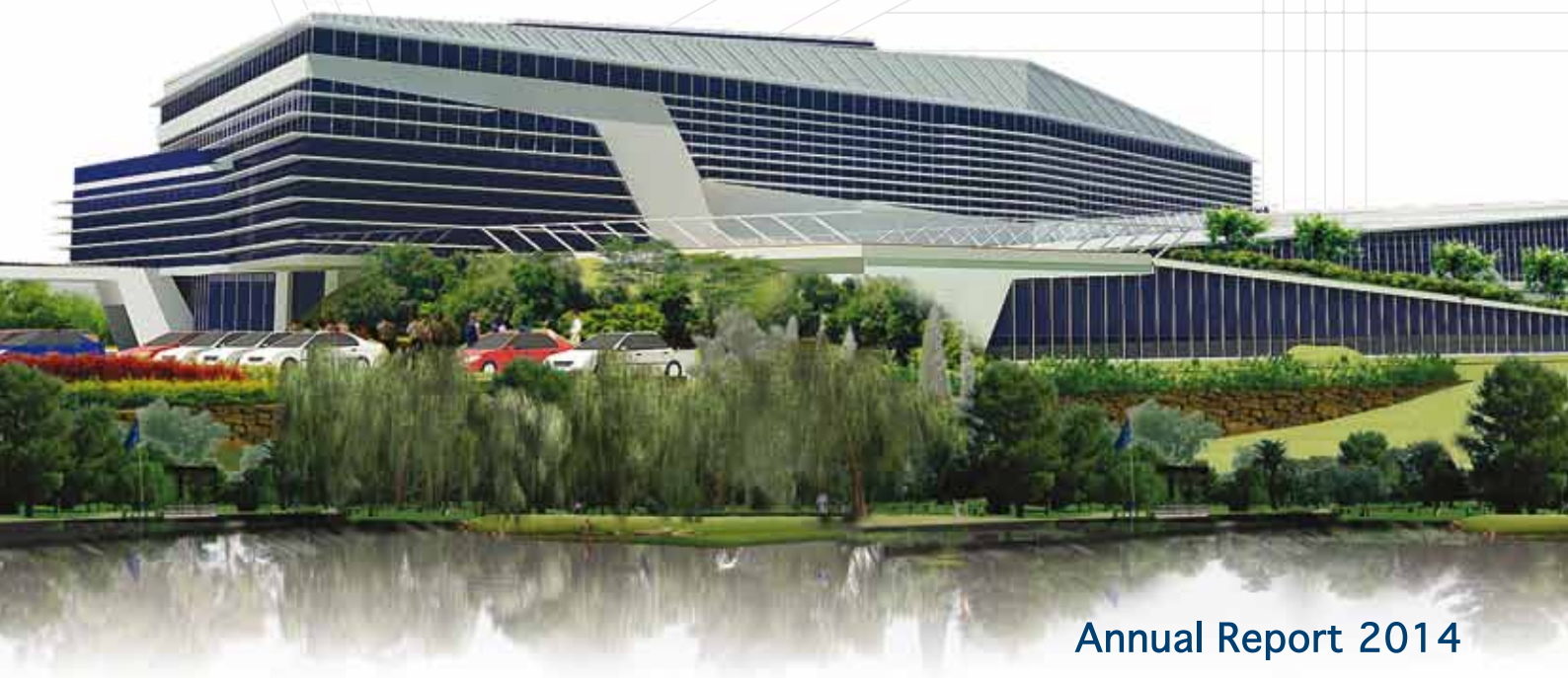
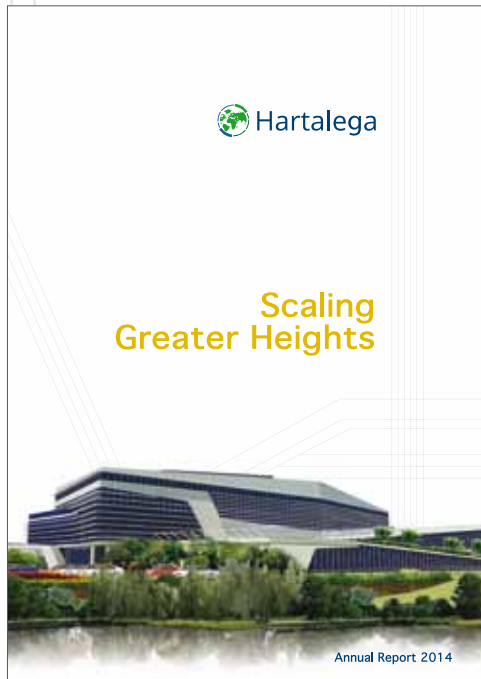




Scaling Greater Heights



Annual Report 2014



THE COVER

The theme of this year's report, "Scaling Greater Heights", emphasises Hartalega's drive towards excellence as we progress with our strategic expansion plans. The core of this is our latest phase of growth, the Next Generation Integrated Glove Manufacturing Complex (NGC), which is depicted in the artist's impression featured on the cover. The NGC will enable us to significantly scale up our capabilities across the board, from technological advancements and product innovation to implementing best practices and improving our talent pool. Also prominently showcased on the cover is Hartalega's new logo. The vibrant contemporary image of the globe represents Hartalega's growing global presence, leveraging on our passion for quality and innovation as we move forward.

CONTENTS

8th

Annual General Meeting

26 August 2014

Corporate & Management Overview

| | |
|-------------------------------------------|----|
| Industry Firsts | 2 |
| Awards & Recognition | 3 |
| The Hartalega Nitrile Glove Story | 4 |
| Financial Summary | 7 |
| Share Price Performance | 8 |
| Corporate Information | 9 |
| Media Milestones | 10 |
| Profile of Directors | 12 |
| Executive Chairman's Statement | 18 |
| Corporate Social Responsibility Statement | 28 |
| Calendar of Events | 32 |

Responsibility & Financials

| | |
|--------------------------------------------------------------|-----|
| Corporate Governance and Directors' Responsibility Statement | 34 |
| Audit Committee Report | 45 |
| Statement on Risk Management and Internal Control | 49 |
| Report and Financial Statements | 53 |
| Additional Compliance Information | 156 |
| List of Properties | 158 |
| Analysis of Shareholdings | 160 |
| Analysis of Warrants | 164 |
| Notice of Annual General Meeting | 168 |
| Statement Accompanying the Notice of Annual General Meeting | 172 |
| Proxy Form | 173 |

INDUSTRY FIRSTS

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 45,000 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



FinanceAsia Best Companies 2014 - Best Mid Cap Malaysia

Forbes Asia
Best Under A Billion List 2010, 2011, 2012 and 2013



The Edge Billion Ringgit Club Corporate Awards – Most Profitable Company (Industrial Products Sector) 2013

HR Asia Best Companies To Work For in Asia Awards 2013

Selangor Investors Appreciation Award 2013

Asiamoney Overall Best Managed Company in Malaysia 2012 (Mid Cap)



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



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



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



- 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

2002

- 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

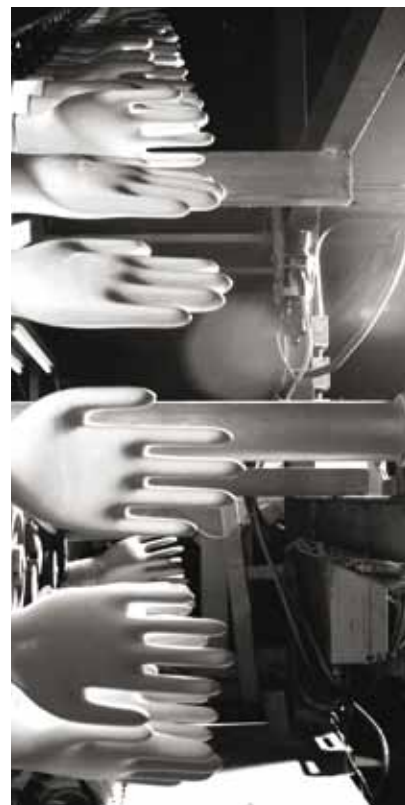
2003

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

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'



THE HARTALEGA NITRILE GLOVE STORY

- 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

2008



- Hartalega became the world's largest nitrile glove producer
- Natural rubber price reached a record RM9.83 and nitrile gloves became cheaper than natural rubber gloves

2010

2011

- Launched 3.2g soft nitrile gloves
- Nitrile sales increased 59 times over a period of seven years

2012

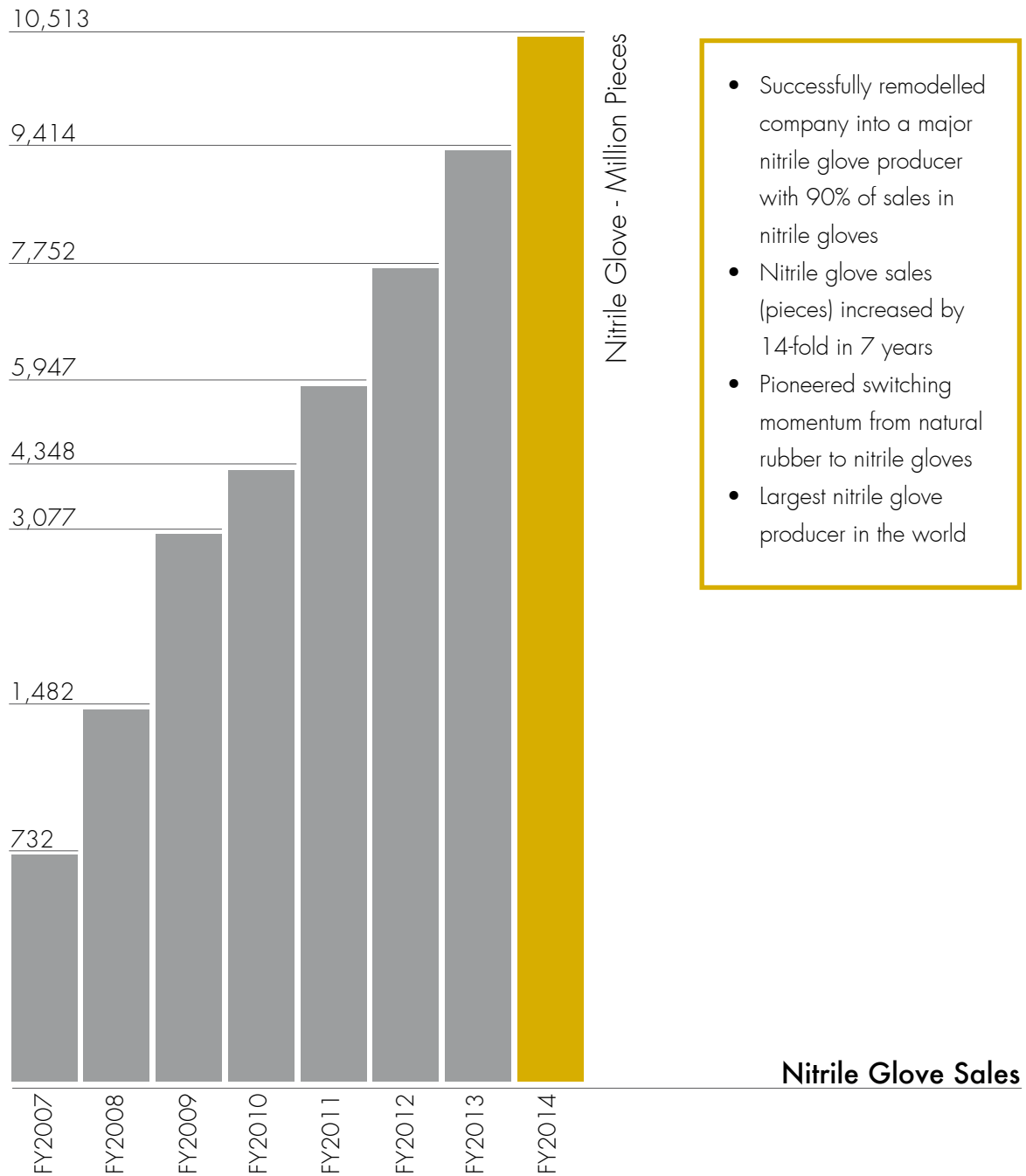
- Increased production line capacity to 45,000 pcs/hr of nitrile gloves, the fastest in the industry
- Strong switching momentum to nitrile gloves continued worldwide

2013

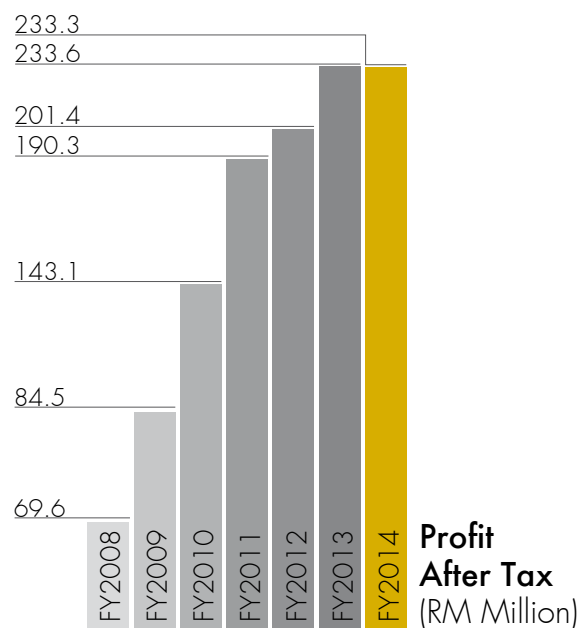
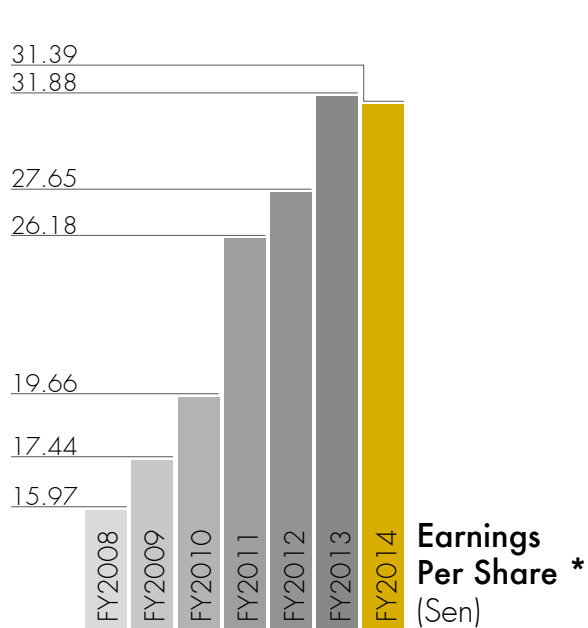
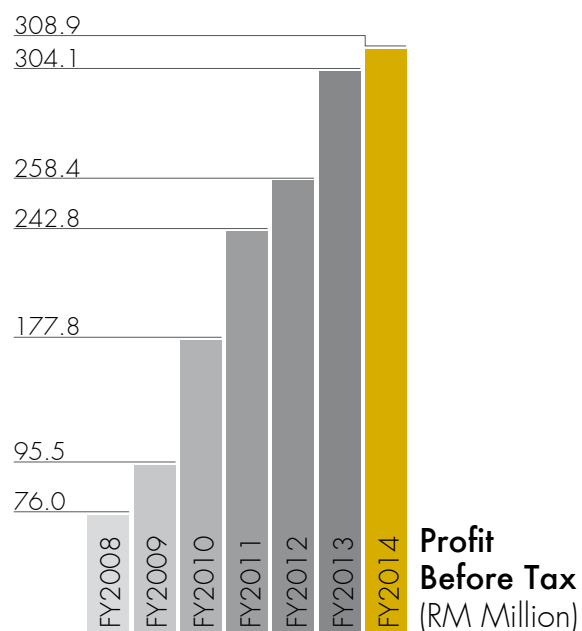
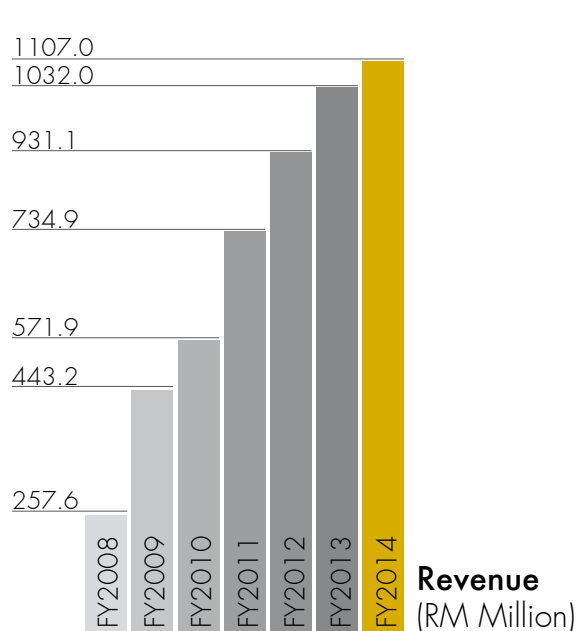
- 25th Anniversary Silver Jubilee Celebration of Hartalega
- Groundbreaking for the Next Generation Glove Manufacturing Complex
- Launched 2.7g nitrile glove
- Introduced patented glove coating technology, Colloidal Oatmeal Active Therapeutic System or COATS



THE HARTALEGA NITRILE GLOVE STORY



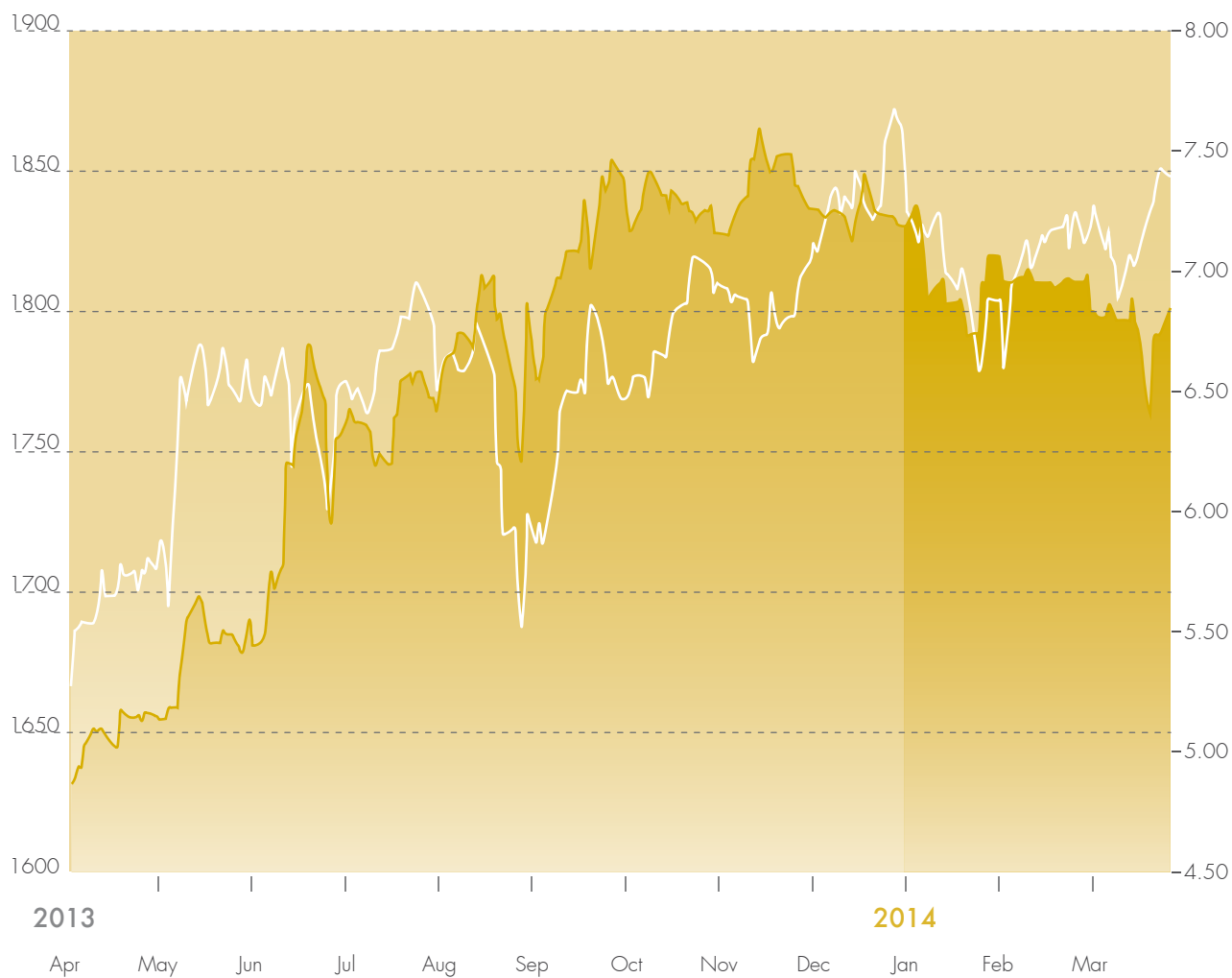
FINANCIAL SUMMARY



* Earnings Per Share figures restated following one-for-one bonus issue on 28 May 2012

SHARE PRICE PERFORMANCE

Price Movement



○ FTSE Bursa Malaysia KLCI

● Hartalega Holdings Berhad

CORPORATE INFORMATION

BOARD OF DIRECTORS

Kuan Kam Hon @ Kwan Kam Onn
Chuah Phaik Sim
Dato' Mohamed Zakri bin Abdul Rashid
Kuan Mun Keng
Kuan Mun Leong
Liew Ben Poh
Danaraj A/L Nadarajah
Dato' Tan Guan Cheong

Executive Chairman
Independent Non-Executive Director
Senior Independent Non-Executive Director
Non-Independent Executive Director
Managing Director
Independent Non-Executive Director
Non-Independent Executive Director
Independent Non-Executive Director

AUDIT COMMITTEE

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

Chairperson
Member
Member

FACTORY

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

REMUNERATION COMMITTEE

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

Chairman
Member
Member

PRINCIPAL BANKERS

Hong Leong Bank Berhad
Standard Chartered Bank Malaysia Berhad
CIMB Bank Berhad
Citibank Berhad
Ambank (M) Berhad

NOMINATION COMMITTEE

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

Chairman
Member
Member

AUDITORS

Deloitte & Touche (AF 0834)
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur

ESOS COMMITTEE

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

Chairman
Member
Member
Member

COMPANY SECRETARIES

Wong Maw Chuan (MIA 7413)
Wong Youn Kim (MAICSA 7018778)

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel: 603 2283 6050
Fax: 603 2283 6072

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.com.my

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
ADR United States: HRGHY



New Straits Times, 25 Jan 2014



The Edge Financial Daily, 22 Apr 2013



New Straits Times, 6 Jan 2014



New Straits Times, 14 Oct 2013



Sinar Harian, 13 Apr 2013



New Straits Times,
28 Aug 2013



Berita Harian,
13 Nov 2013



The Star,
5 Oct 2013



Sin Chew Jit Poh,
28 Aug 2013



Berita Harian,
13 Jun 2013



The Malaysian Reserve,
13 Jun 2013

PROFILE OF DIRECTORS



From left to right

Dato' Tan Guan Cheong

Liew Ben Poh

Kuan Mun Keng

Dr Danaraj A/L Nadarajah

Chuah Phaik Sim

Kuan Mun Leong

Kuan Kam Hon @ Kwan Kam Onn

Dato' Mohamed Zakri bin Abdul Rashid

PROFILE OF DIRECTORS



**Kuan Kam Hon
@ Kwan Kam Onn**
Executive Chairman,
Malaysian

Kuan Kam Hon @ Kwan Kam Onn, aged 67, was appointed as Executive Chairman and Managing Director on May 7, 2007. He stepped down as Managing Director on November 16, 2012, and continues to play an integral role in the Group as Executive Chairman. 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**
Senior Independent
Non-Executive Director, Malaysian



Dato' Mohamed Zakri bin Abdul Rashid, aged 71, 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 was subsequently appointed as Senior Independent Non-Executive Director, effective August 7, 2012. 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.

PROFILE OF DIRECTORS



**Dr Danaraj
A/L Nadarajah**

Non-Independent
Executive Director,
Malaysian

Dr Danaraj A/L Nadarajah (Dr N Danaraj), aged 60, was appointed as a Non-Independent Executive Director/Corporate Advisor on July 4, 2011. His management duties include oversight of Hartalega's own brand business in USA, China and India. He is also a joint venture partner with Hartalega in China and India. Dr N Danaraj has been an entrepreneur for over 15 years in China and Malaysia as a manufacturer of toys. Prior to joining Hartalega he had short assignments as a Senior Fellow at Khazanah Nasional and as a Technical Advisor to the National Economic Advisory Council and the Innovation Unit in the Prime Minister's Office. He holds a Doctor of Philosophy from Oxford University, a Masters in Public Policy/Economics from Harvard University, a Post-Graduate Management Diploma from INTAN, and a Masters and Bachelor of Arts with Honours from the University of Malaya. Dr N Danaraj began his career with the Government in the Malaysian Administrative and Diplomatic Service, including postings in the Ministries of Finance and Human Resources. He has worked in the United Nations University, Tokyo, as well as a Visiting Scholar at Hitotsubashi University, Tokyo, Head of Business Research at the Malaysian Institute of Economic Research and Professor of Business Strategy at University of Monaco.

**Dato' Tan
Guan Cheong**

Independent
Non-Executive Director,
Malaysian



Dato' Tan Guan Cheong, aged 70, 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 Kian Joo Can Factory Berhad and YTL Cement Berhad.

PROFILE OF DIRECTORS



Chuah Phaik Sim

Independent
Non-Executive Director,
Malaysian

Chuah Phaik Sim, aged 45, 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
Independent
Non-Executive Director,
Malaysian



Liew Ben Poh, aged 65, 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 a member of the Nomination and Remuneration Committees. On July 18, 2013, he was redesignated as an Independent Non-Executive Director. During his extensive 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 was also a Founding Board Member of the Malaysian Rubber Export and Promotion Council (MREPC) under the Ministry of Primary Products and Commodities. He resigned from the Board of MREPC in September 2010. 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

Managing Director,
Malaysian

Kuan Mun Leong, aged 38, joined the company's Engineering Department in 2001. He was appointed as an Executive Director of the Group in 2007 and was later appointed Deputy Managing Director. On November 16, 2012, he assumed the role of Managing Director. 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 sevenfold 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 39, 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

**Dear
Shareholder,**

The year 2013 was indeed noteworthy for your Group as we commemorated our 25th anniversary. We have grown immensely since our inception in 1988, establishing a pole position in the glove manufacturing industry early on which we have firmly held on to by capitalising on our core capabilities and innovative spirit.

Kuan Kam Hon @ Kwan Kam Onn
Executive Chairman



Coupled with our commitment to excellence, this has enabled us to become not only the world's largest nitrile glove manufacturer; we are also the world's largest rubber glove company in terms of market capitalisation.

Despite a subdued economic climate and challenging market forces in 2013, we delivered a solid performance

during the year. Building on this momentum, we are confident that we will be able to achieve greater growth as we remain on track to realise our strategic long-term expansion plans.

Against this backdrop, I am pleased to present to you our annual report for the year ended 31 March 2014.



ECONOMIC LANDSCAPE

The global economy saw a mild recovery in 2013, with momentum picking up particularly during the second half of the year. The US economy continued to stabilise and strengthen while the Eurozone also showed some improvement, although growth was sluggish.

Global demand for rubber gloves was robust with an average growth rate of over 7.5% in 2013. Malaysia remains the leading supplier of rubber gloves, with over 60% of global market share.

Total exports of Malaysian rubber gloves grew by 8.5% in 2013 to 44.28 billion pairs. This was primarily driven by exports of nitrile rubber gloves which increased to 22.08 billion pairs from 18.55 billion pairs in 2012, representing a 19% jump. In contrast, exports of natural rubber gloves slowed considerably, declining by 0.4% to 22.06 billion pairs compared with 22.15 billion pairs in the previous year.

For the first time in history nitrile has taken the lead, surpassing natural rubber with a demand ratio of 51% to 49%. The US was the largest export region for Malaysian nitrile gloves in 2013 with 10.6 billion pairs of gloves, followed by the European Union (EU) with 7 billion pairs of gloves. This was despite the fact that Malaysia no longer holds Generalised Scheme of Preferences (GSP) status due to the EU's revision of the GSP. Although European importers must now pay 2% to 2.7% for glove imports from Malaysia, the fact that

nitrile glove exports from Malaysia to the EU increased by 30.3% in 2013 clearly indicates the robust demand for nitrile.

Meanwhile, China saw healthy demand during the year, with a 59.9% growth in Malaysian nitrile glove exports. Brazil, another emerging market with strong potential, experienced an increase in imports of rubber gloves due to liberalisation of the healthcare sector and the government's further investment in the healthcare budget.

Another factor which spurred demand during the year was lower average selling prices, which impacted earnings for glove manufacturers. Despite higher average sales volumes in 2013, selling prices were depressed due to a drop in raw material costs. Contributing to this was a significant increase in rubber supply as a result of maturing rubber plantations in countries such as Thailand, Vietnam and Cambodia.

Ultimately, the resilient demand for nitrile gloves certainly augurs well for Hartalega and dispels speculation of oversupply in the market. This is further reinforced by increasing industry utilisation rates as well as the fact that glove manufacturers across the board are building up their nitrile production capacity. The Group is confident that by leveraging on our competitive advantages as a leader in the nitrile segment, we will remain at the forefront of the industry.

EXECUTIVE CHAIRMAN'S STATEMENT

FINANCIAL PERFORMANCE

We delivered sustained results for our financial year ended 31 March 2014, registering a profit after tax of RM233.29 million compared with RM233.59 million in the last financial year. We recorded an improved turnover of RM1.107 billion from RM1.032 billion in the previous fiscal year, while profit before tax grew to RM308.95 million compared with RM304.10 million last year.

As a reflection of our prudent management and firm rein on costs, earnings before interest, taxation, depreciation and amortisation (EBITDA) increased to RM354.49 million from RM336.92 million in the previous year. Net cash for your Group stood at RM170.55 million.

Earnings per share for the year was 31.39 sen per share. Net assets per share attributable to the owners of the Company was 126.13 sen.

While the downward pressure on average selling prices as well as increased electricity and maintenance costs put a strain on our bottom line, we nevertheless recorded a sustained profit for the year. This was despite a higher tax rate of 24.4% for the year under review from 23.1% in the previous year, due to the fact that the Group has fully utilised our reinvestment allowance tax incentives. Top line growth for the year was strong, enabling the Group to deliver solid earnings.

Moreover, although we hold a price premium on the nitrile glove segment, due to competition we experienced contracted margins. This was further compounded by increased depreciation cost of RM45 million and a net foreign exchange loss of RM8.05 million. Nevertheless, our profit margins remain well above the industry average, which is further testament to the high demand for our top quality nitrile gloves.



EXECUTIVE CHAIRMAN'S STATEMENT

DIVIDENDS

The Group remains dedicated to delivering value to our loyal shareholders with strong dividend yields and significant capital appreciation. Our dividend policy is a clear reflection of this, ensuring a minimum dividend payout of 45% of the Group's annual net profit.

In line with this, we have paid out a total dividend nett of tax of 10.5 sen per share, compared with 10.5 sen per share during the corresponding period in the previous financial year. We expect to announce a final dividend at the Eighth Annual General Meeting.



OPERATIONS REVIEW

Research and Development

Innovation is at the core of our growth, from our high quality products to our state-of-the-art production technologies. This pioneering spirit has been an integral part of the Group since our inception, leading Hartalega to single-handedly create the nitrile glove market which today is one of the fastest-growing manufacturing segments in the world.

This was due in no small part to our continuous research and development efforts, which have resulted in advanced technologies and the most highly automated manufacturing processes in the industry, all developed in-house. As our peers race to develop their production capabilities, we remain far ahead with our technological edge.

Due to this innovative drive, over the past two decades we have consistently introduced revolutionary products into the market and established new benchmarks. In the year under review we set a new milestone, launching a 2.7 gram nitrile powder-free examination glove, our most lightweight glove to date. This product is in compliance with standards and regulations set by international bodies, including the American Society for Testing and Materials (ASTM) and the Food and Drug Administration (FDA).

We also introduced a patented glove coating technology known as COATS, Colloidal Oatmeal Active Therapeutic System. Leveraging on the well-established benefits of colloidal oatmeal, the innovative coating provides hypoallergenic, restorative and protective properties, and has been well-received by the market.

EXECUTIVE CHAIRMAN'S STATEMENT

In tandem with the development of new products, we strive to raise the bar in our manufacturing processes. During the year we successfully completed commissioning of Plant 6, which is now fully operational with 10 high capacity production lines. With a line speed of 45,000 pieces of gloves per hour, this has boosted our production capacity by 30%, increasing our total installed capacity from 10 billion to 13.6 billion gloves per annum.

As part of our efforts to ensure the quality of our products, we also undertook maintenance initiatives at our manufacturing plants in 2013. In order to remain ahead of the curve, in the period under review we tested prototypes for new automations, which are set to proceed to the next stage of development.



Environmental Performance

Best practices are of utmost importance to Hartalega, which ensures the sustainable growth of the Group in a conscientious manner. With this in mind, we have implemented initiatives throughout our operations to enable us to preserve the environment in which we operate.

These ongoing initiatives include eco-friendly waste water and biomass plants which are monitored by a state-of-the-art computerised system, coupled with constant monitoring of our air quality and water supply. We have also undertaken efforts to improve our chemical labelling and our chemical storage and drainage areas, as well as to enhance our scheduled waste storage.

Our environmental compliance measures strictly adhere to the standards and regulations of Jabatan Alam Sekitar. As a result of our efforts, during the year the Group was awarded ISO14001 certification from TÜV SÜD, an international environmental management system standard.

As the Group moves forward, we will continue to seek out opportunities and initiatives which allow us to leave a positive impact on the environment.

EXECUTIVE CHAIRMAN'S STATEMENT

Marketing

With our pole position in the industry as the world's largest nitrile glove manufacturer, we continue to command a significant share of the market with an installed production capacity in excess of 13.6 billion pieces of gloves per annum.

In the year under review, our total nitrile sales volume rose to 10.5 billion pieces compared with 9.4 billion pieces in the previous financial year, supplying 14% of the global demand for nitrile gloves. The North American market was our largest market, with 50% of our total nitrile glove exports comprising 5.3 billion pieces. Our current share of the US nitrile glove market is 15%.

This was followed by Europe, with 29% of our total nitrile glove exports amounting to 3 billion pieces. We also expanded our presence in emerging markets,

successfully bringing in 16 new customers during the year. We made further inroads in the Middle East, as well as in Brazil with a proportion of our revenue growing to 6% from 2% previously. Our share of revenue in Japan also increased to 11% from 9% in the previous fiscal year.

As we accelerate our branding and marketing efforts for our own brand products, our marketing strategy enables us to tap into the immense growth potential inherent in the industry, particularly as healthcare awareness is increasing on a global scale. Towards this end, we have established a dedicated branding division to drive this most important segment for the Group. In addition, our distribution centres in China and India also enable us to capitalise on rising demand in those countries.



EXECUTIVE CHAIRMAN'S STATEMENT

Human Capital

Our human capital represents the future of the Group. We are fully cognisant that it is only with the right talent pool that we will be able to succeed. As a result, we have invested substantial resources to ensure that our workforce is well-equipped to drive the sustainable growth of the Group.

This includes an investment of RM20 million to transform and modernise the Group's Information Technology infrastructure. This is part of a collaboration with Avanade, a global provider of business technology solutions. This will enable the Group to streamline its business processes and lead to improved employee engagement and knowledge management, creating a knowledge-driven workforce and nurturing a culture of innovation within the Group.

Meanwhile, we continue to build capacity in line with our plans for our Next Generation Glove Manufacturing Complex (NGC), employing staff ahead of time to develop their capabilities. This will ensure that a highly capable team is fully prepared with the skills to manage the advanced technologies of the NGC.

In the year under review, we successfully restructured our Performance Management System (PMS). The PMS is a systematic approach to developing and enhancing the performance of our team to increase organisational effectiveness on a holistic basis.

Utilising a balanced score card approach and a framework for key performance indicators, the PMS is an ongoing management process which aligns strategic objectives across the Group. Via the PMS, we have been able to create a performance-driven culture, rewarding high-performing employees. In addition to this, our remuneration structure is highly attractive, benchmarked against the industry to ensure that we remain competitive.

We have also embarked on programmes to implement 5S and Kaizen, well-established Japanese methodologies for enhancing lean organisational efficiency. 5S, which represents Sort Out, Set in Order, Shine, Standardise and Sustain, is a systematic mindset that aims to create a more conducive working environment and inculcate a sense of teamwork, ownership, pride and discipline in employees to improve organisational dynamics. Meanwhile, Kaizen is a structured approach that will facilitate continuous process improvements throughout the Group.



EXECUTIVE CHAIRMAN'S STATEMENT

During the year we undertook initiatives to nurture our core values in our employees, known as SHIELD, comprising Synergy, Honesty, Innovativeness, Excellence in Quality, Learning and Dedication. In order to enhance our core competencies, we implemented various leadership workshops and programmes. Our high-performing employees also had the opportunity for global exposure by attending international trade exhibitions in Europe, the Middle East and Asia, gaining valuable industry insights.



OUTLOOK

Prospects are indeed bright for your Group for the foreseeable future, as nitrile demand continues to grow. This should be sustained by depressed raw material costs, which are expected to remain in a relatively low price territory as the abundant rubber supply continues to outweigh demand. Though margin compression is a possibility, it is expected that the robust demand for nitrile gloves will be able to bear the brunt in the long run.

In the year under review, the Government announced an increase in electricity and gas tariffs from 2014 onwards. Given that this will have an industry-wide effect, it is likely that impact will be minimal, as manufacturers are generally able to pass on the cost increases to customers. Water rationing was also a concern in 2014, however the Group's pre-emptive counter-measures enabled our operations to remain unaffected.

In terms of healthcare epidemics, the outbreak of the Middle East Respiratory Syndrome (MERS) virus in Saudi Arabia in 2014 is not likely to significantly impact the glove industry. Although some cases were reported in other countries including Malaysia, these were isolated cases and the MERS virus has largely been confined to Saudi Arabia.

The industry as a whole is poised for growth, with tremendous potential in emerging markets due to rising global healthcare awareness and healthcare reforms. In particular, the rubber glove market in Brazil is expanding due to easing regulations for rubber gloves imports, while China's healthcare reform is set to catalyse its healthcare industry.

EXECUTIVE CHAIRMAN'S STATEMENT

On the back of our strong track record spanning two and a half decades, we are certainly well-positioned to seize these growth opportunities as we progress with our expansion plans. Most notably, we are moving forward on our latest phase of growth with the NGC. During the year, we completed the acquisition of land for the NGC and construction work at the site has commenced. Construction of plant 1 and 2 with supporting facilities is well underway. The first production line is on track to be commissioned by the end of 2014, with subsequent production lines set to come on stream progressively.

The NGC will establish a new standard for the glove manufacturing industry, with a total of six state-of-the-art manufacturing plants and 72 technologically advanced production lines. The NGC is set to provide average year-on-year capacity growth of 15% per annum as it is developed in stages for the next eight years. Once completed, Hartalega's production capacity will increase substantially to over 42 billion pieces

per annum, strengthening our foothold in the industry. Based on our proven industry record of the fastest production line with 45,000 pieces per hour coupled with higher levels of automation, we expect that the NGC's productivity will be 70% higher than our current setup.

In order to successfully execute our aggressive growth plans, we are taking steps to implement talent development programmes to ensure we have the right people and leaders with the right skill sets. Towards this end, a Learning Centre will be constructed at the NGC to provide appropriate facilities to carry out development programmes for our employees. In line with our people-centric approach, the NGC emphasises workplace design to provide an attractive workspace for our employees. The NGC's other facilities include employee accommodation and a recreational sports complex, creating an integrated holistic environment for our workforce.



Artist's impression of the NGC

EXECUTIVE CHAIRMAN'S STATEMENT

In tandem with the development of the NGC, our partnership with Avanade will further ensure that we are putting in place the necessary foundation to accommodate for our long-term needs once the NGC is completed. Our IT infrastructure is a catalyst for our growth, and this collaboration will enable the Group to accelerate our strengths in this area as we strive to harness IT as a competitive advantage.

Complementing the highly automated manufacturing processes of the Group, Avanade will be introducing a similar level of automation and standardisation to our daily operations. This will result in improved collaboration between business units and better business insights, as well as increased productivity and system performance. The partnership with Avanade will also involve training opportunities for our employees.

Meanwhile, via our marketing and branding strategy which focuses on high-growth areas, we are setting the framework to roll out several new brands of gloves. These brands will be integrated into our marketing strategy for our international distribution centres.

Clearly, the outlook is bullish for the sustainable long-term growth of the Group. As we move towards fully realising our expansion plans, underpinned by our prowess in production technology and innovation, we see great potential for the Group to capitalise on the opportunities inherent in the market.

ACKNOWLEDGEMENT

As we move forward on our growth path, it is only through the combined efforts of our entire workforce that we are able to succeed. On this note and on behalf of the Group, I would like to express my deepest gratitude to our Board of Directors, the management team and our employees for their dedicated efforts. Your commitment and contributions to the Group are invaluable, especially as we progress on our most significant expansion plan to date.

Our sincere appreciation as well to our shareholders, financiers, business partners, consultants and relevant approving authorities for their unwavering support.

Kuan Kam Hon

Executive Chairman

CORPORATE SOCIAL RESPONSIBILITY STATEMENT



Our corporate social responsibility (CSR) efforts are at the heart of the Group, and we remain committed to making positive contributions via our ongoing CSR initiatives. This includes safeguarding the welfare of our employees as well as caring for the community and the environment.



CORPORATE SOCIAL RESPONSIBILITY STATEMENT

HEALTH, SAFETY, AND ENVIRONMENT

The health and safety of our employees is paramount. To this end, we have embarked on a number of initiatives to ensure that our employees are protected and equipped with sufficient knowledge. Our ongoing Health, Safety and Environment (HSE) campaign continuously educates our workforce on the importance of safety via regular communications and a monthly HSE newsletter. We have also implemented a toolbox programme, through which our HSE department provides multi-lingual updates on safety guidelines and messages on a weekly basis.

In case of emergencies, we have established our own Emergency Response Team (ERT), comprising an ambulance team and first aid team trained by the Malaysian Red Crescent Society (MRCS), a firefighting team trained by Jabatan Bomba dan Penyelamat Malaysia (BOMBA), and a chemical spillage and chlorine team trained by our chemical suppliers. In order to ensure our ERT members are well-prepared, we have regular training sessions by BOMBA and the MRCS. In addition, every quarter we conduct firefighting drills along with chlorine and chemical spillage drills.

During the year, we undertook improvements to our emergency measures by setting up an evacuation pre-assembly point. In an effort to improve safety habits, posters were developed to ensure our employees are mindful of the safety procedures they must adhere to.

Along with safety, the wellbeing of our workforce is equally important. To encourage our staff to lead an active lifestyle, we have a sports club which holds weekly sporting activities including badminton, ping pong and futsal. This also fosters a sense of teamwork and camaraderie amongst our employees.

In line with our commitment to sustainability, we have implemented initiatives which surpass the strict guidelines of Jabatan Alam Sekitar and other regulators, ensuring our water effluent discharge and air emission levels are well below the standard limits. Moreover, we collaborate closely with the Department of Environment, the Department of Occupational Safety and Health as well as BOMBA, not only to fulfil legal requirements but also to go the extra mile and undertake additional measures for the preservation of the environment.



CORPORATE SOCIAL RESPONSIBILITY STATEMENT

COMMUNITY PROGRAMME

We are dedicated to reaching out to the community in order to facilitate a better quality of life for all Malaysians, particularly those within the vicinity of our manufacturing plants in Bestari Jaya. To this end, through our CSR initiatives we strive to make positive contributions to underprivileged communities and needy individuals.

As part of our CSR efforts, we provide monthly medical subsidies to the residents of Taman Suria, to assist them with their medical treatment fees. We also sponsor medical supplies on a bi-monthly basis to Rumah Ozanam Batu Arang, a charitable shelter for displaced women and children living with HIV/AIDs.

During the monsoon season, we lent a helping hand to Kampung Rantau Panjang in Klang, which was affected by flooding. As one of the first responders after the emergency action team, we provided flood victims with daily necessities such as food, clean drinking water and sanitary supplies.

In order to ease the burden of the senior citizens of Jashiera Old Folks Home, we contribute monthly provisions on an annual basis. In the year under review, Hartalega employees visited the home to spend time and socialise with the residents, as well as to celebrate their birthdays.

Furthermore, to strengthen ties with communities in Bestari Jaya and Kuala Selangor, we host regular events such as Karnival Seni Cantik, a fun-filled community celebration promoting art and culture, as well as other activities such as the Batang Berjuntai Sports Carnival along with quarterly bowling games. To spread joy and cheer during festive periods, we have annual charity drives for Chinese New Year, Hari Raya and Deepavali, providing donations and hampers. In addition, in order to foster safe driving habits we contributed to a road safety campaign with Polis Diraja Malaysia to promote appropriate safety gear.

Meanwhile, for the third consecutive year Hartalega employees took part in the KL Rat Race 2013, organised by The Edge and Bursa Malaysia. Encouraging a healthy lifestyle in our staff, this annual event also enables the Group to engage with the corporate community and contribute to a good cause via Yayasan Bursa Malaysia.



CORPORATE SOCIAL RESPONSIBILITY STATEMENT

EDUCATION

In order for our nation to prosper, it is essential to provide young Malaysians with opportunities to pursue their passions and realise their potential. As a responsible corporate citizen, we are committed to contributing to the future of Malaysia's youth via our various educational programmes.

As part of our CSR efforts, during the year we opened our doors to the students of SMK Pendamaran, Klang, in support of a programme by Teach For Malaysia, a non-profit organisation. In order to provide an insight into the glove manufacturing industry, a group of 40 students was taken on a tour of one of the Group's manufacturing plants in Bestari Jaya. The management team also spent some quality time talking to the students about their ambitions. Overall, it was indeed a rewarding experience as the students were able to learn about the many career opportunities available in the glove industry.

In addition to this, our ongoing school adoption programme is proceeding well. In the year under review we completed a number of initiatives at our adopted school, SMK Raja Muda Musa in Bestari Jaya. This included sponsoring infrastructure improvements to enhance the learning environment, organising and providing financial aid for activities such as the Karnival Keusahawanan and Gotong-Royong Perdana, hosting visits to Hartalega's facilities and implementing an Information and Communications Technology training programme. With a view to developing well-rounded students, we upgraded the weightlifting facilities and sports storage room to support the school athletes' participation in a national tournament.

Meanwhile, in order to foster inter-cultural awareness and diversity, we contributed to SMK Sultan Sulaiman Shah's (SMK SSS) sister school project by hosting a visit from their sister school from Australia, Wodonga Middle Years College. We also provided financial assistance to SMK SSS' Kelab ProStar, a club promoting a safe and drug-free lifestyle.

Along with these programmes, we host regular educational visits to Hartalega to showcase our industry best practices & production processes, as well as educating students on environmental sustainability. We also provide scholarships for deserving students as well as monthly tuition subsidies for underprivileged children from Kampung Sungai Darah and Taman Suria for their educational needs.



CALENDAR OF EVENTS



CALENDAR OF EVENTS



BB Sports Carnival 2013



KL Rat Race 2013



Workers' Day 2013



Karnival Cinta Seni Cantik



Teach for Malaysia Visit



Hartanian Awards & Durian Feast



CORPORATE GOVERNANCE AND DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors ("the Board") of Hartalega Holdings Berhad ("the Company" or "Hartalega") 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.

SECTION 1: THE BOARD OF DIRECTORS

The Board takes full responsibility for the performance of the Group and guides the Group towards achieving its short and long term objectives, setting corporate strategies for growth and new business development while providing advice and direction to the Management to enable the Group to achieve its corporate goals and objectives.

Composition of the Board and Board Balance

The Board comprises of 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.

A brief profile of each Director is presented on pages 12 to 17 of this Annual Report.

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

Mr. Kuan Kam Hon takes on the role of Executive Chairman of the Group. Given his capability to show leadership, entrepreneurship skills, business acumen and vast experience in the glove industry, the Board continues to maintain this arrangement which is in the best interests of the Group.

All the Directors have given their undertaking to comply with the Listing Requirements of Bursa Securities and the Independent Directors have confirmed their independence in writing.

CORPORATE GOVERNANCE AND DIRECTORS' RESPONSIBILITY STATEMENT (CONT'D)

Board Responsibilities

Having recognised the importance of an effective and dynamic Board, the Board's members are guided by the area of responsibilities as outlined:

- Reviewing and adopting strategic plans for the Group;
- Overseeing the conduct of the Group's businesses to evaluate whether the businesses are properly managed;
- Identifying the principal risks and key performance indicators of the Group's businesses and ensuring that appropriate systems are implemented and/or steps are taken to manage these risks;
- Developing and implementing an investor relations programme or shareholder communication policy for the Group; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Appointments to the Board

Nomination Committee

The Nomination Committee comprises the following members:

| Name of Director | Designation | Directorship |
|--------------------------------------|-------------|----------------------------------|
| Dato' Mohamed Zakri bin Abdul Rashid | Chairman | Senior Independent Non-Executive |
| Chuah Phaik Sim | Member | Independent Non-Executive |
| Liew Ben Poh | Member | Independent Non-Executive |

The Board annually reviews the required mix of skills, experience and other qualities of the Directors to ensure that the Board is functioning effectively and efficiently.

The Nomination Committee's primary responsibilities include:

- (a) leading the process for Board appointments and making recommendations to the Board.
- (b) assessing Directors on an ongoing basis.
- (c) annually reviewing the required skills and core competencies of Non-Executive Directors, including familiarisation with the Company's operations.

CORPORATE GOVERNANCE AND DIRECTORS' RESPONSIBILITY STATEMENT (CONT'D)

Re-Election of Directors

In accordance with the Company's Article of Association, all Directors including Directors holding an executive position of Chief Executive Officer or Managing Director, if any, shall retire from office at each Annual General Meeting, provided always that every Director shall retire at least once every three (3) years. The retiring Directors shall be eligible to offer themselves for re-election. Directors who are appointed by the Board during the financial year shall hold office until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

Director's Training

The Group acknowledges the fact that continuous education is vital for the Board members to gain insight into the state of the economy, technological advances in the core business, latest regulatory updates, and management strategies. In compliance with the Listing Requirements and the relevant Practice Note issued by Bursa Securities, all Directors have completed their Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities.

The Directors are also aware of their duty to undergo appropriate training from time to time to ensure that they are equipped to carry out their duties effectively. The Board is mindful therefore of the need to keep abreast of changes in both the regulatory and business environments as well as new developments within the industry in which the Group operates. Whenever the need arises, the Company provides briefings of new recruits to the Board, to ensure they have a comprehensive understanding on the operations of the Group and the Company.

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

| Training Attended | Date |
|-----------------------------------------------------------------------------------------------|-------------------|
| Invest Malaysia Kuala Lumpur 2013 | 12 - 14 June 2013 |
| Bursa Securities: Advocacy Session on Corporate Disclosure for Directors of Listed Issuers | 5 September 2013 |
| Deloitte & Touche Budget 2014 Update Seminar | 12 November 2013 |
| GST From A Legal Perspective: GST Operations, Powers of Customs, Rights of Taxpayers, Appeals | 17 February 2014 |
| Budget 2014 Tax Amendments and Current Tax Issues | 18 March 2014 |

CORPORATE GOVERNANCE AND DIRECTORS' RESPONSIBILITY STATEMENT (CONT'D)

Supply of Information

The Board has a formal schedule of matters for decision-making to ensure that the direction and control of the Group is firmly in its hands.

Prior to each Board meeting, a full agenda together with relevant reports and comprehensive Board papers would be distributed to all Directors on a timely basis to enable the Directors to consider the matters to be deliberated and where necessary, obtain further information.

Proceedings of Board meetings are duly recorded and signed by the Chairman of the meeting.

Every Director has full and timely access to all Group information, records, documents and property to enable them to discharge their duties and responsibilities effectively. The Directors, whether collectively or individually, may seek independent professional advice in furtherance of their duties at the Company's expense, if required.

Board Meetings

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 Director | Meetings Attended |
|--------------------------------------|-------------------|
| Kuan Kam Hon @ Kwan Kam Onn | 6/6 |
| Dr Danaraj A/L Nadarajah | 5/6 |
| Chuah Phaik Sim | 6/6 |
| Dato' Mohamed Zakri bin Abdul Rashid | 6/6 |
| Kuan Mun Keng | 6/6 |
| Kuan Mun Leong | 5/6 |
| Liew Ben Poh | 6/6 |
| Dato' Tan Guan Cheong | 6/6 |

During the financial year ended 31 March 2014, six Board meetings were convened on 7/5/2013, 9/7/2013, 18/7/2013, 6/8/2013, 12/11/2013 and 11/2/2014 respectively.

Restriction on Directorships

The number of Directorships held by the Directors is stated in the Profile of Directors in the Annual Report.

CORPORATE GOVERNANCE AND DIRECTORS' RESPONSIBILITY STATEMENT (CONT'D)

Board Committees

The Board has established the following Committees to assist the Board in discharging its duties and responsibilities effectively:

- Audit Committee
- Nomination Committee
- Remuneration Committee

The terms of reference of each Board Committee are set out in Board Charter and have been approved by the Board. These Committees have the authority to examine particular issues and report to the Board with their recommendations. However, the ultimate responsibility for the final decision on all matters lies with the Board.

Audit Committee

The report of the Audit Committee is set out on pages 45 to 48 of this Annual Report.

Nomination Committee

The details of the Nomination Committee are set out on page 9 of this Annual Report.

Remuneration Committee

The details of the Remuneration Committee are set out on page 9 of this Annual Report.

In line with best practices in Corporate Governance, the Code recommends the establishment of the following committees:

1) Nomination Committee

The primary function of the Nomination Committee is to propose new nominees for the Board and to assess Directors on an ongoing basis.

As the existing Board members are professionals from diverse disciplines, the Board collectively undertakes to review the required skills sets annually to ensure that it has an optimal mix of expertise and experience.

2) Remuneration Committee

The primary function is to set the policy framework for the remuneration of the Directors to ensure that the policy on Directors is sufficient to attract and retain Directors of the calibre needed to manage the Group successfully.

CORPORATE GOVERNANCE AND DIRECTORS' RESPONSIBILITY STATEMENT (CONT'D)

The determination of remuneration of our Executive and Non-Executive Directors shall be a matter to be determined by our Board as a whole after taking into consideration the Remuneration Committee's recommendation.

SECTION 2: DIRECTORS' REMUNERATION

(a) Remuneration Procedure

The remuneration of Directors is formulated to be competitive and realistic, emphasis being placed on performance and calibre, with aims to attract, motivate and retain Directors with the relevant experience, expertise and quality needed to assist in managing the Group effectively.

For Executive Directors, the remuneration packages link rewards to corporate and individual performance whilst for the Non-Executive Directors, the level of remuneration is linked to their experience and level of responsibilities undertaken.

The level of remuneration for the Executive Directors is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. The determination of the remuneration package of Non-Executive Directors, including Executive Chairman should be a matter for the Board as a whole. The individuals concerned should abstain from discussing their own remuneration.

The Remuneration Committee's primary responsibilities include establishing, reviewing and recommending to the Board the remuneration packages of each individual Executive Director and the Company Secretary.

The Remuneration Committee is also responsible for recommending the remuneration for the senior management and that the remuneration should reflect the responsibility and commitment that goes with it.

The primary roles and responsibilities of the Committee are clearly defined and include the following:

- To review the required mix of skills, experience and other qualifications which Directors (including Independent Directors) should bring to the Board in order for the Board to function effectively;
- To annually review and assess the contribution of each individual Director and to recommend to the Board new candidates for appointment as Director if there is a need for additional Board Members;
- To recommend to the Board a framework for remuneration for the Board and each Executive Director, which includes but is not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind; and
- To establish objectives, performance criteria and measurement to evaluate the performance and effectiveness of the Board as a whole and to assess the contribution by each individual Director.

CORPORATE GOVERNANCE AND DIRECTORS' RESPONSIBILITY STATEMENT (CONT'D)

(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.

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 | 216,000 | 3,449,968 | 745,115 |
| Non-Executive Director | 168,000 | 27,000 | 0 |

Directors' remuneration is broadly categorised into the following bands:

| Range of Remuneration | Number of Executive Directors | Number of Non-Executive Directors |
|----------------------------|----------------------------------|--------------------------------------|
| Below RM50,000 | 0 | 3 |
| RM50,001 to RM100,000 | 0 | 1 |
| RM100,001 to RM250,000 | 1 | 0 |
| RM250,001 to RM500,000 | 1 | 0 |
| RM500,001 to RM1,000,000 | 1 | 0 |
| RM1,000,001 to RM1,500,000 | 1 | 0 |
| RM1,500,001 to RM2,000,000 | 1 | 0 |

CORPORATE GOVERNANCE AND DIRECTORS' RESPONSIBILITY STATEMENT (CONT'D)

SECTION 3: SHAREHOLDERS

Dialogue between Company 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 at 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.

The Annual General Meeting

The Annual General Meeting serves as an important means for shareholder communication. Notice of the Annual General Meeting and Annual Reports are sent to shareholders twenty one days prior to the Meeting.

At each Annual General Meeting, the Board presents the progress and performance of the Group's business and encourages attendance and participation of shareholders during question and answer sessions. The Chairman and the Board will respond to all questions raised by the shareholders during the Annual General Meeting.

CORPORATE GOVERNANCE AND DIRECTORS' RESPONSIBILITY STATEMENT (CONT'D)

SECTION 4: ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects through the quarterly announcement of results to Bursa Malaysia as well as the Chairman's statement, review of operations and annual financial statements in the Annual Report. The Audit Committee assists the Board in ensuring accuracy and adequacy of information by overseeing and reviewing the financial statements and quarterly announcements prior to the submission to Bursa Securities.

The Directors are responsible to ensure that the annual financial statements are drawn up in accordance with the applicable approved accounting standards in Malaysia and the Companies Act 1965. The Statement of Directors' Responsibilities in relation to preparing the financial statements is set out separately in Section 5.

Risk Management and 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 the Statement on Risk Management and Internal Control located on page 49 of this report.

Relationship with Auditors

The Board has a formal and transparent relationship with its auditor Messrs. Deloitte & Touche. 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.

CORPORATE GOVERNANCE AND DIRECTORS' RESPONSIBILITY STATEMENT (CONT'D)

SECTION 5: RESPONSIBILITY STATEMENT BY DIRECTORS

The Board is responsible to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flow of the Group and the Company for the financial year ended.

In preparing the financial statements, the Directors have:

- (i) Adopted the appropriate accounting policies and applied them consistently;
- (ii) Made judgements and estimates that are reasonable and prudent;
- (iii) Ensured applicable approved accounting standards have been followed and any material departures have been disclosed and explained in the financial statements; and
- (iv) Ensured the financial statements have been prepared on a going concern basis.

The Board is responsible for keeping proper accounting records of the Group and the Company, which disclose with reasonable accuracy the financial position of the Group and the Company, and which will enable them to ensure the financial statements have complied with the provisions of the Companies Act 1965 and the applicable approved accounting standards in Malaysia.

The Board is also responsible for taking reasonable steps to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

CORPORATE GOVERNANCE AND DIRECTORS' RESPONSIBILITY STATEMENT (CONT'D)

SECTION 6: COMPLIANCE STATEMENT

The Company has, in all material aspects, complied with the recommendations of the Code throughout the financial year, save for the following:

- (a) The Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director;
- (b) Formalise, periodically review and make public Board Charter.

However, moving forward, the Board will take steps to appoint additional Independent Directors so that the Board comprises a majority of Independent Directors where the Chairman of the Board is not an Independent Director or to restructure its composition to be in line with the recommendations of the Code.

Going forward, the Board intends to strengthen its roles and responsibilities by:

- (i) Defining the Board schedule of matters of those functions reserved to the Board and delegated to management;
- (ii) Implementing a whistle blowing policy and procedure to provide employees with a mechanism to monitor compliance to the code of ethics;
- (iii) Setting out clearly the code of conduct that stipulates the sound principles to provide guidance to stakeholders on the ethical behaviours to be expected from the Group;
- (iv) Defining its business sustainability policy and ensuring its current business decision making process incorporates the elements of Environment, Social and Governance ("ESG") within its value chain in the business processes; and
- (v) Formalising the above actions into its Board charter and creating a new page on corporate governance in the present corporate website to keep the public and shareholder informed of its progress and status of the above actions.

This statement is made in accordance with the resolution of the Board of Directors dated 8 July 2014.

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 2014 are as follows:

| Composition of the Committee | Attendance |
|-------------------------------------------------------------------------------------|------------|
| Chuah Phaik Sim (Chairperson/Independent Non-Executive Director) | 6/6 |
| Dato' Mohamed Zakri bin Abdul Rashid (Senior Independent Non-Executive Director) | 6/6 |
| Dato' Tan Guan Cheong (Independent Non-Executive Director) | 6/6 |

B. Composition Compliance

The Audit Committee consists of three (3) members all of whom 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 to 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 (CONT'D)

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 auditor's 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;
- (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;

AUDIT COMMITTEE REPORT (CONT'D)

Responsibilities and Duties (cont'd)

- (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 at 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 (CONT'D)

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; and
- (vi) Verified the allocation of options shares pursuant to the ESOS to eligible employees had been made in accordance with criteria as stipulated in the ESOS by-laws of the Company.

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 2014 was RM66,000 (2013: RM100,000).

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 RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Statement on Risk Management and Internal Control (the “Statement”) is prepared pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, a publication of Bursa Malaysia Securities Berhad.

BOARD RESPONSIBILITIES

The Board of Directors is committed to maintaining a sound system of risk management and 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 risk management and internal control system for its adequacy, effectiveness and integrity to achieve the said objectives. The following outlines the nature and scope of risk management and internal control of the Group.

The system of risk management and 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 risk management and 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.

Management is responsible for assisting the Board in implementing and monitoring the procedures and processes which identify, assess and monitor business risks and internal controls, and to take responsive corrective action as and when needed. The Board has received assurance from the Managing Director and the Corporate Finance Director that the Group’s risk management and internal control system is operating adequately and effectively, and that it did so in all material aspects for the financial year under review and up to the date of this Statement.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

RISK MANAGEMENT FRAMEWORK

In line with the increasing focus of shareholders on Corporate Governance, the Company embarked on risk management initiatives. The Company has established and formalised its Enterprise Risk Management Framework (ERM). 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 Managing Director. The RMWG will meet regularly where the Head of Departments have the overall responsibility to report the key risks to the attention of the RMWG. The Managing Director is responsible to report to the Board on a regular basis on major risk areas.

The key principles of the Group's ERM policy are:

- Effective risk management contributes to effective governance and is integral to the achievement of business objectives.
- It is the responsibility of every employee of the organisation to manage risks within their areas of responsibility.
- Risk management should be embedded into the day-to-day management processes and is explicitly applied in decision-making and strategic planning.
- The risk management processes applied should aim to take advantage of opportunities, manage uncertainties and minimise threats.
- Regular reporting and monitoring activities emphasise the accountability and responsibility for managing risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL AUDIT AND ISO AUDIT FUNCTION

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

- (i) Internal Audit; and
- (ii) ISO Audit.

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

The internal audit reviews are executed based on an 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, ISO 13485 and ISO 14001 certifications, scheduled audits are conducted internally as well as by the certification body, TÜV SÜD. Issues arising from these audits are forwarded to the Management Representative for review.

OTHER KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL

Apart from risk management and internal audit function, the Board has also put in place the following elements as part of the Group's system of internal control:

- Company policies and procedures that adhere to ISO 9001:2008, ISO 13485:2003 and ISO 14001:2004 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;
- Annual budget system is in place. There is 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 RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

CONCLUSION

During the financial year ended 31 March 2014, the Board is of the view that there have been no significant weaknesses identified in the risk management and internal control system. However, a number of minor internal control weaknesses were noted, all of which have been, or are being addressed. These were not expected to result in any material loss, contingencies or uncertainties that would require disclosure in this Annual Report.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in the Annual Report of the Group for the year ended 31 March 2014 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 effectiveness of the risk management and internal control system.

R EPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

| | |
|----------------------------------------------------------------------------------------------|-----|
| Directors' Report | 54 |
| Statement by Directors | 62 |
| Statutory Declaration | 62 |
| Independent Auditor's Report to the Members | 63 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 66 |
| Consolidated Statement of Financial Position | 68 |
| Consolidated Statement of Changes in Equity | 70 |
| Consolidated Statement of Cash Flows | 72 |
| Statement of Profit or Loss and Other Comprehensive Income | 74 |
| Statement of Financial Position | 75 |
| Statement of Changes in Equity | 76 |
| Statement of Cash Flows | 78 |
| Notes to the Financial Statements | 80 |
| Supplementary Information on the Disclosure of Realised and Unrealised Profits and Losses | 155 |

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 2014.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of the 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 financial year | <u>233,292,997</u> | <u>114,105,469</u> |
| Attributable to: | | |
| Owners of the Company | 232,813,348 | 114,105,469 |
| Non-controlling interests | <u>479,649</u> | <u>—</u> |
| | <u>233,292,997</u> | <u>114,105,469</u> |

DIVIDENDS

Dividends paid, declared and proposed by the Company since the end of the previous financial year were:

- third interim single tier exempt dividend of 3.5 sen per share amounting to RM25,689,300 in respect of financial year ended 31 March 2013 as reported in the Directors' Report of that financial year, declared on 7 May 2013 and paid on 20 June 2013;
- final single tier exempt dividend of 4 sen per share amounting to RM29,697,101 in respect of financial year ended 31 March 2013 as reported in the Directors' Report of that financial year, approved by shareholders at the last Annual General Meeting on 27 August 2013 and paid on 19 September 2013;
- first interim single tier exempt dividend of 3.5 sen per share amounting to RM26,072,949 in respect of the current financial year, declared on 12 November 2013 and paid on 19 December 2013;
- second interim single tier exempt dividend of 3.5 sen per share amounting to RM26,139,884 in respect of the current financial year, declared on 11 February 2014 and paid on 27 March 2014; and
- third interim single tier exempt dividend of 3.5 sen per share amounting to RM26,155,733 in respect of the current financial year, declared on 6 May 2014 and paid on 18 June 2014.

The Directors recommended a final single tier exempt dividend of 4 sen per share amounting to RM30,299,461 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 declared and final dividend proposed. Such dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2015.

DIRECTORS' REPORT (CONT'D)

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 profit or loss and other 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 allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance 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 allowance 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 profit or loss and other 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 had 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 liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

No contingent liabilities or other liabilities 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 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 Company increased its issued and paid-up ordinary share capital from RM366,654,150 to RM373,516,183 by way of:

- (i) issuance of 5,464,400 ordinary shares of RM0.50 each for cash pursuant to the exercise of Executive Share Option Scheme ("ESOS") at exercise prices of between RM2.20 and RM5.75 per ordinary share; and
- (ii) issuance of 8,259,666 ordinary shares of RM0.50 each for cash pursuant to the exercise of Warrants at an exercise price of RM4.14 per ordinary share.

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

The Company has not issued any new debentures during the financial year.

DIRECTORS' REPORT (CONT'D)

WARRANTS 2012/2015

On 30 May 2012, the Company issued free warrants ("the warrants 2012/2015") constituted under the Deed Poll dated 14 May 2012.

The salient features of the warrants 2012/2015 are as follows:

- (a) entitles its registered holders to subscribe for one (1) new ordinary share of RM0.50 each at the exercise price during the exercise period;
- (b) the exercise price is RM4.14 per share subject to adjustments in accordance with the provisions of the deed poll executed; and
- (c) the warrants 2012/2015 may be exercised at any time for a period of two years commencing from 5 June 2013 until 4 June 2015 ("exercise period"). The warrants 2012/2015 that are not exercised during the exercise period will thereafter lapse and become void.

The movements in the Company's warrants 2012/2015 to subscribe for new ordinary shares of RM0.50 each during the financial year is as follows:

| | At 1.4.2013 | Number of warrants | | At 31.3.2014 |
|------------------------------|----------------|--------------------|-------------|-----------------|
| | | Granted | Exercised | |
| Number of warrants 2012/2015 | 73,110,600 | – | (8,259,666) | 64,850,934 |

OPTIONS GRANTED OVER UNISSUED SHARES

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 warrants 2012/2015 and Executive Share Option Scheme.

EXECUTIVE SHARE OPTION SCHEME

At an Extraordinary General Meeting held on 25 March 2010, shareholders approved the Executive Share Option Scheme ("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 19 to the financial statements.

During the financial year, the Company granted a total of 1,780,100 share options under the ESOS.

DIRECTORS' REPORT (CONT'D)

EXECUTIVE SHARE OPTION SCHEME (cont'd)

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 2014 are as follows:

| Expiry date | Exercise price RM | Number of options |
|-------------|----------------------|----------------------|
| 31.3.2015 | 4.74 | 978,500 |
| 31.3.2015 | 5.75 | 577,200 |
| 31.3.2015 | 6.53 | 97,300 |
| 31.3.2015 | 6.24 | 127,100 |
| | | <u>1,780,100</u> |

The Company has been granted exemption by the Companies Commission of Malaysia vide its letter dated 30 May 2014 from having to disclose the list of option holders, other than Directors, to whom options have been granted during the financial year and details of their holdings pursuant to Section 169(11) of the Companies Act 1965 in Malaysia except for information of employees who were granted 54,000 options and above.

The list of option holders granted 54,000 options and above during the financial year are as follows:

| Name | Grant date | Expiry date | Exercise price RM | Number of share options | | |
|-----------------------------------|------------|-------------|-------------------------|-------------------------|-------------------|-------------------------|
| | | | | Granted '000 | Exercised '000 | At 31.3.2014 '000 |
| Seow Teck Choong | 3.5.2013 | 31.3.2015 | 4.74 | 126.3 | (12.0) | 114.3 |
| Kumaran A/L Muthian | 3.5.2013 | 31.3.2015 | 4.74 | 154.9 | (77.4) | 77.5 |
| Kok Hong Leong | 3.5.2013 | 31.3.2015 | 4.74 | 111.4 | (55.7) | 55.7 |
| Peter Johnson A/L Anthonyamy | 3.5.2013 | 31.3.2015 | 4.74 | 60.3 | (30.0) | 30.3 |
| Nasarudin Bin Abd Majid | 3.5.2013 | 31.3.2015 | 4.74 | 55.2 | (27.6) | 27.6 |
| Sritharan A/L Kandasamy | 30.8.2013 | 31.3.2015 | 5.75 | 138.1 | – | 138.1 |
| Kuang Chee Kin | 30.8.2013 | 31.3.2015 | 5.75 | 102.9 | – | 102.9 |
| Rohani Binti Ramlan | 30.8.2013 | 31.3.2015 | 5.75 | 64.8 | – | 64.8 |
| Ahmad Irwan Bin Ghani | 30.8.2013 | 31.3.2015 | 5.75 | 54.0 | – | 54.0 |
| Mohammad Ritzman Bin Abd Rahim | 11.11.2013 | 31.3.2015 | 6.53 | 97.3 | – | 97.3 |
| | | | | <u>965.2</u> | <u>(202.7)</u> | <u>762.5</u> |

DIRECTORS' REPORT (CONT'D)

Directors' options are disclosed under the Directors' interests below.

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
 DATO' TAN GUAN CHEONG

DIRECTORS' INTERESTS

The interests of the Directors in office as at the end of the financial year in the shares and options over ordinary shares of the Company and of the related corporations during the financial year ended 31 March 2014 are as follows:

(a) Shareholdings in the holding company

- Hartalega Industries Sdn Bhd

| | Number of preference shares of RM1.00 each | | | |
|--|--------------------------------------------|--------|------|-----------------|
| | At 1.4.2013 | Bought | Sold | At 31.3.2014 |

Direct interests

| | | | | |
|-----------------------------|--------|---|---|--------|
| Kuan Kam Hon @ Kwan Kam Onn | 45,933 | – | – | 45,933 |
|-----------------------------|--------|---|---|--------|

| | Number of ordinary shares of RM1.00 each | | | |
|--|------------------------------------------|--------|------|-----------------|
| | At 1.4.2013 | Bought | Sold | At 31.3.2014 |

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 1.4.2013 | Bought | Sold | At 31.3.2014 |
| Direct interests | | | | |
| Dato' Mohamed Zakri bin Abdul Rashid | 1,084,900 | - | - | 1,084,900 |
| Dato' Tan Guan Cheong | 40,000 | - | - | 40,000 |
| Dr Danaraj A/L Nadarajah | 335,000 | 233,800 | (440,700) | 128,100 |
| Chuah Phaik Sim | 1,635,000 | - | - | 1,635,000 |
| Kuan Mun Keng | 1,374,000 | - | - | 1,374,000 |
| Kuan Mun Leong | 1,377,000 | - | - | 1,377,000 |
| Liew Ben Poh | 900,000 | - | - | 900,000 |
| Deemed interests | | | | |
| Dato' Mohamed Zakri bin Abdul Rashid ⁽³⁾ | 51,000 | - | - | 51,000 |
| Kuan Kam Hon @ Kwan Kam Onn ⁽²⁾ | 404,148,304 | 6,300,000 ⁽⁴⁾ | - | 410,448,304 |
| Chuah Phaik Sim ⁽¹⁾ | 4,351,200 | - | - | 4,351,200 |
| Liew Ben Poh ⁽³⁾ | 14,000 | - | - | 14,000 |

⁽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.

⁽⁴⁾ Conversion of warrants into ordinary shares for Hartalega Industries Sdn Bhd.

(c) Share Options in the Company

Executive Share Option Scheme ("ESOS")

| | Number of ESOS over ordinary shares of RM0.50 each | | | |
|--------------------------|----------------------------------------------------|---------|-----------|-----------------|
| | At 1.4.2013 | Granted | Exercised | At 31.3.2014 |
| Dr Danaraj A/L Nadarajah | 350,800 | - | (233,800) | 117,000 |

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (cont'd)

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.

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during and at the end of the financial year.

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.

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 the ESOS as disclosed above.

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 27 to the financial statements.

AUDITORS

The auditors, Messrs. Deloitte & Touche, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 8 July 2014.

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 66 to 154, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2014 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 155 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 8 July 2014.

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, to the best of my knowledge and belief, the financial statements as set out on pages 66 to 154 and the supplementary information as set out on page 155 are 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
8 July 2014

KUAN KAM HON @ KWAN KAM ONN

Before me

SHAFIE B. DAUD (W 350)
Commissioner for Oaths

INDEPENDENT AUDITOR'S 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 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 66 to 154.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 controls. 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.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the 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 accounts and auditors' reports of the subsidiaries of which we have not acted as auditors, as shown in Note 11 to the financial statements, being accounts that have been included in the financial statements of the Group;
- (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 as required by us for these purposes; and
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification and did not include any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 155 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 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 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.

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

Other Matters

- (a) The financial statements of the Group and of the Company for the financial year ended 31 March 2013 were audited by another firm of auditors and are presented here merely for comparative purpose. The report issued by the predecessor auditors, which was dated 9 July 2013, expressed an unmodified opinion.
- (b) 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 contents of this report.

DELOITTE & TOUCHE
AF 0834
Chartered Accountants

TEO SWEE CHUA
Partner - 2846/01/16(J)
Chartered Accountant

Kuala Lumpur
8 July 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

| | Note | 2014 RM | 2013 RM |
|-----------------------------------------------------------------------------------------------------------------|------|--------------------|--------------------|
| Revenue | 4 | 1,107,079,365 | 1,032,035,687 |
| Cost of sales | | (739,241,658) | (684,941,859) |
| Gross profit | | 367,837,707 | 347,093,828 |
| Other income | | 10,212,713 | 5,666,964 |
| Distribution expenses | | (14,579,435) | (12,656,029) |
| Administrative expenses | | (42,579,525) | (34,480,320) |
| Other operating expenses | | (11,630,151) | (622,405) |
| | | (68,789,111) | (47,758,754) |
| Profit from operations | | 309,261,309 | 305,002,038 |
| Finance costs | | (310,562) | (903,234) |
| Profit before tax | 5 | 308,950,747 | 304,098,804 |
| Tax expense | 6 | (75,657,750) | (70,506,299) |
| Profit for the financial year | | 233,292,997 | 233,592,505 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation, representing other comprehensive income/(loss) for the financial year, net of tax | | (343,525) | 30,152 |
| Total comprehensive income for the financial year | | 232,949,472 | 233,622,657 |
| Profit attributable to: | | | |
| Owners of the Company | | 232,813,348 | 233,336,229 |
| Non-controlling interests | | 479,649 | 256,276 |
| | | 233,292,997 | 233,592,505 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

| | Note | 2014 RM | 2013 RM |
|--------------------------------------------------------------------------|------|--------------------|--------------------|
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 232,460,468 | 233,358,661 |
| Non-controlling interests | | <u>489,004</u> | <u>263,996</u> |
| | | <u>232,949,472</u> | <u>233,622,657</u> |
| Earnings per ordinary share attributable to owners of the parent: | | | |
| Basic earnings per ordinary share (sen) | 7 | 31.39 | 31.88 |
| Diluted earnings per ordinary share (sen) | 7 | <u>30.20</u> | <u>31.44</u> |

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 2014

| | Note | 2014 RM | 2013 RM |
|-----------------------------------------------------|------|----------------------|--------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 8 | 634,494,011 | 486,017,655 |
| Capital work-in-progress | 9 | 50,262,213 | 49,175,042 |
| Intangible assets | 10 | 6,651,563 | 7,112,144 |
| Deferred tax assets | 12 | 518,836 | 213,253 |
| Total Non-Current Assets | | 691,926,623 | 542,518,094 |
| Current Assets | | | |
| Inventories | 13 | 98,212,959 | 86,833,121 |
| Trade and other receivables | 14 | 149,419,618 | 128,978,881 |
| Tax assets | 15 | – | 111 |
| Derivative financial assets | 16 | 1,945,000 | – |
| Deposits, cash and bank balances | 17 | 170,550,036 | 181,896,729 |
| Total Current Assets | | 420,127,613 | 397,708,842 |
| TOTAL ASSETS | | 1,112,054,236 | 940,226,936 |
| EQUITY AND LIABILITIES | | | |
| Equity Attributable to Owners of the Company | | | |
| Share capital | 18 | 373,516,183 | 366,654,150 |
| Reserves | 19 | 568,737,934 | 397,067,525 |
| | | 942,254,117 | 763,721,675 |
| Non-controlling interests | | 1,306,034 | 817,030 |
| Total Equity | | 943,560,151 | 764,538,705 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014 (CONT'D)

| | Note | 2014 RM | 2013 RM |
|--------------------------------------|------|----------------------|--------------------|
| Non-Current Liabilities | | | |
| Loans and borrowings | 20 | 1,837,709 | 4,583,138 |
| Deferred tax liabilities | 12 | 57,003,097 | 48,696,677 |
| Total Non-Current Liabilities | | <u>58,840,806</u> | <u>53,279,815</u> |
| Current Liabilities | | | |
| Trade and other payables | 21 | 94,432,760 | 98,812,178 |
| Loans and borrowings | 20 | 2,983,491 | 7,694,802 |
| Derivatives financial liabilities | 16 | – | 868,000 |
| Tax liabilities | | <u>12,237,028</u> | <u>15,033,436</u> |
| Total Current Liabilities | | <u>109,653,279</u> | <u>122,408,416</u> |
| Total Liabilities | | <u>168,494,085</u> | <u>175,688,231</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>1,112,054,236</u> | <u>940,226,936</u> |

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 FINANCIAL YEAR ENDED 31 MARCH 2014

| | | Attributable to Owners of the Parent | | | | | | | |
|-------------------------------------------------------------------------------|------|--------------------------------------|---------------------|---------------------------|-----------------------------------|-------------------------|--------------------|---------------------------------|--------------------|
| | | Non-Distributable | | | Distributable | | | | |
| The Group | Note | Share capital RM | Share premium RM | Translation reserve RM | Share-based payment reserve RM | Retained earnings RM | Sub total RM | Non-controlling interests RM | Total equity RM |
| At 1.4.2012 | | 182,544,300 | 9,105,650 | 295,467 | 6,091,868 | 421,280,729 | 619,318,014 | 553,034 | 619,871,048 |
| Comprehensive income | | | | | | | | | |
| Profit for the financial year | | - | - | - | - | 233,336,229 | 233,336,229 | 256,276 | 233,592,505 |
| Other comprehensive income | | | | | | | | | |
| Foreign currency translation | | - | - | 22,432 | - | - | 22,432 | 7,720 | 30,152 |
| Total comprehensive income for the financial year | | - | - | 22,432 | - | 233,336,229 | 233,358,661 | 263,996 | 233,622,657 |
| Transactions with owners | | | | | | | | | |
| Dividends | 23 | - | - | - | - | (98,807,194) | (98,807,194) | - | (98,807,194) |
| Share-based payment granted under EES and ESOS | 19 | - | - | - | 2,542,226 | - | 2,542,226 | - | 2,542,226 |
| Issuance of ordinary shares pursuant to ESOS | | 1,333,350 | 5,976,618 | - | - | - | 7,309,968 | - | 7,309,968 |
| Transfer from share-based payment reserve upon exercise/lapse of EES and ESOS | | - | 2,468,858 | - | (2,625,911) | 157,053 | - | - | - |
| Issuance of bonus shares | | 182,776,500 | (10,987,131) | - | - | (171,789,369) | - | - | - |
| Total transactions with owners | | 184,109,850 | (2,541,655) | - | (83,685) | (270,439,510) | (88,955,000) | - | (88,955,000) |
| At 31.3.2013 | | 366,654,150 | 6,563,995 | 317,899 | 6,008,183 | 384,177,448 | 763,721,675 | 817,030 | 764,538,705 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

| The Group | Note | Attributable to Owners of the Parent | | | | | | Non-controlling interests | Total equity |
|-----------------------------------------------------------------------|------|--------------------------------------|-------------------|---------------------|-----------------------------|--------------------|--------------------|---------------------------|--------------------|
| | | Share capital | Share premium | Translation reserve | Share-based payment reserve | Retained earnings | Sub total | | |
| | | RM | RM | RM | RM | RM | RM | RM | RM |
| At 1.4.2013 | | 366,654,150 | 6,563,995 | 317,899 | 6,008,183 | 384,177,448 | 763,721,675 | 817,030 | 764,538,705 |
| Comprehensive income | | | | | | | | | |
| Profit for the financial year | | - | - | - | - | 232,813,348 | 232,813,348 | 479,649 | 233,292,997 |
| Other comprehensive income | | | | | | | | | |
| Foreign currency translation | | - | - | (352,880) | - | - | (352,880) | 9,355 | (343,525) |
| Total comprehensive income for the financial year | | - | - | (352,880) | - | 232,813,348 | 232,460,468 | 489,004 | 232,949,472 |
| Transactions with owners | | | | | | | | | |
| Dividends | 23 | - | - | - | - | (107,599,234) | (107,599,234) | - | (107,599,234) |
| Share-based payment granted under ESOS | 19 | - | - | - | 3,853,880 | - | 3,853,880 | - | 3,853,880 |
| Issuance of ordinary shares pursuant to ESOS | | 2,732,200 | 12,890,111 | - | - | - | 15,622,311 | - | 15,622,311 |
| Issuance of ordinary shares pursuant to Warrants | | 4,129,833 | 30,065,184 | - | - | - | 34,195,017 | - | 34,195,017 |
| Transfer from share-based payment reserve upon exercise/lapse of ESOS | | - | 4,333,199 | - | (4,333,199) | - | - | - | - |
| Total transactions with owners | | 6,862,033 | 47,288,494 | - | (479,319) | (107,599,234) | (53,928,026) | - | (53,928,026) |
| At 31.3.2014 | | 373,516,183 | 53,852,489 | (34,981) | 5,528,864 | 509,391,562 | 942,254,117 | 1,306,034 | 943,560,151 |

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 FINANCIAL YEAR ENDED 31 MARCH 2014

| | Note | 2014 RM | 2013 RM |
|------------------------------------------------------------|------|---------------|---------------|
| CASH FLOWS FROM/(USED IN) OPERATING EXPENSES | | | |
| Profit before tax | | 308,950,747 | 304,098,804 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 44,766,709 | 31,797,298 |
| Share-based payment expense | | 3,853,880 | 2,542,226 |
| Unrealised loss/(gain) on foreign exchange | | 1,094,448 | (41,485) |
| Amortisation of intangible assets | | 465,418 | 125,793 |
| Interest expense | | 310,562 | 903,234 |
| Bad debts written off | | 31,167 | 5,104 |
| Impairment loss on trade receivables | | 1,767 | 101,058 |
| Income from fixed income fund | | (3,798,049) | (2,995,373) |
| Fair value (gain)/loss on derivative financial instruments | | (2,813,000) | 103,000 |
| Interest income | | (1,086,500) | (837,667) |
| (Gain)/Loss on disposal of property, plant and equipment | | (5,862) | 1,355 |
| Operating Profit Before Working Capital Changes | | 351,771,287 | 335,803,347 |
| (Increase)/Decrease in inventories | | (11,379,838) | 10,698,901 |
| Increase in receivables | | (21,568,119) | (11,960,824) |
| (Decrease)/Increase in payables | | (4,379,418) | 38,301,839 |
| Cash Generated From Operations | | 314,443,912 | 372,843,263 |
| Income received from fixed income fund | | 3,798,049 | 2,995,373 |
| Interest received | | 1,086,500 | 837,667 |
| Tax paid | | (70,472,814) | (59,108,740) |
| Net Cash From Operating Activities | | 248,855,647 | 317,567,563 |
| CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | | | |
| Proceeds from disposal of property, plant and equipment | | 1,693,658 | 800 |
| Additions to: | | | |
| Property, plant and equipment | 8 | (106,905,668) | (6,439,260) |
| Intangible assets | 10 | (4,837) | (7,016,605) |
| Capital work-in-progress | 9 | (89,109,396) | (180,699,656) |
| Increase in deposit in Escrow Account | | (9,863,404) | – |
| Net Cash Used In Investing Activities | | (204,189,647) | (194,154,721) |

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

| | 2014 RM | 2013 RM |
|-------------------------------------------------------------------------------------|------------------------|------------------------|
| Note | | |
| CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES | | |
| Proceeds from issuance of shares pursuant to: | | |
| Exercise of Warrants | 34,195,017 | – |
| Exercise of ESOS | 15,622,311 | 7,309,968 |
| Dividends paid | (107,599,234) | (98,807,194) |
| Repayments of term loans | (7,443,786) | (12,463,591) |
| Interest paid | (310,562) | (903,234) |
| Payments to finance lease payables | (12,954) | (21,618) |
| | <u>(65,549,208)</u> | <u>(104,885,669)</u> |
| Net Cash Used In Financing Activities | | |
| | <u>(65,549,208)</u> | <u>(104,885,669)</u> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (20,883,208) | 18,527,173 |
| EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS | (326,889) | 152,991 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | <u>181,896,729</u> | <u>163,216,565</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR (Note 17) | <u>160,686,632</u> | <u>181,896,729</u> |

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

| | Note | 2014 RM | 2013 RM |
|----------------------------------------------------------------------------------------------------------|------|--------------------|--------------------|
| Revenue | 4 | 108,676,239 | 97,228,381 |
| Other income | | 7,885,691 | 8,433,627 |
| Administrative expenses | | <u>(1,227,724)</u> | <u>(1,486,522)</u> |
| Profit before tax | 5 | 115,334,206 | 104,175,486 |
| Tax expense | 6 | <u>(1,228,737)</u> | <u>(1,427,558)</u> |
| Profit for the financial year, representing total comprehensive income for the financial year | | <u>114,105,469</u> | <u>102,747,928</u> |

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 2014

| | Note | 2014 RM | 2013 RM |
|-------------------------------------|------|--------------------|--------------------|
| ASSETS | | | |
| Non-Current Asset | | | |
| Investments in subsidiaries | 11 | <u>298,164,292</u> | <u>145,346,812</u> |
| Current Assets | | | |
| Other receivables | 14 | 4,500 | 4,500 |
| Amounts owing by subsidiaries | 22 | 83,895,086 | 152,568,242 |
| Deposits, cash and bank balances | 17 | <u>77,308,962</u> | <u>101,476,024</u> |
| Total Current Assets | | <u>161,208,548</u> | <u>254,048,766</u> |
| TOTAL ASSETS | | <u>459,372,840</u> | <u>399,395,578</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 18 | 373,516,183 | 366,654,150 |
| Reserves | 19 | <u>85,442,979</u> | <u>32,127,569</u> |
| Total Equity | | <u>458,959,162</u> | <u>398,781,719</u> |
| Current Liabilities | | | |
| Other payables | 21 | 376,715 | 301,062 |
| Tax liabilities | | <u>36,963</u> | <u>312,797</u> |
| Total Current Liabilities | | <u>413,678</u> | <u>613,859</u> |
| Total Liabilities | | <u>413,678</u> | <u>613,859</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>459,372,840</u> | <u>399,395,578</u> |

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 FINANCIAL YEAR ENDED 31 MARCH 2014

| | | | ← Non-distributable → | | Distributable | |
|-----------------------------------------------------------------------------------------------|------|---------------------|-----------------------|-----------------------------------|-------------------------|---------------------|
| | Note | Share capital RM | Share premium RM | Share-based payment reserve RM | Retained earnings RM | Total equity RM |
| At 1.4.2012 | | 182,544,300 | 9,105,650 | 6,091,868 | 187,246,973 | 384,988,791 |
| Profit for the financial year, representing total comprehensive income for the financial year | | – | – | – | 102,747,928 | 102,747,928 |
| Transactions with owners | | | | | | |
| Dividends | 23 | – | – | – | (98,807,194) | (98,807,194) |
| Share-based payment granted under EES and ESOS | 19 | – | – | 2,542,226 | – | 2,542,226 |
| Issuance of ordinary shares pursuant to ESOS | | 1,333,350 | 5,976,618 | – | – | 7,309,968 |
| Transfer from share-based payment upon exercise/lapse of EES and ESOS | | – | 2,468,858 | (2,625,911) | 157,053 | – |
| Issuance of bonus shares | | 182,776,500 | (10,987,131) | – | (171,789,369) | – |
| Total transactions with owners | | <u>184,109,850</u> | <u>(2,541,655)</u> | <u>(83,685)</u> | <u>(270,439,510)</u> | <u>(88,955,000)</u> |
| At 31.3.2013 | | <u>366,654,150</u> | <u>6,563,995</u> | <u>6,008,183</u> | <u>19,555,391</u> | <u>398,781,719</u> |

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

| | Note | ← Non-distributable → | | | Distributable | Total equity RM |
|-----------------------------------------------------------------------------------------------|------|-----------------------|---------------------|-----------------------------------|-------------------------|---------------------|
| | | Share capital RM | Share premium RM | Share-based payment reserve RM | Retained earnings RM | |
| At 31.3.2013 | | 366,654,150 | 6,563,995 | 6,008,183 | 19,555,391 | 398,781,719 |
| Profit for the financial year, representing total comprehensive income for the financial year | | – | – | – | 114,105,469 | 114,105,469 |
| Transactions with owners | | | | | | |
| Dividends | 23 | – | – | – | (107,599,234) | (107,599,234) |
| Share-based payment granted under ESOS | 19 | – | – | 3,853,880 | – | 3,853,880 |
| Issuance of ordinary shares pursuant to ESOS | | 2,732,200 | 12,890,111 | – | – | 15,622,311 |
| Issuance of ordinary shares pursuant to Warrants | | 4,129,833 | 30,065,184 | – | – | 34,195,017 |
| Transfer from share-based payment upon exercise/lapse of ESOS | | – | 4,333,199 | (4,333,199) | – | – |
| Total transactions with owners | | <u>6,862,033</u> | <u>47,288,494</u> | <u>(479,319)</u> | <u>(107,599,234)</u> | <u>(53,928,026)</u> |
| At 31.3.2014 | | <u>373,516,183</u> | <u>53,852,489</u> | <u>5,528,864</u> | <u>26,061,626</u> | <u>458,959,162</u> |

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

| | 2014 RM | 2013 RM |
|-------------------------------------------------------|---------------|--------------|
| CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | | |
| Profit before tax | 115,334,206 | 104,175,486 |
| Adjustments for: | | |
| Dividend income from a subsidiary | (108,676,239) | (97,228,381) |
| Income from fixed income fund | (2,971,620) | (2,389,939) |
| Interest income | (4,914,047) | (6,043,646) |
| Operating Loss Before Working Capital Changes | (1,227,700) | (1,486,480) |
| Decrease in receivables | – | 148,199 |
| Increase/(Decrease) in payables | 75,653 | (1,295,051) |
| Cash Used In Operations | (1,152,047) | (2,633,332) |
| Income received from fixed income fund | 2,971,620 | 2,389,939 |
| Interest received | 67,203 | 74,642 |
| Tax paid | (1,504,571) | (1,046,838) |
| Net Cash From/(Used in) Operating Activities | 382,205 | (1,215,589) |
| CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | | |
| Dividend received from a subsidiary | 108,676,239 | 97,228,381 |
| Advances to subsidiaries | (73,444,600) | (20,000) |
| Subscription of shares in a new subsidiary | (1,999,000) | (1,000) |
| Net Cash From Investing Activities | 33,232,639 | 97,207,381 |
| CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES | | |
| Proceeds from issuance of shares pursuant to: | | |
| Exercise of Warrants | 34,195,017 | – |
| Exercise of ESOS | 15,622,311 | 7,309,968 |
| Dividends paid | (107,599,234) | (98,807,194) |
| Net Cash Used In Financing Activities | (57,781,906) | (91,497,226) |

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

(CONT'D)

| | 2014 RM | 2013 RM |
|------------------------------------------------------------------|--------------------|--------------------|
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (24,167,062) | 4,494,566 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | <u>101,476,024</u> | <u>96,981,458</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (Note 17) | <u>77,308,962</u> | <u>101,476,024</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

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 Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 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. The principal activities of the subsidiaries are stated in Note 11. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 8 July 2014.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 1965 in Malaysia.

(i) Adoption of new and revised Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company adopted all the new and revised Standards and Issues Committee Interpretations ("IC Interpretation") issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after 1 April 2013:

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(i) Adoption of new and revised Malaysian Financial Reporting Standards (cont'd)

| | |
|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| MFRS 1 | Amendments to MFRS 1 (Government Loans) |
| MFRS 7 | Financial Instruments: Disclosures (Amendments relating to Disclosures – Offsetting Financial Assets and Liabilities) |
| MFRS 10 | Consolidated Financial Statements |
| MFRS 10 | Consolidated Financial Statements (Amendments relating to Transition Guidance) |
| MFRS 11 | Joint Arrangements |
| MFRS 11 | Joint Arrangements (Amendments relating to Transition Guidance) |
| MFRS 12 | Disclosure of Interests in Other Entities |
| MFRS 12 | Disclosure of Interests in Other Entities (Amendments relating to Transition Guidance) |
| MFRS 13 | Fair Value Measurement |
| MFRS 101 | Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income) |
| MFRS 119 | Employee Benefits (IAS 19 as amended by IASB in June 2011) |
| MFRS 127 | Separate Financial Statements (IAS 27 as amended by IASB in May 2011) |
| MFRS 128 | Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011) |
| Annual Improvements to MFRSs 2009 – 2011 cycle | |

The adoption of these new and revised MFRSs and IC Interpretations did not result in significant changes in the accounting policies of the Group and the Company and has no significant effect on the financial performance or position of the Group and the Company except as disclosed below.

Amendments to MFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group and the Company have applied the amendments to *MFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to MFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group and the Company do not have any offsetting arrangements in place, the application of the amendments has no material impact on the disclosures or on the amounts recognised in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(i) Adoption of new and revised Malaysian Financial Reporting Standards (cont'd)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In November 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising MFRS 10 *Consolidated Financial Statements*, MFRS 11 *Joint Arrangements*, MFRS 12 *Disclosure of Interests in Other Entities*, MFRS 127 (IAS 27 as revised by IASB in May 2011) *Separate Financial Statements* and MFRS 128 (IAS 28 as revised by IASB in May 2011) *Investment in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to MFRS 10, MFRS 11 and MFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group and the Company applied for the first time MFRS 10, MFRS 11 and MFRS 12, MFRS 127 (IAS 27 as revised by IASB in May 2011) and MFRS 128 (IAS 28 as revised by IASB in May 2011) together with the amendments to MFRS 10, MFRS 11 and MFRS 12 regarding the transitional guidance.

The impact of the application of these standards is set out below.

Impact of the application of MFRS 10

MFRS 10 replaces the parts of MFRS 127 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. IC Interpretation 112 *Consolidation – Special Purpose Entities*. MFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) it has the ability to use its power to affect its return. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in MFRS 10 to explain when an investor has control over an investee. Some guidance included in MFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee to the Group.

The Directors of the Company reviewed and assessed the classification of the Group's investment in subsidiaries in accordance with the requirements of MFRS 10 and concluded that the adoption of MFRS 10 has not affected the amounts reported on the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(i) Adoption of new and revised Malaysian Financial Reporting Standards (cont'd)

Impact of the application of MFRS 12

MFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associated companies and/or unconsolidated structure entities. In general, the application of MFRS 12 has resulted in more extensive disclosures in the financial statements.

MFRS 13 Fair Value Measurement

The Group and the Company have applied MFRS 13 for the first time in the current year. MFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of MFRS 13 is broad; the fair value measurements of MFRS 13 apply to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of MFRS 2 *Share-based Payment*, leasing transactions that are within the scope of MFRS 117 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

MFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under MFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, MFRS 13 includes extensive disclosure requirements.

In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group and the Company have not made any new disclosures required by MFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of MFRS 13 has not had any material impact on the amounts recognised in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(i) Adoption of new and revised Malaysian Financial Reporting Standards (cont'd)

Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income

The Group and the Company have applied the amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income* for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to MFRS 101, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to MFRS 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to MFRS 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(ii) Standards and IC Interpretations in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and IC Interpretations which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

| | |
|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in November 2009) ¹ |
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in October 2010) ¹ |
| MFRS 9 | Financial Instruments (Hedge Accounting and amendments relating to MFRS 9, MFRS 7 and MFRS 139) ¹ |
| IC Interpretation 21 | Levies ² |
| Amendments to MFRS 9 and MFRS 7 | Mandatory Effective Date of MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and Transition Disclosures ¹ |
| Amendments to MFRS 10, MFRS 12 and MFRS 127 | Investment Entities ² |
| Amendments to MFRS 119 | Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions) ³ |
| Amendments to MFRS 132 | Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities) ² |
| Amendments to MFRS 136 | Impairment of Assets (Amendments relating to Recoverable Amounts Disclosures for Non-Financial Assets) ² |
| Amendments to MFRS 139 | Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting) ² |
| Annual Improvements to MFRSs 2010 – 2012 cycle ³ | |
| Annual Improvements to MFRSs 2011 – 2013 cycle ³ | |

¹ The mandatory effective date of MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) which was for annual period beginning on or after 1 January 2015 has been removed with the issuance of MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139. The effective date of MFRS 9 will be decided when IASB's IFRS 9 project is closer to completion. However, each version of the MFRS 9 is available for early adoption

² Effective for annual periods beginning on or after 1 January 2014

³ Effective for annual periods beginning on or after 1 July 2014

The Directors anticipate that abovementioned Standards and IC Interpretations will be adopted in the annual financial statements of the Group and the Company when they become effective and that the adoption of these Standards and IC Interpretations will have no material impact on the financial statements of the Group and the Company in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

2. BASIS OF PREPARATION (cont'd)

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost convention except for certain financial instruments that are measured at fair values at the end of the reporting date as explained in the significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transaction that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(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 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (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, allowance for increased exports 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 lives 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 19) - The measurement of the fair value for Employee Equity Scheme ("EES") and Executive Share Option Scheme ("ESOS") are determined using valuation technique based on assumptions about future volatility of and dividend yield on the underlying shares.
- (iv) Determination of functional currency - Functional currency is the currency of the primary economic environment in which the Company operates. When indicators of the primary economic environment are mixed, management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Company has determined that the functional currency of the Company is RM.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted at the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Business combinations (cont'd)

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 139 or MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Business combinations (cont'd)

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items of which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

(c) Foreign currencies

(i) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the Group's functional currency (foreign currencies) are recorded in the Group entities' functional currency 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 currency 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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Foreign currencies (cont'd)

(i) Foreign currency transactions (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) 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.

(iv) Income from fixed income fund

Income from fixed income fund is recognised when the right to receive payment is established.

(e) 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 plan

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Employee benefits (cont'd)

(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.

(f) 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 incur in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) 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 leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset 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.

(h) 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.

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 substantively enacted by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Tax expense (cont'd)

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 tax 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.

(i) Property, plant and equipment

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.

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% |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Property, plant and equipment (cont'd)

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.

(j) 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.

(k) Intangible assets

Intangible assets representing patent rights and golf club memberships, which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised in the profit or loss on a straight-line method to allocate the cost of patent rights and golf club memberships over their useful lives. The principal annual rates used for this purpose are:

| | |
|-----------------------|----------|
| Patent rights | 15 years |
| Golf club memberships | 38 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 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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.

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") and loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial assets (cont'd)

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial assets (cont'd)

(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.

A financial asset is derecognised when 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 Group and 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 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 their 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.

(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 MFRS 139, are recognised in the statements of financial position when, and only when, the Group becomes 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 has not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Financial liabilities (cont'd)

(ii) Other 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.

Other financial liabilities of the Group and the Company include trade and other payables, and loans and borrowings.

(s) Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(t) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) 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 and of the Company.

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

(v) 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.

4. REVENUE

| | Group | | Company | |
|-----------------------------------|----------------------|----------------------|--------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Sales of goods | 1,107,079,365 | 1,032,035,687 | – | – |
| Dividend income from a subsidiary | – | – | 108,676,239 | 97,228,381 |
| | <u>1,107,079,365</u> | <u>1,032,035,687</u> | <u>108,676,239</u> | <u>97,228,381</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

5. PROFIT BEFORE TAX

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

(a) Other items

| | Group | | Company | |
|-------------------------------------------------------------|-------------|------------|---------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Auditors' remuneration | | | | |
| - Audit services | 210,836 | 192,911 | 30,000 | 18,000 |
| - Other services by auditors of the company | 6,200 | 29,900 | 6,200 | 29,900 |
| Amortisation of intangible assets | 465,418 | 125,793 | — | — |
| Bad debts written off | 31,167 | 5,104 | — | — |
| Depreciation of property, plant and equipment | 44,766,709 | 31,797,298 | — | — |
| Fair value (gain)/ loss on derivative financial instruments | (2,813,000) | 103,000 | — | — |
| Impairment loss on trade receivables | 1,767 | 101,058 | — | — |
| Interest expense in respect of: | | | | |
| - term loans | 306,261 | 902,222 | — | — |
| - finance lease payables | 4,301 | 1,012 | — | — |
| Management fee | 7,818 | — | — | — |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

5. PROFIT BEFORE TAX (cont'd)

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

(a) Other items (cont'd)

| | Group | | Company | |
|----------------------------------------------------------|-------------|-------------|-------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Non-Executive Directors' remuneration: | | | | |
| - Fees | | | | |
| - Directors of the Company | 144,000 | 144,000 | 144,000 | 144,000 |
| - Director of subsidiary | 24,000 | 24,000 | - | - |
| - Other emoluments | | | | |
| - Directors of the Company | 27,000 | 32,500 | 27,000 | 32,500 |
| Rental of land | 207,200 | 194,400 | - | - |
| Rental of machinery | 2,800 | 8,000 | - | - |
| Rental of premises | 1,778,921 | 1,198,362 | - | - |
| (Gain)/Loss on disposal of property, plant and equipment | (5,862) | 1,355 | - | - |
| Loss/(Gain) on foreign exchange: | | | | |
| - realised | 9,774,779 | (54,129) | - | - |
| - unrealised | 1,094,448 | (41,485) | - | - |
| Income from fixed income fund | (3,798,049) | (2,995,373) | (2,971,620) | (2,389,939) |
| Interest income in respect of: | | | | |
| - deposits with licensed banks | (1,086,500) | (837,667) | (67,203) | (74,642) |
| - advances to a subsidiary | - | - | (4,846,844) | (5,969,004) |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

5. PROFIT BEFORE TAX (cont'd)

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

(b) Staff costs

| | Group | | Company | |
|--------------------------------------------|--------------------|-------------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Staff costs | <u>113,128,860</u> | <u>86,029,225</u> | <u>144,000</u> | <u>144,000</u> |
| Included in staff costs are: | | | | |
| Share-based payment expense | 3,853,880 | 2,542,226 | – | – |
| Contributions to defined contribution plan | <u>3,382,518</u> | <u>2,738,260</u> | <u>–</u> | <u>–</u> |

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 | |
|---------------------------------|------------------|------------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Fees: | | | | |
| - Directors of the Company | 216,000 | 210,000 | 144,000 | 144,000 |
| - Directors of the subsidiaries | 96,000 | 90,000 | – | – |
| Share-based payment expense | – | 256,084 | – | – |
| Other emoluments: | | | | |
| - Directors of the Company | 4,243,250 | 2,480,962 | – | – |
| - Directors of the subsidiaries | <u>2,524,978</u> | <u>2,071,278</u> | <u>–</u> | <u>–</u> |
| | <u>7,080,228</u> | <u>5,108,324</u> | <u>144,000</u> | <u>144,000</u> |

The estimated monetary value of benefits-in-kind of the Group received by the Directors of the Company and of the subsidiaries are RM745,115 (2013: RM55,493) and RM107,283 (2013: RM56,200) respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

6. TAX EXPENSE

| | Group | | Company | |
|---------------------------------------------------|-------------------|-------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Current tax | | | | |
| Malaysian - current year | 67,600,884 | 62,554,700 | 1,228,800 | 1,505,700 |
| - overprovision in prior years | (1,428,693) | (915,960) | (63) | (78,142) |
| Overseas - current year | 1,504,326 | 844,850 | — | — |
| | 67,676,517 | 62,483,590 | 1,228,737 | 1,427,558 |
| Deferred tax | | | | |
| Origination and reversal of temporary differences | 7,249,833 | 8,121,209 | — | — |
| Under/(Over)provision in prior years | 731,400 | (98,500) | — | — |
| | 7,981,233 | 8,022,709 | — | — |
| Tax expense | <u>75,657,750</u> | <u>70,506,299</u> | <u>1,228,737</u> | <u>1,427,558</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (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 | |
|-------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Profit before tax | <u>308,950,747</u> | <u>304,098,804</u> | <u>115,334,206</u> | <u>104,175,486</u> |
| Tax at the Malaysian statutory income tax rate of 25% | 77,237,687 | 76,024,700 | 28,833,552 | 26,043,900 |
| Effect of different tax rate of foreign subsidiaries | 232,184 | 124,359 | – | – |
| Tax effect of: | | | | |
| Non-deductible expenses | 2,508,445 | 720,500 | 302,918 | 66,310 |
| Non-taxable income | (1,881,652) | (936,500) | (27,907,670) | (24,604,510) |
| Deferred tax assets not recognised | 125,325 | 108,500 | – | – |
| Utilisation of allowance for increased exports | (1,866,946) | (4,520,800) | – | – |
| (Over)/Underprovision in prior years | | | | |
| - current tax | (1,428,693) | (915,960) | (63) | (78,142) |
| - deferred tax | <u>731,400</u> | <u>(98,500)</u> | <u>–</u> | <u>–</u> |
| Tax expense | <u>75,657,750</u> | <u>70,506,299</u> | <u>1,228,737</u> | <u>1,427,558</u> |

The Budget 2014 announced on 25 October 2013 the reduction of the corporate income tax rate from 25% to 24% with effect from year of assessment 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

7. EARNINGS PER ORDINARY SHARE

| | Group | |
|---------------------------------------------------------------------------------------------------------|-------------|-------------|
| | 2014 | 2013 |
| | RM | RM |
| Basic earnings per ordinary share | | |
| Net profit attributable to owners of the Company (RM) | 232,813,348 | 233,336,229 |
| Number of shares in issue as at beginning of the financial year | 733,308,300 | 365,088,600 |
| Effect of exercise of ESOS | 2,794,808 | 1,290,408 |
| Effect of exercise of Warrants | 5,578,359 | – |
| Bonus issue | – | 365,553,000 |
| Weighted average number of ordinary shares in issue | 741,681,467 | 731,932,008 |
| Basic earnings per ordinary share of RM0.50 (sen) | 31.39 | 31.88 |
| Diluted earnings per ordinary share | | |
| Net profit attributable to owners of the Company (RM) | 232,813,348 | 233,336,229 |
| Weighted average number of ordinary shares in issue | 741,681,467 | 731,932,008 |
| Effect of dilutive potential ordinary shares – ESOS# | 4,214,871 | 4,358,577 |
| Effect of dilutive potential ordinary shares – Warrants# | 24,996,971 | 5,827,833 |
| Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share | 770,893,309 | 742,118,418 |
| Diluted earnings per ordinary share of RM0.50 (sen) | 30.20 | 31.44 |

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 on 29 May 2012 or free warrants issued on the basis of one (1) free warrant for every five (5) existing shares held in the Company which was completed on 5 June 2012.

Since the end of the financial year:

- (i) eligible executives have exercised the options to acquire 366,200 (2013: 1,119,700) ordinary shares; and
- (ii) conversion of free warrant to acquire 10,087,970 (2013: 519,960) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land RM | Long term leasehold land RM | Buildings RM | Plant and machinery RM | Furniture, fittings and equipment RM | Motor vehicles RM | Renovation RM | Total RM |
|-------------------------------------------------------|------------------------|--------------------------------------|--------------------|------------------------------|-----------------------------------------------|-------------------------|------------------|--------------------|
| Group | | | | | | | | |
| Cost | | | | | | | | |
| At 1.4.2013 | 26,720,978 | 158,023 | 115,410,673 | 444,877,852 | 61,126,830 | 6,684,628 | 2,583,870 | 657,562,854 |
| Additions | - | 90,224,285 | 1,717,414 | 10,728,275 | 3,630,355 | 605,339 | - | 106,905,668 |
| Transfer from capital work-in-progress (Note 9) | - | - | 30,031,686 | 47,547,770 | 10,442,769 | - | - | 88,022,225 |
| Disposals | - | - | - | (124,139) | (1,151,906) | (1,096,616) | - | (2,372,661) |
| Translation differences | - | - | - | 1,032 | (3,404) | 11,548 | - | 9,176 |
| At 31.3.2014 | <u>26,720,978</u> | <u>90,382,308</u> | <u>147,159,773</u> | <u>503,030,790</u> | <u>74,044,644</u> | <u>6,204,899</u> | <u>2,583,870</u> | <u>850,127,262</u> |
| Accumulated depreciation | | | | | | | | |
| At 1.4.2013 | - | 15,048 | 10,268,426 | 138,815,136 | 18,766,484 | 2,773,134 | 906,971 | 171,545,199 |
| Charge for the financial year | - | 1,881 | 2,756,726 | 35,220,279 | 5,847,106 | 773,095 | 167,622 | 44,766,709 |
| Disposals | - | - | - | (67,707) | (26,958) | (590,200) | - | (684,865) |
| Translation differences | - | - | - | 896 | (270) | 5,582 | - | 6,208 |
| At 31.3.2014 | <u>-</u> | <u>16,929</u> | <u>13,025,152</u> | <u>173,968,604</u> | <u>24,586,362</u> | <u>2,961,611</u> | <u>1,074,593</u> | <u>215,633,251</u> |
| Net carrying amount | | | | | | | | |
| At 31.3.2014 | <u>26,720,978</u> | <u>90,365,379</u> | <u>134,134,621</u> | <u>329,062,186</u> | <u>49,458,282</u> | <u>3,243,288</u> | <u>1,509,277</u> | <u>634,494,011</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

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

| | Freehold land RM | Long term leasehold land RM | Buildings RM | Plant and machinery RM | Furniture, fittings and equipment RM | Motor vehicles RM | Renovation RM | Total RM |
|-------------------------------------------------------|------------------------|--------------------------------------|--------------------|------------------------------|-----------------------------------------------|-------------------------|------------------|--------------------|
| Group | | | | | | | | |
| Cost | | | | | | | | |
| At 1.4.2012 | 26,720,978 | 158,023 | 88,208,987 | 345,998,748 | 42,091,163 | 4,669,528 | 2,187,880 | 510,035,307 |
| Additions | – | – | 793,761 | 1,195,679 | 2,153,038 | 2,014,540 | 395,990 | 6,553,008 |
| Transfer from capital work-in-progress (Note 9) | – | – | 26,407,925 | 97,683,307 | 16,887,198 | – | – | 140,978,430 |
| Disposals | – | – | – | – | (6,000) | – | – | (6,000) |
| Translation differences | – | – | – | 118 | 1,431 | 560 | – | 2,109 |
| At 31.3.2013 | <u>26,720,978</u> | <u>158,023</u> | <u>115,410,673</u> | <u>444,877,852</u> | <u>61,126,830</u> | <u>6,684,628</u> | <u>2,583,870</u> | <u>657,562,854</u> |
| Accumulated depreciation | | | | | | | | |
| At 1.4.2012 | – | 13,167 | 8,509,466 | 113,170,225 | 15,248,679 | 2,076,641 | 731,814 | 139,749,992 |
| Charge for the financial year | – | 1,881 | 1,758,960 | 25,644,827 | 3,520,453 | 696,020 | 175,157 | 31,797,298 |
| Disposals | – | – | – | – | (3,845) | – | – | (3,845) |
| Translation differences | – | – | – | 84 | 1,197 | 473 | – | 1,754 |
| At 31.3.2013 | <u>–</u> | <u>15,048</u> | <u>10,268,426</u> | <u>138,815,136</u> | <u>18,766,484</u> | <u>2,773,134</u> | <u>906,971</u> | <u>171,545,199</u> |
| Net carrying amount | | | | | | | | |
| At 31.3.2013 | <u>26,720,978</u> | <u>142,975</u> | <u>105,142,247</u> | <u>306,062,716</u> | <u>42,360,346</u> | <u>3,911,494</u> | <u>1,676,899</u> | <u>486,017,655</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (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 amounting to RM51,428,998 (2013: RM147,919,518) is pledged as security by way of legal charge and security debenture for banking facilities granted to the Group as disclosed in Note 20.
- (c) During the financial year, the purchase of property, plant and equipment of the Group were through the following:

| | Group | |
|--------------------------------------------|--------------------|------------------|
| | 2014 | 2013 |
| | RM | RM |
| Additions of property, plant and equipment | 106,905,668 | 6,553,008 |
| Financed by finance lease arrangement | — | (113,748) |
| Payment by cash | <u>106,905,668</u> | <u>6,439,260</u> |

- (d) Net carrying amount of motor vehicles held under finance lease arrangements amounting to RM96,301 (2013: RM113,748).

9. CAPITAL WORK-IN-PROGRESS

| | Group | |
|----------------------------------------------------|---------------------|----------------------|
| | 2014 | 2013 |
| | RM | RM |
| At beginning of year | 49,175,042 | 9,453,816 |
| Additions | 89,109,396 | 180,699,656 |
| Transfer to property, plant and equipment (Note 8) | <u>(88,022,225)</u> | <u>(140,978,430)</u> |
| At end of year | <u>50,262,213</u> | <u>49,175,042</u> |

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

10. INTANGIBLE ASSETS

| | Patent rights RM | Golf club memberships RM | Total RM |
|----------------------------------------|---------------------|--------------------------------|------------------|
| Group | | | |
| Cost | | | |
| At 1.4.2013 | 7,073,960 | 175,000 | 7,248,960 |
| Additions | 4,837 | – | 4,837 |
| | <u>7,078,797</u> | <u>175,000</u> | <u>7,253,797</u> |
| At 31.3.2014 | | | |
| Accumulated amortisation | | | |
| At 1.4.2013 | 132,211 | 4,605 | 136,816 |
| Amortisation during the financial year | 460,813 | 4,605 | 465,418 |
| | <u>593,024</u> | <u>9,210</u> | <u>602,234</u> |
| At 31.3.2014 | | | |
| Net carrying amount | | | |
| At 31.3.2014 | <u>6,485,773</u> | <u>165,790</u> | <u>6,651,563</u> |
| Cost | | | |
| At 1.4.2012 | 57,355 | 175,000 | 232,355 |
| Additions | 7,016,605 | – | 7,016,605 |
| | <u>7,073,960</u> | <u>175,000</u> | <u>7,248,960</u> |
| At 31.3.2013 | | | |
| Accumulated amortisation | | | |
| At 1.4.2012 | 11,023 | – | 11,023 |
| Amortisation during the financial year | 121,188 | 4,605 | 125,793 |
| | <u>132,211</u> | <u>4,605</u> | <u>136,816</u> |
| At 31.3.2013 | | | |
| Net carrying amount | | | |
| At 31.3.2013 | <u>6,941,749</u> | <u>170,395</u> | <u>7,112,144</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

11. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---------------------------------------------------|--------------------|--------------------|
| | 2014 | 2013 |
| | RM | RM |
| Unquoted shares, at cost | 282,664,600 | 133,701,000 |
| EES and ESOS granted to employees of subsidiaries | 15,499,692 | 11,645,812 |
| | <u>298,164,292</u> | <u>145,346,812</u> |

The particulars of subsidiaries are as follows:

| Name of company | Country of incorporation | Principal activities | Proportion of ownership | |
|-----------------------------------------------|----------------------------|---------------------------------------------------------------------|-------------------------|------|
| | | | 2014 | 2013 |
| Hartalega Sdn Bhd | Malaysia | Manufacturing of latex gloves | 100% | 100% |
| Hartalega NGC Sdn Bhd | Malaysia | Manufacturing of latex gloves | 100% | 100% |
| Hartalega Research Sdn Bhd | Malaysia | Research and development | 100% | 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% | 70% |
| * Pharmatex Healthcare Private Limited | India | Retail and wholesale of gloves | 81% | 70% |
| Derma Care Plus Products (M) Sdn Bhd | Malaysia | Sales and marketing of gloves | 100% | 100% |
| Sentinel Engineering (M) Sdn Bhd | Malaysia | Leasing of property, research and development of automation systems | 100% | 100% |

* Audited by a firm of auditors other than Deloitte & Touche.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

11. INVESTMENTS IN SUBSIDIARIES (cont'd)

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

| Principal activities | Country of incorporation | Number of wholly-owned subsidiaries | |
|---------------------------------------------------------------------|--------------------------|-------------------------------------|----------|
| | | 2014 | 2013 |
| Manufacturing of latex gloves | Malaysia | 2 | 2 |
| Research and development | Malaysia | 1 | 1 |
| Sales and marketing of gloves | Malaysia | 1 | 1 |
| Leasing of property, research and development of automation systems | Malaysia | 1 | 1 |
| | | <u>5</u> | <u>5</u> |

| Principal activities | Country of incorporation | Number of non wholly-owned subsidiaries | |
|--------------------------------|----------------------------|-----------------------------------------|----------|
| | | 2014 | 2013 |
| Retail and wholesale of gloves | Australia | 1 | 1 |
| Retail and wholesale of gloves | United States of America | 1 | 1 |
| Retail and wholesale of gloves | People's Republic of China | 1 | 1 |
| Retail and wholesale of gloves | India | 1 | 1 |
| | | <u>4</u> | <u>4</u> |

The table below shows details of non wholly-owned subsidiaries of the Group that have material non-controlling interests:

| | Percentage of ownership interests held by NCI | Profit/(Loss) allocated to non-controlling interests RM | Accumulated non-controlling interests RM |
|--------------------------------------------|-----------------------------------------------|------------------------------------------------------------|---------------------------------------------|
| 2014 | | | |
| Pharmatex (Australia) Pty Limited | 18% | 529,556 | 1,249,396 |
| Other individually immaterial subsidiaries | | <u>(49,907)</u> | <u>56,638</u> |
| | | <u>479,649</u> | <u>1,306,034</u> |
| 2013 | | | |
| Pharmatex (Australia) Pty Limited | 18% | 313,479 | 785,700 |
| Other individually immaterial subsidiaries | | <u>(57,203)</u> | <u>31,330</u> |
| | | <u>256,276</u> | <u>817,030</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

11. INVESTMENTS IN SUBSIDIARIES (cont'd)

Composition of the Group (cont'd)

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

| | Pharmatex (Australia) Pty Limited | |
|----------------------------------------------|-----------------------------------|------------------|
| | 2014 | 2013 |
| | RM | RM |
| Non-current assets | 338,795 | 179,531 |
| Current assets | 19,553,176 | 20,755,113 |
| Non-current liabilities | (14,736) | (13,774) |
| Current liabilities | (12,936,148) | (16,555,868) |
| Net assets | <u>6,941,087</u> | <u>4,365,002</u> |
| Equity attributable to owners of the Company | 5,691,691 | 3,579,302 |
| Non-controlling interests | <u>1,249,396</u> | <u>785,700</u> |
| | <u>6,941,087</u> | <u>4,365,002</u> |
| Revenue | 42,284,839 | 34,337,575 |
| Profit for the year | <u>2,941,979</u> | <u>1,741,550</u> |
| Profit attributable to: | | |
| Owners of the Company | 2,412,423 | 1,428,071 |
| Non-controlling interests | <u>529,556</u> | <u>313,479</u> |
| | <u>2,941,979</u> | <u>1,741,550</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

12. DEFERRED TAX ASSETS AND LIABILITIES

| | Group 2014 RM | 2013 RM |
|---------------------------------|---------------------|-------------------|
| Deferred tax assets | | |
| At beginning of year | 213,253 | 52,967 |
| Recognised in profit or loss | 326,104 | 160,859 |
| Translation differences | (20,521) | (573) |
| At end of year | <u>518,836</u> | <u>213,253</u> |
| Deferred tax liabilities | | |
| At beginning of year | 48,696,677 | 40,515,013 |
| Recognised in profit or loss | 8,307,337 | 8,183,568 |
| Translation differences | (917) | (1,904) |
| At end of year | <u>57,003,097</u> | <u>48,696,677</u> |

Deferred tax assets/(liabilities) provided in the financial statements are in respect of the tax effects of the following:

| | Group 2014 RM | 2013 RM |
|-------------------------------------------------------------------------------------------|---------------------|-------------------|
| Deferred tax assets | | |
| Temporary differences in respect of deductible expenses | 2,322,736 | 1,803,453 |
| Unrealised profit on inventories | 1,430,239 | 1,733,697 |
| Fair value loss on derivative financial instruments | – | 25,800 |
| Unrealised foreign exchange losses | 273,400 | – |
| | <u>4,026,375</u> | <u>3,562,950</u> |
| Offsetting | (3,507,539) | (3,349,697) |
| Deferred tax assets (after offsetting) | <u>518,836</u> | <u>213,253</u> |
| Deferred tax liabilities | | |
| Temporary differences in respect of taxable income | 14,736 | 13,774 |
| Differences between the carrying amount of property, plant and equipment and its tax base | 59,792,600 | 52,004,700 |
| Fair value gain on derivative financial instruments | 703,300 | – |
| Unrealised foreign exchange gains | – | 27,900 |
| | <u>60,510,636</u> | <u>52,046,374</u> |
| Offsetting | (3,507,539) | (3,349,697) |
| Deferred tax liabilities (after offsetting) | <u>57,003,097</u> | <u>48,696,677</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

12. 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 2014 RM | 2013 RM |
|-------------------|---------------------|------------------|
| Unused tax losses | <u>2,643,300</u> | <u>2,142,000</u> |

13. INVENTORIES

| | Group 2014 RM | 2013 RM |
|-----------------------------|---------------------|-------------------|
| At cost | | |
| Raw materials | 19,821,034 | 24,610,355 |
| Work-in-progress | 11,853,382 | 8,137,170 |
| Finished goods | 45,441,798 | 35,195,948 |
| Goods-in-transit | 3,435,081 | 4,047,202 |
| Spare parts and consumables | <u>17,661,664</u> | <u>14,842,446</u> |
| | <u>98,212,959</u> | <u>86,833,121</u> |

The cost of inventories recognised as expense and included in cost of sales during the financial year amounted to RM739,241,658 (2013: RM684,941,859).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

14. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--------------------------------|-------------|-------------|---------|-------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Trade | | | | |
| Trade receivables | 133,938,464 | 120,046,555 | – | – |
| Less: Allowance for impairment | (127,072) | (124,667) | – | – |
| Trade receivables, net | 133,811,392 | 119,921,888 | – | – |
| Non-trade | | | | |
| Other receivables | 4,597,780 | 2,093,204 | – | – |
| Deposits | 1,209,778 | 737,546 | 4,500 | 4,500 |
| Prepayments | 9,800,668 | 6,226,243 | – | – |
| | 15,608,226 | 9,056,993 | 4,500 | 4,500 |
| | 149,419,618 | 129,978,881 | 4,500 | 4,500 |

(a) Credit term of trade receivables

The Group's normal trade credit terms extended to customers range from 30 to 90 days (2013: 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 | |
|------------------------------------------|-------------|-------------|
| | 2014 | 2013 |
| | RM | RM |
| Neither past due nor impaired | 112,593,223 | 106,842,481 |
| 1 to 30 days past due not impaired | 19,513,872 | 12,375,691 |
| 31 to 60 days past due not impaired | 1,243,063 | 519,194 |
| 61 to 90 days past due not impaired | 180,535 | 119,696 |
| 91 to 120 days past due not impaired | 82,323 | 23,811 |
| More than 121 days past due not impaired | 198,376 | 41,015 |
| | 21,218,169 | 13,079,407 |
| Impaired – More than 121 days past due | 127,072 | 124,667 |
| | 133,938,464 | 120,046,555 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

14. TRADE AND OTHER RECEIVABLES (cont'd)

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

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 RM21,218,169 (2013: RM13,079,407) 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 RM693,998 (2013: RM1,302,745) included in trade receivables of the Group is secured by standby Letter of Credit from customers.

Receivables that are impaired

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

| | Group Individually Impaired | |
|---------------------------------------|--------------------------------|------------------|
| | 2014 | 2013 |
| | RM | RM |
| Trade receivables (nominal amounts) | 127,072 | 124,667 |
| Less: Allowance for impairment losses | <u>(127,072)</u> | <u>(124,667)</u> |
| | <u>—</u> | <u>—</u> |

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

14. TRADE AND OTHER RECEIVABLES (cont'd)

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

The movement of allowance accounts used to record the impairment is as follows:

| | Group | |
|----------------------------------------|----------------|----------------|
| | 2014 | 2013 |
| | RM | RM |
| At beginning of year | 124,667 | 23,385 |
| Charge for the financial year (Note 5) | 1,767 | 101,058 |
| Translation differences | 638 | 224 |
| At end of year | <u>127,072</u> | <u>124,667</u> |

(c) Foreign currency exposure of trade receivables

| | Group | |
|----------------------|--------------------|--------------------|
| | 2014 | 2013 |
| | RM | RM |
| United States Dollar | <u>125,943,349</u> | <u>113,539,938</u> |

(d) Prepayments

Included in prepayments of the Group is an amount of RM7,257,991 (2013: RM4,120,096) being advances to suppliers for purchase of raw materials and machinery.

15. TAX ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

16. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

| | Group | |
|------------------------------|-------------|-------------|
| | 2014 | 2013 |
| | RM | RM |
| Contract notional amount | | |
| Non-hedging derivative: | | |
| Forward currency contracts | 217,322,500 | 266,916,600 |
| At FVTPL | | |
| Non-hedging derivative: | | |
| Current assets/(liabilities) | | |
| Forward currency contracts | 1,945,000 | (868,000) |

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 September 2014.

During the financial year, the Group recognised a profit of RM2,813,000 (2013: loss of RM103,000) 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 29.

17. DEPOSITS, CASH AND BANK BALANCES

| | Group | | Company | |
|----------------------------------------------------------------------------------------|-------------|-------------|------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Fixed income fund with licensed fund management company (redeemable upon 1 day notice) | 104,292,473 | 129,932,825 | 76,239,390 | 100,178,502 |
| Deposit in Escrow Account | 9,863,404 | — | — | — |
| Deposits with licensed banks | 3,100,000 | 20,700,000 | 600,000 | 1,000,000 |
| Cash at banks and on hand | 53,294,159 | 31,263,904 | 469,572 | 297,522 |
| | 170,550,036 | 181,896,729 | 77,308,962 | 101,476,024 |
| Less: Deposit in Escrow Account | (9,863,404) | — | — | — |
| Cash and cash equivalents | 160,686,632 | 181,896,729 | 77,308,962 | 101,476,024 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

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

Deposits with licensed banks of the Group and of the Company earn interest at effective interest rates ranging from 1.60% to 2.85% (2013: 1.85% to 2.90%) per annum with maturity period ranging from 1 day to 30 days (2013: 1 day to 30 days).

Deposit in Escrow Account of the Group earns interest at effective interest rate of 2.1% per annum.

Included in cash at banks and on hand of the Group is an amount of RM47,062,035 (2013: RM27,924,830) which earns interest at effective interest rates ranging from 0.05% to 2.00% (2013: 0.15% to 2.00%) per annum.

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

| | Group | |
|----------------------|------------|------------|
| | 2014 RM | 2013 RM |
| United States Dollar | 40,737,238 | 26,834,965 |

18. SHARE CAPITAL

| | Group/Company | | | |
|---------------------------------------|------------------|---------------|-------------|-------------|
| | Number of shares | | Amount | |
| | 2014 | 2013 | 2014 RM | 2013 RM |
| Ordinary shares of RM0.50 each | | | | |
| Authorised: | | | | |
| At beginning of year | 1,500,000,000 | 500,000,000 | 750,000,000 | 250,000,000 |
| Created during the financial year | – | 1,000,000,000 | – | 500,000,000 |
| At end of year | 1,500,000,000 | 1,500,000,000 | 750,000,000 | 750,000,000 |
| Issued and fully paid: | | | | |
| At beginning of year | 733,308,300 | 365,088,600 | 366,654,150 | 182,544,300 |
| Issued during the financial year | | | | |
| - exercise of ESOS | 5,464,400 | 2,666,700 | 2,732,200 | 1,333,350 |
| - exercise of Warrants | 8,259,666 | – | 4,129,833 | – |
| - bonus issue | – | 365,553,000 | – | 182,776,500 |
| At end of year | 747,032,366 | 733,308,300 | 373,516,183 | 366,654,150 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

18. SHARE CAPITAL (cont'd)

(a) Ordinary shares

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 5,464,400 (2013: 2,666,700) ordinary shares at issue prices of between RM2.20 to RM5.75 (2013: RM2.20 to RM4.98) per ordinary share for cash, pursuant to the Company ESOS. The share premium of RM12,890,111 (2013: RM5,976,618) arising therefrom have been included in the share premium account. The new ordinary shares issued rank pari-passu in all respects with the existing ordinary shares of the Company.

(c) Bonus issue

During the previous financial year, the issued and paid-up share capital increased by way of bonus issue of 365,553,000 new ordinary shares of RM0.50 each at par via partly capitalisation of entire share premium on the date when bonus issue is allotted whilst the remaining via capitalisation from retained earnings on the basis of one (1) new ordinary share for every one (1) existing ordinary share held. The new ordinary shares issued rank pari-passu in all respects with the existing ordinary shares of the Company.

(d) Warrants 2012/2015

During the financial year, the Company issued 8,259,666 ordinary shares at issue price of RM4.14 per ordinary share, pursuant to the exercise of Warrants.

On 30 May 2012, the Company issued free warrants ("the warrants 2012/2015") constituted under the Deed Poll dated 14 May 2012.

The salient features of the warrants 2012/2015 are as follows:

- (a) entitles its registered holders to subscribe for one (1) new ordinary share of RM0.50 each at the exercise price during the exercise period;
- (b) the exercise price is RM4.14 per share subject to adjustments in accordance with the provisions of the deed poll executed; and
- (c) the warrants 2012/2015 may be exercised at any time for a period of two years commencing from 5 June 2013 until 4 June 2015 ("exercise period"). The warrants 2012/2015 that are not exercised during the exercise period will thereafter lapse and become void.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

18. SHARE CAPITAL (cont'd)

(d) Warrants 2012/2015 (cont'd)

The movements in the Company's warrants 2012/2015 to subscribe for new ordinary shares of RM0.50 each during the financial year is as follows:

| | Number of warrants | | |
|---------------------------------|--------------------|---------|------------------------|
| | At 1.4.2013 | Granted | At 31.3.2014 |
| Number of warrants 2012/2015 | 73,110,600 | – | (8,259,666) 64,850,934 |

19. RESERVES

| | Group | | Company | |
|-----------------------------|--------------------|--------------------|-------------------|-------------------|
| | 2014 RM | 2013 RM | 2014 RM | 2013 RM |
| Distributable | | | | |
| Retained earnings | 509,391,562 | 384,177,448 | 26,061,626 | 19,555,391 |
| Non-distributable | | | | |
| Share premium | 53,852,489 | 6,563,995 | 53,852,489 | 6,563,995 |
| Translation reserve | (34,981) | 317,899 | – | – |
| Share-based payment reserve | 5,528,864 | 6,008,183 | 5,528,864 | 6,008,183 |
| | <u>59,346,372</u> | <u>12,890,077</u> | <u>59,381,353</u> | <u>12,572,178</u> |
| | <u>568,737,934</u> | <u>397,067,525</u> | <u>85,442,979</u> | <u>32,127,569</u> |

(a) Share premium

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

(b) Translation reserve

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

19. RESERVES (cont'd)

(c) Share-based payment reserve

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.

(A) EES

In the year 2008, certain shareholders of the Company 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.

The main features of the EES were as follows:

- (a) The tenure of the EES commenced on 28 March 2008 and expired on 31 March 2013.
- (b) To participate in the EES, each selected senior management was 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 was deemed to have accepted the Entitlement and legal ownership to those EES Shares would pass from PRSB to the selected senior management.
- (c) The allocation of the Entitlement was 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 had not paid for his/her EES Shares at the point of acceptance of the Entitlement, the selected senior management was required, as part of the EES to do the following:
 - (i) assign all cash dividends/distributions from retained earnings which were made by the Company prior to the exercise of the Entitlement to PRSB. The assignment was in respect of cash dividends/distributions only and did not include any other distributions made by the Company such as non-cash dividends, bonus shares and rights entitlements. Further, the said assignment did 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 Entitlement was allotted to; and
 - (iii) provide an irrevocable undertaking that he/she did not transfer his/her EES Shares in his/her CDS account with the Nominee to any other CDS accounts unless such EES Shares had been paid in accordance with the terms and conditions of the EES.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

19. RESERVES (cont'd)

(c) Share-based payment reserve (cont'd)

(A) EES (cont'd)

- (e) As the selected senior management had not paid for his/her EES Shares at the point of acceptance of the Entitlement, an encumbrance was created over the unpaid EES Shares and all distributions relating thereto in favour of PRSB.
- (f) The selected senior management could 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.
- (g) The EES granted was only exercisable in the following manner:

| | |
|-----------------------------|-----|
| From 28.3.2008 to 31.3.2009 | 20% |
| From 1.4.2009 to 31.3.2010 | 20% |
| From 1.4.2010 to 31.3.2011 | 20% |
| From 1.4.2011 to 31.3.2012 | 20% |
| From 1.4.2012 to 31.3.2013 | 20% |
- (h) On the expiry of the EES period, any EES Shares in the EES not exercised by the selected senior management were transferred back to PRSB.

The EES expired on 31 March 2013. All the EES granted were exercised by the selected senior management before the expiry date.

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

| 2013 | At 1.4.2012 '000 | Granted '000 | Exercised '000 | Adjustment for bonus issue '000 | Exercised '000 | At 31.3.2013 '000 |
|-------------------------------------------------------------------------------|------------------------|-----------------|-------------------|------------------------------------------|-------------------|-------------------------|
| Strike price RM1.20 (before bonus issue)/ RM0.60 (after bonus issue) | 604 | – | (281) | 322 | (645) | – |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

19. RESERVES (cont'd)

(c) Share-based payment reserve (cont'd)

(A) EES (cont'd)

The fair value of EES granted in year 2008 was estimated using 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 were 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 assumption that the historical volatility was indicative of future trends, which might not necessarily be the actual outcome.

(B) 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.
- (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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

19. RESERVES (cont'd)

(c) Share-based payment reserve (cont'd)

(B) ESOS (cont'd)

- (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 the 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.
- (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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

19. RESERVES (cont'd)

(c) Share-based payment reserve (cont'd)

(B) ESOS (cont'd)

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

| | |
|----------------------------|-----|
| From 1.4.2010 to 31.3.2011 | 20% |
| From 1.4.2011 to 31.3.2012 | 20% |
| From 1.4.2012 to 31.3.2013 | 20% |
| From 1.4.2013 to 31.3.2014 | 20% |
| From 1.4.2014 to 31.3.2015 | 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:

| Grant date | Expiry date | Exercise price RM | Number of options | | | |
|------------|-------------|----------------------|-------------------|---------|-----------|--------------|
| | | | At 1.4.2013 | Granted | Exercised | At 31.4.2014 |
| | | | '000 | | | |
| 2014 | | | | | | |
| 10.5.2010 | 31.3.2015 | 2.25 | 6,033.6 | – | (2,618.3) | 3,415.3 |
| 15.9.2010 | 31.3.2015 | 2.20 | 262.0 | – | (95.0) | 167.0 |
| 21.12.2010 | 31.3.2015 | 2.24 | 544.6 | – | (202.0) | 342.6 |
| 18.3.2011 | 31.3.2015 | 2.49 | 430.6 | – | (119.9) | 310.7 |
| 10.6.2011 | 31.3.2015 | 2.47 | 259.3 | – | (128.5) | 130.8 |
| 15.8.2011 | 31.3.2015 | 2.45 | 129.4 | – | (56.0) | 73.4 |
| 9.11.2011 | 31.3.2015 | 2.45 | 906.1 | – | (498.7) | 407.4 |
| 31.5.2012 | 31.3.2015 | 3.29 | 723.1 | – | (433.8) | 289.3 |
| 15.8.2012 | 31.3.2015 | 4.02 | 554.1 | – | (271.0) | 283.1 |
| 2.11.2012 | 31.3.2015 | 4.18 | 613.6 | – | (215.6) | 398.0 |
| 6.2.2013 | 31.3.2015 | 4.11 | 1,417.8 | – | (414.0) | 1,003.8 |
| 3.5.2013 | 31.3.2015 | 4.74 | – | 978.5 | (387.5) | 591.0 |
| 30.8.2013 | 31.3.2015 | 5.75 | – | 577.2 | (24.1) | 553.1 |
| 11.11.2013 | 31.3.2015 | 6.53 | – | 97.3 | – | 97.3 |
| 5.2.2014 | 31.3.2015 | 6.24 | – | 127.1 | – | 127.1 |
| | | | 11,874.2 | 1,780.1 | (5,464.4) | 8,189.9 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

19. RESERVES (cont'd)

(c) Share-based payment reserve (cont'd)

(B) ESOS (cont'd)

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

| Grant date | Expiry date | Number of options | | | | | | | | | | | |
|-------------|-------------|-------------------------------------|----------------------------------|-------------|---------|-----------|---------|---------------------------------------------|----------------------------|---------|-----------|---------|--------------|
| | | Exercise price prior to bonus issue | Exercise price after bonus issue | At 1.4.2012 | Granted | Exercised | Lapsed | Balance prior to adjustment for bonus issue | Adjustment for bonus issue | Granted | Exercised | Lapsed | At 31.3.2013 |
| | | RM | RM | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 |
| 2013 | | | | | | | | | | | | | |
| 10.5.2010 | 31.3.2015 | 4.50 | 2.25 | 4,560.7 | - | (340.8) | (559.0) | 3,660.9 | 3,660.9 | - | (1,183.2) | (105.0) | 6,033.6 |
| 15.9.2010 | 31.3.2015 | 4.39 | 2.20 | 261.2 | - | (53.7) | - | 207.5 | 207.5 | - | (45.0) | (108.0) | 262.0 |
| 21.12.2010 | 31.3.2015 | 4.47 | 2.24 | 515.1 | - | - | (34.0) | 481.1 | 481.1 | - | (361.2) | (56.4) | 544.6 |
| 18.3.2011 | 31.3.2015 | 4.98 | 2.49 | 326.6 | - | (26.0) | (14.1) | 286.5 | 286.5 | - | (142.4) | - | 430.6 |
| 10.6.2011 | 31.3.2015 | 4.93 | 2.47 | 250.4 | - | - | (45.0) | 205.4 | 205.4 | - | (151.5) | - | 259.3 |
| 15.8.2011 | 31.3.2015 | 4.89 | 2.45 | 101.2 | - | (25.2) | - | 76.0 | 76.0 | - | (22.6) | - | 129.4 |
| 9.11.2011 | 31.3.2015 | 4.90 | 2.45 | 551.1 | - | (18.7) | - | 532.4 | 532.4 | - | (158.7) | - | 906.1 |
| 31.5.2012 | 31.3.2015 | 3.29 | 3.29 | - | - | - | - | - | - | 860.8 | (137.7) | - | 723.1 |
| 15.8.2012 | 31.3.2015 | 4.02 | 4.02 | - | - | - | - | - | - | 554.1 | - | - | 554.1 |
| 2.11.2012 | 31.3.2015 | 4.18 | 4.18 | - | - | - | - | - | - | 613.6 | - | - | 613.6 |
| 6.2.2013 | 31.3.2015 | 4.11 | 4.11 | - | - | - | - | - | - | 1,417.8 | - | - | 1,417.8 |
| | | | | 6,566.3 | - | (464.4) | (652.1) | 5,449.8 | 5,449.8 | 3,446.3 | (2,202.3) | (269.4) | 11,874.2 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

19. RESERVES (cont'd)

(c) Share-based payment reserve (cont'd)

(B) ESOS (cont'd)

As at 31 March 2014, the total number of exercisable options was 1,765,930 (2013: 2,481,275). The weighted average remaining contractual life for these options is 1 year (2013: 2 years).

As disclosed in Note 18, options exercised during the financial year resulted in the issuance of 5,464,400 (2013: 2,666,700) ordinary shares at exercise prices ranging from RM2.20 to RM5.75 (2013: RM2.20 to RM4.98) each and the weighted average share price at the date of exercise was ranging from RM5.25 to RM7.39 (2013: RM2.50 to RM5.52) each.

The fair value of ESOS granted during the financial year was estimated using 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:

| | 2014 | 2013 |
|------------------------------------------|---------------|---------------|
| Weighted average fair value of ESOS (RM) | 1.15 | 0.78 |
| Weighted average share price (RM) | 6.46 | 4.33 |
| Weighted average exercise price (RM) | 5.82 | 3.90 |
| Expected volatility (%) | 21.75 – 24.12 | 19.93 – 22.63 |
| Expected life (years) | 0 – 2 | 2 – 3 |
| Risk free rate (%) | 3.27 – 3.50 | 3.10 – 3.30 |
| Expected dividend yield (%) | 2.19 – 2.67 | 2.71 – 3.73 |

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 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

20. LOANS AND BORROWINGS

| Group | Effective interest rate per annum | Short-term borrowings within 1 year RM | Long Term Borrowing | | | | | Sub-total RM | Total RM |
|------------------------|-----------------------------------|-------------------------------------------|---------------------|--------------------|--------------------|--------------------|---------------------|-----------------|-------------|
| | | | 1 to 2 years RM | 2 to 3 years RM | 3 to 4 years RM | 4 to 5 years RM | After 5 years RM | | |
| 2014 | | | | | | | | | |
| Secured | | | | | | | | | |
| Fixed rate instruments | | | | | | | | | |
| Term loans | | | | | | | | | |
| - United States Dollar | 2.05% | 2,823,984 | 1,346,622 | - | - | - | - | 1,346,622 | 4,170,606 |
| - RM | 8.00% | 136,265 | 147,575 | 159,823 | 103,052 | - | - | 410,450 | 546,715 |
| Finance lease payables | | | | | | | | | |
| - United States Dollar | 1.99% | 23,242 | 24,241 | 24,735 | 31,661 | - | - | 80,637 | 103,879 |
| | | 2,983,491 | 1,518,438 | 184,558 | 134,713 | - | - | 1,837,709 | 4,821,200 |
| 2013 | | | | | | | | | |
| Secured | | | | | | | | | |
| Fixed rate instruments | | | | | | | | | |
| Term loans | | | | | | | | | |
| - United States Dollar | 2.10% | 2,668,464 | 2,668,464 | 1,272,462 | - | - | - | 3,940,926 | 6,609,390 |
| - RM | 6.50% - 8.00% | 5,004,994 | 136,267 | 147,577 | 159,825 | 103,054 | - | 546,723 | 5,551,717 |
| Finance lease payables | | | | | | | | | |
| - United States Dollar | 1.99% | 21,344 | 22,038 | 22,740 | 23,452 | 27,259 | - | 95,489 | 116,833 |
| | | 7,694,802 | 2,826,769 | 1,442,779 | 183,277 | 130,313 | - | 4,583,138 | 12,277,940 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

20. LOANS AND BORROWINGS (cont'd)

Present value of finance lease payables is as follows:

| | Group 2014 RM | 2013 RM |
|------------------------------------------------------|---------------------|----------------|
| Minimum lease payments | 105,978 | 119,919 |
| Less: Future finance charges | <u>(2,099)</u> | <u>(3,086)</u> |
| Present value of minimum lease payments | <u>103,879</u> | <u>116,833</u> |
| Current liabilities | | |
| Payable within one year | | |
| Minimum lease payments | 24,152 | 22,447 |
| Less: Future finance charges | <u>(910)</u> | <u>(1,103)</u> |
| Present value of minimum lease payments | 23,242 | 21,344 |
| Non-current liabilities | | |
| Payable after one year but not later than five years | | |
| Minimum lease payments | 81,826 | 97,472 |
| Less: Future finance charges | <u>(1,189)</u> | <u>(1,983)</u> |
| Present value of minimum lease payments | <u>80,637</u> | <u>95,489</u> |
| Total present value of minimum lease payments | <u>103,879</u> | <u>116,833</u> |

The term loans of the Group are secured by:

- (i) legal charges over a subsidiary's certain freehold land and buildings (Note 8);
- (ii) specific debenture over a subsidiary's certain plant and machinery (Note 8); and
- (iii) corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

21. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|------------------|------------|------------|---------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Trade | | | | |
| Trade payables | 53,188,131 | 56,188,005 | – | – |
| Non-trade | | | | |
| Other payables | 25,211,831 | 21,151,426 | 58,715 | 13,062 |
| Accruals | 16,032,798 | 21,472,747 | 318,000 | 288,000 |
| | 41,244,629 | 42,624,173 | 376,715 | 301,062 |
| | 94,432,760 | 98,812,178 | 376,715 | 301,062 |

Trade payables

The normal trade credit terms granted to the Group range from 30 to 60 days (2013: 30 to 60 days).

The foreign currency exposure of trade payables is as follows:

| | Group | |
|----------------------|------------|------------|
| | 2014 | 2013 |
| | RM | RM |
| United States Dollar | 32,980,483 | 31,615,450 |

Other payables

Included in other payables of the Group is an amount of RM7,575,841 (2013: RM12,890,791) in respect of balances outstanding owing to contractors for the construction and set up of new production plant and machinery.

The foreign currency exposure of other payables is as follows:

| | Group | |
|----------------------|-----------|-------|
| | 2014 | 2013 |
| | RM | RM |
| United States Dollar | 1,481,210 | 5,117 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

22. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

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

Amount owing by subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand except for advances due from a subsidiary amounting to RM83,825,086 (2013: RM152,478,243) which bear interest at a rate of 4.0% (2013: 4.0%) per annum.

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 related party relationship with the holding company, subsidiaries, key management personnel and companies related to Directors.

Related party transactions

| | Company | |
|--------------------------------------------|-------------|------------|
| | 2014 | 2013 |
| | RM | RM |
| Received and receivable from a subsidiary: | | |
| - Dividend income | 108,676,239 | 97,228,381 |
| - Interest income | 4,846,844 | 5,969,004 |

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 Directors of the Company and subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

22. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel (cont'd)

The compensation of the key management personnel are as follows:

| | Group | | Company | |
|----------------------------------------------|------------------|------------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Directors' fees | 480,000 | 468,000 | 288,000 | 288,000 |
| Short term employee benefits | 5,542,101 | 4,266,354 | 27,000 | 32,500 |
| Share-based payment expense | – | 256,084 | – | – |
| Post-employment benefits | 459,843 | 318,386 | – | – |
| Estimated monetary value of benefits-in-kind | 852,397 | 111,693 | – | – |
| | <u>7,334,341</u> | <u>5,420,517</u> | <u>315,000</u> | <u>320,500</u> |

23. DIVIDENDS

| | Group/Company | |
|----------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|
| | 2014 | 2013 |
| | RM | RM |
| Third interim single tier exempt dividend of 3.5 sen per share in respect of the financial year ended 31 March 2013 | 25,689,300 | – |
| Final single tier exempt dividend of 4 sen per share in respect of the financial year ended 31 March 2013 | 29,697,101 | – |
| First interim single tier exempt dividend of 3.5 sen per share in respect of the financial year ended 31 March 2014 | 26,072,949 | – |
| Second interim single tier exempt dividend of 3.5 sen per share in respect of the financial year ended 31 March 2014 | 26,139,884 | – |
| Third interim single tier exempt dividend of 6 sen per share in respect of the financial year ended 31 March 2012 | – | 21,933,180 |
| Final single tier exempt dividend of 3.5 sen per share in respect of the financial year ended 31 March 2012 | – | 25,606,224 |
| First interim single tier exempt dividend of 3.5 sen per share in respect of the financial year ended 31 March 2013 | – | 25,613,032 |
| Second interim single tier exempt dividend of 3.5 sen per share in respect of the financial year ended 31 March 2013 | – | 25,654,758 |
| | <u>107,599,234</u> | <u>98,807,194</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

23. DIVIDENDS (cont'd)

On 6 May 2014, the Directors declared a third interim single tier exempt dividend in respect of the financial year ended 31 March 2014 of 3.5 sen per share amounting to RM26,155,733.

The Directors recommended a final single tier exempt dividend of 4 sen per share amounting to RM30,299,461 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 declared and final dividend proposed. Such dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2015.

24. CAPITAL COMMITMENT

In respect of acquisition of property, plant and equipment:

| | Group 2014 RM | 2013 RM |
|---------------------------------|----------------------|-------------------|
| Approved and contracted for | <u>168,550,880</u> | <u>26,925,657</u> |
| Approved but not contracted for | <u>1,942,512,846</u> | <u>–</u> |

25. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

25. SEGMENT INFORMATION (cont'd)

Information about geographical areas

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

| | Group | |
|---------------------------|----------------------|----------------------|
| | 2014 | 2013 |
| | RM | RM |
| North America | 536,338,383 | 572,738,206 |
| Europe | 330,854,784 | 299,940,948 |
| Asia (excluding Malaysia) | 141,494,113 | 109,771,190 |
| Australia | 42,970,832 | 34,962,758 |
| Malaysia | 924,310 | 828,892 |
| South America | 54,496,943 | 13,793,693 |
| | <u>1,107,079,365</u> | <u>1,032,035,687</u> |

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

| | Group | |
|---------------|--------------------|--------------------|
| | 2014 | 2013 |
| | RM | RM |
| Malaysia | 691,193,795 | 542,073,412 |
| North America | 107,729 | 129,358 |
| Australia | 39,563 | 31,267 |
| China | 9,749 | 4,052 |
| India | 56,951 | 66,752 |
| | <u>691,407,787</u> | <u>542,304,841</u> |

Information about major customers

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

| | Group | | |
|------------|--------------------|--------------------|---------------|
| | 2014 | 2013 | Geographical |
| | RM | RM | location |
| Customer A | <u>268,953,861</u> | <u>258,603,347</u> | North America |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

26. CONTINGENT LIABILITIES

(a) Sentinel Engineering (M) Sdn Bhd and Hartalega Sdn Bhd, wholly owned subsidiaries of the Company ("the Plaintiffs") vs Ecotherm (TFT) Sdn Bhd and Ecotherm Sdn Bhd (the "Defendants") (Kuala Lumpur High Court Writ and Statement of Claim)

The Plaintiffs have commenced legal proceedings against the Defendants by filing a Writ and Statement of Claim on 6 August 2010 at the High Court of Malaya at Kuala Lumpur (the "High Court").

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

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

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

- (i) a declaration pursuant to Sections 56 and 57 of the Patents Act 1983 that Claims 1 to 7 of 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 severally;
- (iii) an injunction to restrain the Plaintiffs from dealing with the Sentinel/Hartalega System which is the subject matter of the 770 Patent or any other systems that infringe the 188 Patent in whatsoever manner; and
- (iv) damages and costs.

The High Court has delivered its 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; and
- (iii) the Plaintiffs' double former conveyor system does not infringe the Defendants' 188 Patent.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

26. CONTINGENT LIABILITIES (cont'd)

- (a) Sentinel Engineering (M) Sdn Bhd and Hartalega Sdn Bhd, wholly owned subsidiaries of the Company ("the Plaintiffs") vs Ecotherm (TFT) Sdn Bhd and Ecotherm Sdn Bhd (the "Defendants") (Kuala Lumpur High Court Writ and Statement of Claim) (cont'd)

The Defendants had 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 had filed a Notice of Cross Appeal against part of the decision of the High Court relating to the validity of the 188 Patent.

The Defendants and the plaintiffs have since reached a settlement and have withdrawn their appeal and cross-appeal respectively with no order as to costs on 12 September 2013.

- (b) Mr Seow Hoon Hin (the "Plaintiff"), a shareholder of the Company and a former shareholder of Hartalega Sdn Bhd ("HSB") vs Hartalega Holdings Berhad ("the Company" or "1st Defendant"), HSB ("2nd Defendant") and three (3) individuals ("3rd, 4th and 5th Defendant") (collectively "the Defendants") (Kuala Lumpur High Court Writ and Statement of Claim)

The Plaintiff has instituted legal proceedings against the Defendants by filing 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 against the Defendants for the following:

- (i) he had delivered to the 3rd Defendant, acting on behalf of the 2nd Defendant substantial part of another two (2) assembly lines for the manufacture of gloves for storage at the 2nd Defendant's factory to which he purportedly intended to be reimbursed for. The Plaintiff contends that the 3rd Defendant (whom the Plaintiff contends is the controlling mind and person behind the 2nd Defendant) has represented to him that the said parts would be kept in the possession of the 2nd Defendant as a trustee for the Plaintiff;
- (ii) the Plaintiff contends that the 2nd Defendant had in flagrant breach of trust utilised the said parts to assemble another 2 assembly lines for the manufacture of latex gloves and that the 2nd Defendant had in breach of trust converted the same for its use and acquired proceeds and/or profits from the assembly of the said parts and as a consequence thereof has purportedly been unjustly enriched;
- (iii) the Plaintiff further claims that there was a conspiracy to injure the Plaintiff by the 3rd, 4th and 5th Defendant culminating in the share allotment on 4 April 2005. The Plaintiff states that 3rd, 4th and 5th Defendant had agreed to use the said allotment of shares for the predominant purpose of injuring the Plaintiff and that the said allotment was done pursuant to a purported agreement between the 3rd, 4th and 5th Defendants to injure the Plaintiff resulting in damage and loss to him;
- (iv) that the 2nd Defendant is a trustee for the unpaid dividends amounting to RM488,765.25 due and owing to the Plaintiff; and

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

26. CONTINGENT LIABILITIES (cont'd)

(b) Mr Seow Hoon Hin (the "Plaintiff"), a shareholder of the Company and a former shareholder of Hartalega Sdn Bhd ("HSB") vs Hartalega Holdings Berhad ("the Company" or "1st Defendant"), HSB ("2nd Defendant") and three (3) individuals ("3rd, 4th and 5th Defendant") (collectively "the Defendants") (Kuala Lumpur High Court Writ and Statement of Claim) (cont'd)

(v) that the Company is guilty of negligent misstatement or alternatively in breach of statutory duty pursuant to Section 357 of the Capital Markets and Services Act 2007 ("CMSA") read together with, inter alia, Section 214 of the CMSA and/or tort of breach of statutory duty pursuant to Section 177 and/or Section 179 of the CMSA.

The Plaintiff claims against the Company for the following:

- (i) damages for negligent misstatement or alternatively of breach of statutory duty pursuant to Section 357 of the CMSA read together with, inter alia, Section 214 of the CMSA and/or tort of breach of statutory duty pursuant to Section 177 and/or Section 179 of the CMSA;
- (ii) interest on the said damages at the rate of 8% per annum or any other rate deemed appropriate from 7 April 2008 or such other date deemed appropriate until full satisfaction thereof;
- (iii) such further or other relief the Court deems fit; and
- (iv) 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 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. The 1st to 3rd Defendants then had on 2 August 2012 and 29 August 2012 filed two applications to strike out the Plaintiff's claim on the dividends and the conspiracy to injure.

With regards to the Plaintiff's discovery application and the 1st to 3rd Defendants' striking out applications, all the applications were dismissed by the High Court and parties appeals were subsequently dismissed by the Court of Appeal on 3 September 2013. The matter has since gone for trial on 5, 6, 7 December 2012, 29, 30 January 2013, 1 and 2 April 2013 where the trial has been concluded. The judge heard parties' oral submission on 19 March 2014, 2 May 2014, 5 May 2014, 9, 10, 11 and 13 June 2014 and the court has now fixed the matter for decision on 5 August 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

26. CONTINGENT LIABILITIES (cont'd)

- (b) Mr Seow Hoon Hin (the "Plaintiff"), a shareholder of the Company and a former shareholder of Hartalega Sdn Bhd ("HSB") vs Hartalega Holdings Berhad ("the Company" or "1st Defendant"), HSB ("2nd Defendant") and three (3) individuals ("3rd, 4th and 5th Defendant") (collectively "the Defendants") (Kuala Lumpur High Court Writ and Statement of Claim) (cont'd)

The Plaintiff had also issued a *subpoena duces tecum* to Mr Wong Maw Chuan, the 2nd Defendant's Company Secretary. The said subpoena had since been set aside and the Plaintiff filed an appeal towards the setting aside of the subpoena. The hearing of the appeal was heard together with all the above mentioned appeals on 3 September 2013 where all the appeals were dismissed by the Court of Appeal.

The Directors of the Company, in consultation with the solicitor, are of the opinion that the Group has a valid defence against the Plaintiff's claim. Accordingly, the Group has not made any provision in the financial statements.

- (c) Sentinel Engineering (M) Sdn Bhd and Hartalega Sdn Bhd, wholly owned subsidiaries of the Company ("the Plaintiffs") vs Kendek Products Sdn Bhd, Tuck Hua Engineering Sdn Bhd, Top Glove Sdn Bhd, TG Medical Sdn Bhd, Flexitech Sdn Bhd, Latexx Manufacturing Sdn Bhd, Green Prospect Sdn Bhd and YTY Industry Sdn Bhd ("the Defendants") (Kuala Lumpur High Court Civil Suit No. 22IP-3-01/2013)

The Plaintiffs have commenced legal proceedings against the Defendants for the infringement of Malaysian Patent No. MY 140770-A entitled "The Arrangement and Method of Assembling Former Holders" ("770 Patent") by filing a civil suit on 16 January 2013 at the High Court.

The Plaintiffs have in their Amended Statement of Claim claimed for, *inter alia*, the following reliefs against the Defendants in the aforesaid suit:

- (i) a declaration that the 770 Patent has been infringed by the Defendants;
- (ii) an injunction to restrain the Defendants from infringing the 770 Patent;
- (iii) an order for destruction by the Defendants of all articles in their possession, power, custody and control that are infringing the 770 patent by the Defendants;
- (iv) an order for disclosure against the Defendants;
- (v) a declaration pursuant to Sections 56 and 57 of the Patents Act 1983 that Claims 1 to 4 of Tuck Hua Engineering Sdn Bhd ("Tuck Hua")'s Malaysian Patent No. MY-136022-A ("022 Patent") entitled "Flexible double arm holder for glove formers" are invalid and null and void; and
- (vi) damages and costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

26. CONTINGENT LIABILITIES (cont'd)

- (c) Sentinel Engineering (M) Sdn Bhd and Hartalega Sdn Bhd, wholly owned subsidiaries of the Company ("the Plaintiffs") vs Kendek Products Sdn Bhd, Tuck Hua Engineering Sdn Bhd, Top Glove Sdn Bhd, TG Medical Sdn Bhd, Flexitech Sdn Bhd, Latexx Manufacturing Sdn Bhd, Green Prospect Sdn Bhd and YTY Industry Sdn Bhd ("the Defendants") (Kuala Lumpur High Court Civil Suit No. 22IP-3-01/2013) (cont'd)

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

- (i) a declaration pursuant to Sections 56 and 57 of the Patents Act 1983 that the 770 Patent is invalid;
- (ii) an order that the 770 Patent be invalidated or revoked;
- (iii) a declaration that there is no infringement of the 770 Patent by the Defendants;
- (iv) an injunction to restrain the Plaintiffs jointly and severally from threatening by letters, circulars, advertisements or orally or otherwise the Defendants or any persons or companies with any legal proceedings in respect of any alleged infringement of the 770 Patent; and
- (v) costs.

In addition, Tuck Hua has also counterclaimed, for the following:

- (i) a declaration that Tuck Hua Engineering Sdn Bhd is the lawful patentee of 022 Patent, that the 022 Patent is valid and subsisting, and that the 022 Patent has been infringed by the Plaintiffs jointly and/or severally;
- (ii) an injunction to restrain the Plaintiffs from infringing and/or causing, enabling or assisting others to infringe the 022 Patent; and
- (iii) an inquiry as to damages or at Tuck Hua's option, an account of profits in respect of the Plaintiffs' alleged acts of infringement.

The Plaintiff's Claim and the Defendants' Counterclaims were withdrawn on 2 June 2014. The parties to Civil Suit No. 22IP-3-01/2013 have amicably resolved this matter wherein the Plaintiffs have withdrawn their claim and the Defendants have withdrawn their respective counterclaims with no order as to costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

27. SIGNIFICANT EVENTS

(a) On 12 June 2013, Hartalega Sdn Bhd ("HNGC"), a wholly-owned subsidiary of the Company, entered into a conditional Sales and Purchase Agreement ("SPA") with Kumpulan Tanjung Balai Sdn Bhd for the acquisition of leasehold agriculture land held under Title No. H.S. (D) 33059 and P.T. No. 4330 in Mukim Labu, Daerah Sepang, Negeri Selangor with land area of approximately 112 acres for a total cash consideration of RM96,956,888.

(b) On 7 November 2013, the Company subscribed for additional 90,000,000 ordinary shares of RM1 each in HNGC for a total consideration of RM90,000,000. There were no changes in the equity interest in HNGC.

On 31 March 2014, the Company subscribed for additional 38,464,600 ordinary shares of RM1 each in HNGC for a cash consideration of RM38,464,600 by way of capitalisation of amount owing by HNGC to the Company. There were no changes in the equity interest in HNGC.

On 31 March 2014, the Company subscribed for additional 18,500,000 ordinary shares of RM1 each in HNGC for a total consideration of RM18,500,000. There were no changes in the equity interest in HNGC.

(c) On 19 August 2013, the Company subscribed for additional 1,999,000 ordinary shares of RM1 each in Hartalega Research Sdn Bhd ("HRSB") for a total consideration of RM1,999,000. There were no changes in the equity interest in HRSB.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their 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 disclosed 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 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 | | | |
|--------------------------|--------------------|---------------|--------------------|---------------|
| | 2014 | | 2013 | |
| | RM | % of total | RM | % of total |
| By country: | | | | |
| United States of America | 55,876,083 | 41.76 | 70,934,889 | 59.15 |
| Germany | 44,491,531 | 33.25 | 28,804,338 | 24.02 |
| Australia | 5,709,468 | 4.27 | 5,122,622 | 4.27 |
| Canada | 3,592,773 | 2.68 | 1,735,639 | 1.45 |
| Japan | 2,931,547 | 2.19 | 3,941,825 | 3.29 |
| Brazil | 13,511,099 | 10.10 | 1,627,311 | 1.36 |
| Others | 7,698,891 | 5.75 | 7,755,264 | 6.46 |
| | <u>133,811,392</u> | <u>100.00</u> | <u>119,921,888</u> | <u>100.00</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

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

(a) Credit risk (cont'd)

At the reporting date, approximately 49.50% (2013: 41.94%) of the Group's trade receivables was due from three (2012: two) major customers. Trade receivable balances from those major customers amounted to RM66,238,850 (2013: RM50,300,922) of which RM19,611,000 (2013: RM18,531,000) 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 RM4,717,321 (2013: RM12,161,107) 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 and the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

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

(b) Liquidity risk (cont'd)

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.

| | 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 | Total RM |
|--------------------------------|--------------------------|---------------------------------|----------------------------------------|-----------------------|-----------------------|-----------------------|--------------------|
| 2014 | | | | | | | |
| Group | | | | | | | |
| Financial liabilities: | | | | | | | |
| Trade payables | 53,188,131 | 53,188,131 | 53,188,131 | – | – | – | 53,188,131 |
| Other payables and accruals | 41,244,629 | 41,244,629 | 41,244,629 | – | – | – | 41,244,629 |
| Finance lease payables | 103,879 | 105,978 | 24,151 | 24,638 | 57,189 | – | 105,978 |
| Other borrowings | 4,717,321 | 4,870,075 | 3,059,466 | 1,529,664 | 280,945 | – | 4,870,075 |
| | <u>99,253,960</u> | <u>99,408,813</u> | <u>97,516,377</u> | <u>1,554,302</u> | <u>338,134</u> | <u>–</u> | <u>99,408,813</u> |
| Company | | | | | | | |
| Financial liabilities: | | | | | | | |
| Other payables and accruals | <u>376,715</u> | <u>376,715</u> | <u>376,715</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>376,715</u> |
| 2013 | | | | | | | |
| Group | | | | | | | |
| Financial liabilities: | | | | | | | |
| Trade payables | 56,188,005 | 56,188,005 | 56,188,005 | – | – | – | 56,188,005 |
| Other payables and accruals | 42,624,173 | 42,624,173 | 42,624,173 | – | – | – | 42,624,173 |
| Finance lease payables | 116,833 | 119,918 | 22,447 | 23,757 | 73,714 | – | 119,918 |
| Other borrowings | 12,161,107 | 12,575,037 | 7,938,437 | 2,900,619 | 1,735,981 | – | 12,575,037 |
| | <u>111,090,118</u> | <u>111,507,133</u> | <u>106,773,062</u> | <u>2,924,376</u> | <u>1,809,695</u> | <u>–</u> | <u>111,507,133</u> |
| Company | | | | | | | |
| Financial liabilities: | | | | | | | |
| Other payables and accruals | <u>301,062</u> | <u>301,062</u> | <u>301,062</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>301,062</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

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

(b) Liquidity risk (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 | Group | |
|------------------------------------|--------------------------|---------------------------------|------------------|------------------|
| | | | 1 month RM | 1-7 months RM |
| 2013 | | | | |
| Financial liabilities | | | | |
| Forward foreign currency contracts | <u>(868,000)</u> | <u>(868,000)</u> | <u>(257,000)</u> | <u>(611,000)</u> |

(c) 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 RM4,821,200 (2013: RM12,277,940) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

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

(c) Interest rate risk (cont'd)

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 interest rates are fixed at inception.

(d) 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 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, People's Republic of China and India are not hedged as currency positions in USD, AUD, RMB and Rs are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

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

| | Group 2014 RM | 2013 RM |
|--------------------------|---------------------|--------------------|
| USD/RM - strengthened 5% | 4,870,853 | 3,793,504 |
| - weakened 5% | <u>(4,870,853)</u> | <u>(3,793,504)</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

29. 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:

(i) **Cash and cash equivalents, trade and other receivables and payables, and amount owing by subsidiaries**

The carrying amounts are reasonable approximation of fair values due to the short term nature of these financial instruments.

(ii) **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).

(iii) **Borrowings**

The fair values of fixed rate term loans and finance lease payables, which are estimated using discounted cash flow analysis, based on current lending rate for similar types of borrowing arrangements, are as follows:

| | Group Carrying amount RM | Fair value RM |
|------------------------------|-----------------------------------|---------------------|
| 2014 | | |
| Financial Liabilities | | |
| Loans and borrowings | 4,717,321 | 4,708,296 |
| Finance lease payables | 103,879 | 103,680 |
| | <hr/> | <hr/> |
| 2013 | | |
| Financial Liabilities | | |
| Loans and borrowings | 12,161,107 | 12,019,007 |
| Finance lease payables | 116,833 | 115,468 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

30. 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).

Fair value of financial instruments that are measured at fair value in the statements of financial position at the end of the reporting date

| | Group | | | |
|--------------------------------------|---------------------|---------------|---------------|---------------|
| | Fair value RM | Level 1 RM | Level 2 RM | Level 3 RM |
| 2014 | | | | |
| Derivative financial instruments | | | | |
| - foreign currency forward contracts | 1,945,000 | – | 1,945,000 | – |
| 2013 | | | | |
| Derivative financial instruments | | | | |
| - foreign currency forward contracts | (868,000) | – | (868,000) | – |

During the financial years ended 31 March 2014 and 2013, there was no transfer between fair value measurement hierarchy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

30. FAIR VALUE HIERARCHY (cont'd)

Fair value of financial instruments that are not measured at fair value in the statements of financial position at the end of the reporting date (but fair value disclosures are required)

| | Fair value RM | Group | | |
|------------------------------|---------------------|---------------|---------------|----------------|
| | | Level 1 RM | Level 2 RM | Level 3 RM |
| 2014 | | | | |
| Financial Liabilities | | | | |
| Loans and borrowings | 4,708,296 | – | – | 4,708,296 |
| Finance lease payables | <u>103,680</u> | <u>–</u> | <u>–</u> | <u>103,680</u> |
| 2013 | | | | |
| Financial Liabilities | | | | |
| Loans and borrowings | 12,019,007 | – | – | 12,019,007 |
| Finance lease payables | <u>115,468</u> | <u>–</u> | <u>–</u> | <u>115,468</u> |

31. 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 of 45% of the Group annual net profit to its shareholders effective from the financial year ended 31 March 2012.

No changes were made in the objectives, policies and processes since the financial year ended 31 March 2013.

As at 31 March 2014, the total capital managed by the Group which comprises shareholders' equity, amounted to RM942,254,117 (2013: RM763,721,675).

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

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

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 | |
|-------------------------------------------------------------|--------------|--------------|------------|------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Total retained earnings of the Company and its subsidiaries | | | | |
| - realised | 664,561,374 | 533,522,793 | 26,061,626 | 19,555,391 |
| - unrealised | (57,028,962) | (50,877,497) | — | — |
| | 607,532,412 | 482,645,296 | 26,061,626 | 19,555,391 |
| Less: Consolidation adjustments | (98,140,850) | (98,467,848) | — | — |
| Total retained earnings | 509,391,562 | 384,177,448 | 26,061,626 | 19,555,391 |

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 2014 is set out on pages 137 and 138 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 any 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 RM6,200 (2013 : RM29,900).

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

During the current financial year ended 31 March 2014, a total of 5,464,400 new ordinary shares of RM0.50 each were issued and allotted pursuant to the exercise of the ESOS and a total of 8,259,666 new ordinary shares of RM0.50 each were issued and allotted pursuant to the exercise of the Warrants. The details of the issued and paid-up share capital of the Company as at 31 March 2014 are as follows:

| | No. of Shares | RM |
|----------------------------------------------------------------|--------------------|--------------------|
| As at 1 April 2013 | 733,308,300 | 366,654,150 |
| Ordinary shares of RM0.50 each issued pursuant to the ESOS | 5,464,400 | 2,732,200 |
| Ordinary shares of RM0.50 each issued pursuant to the Warrants | 8,259,666 | 4,129,833 |
| As at 31 March 2014 | 747,032,366 | 373,516,183 |

Other than the above, there was no issuance of convertible securities during the financial year.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

I. American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR")

During the financial year 2014, the Company was involved in a Sponsored Level-1 American Depositary Receipt ("ADR") Programme which is a programme to facilitate the trading of Hartalega shares by investors in the United States of America. The programme was registered to the Securities and Exchange Commission of the United States of America since 27 June 2012 and the first trade started on 3 July 2012.

The Bank of New York Mellon has been appointed as the depository bank for the ADR programme with Malayan Banking Berhad as the custodian of Hartalega's shares in Malaysia for the ADR. Under the Depositary Receipt Programme, the total number of shares that can be purchased shall not exceed 5% of the total issued and paid-up capital of Hartalega at any point in time and the shares were listed on a 10 to 1 bundled ratio.

The ADR programme is expected to enhance the visibility of the Company in the United States of America and to increase the awareness of the Company among US brokers, analysts and investors as the ADR programme provides an avenue for the US investing community to access Hartalega shares, thereby enabling the Company to broaden its foreign shareholders' base in addition to increasing its shareholder diversity.

As at 31 March 2014, the number of Hartalega ordinary shares held under the ADR programme by the custodian Malayan Banking Berhad was 11,430 only.

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 2014

| Location Address | Existing Use | Approximate Age of Building | Tenure | Date of Acquisition | Area (m ²) | NBV (RM) |
|--------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------------|---------------------|------------------------|------------|
| GRN 193487, Lot 4864 Mukim of Batang Berjuntai Daerah Kuala Selangor Selangor Darul Ehsan | Factory and office building | Between 8 - 20 years | Freehold | 1995 - 2007 | 30,641 (build-up area) | 23,780,296 |
| H.S.(D) 276179, P.T. No. 7320 Mukim of Batang Berjuntai Daerah Kuala Selangor Selangor Darul Ehsan | Factory and office building | Between 4 - 6 years | Freehold | 2006 - 2011 | 41,736 (build-up area) | 53,103,971 |
| H.S.(D) 279954, P.T. No. 7321 Seksyen 4, Mukim of Bestari Jaya Daerah Kuala Selangor Selangor Darul Ehsan | Factory and office building | 2 years | Freehold | 2013 | 31,948 (build-up area) | 54,830,904 |
| GRN 193487, Lot 4864 Mukim of Batang Berjuntai Daerah Kuala Selangor Selangor Darul Ehsan | Industrial land | N/A | Freehold | 1993 - 2001 | 43,158 | 4,901,383 |
| H.S.(D) 276179, P.T. No. 7320 Mukim of Batang Berjuntai Daerah Kuala Selangor Selangor Darul Ehsan | Industrial land | N/A | Freehold | 2006 - 2007 | 57,987 | 10,031,396 |
| H.S.(D) 279954, PT 7321 Seksyen 4, Pekan Bestari Jaya Daerah Kuala Selangor Selangor Darul Ehsan | Industrial land | N/A | Freehold | 2010 - 2011 | 20,662 | 11,671,112 |
| H.S.(D) 36055, P.T. No. 5785 Mukim of Labu Daerah Sepang Selangor Darul Ehsan | Industrial land | N/A | Leasehold expiring on 9 Oct 2110 | 2013 | 384,449 | 86,585,835 |
| H.S.(D) 36056, P.T. No. 5786 Mukim of Labu Daerah Sepang Selangor Darul Ehsan | Agriculture land | N/A | Leasehold expiring on 9 Oct 2110 | 2013 | 68,800 | 3,470,450 |
| H.S.(D) 36057, P.T. No. 5787 Mukim of Labu Daerah Sepang Selangor Darul Ehsan | Industrial land | N/A | Leasehold expiring on 9 Oct 2110 | 2014 | 650 | 168,000 |
| H.S.(D) 1742, P.T. No. 2965 Mukim of Batang Berjuntai Daerah Kuala Selangor Selangor Darul Ehsan | Vacant land | N/A | Leasehold expiring on 14 Mar 2090 | 1998 | 3,237 | 141,092 |

LIST OF PROPERTIES AS AT 31 MARCH 2014 (CONT'D)

| Location Address | Existing Use | Approximate Age of Building | Tenure | Date of Acquisition | Area (m ²) | NBV (RM) |
|-------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------|--------------------------------------------|---------------------|---------------------------|-----------|
| C-G-9, Jalan Dataran SD1 Dataran SD, PJU 9 Bandar Sri Damansara 52200 Kuala Lumpur | 4-storey office buiding | 8 years | Leasehold expiring on 27 Aug 2102 | 2007 | 410 (build-up area) | 1,597,994 |
| No.2A, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan | Single-storey house-hostel | 10 years | Freehold | 2009 | 143 | 163,186 |
| No.6, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan | Single-storey house-hostel | 10 years | Freehold | 2009 | 144 | 163,322 |
| No.8, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan | Single-storey house-hostel | 10 years | Freehold | 2009 | 145 | 163,469 |
| No.10, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan | Single-storey house-hostel | 10 years | Freehold | 2009 | 146 | 167,860 |
| No.12, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan | Single-storey house-hostel | 10 years | Freehold | 2010 | 147 | 163,616 |

ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2014

| | | |
|----------------------------------|---|---------------------------------------------------------|
| Authorised Share Capital | : | RM750,000,000/- |
| Issued and Paid Up Share Capital | : | RM378,697,318.00 comprising 757,394,636 ordinary shares |
| Class of Shares | : | Ordinary Share of RM0.50 each |
| Voting Rights | : | One vote per ordinary share |
| Number of Shareholders | : | 3,334 |

DISTRIBUTION OF SHAREHOLDINGS

| Size of Holdings | No. of Holders | No. of Shares | % |
|---------------------------|----------------|---------------|--------|
| Less than 100 | 54 | 480 | 0.00 |
| 100 - 1,000 | 830 | 589,547 | 0.08 |
| 1,001 - 10,000 | 1,574 | 6,788,820 | 0.89 |
| 10,001 to 100,000 | 663 | 20,705,568 | 2.73 |
| 100,001 to 37,869,730 (*) | 211 | 284,823,717 | 37.61 |
| 37,869,731 and above(**) | 2 | 444,486,504 | 58.69 |
| | 3,334 | 757,394,636 | 100.00 |

Remark: * Less than 5% of issued holdings

** 5% and above of issued holdings

SUBSTANTIAL SHAREHOLDERS

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

| Name of Shareholders | Direct Interest | | Indirect Interest | |
|------------------------------|-----------------|-------|-------------------|-------|
| | No. of Shares | % | No. of Shares | % |
| Hartalega Industries Sdn Bhd | 384,154,304 | 50.72 | 0 | 0 |
| Kuan Kam Hon @ Kwan Kam Onn | 0 | 0.00 | 420,448,304* | 55.51 |
| Kuan Kam Peng | 0 | 0.00 | 384,154,304** | 50.72 |

* 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.

ANALYSIS OF SHAREHOLDINGS AS AT 30 JUNE 2014 (CONT'D)

DIRECTORS' SHAREHOLDINGS

| | Direct Interest | | Indirect Interest | |
|--------------------------------------|-----------------|------|-------------------|-------|
| | No. of Shares | % | No. of Shares | % |
| Kuan Kam Hon @ Kwan Kam Onn | 0 | 0.00 | 420,448,304* | 55.51 |
| Kuan Mun Leong | 1,377,000 | 0.18 | 0 | 0 |
| Kuan Mun Keng | 1,374,000 | 0.18 | 0 | 0 |
| Liew Ben Poh | 900,000 | 0.12 | 14,000# | 0 |
| Dato' Mohamed Zakri bin Abdul Rashid | 1,084,900 | 0.14 | 51,000# | 0.01 |
| Chuah Phaik Sim | 1,635,000 | 0.22 | 4,351,200** | 0.57 |
| Danaraj A/L Nadarajah | 128,100 | 0.02 | 0 | 0 |
| Dato' Tan Guan Cheong | 40,000 | 0.01 | 0 | 0 |

* 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 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 30 JUNE 2014 (CONT'D)

30 LARGEST SHAREHOLDERS AS AT 30 JUNE 2014

| No. | Name of Shareholders | No. of Shares | % |
|-----|--------------------------------------------------------------------------------------------------------------------|---------------|-------|
| 1 | HARTALEGA INDUSTRIES SDN BHD | 384,154,304 | 50.72 |
| 2 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD | 60,332,200 | 7.97 |
| 3 | BUDI TENGGARA SDN BHD | 36,294,000 | 4.79 |
| 4 | DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH (FOREIGN) | 33,690,836 | 4.45 |
| 5 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH (A/C CLIENTS-FGN) | 17,747,036 | 2.34 |
| 6 | JASON TEN JHIA SEENG | 15,510,326 | 2.05 |
| 7 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEOW HOON HIN (472187) | 7,640,400 | 1.01 |
| 8 | RHB NOMINEES (ASING) SDN BHD MEDLINE INDUSTRIES INC | 6,614,300 | 0.87 |
| 9 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR J.P. MORGAN CHASE BANK, NATIONAL ASSOCIATION (USA) | 6,532,228 | 0.86 |
| 10 | HSBC NOMINEES (ASING) SDN BHD TNTC FOR MONDRIAN EMERGING MARKETS SMALL CAP EQUITY FUND, L.P. | 5,266,460 | 0.70 |
| 11 | AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC EQUITY FUND | 4,723,500 | 0.62 |
| 12 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 3) | 4,606,000 | 0.61 |
| 13 | PACIFIC VENUE SDN BHD | 4,596,400 | 0.61 |
| 14 | CARTABAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD | 4,547,600 | 0.60 |
| 15 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT) | 4,458,920 | 0.59 |
| 16 | KUMPULAN WANG PERSARAAN (DIPERBADANKAN) | 4,354,300 | 0.57 |
| 17 | KINETIC REGION SDN BHD | 3,751,200 | 0.50 |
| 18 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR J.P. MORGAN BANK LUXEMBOURG S.A. | 3,750,800 | 0.50 |
| 19 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF) | 3,709,000 | 0.49 |
| 20 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR J.P. MORGAN CHASE BANK, NATIONAL ASSOCIATION (NORGES BK) | 3,683,500 | 0.49 |

ANALYSIS OF SHAREHOLDINGS AS AT 30 JUNE 2014 (CONT'D)

30 LARGEST SHAREHOLDERS AS AT 30 JUNE 2014 (cont'd)

| No. | Name of Shareholders | No. of Shares | % |
|-----|-------------------------------------------------------------------------------------------------------|---------------|------|
| 21 | KUAN EU JIN | 3,430,500 | 0.45 |
| 22 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR J.P. MORGAN CHASE BANK, NATIONAL ASSOCIATION (U.K.) | 2,982,606 | 0.39 |
| 23 | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NAMAL (I) LTD | 2,700,000 | 0.36 |
| 24 | HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR DWS GLOBAL THEMATIC FUND | 2,631,575 | 0.35 |
| 25 | AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND | 2,620,300 | 0.35 |
| 26 | TAN BOOI CHARN | 2,600,000 | 0.34 |
| 27 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (DR) | 2,520,000 | 0.33 |
| 28 | ANISA SEOW JING YING | 2,506,000 | 0.33 |
| 29 | LIM BOON KIONG | 2,198,400 | 0.29 |
| 30 | AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT ENTERPRISES FUND | 2,127,900 | 0.28 |

ANALYSIS OF WARRANTS

AS AT 30 JUNE 2014

DISTRIBUTION OF WARRANT HOLDINGS

| Size of Holdings | No. of Holders | No. of Shares | % |
|--------------------------|----------------|---------------|--------|
| Less than 100 | 164 | 5,440 | 0.01 |
| 100 - 1,000 | 582 | 250,460 | 0.46 |
| 1,001 - 10,000 | 372 | 1,444,180 | 2.64 |
| 10,001 to 100,000 | 165 | 5,058,984 | 9.24 |
| 100,001 to 2,738,147 (*) | 37 | 18,294,166 | 33.40 |
| 2,738,148 and above(**) | 3 | 29,709,734 | 54.25 |
| | 1,323 | 54,762,964 | 100.00 |

Remark: * Less than 5% of issued holdings

** 5% and above of issued holdings

SUBSTANTIAL WARRANT HOLDERS

The following are the substantial warrant holders of the Company according to the Register of Substantial Warrant Holders.

| Name of Shareholders | Direct Interest | | Indirect Interest | |
|------------------------------|-----------------|-------|-------------------|-------|
| | No. of Shares | % | No. of Shares | % |
| Hartalega Industries Sdn Bhd | 20,485,430 | 37.41 | 0 | 0 |
| Kuan Kam Hon @ Kwan Kam Onn | 0 | 0.00 | 24,114,830* | 44.03 |
| Kuan Kam Peng | 0 | 0.00 | 20,485,430** | 37.41 |

* 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.

ANALYSIS OF WARRANTS AS AT 30 JUNE 2014 (CONT'D)

DIRECTORS' WARRANT HOLDINGS

| | Direct Interest | | Indirect Interest | |
|--------------------------------------|-----------------|------|-------------------|-------|
| | No. of Shares | % | No. of Shares | % |
| Kuan Kam Hon @ Kwan Kam Onn | 0 | 0.00 | 24,114,830* | 44.03 |
| Kuan Mun Leong | 137,700 | 0.21 | 0 | 0 |
| Kuan Mun Keng | 137,400 | 0.21 | 0 | 0 |
| Liew Ben Poh | 90,000 | 0.14 | 1,200# | 0 |
| Dato' Mohamed Zakri bin Abdul Rashid | 105,000 | 0.16 | 5,100# | 0.01 |
| Chuah Phaik Sim | 163,500 | 0.25 | 435,120** | 0.79 |
| Danaraj A/L Nadarajah | 33,411 | 0.05 | 0 | 0 |
| Dato' Tan Guan Cheong | 4,000 | 0.01 | 0 | 0 |

* 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 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 WARRANTS AS AT 30 JUNE 2014 (CONT'D)

30 LARGEST WARRANT HOLDING AS AT 30 JUNE 2014

| No. | Name of Shareholders | No. of Shares | % |
|-----|--------------------------------------------------------------------------------------------------------------------|---------------|-------|
| 1 | HARTALEGA INDUSTRIES SDN BHD | 20,485,430 | 37.41 |
| 2 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH (A/C CLIENTS-FGN) | 5,594,904 | 10.22 |
| 3 | BUDI TENGGARA SDN BHD | 3,629,400 | 6.63 |
| 4 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEOW HOON HIN (472187) | 2,468,000 | 4.51 |
| 5 | DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH (FOREIGN) | 1,979,083 | 3.61 |
| 6 | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEOW HOON HIN (MARGIN) | 1,751,800 | 3.20 |
| 7 | MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEOW HOON HIN | 1,544,600 | 2.82 |
| 8 | KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEOW HOON HIN | 1,238,800 | 2.26 |
| 9 | HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEOW HOON HIN (M09) | 1,220,600 | 2.23 |
| 10 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR J.P. MORGAN CHASE BANK, NATIONAL ASSOCIATION (U.K.) | 790,380 | 1.44 |
| 11 | AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC EQUITY FUND | 557,940 | 1.02 |
| 12 | JASON TEN JHIA SEENG | 545,000 | 1.00 |
| 13 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR J.P. MORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.) | 517,441 | 0.94 |
| 14 | PACIFIC VENUE SDN BHD | 450,640 | 0.82 |
| 15 | TAN BOOI CHARN | 410,000 | 0.75 |
| 16 | PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEOW HOON HIN (E-KLC) | 398,000 | 0.73 |
| 17 | KINETIC REGION SDN BHD | 375,120 | 0.68 |
| 18 | CHEONG SIEW CHYUAN | 355,000 | 0.65 |
| 19 | KUAN EU JIN | 343,050 | 0.63 |
| 20 | RHB NOMINEES (ASING) SDN BHD IAN JAMES SCHOTTLANDER | 328,520 | 0.60 |

ANALYSIS OF WARRANTS AS AT 30 JUNE 2014 (CONT'D)

30 LARGEST WARRANT HOLDING AS AT 30 JUNE 2014 (cont'd)

| No. | Name of Shareholders | No. of Shares | % |
|-----|-------------------------------------------------------------------------------------------|---------------|------|
| 21 | WOON CHUAN KEONG | 272,000 | 0.50 |
| 22 | LIM BOON KIONG | 219,840 | 0.40 |
| 23 | HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR DWS GLOBAL SMALL CAP GROWTH FUND | 219,112 | 0.40 |
| 24 | PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR TAN KONG KEE (E-BPJ) | 200,000 | 0.37 |
| 25 | HENG CHEE CHENG | 189,900 | 0.35 |
| 26 | SHIRLEY LOH | 165,900 | 0.30 |
| 27 | CHUAH PHAIK SIM | 163,500 | 0.30 |
| 28 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR J.P. MORGAN BANK LUXEMBOURG S.A. | 159,660 | 0.29 |
| 29 | KUAN MUN LEONG | 137,700 | 0.25 |
| 30 | KUAN MUN KENG | 137,400 | 0.25 |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth (8th) Annual General Meeting of the Company will be held at the Auditorium, LG1, Sime Darby Convention Centre, No. 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 26 August 2014, 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 2014** 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 4 sen per share single tier for the financial year ended **31 March 2014**. **(Resolution 1)**
3. To approve the payment of Directors' Fees totalling RM288,000 for the financial year ended **31 March 2014**. **(Resolution 2)**
4. 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 Kuan Mun Keng **(Resolution 4)**
 - (c) Dr Danaraj A/L Nadarajah **(Resolution 5)**
5. To re-appoint the following Directors who retire pursuant to Section 129(6) of the Companies Act 1965 and being eligible, offer themselves for re-appointment:
 - (a) Dato' Mohamed Zakri bin Abdul Rashid **(Resolution 6)**
 - (b) Dato' Tan Guan Cheong **(Resolution 7)**
6. To re-appoint Messrs Deloitte & Touche (AF 0834) as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

AS SPECIAL BUSINESSES

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

7. 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 9)

8. 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.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

8. ORDINARY RESOLUTION - PROPOSED RENEWAL OF AUTHORITY FOR PURCHASE OF OWN SHARES BY THE COMPANY (cont'd)

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 10)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a final dividend of 4 sen per share single tier for the financial year ended 31 March 2014, if approved, will be paid on 24 September 2014 to depositors registered in the Record of Depositors at the close of business on 10 September 2014.

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 10 September 2014 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)

WONG YOUN KIM (F) (MAICSA 7018778)

Company Secretaries

Kuala Lumpur

4 August 2014

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.
- (2) Subject to Note A (3) below, where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- (3) The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney duly authorised.
- (4) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (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 20 August 2014 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 9
Ordinary Resolution - Authority to allot and issue shares pursuant to Section 132D of the Companies Act 1965

The proposed Ordinary Resolution 9 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.

No shares have been issued and allotted by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting held on 27 August 2013 pursuant to this authority.

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).

- (9) Resolution 10
Ordinary Resolution - Proposed renewal of authority for purchase of own shares by the Company

The proposed Ordinary Resolution 10 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 dispatched together with this Annual Report.

STATEMENT ACCOMPANYING THE NOTICE OF 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 Kuan Mun Keng | (Article 91) | (Resolution 4) |
| (c) Dr Danaraj A/L Nadarajah | (Article 91) | (Resolution 5) |
2. The Directors who are standing for re-election at the Annual General Meeting of the Company pursuant to Section 129(6) of the Companies Act 1965 are as follows:

| | |
|------------------------------------------|----------------|
| (a) Dato' Mohamed Zakri bin Abdul Rashid | (Resolution 6) |
| (b) Dato' Tan Guan Cheong | (Resolution 7) |
3. The detailed profiles of the above Directors who are standing for re-election are set out in the Directors' Profiles set out on pages 12 to 17 of the Annual Report and their securities holdings in the Company are set out in the Analysis of Shareholdings on page 160 to 163.
4. Board Meetings held in the financial year ended 31 March 2014.

There were six (6) Board Meetings held during the financial year ended 31 March 2014. Details of the attendance of the Directors are as follows:

| Directors | Attendance |
|--------------------------------------|------------|
| Kuan Kam Hon @ Kwan Kam Onn | 6/6 |
| Dr Danaraj A/L Nadarajah | 5/6 |
| Chuah Phaik Sim | 6/6 |
| Dato' Mohamed Zakri bin Abdul Rashid | 6/6 |
| Kuan Mun Keng | 6/6 |
| Kuan Mun Leong | 5/6 |
| Liew Ben Poh | 6/6 |
| Dato' Tan Guan Cheong | 6/6 |

5. Place, Date and Time of Meeting
The Eighth (8th) Annual General Meeting of the Company will be held at Auditorium, LG1, Sime Darby Convention Centre, No. 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 26 August 2014, at 9.30 a.m.

PROXY FORM



*I/We, NRIC / Company No.
(Full Name in Capital Letters)
 of
(Address)
 being a *member/members of HARTALEGA HOLDINGS BERHAD, hereby appoint
(Full Name in Capital Letters) NRIC No.
 of
(Address)
 *and/or failing him/her, NRIC No.
(Full Name in Capital Letters)
 of
(Address)

or, *the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the **Eighth (8th) Annual General Meeting of Hartalega Holdings Berhad** to be held at Auditorium, LG1, Sime Darby Convention Centre, No. 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 26 August 2014, at 9.30 a.m. or at any adjournment thereof.

*My/Our Proxy(ies) is/are to vote as indicated below:

| NO. | ORDINARY RESOLUTIONS | FOR | AGAINST |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------|-----|---------|
| 1. | To approve the payment of a final dividend of 4 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 Kuan Mun Keng as Director | | |
| 5. | To re-elect Dr Danaraj A/L Nadarajah as Director | | |
| 6. | To re-elect Dato' Mohamed Zakri bin Abdul Rashid as Director | | |
| 7. | To re-elect Dato' Tan Guan Cheong as Director | | |
| 8. | To re-appoint Messrs Deloitte & Touche (AF 0834) as Auditors of the Company and to authorise the Directors to determine their remuneration | | |
| 9. | Special Business - To approve the Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act 1965 | | |
| 10. | Special Business - 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.)

| | |
|-------------------------|--|
| Number of Shares Held : | |
|-------------------------|--|

Dated this day of 2014

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

(*Delete where inapplicable)

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 entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.
- (2) Subject to Note A (3) below, where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- (3) The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney duly authorised.
- (4) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (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 PUJ 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 20 August 2014 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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