520	18,000	15,000
- Other services by auditors of the Company	22,100	11,000	22,100	11,000
Amortisation of intangible asset	3,675	3,674	-	-
Bad debts written off	152	165	-	-
Depreciation of property, plant and equipment	29,026,681	24,949,786	-	-

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

5. PROFIT BEFORE TAX (cont'd)

(a) Other items (cont'd)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest expense				
- term loans	1,733,641	2,464,898	-	-
- finance lease	2,545	5,608	-	-
Non-Executive Directors' remuneration:				
- Fees				
- Directors of the Company	144,000	145,000	144,000	145,000
- Director of subsidiary	24,000	24,000	-	-
- Share-based payment granted under EES				
- Director of the Company	4,286	10,000	4,286	10,000
- Other emoluments				
- Directors of the Company	42,723	73,510	25,750	19,750
Property, plant and equipment written off	-	364,952	-	-
Rental of machinery	35,800	85,375	-	-
Rental of premises	1,194,732	1,075,509	-	-
Fair value loss / (gain) on financial instruments	4,105,300	(879,300)	-	-
Dividend income from fixed income fund	(2,665,728)	(339,904)	(1,882,464)	(339,904)
Gain on disposal of property, plant and equipment	(18,316)	(3,802)	-	-
Loss / (Gain) on foreign exchange				
- realised	125,793	(5,956,744)	-	-
- unrealised	(1,871,237)	1,462,498	-	-
Interest income	(938,270)	(2,066,996)	(290,476)	(1,151,073)
Impairment loss / (Reversal of impairment loss) on trade receivables	429	(1,320)	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

5. PROFIT BEFORE TAX (cont'd)

(b) Staff costs

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Staff costs	66,787,541	62,467,564	108,000	90,000
Included in staff costs are:				
Share-based payment granted under EES	28,538	66,589	-	-
Share-based payment granted under ESOS	3,896,463	4,636,362	-	-
Contributions to defined contribution plan	2,568,897	2,556,362	-	-

Included in staff costs is the aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiaries during the financial year as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Fees				
- Directors of the Company	183,000	138,000	135,000	90,000
- Directors of the subsidiaries	72,000	72,000	-	-
Other emoluments				
- Directors of the Company	2,834,092	2,562,433	-	-
- Directors of the subsidiaries	2,030,294	1,871,857	-	-
	5,119,386	4,644,290	135,000	90,000

The estimated monetary value of benefits-in-kind of the Group received by the Directors of the Company and of the subsidiaries are RM50,200 (2011: RM50,200) and RM50,200 (2011: RM48,096) respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

6. TAX EXPENSE

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Current tax expense				
Malaysian - current year	54,762,664	44,045,000	150,664	265,000
- (over)/under provision in prior years	(1,691,314)	(89,627)	961	6,233
Overseas - current year	276,993	92,922	-	-
	53,348,343	44,048,295	151,625	271,233
Deferred tax expense				
Origination and reversal of temporary differences	4,132,340	8,361,030	-	-
(Over)/Under provision in prior year	(508,100)	100,500	-	-
	3,624,240	8,461,530	-	-
Tax expense	56,972,583	52,509,825	151,625	271,233

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

6. TAX EXPENSE (cont'd)

The reconciliation of the tax amount at statutory income tax rate to the Group's and the Company's tax expense is as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before tax	258,404,898	242,834,108	266,294,163	61,091,929
Tax at the Malaysian statutory income tax rate of 25%	64,601,200	60,708,600	66,573,500	15,273,000
Effect of different tax rate of foreign subsidiaries	42,637	17,152	-	-
Tax effect of non-taxable income	-	-	(66,676,890)	(15,218,100)
Tax effect of non-deductible expenses	1,351,360	1,971,900	254,054	210,100
Utilisation of allowance for increased in exports	(6,823,200)	-	-	-
Utilisation of reinvestment allowances	-	(10,198,700)	-	-
(Over)/Under provision in prior years				
- current tax	(1,691,314)	(89,627)	961	6,233
- deferred tax	(508,100)	100,500	-	-
Tax expense	56,972,583	52,509,825	151,625	271,233

The Group has estimated unutilised tax losses of RM7,300 (2011: RM6,600) carried forward available for set off against future taxable profits.

As at 31 March 2012 and 2011, the Company does not have any Section 108 tax credit balance and hence, may distribute dividends out of its entire retained earnings under the single tier system and available tax exempt income.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

7. EARNINGS PER ORDINARY SHARE

	Group	
	2012	2011 (Restated)
Basic earnings per ordinary share		
Net profit attributable to owners of the parent (RM)	201,380,287	190,296,590
Number of shares in issue as at beginning of the year	363,557,200	242,312,000
Effect of exercise of ESOS	597,967	15,700
Bonus issue - during the year	-	121,156,000
- issued on 28 May 2012*	364,155,167	363,483,700
Weighted average number of ordinary shares in issue	728,310,334	726,967,400
Basic earnings per ordinary share of RM0.50 (sen)	27.65	26.18

* Adjustment for the effect of bonus shares issued on the basis of one (1) bonus share for every one (1) existing share held in the Company which was completed subsequent to the end of the financial year as disclosed in Note 29(b).

	Group	
	2012	2011 (Restated)
Diluted earnings per ordinary share		
Net profit attributable to owners of the parent (RM)	201,380,287	190,296,590
Weighted average number of ordinary shares in issue	728,310,334	726,967,400
Effect of dilutive potential ordinary shares - ESOS#	3,278,000	1,716,000
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	731,588,334	728,683,400
Diluted earnings per ordinary share of RM0.50 (sen)	27.53	26.12

After adjustment for the effect of bonus shares issued on the basis of one (1) bonus share for every one (1) existing share held in the Company which was completed subsequent to the end of the financial year as disclosed in Note 29(b).

Since the end of the financial year, eligible executives have exercised the options to acquire 464,400 (2011: 194,700) ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the authorisation of these financial statements other than the issuance of free warrants as disclosed in Note 29(b).

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Long-Term Leasehold Land	Buildings	Plant & Machinery	Furniture, Fittings & Equipment	Motor Vehicles	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM
Group								
Cost								
At 1.4.2011:	19,079,610	158,023	84,755,544	310,706,940	38,474,372	4,323,915	2,106,280	459,604,684
Additions	7,641,368	-	3,266,132	20,148,217	3,613,926	692,942	81,600	35,444,185
Transfer from capital work-in-progress (Note 9)	-	-	187,311	15,159,531	-	-	-	15,346,842
Disposals	-	-	-	(16,406)	-	(348,479)	-	(364,885)
Translation differences	-	-	-	466	2,865	1,150	-	4,481
At 31.3.2012	26,720,978	158,023	88,208,987	345,998,748	42,091,163	4,669,528	2,187,880	510,035,307
Accumulated Depreciation								
At 1.4.2011	-	11,286	6,913,989	89,822,957	11,945,348	1,718,425	570,029	110,982,034
Charge for the year	-	1,881	1,595,477	23,363,300	3,301,256	602,982	161,785	29,026,681
Disposals	-	-	-	(16,294)	-	(245,354)	-	(261,648)
Translation differences	-	-	-	262	2,075	588	-	2,925
At 31.3.2012	-	13,167	8,509,466	113,170,225	15,248,679	2,076,641	731,814	139,749,992
Net Carrying Amount								
At 31.3.2012	26,720,978	144,856	79,699,521	232,828,523	26,842,484	2,592,887	1,456,066	370,285,315

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold Land RM	Long-Term Leasehold Land RM	Buildings RM	Plant & Machinery RM	Furniture, Fittings & Equipment RM	Motor Vehicles RM	Renovation RM	Total RM
Group								
Cost								
At 1.4.2010:								
As previously stated	15,003,874	-	75,210,459	241,520,883	33,893,334	3,991,693	2,106,280	371,726,523
Effect of adopting the amendments to FRS 117	-	158,023	-	-	-	-	-	158,023
As restated	15,003,874	158,023	75,210,459	241,520,883	33,893,334	3,991,693	2,106,280	371,884,546
Additions	4,075,736	-	1,911,714	13,208,267	1,696,205	851,677	-	21,743,599
Transfer from capital work- in-progress (Note 9)"	-	-	7,413,691	55,932,840	4,655,853	-	-	68,002,384
Reclassication	-	-	273,382	47,655	(321,037)	-	-	-
Written off	-	-	(53,702)	-	(1,444,420)	-	-	(1,498,122)
Disposals	-	-	-	-	-	(516,118)	-	(516,118)
Translation differences	-	-	-	(2,705)	(5,563)	(3,337)	-	(11,605)
At 31.3.2011	19,079,610	158,023	84,755,544	310,706,940	38,474,372	4,323,915	2,106,280	459,604,684
Accumulated Depreciation								
At 1.4.2010:								
As previously stated	-	-	5,410,216	69,821,889	10,354,368	1,516,794	407,748	87,511,015
Effect of adopting the amendments to FRS 117	-	9,405	-	-	-	-	-	9,405
As restated	-	9,405	5,410,216	69,821,889	10,354,368	1,516,794	407,748	87,520,420
Charge for the year	-	1,881	1,454,895	19,848,932	2,930,097	551,700	162,281	24,949,786
Reclassication	-	-	51,500	154,069	(205,569)	-	-	-
Written off	-		(2,622)	-	(1,130,908)	-	-	(1,133,530)
Disposals	-	-	-	-	-	(348,920)	-	(348,920)
Translation differences	-	-	-	(1,933)	(2,640)	(1,149)	-	(5,722)
At 31.3.2011	-	11,286	6,913,989	89,822,957	11,945,348	1,718,425	570,029	110,982,034
Net Carrying Amount								
At 31.3.2011	19,079,610	146,737	77,841,555	220,883,983	26,529,024	2,605,490	1,536,251	348,622,650

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) The long term leasehold land of the Group has remaining unexpired lease period of more than 50 years.

(b) Net carrying amount of the property, plant and equipment pledged as security by way of legal charge for banking facilities granted to the Group as disclosed in Note 22 amounting to RM370,213,343 (2011: RM348,501,950).

(c) During the financial year, the Company made the following cash payments to purchase property, plant and equipment:

	Group	
	2012 RM	2011 RM
Additions of property, plant and equipment	35,444,185	21,743,599
Financed by finance lease arrangement	-	(82,690)
	35,444,185	21,660,909

(d) Net carrying amount of furniture, fittings and equipment held under finance lease arrangements amounting to RM27,013 (2011: RM55,599).

9. CAPITAL WORK-IN-PROGRESS

	Group	
	2012 RM	2011 RM
At beginning of the year	10,736	8,399,101
Additions	24,789,922	59,614,019
Transfer to property, plant and equipment (Note 8)	(15,346,842)	(68,002,384)
At end of the year	9,453,816	10,736

This is in respect of construction of new factory building and set up of new production plant and machinery.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

10. INTANGIBLE ASSET

	Group	
	2012 RM	2011 RM
Patent		
Cost		
At beginning/end of the year	57,355	57,355
Accumulated amortisation		
At beginning of the year	7,348	3,674
Amortisation during the year	3,675	3,674
At end of the year	11,023	7,348
Net carrying amount		
At end of the year	46,332	50,007

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 RM	2011 RM
Unquoted shares, at cost	133,700,000	123,700,000
EES and ESOS granted to employees of subsidiaries	9,103,586	5,178,585
	142,803,586	128,878,585

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

11. INVESTMENTS IN SUBSIDIARIES (Cont'd)

The particulars of subsidiaries are as follows:

Name of Company	Country of Incorporation	Principal Activities	Proportion of ownership interest 2012	Proportion of ownership interest 2011
Hartalega Sdn Bhd	Malaysia	Manufacturing of latex gloves	100%	100%
Hartalega NGC Sdn Bhd #	Malaysia	Dormant	100%	-
Subsidiaries of Hartalega Sdn Bhd				
Pharmatex (Australia) Pty Limited *	Australia	Retail and wholesale of gloves	82%	82%
Pharmatex USA, Incorporated *	United States of America	Retail and wholesale of gloves	80%	80%
Yancheng Pharmatex Medical Equipment Co Ltd *	People's Republic of China	Retail and wholesale of gloves	70%	-
Sentinel Engineering (M) Sdn Bhd	Malaysia	Leasing of property, research and development of automation systems	100%	100%

Unaudited and was consolidated using management financial statements

* Audited by a firm of auditors other than Moore Stephens AC

12. OTHER INVESTMENT

	Group 2012 RM	Group 2011 RM
Available-for-sale financial asset		
- Golf club memberships	360,000	180,000

13. DEFERRED TAX ASSETS AND LIABILITIES

	Group	
	2012 RM	2011 RM
Deferred tax assets		
At beginning of the year	29,278	20,062
Recognised in profit or loss	23,053	8,190
Translation differences	636	1,026
At end of the year	52,967	29,278
Deferred tax liabilities		
At beginning of the year	36,867,648	27,782,332
Effect of adopting FRS 139	-	615,250
At beginning of the year	36,867,648	28,397,582
Recognised in profit or loss	3,647,293	8,469,720
Translation differences	72	346
At end of the year	40,515,013	36,867,648

This is in respect of estimated deferred tax assets and liabilities arising from temporary differences as follows:

	Group	
	2012 RM	2011 RM
Deferred tax assets		
Deductible temporary differences in respect of expenses	52,967	29,278
Deferred tax liabilities		
Taxable temporary differences in respect of income	15,678	13,852
Differences between the carrying amount of property, plant and equipment and its tax base	40,756,200	36,922,100
Fair value (loss)/gain on derivative financial instruments	(191,200)	835,000
Unrealised foreign exchange losses	483,600	(365,600)
Unrealised profit on inventories	(549,265)	(537,704)
	40,515,013	36,867,648

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

13. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:

	Group	
	2012 RM	2011 RM
Unutilised tax losses	7,300	6,600

The unutilised tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of the above item because it is not probable that the future taxable profit will be available against which the subsidiary can utilise the benefits therefrom.

14. INVENTORIES

	Group	
	2012 RM	2011 RM
At cost		
Raw materials	37,703,343	11,304,579
Work-in-progress	21,743,771	26,366,926
Finished goods	25,938,104	23,853,692
Goods-in-transit	671,718	820,005
Spare parts and consumables	11,475,086	2,327,679
	97,532,022	64,672,881

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

15. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
Trade					
Trade receivables		107,681,561	95,771,122	-	-
Less: Allowance for impairment loss					
At beginning of the year		24,787	26,637	-	-
Additions/(Reversal) during the year		429	(1,320)	-	-
Translation differences		(1,831)	(530)	-	-
At end of the year		(23,385)	(24,787)	-	-
Trade receivables, net	15.1	107,658,176	95,746,335	-	-
Balance carried down		107,658,176	95,746,335	-	-
Balance brought down		107,658,176	95,746,335	-	-
Non-trade					
Other receivables		530,215	984,943	-	-
Deposits		432,196	443,760	4,500	4,500
Prepayments	15.2	8,503,632	3,830,801	148,199	-
		9,466,043	5,259,504	152,699	4,500
		117,124,219	101,005,839	152,699	4,500

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

15. TRADE AND OTHER RECEIVABLES (cont'd)

Note 15.1

(a) Credit term of trade receivables

The Group's normal trade credit terms extended to customers range from 30 to 90 days (2011: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis.

(b) Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables at the reporting date are as follows:

	Group	
	2012 RM	2011 RM
Neither past due nor impaired	90,475,989	85,279,884
1 to 30 days past due not impaired	16,131,421	9,696,512
31 to 60 days past due not impaired	742,036	31,030
61 to 90 days past due not impaired	49,366	568,210
91 to 120 days past due not impaired	10,136	16,883
More than 121 days past due not impaired	249,228	153,816
	17,182,187	10,466,451
Impaired	23,385	24,787
	107,681,561	95,771,122

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables of the Group amounting to RM17,182,187 (2011: RM10,466,451) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. An amount of RM4,922,323 (2011: RM6,976,842) included in trade receivables of the Group is secured by standby Letter of Credit from customers.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

15. TRADE AND OTHER RECEIVABLES (cont'd)

Note 15.1 (cont'd)

(b) Ageing analysis of trade receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date is as follows:

	Group Individually Impaired 2012 RM	 2011 RM
Trade receivables (nominal amounts)	23,385	24,787
Less: Allowance for impairment loss	(23,385)	(24,787)
	-	-

The impaired debtors at the reporting date are in significant financial difficulties and had defaulted in payment. These receivables are not secured by any collateral or credit enhancements. Based on historical default rates, the Group believes that no collective impairment loss is necessary in respect of trade receivables past due.

(c) Foreign currency exposure of trade receivables

	Group 2012 RM	 2011 RM
United States Dollar	103,038,178	91,104,736

Note 15.2

Included in prepayments of the Group is an amount of RM4,931,224 (2011: RM1,840,533) being advances to suppliers for purchase of raw materials and machinery.

16. TAX ASSETS

These are in respect of tax recoverable from the Inland Revenue Board.

17. AMOUNTS OWING BY SUBSIDIARIES

The amounts are non-trade in nature, unsecured, interest free and repayable on demand except for advances due from a subsidiary amounting to RM146,509,238 (2011: RM nil) which bear interest at a rate of 4.0% (2011: nil) per annum.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

18. DERIVATIVE FINANCIAL (LIABILITIES)/ ASSETS

	Group			
	Contract Notional Amount		Carrying Amount	
	2012 RM	2011 RM	2012 RM	2011 RM
Non-hedging derivative:				
Current (liabilities)/assets				
Forward currency contracts	169,622,400	161,404,300	(765,000)	3,340,300

The Group uses forward currency contracts to manage sales transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. Forward currency contracts are used to hedge the Group's trade receivables and sales denominated in United States Dollar ("USD"), extending to October 2012.

At the reporting date, the Group recognised a loss of RM4,105,300 (2011: gain RM879,300) arising from fair value changes of derivative financial instruments. The method and assumption applied in determining the fair value of derivatives is disclosed in Note 31.

19. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Fixed income fund with licensed fund management company (redeemable upon 1 day notice)	115,322,824	60,500,000	96,164,564	60,500,000
Deposits with licensed banks	16,600,000	39,130,000	600,000	6,030,000
Cash at banks and on hand	31,293,741	17,352,830	216,894	277,703
	163,216,565	116,982,830	96,981,458	66,807,703

Deposits with licensed banks of the Group and of the Company bear effective interest at rates ranging from 2.40% to 2.9% (2011: 1.70% to 2.75%) per annum with maturity period ranging from 1 day to 30 days (2011: 1 day to 30 days). The fixed income fund bears dividend at a rate of 3.04% (2011: 2.66%) per annum.

Included in cash at banks and on hand of the Group is an amount of RM18,239,735 (2011: RM15,055,770) which bears effective interest at rates ranging from 0.17% to 2.00% (2011: 0.15% to 1.75%) per annum.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

19. DEPOSITS, CASH AND BANK BALANCES (cont'd)

The foreign currency exposure of cash at banks and on hand of the Group is as follows:

	Group	
	2012	2011
	RM	RM
United States Dollar	17,258,884	14,139,272

20. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2012	2011	2012	2011
			RM	RM
Ordinary shares of RM0.50 each				
Authorised:				
At beginning/end of the year	500,000,000	500,000,000	250,000,000	250,000,000
Issued and fully paid:				
At beginning of the year	363,557,200	242,312,000	181,778,600	121,156,000
Issued during the year				
- exercise of ESOS	1,531,400	89,200	765,700	44,600
- bonus issue	-	121,156,000	-	60,578,000
At end of the year	365,088,600	363,557,200	182,544,300	181,778,600

(a) **Share capital**

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

(b) **Ordinary shares issued pursuant to ESOS**

During the financial year, the Company issued 1,531,400 (2011: 89,200) ordinary shares at issue price of between RM4.39 and RM4.98 (2011: RM4.50) per ordinary share for cash, pursuant to the Company ESOS. The share premium of RM6,154,522 (2011: RM356,800) arising therefrom have been included in the share premium account. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

21. RESERVES

		Group		Company	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
Distributable					
Retained earnings		421,280,729	307,174,734	187,246,973	8,378,727
Non-distributable					
Share premium	21.1	9,105,650	500,412	9,105,650	500,412
Translation reserve	21.2	295,467	251,737	-	-
Fair value reserve	21.3	185,000	5,000	-	-
Share-based payment reserve	21.4	6,091,868	4,733,231	6,091,868	4,733,231
		15,677,985	5,490,380	15,197,518	5,233,643
		436,958,714	312,665,114	202,444,491	13,612,370

Note 21.1

The share premium arose from the issue of the Company's shares at a premium.

Note 21.2

The translation reserve comprises all foreign currency differences arising from translation of the financial statements of the entities within the Group with functional currencies other than RM.

Note 21.3

The fair value reserve represents the cumulative fair value changes of available-for-sale financial assets until they are disposed of or impaired.

Note 21.4

The share-based payment reserve arose from the granting of Employee Equity Scheme ("EES") to selected senior management and Executive Share Option Scheme ("ESOS") to selected executives.

EES

In the year 2008, certain shareholders of the Company have allocated an aggregate of 1,475,000 ordinary shares ("EES Shares") for the EES at the strike price of RM1.80 per EES Share for no consideration. A special purpose company, Prelude Rewards Sdn Bhd ("PRSB") was formed to administer the offering of the EES Shares to the selected senior management.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

21. RESERVES (cont'd)

Note 21.4 (cont'd)

EES (cont'd)

The main features of the EES are as follows:

(a) The tenure of the EES commenced on 28 March 2008 and expires on 31 March 2013.

(b) To participate in the EES, each selected senior management will be required to pay RM2.00 as acceptance of the EES Shares offered pursuant to the terms of EES ("Entitlement"). With the payment of RM2.00 by each selected senior management, he/she is deemed to have accepted the Entitlements and legal ownership to those EES Shares would pass from PRSB to the selected senior management.

(c) The allocation of the Entitlements shall be based on the performance, seniority, length of service of the selected senior management and any criteria as may be set by the EES committee, the Company and PRSB from time to time.

(d) As the selected senior management has not paid for his/her EES Shares at the point of acceptance of the Entitlements, the selected senior management will be required, as part of the EES to do the following:

  (i) assign all cash dividends/distributions from retained profits which are made by the Company prior to the exercise of the Entitlement to PRSB. The assignment is in respect of cash dividends/distributions only and does not include any other distributions made by the Company such as non-cash dividends, bonus shares and rights entitlements. Further, the said assignment will not affect the selected senior management's other right to vote and the right to sell his/her EES Shares;

  (ii) open a CDS account with a nominee company ("Nominee"), with whom his/her Entitlements will be allotted to; and

  (iii) provide an irrevocable undertaking that he/she will not transfer his/her EES Shares in his/her CDS account with the Nominee to any other CDS accounts unless such EES Shares have been paid in accordance with the terms and conditions of the EES.

(e) As the selected senior management has not paid for his/her EES Shares at the point of acceptance of their Entitlements, an encumbrance will be created over the unpaid EES Shares and all distributions relating thereto in favour of PRSB.

(f) The selected senior management can sell any of his/her EES Shares at any time subject to, inter alia, the selling price being equal to or above the aggregate of the strike price and relevant transaction costs.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

21. RESERVES (cont'd)

Note 21.4 (cont'd)

EES (cont'd)

(g) The EES granted will only be exercisable in the following manner:

From 28 March 2008 to 31 March 2009	From 1 April 2009 to 31 March 2010	From 1 April 2010 to 31 March 2011	From 1 April 2011 to 31 March 2012	From 1 April 2012 to 31 March 2013
20%	20%	20%	20%	20%

(h) On the expiry of the EES period, any EES Shares in the EES not exercised by the selected senior management would be transferred back to PRSB.

The number and strike price of and movement in outstanding EES during the financial year are as follows:

2012	At beginning of the year	Granted	Exercised	At end of the year
	'000	'000	'000	'000
Strike price				
RM1.20	1,049	-	(445)	604

2011	At beginning of the year	Granted	Exercised	Adjustment for bonus issue	Exercised	At end of the year
	'000	'000	'000	'000	'000	'000
Strike price						
RM1.80 (before bonus issue) / RM1.20 (after bonus issue)	1,206	-	(340)	433	(250)	1,049

21. RESERVES (cont'd)

Note 21.4 (cont'd)

EES (cont'd)

The fair value of EES granted in year 2008 was estimated using the Trinomial model, taking into account the terms and conditions upon which the EES were granted. The fair value of EES measured at grant date and the assumptions used are as follows:

Grant date	7 April 2008
Number of EES granted (units)	1,475,000
Fair value of EES (RM)	0.39
Share price (RM)	1.80
Strike price (RM)	1.80
Expected volatility	31.15
Expected life (years)	5
Risk free rate (%)	3.79
Expected dividend yield (%)	5.56

The expected volatility was based on the average volatility of similar listing entities and reflects the assumptions that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

ESOS

At an Extraordinary General meeting held on 25 March 2010, shareholders approved the ESOS to subscribe for unissued new ordinary shares of RM0.50 each in the Company which were granted to eligible Executive Directors and executives of the Company and/or its subsidiaries (excluding subsidiaries that are dormant).

The salient features of the ESOS are:

(a) The maximum number of new shares of the Company, which may be available under the ESOS shall not exceed in aggregate 15% of the total issued and paid-up capital of the Company at any one time during the existence of the ESOS.

21. RESERVES (cont'd)

Note 21.4 (cont'd)

ESOS (cont'd)

(b) The ESOS will be made available for participation by eligible executives of the Group who meet the following criteria on the Date of Offer:

- has attained the age of at least 18 years old;
- who is confirmed in service in a company within the Group;
- who has at least 6 months of continuous service within the Group; and/or
- be under such categories and criteria that the Option Committee may decide at its absolute discretion from time to time.

Notwithstanding the above, the eligibility and number of options to be offered to an eligible executive under the scheme shall be at the sole and absolute discretion of the Option Committee and the decision of the Option Committee shall be final and binding.

(c) The maximum number of new shares of the Company that may be offered under the ESOS and allotted to an eligible executive shall be at the sole and absolute discretion of the Option Committee after taking into consideration, amongst others, the position and length of service of the eligible executive and such other factors that the Option Committee may deem relevant, subject to any adjustments under the provisions of the By-Laws and the conditions of not more than 50% of the proposed allocation of the options under the ESOS to be allocated to the Executive Directors and senior management of the Group; and not more than 10% of the proposed allocation of the options under the scheme to be allocated to any eligible executive either singly or collectively through persons connected, holds 20% or more of issued and paid-up capital of the Company, provided always that it is in accordance with any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time. There are no performance targets which are required to be met before the options granted under the ESOS can be exercised by the eligible executives, unless otherwise stated in the offer.

(d) The ESOS shall be in force for a period of 5 years from 1 April 2010 and may be extended or renewed (as the case may be), at the sole and absolute discretion of the Board of Directors of the Company upon the recommendation by the Option Committee, provided always that the initial ESOS period stipulated above and such extension of the ESOS made pursuant to the By-Laws shall not in aggregate exceed a duration of 10 years from 1 April 2010.

21. RESERVES (cont'd)

Note 21.4 (cont'd)

ESOS (cont'd)

(e) The option price payable for each new share of the Company upon exercise of the options shall be the higher of the following:

  (i) the 5-day weighted average market price of the Company's shares at the time the options are offered, with a discount of not more than 10%; or

  (ii) the par value of the Company's shares.

The price payable for each new share of the Company upon exercise of the options may however be subject to adjustments under the provisions of the By-Laws.

(f) The options granted may be exercised in the following manner:

Year 1	Year 2	Year 3	Year 4	Year 5
20%	20%	20%	20%	20%

Options exercisable in a particular year but not exercised can be carried forward to the subsequent years provided that no options shall be exercised beyond the date of expiry of the ESOS.

The movement in the Company's unissued shares under options during the financial year are as follows:

			<------------- Number of share options ------------>			
Grant date	Expiry date	Exercise price	At beginning of the year	Granted	Exercised	At end of the year
		RM	'000	'000	'000	'000
10.5.2010	31.3.2015	4.50	5,816.8	-	(1,256.1)	4,560.7
15.9.2010	31.3.2015	4.39	326.1	-	(64.9)	261.2
21.12.2010	31.3.2015	4.47	637.2	-	(122.1)	515.1
18.3.2011	31.3.2015	4.98	361.7	-	(35.1)	326.6
10.6.2011	31.3.2015	4.93	-	303.6	(53.2)	250.4
15.8.2011	31.3.2015	4.89	-	101.2	-	101.2
9.11.2011	31.3.2015	4.90	-	551.1	-	551.1
			7,141.8	955.9	(1,531.4)	6,566.3

As at 31 March 2012, the total number of exercisable options was 1,473,285 (2011: 1,122,360). The weighted average remaining contractual life for these options is 3 years (2011: 4 years).

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

21. RESERVES (cont'd)

Note 21.4 (cont'd)

ESOS (cont'd)

As disclosed in Note 20, options exercised during the financial year resulted in the issuance of 1,531,400 (2011: 89,200) ordinary shares at an exercise price ranging from RM4.39 to RM4.98 (2011: RM4.50) each and the weighted average share price at the date of exercise was ranging from RM5.45 to RM8.36 (2011: RM5.76) each.

The fair value of ESOS granted during the financial year was estimated using the Trinomial model, taking into account the terms and conditions upon which the ESOS were granted. The fair value of ESOS measured at grant date and the assumptions used are as follows:

	2012	2011
Weighted average fair value of ESOS (RM)	1.54	1.61
Weighted average share price (RM)	5.45	5.02
Weighted average exercise price (RM)	4.91	4.52
Expected volatility (%)	27.51 - 42.74	28.53 - 44.65
Expected life (years)	3 - 4	4 - 5
Risk free rate (%)	3.32 - 3.77	3.55 - 3.85
Expected dividend yield (%)	2.99 - 4.08	1.96 - 3.05

The expected volatility was based on assumptions that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. No other features of the ESOS grant were incorporated into the measurement of fair value.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

22. LOANS AND BORROWINGS

Group	Effective Interest Rate per annum	Short Term Borrowings within 1 Year	<---------------------------- Long Term Borrowings ------------------------------> 1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	After 5 Years	Sub Total	Total
		RM	RM	RM	RM	RM	RM	RM	RM
2012									
Secured									
Fixed rate instruments									
Term loans									
- United States Dollar	2.16% - 6.76%	4,512,442	2,650,752	2,650,752	1,264,016	-	-	6,565,520	11,077,962
- RM	6.50% - 8.00%	8,043,333	4,956,725	136,270	147,581	159,830	102,997	5,503,403	13,546,736
Finance lease payables									
- United States Dollar	4.87% - 19.09%	22,733	1,970	-	-	-	-	1,970	24,703
		12,578,508	7,609,447	2,787,022	1,411,597	159,830	102,997	12,070,893	24,649,401
2011									
Secured									
Fixed rate instruments									
Term loans									
- United States Dollar	2.16% - 6.76%	6,971,070	4,450,521	2,614,378	2,614,378	1,246,671	-	10,925,948	17,897,018
- RM	6.50% - 8.00%	7,531,237	8,055,940	4,902,620	136,503	147,833	259,536	13,502,432	21,033,669
Finance lease payables									
- United States Dollar	4.87% - 19.09%	23,709	22,554	-	-	-	-	22,554	46,263
		14,526,016	12,529,015	7,516,998	2,750,881	1,394,504	259,536	24,450,934	38,976,950

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

22. LOANS AND BORROWINGS (cont'd)

Present value of finance lease payables is as follows:

	Group	
	2012 RM	2011 RM
Minimum lease payments	25,723	49,598
Less: Future finance charges	(1,020)	(3,335)
Present value of minimum lease payments	24,703	46,263
Current liabilities		
Payable within one year		
Minimum lease payments	23,741	26,182
Less: Future finance charges	(1,008)	(2,473)
Present value of minimum lease payments	22,733	23,709
Non-current liabilities		
Payable after one year but not later than five years		
Minimum lease payments	1,982	23,416
Less: Future finance charges	(12)	(862)
Present value of minimum lease payments	1,970	22,554
Total present value of minimum lease payments	24,703	46,263

The term loans of the Group are secured and supported by:

(i) legal charges over a subsidiary's freehold land and buildings (Note 8);

(ii) specific debenture over a subsidiary's plant and machinery (Note 8); and

(iii) corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

23. TRADE AND OTHER PAYABLES

		Group		Company	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
Trade					
Trade payables	23.1	29,501,626	34,386,497	-	-
Non-trade					
Other payables	23.2	16,455,844	9,188,549	1,299,113	-
Advances from customers	23.3	1,132,247	1,504,209	-	-
Accruals		13,337,582	12,086,900	297,000	302,752
		30,925,673	22,779,658	1,596,113	302,752
		60,427,299	57,166,155	1,596,113	302,752

Note 23.1

The normal trade credit terms granted to the Group range from 30 to 60 days.

The foreign currency exposure of trade payables is as follows:

	Group	
	2012	2011
	RM	RM
United States Dollar	15,834,988	20,153,958

Note 23.2

Included in other payables of the Group is an amount of RM5,780,993 (2011: RM1,562,071) in respect of balance outstanding owing to a contractor for the construction and set up of new production plant and machinery.

Included in other payables of the Group and of the Company is an amount of RM1,299,113 (2011: RM nil) being subscription monies received from the option holders on exercise of ESOS pending issuance of new shares.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

23. TRADE AND OTHER PAYABLES (cont'd)

Note 23.2 (cont'd)

The foreign currency exposure of other payables is as follows:

	Group	
	2012	2011
	RM	RM
United States Dollar	1,077,972	319,168

Note 23.3

Advances from customers relate to advances for sales order received from customers.

24. DIVIDENDS

	Group/Company	
	2012	2011
	RM	RM
Third interim single tier exempt dividend of 6 sen per share in respect of the year ended 31 March 2011	21,813,432	-
Final single tier exempt dividend of 6 sen per share in respect of the year ended 31 March 2011	21,827,808	-
First interim single tier exempt dividend of 6 sen per share in respect of the year ended 31 March 2012	21,843,384	-
Second interim single tier exempt dividend of 6 sen per share in respect of the year ended 31 March 2012	21,905,316	-
Balance carried down	87,389,940	-

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

24. DIVIDENDS (cont'd)

	Group/Company	
	2012 RM	2011 RM
Balance brought down	87,389,940	-
Third interim single tier exempt dividend of 5 sen per share in respect of the year ended 31 March 2010	-	12,115,600
Final single tier exempt dividend of 5 sen per share in respect of the year ended 31 March 2010	-	12,115,600
First interim single tier exempt dividend of 4 sen per share in respect of the year ended 31 March 2011	-	14,538,720
Second interim single tier exempt dividend of 5 sen per share in respect of the year ended 31 March 2011	-	18,176,885
	87,389,940	56,946,805

On 8 May 2012, the Directors declared a third interim single tier exempt dividend in respect of the financial year ended 31 March 2012 of 6 sen per share amounting to RM21,933,180.

In addition, the Directors have also recommended a final single tier exempt dividend in respect of the year ended 31 March 2012 of 3.5 sen per share amounting to RM25,588,710 based on the number of outstanding ordinary shares in issue as at the date of this report, if approved at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect the third interim dividend and final dividend. The third interim dividend and final dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2013.

25. CAPITAL COMMITMENT

In respect of acquisition of property, plant and equipment:

	Group	
	2012 RM	2011 RM
Approved and contracted for	119,116,754	10,064,214
Approved but not contracted for	48,625,267	-

26. RELATED PARTY DISCLOSURES

(a) Identity of related parties

Parties are considered to be related to the Group and to the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence.

The Group and the Company have a related party relationship with the holding company, subsidiaries, key management personnel and Director related companies.

(b) Related party transactions and balances

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Received and receivable from subsidiary:				
- Dividend	-	-	265,025,749	60,532,508
Paid to Director related companies:				
- Share registry services *	21,835	34,446	21,835	34,446
- Public relations and advertising services #	86,615	137,916	86,615	137,916

* companies in which a Director, Mr. Abdul Hamid bin Sh Mohamed, is also a Director.

\# a company in which the Director, Mr. Abdul Hamid bin Sh Mohamed, also has substantial financial interests.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

26. RELATED PARTY DISCLOSURES (cont'd)

(c) Compensation of key management personnel

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any Director of the Group.

The compensation of the key management personnel are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Directors' fees	423,000	379,000	279,000	235,000
Short term employee benefits	4,467,604	4,074,341	25,750	19,750
Share-based payment granted under EES	4,286	10,000	4,286	10,000
Post-employment benefits	439,505	433,459	-	-
Estimated monetary value of benefits-in-kind	100,400	98,296	-	-
	5,434,795	4,995,096	309,036	264,750

27. SEGMENT INFORMATION

The Group's business mainly comprises the manufacturing and sale of latex gloves. The Group's manufacturing activities are operated solely in Malaysia whilst its revenue are mainly earned 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 as all information required has been disclosed in the financial statements.

Information about geographical areas

Revenue information based on the geographical location of customers is as follows:

	Group	
	2012 RM	2011 RM
North America	486,358,312	512,609,919
Europe	282,701,965	118,866,785
Asia (excluding Malaysia)	101,528,675	50,248,398
Australia	29,090,402	23,846,254
Malaysia	21,039,018	18,100,532
South America	10,346,332	11,249,006
	931,064,704	734,920,894

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

27. SEGMENT INFORMATION (cont'd)

Non-current assets which do not include financial instruments and deferred tax assets analysed by geographical location of the assets are as follows:

	Group	
	2012 RM	2011 RM
Malaysia	379,713,491	348,562,693
North America	43,190	88,344
Australia	22,434	32,356
China	6,348	-
	379,785,463	348,683,393

Information about major customers

The following are major customers with revenue equal or more than 10% of Group revenue:

	Group		
	2012 RM	2011 RM	Geographical location
Customer A	226,181,292	293,473,284	North America
Customer B	-	88,462,259	North America

28. CONTINGENT LIABILITIES (UNSECURED)

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

28. CONTINGENT LIABILITIES (UNSECURED) (cont'd)

(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"). (cont'd)

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 Malaysian 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 secerally;
(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 judgement 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 (118 Patent) entitled "Conveyor System for Use in Dipping Process" is valid;
(iii) the Plaintiffs' double former conveyor system does not infringe the Defendents' 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. With regards to any issue of costs, it has not been quantified as yet.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

28. CONTINGENT LIABILITIES (UNSECURED) (cont'd)

(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 the Company 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 the 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 1st, 2nd and 3rd Defendants' Re-Amended Defence on 29 June 2012. As for the status of the discovery application, the High Court has set the application for hearing on 6 August 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 in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

29. SIGNIFICANT EVENTS

(a) On 26 May 2011, Hartalega Sdn Bhd, a wholly-owned subsidiary of the Company, subscribed for 70% of the registered capital of Yancheng Pharmatex Medical Equipment Co Ltd ("Yancheng Pharmatex"), a company incorporated in People's of Republic of China, for a total consideration of 700,000 Chinese Renminbi (equivalent to RM322,714). Consequently, Yancheng Pharmatex became an indirect subsidiary of the Company.

(b) On 22 February 2012, the Company proposed to undertake the following:

(i) a bonus issue of up to 371,654,940 ordinary shares of RM0.50 each held in the Company ("Shares") ("Bonus Shares") on the basis of one (1) Bonus Share for every one (1) existing Share held in the Company on a date to be determined and announced later ("Entitlement Date") ("Proposed Bonus Issue");

(ii) a free warrants issue of up to 74,330,988 free warrants ("Free Warrants") ("Proposed Free Warrants Issue") on the basis of one (1) Free Warrant for every five (5) existing Shares held on the same Entitlement Date as the proposed Bonus Issue; and

(iii) proposed increase in authorised share capital of HHB from RM250,000,000 comprising 500,000,000 Shares to RM750,000,000 comprising 1,500,000,000 Shares ("Proposed Increase in Authorised Share Capital").

The transactions were completed on 29 May 2012 and 5 June 2012 with the listing of the Bonus Shares and Free Warrants respectively. Upon completion, the number of Bonus Shares and Free Warrants listed and quoted on the Bursa Malaysia Securities Berhad were 365,553,000 and 73,110,600 respectively.

(c) On 29 March 2012, the Company incorporated a wholly-owned subsidiary, Hartalega NGC Sdn Bhd ("HNGC"). The authorised share capital of HNGC is RM500,000,000 divided into 500,000,000 ordinary shares of RM1 each with an issued and paid-up share capital of RM10,000,000 divided into 10,000,000 ordinary shares of RM1 each.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Group's risk management seeks to minimise the potential adverse effects from the exposures to variety of risks in the normal course of business.

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are discussed below.

(a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's and the Company's exposure to credit risk arises mainly from its receivables and the maximum risk associated with the recognised financial assets is the carrying amounts as presented in the Statements of Financial Position and corporate guarantee provided by the Company to banks on a subsidiary's term loans.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's net trade receivables at the reporting date are as follows:

	Group			
	2012 RM	2011 % of total	2012 RM	2011 % of total
By country:				
United States of America	58,567,068	54.40	68,378,649	71.42
Germany	22,299,693	20.71	15,030,290	15.70
Australia	3,967,499	3.69	4,355,128	4.54
Canada	15,130,321	14.05	2,898,280	3.03
Japan	910,818	0.85	2,382,166	2.49
Brazil	2,024,817	1.88	1,556,826	1.63
Others	4,757,960	4.42	1,144,996	1.19
	107,658,176	100.00	95,746,335	100.00

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit Risk (cont'd)

Credit risk concentration profile (cont'd)

At the reporting date, approximately 42.20% (2011: 50.89%) of the Group's trade receivables was due from two (2011: two) major customers. Trade receivable balances from those major customers amounted to RM45,436,836 (2011: RM48,727,617) of which RM27,612,000 (2011: RM27,233,100) are secured by standby Letter of Credit from customers.

Financial guarantee

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary.

The Company monitors on an ongoing basis the repayments made by the subsidiary and its financial performance.

The maximum exposure to credit risk amounts to RM24,624,698 (2011: RM38,930,687) representing the outstanding term loans of a subsidiary guaranteed by the Company at the reporting date. At the reporting date, there was no indication that the subsidiary would default on its repayment.

The financial guarantee has not been recognised at fair value on initial recognition as the amount was immaterial since the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiary's borrowings in view of the security pledged by the subsidiary and it is unlikely the subsidiary will default in repayment within the guarantee period.

(b) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment of obligations.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity Risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Over 5 years RM
2012						
Group						
Financial liabilities:						
Trade payables	29,501,626	29,501,626	29,501,626	-	-	-
Other payables and accruals	30,925,673	30,925,673	30,925,673	-	-	-
Finance lease payables	24,703	25,723	23,741	1,982	-	-
Other borrowings	24,624,698	25,889,959	13,409,835	7,870,111	4,504,178	105,835
	85,076,700	86,342,981	73,860,875	7,872,093	4,504,178	105,835
Company						
Financial liabilities:						
Other payables and accruals	1,596,113	1,596,113	1,596,113	-	-	-
2011						
Group						
Financial liabilities:						
Trade payables	34,386,497	34,386,497	34,386,497	-	-	-
Other payables and accruals	22,779,658	22,779,658	22,779,658	-	-	-
Finance lease payables	46,263	49,598	26,182	23,416	-	-
Other borrowings	38,930,687	41,881,228	16,190,161	13,352,353	12,061,532	277,182
	96,143,105	99,096,981	73,382,498	13,375,769	12,061,532	277,182
Company						
Financial liabilities:						
Other payables and accruals	302,752	302,752	302,752	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity Risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Company's derivative financial liabilities at the reporting date based on contractual undiscounted repayment obligations. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

	Carrying amount RM	Contractual cash flows RM	Less than 1 month RM	1-7 months RM
Group				
2012				
Financial liabilities				
Net settled:				
Forward foreign currency contracts	(765,000)	(765,000)	(102,400)	(662,600)

(c) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk when the currency denomination differs from its functional currency.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily Ringgit Malaysia ("RM"), United States Dollar ("USD") and Australian Dollar ("AUD"). The foreign currency in which these transactions are denominated is mainly USD.

The Group also holds cash and cash equivalents denominated in USD for working capital purposes and have term loans denominated in USD.

Forward foreign currency contracts are used by the Group to reduce exposure to fluctuations in foreign currency risk. In addition, the Group holds cash and cash equivalents denominated in USD to pay its foreign purchases as a natural hedge against fluctuations in foreign currency risk.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investment in United States of America, Australia and People's Republic of China are not hedged as currency positions in USD, AUD and RMB are considered to be long-term in nature.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Foreign Currency Risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit for the year to a reasonably possible change in the USD exchange rate against RM, with all other variables held constant.

		Group	
		2012 RM	2011 RM
		Profit for the year	Profit for the year
USD/RM	- strengthened 5%	4,293,484	2,507,770
	- weakened 5%	(4,293,484)	(2,507,770)

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from deposits placed with licensed banks, fixed income fund and borrowings. The deposits placed with licensed banks at fixed rate expose the Group to fair value interest rate risk whilst fixed income fund at variable rate expose the Group to cash flow interest rate risk.

Borrowings and finance lease payables at fixed rate amounting to RM24,649,401 (2011: RM38,976,950) expose the Group to fair value interest rate risk.

The Group manages its interest rate risk exposure by reviewing its debts portfolio to ensure favourable rates are obtained.

The Group does not have any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in the interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for interest rate risk

The Group believes that no reasonably possible changes in the risk variable could affect the results of the Group materially as the Group's external borrowings are of which the interest rate is fixed at inception.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012 (CONT'D)

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

The methods and assumptions used to estimate the fair value of the following classes of financial assets and liabilities are as follows:

(a) Cash and cash equivalents, trade and other receivables and payables

The carrying amounts of cash and cash equivalents, trade and other receivables and payables are reasonable approximation of fair values due to the short term nature of these financial instruments.

(b) Other investments

The fair value of investment in golf club memberships is determined by reference to the membership fee of similar instrument at the reporting date.

(c) Derivative financial instruments

Forward currency contracts are valued using a valuation technique with market observation inputs. The fair value of the forward foreign currency contracts is determined by reference to discounting the difference between the contracted rate and the current forward price at the reporting date for the residual maturity of the contracts using risk-free interest rate (based on government bonds).

(d) Borrowings

The fair value of fixed rate term loans and finance lease payables is estimated using discounted cash flow analysis, based on current lending rate for similar types of borrowing arrangements.

The carrying amounts of financial assets and liabilities recognised in the Statements of Financial Position approximate their fair values except for the following:

	Group			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM	RM	RM	RM
Financial Liabilities				
Finance lease payables	24,703	26,617	46,263	43,788
Fixed rate term loans	24,624,698	24,410,389	38,930,687	38,493,072

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

32. FAIR VALUE HIERARCHY

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 March 2012, the Group held the following financial instruments carried at fair values on the statements of financial position:

Assets/(Liabilities) measured at fair value

	Group			
	31.3.2012 RM	Level 1 RM	Level 2 RM	Level 3 RM
2012				
Available-for-sale financial assets				
- transferable golf club membership	360,000	-	360,000	-
Derivative financial instruments				
- foreign currency forward contracts	(765,000)	-	(765,000)	-

During the financial year ended 31 March 2012, there was no transfer between fair value measurement hierarchy.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2012 (CONT'D)

33. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group's capital includes its shareholders' funds and interest-bearing borrowings. The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. On 18 August 2011, the Board of Directors has announced a policy to distribute a minimum 45% of the Group annual net profit to its shareholders effective from the financial year ending 31 March 2012.

No changes were made in the objectives, policies and processes since the financial year ended 31 March 2011.

The total capital managed by the Group which comprises shareholders' equity, amounted to RM619,503,014 (2010: RM494,443,714) as at 31 March 2011.

The Group is not subject to any externally imposed capital requirements.

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFIT OR LOSS

The following analysis of realised and unrealised retained earnings of the Group and of the Company is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

The retained earnings of the Group and of the Company as at the reporting date is analysed as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained earnings of the Company and its subsidiaries				
- realised	555,027,268	437,615,536	187,246,973	8,378,727
- unrealised	(39,905,074)	(34,960,568)	-	-
	515,122,194	402,654,968	187,246,973	8,378,727
Less: Consolidation adjustments	(93,841,465)	(95,480,234)	-	-
Total retained earnings	421,280,729	307,174,734	187,246,973	8,378,727

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purpose.

ADDITIONAL COMPLIANCE INFORMATION

A. Related Party Transactions

A list of the significant related party transactions between the Company and its subsidiaries, and between the Group and other related parties including relevant Key Management personnel for the financial year ended 31 March 2012 is set out on page 119 of the Annual Report.

B. Share Buy-back

During the financial year, the Company had not purchased any of its own shares.

C. Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year.

D. Non-Audit Fees Paid/Payable

The amount of non-audit fees paid/payable to the external auditor in respect of the financial year amount to RM22,100 (2010:RM11,000).

E. Variation in Result

There was no profit forecast announced by the Group for the financial year.

F. Profit Guarantees

There was no profit guarantee given by the Group for the financial year.

G. Revaluation of Landed Properties

The Company does not have a revaluation policy on its landed properties.

H. Options, Warrants or Convertible Derivatives

The Company did not issue any options, warrants or convertible securities during the financial year.

I. American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”)

During the financial year, the Company sponsored an ADR programme managed by Bank of New York Mellon Corporation and our shares were listed as ADR on a 10 to 1 bundled ratio on 27 June 2012.

J. Material Contracts

During the year, there were no material contracts entered into by the Company and its subsidiaries which involved Directors’ and major shareholders’ interests.

K. Contracts Relating Loan

There were no contracts relating to loan by the Company and its subsidiaries in respect of item J.

LIST OF PROPERTIES AS AT 31 MARCH 2012

Location Address	Existing Use	Approximate Age of Building	Tenure	Date of Acquisition	Area (m²)	NBV (RM)
No.7, Kawasan Perusahaan Suria 45600 Bestari Jaya Selangor Darul Ehsan	Factory and office building	Between 1 to 18 years	Freehold	1995 to 2012	126,406 (build-up area)	77,180,311
GRN 193487, Lot 4864 Mukim Batang Berjuntai Daerah Kuala Selangor Selangor Darul Ehsan	Industrial land	N/A	Freehold	1993	43,158	4,901,383
H.S.(D) 276179, P.T. No. 7320 Mukim Batang Berjuntai Daerah Kuala Selangor Selangor Darul Ehsan	Industrial land	N/A	Freehold	2006 to 2007	57,987	10,031,396
GRN 284673, Lot 3396 Mukim Batang Berjuntai Daerah Kuala Selangor Selangor Darul Ehsan	Industrial land	N/A	Freehold	2010	20,662	3,888,522
GRN 284674, Lot 3397 Mukim Batang Berjuntai Daerah Kuala Selangor Selangor Darul Ehsan	Industrial land	N/A	Freehold	2011	24,558	7,758,855
H.S.(D) 1742, P.T. No. 2965 Mukim Batang Berjuntai Daerah Kuala Selangor Selangor Darul Ehsan	Vacant land	N/A	Leasehold expiring on 14 Mar 2090	1998	3,237	144,855
C-G-9, Jalan Dataran SD1 Dataran SD, PJU 9 Bandar Sri Damansara 52200 Kuala Lumpur	4-storey office buiding	5 years	Leasehold expiring on 27 Aug 2102	2007	410 (build-up area)	1,663,884
No.2A, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	8 years	Freehold	2009	143	193,009
No.6, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	8 years	Freehold	2009	144	193,312
No.8, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	8 years	Freehold	2009	145	193,626
No.10, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	8 years	Freehold	2009	146	193,941
No.12, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	8 years	Freehold	2010	147	198,523

ANALYSIS OF SHAREHOLDINGS AS AT 20 JUNE 2012

Authorised Share Capital	:	RM750,000,000
Issued and Paid Up Share Capital	:	RM365,553,000 comprising 731,106,000 ordinary shares
Class of Shares	:	Ordinary share of RM0.50 each
Voting Rights	:	One vote per ordinary share
Number of Shareholders	:	2580

SUBSTANTIAL SHAREHOLDERS

The following are the substantial shareholders of the Company according to the Register of Substantial Shareholders.

	Direct Interest		Indirect Interest	
Name of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Hartalega Industries Sdn Bhd	183,927,152	25.16	0	0
Kuan Kam Hon @ Kwan Kam Onn	0	0.00	202,074,152*	27.64
Kuan Kam Peng	0	0.00	183,927,152**	25.16

* Deemed interest through his shareholding in Hartalega Industries Sdn Bhd and Budi Tenggara Sdn Bhd by virtue of Section 6A of the Companies Act 1965.

** Deemed interest through his shareholding in Hartalega Industries Sdn Bhd by virtue of Section 6A of the Companies Act 1965.

DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Name of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Kuan Kam Hon @ Kwan Kam Onn	0	0.00	202,074,152*	27.64
Kuan Mun Leong	688,500	0.09	0	0
Kuan Mun Keng	687,000	0.09	0	0
Liew Ben Poh	450,000	0.06	6,000#	0
Dato' Mohamed Zakri bin Abdul Rashid	550,500	0.07	25,500#	0
Chuah Phaik Sim	817,500	0.11	2,175,000**	0.30
Dr Danaraj A/L Nadarajah	127,000	0.02	0	0
Dato' Tan Guan Cheong	20,000	0.00	0	0

* Deemed interest through his shareholding in Hartalega Industries Sdn Bhd by virtue of Section 6A of the Companies Act 1965.

** Deemed interest through her shareholding in Kinetic Region Sdn Bhd by virtue of Section 6A of the Companies Act 1965.

Shares held through spouse/children of the Director who herself/himself is not Director of the Company.

ANALYSIS OF SHAREHOLDINGS AS AT 20 JUNE 2012

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	No. of Shares	%
Less than 100	20	291	0.00
100 - 1,000	259	171,202	0.02
1,001 - 10,000	1,386	6,326,312	0.86
10,001 to 100,000	693	22,494,660	3.08
100,001 to 36,555,299(*)	221	334,259,231	45.72
36,555,300 and above(**)	1	367,854,304	50.32
	2,580	731,106,000	100.00

Remark: * Less than 5% of issued holdings
** 5% and above of issued holdings

ANALYSIS OF SHAREHOLDINGS AS AT 20 JUNE 2012

30 LARGEST SHAREHOLDERS AS AT 20 JUNE 2012

No.	Name of Shareholders	No. of Shares	%
1	Hartalega Industries Sdn Bhd	367,854,304	50.31
2	Budi Tenggara Sdn Bhd	36,294,000	4.96
3	Kelana Citra Sdn Bhd	30,459,000	4.17
4	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt AN for BNP Paribas Wealth Management Singapore Branch (Foreign)	27,890,836	3.81
5	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	26,308,700	3.60
6	Seow Hoon Hin	18,470,000	2.53
7	Jason Ten Jhia Seeng	15,510,326	2.12
8	HSBC Nominees (Asing) Sdn Bhd Exempt AN for BNP Paribas Wealth Management Singapore Branch (A/C Clients-FGN)	14,790,700	2.02
9	Tye Holdings Sdn Bhd	10,200,000	1.40
10	HSBC Nominees (Tempatan) Sdn Bhd Exempt AN for BNP Paribas Wealth Management Singapore Branch (Local)	8,747,636	1.20
11	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Chase Bank, National Association (USA)	8,242,360	1.13
12	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Chase Bank, National Association (UK)	7,587,362	1.04
13	RHB Nominees (Asing) Sdn Bhd Medline Industries Inc	6,013,000	0.82
14	AmanahRaya Trustees Berhad Public Islamic Equity Fund	5,579,400	0.76
15	Pacific Venue Sdn Bhd	4,991,400	0.68
16	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (Mellon Acct)	3,852,400	0.53
17	Kinetic Region Sdn Bhd	3,751,200	0.51
18	Kuan Eu Jin	3,430,500	0.47
19	AmanahRaya Trustees Berhad Public Islamic Optimal Growth Fund	3,306,800	0.45
20	AmInvestment Bank Berhad Exempt AN CLR for BNP Paribas Wealth Management Singapore Branch	2,950,000	0.40
21	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F Templeton)	2,778,300	0.38
22	Tan Booi Charn	2,600,000	0.36
23	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Namal (L) Ltd	2,500,000	0.34
24	Ngoh See Cheng	2,261,700	0.31
25	Lim Boon Kiong	2,198,400	0.30
26	HSBC Nominees (Asing) Sdn Bhd Seb Lux for Skandifond Fareast Global	2,100,000	0.29
27	Citigroup Nominees (Asing) Sdn Bhd CBNY for Old Westbury Global Small & Mid Cap Fund	1,820,900	0.25
28	Citigroup Nominees (Tempatan) Sdn Bhd ING Insurance Berhad (Inv-Il Par)	1,715,400	0.23
29	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Bank Luxembourg S.A.	1,653,600	0.23
30	Chuah Phaik Sim	1,635,000	0.22

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth (6th) Annual General Meeting of the Company will be held at the Banyan, Casuarina and Dillenia Room (Ground Floor), Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 14 August 2012, at 9.30 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESSES

1. To table the Audited Financial Statements for the year ended **31 March 2012** together with the Reports of the Directors and Auditors thereon. **(Please refer to Note A)**

2. To approve the payment of a final dividend of 3.5 sen per share single tier for the financial year ended **31 March 2012**. **(Resolution 1)**

3. To approve the payment of Directors' Fees totalling RM279,000 for the financial year ended 31 March 2012.
(Resolution 2)

4. (i) To re-elect the following Directors retiring in accordance with Article 91 of the Articles of Association of the Company:
    - (a) Mr Kuan Mun Leong **(Resolution 3)**
    - (b) Mr Liew Ben Poh **(Resolution 4)**

   (ii) To re-elect the following Director retiring in accordance with Article 96 of the Articles of Association of the Company:
    - (a) Dato' Tan Guan Cheong **(Resolution 5)**

5. To re-appoint Messrs Moore Stephens AC as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESSES

To consider and if thought fit, to pass with or without any modifications, the following as Ordinary Resolutions:

6. **ORDINARY RESOLUTION - AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT 1965**

   "THAT subject to the Companies Act 1965, the Articles of Association of the Company and the approvals of the Securities Commission, Bursa Malaysia Securities Berhad and other relevant governmental and/or regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised and empowered pursuant to Section 132D of the Companies Act 1965 to allot and issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued share capital of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval for the listing and quotation of the additional shares so issued on the Bursa Malaysia Securities Berhad and THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

7. **ORDINARY RESOLUTION - PROPOSED RENEWAL OF AUTHORITY FOR PURCHASE OF OWN SHARES BY THE COMPANY**

"THAT subject always to the provisions of the Companies Act 1965 ("Act"), the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant statutory and/or regulatory requirements, the Company be authorised, to the fullest extent permitted by law, to buy-back such amount of Shares in the Company as may be determined by the Directors of the Company from time to time, through Bursa Securities, upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company, provided that:

(i) the aggregate number of Shares bought-back does not exceed 10% of the total issued and paid-up ordinary share capital of the Company at any time;
(ii) the maximum amount of funds to be allocated for the Shares buy-back shall not exceed the Company's audited retained earnings and/or share premium account at any point in time;
(iii) the Shares purchased shall be treated in the following manner:
    (a) the purchased Shares shall be cancelled; or
    (b) the purchased Shares shall be retained as treasury shares for distribution as dividend to the shareholders and/or resale on Bursa Securities in accordance with the relevant rules of Bursa Securities and/or cancellation subsequently; or
    (c) part of the purchased Shares shall be retained as treasury shares and the remainder shall be cancelled; or
    (d) in such other manner as Bursa Securities and other relevant authorities may allow from time to time; or
    (e) any combination of (a), (b), (c) and (d) above.

AND THAT the authority conferred by this resolution shall commence upon the passing of this resolution until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed, at which time the authority will lapse unless renewed by ordinary resolution, either unconditionally or subject to conditions; or
(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
(iii) revoked or varied by resolution passed by the Company in general meeting;

whichever occurs first.

AND FURTHER THAT authority be and is hereby given to the Directors of the Company to take all such steps as may be necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities (Central Depository) Industry Act 1991, and the entering into and execution of all agreements, arrangements and guarantees with any party or parties) to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the Shares bought-back) in accordance with the provisions of the Act, the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Securities and all other relevant statutory and/or regulatory requirements."

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a final dividend of 3.5 sen per share single tier for the financial year ended 31 March 2012, if approved, will be paid on 18 September 2012 to depositors registered in the Record of Depositors at the close of business on 5 September 2012.

A depositor shall qualify for the dividend in respect of:

a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on on 5 September 2012 in respect of ordinary transfers; and
b) Shares bought on the Bursa Malaysia on a cum entitlement basis according to the Rules of Bursa Malaysia.

By Order of the Board

WONG MAW CHUAN (MIA 7413)
LEE SEET MEI (MAICSA 7007527)
Company Secretaries

Kuala Lumpur
20 July 2012

Notes:

(A) The Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this agenda item is not put forward for voting.
(1) A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies, (but not exceeding two (2) proxies), to attend and vote in his stead.
(2) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
(3) A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.
(4) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
(5) Where the Form of Proxy is executed by a corporation, it must be executed under its seal or under the hand of its attorney.
(6) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must, to be valid, be deposited at the office of the Company's Registrars, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.
(7) Only a depositor whose name appears on the Record of Depositors as at 8 August 2012 shall be entitled to attend the said meeting and to appoint a proxy or proxies to attend, speak and/or vote on his/her behalf.

Explanatory notes on Special Business:

(8) Resolution 7
Ordinary Resolution - Authority to allot and issue shares pursuant to Section 132D of the Companies Act 1965
The proposed Ordinary Resolution 7 is a renewable mandate for the issue of shares under Section 132D of the Companies Act 1965. If passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares (other than bonus or rights issue) and for such purposes as they consider would be in the best interests of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.
The general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to the placing of shares, funding future investment(s), acquisition(s) and working capital and thereby reducing administrative time and cost associated with the convening of such meeting(s). No shares has been issued and allotted by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting held on 18 August 2011 pursuant to this authority.

(9) Resolution 8
Ordinary Resolution - Proposed Renewal of Authority for Purchase of Own Shares by the Company
The proposed Ordinary Resolution 8 if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share of the Company. This authority unless revoked or varied by the Company at a General Meeting will expire at the next Annual General Meeting.
Further information on the Proposed Renewal of Authority for Purchase of Own Shares by the Company is set out in the Share Buy-Back Statements to Shareholders of the Company which is despatched together with this Annual Report.

STATEMENT ACCOMPANYING THE NOTICE 0F ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

1. The Directors who are standing for re-election at the Annual General Meeting of the Company are as follows:-

(a)	Mr Kuan Mun Leong	(Article 91)	(Resolution 3)
(b)	Mr Liew Ben Poh	(Article 91)	(Resolution 4)
(c)	Dato' Tan Guan Cheong	(Article 96)	(Resolution 5)

2. The detailed profiles of the above Directors who are standing for re-election are set out in the Directors' Profile set out on page 12 to 17 of the Annual Report and their securities holdings in the Company are set out in the Analysis of Shareholdings on page 136 to 138.

3. Board Meetings held in the financial year ended 31 March 2012.

There were six (6) Board Meetings held during the financial year ended 31 March 2012. Details of the attendance of the Directors are as follows:

Directors	Attendance
Mr Kuan Kam Hon @ Kwan Kam Onn	6/6
Mr Kuan Mun Leong	5/6
Mr Kuan Mun Keng	6/6
Mr Liew Ben Poh	5/6
Dato' Mohamed Zakri bin Abdul Rashid	6/6
Encik Abdul Hamid bin Sh Mohamed*	4/5
Ms Chuah Phaik Sim	5/6
Dr Danaraj A/L Nadarajah	4/5
Dato' Tan Guan Cheong**	1/1

* Resigned wef 31/12/2011

** Appointed wef 31/12/2011

4. Place, Date and Time of Meeting

The Sixth (6th) Annual General Meeting of the Company will be held at the Banyan, Casuarina and Dillenia Room (Ground Floor), Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 14 August 2012, at 9.30 a.m.

PROXY FORM

Hartalega
Holdings Berhad (741883-X)

*I/We, ... NRIC / Company No. ....
(Full Name in Capital Letters)

of ....
(Address)

being a *member/members of **HARTALEGA HOLDINGS BERHAD**, hereby appoint ....

.... NRIC No. ....
(Full Name in Capital Letters)

of ....
(Address)

*and /or failing him/her, ... NRIC No. ....
(Full Name in Capital Letters)

of ....
(Address)

or failing *him/her/both, the Chairman of the Meeting as *my/our proxy to vote for* me/us on *my/our behalf at the **Sixth (6th) Annual General Meeting** of **Hartalega Holdings Berhad** to be held at the Banyan, Casuarina and Dillenia Room (Ground Floor), Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 14 August 2012, at 9.30 a.m. or at any adjournment thereof.

The proportion of *my/our holding to be represented by *my/our proxies are as follows :
(The next paragraph should be completed only when two proxies are appointed)

* First Proxy (1) ....%

* Second Proxy (2) ....%

Number of Shares Held :

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of a final dividend of 3.5 sen per share single tier.		
2.	To approve the payment of Directors' fees		
3.	To re-elect Mr Kuan Mun Leong as Director		
4.	To re-elect Mr Liew Ben Poh as Director		
5.	To re-elect Dato' Tan Guan Cheong as Director		
6.	To re-appoint Messrs Moore Stephens AC as Auditors and to authorise the Directors to fix their remuneration		
7.	To approve the Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act 1965.		
8.	To approve the Proposed Renewal of Authority for Purchase of Own Shares by the Company		

*(Please indicate with an (X) in the appropriate spaces provided above as to how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at *his/her discretion).*

Dated this ....day of 2012

....
*Signature(s)/Common Seal of Shareholder(s)

*Delete where inapplicable

Notes :-

(1) A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies, (but not exceeding two (2) proxies), to attend and vote in his stead.
(2) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
(3) A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.
(4) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
(5) Where the Form of Proxy is executed by a corporation, it must be executed under its seal or under the hand of its attorney.
(6) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must, to be valid, be deposited at the office of the Company's Registrars, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.
(7) Only a depositor whose name appears on the Record of Depositors as at 8 August 2012 shall be entitled to attend the said meeting and to appoint a proxy or proxies to attend, speak and/or vote on his/her behalf.

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Stamp

HARTALEGA HOLDINGS BERHAD (741883-X)
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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Hartalega
Holdings Berhad (741883-X)

www.hartalega.com.my

CORPORATE OFFICE

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Email: info@hartalega-kl.com.my

FACTORY

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