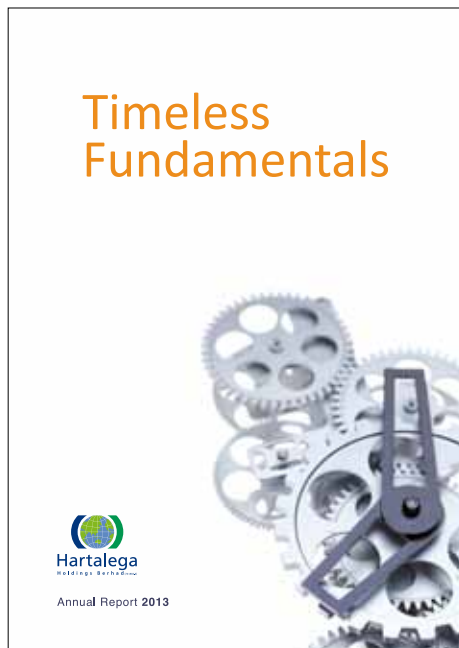


# Timeless Fundamentals



Annual Report 2013





### THE COVER

The theme of this year's report, 'Timeless Fundamentals', is depicted in the image of the mechanisms of a clock. This theme represents Hartalega's long term single-minded focus on fundamentals that transcend time. Our commitment to enhancing our capabilities and building on our strengths is at the core of our growth strategy, and we are confident that our 'Timeless Fundamentals' will continue to propel us ahead in the years to come.

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## 7th Annual General Meeting

27 August 2013

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## 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

Forbes Asia  
Best Under A Billion List 2012

Forbes Asia  
Best Under A Billion List 2011

Forbes Asia  
Best Under A Billion List 2010



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



Enterprise 50 Award 1998



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



ISO 9001 : 2008



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



SO 13485 : 2003



Selangor Innovative  
Excellence Award 2007



EN ISO 13485 : 2003



Selangor Export  
Excellence Award 2005



EC-Certificate



Commodity Industry  
Award 2005



CE Marking



Medical Device Licence -  
Health Canada



Rubber Industry Award 2005  
(Innovative & Large Factory Category)



Canadian General  
Standard Board Certificate



Best Factory Award 2005  
(Latex Goods Category)



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

# THE HARTALEGA NITRILE GLOVE STORY

## 2002

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



## 2003

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



## 2005

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



## 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

### 2008

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



### 2010

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



### 2011

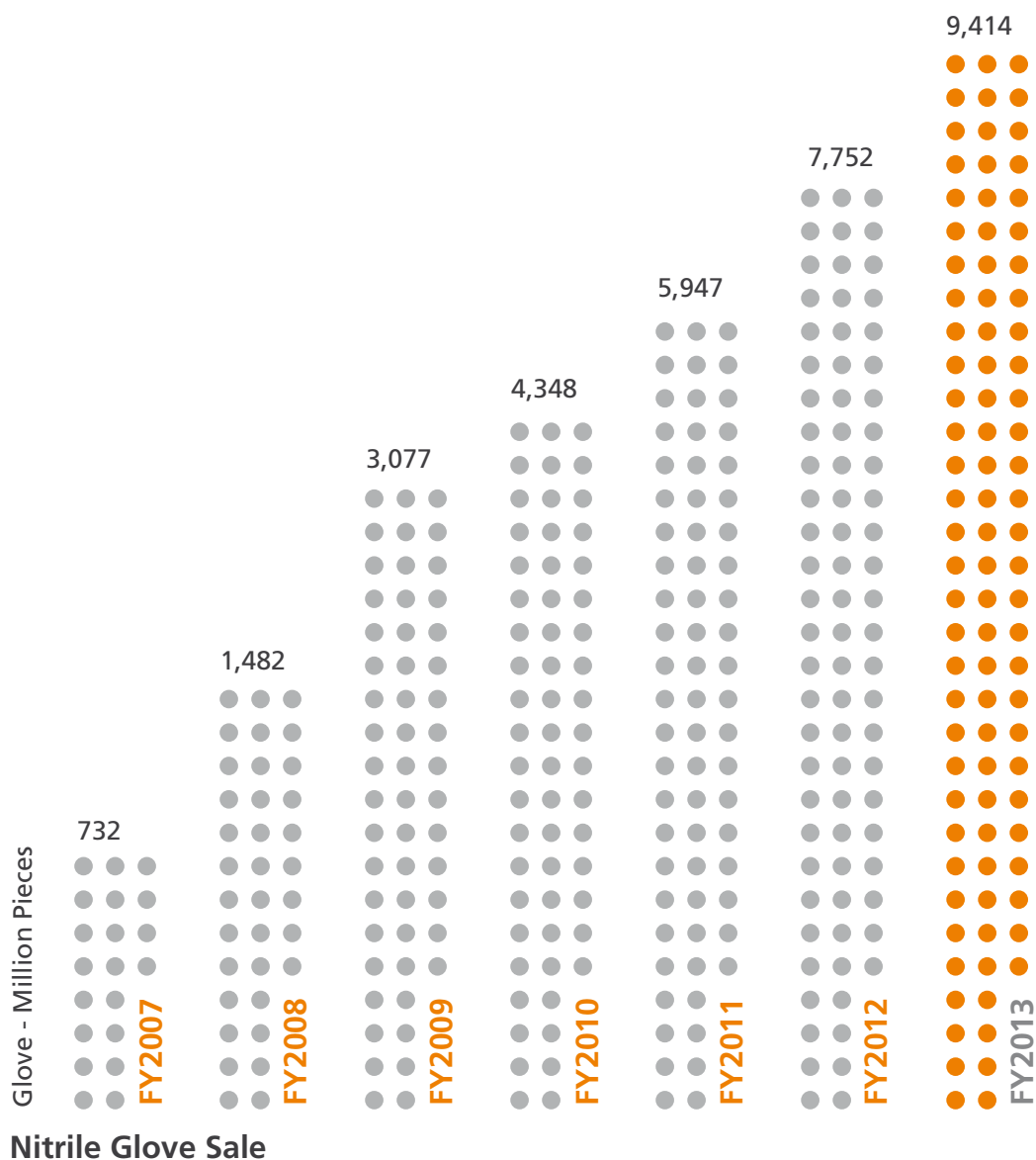
- Launched 3.2g soft nitrile gloves
- Nitrile sales increased 59 times over a period of seven years

### 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



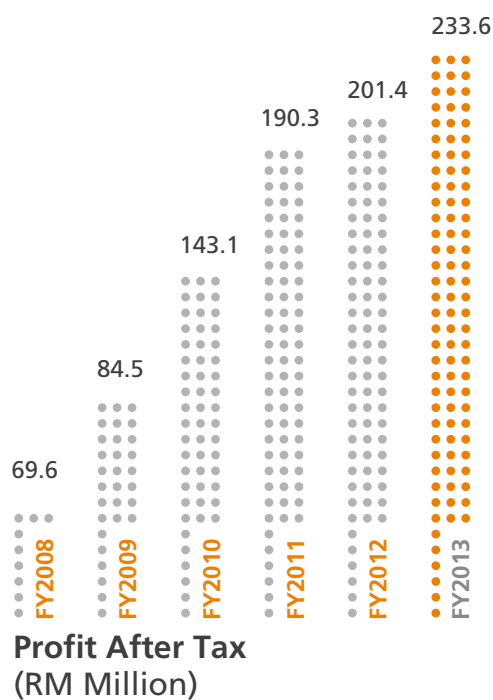
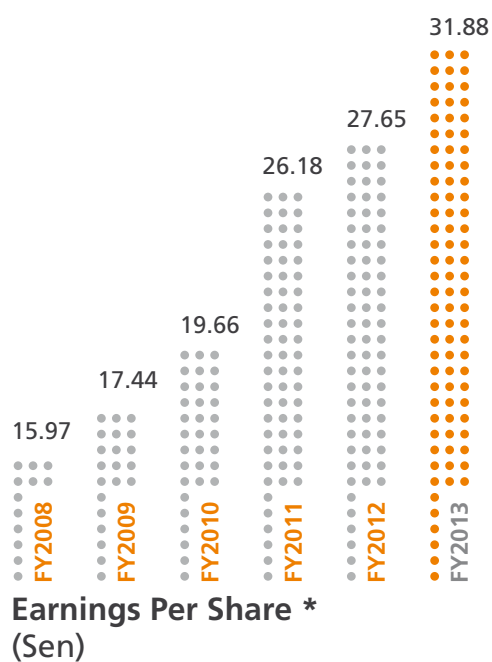
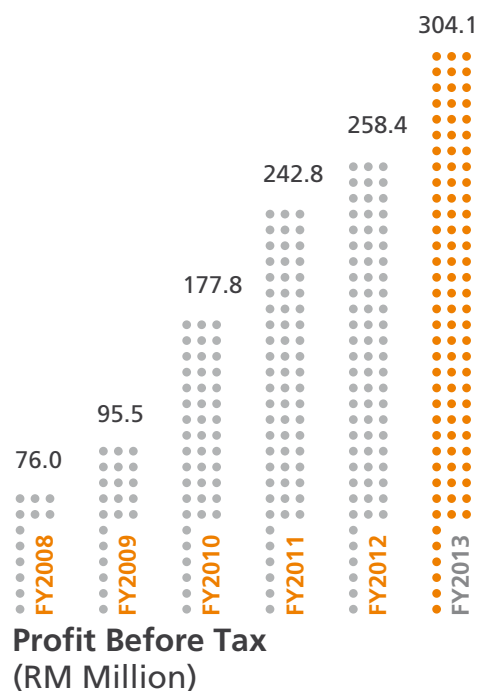
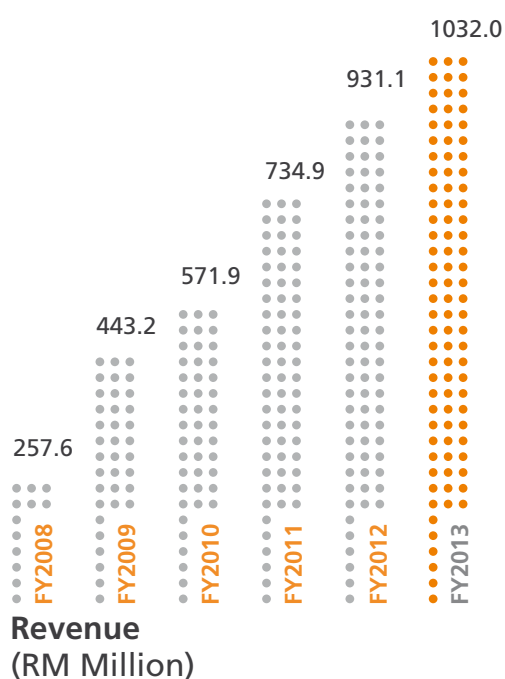
## THE HARTALEGA NITRILE GLOVE STORY



- Successfully remodelled company into a major nitrile glove producer with 90% of sales in nitrile gloves
- Nitrile glove sales (pieces) increased by 12 fold in six years
- Pioneered switching momentum from natural rubber to nitrile gloves
- Largest nitrile glove producer in the world



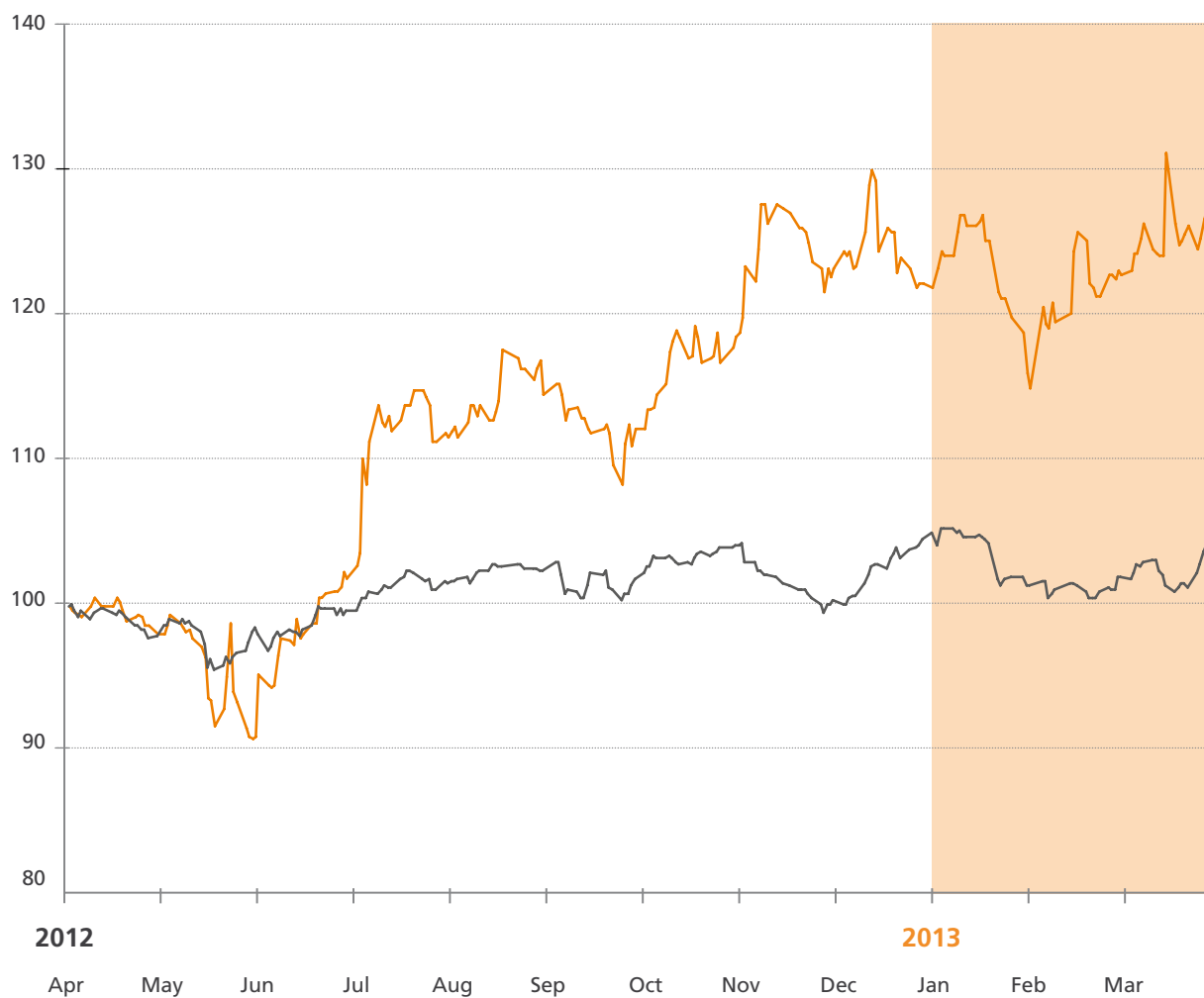
# FINANCIAL GROWTH SUMMARY



\* 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*  
*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	<i>Chairperson</i>
Dato' Mohamed Zakri bin Abdul Rashid	<i>Member</i>
Dato' Tan Guan Cheong	<i>Member</i>

## FACTORY

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

## REMUNERATION COMMITTEE

Dato' Mohamed Zakri bin Abdul Rashid	<i>Chairman</i>
Liew Ben Poh	<i>Member</i>
Dato' Tan Guan Cheong	<i>Member</i>

## PRINCIPAL BANKERS

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

## NOMINATION COMMITTEE

Dato' Mohamed Zakri bin Abdul Rashid	<i>Chairman</i>
Chuah Phaik Sim	<i>Member</i>
Liew Ben Poh	<i>Member</i>

## AUDITORS

Baker Tilly AC  
 (Formerly known as Moore Stephens AC)  
 (AF 001826)  
 Baker Tilly MH Tower  
 Level 10, Tower 1  
 Avenue 5, Bangsar South City  
 59200 Kuala Lumpur

## ESOS COMMITTEE

Kuan Vin Seung	<i>Chairman</i>
Kuan Mun Leong	<i>Member</i>
Kuan Mun Keng	<i>Member</i>
Yong Pat Chau	<i>Member</i>

## COMPANY SECRETARIES

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

## 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

## REGISTERED OFFICE

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

## STOCK EXCHANGE

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

## 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](http://www.hartalega.com.my)  
 Email: [info@hartalega-kl.com.my](mailto:info@hartalega-kl.com.my)

# MEDIA MILESTONES

## 原料成本走軟 賀特佳第三季淨利揚19.38%

《吉隆坡5日訊》隨著丁腈原料成本偏軟，賀特佳(HARTA, 5168，主營工業產品)截至2013年12月31日止，第三季淨利揚升19.38%至6千零52萬9千令吉，前期為5千零70萬3千令吉。

這也帶動前9個月淨利從前年1億5千160萬4千令吉，走高至1.74億1千242萬9千令吉。

第三季營業額則較前年2億4千195萬1千令吉，走高至2.52億5千956萬6千令吉，增幅達3.6%。

派息3.5仙

董事部建議派發3.5仙中期股息，除派息外，另有2013年2月25日及2月27日，將于3月21日支付予股東。

賀特佳指出，除了原料降價，第三季業績改善也歸功於录得123萬8千令吉外匯及期貨收益，并應稅前盈餘增幅達26.4%上升至50.2%。

該公司相信丁腈手套需求維持強勁，有信心全年可達成目標。

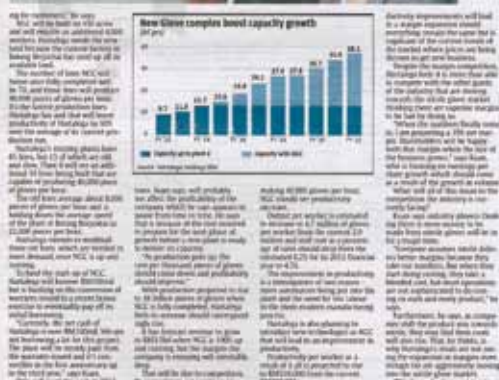
Sin Chew Jit Poh, 6 Feb 2013

## Big investment for expansion

Hartalega ups the stakes in the nitrile glove business



Kuala Lumpur, the Hartalega group of companies is investing in the nitrile glove business. The group is investing in the nitrile glove business. The group is investing in the nitrile glove business.



## Hartalega promises to go on paying good dividends

PAYOUT At least 45pc of group profit

HARTALEGA Holdings Bhd, while expecting nitrile glove prices to fall in the coming months, assured shareholders it can go on paying good dividends.

The company's nitrile glove prices are likely to fall in the coming months, but the company's nitrile glove prices are likely to fall in the coming months.



Hartalega Holdings managing director Kuan Kuan Hwa (right) and independent director Kuan Kuan Hwa (left) at a shareholders' meeting.

New Straits Times, 15 Aug 2012

The Star, 7 April 2012

## Hartalega earnings up 19%

Improvement in Q3 attributed to easing in raw material prices

PETALING JAYA: Hartalega Holdings Bhd's net profit rose 19% to RM69.53mil for its third quarter ended Dec 31, mainly due to easing in raw material prices of nitrile and natural latex.

Revenue increased to RM259.57mil from RM241.95mil a year earlier, the company said in a filing with Bursa Malaysia yesterday.

For its nine-month period ended Dec 31, net profit rose to RM172.43mil from RM151.60mil a year earlier, while revenue increased to RM762.26mil from RM690.86mil.



Hartalega's plant in Batang Berjuntai, Selangor. The company's Plant 6 is expected to give at least a 30% boost to its production capacity, which translates to a further 3.9 billion pieces per annum.

"This has spurred an increase of nitrile capacity by the industry which we are confident will be more than matched by strong nitrile demand," said Kuan.

However, margin will be lower as the market size enlarges, he added.

The first production line was commissioned and commenced operations by end September 2012. Plant 6 will commission 10 production lines in total and is expected to give at least a 30% boost to its production capacity, which translates to a further 3.9 billion pieces per annum.

The Star, 6 Feb 2013

## Hartalega diiktiraf syarikat terurus terbaik 2012

HARTALEGA Holdings Berhad (Hartalega), penerima anugerah pengiktirafan syarikat terurus terbaik 2012, telah menerima anugerah ini pada majlis anugerah yang diadakan di Kuala Lumpur.

Hartalega adalah pengeluar sarung tangan getah dan sarung tangan nitril terkemuka di Malaysia.

"Berikutan majlis ini, Hartalega akan meningkatkan kualiti produknya dan meningkatkan prestasi perniagaan," kata Kuan.

Hartalega adalah pengeluar sarung tangan getah dan sarung tangan nitril terkemuka di Malaysia.



Left: Hartalega managing director Kuan Kuan Hwa (right) receiving an award from the President of the Malaysian Rubber Industry Association, Tan Sri Kuan Kuan Hwa.

Sinar Harian, 13 Apr 2013



Untung sebelum cukai RM78.36j

Hartalega Holdings Bhd meraih keuntungan sebelum cukai RM78.36 juta dalam suku ketiga berakhir 31 Disember 2012, meningkat 22.6% daripada RM63.9 juta pada suku ketiga berakhir 2011.

Keuntungan sebelum cukai Hartalega meningkat 22.6% daripada RM63.9 juta pada suku ketiga berakhir 2011.

Berita Harian, 6 Feb 2013



## MEDIA MILESTONES

## 回馈业者贡献 贺特佳吁税务奖掖手套业

【本報吉隆坡14日讯】特佳集团（Taleo Group）主席兼首席执行官李振球（Lee Joo Koo）日前在吉隆坡接受《星洲日报》专访时，呼吁政府给予手套业更多税务上的优惠，以鼓励业者投资研发，提升手套业的技术含量。

李振球表示，手套业是一个高度技术性的行业，需要大量的研发投入。他指出，目前手套业在研发方面的投入比例相对较低，这主要是由于缺乏相应的税务激励政策。他建议政府可以考虑对手套业的研究开发费用给予更高的税前扣除比例，或者提供研发补贴，以减轻企业的负担，鼓励企业加大研发投入。

李振球还提到，手套业在创造就业方面做出了重要贡献。他指出，手套业是一个劳动密集型的行业，为许多工人提供了就业机会。他呼吁政府关注手套业工人的福利，包括提供培训机会，提高工人的技能水平，以增强手套业的竞争力。



新厂9月投产 明年全面运作

加特利集团主席兼首席执行官李振球（Lee Joo Koo）日前在吉隆坡接受《星洲日报》专访时，表示集团计划于今年9月投产新厂，并于明年全面运作。

Nanyang Siang Pau, 15 Aug 2012

## Hartalega cecah hasil RM1b

PENGUJIAN sering terapan dalam Hartalega Holdings Bhd (Hartalega), memandangkan hartalega Bhd ialah satu syarikat yang bergerak dalam industri pembuatan sarung tangan. Hartalega Bhd telah mencapai hasil RM1b dalam tempoh tiga bulan terakhir ini.

Hartalega Bhd telah mencapai hasil RM1b dalam tempoh tiga bulan terakhir ini. Hartalega Bhd telah mencapai hasil RM1b dalam tempoh tiga bulan terakhir ini.



Sinar Harian, 9 May 2013

## Forbes honour for Hartalega

Recognised for third consecutive year as one of the best-performing listed companies

GLOVE manufacturer Hartalega Holdings Bhd was recently honoured by regional publication Forbes Asia as one of the best-performing listed companies in 2012 in Asia with sales revenue under US\$1 billion (RM3.64 billion).

Since first appearing on Forbes Asia's annual "Best Under a Billion List" in 2010, this is the third consecutive year that Hartalega has been recognised as one of the best-performing listed companies in the region.

Managing Director, Kuan Voon Sin said: "It is truly an honour to be selected by Forbes Asia for the third year running and to be recognised for making an impact in the industry, even more so as we are ranked among other prominent companies in the region."

RECOGNITION: Forbes Asia vice chairman (left) presents Hartalega's award plaque to Kuan Voon Sin.



The Malay Mail, 6 Dec 2012

The Star, 18 Mar 2013

## 87 Bestari Jaya kids treated to KidZania

**PETALING JAYA:** In celebration of Malaysia Day and as part of their ongoing corporate social responsibility, Hartalega Holdings Bhd recently treated children from the Bestari Jaya community to a fun-filled trip to KidZania Kuala Lumpur.

Eighty-seven children aged 8 to 14, along with their parents and guardians, were escorted by Hartalega staff to KidZania at The Curve NCC, Mutiara Damansara.

This was the children's first visit to the popular education-cum-entertainment centre, and expectations were high as they arrived at the "kid-sized" city.

The children were definitely in for a memorable treat as being at KidZania turned out to be an unforgettable experience.

The first of its kind in Malaysia, KidZania gives children an opportunity to experience the world of adults.

At the end of the day, the children were given a certificate of appreciation for their participation in the activity.



KidZania at The Curve in Mutiara Damansara allow children to pursue their dream jobs.

New Straits Times, 20 Oct 2012

Vin Seng said it was pleased to be able to give the children of Bestari Jaya such a unique experience.

It is great to see them enjoying themselves. Not only was it fun for them, it was also enriching and educational. This activity is part of Hartalega's continual drive to provide its surrounding communities

with opportunities to grow.

"We hope that this experience will instil a sense of determination in the children and motivate them to pursue their dreams."

"As a responsible corporate citizen, we believe we should invest in the future of Malaysia's youth."

"To ensure that we continue to contribute to the growth of the nation's talent pool, we are planning to establish a training and development centre at our Next Generation Integrated Glove Manufacturing Complex (NGC)."

The construction of NGC is expected to commence next year.

"The centre will allow youths in the communities in which we operate to develop the necessary capabilities to be part of a highly-skilled workforce."

This will cater not only for Hartalega's manpower needs, but will ultimately facilitate the development of the nation's talent pool.

"We look forward to establishing more initiatives such as this that will encourage young Malaysians to realise their full potential," said Kuan.

## 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 66, 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**  
Independent  
Non-Executive Director,  
Malaysian

Dato' Mohamed Zakri bin Abdul Rashid, aged 70, was appointed as Independent Non-Executive Director on May 7, 2007, and sits on the Audit Committee. Dato' Mohamed Zakri was appointed to Hartalega Sdn Bhd's Board on November 27, 1998, as a Non-Executive Director. He holds a Bachelor of Arts Degree with Honours and a Diploma in Public Administration from Universiti Malaya. He also holds a Masters Degree in Public Administration from the University of Southern California, USA. He retired from Government service in 1998 as Director General of the Department of Immigration of Malaysia after having served the department for more than four years. Previously, he served the Government in various capacities in the Ministry of Transport, Ministry of Finance and the Prime Minister's Department for more than 30 years. He also serves as an Independent Non-Executive Director of Dialog Group Berhad.



## PROFILE OF DIRECTORS



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

Dr Danaraj A/L Nadarajah (Dr N Danaraj), aged 59, was appointed as a Non-Independent Executive Director/Corporate Advisor on July 4, 2011. 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 Hitoshibashi University, Tokyo, Head of Business Research at the Malaysian Institute of Economic Research and Professor of Business Strategy at University of Monaco. He has also 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. Dr N Danaraj is currently responsible for Hartalega's brand strategy in China and India.



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

Dato' Tan Guan Cheong, aged 69, was appointed as an Independent Non-Executive Director on December 31, 2011. He holds a Bachelor of Commerce degree from Otago University, New Zealand, majoring in economics, marketing management and accountancy. He is a Chartered Accountant and a member of the Malaysian Institute of Accountants since 1983. He has worked in international audit firm Coopers & Lybrand (now known as PricewaterhouseCoopers) in New Zealand and Malaysia. Dato' Tan has wide working experience in the financial services industry and has served in various senior capacities. He joined Orix Leasing Malaysia Bhd, an international diversified financial services institution, in 1976 as a financial and accounting controller. Dato' Tan rose to become the Managing Director in 1988 and held this position until his retirement. Dato' Tan is a member of the Audit Committee and the Remuneration Committee. He is also a Director of Box-Pak (Malaysia) Berhad and YTL Cement Berhad.

## PROFILE OF DIRECTORS



**Chuah Phaik Sim**  
Independent  
Non-Executive Director,  
Malaysian

Chuah Phaik Sim, aged 44, 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 64, 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 is also a Board Member of the Malaysian Rubber Export and Promotion Council (MREPC) under the Ministry of Primary Products and Commodities. Owing to his vast knowledge of the latex glove industry, he is regularly invited to speak at international conferences in Malaysia as well as overseas.

## PROFILE OF DIRECTORS



**Kuan Mun Leong**  
Managing Director,  
Malaysian

Kuan Mun Leong, aged 37, 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 seven fold but also accomplished several sectors' unprecedented engineering breakthroughs in production technology. Today, Hartalega is touted as the sector's most efficient rubber glove manufacturer.



**Kuan Mun Keng**  
Non-Independent  
Executive Director,  
Malaysian

Kuan Mun Keng, aged 38, 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,**

It has been an excellent year for your Group as we successfully maintained our growth momentum.

Key indicators such as revenue, profit before and after tax as well as earnings per share have seen strong year-on-year improvements.

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



Indeed, we marked a significant milestone this year as we crossed the threshold of RM1 billion in revenue for the first time in our history. Our consistent results are borne from our passion to be at the helm of the nitrile glove segment.

Building on our strong track record, demand for our gloves remained robust during the year under review, buoyed by the ongoing switching momentum from latex to nitrile. Our performance was achieved by our continuous drive to enhance our operating efficiencies and expand production capacity.

Towards this end, our extensive research and development efforts along with our technological prowess continue to bear much fruit as the Group strives to maintain our competitive advantage over our peers in the industry. We intend to carry on this tradition of excellence as we look to the future. We assure you that our innovative spirit will be the guiding light as we advance along this journey of growth.

On this note, I am pleased to present to you our annual report for the year ended 31 March 2013.

## EXECUTIVE CHAIRMAN'S STATEMENT



### ECONOMIC LANDSCAPE

Despite the ongoing instability in the Eurozone and a weak US economy, global demand for rubber gloves remained resilient in 2012, growing by approximately 10% per annum. The trend clearly continues to shift towards synthetic rubber, with nitrile gloves now comprising more than 82% of total glove imports to the United States.

Malaysia holds the prestige of retaining its position as the world's largest supplier of rubber gloves, commanding 63% of global market share. Total exports of both natural and synthetic Malaysian rubber gloves rose by 14.9%, chiefly led by the nitrile glove segment which saw total exports increasing by 26% during the year. This was a sharp contrast to latex glove exports, which saw a marginal increase of only 7%.

The US and Europe were the largest importers of Malaysian nitrile gloves in 2012, with 9.6 billion and 5.3 billion pairs of gloves respectively, a significant increase from the previous year. Meanwhile, greenfield markets such as China and India saw healthy demand during the year, signifying ample long-term prospects in emerging markets for the glove industry.

Easing raw material costs during the year contributed to a more conducive economic climate for the sector, spurring higher demand. This also led to a reduction in average selling prices for both latex and nitrile gloves, which further buoyed demand in 2012.

In the first quarter of 2013, an outbreak of H7N9 avian influenza in China was initially speculated to be a catalyst for the glove manufacturing industry by market observers, on par with the H1N1 pandemic in 2009. Indeed there was a spike in share prices for glove manufacturers which was attributed to this, however, cases of H7N9 have not reached the same scale as H1N1. Reports by the World Health Organisation also suggest that the extensive spread of H7N9 is unlikely.

It is our view that the glove manufacturing sector holds much potential in both the short term and long term. Growth from existing as well as greenfield markets accompanied by rising income and increasing healthcare awareness has set the pace for a bright future for the industry.



## EXECUTIVE CHAIRMAN'S STATEMENT

### FINANCIAL PERFORMANCE

We achieved double digit growth in all key areas, namely profit before and after tax, revenue, as well as earnings before interest, taxation, depreciation and amortisation (EBITDA). As mentioned earlier, we marked a milestone this year delivering a revenue of RM1.032 billion for our financial year ended 31 March 2013. In tandem with this, we surpassed bottom line growth, registering a profit after tax of RM233.59 million compared with RM201.4 million for the last financial year, while profit before tax jumped by 17.68% to RM304.10 million from RM258.40 million in the previous fiscal year.

EBITDA rose to RM336.92 million compared with RM289.2 million in the previous financial year. Net cash for your Group increased to RM182 million compared with RM163 million last year. These financial indicators stem from the fact that we have achieved consistent growth these past years, as reflected by our compounded annual sales growth rate (CAGR) of 32.05% over a period of five years.

Meanwhile, earnings per share grew to 31.88 sen compared with 27.65 sen in the last financial year. Net assets per share attributable to the owners of the Company was 104.14 sen compared with the previous year's 84.82 sen.

Our results demonstrate that we have successfully held strong to our superior margins over our peers. This has enabled us to focus on our research and development endeavours, quality control and after-sales service to expand our customer base. Furthermore, our achievements are underpinned by our leadership position in the nitrile segment, by virtue of the fact that Hartalega is one of the most efficient manufacturers in the industry globally.





## EXECUTIVE CHAIRMAN'S STATEMENT

### DIVIDENDS

Our commitment to our shareholders is second to none as we are cognisant of the need to deliver value. One of the most tangible means to demonstrate this is via our dividends.

To this end, we have successfully paid out a dividend of 10.5 sen which is nett of tax, compared with 9 sen\* during the corresponding period in the previous financial year. The Board is confident of meeting our target of a minimum payout of 45% of the Group's net annual profit and we expect to announce a final dividend at the Seventh Annual General Meeting.

\* Dividend figures restated following a one-for-one bonus issue on 28 May 2012.



### OPERATIONS REVIEW

#### Research and Development

Our technological innovation and manufacturing capabilities result in an end product of superior quality and at lower cost, which has spurred our competitors to do their utmost to try to emulate us. A visible demonstration of our research and development (R&D) prowess was our first mover advantage as the creator of the lightweight nitrile glove in 2005. Since then, we have gone on to blaze a trail in the area of R&D, keeping us well ahead of the curve and allowing us to build on our proprietary technologies.

This is evidenced by our continuous improvements to our line speed technology, which has already placed us as a leader in the sector in terms of creating and owning the fastest high capacity production lines in the industry. We surpassed our own R&D capabilities during the financial year by commissioning the first production line of Plant 6 with a line speed capacity of 45,000 pieces of gloves per hour. I am glad to inform that this is the fastest in the world, exceeding our previous record of 40,000 pieces of gloves per hour. What is important is that we have clearly beaten the industry average by a long shot.

For the period under review, we also improved productivity across all our plants by retrofitting and progressively commissioning our production lines for increased speed.

## EXECUTIVE CHAIRMAN'S STATEMENT

Additionally, the Group invested substantially to protect our repository of intellectual property by registering new patents for our products, in particular new coatings for rubber gloves. Taking a long-term view to consolidate our research endeavours and recognise our investments in research, a dedicated subsidiary has been established known as Hartalega Research Sdn Bhd.

Our research and development efforts remain the cornerstone of our success, and we will continue to leverage on the strength of our innovation capabilities to move ahead of our competition.



### Environmental Performance

We are fully cognisant of our responsibility to safeguard our environment for future generations and to this end, we have gone to great lengths to actively ensure sustainability in our operations and manufacturing processes.

Our environmental controls are in line with our corporate vision for sustainable growth and development. In order to preserve our water supply and air quality, we maintain high standards of environmental compliance, adhering to the strict regulations stipulated by Jabatan Alam Sekitar (JAS). In fact, we have taken measures which are significantly more stringent, surpassing enforced standards and guidelines.

One such measure we have taken the initiative to implement is the more rigorous Standard A as our internal target for effluent water discharge, which is a voluntary upgrade as we are located in a Standard B area. In addition, the emission levels of the scrubber towers in each of our plants are 10 times lower than the regulatory requirements set for emission levels.

Furthermore, our state-of-the-art waste water and eco-friendly biomass plants contribute extensively to our conservation efforts. They are constantly monitored by an advanced computerised system, which enables us to do our utmost to protect the environment.

In the coming financial year and beyond, we will continue to undertake environmentally conscious measures which ensure that safe and sustainable practices are utilised.

## EXECUTIVE CHAIRMAN'S STATEMENT

### Marketing

The Group's marketing strategy is driven by our corporate vision to be the glove manufacturer of choice, delivering innovative gloves of the highest quality. Our sterling performance during this period brought us a step closer to realising this goal.

This was made possible on the back of our strong sales volume growth in the financial year, which jumped by 20% to 9.9 billion pieces of gloves from 8.2 billion in the previous fiscal year. Today our installed capacity exceeds 13 billion pieces of gloves per annum, giving us the leverage to supply approximately 23% of the global demand for nitrile gloves which comprises 56 billion pieces per annum.

The United States was the Group's largest market during the financial year, comprising 59% of our total nitrile glove exports. Sales to the US market grew to a record high of 5.4 billion pieces, a 28%

hike compared to 4.2 billion pieces in the last financial year.

We also saw a marked increase in sales to Europe, which represents 28% of the Group's total nitrile glove exports. Sales in the European region rose by 16% to 2.8 billion pieces in the period under review, up from 2.4 billion pieces in the previous year.

The Group continues to expand its reach, unlocking untapped potential for growth. In this vein, we successfully brought in new customers from the Middle East and African region. We also made further inroads into India and given our bullish prospects for this huge market, we have incorporated our subsidiary Pharmatex Healthcare Pte Ltd in the country.



## EXECUTIVE CHAIRMAN'S STATEMENT

### Human Capital

The Group's healthy track record and consistent growth over the years are testament to the excellent calibre of our human capital. To this end, we have been ever conscious of the need to continually develop and strengthen our talent pool.

With the aim of improving performance and productivity on a Group-wide scale, we reinforced the Group's core value system by creating an acronym to better engage our employees. Our core values are now embodied in the acronym SHIELD, which stands for Synergy, Honesty, Innovativeness, Excellence in Quality, Learning, and Dedication. These values represent the qualities that our employees must strive for in order to progress, while capturing Hartalega's vision to deliver the best possible protection via our high quality products. In the period under review, we successfully executed initiatives in terms of employee engagement to further inculcate these values in our employees.

As a reflection of our drive towards building a workforce capable of propelling the Group forward, we have undertaken steps to plan for our future expansion by increasing our workforce. This will enable us to cater for the Group's long-term talent needs, cultivating a skilled workforce not only for Plant 6 which is due to be completed soon, but also for our expansion plans in the years to come, which will require that our employees possess the skills and capabilities to manage advanced technologies and operations.

With our Human Resources Transformation Programme as well as our comprehensive training and talent development initiatives, we provide our employees with opportunities for career advancement along with personal growth. Our top performers were also able to travel to international trade exhibitions in Germany, China, India, South Korea and the Middle East. With these experiences, they were able to deepen their understanding of the industry and utilise these insights to create greater value for the Group.





## EXECUTIVE CHAIRMAN'S STATEMENT

In addition to this, we have revised our remuneration structures based on global best practices to ensure our employees are justly rewarded. Furthermore, in line with the minimum wage policy effective January 2013, we have adjusted our salary structure accordingly. Though some manufacturers have been hit hard by this policy, the impact on the Group has been mitigated due to our high levels of automation and superior operational efficiency.



### OUTLOOK

Your Group is not one to rest on its laurels. Our continuous improvements to top line and bottom line growth illustrates our long-term strategy to build a formidable company in the highly competitive glove manufacturing industry.

The next financial year will be all the more memorable as we will commemorate our 25th anniversary. We have much to celebrate, not only our accomplishments but equally important, the fact that we have outpaced the sector in productivity, innovation and financial expectations. This would not have been achievable if not for our strategies and foresight to remain the world's largest nitrile glove manufacturer.

Indeed, the ever-increasing global demand for nitrile gloves coupled with our long-term expansion strategy certainly bodes well for our outlook. The primary drivers of this will be our ongoing organic growth plans. For the short term, this will be led by the successful completion of Plant 6 which will see a 30% hike in our total installed production capacity. Plant 6 is set to be fully on-stream in July 2013 with a total of 10 high capacity production lines capable of producing 45,000 pieces of gloves per hour, a new benchmark for the industry.

At the same time, as I had highlighted in last year's annual report, we have embarked on a new stage of progress with our Next Generation Integrated Glove Manufacturing Complex (NGC). With a capital expenditure in the region

## EXECUTIVE CHAIRMAN'S STATEMENT

of RM1.5 billion to RM1.9 billion, this will be our most significant investment to date. It will ensure our continued long-term growth and when completed, it will quadruple our installed capacity to over 42 billion pieces of gloves per annum.

Given this considerable undertaking, we are cognisant that as we build the facilities for the NGC, we must simultaneously develop the capabilities to successfully execute this substantial phase of growth. To achieve this, we have a holistic plan in place which also reflects the theme of this year's annual report, 'Timeless Fundamentals'. This refers to the underlying building blocks of the Group, which have been the driving force of our progress for over two decades.

One of our most crucial fundamentals is our human resource. The success of the Group is underpinned by the strength of our employees; hence, we are firmly committed to employee engagement in order to unlock potential and maximize performance. We are also taking steps to improve our talent management, with the aim of widening our talent pool and establishing a succession planning programme, in line with our expansion strategy.

Another key area of focus is to continuously improve our productivity. This applies to our ongoing capacity expansion efforts as well as utilising industry best practices in our manufacturing operations. By implementing measures such as lean manufacturing and supply chain management, we are able to boost productivity and at the same time instill a culture of best practices within our operations, ensuring lasting and sustainable growth for the Group.



Artist's impression of the NGC

## EXECUTIVE CHAIRMAN'S STATEMENT

At the core of the Group's progress is our passion for innovation in our product and production technologies. As part of our 'Timeless Fundamentals' philosophy, we aim to expand this innovative mindset to all levels of the Group, to develop a repository of ideas and tap into new technologies.

Furthermore, during the year under review we embarked on our global branding exercise. By adopting an integrated approach to our branding and marketing strategy for our international brands and our offices across the globe, we aim to increase the presence of our branded gloves in emerging markets such as China and India.

With our dedicated focus on these four fundamentals, namely human resource, productivity, innovation, and international branding efforts, we will strive to broaden our capabilities with a view to ensuring the long-term growth of the Group.

As our expansion plans are firmly underway, we will seek further prospects to advance in all areas, especially our R&D. As competition heightens, we will steadfastly hold on to our proprietary technology and stand our ground. These are our in-house technology and patents, and during the year under review we went to great lengths to protect our intellectual property. This is not only for the benefit of the Group but also safeguards our shareholders' interests as it protects future earnings and allows us to maintain our competitive advantage.

As we look towards the new financial year and beyond, we are confident that the switching trend to nitrile will gain further traction, which augurs well for your Group. In terms of raw material costs for nitrile, we predict that they will remain stable, allowing us to better control costs. Meanwhile, due to our high level of automation and continuous R&D efforts, we do not expect manpower costs to escalate as a result of the implementation of the minimum wage policy compared with other glove manufacturers.

As we have made significant progress operationally, on the corporate front we are glad to note that investors have been receptive to our efforts and successes. Our market capitalisation has grown and in addition to being part of the FTSE Bursa Malaysia Top 70 Index, during the fiscal year we were accorded the honour of





## EXECUTIVE CHAIRMAN'S STATEMENT

being admitted to the FTSE Bursa Malaysia Hijrah Shariah Index as well. This is in recognition of Hartalega's Shariah-compliant principal activities and investment products, low gearing, strong market capitalisation and positive growth prospects.

Without a doubt, the period under review was an excellent one for Hartalega as we enhanced our capabilities and amplified our long-term prospects by establishing new avenues for growth. With these concrete plans in place, we are indeed assured that we will maintain our upward trajectory as we forge ahead in the industry.

### ACKNOWLEDGEMENT

As the Group continues to progress, I would like to express my sincere appreciation to the Board as well as the management team and our employees for their unswerving dedication and steadfast commitment.

My gratitude as well to all our shareholders, financiers, business partners, consultants and relevant approving authorities for their support, which has enabled the Group to advance and become a formidable entity. We look forward to strengthening these bonds as we move forward in the coming years ahead.

**Kuan Kam Hon**  
Executive Chairman

# CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In tandem with our progress over the years, the Group has proven itself to be a responsible corporate citizen that prioritises the welfare of the community in which we operate. Along with creating a safe environment for our workforce, we have also made continuous efforts to enhance the quality of life for the community.



## HEALTH, SAFETY, AND ENVIRONMENT

As the world's largest nitrile glove manufacturer, we recognise the importance of ensuring the well-being of our employees. Towards this end, we have instituted a strict health, safety, and environmental policy, adopting measures which can help prevent occupational hazards, accidents and environmental pollution. We have also established contingency procedures to minimise any possible harm due to accidents.

In order to promote a culture of safety throughout our facilities, we have inculcated in our team the necessity of working hand in hand to effectively execute this policy. Each individual is cognisant that they have a vital role to play in maintaining a hazard-free and pollution-free environment for their own benefit as well as the surrounding community.

Moreover, the Group's sustainable practices are recognised by the authorities such as JAS as surpassing their guidelines and regulations. The operations and maintenance of all our plants are of the highest standard and are specifically designed to ensure a sound environment for our employees. In fact, we have undertaken further measures to protect our surroundings by implementing Standard A as our internal target for our effluent water discharge. This is a more stringent benchmark than Standard B, which is the requirement for our location.

## CORPORATE SOCIAL RESPONSIBILITY STATEMENT

### COMMUNITY PROGRAMME

Over the years, we have made dedicated efforts to strengthen our bond with the community. We are pleased to be able to contribute to this community which has been helping us grow since our establishment, and we strive to continue providing our support and assistance in meaningful ways.

As part of our ongoing annual contributions, we have a number of community-focused programmes in place to support underprivileged groups. On a monthly basis, we sponsor subsidies for medical treatment fees for Taman Suria residents and daily provisions to Jashiera Old Folks Home in Bestari Jaya. We also provide bi-monthly medical supplies to Rumah Ozanam, a shelter for displaced women and children with HIV/AIDS. In addition to this, during festive periods such as Chinese New Year, Hari Raya and Deepavali, we distribute donations and hampers as well as conduct charity drives.

In the year under review, we supported various initiatives which we believe contributed to the positive development of the community. This included a Road Safety Campaign by Polis DiRaja Malaysia, a national community-based Flood Management Programme by Jabatan Pengairan dan Saliran Malaysia, blood donation drives organized by Pertubuhan Penderma Darah Malaysia, a Merdeka Day and Hari Malaysia Fair in Taman Kilauan, sports days for schools as well as charitable programmes by SK Bukit Badong and Universiti Selangor. We also provided aid to St John Ambulance of Malaysia, Mouth and Foot Painting Artists Sdn Bhd, and Assunta Palliative Care Centre.



As part of our drive to give back to those in need, during the financial year we extended our support to a family who lost their home in a fire and lent our aid to victims of a flash flood. We also provided financial assistance and moral support to one of our own employees who was recovering from an accident.

In order to encourage members of the community to pursue an active and healthy lifestyle, we have a number of sports-related activities during the year, including our Batang Berjuntai Sports Carnival, a yearly tradition since 2000. This month-long event sees community members as well as companies and Government agencies from the vicinity participating in games such as volleyball, badminton, sepak takraw, ping pong, netball, futsal, bowling and golf.

On top of this, Hartalega once again took part in the KL Rat Race 2012, an annual charity run organised by The Edge and Bursa Malaysia. We had a team of five runners participating along with 33 fellow employees to cheer them on. Hartalega was also a sponsor for the KL Rat Race 2012, donating RM50,000 to this charitable cause.

## CORPORATE SOCIAL RESPONSIBILITY STATEMENT

### EDUCATION

We recognize that our nation's future rests in the hands of the younger generation and in light of this, we have implemented several educational programmes with the goal of grooming Malaysian youths. During the financial year we launched our inaugural School Adoption Programme with SMK Raja Muda Musa in Bestari Jaya. Via this programme, we aim to improve students' academic performance, enhance their quality of life and future prospects, as well as encourage them to become more well-rounded individuals.

Other educational initiatives we have implemented include providing monthly tuition subsidies for disadvantaged students from the community. In the year under review we also conducted tours of Hartalega's factory with students from SMK Raja Muda Musa as well as students from international institutions, namely Republic Polytechnic Singapore and the University of Otago, New

Zealand. In this vein and to foster greater diversity and intercultural awareness, we supported and sponsored SMK Sultan Sulaiman Shah for its Australian Sister School Exchange programme.

As part of our ongoing drive to provide our surrounding communities with opportunities to grow, we also brought 87 children aged 8 to 14 years from Bestari Jaya, to popular edutainment centre KidZania Kuala Lumpur. The children were able to experience various occupations through interactive role-playing activities in a fun and educational environment.

We are committed to expanding our efforts to improve and enrich the lives of all members of the community. As we grow, we will strive to ensure that the success of the Group is the success of the community as well.





# CALENDAR OF EVENTS

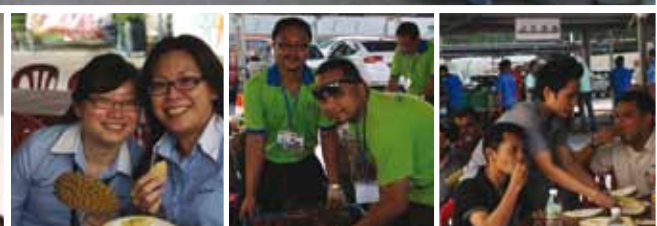
KidZania



BB Sports Carnival 2013



Core Values SHIELD Launch 2013



Fruit Festival 2012



## CALENDAR OF EVENTS



KL Rat Race 2012



Raya Night 2012



School Adoption Programme



Safety Campaign 2012



# CORPORATE GOVERNANCE 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.

## A. 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 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 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 STATEMENT

### Board Responsibilities

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

- 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

## CORPORATE GOVERNANCE STATEMENT

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; and
- (c) annually reviewing the required skills and core competencies of Non-Executive Directors, including familiarisation with the Company's operations.

### 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 meetings.

### Directors' 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 of the operations of the Group and the Company.

## CORPORATE GOVERNANCE STATEMENT

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

Training Attended	Date
6th International Rubber Glove Conference and Exhibition	4-6 September 2012
BFM Breakaway Seminar	28 September 2012
Sustainability Training for Directors and Practitioners	22 November 2012
Managing Corporate Risk and Achieving Internal Control through Statutory Compliance: Bursa Malaysia	5 December 2012
Audit Committee Conference 2013	12 March 2013
Powering for Effectiveness	12 March 2013

### 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.

## CORPORATE GOVERNANCE STATEMENT

### Board Meetings

During the financial year under review, five (5) board meetings were held. Details of attendance of each individual Director in respect of the meetings held are disclosed below:

Name of Directors	Meetings Attended
Kuan Kam Hon @ Kwan Kam Onn	5/5
Dr Danaraj A/L Nadarajah	5/5
Chuah Phaik Sim	5/5
Dato' Mohamed Zakri bin Abdul Rashid	5/5
Kuan Mun Keng	4/5
Kuan Mun Leong	5/5
Liew Ben Poh	4/5
Dato' Tan Guan Cheong	5/5

During the financial year ended 31 March 2013, five Board meetings were convened on 8/5/2012, 10/7/2012, 7/8/2012, 6/11/2012 and 5/2/2013 respectively.

### Restriction on Directorships

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

### 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.

## CORPORATE GOVERNANCE STATEMENT

### ***Audit Committee***

The report of the Audit Committee is set out on pages 46 to 49 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.

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.

## CORPORATE GOVERNANCE STATEMENT

### B. 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 STATEMENT

### (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	210,000	2,480,962	55,493
Non-Executive Director	168,000	32,500	0

Directors' remuneration is broadly categorised into the following bands:

Range of Remuneration (RM)	Number of Executive Directors	Number of Non-Executive Directors
Below 50,000	0	3
50,001 – 100,000	0	1
300,001 – 350,000	1	0
400,001 – 450,000	1	0
550,001 – 600,000	1	0
1,400,001 – 1,450,000	1	0

## CORPORATE GOVERNANCE STATEMENT

### C. 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](http://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.

#### **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 STATEMENT

### D. 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' Responsibility in relation to preparing the financial statements is set out separately in Section E.

#### 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 50 of this report.

#### Relationship with Auditors

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

This statement is made in accordance with the resolution of the Board of Directors dated 9 July 2013.

## CORPORATE GOVERNANCE STATEMENT

### E. 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 STATEMENT

### F. 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; and
- (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.



# 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 2013:

Composition of the Committee	Attendance
Chuah Phaik Sim (Chairperson/Independent Non-Executive Director)	5/5
Dato' Mohamed Zakri bin Abdul Rashid (Independent Non-Executive Director)	5/5
Dato' Tan Guan Cheong (Independent Non-Executive Director)	5/5

## 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

### 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;

## AUDIT COMMITTEE REPORT

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

### Meetings

The Committee will meet at least four (4) times a year and 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

### 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
- (iv) Verified the allocation of options shares pursuant to the ESOS to eligible employees had been made in accordance with criteria as stipulated in the by-laws at the ESOS 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 2013 was RM100,000 (2012: RM112,000).

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

### RISK MANAGEMENT FRAMEWORK

In line with the increasing focus of shareholders on Corporate Governance, the Company embarked on risk management initiatives. The Company appointed an independent external consultant to assist in establishing and formalising its Enterprise Risk Management Framework (ERM). Arising from the review, an ERM policy, framework and the Group risk profile was established and adopted by the Company for implementation during the financial year.

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

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

### 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 and ISO 13485:2003 quality management systems are in place for its major subsidiary company, Hartalega Sdn Bhd and they are reviewed annually for their effectiveness;
- Clearly defined organizational structure with proper delegation of responsibilities and accountability. Appropriate authority limits are established for the approval process, therefore minimizing the risk of unauthorized 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

### CONCLUSION

During the financial year ended 31 March 2013, 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 2013 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.

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# DIRECTORS' REPORT

**HARTALEGA HOLDINGS BERHAD**  
(Incorporated in Malaysia)

## DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2013.

## PRINCIPAL ACTIVITIES

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

## RESULTS

	Group RM	Company RM
Profit for the financial year	233,592,505	102,747,928
Attributable to:		
Owners of the parent	233,336,229	102,747,928
Non-controlling interests	256,276	-
	<u>233,592,505</u>	<u>102,747,928</u>

## DIVIDENDS

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

- (i) third interim single tier exempt dividend of 6 sen per share amounting to RM21,933,180 in respect of financial year ended 31 March 2012 as reported in the Directors' Report of that financial year, declared on 8 May 2012 and paid on 13 June 2012;
- (ii) final single tier exempt dividend of 3.5 sen per share amounting to RM25,606,224 in respect of financial year ended 31 March 2012 as reported in the Directors' Report of that financial year, declared on 14 August 2012 and paid on 18 September 2012;
- (iii) first interim single tier exempt dividend of 3.5 sen per share amounting to RM25,613,032 in respect of the current financial year, declared on 6 November 2012 and paid on 13 December 2012;
- (iv) second interim single tier exempt dividend of 3.5 sen per share amounting to RM25,654,759 in respect of the current financial year, declared on 5 February 2013 and paid on 21 March 2013; and
- (v) third interim single tier exempt dividend of 3.5 sen per share amounting to RM25,689,300 in respect of the current financial year, declared on 7 May 2013 and paid on 20 June 2013.

## DIRECTORS' REPORT (CONT'D)

### DIVIDENDS (CONT'D)

The Directors recommended a final single tier exempt dividend of 4 sen per share amounting to RM29,397,918 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 2014.

### RESERVES AND PROVISIONS

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

### BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

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

### CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company 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:

- (i) authorised ordinary share capital from RM250,000,000 to RM750,000,000 by the creation of 1,000,000,000 ordinary shares of RM0.50 each; and
- (ii) issued and paid-up ordinary share capital from RM182,544,300 to RM366,654,150 by way of:
  - (a) bonus issue of 365,553,000 new ordinary shares of RM0.50 each at par via firstly 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; and
  - (b) issuance of 2,666,700 ordinary shares of RM0.50 each for cash pursuant to the exercise of Executive Share Option Scheme ("ESOS") at an exercise price of between RM2.20 and RM4.98 per ordinary share.

## DIRECTORS' REPORT (CONT'D)

### ISSUE OF SHARES (CONT'D)

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

### 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 are as follows:

	Number of warrants			At 31.3.2013
	At 1.4.2012	Granted	Exercised	
Number of warrants				
2012/2015	-	73,110,600	-	73,110,600

### 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 issue of options pursuant to the warrants 2012/2015 and Executive Share Option Scheme.



## DIRECTORS' REPORT (CONT'D)

### 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 20 to the financial statements.

During the financial year, the Company granted a total of 3,446,300 share options under the ESOS.

Details of all the options granted during the financial year to subscribe for ordinary shares of the Company pursuant to the ESOS as at 31 March 2013 are as follows:

Expiry Date	Exercise Price RM	Number of Options
31.3.2015	3.29	860,800
31.3.2015	4.02	554,100
31.3.2015	4.18	613,600
31.3.2015	4.11	1,417,800
		<u>3,446,300</u>

The Company has been granted exemption by the Companies Commission of Malaysia vide its letter dated 20 June 2013 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 120,000 options and above.

## DIRECTORS' REPORT (CONT'D)

### EXECUTIVE SHARE OPTION SCHEME (CONT'D)

The list of option holders granted 120,000 options and above during the financial year are as follows:

Name	Grant Date	Expiry Date	Exercise Price RM	<-- Number of Share Options -->		
				Granted '000	Exercise '000	At 31.3.2013 '000
Loo Weng Yew	31.5.2012	31.3.2015	3.29	136.2	(25.0)	111.2
Norzi Bin Che Bulat	6.2.2013	31.3.2015	4.11	126.9	-	126.9
Long Mutalib Bin Zainal	6.2.2013	31.3.2015	4.11	130.0	-	130.0
Tan Chen Wei	6.2.2013	31.3.2015	4.11	135.6	-	135.6
Huang Jiunn Min	6.2.2013	31.3.2015	4.11	150.6	-	150.6
Shahrul Adzim Bin Basir	6.2.2013	31.3.2015	4.11	156.1	-	156.1
Say Teck Guan	6.2.2013	31.3.2015	4.11	160.5	-	160.5
Koo Chung Peng	6.2.2013	31.3.2015	4.11	169.5	-	169.5
				1,165.4	(25.0)	1,140.4

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' REPORT (CONT'D)

### 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 2013 are as follows:

#### (a) Shareholdings in the holding company

##### - Hartalega Industries Sdn Bhd

	Number of Preference Shares of RM1.00 Each			
	At 1.4.2012	Bought	Sold	At 31.3.2013

#### Direct interests

Kuan Kam Hon @ Kwan Kam Onn	45,933	-	-	45,933
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	Number of Ordinary Shares of RM1.00 Each			
	At 1.4.2012	Bought	Sold	At 31.3.2013

#### Direct interests

Kuan Kam Hon @ Kwan Kam Onn	45,959	-	-	45,959
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#### Deemed interests

Kuan Kam Hon @ Kwan Kam Onn <sup>(1)</sup>	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 1.4.2012	Bought	Sold	Bonus Issue	At 31.3.2013
<b>Direct interests</b>					
Dato' Mohamed Zakri bin Abdul Rashid	550,500	-	(16,100)	550,500	1,084,900
Dato' Tan Guan Cheong	20,000	-	-	20,000	40,000
Dr Danaraj A/L Nadarajah	127,000	81,000	-	127,000	335,000
Chuah Phaik Sim	817,500	-	-	817,500	1,635,000
Kuan Mun Keng	687,000	-	-	687,000	1,374,000
Kuan Mun Leong	688,500	-	-	688,500	1,377,000
Liew Ben Poh	450,000	69,350	(69,350)	450,000	900,000
<b>Deemed interests</b>					
Dato' Mohamed Zakri bin Abdul Rashid	25,500	-	-	25,500	51,000
Kuan Kam Hon @ Kwan Kam Onn <sup>(2)</sup>	202,074,152	-	-	202,074,152	404,148,304
Chuah Phaik Sim <sup>(1)</sup>	2,175,600 <sup>(4)</sup>	-	-	2,175,600	4,351,200
Liew Ben Poh <sup>(3)</sup>	6,000	2,000	-	6,000	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) Including 600 shares which were inadvertently omitted due to rounding differences in previous disclosures.

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

#### (c) Share Options in the Company

##### Employee Equity Scheme ("EES")

	Number of EES over Ordinary Shares of RM0.50 Each			
	At 1.4.2012	Granted	Exercised	At 31.3.2013
Liew Ben Poh	69,350	-	(69,350)	-

##### ESOS

	Number of ESOS over Ordinary Shares of RM0.50 Each			
	At 1.4.2012	Granted	Exercised	At 31.3.2013
Dr Danaraj A/L Nadarajah	-	350,800	-	350,800

## DIRECTORS' REPORT (CONT'D)

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

### ULTIMATE HOLDING COMPANY

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

### SIGNIFICANT EVENTS

Details of significant events arising during the financial year and subsequent to the financial year end are disclosed in Note 28 to the financial statements.

### AUDITORS

The auditors, Messrs. Baker Tilly AC, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 9 July 2013.

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 69 to 153, are drawn up in accordance with the 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 2013 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 154 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 9 July 2013.

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 69 to 153 and the supplementary information as set out on page 154 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 9 July 2013.

KUAN KAM HON @ KWAN KAM ONN

Before me

TENGGU FARIDDUDIN BIN TENGGU SULAIMAN (W 533)  
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 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 69 to 153.

## ***Directors' Responsibility for the Financial Statements***

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the 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 controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 controls relevant to the Company'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 Company'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 (CONT'D) (INCORPORATED IN MALAYSIA)

### **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 2013 and of their financial performance and cash flows for the financial year then ended in accordance with the 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 the following:

- (a) In our opinion, the accounting and other records and the registers required by the Companies Act 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act 1965 in Malaysia.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors which are indicated in Note 11 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act 1965 in Malaysia.

### **Other Reporting Responsibilities**

The supplementary information set out on page 154 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 (CONT'D) (INCORPORATED IN MALAYSIA)

### Other Matters

As stated in Note 2 to the financial statements, Hartalega Holdings Berhad adopted the Malaysian Financial Reporting Standards on 1 April 2012 with a transition date of 1 April 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 March 2012 and 1 April 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 March 2012 and its related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 March 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 April 2012 do not contain misstatements that materially affect the financial position as at 31 March 2013 and the financial performance and cash flows for the financial year then ended.

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.

BAKER TILLY AC  
AF 001826  
Chartered Accountants

LEE KONG WENG  
2967/07/13(J)  
Chartered Accountant

Kuala Lumpur  
Date: 9 July 2013

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MARCH 2013

**Hartalega Holdings Berhad**  
(Incorporated in Malaysia)

		2013	2012
	Note	RM	RM
Revenue	4	1,032,035,687	931,064,704
Cost of sales		(684,941,859)	(634,436,715)
<b>Gross profit</b>		<b>347,093,828</b>	<b>296,627,989</b>
Other income		5,666,964	6,446,101
Distribution expenses		(12,656,029)	(10,797,889)
Administrative expenses		(34,480,320)	(27,596,251)
Other operating expenses		(622,405)	(4,538,866)
		(47,758,754)	(42,933,006)
<b>Profit from operations</b>		<b>305,002,038</b>	<b>260,141,084</b>
Finance costs		(903,234)	(1,736,186)
<b>Profit before tax</b>	5	<b>304,098,804</b>	<b>258,404,898</b>
Tax expense	6	(70,506,299)	(56,972,583)
<b>Profit for the financial year</b>		<b>233,592,505</b>	<b>201,432,315</b>
<b>Other comprehensive income</b>			
Foreign currency translation, representing other comprehensive income for the financial year, net of tax		30,152	194,066
<b>Total comprehensive income for the financial year</b>		<b>233,622,657</b>	<b>201,626,381</b>



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013 (CONT'D)

### Hartalega Holdings Berhad

(Incorporated in Malaysia)

		2013	2012
	Note	RM	RM
<b>Profit attributable to:</b>			
Owners of the parent		233,336,229	201,380,287
Non-controlling interests		256,276	52,028
		233,592,505	201,432,315
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		233,358,661	201,424,017
Non-controlling interests		263,996	202,364
		233,622,657	201,626,381
<b>Earnings per ordinary share attributable to owners of the parent:</b>			
Basic earnings per ordinary share (sen)	7	31.88	27.65
Diluted earnings per ordinary share (sen)	7	31.44	27.53

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 2013

**Hartalega Holdings Berhad**  
(Incorporated in Malaysia)

		2013	2012	As at 1.4.2011
	Note	RM	RM	RM
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	8	486,017,655	370,285,315	348,622,650
Capital work-in-progress	9	49,175,042	9,453,816	10,736
Intangible assets	10	7,112,144	221,332	225,007
Deferred tax assets	12	213,253	52,967	29,278
		<u>542,518,094</u>	<u>380,013,430</u>	<u>348,887,671</u>
<b>Current assets</b>				
Inventories	13	86,833,121	97,532,022	64,672,881
Trade and other receivables	14	128,978,881	117,124,219	101,005,839
Tax assets	15	111	68,327	69,158
Derivative financial assets	17	-	-	3,340,300
Deposits, cash and bank balances	18	181,896,729	163,216,565	116,982,830
		<u>397,708,842</u>	<u>377,941,133</u>	<u>286,071,008</u>
<b>TOTAL ASSETS</b>		<u><u>940,226,936</u></u>	<u><u>757,954,563</u></u>	<u><u>634,958,679</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013 (CONT'D)

### Hartalega Holdings Berhad (Incorporated in Malaysia)

				As at
		2013	2012	1.4.2011
	Note	RM	RM	RM
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital	19	366,654,150	182,544,300	181,778,600
Reserves	20	397,067,525	436,773,714	312,660,114
		763,721,675	619,318,014	494,438,714
Non-controlling interests		817,030	553,034	350,670
<b>Total Equity</b>		764,538,705	619,871,048	494,789,384
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	21	4,583,138	12,070,893	24,450,934
Deferred tax liabilities	12	48,696,677	40,515,013	36,867,648
		53,279,815	52,585,906	61,318,582
<b>Current liabilities</b>				
Trade and other payables	22	98,812,178	60,427,299	57,166,155
Loans and borrowings	21	7,694,802	12,578,508	14,526,016
Derivatives financial liabilities	17	868,000	765,000	-
Tax liabilities		15,033,436	11,726,802	7,158,542
		122,408,416	85,497,609	78,850,713
<b>Total Liabilities</b>		175,688,231	138,083,515	140,169,295
<b>TOTAL EQUITY AND LIABILITIES</b>		940,226,936	757,954,563	634,958,679

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MARCH 2013

### Hartalega Holdings Berhad (Incorporated in Malaysia)

		<----- Attributable to Owners of the Parent ----->							
		<----- Non-Distributable ----->				Distributable			
	Note	Share Capital	Share Premium	Translation Reserve	Share-based Payment Reserve	Retained Earnings	Sub Total	Non-controlling Interests	Total Equity
		RM	RM	RM	RM	RM	RM	RM	RM
At 1.4.2011		181,778,600	500,412	251,737	4,733,231	307,174,734	494,438,714	350,670	494,789,384
Comprehensive income									
Profit for the financial year		-	-	-	-	201,380,287	201,380,287	52,028	201,432,315
Other comprehensive income									
Foreign currency translation		-	-	43,730	-	-	43,730	150,336	194,066
Total other comprehensive income		-	-	43,730	-	-	43,730	150,336	194,066
Total comprehensive income for the financial year		-	-	43,730	-	201,380,287	201,424,017	202,364	201,626,381
Transactions with owners									
Dividends	23	-	-	-	-	(87,389,940)	(87,389,940)	-	(87,389,940)
Share-based payment granted under EES & ESOS	20.3	-	-	-	3,925,001	-	3,925,001	-	3,925,001
Issuance of ordinary shares pursuant to ESOS		765,700	6,154,522	-	-	-	6,920,222	-	6,920,222
Transfer from share-based payment upon exercise of EES & ESOS		-	2,450,716	-	(2,566,364)	115,648	-	-	-
Total transactions with owners		765,700	8,605,238	-	1,358,637	(87,274,292)	(76,544,717)	-	(76,544,717)
At 31.3.2012		182,544,300	9,105,650	295,467	6,091,868	421,280,729	619,318,014	553,034	619,871,048

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013 (CONT'D)

## Hartalega Holdings Berhad (Incorporated in Malaysia)

<div style="display: flex; justify-content: space-between; align-items: center;"> <span>&lt;----- Attributable to Owners of the Parent -----&gt;</span> </div> <div style="display: flex; justify-content: space-between; align-items: center;"> <span>&lt;----- Non-Distributable -----&gt;</span> <span>Distributable</span> </div>								
	Share Capital	Share Premium	Translation Reserve	Share-based Payment Reserve	Retained Earnings	Sub Total	Non-controlling Interests	Total Equity
Note	RM	RM	RM	RM	RM	RM	RM	RM
<b>At 1.4.2012</b>	182,544,300	9,105,650	295,467	6,091,868	421,280,729	619,318,014	553,034	619,871,048
<b>Comprehensive income</b>								
Profit for the financial year	-	-	-	-	233,336,229	233,336,229	256,276	233,592,505
<b>Other comprehensive income</b>								
Foreign currency translation	-	-	22,432	-	-	22,432	7,720	30,152
<b>Total other comprehensive income</b>	-	-	22,432	-	-	22,432	7,720	30,152
<b>Total comprehensive income for the financial year</b>	-	-	22,432	-	233,336,229	233,358,661	263,996	233,622,657
<b>Total carried down</b>	182,544,300	9,105,650	317,899	6,091,868	654,616,958	852,676,675	817,030	853,493,705
<b>Total brought down</b>	182,544,300	9,105,650	317,899	6,091,868	654,616,958	852,676,675	817,030	853,493,705
<b>Transactions with owners</b>								
Dividends	23	-	-	-	(98,807,194)	(98,807,194)	-	(98,807,194)
Share-based payment granted under EES & ESOS	20.3	-	-	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 & ESOS		-	2,468,858	(2,625,911)	157,053	-	-	-
Issuance of bonus shares		182,776,500	(10,987,131)	-	(171,789,369)	-	-	-
<b>Total transactions with owners</b>		184,109,850	(2,541,655)	(83,685)	(270,439,510)	(88,955,000)	-	(88,955,000)
<b>At 31.3.2013</b>		366,654,150	6,563,995	317,899	6,008,183	384,177,448	817,030	764,538,705

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2013

**Hartalega Holdings Berhad**  
(Incorporated in Malaysia)

	Note	2013 RM	2012 RM
<b>Cash Flows from Operating Activities</b>			
Profit before tax		304,098,804	258,404,898
Adjustments for:			
Amortisation of intangible assets		125,793	3,675
Bad debts written off		5,104	152
Depreciation of property, plant and equipment		31,797,298	29,026,681
Interest expense		903,234	1,736,186
Share-based payment expense		2,542,226	3,925,001
Unrealised (gain)/loss on foreign exchange		(41,485)	(1,871,237)
Fair value loss/(gain) on derivative financial instruments		103,000	4,105,300
Loss/(Gain) on disposal of property, plant and equipment		1,355	(18,316)
Interest income		(837,667)	(938,270)
Income from fixed income fund		(2,995,373)	(2,665,728)
Impairment loss on trade receivables		101,058	429
Operating profit before working capital changes		335,803,347	291,708,771
Decrease/(Increase) in inventories		10,698,901	(32,859,141)
Increase in receivables		(11,960,824)	(14,812,817)
Increase in payables		38,301,839	3,217,361
Cash generated from operations		372,843,263	247,254,174
Income received from fixed income fund		2,995,373	2,665,728
Interest received		837,667	938,270
Tax paid		(59,108,740)	(48,779,816)
Net cash from operating activities		317,567,563	202,078,356
<b>Cash Flows from Investing Activities</b>			
Capital work-in-progress incurred		(180,699,656)	(24,789,922)
Proceeds from disposal of property, plant and equipment		800	121,553
Purchase of property, plant and equipment	8	(6,439,260)	(35,444,185)
Purchase of intangible asset	10	(7,016,605)	-
Net cash used in investing activities		(194,154,721)	(60,112,554)
Balance carried down		123,412,842	141,965,802

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013 (CONT'D)

### Hartalega Holdings Berhad (Incorporated in Malaysia)

	Note	2013 RM	2012 RM
Balance brought down		123,412,842	141,965,802

### Cash Flows from Financing Activities

Repayments of term loans	(12,463,591)	(14,551,524)
Payments to finance lease payables	(21,618)	(21,560)
Interest paid	(903,234)	(1,736,186)
Dividends paid	(98,807,194)	(87,389,940)
Proceeds from exercise of ESOS	7,309,968	6,920,222
Net cash used in financing activities	(104,885,669)	(96,778,988)
<b>Net increase in cash and cash equivalents</b>	<b>18,527,173</b>	<b>45,186,814</b>
Effect of exchange rate fluctuations on cash and cash equivalents	152,991	1,046,921
Cash and cash equivalents at beginning of the financial year	163,216,565	116,982,830
<b>Cash and cash equivalents at end of the financial year</b>	<b>181,896,729</b>	<b>163,216,565</b>

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

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MARCH 2013

**Hartalega Holdings Berhad**  
(Incorporated in Malaysia)

	Note	2013 RM	2012 RM
Revenue	4	97,228,381	265,025,749
Other income		8,433,627	2,172,965
		105,662,008	267,198,714
Administrative expenses		(1,486,522)	(904,551)
<b>Profit before tax</b>	5	104,175,486	266,294,163
Tax expense	6	(1,427,558)	(151,625)
<b>Profit for the financial year, representing total comprehensive income for the financial year</b>		102,747,928	266,142,538

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 2013

**Hartalega Holdings Berhad**  
(Incorporated in Malaysia)

	Note	2013 RM	2012 RM	As at 1.4.2011 RM
<b>ASSETS</b>				
<b>Non-current asset</b>				
Investments in subsidiaries	11	145,346,812	142,803,586	128,878,585
<b>Current assets</b>				
Other receivables	14	4,500	152,699	4,500
Tax assets	15	-	67,923	2,934
Amounts owing by subsidiaries	16	152,568,242	146,579,238	-
Deposits, cash and bank balances	18	101,476,024	96,981,458	66,807,703
		254,048,766	243,781,318	66,815,137
<b>TOTAL ASSETS</b>		<b>399,395,578</b>	<b>386,584,904</b>	<b>195,693,722</b>
<b>EQUITY AND LIABILITY</b>				
<b>Equity</b>				
Share capital	19	366,654,150	182,544,300	181,778,600
Reserves	20	32,127,569	202,444,491	13,612,370
<b>Total Equity</b>		<b>398,781,719</b>	<b>384,988,791</b>	<b>195,390,970</b>
<b>Current liabilities</b>				
Other payables and accruals	22	301,062	1,596,113	302,752
Tax liabilities		312,797	-	-
<b>Total Liabilities</b>		<b>613,859</b>	<b>1,596,113</b>	<b>302,752</b>
<b>TOTAL EQUITY AND LIABILITY</b>		<b>399,395,578</b>	<b>386,584,904</b>	<b>195,693,722</b>

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

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MARCH 2013

### Hartalega Holdings Berhad (Incorporated in Malaysia)

	Note	<-- Non-Distributable -->			Distributable	
		Share Capital RM	Share Premium RM	Share-based Payment Reserve RM	Retained Earnings RM	Total Equity RM
<b>At 1.4.2011</b>		181,778,600	500,412	4,733,231	8,378,727	195,390,970
<b>Comprehensive income</b>						
Profit for the financial year, representing comprehensive income for the financial year		-	-	-	266,142,538	266,142,538
<b>Transactions with owners</b>						
Dividends	23	-	-	-	(87,389,940)	(87,389,940)
Share-based payment granted under EES & ESOS	20.3	-	-	3,925,001	-	3,925,001
Issuance of ordinary shares pursuant to ESOS		765,700	6,154,522	-	-	6,920,222
Transfer from share-based payment upon exercise/lapse of EES & ESOS		-	2,450,716	(2,566,364)	115,648	-
<b>Total transactions with owners</b>		765,700	8,605,238	1,358,637	(87,274,292)	(76,544,717)
<b>At 31.3.2012</b>		182,544,300	9,105,650	6,091,868	187,246,973	384,988,791
<b>Comprehensive income</b>						
Profit for the financial year, representing comprehensive income for the financial year		-	-	-	102,747,928	102,747,928
<b>Transactions with owners</b>						
Dividends	23	-	-	-	(98,807,194)	(98,807,194)
Share-based payment granted under EES & ESOS	20.3	-	-	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 & ESOS		-	2,468,858	(2,625,911)	157,053	-
Issuance of bonus shares		182,776,500	(10,987,131)	-	(171,789,369)	-
<b>Total transactions with owners</b>		184,109,850	(2,541,655)	(83,685)	(270,439,510)	(88,955,000)
<b>At 31.3.2013</b>		366,654,150	6,563,995	6,008,183	19,555,391	398,781,719

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

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2013

**Hartalega Holdings Berhad**  
(Incorporated in Malaysia)

	Note	2013 RM	2012 RM
<b>Cash Flows from Operating Activities</b>			
Profit before tax		104,175,486	266,294,163
Adjustments for:			
Dividend income from a subsidiary		(97,228,381)	(265,025,749)
Income from fixed income fund		(2,389,939)	(1,882,464)
Interest income		(6,043,646)	(290,476)
Operating loss before working capital changes		(1,486,480)	(904,526)
Decrease/(Increase) in receivables		148,199	(148,199)
Increase in payables		(1,295,051)	1,293,361
Cash (used in)/generated from operations		(2,633,332)	240,636
Income received from fixed income fund		2,389,939	1,882,464
Interest received		74,642	81,238
Tax paid		(1,046,838)	(216,614)
Net cash (used in)/from operating activities		(1,215,589)	1,987,724
<b>Cash Flows from Investing Activities</b>			
Subscription of shares in a new subsidiary		(1,000)	(10,000,000)
Advances to subsidiaries		(20,000)	(146,370,000)
Dividend received from a subsidiary		97,228,381	265,025,749
Net cash from investing activities		97,207,381	108,655,749
<b>Cash Flows from Financing Activities</b>			
Dividend paid		(98,807,194)	(87,389,940)
Proceeds from exercise of ESOS		7,309,968	6,920,222
Net cash used in financing activities		(91,497,226)	(80,469,718)
<b>Net increase in cash and cash equivalents</b>		<b>4,494,566</b>	<b>30,173,755</b>
Cash and cash equivalents at beginning of the financial year		96,981,458	66,807,703
<b>Cash and cash equivalents at end of the financial year</b>		<b>101,476,024</b>	<b>96,981,458</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

## 31 MARCH 2013

### 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, whilst the principal activities of its subsidiaries are stated in Note 11. There have been no significant changes in the nature of these activities during the financial year.

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

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 9 July 2013.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

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

The financial statements of the Group and of the Company for the financial year ended 31 March 2013 are the first set of financial statements prepared in accordance with the MFRSs, including MFRS 1 'First-time adoption of MFRSs'. In the previous financial year, the financial statements of the Group and of the Company were prepared in accordance with the Financial Reporting Standards ("FRSs") in Malaysia.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 2. BASIS OF PREPARATION (cont'd)

#### (a) Statement of compliance (cont'd)

- (i) New, revised and amendments/improvements to accounting standards and IC Interpretation ("IC Int")

#### Explanation of transition to MFRSs

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the Malaysian Accounting Standards Board ("MASB") had on 19 November 2011 issued a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate* ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1 January 2014. Transitioning Entities also include those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are not the Transitioning Entities have adopted the MFRSs framework including MFRS 1 First-time adoption of MFRSs for the current financial year ended 31 March 2013.

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1 January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs.

The Group and the Company have consistently applied the same accounting policies in their opening MFRSs statements of financial position as at 1 April 2011 (date of transition) and throughout all years presented, as if these policies had always been in effect.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 2. BASIS OF PREPARATION (cont'd)

#### (a) Statement of compliance (cont'd)

##### (i) New, revised and amendments/improvements to accounting standards and IC Interpretation ("IC Int") (cont'd)

As at 31 March 2012, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 *Agriculture* and IC Int 15 *Agreements for the Construction of Real Estate* as well as differences in effective dates contained in certain of the existing FRSs.

The adoption of the MFRSs for the current financial year did not result in any changes in accounting policies and material adjustments to the Group's and the Company's statements of financial position, statements of comprehensive income and statements of cash flows which are reported in accordance with the previous FRSs.

##### (ii) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new, revised, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 2. BASIS OF PREPARATION (cont'd)

#### (a) Statement of compliance (cont'd)

- (ii) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

		Effective for financial periods beginning on or after
<b>New MFRSs</b>		
MFRS 9	Financial Instruments	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
<b>Revised MFRSs</b>		
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
<b>Amendments/Improvements to MFRSs</b>		
MFRS 1	First-time Adoption of Financial Reporting Standards	1 January 2013
MFRS 7	Financial Instruments: Disclosures	1 January 2013
MFRS 10	Consolidated Financial Statements	1 January 2013 and 1 January 2014
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013 and 1 January 2014
MFRS 101	Presentation of Financial Statements	1 July 2012 and 1 January 2013
MFRS 116	Property, Plant and Equipment	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2013 and 1 January 2014
MFRS 134	Interim Financial Reporting	1 January 2013
<b>New IC Int</b>		
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
<b>Amendments to IC Int</b>		
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments	1 January 2013

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 2. BASIS OF PREPARATION (cont'd)

#### (a) Statement of compliance (cont'd)

##### (ii) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

A brief discussion on the above significant new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that are relevant to the Group and the Company is summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

#### ***MFRS 9 Financial Instruments***

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 2. BASIS OF PREPARATION (cont'd)

#### (a) Statement of compliance (cont'd)

- (ii) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

#### ***MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)***

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and requires the entity to account for such investments either at cost, or in accordance with MFRS 9.

MFRS 10 brings about convergence between MFRS 127 and IC Int 12 Consolidation-Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

#### ***MFRS 11 Joint Arrangements***

MFRS 11 supersedes the former MFRS 131 Interests in Joint Ventures. Under MFRS 11, an entity accounts for its interest in a jointly controlled entity based on the type of joint arrangement, as determined based on an assessment of its rights and obligations arising from the arrangement. There are two types of joint arrangement, namely joint venture or joint operation as specified in this new standard. A joint venture recognises its interest in the joint venture as an investment and accounts for it using the equity method. The proportionate consolidation method is disallowed in such joint arrangement. A joint operator accounts for the assets, liabilities, revenue and expenses related to its interest directly.



## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 2. BASIS OF PREPARATION (cont'd)

#### (a) Statement of compliance (cont'd)

- (ii) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

#### ***MFRS 12 Disclosures of Interests in Other Entities***

MFRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

#### ***MFRS 13 Fair Value Measurement***

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, 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.

#### ***MFRS 128 Investments in Associates and Joint Ventures (Revised)***

This revised MFRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associated companies, as the equity method was applicable for both investments in joint ventures and associated companies. However, the revised MFRS 128 exempts the investor from applying equity accounting where the investment in the associated company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with MFRS 9.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 2. BASIS OF PREPARATION (cont'd)

#### (a) Statement of compliance (cont'd)

- (ii) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

#### *Amendments to MFRS 10, MFRS 12 and MFRS 127 Investment Entities*

These amendments introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The amendments require investment entities to measure particular subsidiaries at fair value through profit or loss in accordance with MFRS 139 Financial Instruments: Recognition and Measurement instead of consolidating them. In addition, the amendments also introduce new disclosure requirements related to investment entities in MFRS 12 Disclosure of Interests in Other Entities and MFRS 127 Separate Financial Statements.

#### (b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost convention except for those as disclosed in the significant accounting policies note.

#### (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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 2. BASIS OF PREPARATION (cont'd)

#### (d) Significant accounting estimates and judgements (cont'd)

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 increase in 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 20) - 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 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 31 MARCH 2013 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of consolidation

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (a) Basis of consolidation (cont'd)

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

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

#### (b) Foreign currencies

##### (i) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the 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 foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (b) Foreign currencies (cont'd)

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

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

- (i) Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
- (ii) Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- (iii) All resulting exchange differences are taken to other comprehensive income.

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

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

#### (c) Revenue recognition

##### (i) Goods sold

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

##### (ii) Dividend income

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

##### (iii) Interest income

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



## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) Revenue recognition (cont'd)

##### (iv) Income from fixed income fund

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

#### (d) Employee benefits

##### (i) Short-term employee benefits

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

##### (ii) Defined contribution plans

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

##### (iii) Share-based payment

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (d) Employee benefits (cont'd)

##### (iii) Share-based payment (cont'd)

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.

#### (e) Borrowing costs

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

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

#### (f) Leases

##### (i) Finance lease – the Group as lessee

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

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

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

##### (ii) Operating lease – the Group as lessee

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (g) Tax expense

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (h) Property, plant and equipment and depreciation

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

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

The principal annual rates used for this purpose are:

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

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

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

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

#### (i) Capital work-in-progress

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

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (j) 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	Over 15 years
Golf club memberships	Over 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.

#### (k) Subsidiaries

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

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (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.



## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (n) Financial assets (cont'd)

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.

#### (i) Financial assets at FVTPL

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

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

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

#### (ii) Loans and receivables

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

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

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

The Group and the Company classify the following financial assets as loans and receivables:

- cash and cash equivalents; and
- trade and other receivables, including deposits and amounts owing by subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (n) Financial assets (cont'd)

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

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

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

#### (o) Impairment of financial assets

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

##### (i) Trade and other receivables and other financial assets carried at amortised cost (cont'd)

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.

#### (q) Share capital

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (r) Financial liabilities

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

Financial liabilities, within the scope of 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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (r) Financial liabilities (cont'd)

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

#### (s) Financial guarantee contracts

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

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

#### (t) Contingencies

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

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

#### (u) Segment reporting

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 4. REVENUE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Sales of goods	1,032,035,687	931,064,704	-	-
Dividend income from a subsidiary	-	-	97,228,381	265,025,749
	<u>1,032,035,687</u>	<u>931,064,704</u>	<u>97,228,381</u>	<u>265,025,749</u>

### 5. PROFIT BEFORE TAX

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

#### (a) Other items

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Auditors' remuneration				
- Audit services	192,911	187,439	18,000	18,000
- Other services by auditors of the Company	29,900	22,100	29,900	22,100
Amortisation of intangible assets	125,793	3,675	-	-
Bad debts written off	5,104	152	-	-
Depreciation of property, plant and equipment	31,797,298	29,026,681	-	-
Fair value loss on derivative financial instruments	103,000	4,105,300	-	-
Impairment loss on trade receivables	101,058	429	-	-
Interest expense in respect of:				
- term loans	902,222	1,733,641	-	-
- finance lease	1,012	2,545	-	-
Non-Executive Directors' remuneration:				
- Fees				
- Directors of the Company	144,000	144,000	144,000	144,000
- Director of subsidiary	24,000	24,000	-	-
- Share-based payment granted under EES				
- Director of the Company	-	4,286	-	4,286

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 5. PROFIT BEFORE TAX (cont'd)

#### (a) Other items (cont'd)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
- Other emoluments				
- Directors of the Company	32,500	42,723	32,500	25,750
Rental of land	194,400	194,400	-	-
Rental of machinery	8,000	35,800	-	-
Rental of premises	1,198,362	1,194,732	-	-
Loss/(Gain) on disposal of property, plant and equipment	1,355	(18,316)	-	-
(Gain)/Loss on foreign exchange				
- realised	(54,129)	125,793	-	-
- unrealised	(41,485)	(1,871,237)	-	-
Income from fixed income fund	(2,995,373)	(2,665,728)	(2,389,939)	(1,882,464)
Interest income in respect of:				
- deposits with licensed banks	(837,667)	(938,270)	(74,642)	(81,238)
- advances to a subsidiary	-	-	(5,969,004)	(209,238)



## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 5. PROFIT BEFORE TAX (cont'd)

#### (b) Staff costs

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Staff costs	86,029,225	66,787,541	144,000	135,000

Included in staff costs are:

Share-based payment granted under EES	-	28,538	-	-
Share-based payment granted under ESOS	2,542,226	3,896,463	-	-
Contributions to defined contribution plan	2,738,260	2,568,897	-	-

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	
	2013 RM	2012 RM	2013 RM	2012 RM
Fees				
- Directors of the Company	210,000	183,000	144,000	135,000
- Directors of the subsidiaries	90,000	72,000	-	-
Share-based payment granted under ESOS				
- Directors of the Company	256,084	-	-	-
Other emoluments				
- Directors of the Company	2,480,962	2,834,092	-	-
- Directors of the subsidiaries	2,071,278	2,030,294	-	-
	5,108,324	5,119,386	144,000	135,000

The estimated monetary value of benefits-in-kind of the Group received by the Directors of the Company and of the subsidiaries are RM55,493 (2012: RM50,200) and RM56,200 (2012: RM50,200) respectively.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 6. TAX EXPENSE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>Current tax</b>				
Malaysian - current year	62,554,700	54,762,664	1,505,700	150,664
- (over)/under provision in prior years	(915,960)	(1,691,314)	(78,142)	961
Overseas - current year	844,850	276,993	-	-
	62,483,590	53,348,343	1,427,558	151,625
<b>Deferred tax</b>				
Origination and reversal of temporary differences	8,121,209	4,132,340	-	-
(Over)/Under provision in prior year	(98,500)	(508,100)	-	-
	8,022,709	3,624,240	-	-
<b>Tax expense</b>	<u>70,506,299</u>	<u>56,972,583</u>	<u>1,427,558</u>	<u>151,625</u>

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	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit before tax	304,098,804	258,404,898	104,175,486	266,294,163
Tax at the Malaysian statutory income tax rate of 25%	76,024,700	64,601,200	26,043,900	66,573,500
Effect of different tax rate of foreign subsidiaries	124,359	42,637	-	-
Tax effect of non-taxable income	(936,500)	(195,800)	(24,604,510)	(66,676,890)
Tax effect of non-deductible expenses	720,500	1,575,160	66,310	254,054
Deferred tax assets not recognised	108,500	-	-	-
<b>Balance carried down</b>	<u>76,041,559</u>	<u>66,023,197</u>	<u>1,505,700</u>	<u>150,664</u>

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (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 (cont'd):

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Balance brought down	76,041,559	66,023,197	1,505,700	150,664
Utilisation of unutilised tax losses not recognised	-	(28,000)	-	-
Utilisation of allowance for increase in exports	(4,520,800)	(6,823,200)	-	-
(Over)/Under provision in prior years				
- current tax	(915,960)	(1,691,314)	( 78,142)	961
- deferred tax	(98,500)	(508,100)	-	-
Tax expense	<u>70,506,299</u>	<u>56,972,583</u>	<u>1,427,558</u>	<u>151,625</u>

The Group has estimated unutilised tax losses of RM2,142,000 (2012: RM1,707,870) carried forward available for set off against future taxable profits.

As at 31 March 2013 and 2012, the Company does not have any Section 108 tax credit balance and hence, may distribute dividends out of its entire retained earnings under the single tier system and available tax exempt income. The Company has tax exempt income account of approximately RM14,619,700 (2012: RM14,619,700) available for distribution by way of tax exempt dividend. The exempt income is in respect of exempt dividend received by the Company.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 7. EARNINGS PER ORDINARY SHARE

	2013	Group 2012
<b>Basic earnings per ordinary share</b>		
Net profit attributable to owners of the parent (RM)	233,336,229	201,380,287
Number of shares in issue as at beginning of the financial year	365,088,600	363,557,200
Effect of exercise of ESOS	1,290,408	597,967
Bonus issue - during the year	365,553,000	-
- issued on 28 May 2012*	-	364,155,167
Weighted average number of ordinary shares in issue	731,932,008	728,310,334
Basic earnings per ordinary share of RM0.50 (sen)	31.88	27.65

- \* 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 28 May 2012 as disclosed in Note 28(A)(a).

	2013	Group 2012
<b>Diluted earnings per ordinary share</b>		
Net profit attributable to owners of the parent (RM)	233,336,229	201,380,287
Weighted average number of ordinary shares in issue	731,932,008	728,310,334
Effect of dilutive potential ordinary shares - ESOS#	4,358,577	3,278,000
Effect of dilutive potential ordinary shares - Warrants#	5,827,833	-
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	742,118,418	731,588,334
Diluted earnings per ordinary share of RM0.50 (sen)	31.44	27.53

- # 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 as disclosed in Note 28(A)(a).

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 7. EARNINGS PER ORDINARY SHARE (cont'd)

Since the end of the financial year:

(i) eligible executives have exercised the options to acquire 1,119,700 (2012: 464,400) ordinary shares; and

(ii) conversion of free warrant to acquire 519,960 (2012: nil) 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.

### 8. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Long-Term Leasehold Land	Buildings	Plant & Machinery	Furniture, Fittings & Equipment	Motor Vehicles	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<b>Group</b>								
<b>Cost</b>								
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	26,720,978	158,023	115,410,673	444,877,852	61,126,830	6,684,628	2,583,870	657,562,854
<b>Accumulated Depreciation</b>								
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	-	15,048	10,268,426	138,815,136	18,766,484	2,773,134	906,971	171,545,199
<b>Net Carrying Amount</b>								
At 31.3.2013	26,720,978	142,975	105,142,247	306,062,716	42,360,346	3,911,494	1,676,899	486,017,655

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

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

	Freehold Land	Long-Term Leasehold Land	Buildings	Plant & Machinery	Furniture, Fittings & Equipment	Motor Vehicles	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<b>Group</b>								
<b>Cost</b>								
At 1.4.2011	19,079,610	158,023	84,755,544	310,706,940	38,474,372	4,323,915	2,106,280	459,604,684
Additions	7,641,368	-	3,266,132	20,148,217	3,613,926	692,942	81,600	35,444,185
Transfer from capital work- in-progress (Note 9)	-	-	187,311	15,159,531	-	-	-	15,346,842
Disposals	-	-	-	(16,406)	-	(348,479)	-	(364,885)
Translation differences	-	-	-	466	2,865	1,150	-	4,481
At 31.3.2012	26,720,978	158,023	88,208,987	345,998,748	42,091,163	4,669,528	2,187,880	510,035,307
<b>Accumulated Depreciation</b>								
At 1.4.2011	-	11,286	6,913,989	89,822,957	11,945,348	1,718,425	570,029	110,982,034
Charge for the financial year	-	1,881	1,595,477	23,363,300	3,301,256	602,982	161,785	29,026,681
Disposals	-	-	-	(16,294)	-	(245,354)	-	(261,648)
Translation differences	-	-	-	262	2,075	588	-	2,925
At 31.3.2012	-	13,167	8,509,466	113,170,225	15,248,679	2,076,641	731,814	139,749,992
<b>Net Carrying Amount</b>								
At 31.3.2012	26,720,978	144,856	79,699,521	232,828,523	26,842,484	2,592,887	1,456,066	370,285,315
At 1.4.2011	19,079,610	146,737	77,841,555	220,883,983	26,529,024	2,605,490	1,536,251	348,622,650

- (a) The long-term leasehold land of the Group has remaining unexpired lease period of more than 50 years.
- (b) Net carrying amount of the property, plant and equipment pledged as security by way of legal charge for banking facilities granted to the Group as disclosed in Note 21 amounting to RM147,919,518 (2012: RM133,639,765; 1.4.2011: RM205,029,265).

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

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

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

	2013 RM	Group 2012 RM
Additions of property, plant and equipment	6,553,008	35,444,185
Financed by finance lease arrangement	(113,748)	-
	<u>6,439,260</u>	<u>35,444,185</u>

(d) Net carrying amount of furniture, fittings and equipment held under finance lease arrangements amounting to RM113,748 (2012: RM27,013; 1.4.2011: RM55,599).

### 9. CAPITAL WORK-IN-PROGRESS

	2013 RM	Group 2012 RM
At 1.4.2012/2011	9,453,816	10,736
Additions	180,699,656	24,789,922
Transfer to property, plant and equipment (Note 8)	(140,978,430)	(15,346,842)
At 31.3.2013/2012	<u>49,175,042</u>	<u>9,453,816</u>
Net carrying amount		
At 1.4.2011		<u>10,736</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 31 MARCH 2013 (CONT'D)

### 10. INTANGIBLE ASSETS

Group 2013	Patent Rights RM	Golf Club Memberships RM	Total RM
<b>Cost</b>			
At 1.4.2012	57,355	175,000	232,355
Additions	7,016,605	-	7,016,605
At 31.3.2013	7,073,960	175,000	7,248,960
<b>Accumulated amortisation</b>			
At 1.4.2012	11,023	-	11,023
Amortisation during the financial year	121,188	4,605	125,793
At 31.3.2013	132,211	4,605	136,816
<b>Net carrying amount</b>			
At 31.3.2013	6,941,749	170,395	7,112,144

Group 2012	Patent Rights RM	Golf Club Memberships RM	Total RM
<b>Cost</b>			
At 1.4.2011/31.3.2012	57,355	175,000	232,355
<b>Accumulated amortisation</b>			
At 1.4.2011/31.3.2012	7,348	-	7,348
Amortisation during the financial year	3,675	-	3,675
At 31.3.2012	11,023	-	11,023
<b>Net carrying amount</b>			
At 31.3.2012	46,332	175,000	221,332
At 1.4.2011	50,007	175,000	225,007

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 11. INVESTMENTS IN SUBSIDIARIES

	Company		
	2013	2012	As at
	RM	RM	1.4.2011
			RM
Unquoted shares, at cost	133,701,000	133,700,000	123,700,000
EES and ESOS granted to employees of subsidiaries	11,645,812	9,103,586	5,178,585
	<u>145,346,812</u>	<u>142,803,586</u>	<u>128,878,585</u>

The particulars of subsidiaries are as follows:

Name of Company	Country of Incorporation	Principal Activities	Proportion of ownership	
			2013	2012
Hartalega Sdn Bhd	Malaysia	Manufacturing of latex gloves	100%	100%
Hartalega NGC Sdn Bhd	Malaysia	Dormant	100%	100%
Hartalega Research Sdn Bhd	Malaysia	Dormant	100%	-

#### Subsidiaries of Hartalega Sdn Bhd

* Pharmatex (Australia) Pty Limited	Australia	Retail and wholesale of gloves	82%	82%
* Pharmatex USA, Incorporated	United States of America	Retail and wholesale of gloves	80%	80%
* Yancheng Pharmatex Medical Equipment Co Ltd	People's Republic of China	Retail and wholesale of gloves	70%	70%
Sentinel Engineering (M) Sdn Bhd	Malaysia	Leasing of property, research and development of automation systems	100%	100%
* Pharmatex Healthcare Private Limited	India	Retail and wholesale of gloves	70%	-
Derma Care Plus Products (M) Sdn Bhd	Malaysia	Dormant	100%	-

\* Audited by a firm of auditors other than Baker Tilly AC

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 12. DEFERRED TAX ASSETS AND LIABILITIES

	2013 RM	Group 2012 RM
<b>Deferred tax assets</b>		
At 1.4.2012/2011	52,967	29,278
Recognised in profit or loss	160,859	23,053
Translation differences	(573)	636
At 31.3.2013/2012	<u>213,253</u>	<u>52,967</u>
<b>Deferred tax liabilities</b>		
At 1.4.2012/2011	40,515,013	36,867,648
Recognised in profit or loss	8,183,568	3,647,293
Translation differences	(1,904)	72
At 31.3.2013/2012	<u>48,696,677</u>	<u>40,515,013</u>

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

	2013 RM	Group 2012 RM	As at 1.4.2011 RM
<b>Deferred tax assets</b>			
Deductible temporary differences in respect of expenses	<u>213,253</u>	<u>52,967</u>	<u>29,278</u>
<b>Deferred tax liabilities</b>			
Taxable temporary differences in respect of income	13,774	15,678	13,852
Deductible temporary differences in respect of expenses	(1,590,200)	-	-
Differences between the carrying amount of property, plant and equipment and its tax base	52,004,700	40,756,200	36,922,100
Fair value (loss)/gain on derivative financial instruments	(25,800)	(191,200)	835,000
Unrealised foreign exchange gain/(loss)	27,900	483,600	(365,600)
Unrealised profit on inventories	(1,733,697)	(549,265)	(537,704)
	<u>48,696,677</u>	<u>40,515,013</u>	<u>36,867,648</u>

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (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		
	2013 RM	2012 RM	As at 1.4.2011 RM
Unutilised tax losses	2,142,000	1,707,870	1,819,890

The unutilised tax losses do not expire under the current tax legislation except for an amount of RM2,135,410 (2012: RM1,701,270; 1.4.2011: RM1,819,890) which will expire within 31 March 2024 until 31 March 2032.

### 13. INVENTORIES

	Group		
	2013 RM	2012 RM	As at 1.4.2011 RM
At cost			
Raw materials	24,610,355	37,703,343	11,304,579
Work-in-progress	8,137,170	21,743,771	26,366,926
Finished goods	35,195,948	25,938,104	23,853,692
Goods-in-transit	4,047,202	671,718	820,005
Spare parts and consumables	14,842,446	11,475,086	2,327,679
	<u>86,833,121</u>	<u>97,532,022</u>	<u>64,672,881</u>

The cost of inventories recognised as expense and included in cost of sales during the financial year amounted to RM684,941,859 (2012: RM634,436,715).

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 14. TRADE AND OTHER RECEIVABLES

		Group		
	Note	2013 RM	2012 RM	As at 1.4.2011 RM
<b>Trade</b>				
Trade receivables	14.1	120,046,555	107,681,561	95,771,122
Less: Allowance for impairment loss		(124,667)	(23,385)	(24,787)
Trade receivables, net		119,921,888	107,658,176	95,746,335
<b>Non-trade</b>				
Other receivables		2,093,204	530,215	984,943
Deposits		737,546	432,196	443,760
Prepayments	14.2	6,226,243	8,503,632	3,830,801
		9,056,993	9,466,043	5,259,504
		128,978,881	117,124,219	101,005,839

		Company		
	Note	2013 RM	2012 RM	As at 1.4.2011 RM
<b>Non-trade</b>				
Deposits		4,500	4,500	4,500
Prepayments	14.2	-	148,199	-
		4,500	152,699	4,500

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 14. TRADE AND OTHER RECEIVABLES (cont'd)

#### Note 14.1

##### (a) Credit term of trade receivables

The Group's normal trade credit terms extended to customers range from 30 to 90 days (2012: 30 to 90 days; 1.4.2011: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis.

##### (b) Ageing analysis of trade receivables

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

	Group		
	2013	2012	As at
	RM	RM	1.4.2011
			RM
Neither past due nor impaired	106,842,481	90,475,989	85,279,884
1 to 30 days past due not impaired	12,375,691	16,131,421	9,696,512
31 to 60 days past due not impaired	519,194	742,036	31,030
61 to 90 days past due not impaired	119,696	49,366	568,210
91 to 120 days past due not impaired	23,811	10,136	16,883
More than 121 days past due not impaired	41,015	249,228	153,816
	13,079,407	17,182,187	10,466,451
Impaired	124,667	23,385	24,787
	<u>120,046,555</u>	<u>107,681,561</u>	<u>95,771,122</u>

#### 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 RM13,079,407 (2012: 17,182,187; 1.4.2011: RM10,466,451) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. An amount of RM1,302,745 (2012: RM4,922,323; 1.4.2011: RM6,976,842) included in trade receivables of the Group is secured by standby Letter of Credit from customers.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 14. TRADE AND OTHER RECEIVABLES (cont'd)

#### Note 14.1 (cont'd)

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

##### Receivables that are impaired

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

	Group Individually Impaired		
	2013 RM	2012 RM	As at 1.4.2011 RM
Trade receivables (nominal amounts)	124,667	23,385	24,787
Less: Allowance for impairment loss	(124,667)	(23,385)	(24,787)
	-	-	-

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

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

	Group	
	2013 RM	2012 RM
At 1.4.2012/2011	23,385	24,787
Charge for the financial year (Note 5)	101,058	429
Translation differences	224	(1,831)
At 31.3.2013/2012	124,667	23,385

#### (c) Foreign currency exposure of trade receivables

	Group		
	2013 RM	2012 RM	As at 1.4.2011 RM
United States Dollar	113,539,938	103,038,178	91,104,736

#### Note 14.2

Included in prepayments of the Group is an amount of RM4,120,096 (2012: RM4,931,224; 1.4.2011: RM1,840,533) being advances to suppliers for purchase of raw materials and machinery.

Prepayments of the Company in previous financial year being listing expenses for corporate proposal as disclosed in Note 28(A)(a).



## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 15. TAX ASSETS

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

### 16. AMOUNTS OWING BY SUBSIDIARIES

The amounts are non-trade in nature, unsecured, interest free and repayable on demand except for advances due from a subsidiary amounting to RM152,478,243 (2012: RM146,509,238; 1.4.2011: RM nil) which bear interest at a rate of 4.0% (2012: 4.0%; 1.4.2011: nil) per annum.

### 17. DERIVATIVE FINANCIAL (LIABILITIES)/ASSETS

	Group		
	2013	2012	As at
	RM	RM	1.4.2011 RM
<b>Contract notional amount</b>			
<b>Non-hedging derivative:</b>			
Forward currency contracts	266,916,600	169,622,400	161,404,300
<b>Carrying amount</b>			
<b>Non-hedging derivative:</b>			
Current (liabilities)/assets			
Forward currency contracts	(868,000)	(765,000)	3,340,300

The Group uses forward currency contracts to manage sales transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. Forward currency contracts are used to hedge the Group's trade receivables and sales denominated in United States Dollar ("USD"), extending to August 2013.

During the financial year, the Group recognised a loss of RM103,000 (2012: loss RM4,105,300) arising from fair value changes of derivative financial instruments. The method and assumption applied in determining the fair value of derivatives is disclosed in Note 31.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 18. DEPOSITS, CASH AND BANK BALANCES

	Group		As at
	2013	2012	1.4.2011
	RM	RM	RM
Fixed income fund with licensed fund management company (redeemable upon 1 day notice)	129,932,825	115,322,824	60,500,000
Deposits with licensed banks	20,700,000	16,600,000	39,130,000
Cash at banks and on hand	31,263,904	31,293,741	17,352,830
	<u>181,896,729</u>	<u>163,216,565</u>	<u>116,982,830</u>

	Company		As at
	2013	2012	1.4.2011
	RM	RM	RM
Fixed income fund with licensed fund management company (redeemable upon 1 day notice)	100,178,502	96,164,564	60,500,000
Deposits with licensed banks	1,000,000	600,000	6,030,000
Cash at banks and on hand	297,522	216,894	277,703
	<u>101,476,024</u>	<u>96,981,458</u>	<u>66,807,703</u>

Deposits with licensed banks of the Group and of the Company bear effective interest at rates ranging from 1.85% to 2.90% (2012: 2.40% to 2.90%; 1.4.2011: 1.70% to 2.75%) per annum with maturity period ranging from 1 day to 30 days (2012: 1 day to 30 days; 1.4.2011: 1 day to 30 days).

Included in cash at banks and on hand of the Group is an amount of RM27,924,830 (2012: RM18,239,735; 1.4.2011: RM15,055,770) which bears effective interest at rates ranging from 0.15% to 2.00% (2012: 0.17% to 2.00%; 1.4.2011: 0.15% to 1.75%) per annum.

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

	Group		As at
	2013	2012	1.4.2011
	RM	RM	RM
United States Dollar	<u>26,834,965</u>	<u>17,258,884</u>	<u>14,139,272</u>

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 19. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2013	2012	2013 RM	2012 RM
<b>Ordinary shares of RM0.50 each</b>				
<b>Authorised:</b>				
At 1.4.2012/2011	500,000,000	500,000,000	250,000,000	250,000,000
Created during the financial year	1,000,000,000	-	500,000,000	-
At 31.3.2013/2012	<u>1,500,000,000</u>	<u>500,000,000</u>	<u>750,000,000</u>	<u>250,000,000</u>
<b>Issued and fully paid:</b>				
At 1.4.2012/2011	365,088,600	363,557,200	182,544,300	181,778,600
Issued during the financial year				
- exercise of ESOS	2,666,700	1,531,400	1,333,350	765,700
- bonus issue	365,553,000	-	182,776,500	-
At 31.3.2013/2012	<u>733,308,300</u>	<u>365,088,600</u>	<u>366,654,150</u>	<u>182,544,300</u>

#### (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 2,666,700 (2012: 1,531,400) ordinary shares at issue price or adjusted issue price of between RM2.20 and RM4.98 (2012: RM4.39 and RM4.98) per ordinary share for cash, pursuant to the Company ESOS. The share premium of RM5,976,618 (2012: RM6,154,522) arising therefrom have been included in the share premium account. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

#### (c) Bonus issue

During the 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 firstly 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 newly issued ordinary shares rank pari passu in all respects with the existing shares of the Company.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 19. SHARE CAPITAL (cont'd)

#### (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:

- (i) entitles its registered holders to subscribe for one (1) new ordinary share of RM0.50 each at the exercise price during the exercise period;
- (ii) the exercise price is RM4.14 per share subject to adjustments in accordance with the provisions of the deed poll executed; and
- (iii) 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:

	Number of warrants			At 31.3.2013
	At 1.4.2012	Granted	Exercised	
Number of warrants 2012/2015	-	73,110,600	-	73,110,600

### 20. RESERVES

	Note	2013 RM	2012 RM	As at 1.4.2011 RM

#### Group

#### Distributable

Retained earnings	384,177,448	421,280,729	307,174,734
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#### Non-distributable

Share premium	20.1	6,563,995	9,105,650	500,412
Translation reserve	20.2	317,899	295,467	251,737
Share-based payment reserve	20.3	6,008,183	6,091,868	4,733,231
		12,890,077	15,492,985	5,485,380
		<u>397,067,525</u>	<u>436,773,714</u>	<u>312,660,114</u>

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 20. RESERVES (cont'd)

	Note	2013 RM	2012 RM	As at 1.4.2011 RM
<b>Company</b>				
<b>Distributable</b>				
Retained earnings		19,555,391	187,246,973	8,378,727
<b>Non-distributable</b>				
Share premium	20.1	6,563,995	9,105,650	500,412
Share-based payment reserve	20.3	6,008,183	6,091,868	4,733,231
		12,572,178	15,197,518	5,233,643
		<u>32,127,569</u>	<u>202,444,491</u>	<u>13,612,370</u>

#### Note 20.1

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

#### Note 20.2

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

#### Note 20.3

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) Employee Equity Scheme ("EES")

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

The main features of the EES are as follows:

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 20. RESERVES (cont'd)

#### Note 20.3 (cont'd)

##### (A) Employee Equity Scheme ("EES") (cont'd)

- (b) To participate in the EES, each selected senior management will be required to pay RM2.00 as acceptance of the EES Shares offered pursuant to the terms of EES ("Entitlement"). With the payment of RM2.00 by each selected senior management, he/she is deemed to have accepted the Entitlements and legal ownership of those EES Shares would pass from PRSB to the selected senior management.
- (c) The allocation of the Entitlements shall be based on the performance, seniority, length of service of the selected senior management and any criteria as may be set by the EES committee, the Company and PRSB from time to time.
- (d) As the selected senior management has not paid for his/her EES Shares at the point of acceptance of the Entitlements, the selected senior management will be required, as part of the EES to do the following:
  - (i) assign all cash dividends/distributions from retained profits which are made by the Company prior to the exercise of the Entitlement to PRSB. The assignment is in respect of cash dividends/distributions only and does not include any other distributions made by the Company such as non-cash dividends, bonus shares and rights entitlements. Further, the said assignment will not affect the selected senior management's other right to vote and the right to sell his/her EES Shares;
  - (ii) open a CDS account with a nominee company ("Nominee"), with whom his/her Entitlements will be allotted to; and
  - (iii) provide an irrevocable undertaking that he/she will not transfer his/her EES Shares in his/her CDS account with the Nominee to any other CDS accounts unless such EES Shares have been paid in accordance with the terms and conditions of the EES.
- (e) As the selected senior management has not paid for his/her EES Shares at the point of acceptance of their Entitlements, an encumbrance will be created over the unpaid EES Shares and all distributions relating thereto in favour of PRSB.
- (f) The selected senior management can sell any of his/her EES Shares at any time subject to, inter alia, the selling price being equal to or above the aggregate of the strike price and relevant transaction costs.
- (g) The EES granted will only be exercisable in the following manner:

From 28.3.2008 to 31.3.2009	From 1.4.2009 to 31.3.2010	From 1.4.2010 to 31.3.2011	From 1.4.2011 to 31.3.2012	From 1.4.2012 to 31.3.2013
20%	20%	20%	20%	20%

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 20. RESERVES (cont'd)

#### Note 20.3 (cont'd)

##### (A) Employee Equity Scheme ("EES") (cont'd)

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

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

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

2012	At 1.4.2011	Granted	Exercised	At 31.3.2012
	'000	'000	'000	'000
Strike price				
RM1.20	1,049	-	(445)	604

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 are as follows:

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



## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 20. RESERVES (cont'd)

#### Note 20.3 (cont'd)

##### (A) Employee Equity Scheme ("EES") (cont'd)

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

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

##### (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;
  - is confirmed in service in a company within the Group;
  - has at least 6 months of continuous service within the Group; and/or
  - is 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 31 MARCH 2013 (CONT'D)

### 20. RESERVES (cont'd)

#### Note 20.3 (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 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 31 MARCH 2013 (CONT'D)

### 20. RESERVES (cont'd)

#### Note 20.3 (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	From 1.4.2011 to 31.3.2012	From 1.4.2012 to 31.3.2013	From 1.4.2013 to 31.3.2014	From 1.4.2014 to 31.3.2015
20%	20%	20%	20%	20%

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

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

2013		Number of share options											
Grant date	Expiry date	Exercise price prior to bonus issue RM	Exercise price after bonus issue RM	At 1.4.2012 '000	Granted '000	Exercised '000	Lapsed '000	Balance prior to adjustment for bonus issue '000	Adjustment for bonus issue '000	Granted '000	Exercise '000	Lapsed '000	At 31.3.2013 '000
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 31 MARCH 2013 (CONT'D)

### 20. RESERVES (cont'd)

#### Note 20.3 (cont'd)

#### (B) ESOS (cont'd)

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

2012			<----- Number of share options ----->			
Grant date	Expiry date	Exercise price RM	At 1.4.2011 '000	Granted '000	Exercised '000	At 31.3.2012 '000
10.5.2010	31.3.2015	4.50	5,816.8	-	(1,256.1)	4,560.7
15.9.2010	31.3.2015	4.39	326.1	-	(64.9)	261.2
21.12.2010	31.3.2015	4.47	637.2	-	(122.1)	515.1
18.3.2011	31.3.2015	4.98	361.7	-	(35.1)	326.6
10.6.2011	31.3.2015	4.93	-	303.6	(53.2)	250.4
15.8.2011	31.3.2015	4.89	-	101.2	-	101.2
9.11.2011	31.3.2015	4.90	-	551.1	-	551.1
			7,141.8	955.9	(1,531.4)	6,566.3

As at 31 March 2013, the total number of exercisable options was 2,481,275 (2012: 1,473,285; 1.4.2011: 1,122,360). The weighted average remaining contractual life for these options is 2 years (2012: 3 years; 1.4.2011: 4 years).

As disclosed in Note 20, options exercised during the financial year resulted in the issuance of 2,666,700 (2012: 1,531,400) ordinary shares at an exercise price ranging from RM2.20 to RM4.98 (2012: RM4.39 to RM4.98) each and the weighted average share price at the date of exercise was ranging from RM2.50 to RM5.52 (2012: RM5.45 to RM8.36) 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:

	2013	2012
Weighted average fair value of ESOS (RM)	0.78	1.54
Weighted average share price (RM)	4.33	5.45
Weighted average exercise price (RM)	3.90	4.91
Expected volatility (%)	19.93 - 22.63	27.51 - 42.74
Expected life (years)	2 - 3	3 - 4
Risk free rate (%)	3.10 - 3.30	3.32 - 3.77
Expected dividend yield (%)	2.71 - 3.73	2.99 - 4.08

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 20. RESERVES (cont'd)

#### Note 20.3 (cont'd)

#### (B) ESOS (cont'd)

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.

### 21. LOANS AND BORROWINGS

Group	Effective Interest Rate per annum	Short Term Borrowings within 1 Year	<----- Long Term Borrowings ----->						Sub Total	Total
			1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	After 5 Years			
			RM	RM	RM	RM	RM	RM		
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	
2012										
Secured										
Fixed rate instruments										
Term loans										
- United States Dollar	2.16% - 6.76%	4,512,442	2,650,752	2,650,752	1,264,016	-	-	6,565,520	11,077,962	
- RM	6.50% - 8.00%	8,043,333	4,956,725	136,270	147,581	159,830	102,997	5,503,403	13,546,736	
Finance lease payables										
- United States Dollar	4.87% - 19.09%	22,733	1,970	-	-	-	-	1,970	24,703	
		12,578,508	7,609,447	2,787,022	1,411,597	159,830	102,997	12,070,893	24,649,401	
As at 1.4.2011										
Secured										
Fixed rate instruments										
Term loans										
- United States Dollar	2.16% - 6.76%	6,971,070	4,450,521	2,614,378	2,614,378	1,246,671	-	10,925,948	17,897,018	
- RM	6.50% - 8.00%	7,531,237	8,055,940	4,902,620	136,503	147,833	259,536	13,502,432	21,033,669	
Finance lease payables										
- United States Dollar	4.87% - 19.09%	23,709	22,554	-	-	-	-	22,554	46,263	
		14,526,016	12,529,015	7,516,998	2,750,881	1,394,504	259,536	24,450,934	38,976,950	

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 21. LOANS AND BORROWINGS (cont'd)

Present value of finance lease payables is as follows:

	Group		
	2013	2012	As at
	RM	RM	1.4.2011
			RM
Minimum lease payments	119,919	25,723	49,598
Less: Future finance charges	(3,086)	(1,020)	(3,335)
Present value of minimum lease payments	<u>116,833</u>	<u>24,703</u>	<u>46,263</u>

#### Current liabilities

Payable within one year

Minimum lease payments	22,447	23,741	26,182
Less: Future finance charges	(1,103)	(1,008)	(2,473)
Present value of minimum lease payments	21,344	22,733	23,709

#### Non-current liabilities

Payable after one year but not later than five years

Minimum lease payments	97,472	1,982	23,416
Less: Future finance charges	(1,983)	(12)	(862)
Present value of minimum lease payments	<u>95,489</u>	<u>1,970</u>	<u>22,554</u>
Total present value of minimum lease payments	<u>116,833</u>	<u>24,703</u>	<u>46,263</u>

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

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 22. TRADE AND OTHER PAYABLES

		Group		
	Note	2013 RM	2012 RM	As at 1.4.2011 RM
<b>Group</b>				
<b>Trade</b>				
Trade payables	22.1	56,188,005	29,501,626	34,386,497
<b>Non-trade</b>				
Other payables	22.2	21,151,426	16,455,844	9,188,549
Advances from customers	22.3	-	1,132,247	1,504,209
Accruals		21,472,747	13,337,582	12,086,900
		42,624,173	30,925,673	22,779,658
		<u>98,812,178</u>	<u>60,427,299</u>	<u>57,166,155</u>
<b>Company</b>				
<b>Non-trade</b>				
Other payables	22.2	13,062	1,299,113	-
Accruals		288,000	297,000	302,752
		<u>301,062</u>	<u>1,596,113</u>	<u>302,752</u>

#### Note 22.1

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

The foreign currency exposure of trade payables is as follows:

		Group		
		2013 RM	2012 RM	As at 1.4.2011 RM
United States Dollar		<u>31,615,450</u>	<u>15,834,988</u>	<u>20,153,958</u>

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 22. TRADE AND OTHER PAYABLES (cont'd)

#### Note 22.2

Included in other payables of the Group is an amount of RM12,890,791 (2012: RM8,661,133; 1.4.2011: RM1,562,071) in respect of balances outstanding owing to contractors for the construction and set up of new production plant and machinery.

Included in other payables of the Group and of the Company in the previous financial year amounting to RM1,299,113 being subscription monies received from the option holders on exercise of ESOS pending issuance of new shares.

The foreign currency exposure of other payables is as follows:

	Group		
	2013	2012	As at
	RM	RM	1.4.2011
			RM
United States Dollar	5,117	1,077,972	319,168

#### Note 22.3

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

### 23. DIVIDENDS

	Group/Company	
	2013	2012
	RM	RM
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	25,654,759	-
Third interim single tier exempt dividend of 6 sen per share in respect of the financial year ended 31 March 2011	-	21,813,432
Final single tier exempt dividend of 6 sen per share in respect of the financial year ended 31 March 2011	-	21,827,808
First interim single tier exempt dividend of 6 sen per share in respect of the financial year ended 31 March 2012	-	21,843,384
Second interim single tier exempt dividend of 6 sen per share in respect of the financial year ended 31 March 2012	-	21,905,316
	<u>98,807,194</u>	<u>87,389,940</u>



## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 23. DIVIDENDS (cont'd)

On 7 May 2013, the Directors declared a third interim single tier exempt dividend in respect of the financial year ended 31 March 2013 of 3.5 sen per share amounting to RM25,689,300.

In addition, the Directors have also recommended a final single tier exempt dividend in respect of the financial year ended 31 March 2013 of 4 sen per share amounting to RM29,397,918 based on the number of outstanding ordinary shares in issue as at the date of authorisation of these financial statements, if approved at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect the third interim dividend and final dividend. The third interim dividend and final dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2014.

### 24. CAPITAL COMMITMENT

In respect of acquisition of property, plant and equipment:

	Group		
	2013	2012	As at
	RM	RM	1.4.2011
			RM
Approved and contracted for	26,925,657	119,116,754	10,064,214
Approved but not contracted for	-	48,625,267	-

### 25. RELATED PARTY DISCLOSURES

#### (a) Identity of related parties

Parties are considered to be related to the Group and to the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. The Group and the Company have a related party relationship with the holding company, subsidiaries, key management personnel and companies related to Directors.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 25. RELATED PARTY DISCLOSURES (cont'd)

#### (b) Related party transactions and balances

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Received and receivable from a subsidiary:				
- Dividend income	-	-	97,228,381	265,025,749
- Interest income	-	-	5,969,004	209,238
Paid to companies related to Directors:				
- Share registry services *	-	21,835	-	21,835
- Public relations and advertising services #	-	86,615	-	86,615

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

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

#### (c) Compensation of key management personnel

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

The compensation of the key management personnel are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Directors' fees	468,000	423,000	288,000	279,000
Short-term employee benefits	4,266,354	4,467,604	32,500	25,750
Share-based payment granted under ESOS	256,084	-	-	-
Share-based payment granted under EES	-	4,286	-	4,286
Post-employment benefits	318,386	439,505	-	-
Estimated monetary value of benefits-in-kind	111,693	100,400	-	-
	<u>5,420,517</u>	<u>5,434,795</u>	<u>320,500</u>	<u>309,036</u>

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 26. SEGMENT INFORMATION

The Group's business mainly comprises the manufacturing and sale of latex gloves. The Group's manufacturing activities are operated solely in Malaysia whilst its revenue are mainly earned in Malaysia. On this basis, the Group Managing Director reviews the operating results of the Group as a whole. Accordingly, no reportable operating segment is presented as all information required has been disclosed in the financial statements.

#### Information about geographical areas

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

	Group	
	2013	2012
	RM	RM
North America	572,738,206	486,358,312
Europe	299,940,948	282,701,965
Asia (excluding Malaysia)	109,771,190	101,528,675
Australia	34,962,758	29,090,402
Malaysia	828,892	21,039,018
South America	13,793,693	10,346,332
	<u>1,032,035,687</u>	<u>931,064,704</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	
	2013	2012
	RM	RM
Malaysia	542,078,017	379,888,491
North America	129,358	43,190
Australia	31,267	22,434
China	4,052	6,348
India	66,752	-
	<u>542,309,446</u>	<u>379,960,463</u>

#### Information about major customers

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

	Group		
	2013	2012	Geographical location
	RM	RM	
Customer A	<u>258,603,347</u>	<u>226,181,292</u>	North America

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 27. CONTINGENT LIABILITIES (UNSECURED)

- (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 31 MARCH 2013 (CONT'D)

### 27. CONTINGENT LIABILITIES (UNSECURED) (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.

In the event that the Defendants succeed fully in their appeal, the Plaintiff:

- (i) will be restrained from dealing with the Sentinel/Hartalega System and any other systems that infringe the 188 Patent. The 770 Patent will also be declared invalid;
- (ii) will have to deliver up the Sentinel/Hartalega System and any other systems that infringe the 188 Patent and disclose records relating to the manufacture and sale of the Sentinel/Hartalega System and any other system that infringes the 188 Patent; and
- (iii) will be liable for damages and costs which amounts can only be determined once an assessment of damages and taxation of costs has been carried out by the Court.

The directors, in consultation with the solicitors, are of the view that the Group as Respondents to the appeal have a good chance of success in resisting the Appellants' appeal. However, the solicitors are also of the view that the Group do not have a strong case in respect of the cross-appeal. As such, no provision has been made in the financial statements of the Group.

- (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.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 27. CONTINGENT LIABILITIES (UNSECURED) (cont'd)

- (b) Mr. Seow Hoon Hin (the "Plaintiff"), a shareholder of the Company and a former shareholder of Hartalega Sdn Bhd ("HSB") 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 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
- (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;

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 27. CONTINGENT LIABILITIES (UNSECURED) (cont'd)

- (b) Mr. Seow Hoon Hin (the "Plaintiff"), a shareholder of the Company and a former shareholder of Hartalega Sdn. Bhd. ("HSB") 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 claims against the Company for the following: (cont'd)

- (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 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 have been dismissed by the High Court and parties have filed an appeal to the Court of Appeal where the hearing of the appeal will be held on 30 July 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 and a date for decision and/or clarification has been set on 31 July 2013 to update the Court on the outcome of the abovementioned appeals.

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 has also filed an appeal towards the setting aside of the subpoena. The hearing of the appeal will be heard together with all the above mentioned appeals on 30 July 2013.

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 on the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 27. CONTINGENT LIABILITIES (UNSECURED) (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)

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.

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.



## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 27. CONTINGENT LIABILITIES (UNSECURED) (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)

In addition, Tuck Hua has also counterclaimed, in addition to the above reliefs, 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 case has now been fixed for case management on 23 July 2013 for the Defendants to revert on whether they will be agreeable to provide discovery of documents to the Plaintiff. The Plaintiff is to file its Reply and Defence to Counterclaim only after the completion of the discovery exercise.

No provision has been made in the financial statements of the Group as the solicitor is of the view that the case is still at its preliminary stage and it is not practical to assess its possible outcome.

### 28. SIGNIFICANT EVENTS

#### (A) During the financial year

- (a) On 22 February 2012, the Company proposed to undertake the following:
- (i) a bonus issue of up to 371,654,940 ordinary shares of RM0.50 each held in the Company ("Shares") ("Bonus Shares") on the basis of one (1) Bonus Share for every one (1) existing Share held in the Company on a date to be determined and announced later ("Entitlement Date") ("Proposed Bonus Issue");
  - (ii) a free warrants issue of up to 74,330,988 free warrants ("Free Warrants") ("Proposed Free Warrants Issue") on the basis of one (1) Free Warrant for every five (5) existing Shares held on the same Entitlement Date as the proposed Bonus Issue; and
  - (iii) proposed increase in authorised share capital of the Company from RM250,000,000 comprising 500,000,000 Shares to RM750,000,000 comprising 1,500,000,000 Shares ("Proposed Increase in Authorised Share Capital").

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 28. SIGNIFICANT EVENTS (cont'd)

#### (A) During the financial year (cont'd)

- (a) On 22 February 2012, the Company proposed to undertake the following (cont'd):

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

- (b) On 10 October 2012, Hartalega Sdn Bhd ("HSB") incorporated a 70% owned subsidiary, Pharmatex Healthcare Private Limited ("Pharmatex India"), a company incorporated in the Republic of India, which intends to engage in trading, import, export, packing and re-packing all kinds of high quality rubber gloves. The authorised and fully paid-up share capital of Pharmatex India is Rs100,000 divided into 10,000 ordinary shares of Rs10 each. HSB subscribed for 7,000 ordinary shares of Rs10 each representing 70% equity interest in Pharmatex India for a cash consideration of Rs70,000 (equivalent to RM3,932).

- (c) On 6 February 2013, HSB incorporated a 99% owned subsidiary, Derma Care Products (M) Sdn Bhd ("Derma Care"), a company incorporated in Malaysia, which intends to engage in trading of gloves. The authorised share capital of Derma Care is RM500,000 divided into 500,000 ordinary shares of RM1 each with an issued and paid-up share capital of RM1,000 divided into 1,000 ordinary shares of RM1 each. HSB subscribed for 999 ordinary shares of RM1 each representing 99% equity interest in Derma Care for a cash consideration of RM999.

On 7 February 2013, HSB acquired additional 1 ordinary share of RM1 each in Derma Care from a third party for a cash consideration of RM1. Consequently, Derma Care became a wholly-owned subsidiary of HSB. The acquisition did not have any significant impact to the Group's financial statements.

On 5 March 2013, HSB subscribed for additional 99,000 ordinary shares of RM1 each in Derma Care for a total consideration of RM99,000. There were no changes in the equity interest in Derma Care.

- (d) On 11 March 2013, HSB subscribed for additional 7,999,000 ordinary shares of RM1 each in Sentinel Engineering (M) Sdn Bhd ("Sentinel") for a total consideration of RM7,999,000 by way of capitalisation of amount owing by Sentinel to HSB. There were no changes in the equity interest in Sentinel.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 28. SIGNIFICANT EVENTS (cont'd)

#### (A) During the financial year (cont'd)

- (d) On 19 March 2013, the Company incorporated a 99% owned subsidiary, Hartalega Research Sdn Bhd ("HRSB"), a company incorporated in Malaysia, which intends to engage in research and development of products and manufacturing systems. The authorised share capital of HRSB is RM5,000,000 divided into 5,000,000 ordinary shares of RM1 each with an issued and paid-up share capital of RM1,000 divided into 1,000 ordinary shares of RM1 each. The Company subscribed for 999 ordinary shares of RM1 each representing 99% equity interest in HRSB for a cash consideration of RM999.

On 28 March 2013, the Company acquired additional 1 ordinary shares of RM1 each in HRSB from a third party for a cash consideration of RM1. Consequently, HRSB became a wholly-owned subsidiary of the Company. The acquisition did not have any significant impact to the Group's financial statements.

#### (B) Subsequent to the financial year end

- (a) On 12 June 2013, Hartalega NGC Sdn Bhd, a wholly-owned subsidiary of the Company, has 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. The transaction is not completed as at the date of authorisation of these financial statements pending satisfaction of the terms and conditions of the SPA.

### 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

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

#### (a) Credit Risk

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

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

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

#### Credit risk concentration profile

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

	2013		Group 2012		As at 1.4.2012	
	RM	% of total	RM	% of total	RM	% of total
<b>By country:</b>						
United States of America	70,934,889	59.15	58,567,068	54.40	68,378,649	71.42
Germany	28,804,338	24.02	22,299,693	20.71	15,030,290	15.70
Australia	5,122,622	4.27	3,967,499	3.69	4,355,128	4.54
Canada	1,735,639	1.45	15,130,321	14.05	2,898,280	3.03
Japan	3,941,825	3.29	910,818	0.85	2,382,166	2.49
Brazil	1,627,311	1.36	2,024,817	1.88	1,556,826	1.63
Others	7,755,264	6.46	4,757,960	4.42	1,144,996	1.19
	<u>119,921,888</u>	<u>100.00</u>	<u>107,658,176</u>	<u>100.00</u>	<u>95,746,335</u>	<u>100.00</u>

At the reporting date, approximately 41.94% (2012: 42.20%; 1.4.2011: 50.89%) of the Group's trade receivables was due from two (2012: two; 1.4.2011: two) major customers. Trade receivable balances from those major customers amounted to RM50,300,922 (2012: RM45,436,836; 1.4.2011: RM48,727,617) of which RM18,531,000 (2012: RM27,612,000; 1.4.2011: RM27,233,100) are secured by standby Letter of Credit from customers.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

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

#### (a) Credit Risk (cont'd)

##### 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 RM12,161,107 (2012: RM24,624,698; 1.4.2011: RM38,930,687) representing the outstanding term loans of a subsidiary guaranteed by the Company at the reporting date. At the reporting date, there was no indication that the subsidiary would default on its repayment.

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

#### (b) Liquidity Risk

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

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

##### Analysis of financial instruments by remaining contractual maturities

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

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

#### (b) Liquidity Risk (cont'd)

	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Over 5 years RM
<b>2013</b>						
<b>Group</b>						
Financial liabilities:						
Trade payables	56,188,005	56,188,005	56,188,005	-	-	-
Other payables and accruals	42,624,173	42,624,173	42,624,173	-	-	-
Finance lease payables	116,833	119,919	22,447	23,757	73,715	-
Other borrowings	12,161,107	12,575,037	7,938,437	2,900,619	1,735,981	-
	<u>111,090,118</u>	<u>111,507,134</u>	<u>106,773,062</u>	<u>2,924,376</u>	<u>1,809,696</u>	
<b>Company</b>						
Financial liabilities:						
Other payables and accruals	<u>301,062</u>	<u>301,062</u>	<u>301,062</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>2012</b>						
<b>Group</b>						
Financial liabilities:						
Trade payables	29,501,626	29,501,626	29,501,626	-	-	-
Other payables and accruals	28,494,313	28,494,313	28,494,313	-	-	-
Finance lease payables	24,703	25,723	23,741	1,982	-	-
Other borrowings	24,624,698	25,889,959	13,409,835	7,870,111	4,504,178	105,835
	<u>82,645,340</u>	<u>83,911,621</u>	<u>71,429,515</u>	<u>7,872,093</u>	<u>4,504,178</u>	<u>105,835</u>
<b>Company</b>						
Financial liabilities:						
Other payables and accruals	<u>1,596,113</u>	<u>1,596,113</u>	<u>1,596,113</u>	<u>-</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

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

#### (b) Liquidity Risk (cont'd)

	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Over 5 years RM
<b>As at 1.4.2011</b>						
<b>Group</b>						
Financial liabilities:						
Trade payables	34,386,497	34,386,497	34,386,497	-	-	-
Other payables and accruals	21,275,449	21,275,449	21,275,449	-	-	-
Finance lease payables	46,263	49,598	26,182	23,416	-	-
Other borrowings	38,930,687	41,881,228	16,190,161	13,352,353	12,061,532	277,182
	<u>94,638,896</u>	<u>97,592,772</u>	<u>71,878,289</u>	<u>13,375,769</u>	<u>12,061,532</u>	<u>277,182</u>
<b>Company</b>						
Financial liabilities:						
Other payables and accruals	<u>302,752</u>	<u>302,752</u>	<u>302,752</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	Carrying amount RM	Contractual cash flows RM	Less than 1 month RM	1-7 months RM
<b>Group</b>				
<b>2013</b>				
<b>Financial liabilities</b>				
Net settled:				
Forward foreign currency contracts	<u>(868,000)</u>	<u>(868,000)</u>	<u>(257,000)</u>	<u>(611,000)</u>
<b>2012</b>				
<b>Financial liabilities</b>				
Net settled:				
Forward foreign currency contracts	<u>(765,000)</u>	<u>(765,000)</u>	<u>(102,400)</u>	<u>(662,600)</u>

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

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

#### (c) Foreign Currency Risk

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

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

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

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

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

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investment in United States of America, Australia, 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	
		2013 RM	2012 RM
		Profit for the financial year	Profit for the financial year
USD/RM	- strengthened 5%	4,297,907	4,293,484
	- weakened 5%	(4,297,907)	(4,293,484)



## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

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

#### (d) Interest Rate Risk

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

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

Borrowings and finance lease payables at fixed rate amounting to RM12,277,940 (2012: RM24,649,401; 1.4.2011: RM38,976,950) expose the Group to fair value interest rate risk.

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

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

#### Sensitivity analysis for interest rate risk

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

### 30. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

#### (b) 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).

#### (c) Borrowings

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

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 30. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

The carrying amounts of financial assets and liabilities recognised in the statements of financial position approximate their fair values except for the following:

	Group		
	2013	2012	As at
	RM	RM	1.4.2011 RM
<b>Financial Liabilities</b>			
Fixed rate term loans			
- Carrying amount	12,161,107	24,624,698	38,930,687
- Fair value	12,019,007	24,410,389	38,493,072

### 31. FAIR VALUE HIERARCHY

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

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

As at 31 March 2013, the Group held the following financial instruments carried at fair values on the statements of financial position:

#### Assets/(Liabilities) measured at fair value

	Group			
	Carrying amount	Level 1	Level 2	Level 3
	RM	RM	RM	RM
<b>2013</b>				
Derivative financial instruments				
- foreign currency forward contracts	(868,000)	-	(868,000)	-

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2013 (CONT'D)

### 31. FAIR VALUE HIERARCHY (cont'd)

As at 31 March 2013, the Group held the following financial instruments carried at fair values on the statements of financial position (cont'd):

#### Assets/(Liabilities) measured at fair value (cont'd)

	Carrying amount RM	Group		
		Level 1 RM	Level 2 RM	Level 3 RM
<b>2012</b>				
Derivative financial instruments				
- foreign currency forward contracts	(765,000)	-	(765,000)	-
<b>As at 1.4.2011</b>				
Derivative financial instruments				
- foreign currency forward contracts	3,340,300	-	3,340,300	-

During the financial years ended 31 March 2013 and 2012, there was no transfer between fair value measurement hierarchy.

### 32. CAPITAL MANAGEMENT

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

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

No changes were made in the objectives, policies and processes since the financial year ended 31 March 2012.

As at 31 March 2013, the total capital managed by the Group which comprises shareholders' equity, amounted to RM763,721,675 (2012: RM619,318,014; 1.4.2011: RM494,438,714).

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

### 33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

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

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

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Total retained earnings of the Company and its subsidiaries				
- realised	533,522,793	555,027,268	19,555,391	187,246,973
- unrealised	(50,877,497)	(39,905,074)	-	-
	482,645,296	515,122,194	19,555,391	187,246,973
Less: Consolidation adjustments	(98,467,848)	(93,841,465)	-	-
Total retained earnings	384,177,448	421,280,729	19,555,391	187,246,973

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 2013 is set out on page 135 and 136 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 RM29,900 (2012: RM22,100).

## 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 2013, a total of 2,666,700 new ordinary shares of RM0.50 each were issued and allotted pursuant to the exercise of the ESOS and a total of 365,553,000 new ordinary shares of RM0.50 each were issued pursuant to the Company's bonus issue exercise. The details of the issued and paid-up share capital of the Company as at 31 March 2013 are as follows:

	No. of Shares	RM
As at 1 April 2012	365,088,600	182,544,300
Ordinary shares of RM0.50 each issued pursuant to the ESOS	2,666,700	1,333,350
Ordinary shares of RM0.50 each issued of the Bonus Issue	365,553,000	182,776,500
As at 31 March 2013	<u>733,308,300</u>	<u>366,654,150</u>

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

## ADDITIONAL COMPLIANCE INFORMATION

### **I. American Depositary Receipt (“ADR”) or Global Depositary Receipt (“GDR”)**

During the financial year 2013, 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 program 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 2013, the number of Hartalega ordinary shares held under the ADR programme by the custodian Malayan Banking Berhad was 542,650 only.

### **J. Material Contracts**

During the year, there were no materials contract 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 2013

Location Address	Existing Use	Approximate Age of Building	Tenure	Date of Acquisition	Area (m <sup>2</sup> )	NBV (RM)
GRN 193487, Lot 4864 Mukim of Batang Berjuntai Daerah Kuala Selangor Selangor Darul Ehsan	Factory and office building	Between 7 - 19 years	Freehold	1995 - 2007	30,641 (build-up area)	23,069,167
H.S.(D) 276179, P.T. No. 7320 Mukim of Batang Berjuntai Daerah Kuala Selangor Selangor Darul Ehsan	Factory and office building	Between 3 - 5 years	Freehold	2006 - 2011	41,736 (build-up area)	53,348,000
H.S.(D) 279954, P.T. No. 7321 Seksyen 4, Mukim of Bestari Jaya Daerah Kuala Selangor Selangor Darul Ehsan	Factory and office building	1 year	Freehold	2013	14,224 (build-up area)	26,250,903
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, P.T.No. 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) 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	142,974
C-G-9, Jalan Dataran SD1 Dataran SD, PJU 9 Bandar Sri Damansara 52200 Kuala Lumpur	4-storey office building	7 years	Leasehold expiring on 27 Aug 2102	2007	410 (build-up area)	1,630,607
No.2A, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	9 years	Freehold	2009	143	190,095
No.6, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	9 years	Freehold	2009	144	190,072
No.8, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	9 years	Freehold	2009	145	190,061
No.10, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	9 years	Freehold	2009	146	190,050
No.12, Jalan Seri Bestari 3 Taman Seri Bestari 45600 Bestari Jaya Selangor Darul Ehsan	Single-storey house-hostel	9 years	Freehold	2010	147	195,026

# ANALYSIS OF SHAREHOLDINGS

## AS AT 28 JUNE 2013

Authorised Share Capital	:	RM750,000,000
Issued and Paid Up Share Capital	:	RM367,470,550.00 comprising 734,941,100 ordinary shares
Class of Shares	:	Ordinary share of RM0.50 each
Voting Rights	:	One vote per ordinary share
Number of Shareholders	:	2,824

### DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	No. of Shares	%
Less than 100	32	368	0.00
100 - 1,000	592	431,540	0.06
1,001 - 10,000	1,329	5,923,131	0.81
10,001 to 100,000	632	21,099,846	2.87
100,001 to 36,747,054(*)	238	339,631,911	46.21
36,747,055 and above(**)	1	367,854,304	50.05
	2,824	734,941,100	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	367,854,304	50.05	0	0
Kuan Kam Hon @ Kwan Kam Onn	0	0.00	404,148,304*	54.99
Kuan Kam Peng	0	0.00	367,854,304**	50.05

\* 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 28 JUNE 2013

### DIRECTORS' SHAREHOLDINGS

Name of Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Kuan Kam Hon @ Kwan Kam Onn	0	0.00	404,148,304*	54.99
Kuan Mun Leong	1,377,000	0.19	0	0
Kuan Mun Keng	1,374,000	0.19	0	0
Liew Ben Poh	900,000	0.12	14,000#	0
Dato' Mohamed Zakri bin Abdul Rashid	1,084,900	0.15	51,000#	0.01
Chuah Phaik Sim	1,635,000	0.22	4,351,200**	0.59
Dr Danaraj A/L Nadarajah	335,000	0.05	0	0
Dato' Tan Guan Cheong	40,000	0.01	0	0

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

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

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

## ANALYSIS OF SHAREHOLDINGS AS AT 28 JUNE 2013

### 30 LARGEST SHAREHOLDERS AS AT 28 JUNE 2013

No.	Name of Shareholders	No. of Shares	%
1	Hartalega Industries Sdn Bhd	367,854,304	50.05
2	Budi Tenggara Sdn Bhd	36,294,000	4.94
3	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt AN for BNP Paribas Wealth Management Singapore Branch (Foreign)	33,690,836	4.58
4	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	30,272,800	4.12
5	HSBC Nominees (Asing) Sdn Bhd Exempt AN for BNP Paribas Wealth Management Singapore Branch (A/C Clients-FGN)	23,114,436	3.15
6	Jason Ten Jhia Seeng	15,510,326	2.11
7	Seow Hoon Hin	10,078,500	1.37
8	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Chase Bank, National Association (UK)	7,410,872	1.01
9	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Chase Bank, National Association (USA)	6,365,100	0.87
10	RHB Nominees (Asing) Sdn Bhd Medline Industries Inc	6,013,000	0.82
11	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	5,933,500	0.81
12	AmanahRaya Trustees Berhad Public Islamic Equity Fund	5,643,500	0.77
13	TYE Holdings Sdn Bhd	5,300,000	0.72
14	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	4,966,600	0.68
15	Pacific Venue Sdn Bhd	4,681,400	0.64
16	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	4,606,000	0.63
17	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LPF)	4,460,000	0.61
18	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F Templeton)	4,273,500	0.58
19	HSBC Nominees (Asing) Sdn Bhd Exempt AN for the Bank of New York Mellon (Mellon ACCT)	4,007,800	0.55
20	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Chase Bank, National Association (NORGES BK)	3,982,000	0.54
21	Kinetic Region Sdn Bhd	3,751,200	0.51
22	AMSEC Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB Dali)	3,460,400	0.47
23	Kuan Eu Jin	3,430,500	0.47
24	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seow Hoon Hin (472187)	3,252,600	0.44
25	Anisa Seow Jing Ying	3,006,000	0.41
26	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	2,860,600	0.39
27	HSBC Nominees (Asing) Sdn Bhd BBH and CO Boston for DWS Global Thematic Fund	2,837,932	0.39
28	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Namal (L) LTD	2,700,000	0.37
29	Tan Booi Charn	2,600,000	0.35
30	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Bank Luxembourg S.A.	2,272,900	0.31

# ANALYSIS OF WARRANTS

## AS AT 28 JUNE 2013

### DISTRIBUTION OF WARRANT HOLDINGS

Size of Holdings	No. of Holders	No. of Shares	%
Less than 100	164	5,529	0.01
100 - 1,000	686	294,791	0.41
1,001 - 10,000	448	1,720,346	2.37
10,001 to 100,000	171	5,043,604	6.95
100,001 to 3,629,874(*)	47	25,062,796	34.52
3,629,875 and above(**)	2	40,470,434	55.74
	1,518	72,597,500	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	36,785,430	50.67	0	0
Kuan Kam Hon @ Kwan Kam Onn	0	0.00	40,414,830*	55.67
Kuan Kam Peng	0	0.00	36,785,430**	50.67

\* 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 28 JUNE 2013

### DIRECTORS' WARRANT HOLDINGS

Name of Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Kuan Kam Hon @ Kwan Kam Onn	0	0.00	40,414,830*	55.67
Kuan Mun Leong	137,700	0.19	0	0
Kuan Mun Keng	137,400	0.19	0	0
Liew Ben Poh	90,000	0.12	1,200#	0
Dato' Mohamed Zakri bin Abdul Rashid	110,100	0.15	5,100#	0.01
Chuah Phaik Sim	163,500	0.22	435,120**	0.60
Dr 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 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 28 JUNE 2013

### 30 LARGEST SHAREHOLDERS AS AT 28 JUNE 2013

No.	Name of Shareholders	No. of Shares	%
1	Hartalega Industries Sdn Bhd	36,785,430	50.67
2	HSBC Nominees (Asing) Sdn Bhd Exempt AN for BNP Paribas Wealth Management Singapore Branch (A/C Clients-FGN)	3,685,004	5.08
3	Budi Tenggara Sdn Bhd	3,629,400	5.00
4	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	2,136,400	2.94
5	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt AN for BNP Paribas Wealth Management Singapore Branch (Foreign)	1,979,083	2.73
6	Kelana Citra Sdn Bhd	1,913,900	2.64
7	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seow Hoon Hin (472187)	1,526,600	2.10
8	Seow Hoon Hin	1,514,800	2.09
9	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seow Hoon Hin	1,250,100	1.72
10	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seow Hoon Hin	1,244,900	1.71
11	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Chase Bank, National Association (U.K.)	738,480	1.02
12	RHB Nominees (Asing) Sdn Bhd Medline Industries Inc	601,300	0.83
13	Amanahraya Trustees Berhad Public Islamic Equity Fund	557,940	0.77
14	Jason Ten Jhia Seeng	545,000	0.75
15	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Chase Bank, National Association (U.S.A)	517,641	0.71
16	Pacific Venue Sdn Bhd	509,140	0.70
17	RHB Nominees (Asing) Sdn Bhd Ian James Schottlander	379,820	0.52
18	Kinetic Region Sdn Bhd	375,120	0.52
19	Ron Paul	346,000	0.48
20	Kuan Eu Jin	343,050	0.47
21	Ng Phooi Yoong	286,000	0.39
22	Heng Chee Cheng	267,000	0.37
23	Tan Booi Charn	260,000	0.36
24	Chong Boo Haw	244,000	0.34
25	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (Mellon Act)	240,320	0.33
26	Cheong Siew Chyuan	235,000	0.32
27	Lim Boon Kiong	219,840	0.30
28	HSBC Nominees (Asing) Sdn Bhd BBH and CO Boston for DWS Global Small Cap Growth Fund	219,112	0.30
29	Lee Kim Toh	217,070	0.30
30	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seow Hoon Hin (E-KLC)	202,800	0.28

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Seventh (7th) Annual General Meeting of the Company will be held at the Casuarina and Dillenia Room, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 27 August 2013, at 9.30 a.m. for the following purposes:

## **A G E N D A**

### **AS ORDINARY BUSINESSES**

1. To table the Audited Financial Statements for the year ended **31 March 2013** 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 2013**. **(Resolution 1)**
3. To approve the payment of Directors' Fees totalling RM288,000 for the financial year ended **31 March 2013**. **(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 Kam Hon @ Kwan Kam Onn **(Resolution 3)**
  - (b) Dato' Mohamed Zakri Bin Abdul Rashid **(Resolution 4)**
  - (c) Madam Chuah Phaik Sim **(Resolution 5)**
5. To appoint Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration.

Notice of Nomination from a shareholder pursuant to Section 172(11) of the Companies Act 1965, a copy of which is annexed hereto and marked "Appendix I" has been received by the Company for the nomination of Messrs. Deloitte & Touche, for appointment as Auditors and of the intention to propose the following Ordinary Resolution:

"THAT Messrs. Deloitte & Touche be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Baker Tilly AC (formerly known as Messrs Moore Stephens AC), and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board of Directors." **(Resolution 6)**

## NOTICE OF ANNUAL GENERAL MEETING

### AS SPECIAL BUSINESSES

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

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

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

**(Resolution 7)**

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

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

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

## NOTICE OF ANNUAL GENERAL MEETING

### 7. **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 8)**

### 8. **SPECIAL RESOLUTION - PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION**

"THAT the Proposed Amendments to the Articles of Association of the Company as contained in the Appendix II of the Annual Report for the financial year ended 31 March 2013 (the "Proposed Amendments") be hereby approved and adopted."

AND THAT the Board of Directors be and is hereby authorised to take all such steps they deem necessary to effect and complete the said Proposed Amendments.

**(Resolution 9)**



## NOTICE OF ANNUAL GENERAL MEETING

### 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 2013, if approved, will be paid on 19 September 2013 to depositors registered in the Record of Depositors at the close of business on 6 September 2013.

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 6 September 2013 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

2 August 2013

## NOTICE OF ANNUAL GENERAL MEETING

### 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 appoint 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 21 August 2013 shall be entitled to attend the said meeting and to appoint a proxy or proxies to attend, speak and/or vote on his/her behalf.

### Explanatory notes on Special Business:

- (8) Resolution 7  
Ordinary Resolution - Authority to allot and issue shares pursuant to Section 132D of the Companies Act 1965  
The proposed Ordinary Resolution 7 is a renewable mandate for the issue of shares under Section 132D of the Companies Act 1965. If passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares (other than bonus or rights issue) and for such purposes as they consider would be in the best interests of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.  
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 14 August 2012 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 8  
Ordinary Resolution - Proposed renewal of authority for purchase of own shares by the Company  
The proposed Ordinary Resolution 8 if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share of the Company. This authority unless revoked or varied by the Company at a General Meeting will expire at the next Annual General Meeting.  
Further information on the Proposed Renewal of Authority for Purchase of Own Shares by the Company is set out in the Share Buy-Back Statements to Shareholders of the Company which is dispatched together with this Annual Report.
- (10) Resolution 9  
Special Resolution - Proposed amendments to the Company's Articles of Association  
The Proposed Resolution 9 is to amend the Company's Articles of Association to be in line with the recent amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The details of the Proposed Amendments are as set out in Appendix II on page 171 to 172 of 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 Kam Hon @ Kwan Kam Onn	(Article 91)	(Resolution 3)
(b) Dato' Mohamed Zakri Bin Abdul Rashid	(Article 91)	(Resolution 4)
(c) Madam Chuah Phaik Sim	(Article 91)	(Resolution 5)
2. The detailed profile of the above Directors who are standing for re-election are set out in the Directors' Profile 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 158 to 160.
3. Board Meetings held in the financial year ended 31 March 2013.

There were five (5) Board Meetings held during the financial year ended 31 March 2013. Details of the attendance of the Directors are as follows:

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

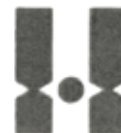
4. Place, Date and Time of Meeting  
The Seventh (7th) Annual General Meeting of the Company will be held at Casuarina and Dillenia Room, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 27 August 2013, at 9.30 a.m.

**Hartalega  
Industries**  
sdn. bhd.

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Industrial Est. 52100  
Kuala Lumpur, Malaysia.

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03-634-2534  
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Telex: MA 27042  
Fax: 03-636-9681  
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## Notice of Nomination of New Auditors

Date: 18 July 2013

"APPENDIX I"

The Board of Directors

**HARTALEGA HOLDINGS BERHAD**  
Level 2, Tower 1, Avenue 5  
Bangsar South City  
59200 Kuala Lumpur

Dear Sirs,

### RE: NOTICE OF NOMINATION OF NEW AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, we, being the member of the Company, hereby give notice of our intention to nominate Messrs. Deloitte & Touche for appointment as auditors of the Company and to replace the retiring auditors, Messrs Baker Tilly AC (formerly known as Messrs Moore Stephens AC) and to propose that the following ordinary resolution be tabled at the forthcoming Annual General Meeting of the Company:

*"THAT Messrs. Deloitte & Touche be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Baker Tilly AC (formerly known as Messrs Moore Stephens AC), and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board of Directors"*

Yours faithfully  
**HARTALEGA INDUSTRIES SDN. BHD.**

**DIRECTOR**

**DIRECTOR**

# APPENDIX II

## SPECIAL RESOLUTION – PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

THAT the Articles of Association of the Company is proposed to be amended in the following manner:

Article No.	Existing Articles	Amended Articles
	Interpretation	Interpretation
To amend Article 64 & Article 65	<p><b>Right to vote</b></p> <p>Subject to any special rights or restrictions as to voting attached to any class of shares, on a show of hands every Member who is present in person or by proxy shall one (1) vote for every share of which he is the holder.</p> <p>Subject to Article 49(a), (b) and (c), a Member of the Company shall be entitled to be present and to vote at any general meeting in respect of any share or shares upon which all calls due to the Company have been paid. Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.</p>	<p><b>Right to vote</b></p> <p>Subject to any rights or restrictions for the time being attaching to any class or classes of shares, at meetings of Members or of classes of members, each Member entitled to vote may vote in person or by proxy or by attorney or by representative and on a show of hands every person present who is a Member or a person or by proxy or an attorney of a Member shall have one vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for every such share he holds.</p> <p>A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.</p>
To amend Article 69	<p><b>Proxy to be in writing</b></p> <p>An instrument appointing a proxy shall be in writing and:</p> <p>(a) In the case of an individual shall be signed by the appointor or by his attorney; and</p> <p>(b) In the case of a corporation shall be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.</p> <p>The Directors may, but shall not be bound to require evidence of the authority of any such attorney or officer.</p>	<p><b>Proxy to be in writing</b></p> <p>The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A Member of a Company entitled to attend and vote at a meeting of a Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the Member of the meeting. There shall be no restriction as to the qualification of the proxy and Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.</p>

## SPECIAL RESOLUTION – PROPOSED AMENDMENTS TO THE COMPANY’S ARTICLES OF ASSOCIATION (CONT’D)

Article No.	Existing Articles	Amended Articles
To amend Article 70	<p><b>Number of proxy</b></p> <p>A Member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a Member appoints more than one represented by each proxy, failing which the appointment shall be invalid. A proxy so appoint needs not be a Member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965, shall not apply to the Company. A proxy shall be entitled to vote on a show of hands on any question at any general meeting.</p>	<p><b>Number of proxy</b></p> <p>A Member may appoint more than two (2) proxy to attend the same meeting. Where a Member appoints two (2) or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.</p> <p>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”), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.</p>
To amend Article 71	<p><b>Instrument appointing proxy to be deposited</b></p> <p>An instrument appointing a proxy must be left at the Office or such other place (if any) as is specified for that purpose in the notice convening the meeting not less than forty eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used, and in default shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of its execution. A proxy shall be entitled to vote on a show of hands on any question at any general meeting.</p>	<p><b>Instrument appointing proxy to be deposited</b></p> <p>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 shall be deposited at the registered office of the Company, or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.</p> <p>The completed instrument of proxy once deposited will not preclude the Member from attending and voting in person at the General Meeting should the Member subsequently wish to do so. A Member who is not resident in Malaysia or Singapore may by cable or other telegraphic communication appoint a proxy/ proxies to vote for him at any General Meeting of the Company PROVIDED:</p> <p>(a) Such cable or other telegraphic communication shall have been received forty-eight (48) hours before the time for the holding of the General Meeting or adjourned meeting as the case may be at which the person named in such cable or other telegraphic communication proposes to vote; and</p> <p>(b) The Directors are satisfied as to the genuineness of such cable or other telegraphic communication.</p>



# PROXY FORM

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

or \*the Chairman of the Meeting as \*my/our proxy to vote for \*me/us on \*my/our behalf at the **Seventh (7th) Annual General Meeting** of **Hartalega Holdings Berhad** to be held at Casuarina and Dillenia Room, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 27 August 2013, 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 Kam Hon @ Kwan Kam Onn as Director		
4.	To re-elect Dato' Mohamed Zakri Bin Abdul Rashid as Director		
5.	To re-elect Madam Chuah Phaik Sim as Director		
6.	To appoint Auditors of the Company and to authorise the Directors to determine their remuneration		
7.	<b>Special Business</b> - To approve the Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act 1965.		
8.	<b>Special Business</b> - To approve the Proposed Renewal of Authority for Purchase of Own Shares by the Company		
9.	<b>Special Business</b> - To approve Proposed Amendments to the Company's Articles of Association		

(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..... 2013

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

\*Delete where inapplicable

#### Notes:

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  - (2) Subject to Note A (3) below, where a member appoint 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 21 August 2013 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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**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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#### **CORPORATE OFFICE**

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