

474423 X

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

FINANCIAL STATEMENTS AS AT 31 AUGUST 2002
TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

474423 X

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

CONTENTS

	PAGE
DIRECTORS' REPORT	1 - 6
STATEMENT BY DIRECTORS	7
STATUTORY DECLARATION	7
AUDITORS' REPORT	8 - 9
CONSOLIDATED BALANCE SHEET	10
CONSOLIDATED INCOME STATEMENT	11
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12
CONSOLIDATED CASH FLOW STATEMENT	13 - 14
BALANCE SHEET	15
INCOME STATEMENT	16
STATEMENT OF CHANGES IN EQUITY	17
CASH FLOW STATEMENT	18
NOTES TO THE FINANCIAL STATEMENTS	19 - 33

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 August 2002.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services.

The principal activities of the subsidiaries are described in Note 4 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
Net profit for the year	<u>18,059,406</u>	<u>11,394,249</u>

DIVIDENDS

The amount of dividend paid by the Company since 31 August 2001 was as follows :

In respect of the financial year ended 31 August 2001 :	RM
Final tax exempt dividend of 3% paid on 1 March 2002	<u>1,500,000</u>

At the forthcoming Annual General Meeting, a first and final dividend in respect of the current financial year ended 31 August 2002 of 6% on 65,000,000 ordinary shares less 28% taxation amounting to a total dividend of RM2,808,000 (4.32 sen per share) will be proposed for shareholders approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 August 2003.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets 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 satisfied themselves that there were no known bad debts 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 require any amount to be written off as bad debts or render the amount provided for as doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and the Company have been written down to an amount which they might be expected so to realise.

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

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

No contingent or other liability 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 substantially affect the ability of the Group or the Company to meet their obligations 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 or the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events during the financial year are as disclosed in Note 4(b) to the financial statements.

SHARE CAPITAL

During the financial year, the Company increased its :

- (a) authorised share capital from RM50,000,000 to RM100,000,000 through the creation of 50,000,000 ordinary shares of RM1 each; and
- (b) issued and paid-up share capital from RM50,000,000 to RM65,000,000 by way of the issuance of 15,000,000 ordinary shares of RM1 each via bonus issue on the basis of 3 new ordinary shares of RM1 each for every 10 existing ordinary shares of RM1 each held in the Company, by way of capitalisation of Retained Profits Account. These bonus shares were listed on 5 April 2002.

All the new ordinary shares that were issued rank pari passu in all respects with the existing shares.

On 26 August 2002, the Company announced the proposed bonus issue of 26,000,000 new ordinary shares of RM1 each in the Company on the basis of 2 new ordinary shares for every 5 existing ordinary shares held. In addition, the Company has also announced the proposed Employee Share Option Scheme ("ESOS") of up to 10% of its issued and paid up share capital.

The above proposals are subject to the Shareholders', Securities Commission's and Kuala Lumpur Stock Exchange's approval.

On 10 October 2002, the Company announced the proposed Share Buy Back of up to 10% of its issued and paid up share capital. The said proposal is conditional upon the shareholders' approval.

All the shares to be issued pursuant to the proposed Bonus Issue and ESOS will rank *pari passu* in all respects with the existing shares of the Company except that they shall not entitle to any dividends, rights, allotments and/or any other distributions, the entitlement of which is prior to the allotment of Bonus Issue and ESOS.

To accommodate the proposed Bonus Issue and ESOS, the Company also proposed an increase in authorised share capital from 100,000,000 ordinary shares to 200,000,000 ordinary shares by the creation of 100,000,000 new ordinary shares of RM1 each.

DIRECTORS

The directors who served since the date of the last report are:

Dr. Lim Wee Chai

Tan Sri Datuk Arshad bin Ayub

Tong Siew Bee

Haji Shahadan bin Haji Abd Manas

Lim Hooi Sin

Sekarajasekaran A/L Arasaratnam

Lau Boon Ann

Quah Chin Chye

- appointed on 28 December 2001

Lee Kim Meow

(alternate to Lim Hooi Sin)

- appointed on 5 January 2002

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 16 to 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 he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each				31 August 2002
	1 September 2001/Date of appointment	Bonus Issue	Bought	Sold	
Dr. Lim Wee Chai					
- direct	14,685,813	4,405,743	-	-	19,091,556
- indirect	8,611,178	2,583,359	-	-	11,194,537
Tan Sri Datuk Arshad bin Ayub	1,875,000	444,600	-	393,000	1,926,600
Tong Siew Bee					
- direct	913,242	273,971	-	-	1,187,213
- indirect	22,383,749	6,715,131	-	-	29,098,880
Haji Shahadan bin Haji Abd Manas	410,000	123,000	-	520,000	13,000
Lim Hooi Sin					
- direct	1,395,366	418,609	-	-	1,813,975
- indirect	21,901,625	6,570,493	-	-	28,472,118
Sekarajasekaran A/L Arasaratnam	2,073,731	622,119	-	-	2,695,850
Lau Boon Ann	10,000	3,000	-	-	13,000
Quah Chin Chye	-	-	-	-	-
Lee Kim Meow	195,883	64,764	20,000	-	280,647

Dr. Lim Wee Chai, Tong Siew Bee and Lim Hooi Sin by virtue of their interest in shares of the Company are also deemed interested in shares of all the subsidiaries to the extent the Company has an interest.

474423 X

AUDITORS

Our auditors, Arthur Andersen & Co. retire and do not seek re-appointment. A resolution to appoint Ernst & Young will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the
Board in accordance with a
resolution of the directors



DR. LIM WEE CHAI



QUAH CHIN CHYE

Klang
Date:

06 NOV 2002

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, DR. LIM WEE CHAI and QUAH CHIN CHYE, being two of the directors of TOP GLOVE CORPORATION BHD., do hereby state that, in the opinion of the directors, the financial statements set out on pages 10 to 33 give a true and fair view of the state of affairs of the Group and the Company as at 31 August 2002 and of their results and their cash flows for the year then ended and have been properly drawn up in accordance with the provisions of Companies Act 1965 and applicable approved accounting standards in Malaysia.

Signed on behalf of the
Board in accordance with a
resolution of the directors



DR. LIM WEE CHAI



QUAH CHIN CHYE

Klang

Date: 06 NOV 2002

STATUTORY DECLARATION

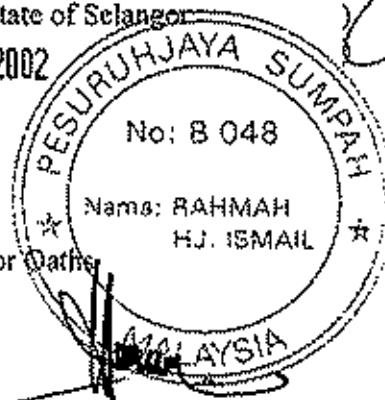
I, QUAH CHIN CHYE, the director primarily responsible for the financial management of TOP GLOVE CORPORATION BHD., do solemnly and sincerely declare that the financial statements set out on pages 10 to 33 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared
by the abovenamed QUAH CHIN CHYE
at Klang in the State of Selangor
on 06 NOV 2002


QUAH CHIN CHYE

Before me:

Commissioner for Oath



No. 3, Tingkat Bawah
Jalan Kapar, 41400
Klang, Selangor. - 7 -
Depan Tabung Haji

AUDITORS' REPORT

To the Shareholders of
TOP GLOVE CORPORATION BHD.

We have audited the financial statements set out on pages 10 to 33. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

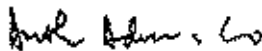
In our opinion :

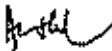
- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards in Malaysia and give a true and fair view of:
 - (i) the state of affairs of the Group and the Company as at 31 August 2002 and of their results and their cash flows for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, as indicated in Note 4 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

The auditor's reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Malaysia, did not include any comment made under subsection (3) of Section 174 of the Act.


Arthur Andersen & Co.
No. AF 0103
Chartered Accountants


Lee Ah Too
No. 2187/09/03(J)
Partner of the Firm

Melaka

Date: 6 NOVEMBER 2002

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2002

	Note	2002 RM	2001 RM
NON-CURRENT ASSETS			
Property, plant and equipment	3	86,273,929	71,443,524
Other investment	5	15,300	15,300
		<u>86,289,229</u>	<u>71,458,824</u>
CURRENT ASSETS			
Inventories	7	27,007,673	23,025,816
Other receivables		4,323,896	1,297,067
Trade receivables		28,290,008	23,327,756
Cash and bank balances	9	16,906,977	9,824,335
		<u>76,528,554</u>	<u>57,474,974</u>
CURRENT LIABILITIES			
Short term borrowings	10	7,735,339	8,398,308
Trade payables		22,962,757	11,267,168
Other payables		10,707,642	7,757,716
Taxation		323,749	726,245
		<u>41,729,487</u>	<u>28,149,437</u>
NET CURRENT ASSETS		<u>34,799,067</u>	<u>29,325,537</u>
		<u>121,088,296</u>	<u>100,784,361</u>
FINANCED BY :			
Share capital	11	65,000,000	50,000,000
Reserves		44,136,602	43,170,391
Shareholders' equity		109,136,602	93,170,391
Minority interests		3,548,163	320,824
		<u>112,684,765</u>	<u>93,491,215</u>
Hire purchase payables	12	138,490	305,706
Term loans	13	5,562,041	5,254,440
Deferred taxation	14	2,703,000	1,733,000
Non-current liabilities		8,403,531	7,293,146
		<u>121,088,296</u>	<u>100,784,361</u>

The accompanying notes are an integral part of this balance sheet.

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2002**

	Note	2002 RM	2001 RM
Revenue	15	180,202,451	138,862,134
Cost of sales		<u>(136,164,582)</u>	<u>(103,932,195)</u>
Gross profit		44,037,869	34,929,939
Other operating income		228,391	347,750
Distribution and selling costs		<u>(13,528,586)</u>	<u>(9,355,525)</u>
Administrative and general expenses		<u>(9,893,406)</u>	<u>(6,899,080)</u>
Profit from operations	16	20,844,268	19,023,084
Finance costs	17	<u>(658,008)</u>	<u>(1,805,599)</u>
Profit before taxation		20,186,260	17,217,485
Taxation	18	<u>(2,212,821)</u>	<u>(1,312,313)</u>
Profit after taxation		17,973,439	15,905,172
Minority interests		<u>85,967</u>	<u>(3,645)</u>
Net profit for the year		<u>18,059,406</u>	<u>15,901,527</u>
Basic earnings per share (sen)	19	<u>27.8</u>	<u>28.9</u>

The accompanying notes are an integral part of this statement.

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2002**

	←Non-distributable→			Distributable	
	Share capital RM	Share premium RM	Foreign exchange reserve RM	Retained profits RM	Total RM
At 1 September 2000	600,000	-	-	27,950,841	28,550,841
Issuance of shares					
- Acquisition of subsidiaries	25,975,213	-	-	-	25,975,213
- Rights Issue	15,914,787	2,546,366	-	-	18,461,153
- Public Issue	7,510,000	12,767,000	-	-	20,277,000
Listing expenses	-	(1,472,658)	-	-	(1,472,658)
Merger deficit set off	-	-	-	(12,053,213)	(12,053,213)
Currency translation differences *	-	-	30,528	-	30,528
Net profit for the year	-	-	-	15,901,527	15,901,527
Dividends (Note 20)	-	-	-	(2,500,000)	(2,500,000)
At 31 August 2001	50,000,000	13,840,708	30,528	29,299,155	93,170,391
Issuance of bonus shares	15,000,000	-	-	(15,000,000)	-
Share issue expenses	-	(225,840)	-	-	(225,840)
Currency translation differences *	-	-	(367,355)	-	(367,355)
Net profit for the year	-	-	-	18,059,406	18,059,406
Dividends (Note 20)	-	-	-	(1,500,000)	(1,500,000)
At 31 August 2002	65,000,000	13,614,868	(336,827)	30,858,561	109,136,602

* Representing net gain/(loss) not recognised in the income statement.

The accompanying notes are an integral part of this statement.

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2002

	2002 RM	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	20,186,260	17,217,485
Adjustments for :		
Depreciation	6,038,718	4,864,645
Gain on disposals of property, plant and equipment	(62,912)	(14,174)
Intangible assets written off	-	33,792
Interest expense	833,092	1,782,740
Interest income	(193,361)	(101,984)
Operating profit before working capital changes	<u>26,801,797</u>	<u>23,782,504</u>
Increase in receivables	(8,177,048)	(23,986,169)
Increase in inventories	(3,981,857)	(8,468,575)
Increase in payables	14,832,151	12,989,463
Cash generated from operations	<u>29,475,043</u>	<u>4,317,223</u>
Interest paid	(833,092)	(1,782,740)
Tax paid	(1,644,677)	(944,257)
Net cash generated from operating activities	<u>26,997,274</u>	<u>1,590,226</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of shares	2,946,642	39,080,060
Purchase of property, plant and equipment	(21,970,114)	(14,221,527)
Interest received	193,361	101,984
Proceeds from disposals of fixed assets	1,323,903	304,808
Net cash (used in)/generated from investing activities	<u>(17,506,208)</u>	<u>25,265,325</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue / listing expenses	(225,840)	(1,472,658)
Payment of dividends	(1,500,000)	(2,500,000)
Repayments of hire purchase payables	(556,526)	(1,172,421)
Drawdown of term loan	1,890,189	90,392
Repayment of term loans	(783,277)	(14,641,441)
Short term borrowings	272,657	1,027,000
Net cash used in financing activities	<u>(902,797)</u>	<u>(18,669,128)</u>

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2002 (CONT'D)

	2002	2001
	RM	RM
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,588,269	8,186,423
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,042,902</u>	<u>(143,521)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>16,631,171</u>	<u>8,042,902</u>
Cash and cash equivalents comprise :		
Cash and bank balances	16,906,977	9,824,335
Bank overdrafts	<u>(275,806)</u>	<u>(1,781,433)</u>
	<u>16,631,171</u>	<u>8,042,902</u>

The accompanying notes are an integral part of this statement.

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 AUGUST 2002

	Note	2002 RM	2001 RM
NON-CURRENT ASSETS			
Subsidiaries	4	25,975,213	25,975,213
Due from a subsidiary	6	48,001,941	43,893,717
		<u>73,977,154</u>	<u>69,868,930</u>
CURRENT ASSETS			
Other receivables	8	17,374,506	11,779,849
Cash and bank balances	9	7,935	8,594
		<u>17,382,441</u>	<u>11,788,443</u>
CURRENT LIABILITIES			
Other payables		<u>225,000</u>	<u>191,187</u>
NET CURRENT ASSETS			
		<u>17,157,441</u>	<u>11,597,256</u>
		<u>91,134,595</u>	<u>81,466,186</u>
FINANCED BY:			
Share capital	11	65,000,000	50,000,000
Reserves		26,134,595	31,466,186
Shareholders' equity		<u>91,134,595</u>	<u>81,466,186</u>

The accompanying notes are an integral part of this balance sheet.

474423 X

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2002

	Note	2002 RM	2001 RM
Revenue	15	14,177,778	20,600,000
Interest income		-	21,247
Administrative and general expenses		<u>(325,751)</u>	<u>(215,769)</u>
Profit from operations	16	13,852,027	20,405,478
Taxation	18	<u>(2,457,778)</u>	<u>(280,000)</u>
Net profit for the year		<u>11,394,249</u>	<u>20,125,478</u>

The accompanying notes are an integral part of this statement.

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2002**

	Non- distributable		Distributable	Total RM
	Share capital RM	Share premium RM	Retained profits RM	
At 1 September 2000	600,000	-	-	600,000
Issuance of shares				
- Acquisition of subsidiaries	25,975,213	-	-	25,975,213
- Rights Issue	15,914,787	2,546,366	-	18,461,153
- Public Issue	7,510,000	12,767,000	-	20,277,000
Listing expenses	-	(1,472,658)	-	(1,472,658)
Net profit for the year	-	-	20,125,478	20,125,478
Dividends (Note 20)	-	-	(2,500,000)	(2,500,000)
At 31 August 2001	50,000,000	13,840,708	17,625,478	81,466,186
Issuance of bonus shares	15,000,000	-	(15,000,000)	-
Share issue expenses	-	(225,840)	-	(225,840)
Net profit for the year	-	-	11,394,249	11,394,249
Dividends (Note 20)	-	-	(1,500,000)	(1,500,000)
At 31 August 2002	65,000,000	13,614,868	12,519,727	91,134,595

The accompanying notes are an integral part of this statement.

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2002

	2002	2001
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	13,852,249	20,405,478
Adjustments for :		
Intangible assets written off	-	11,089
Interest income	-	(21,247)
Operating profit before working capital changes	13,852,249	20,395,320
Increase in receivables	(9,702,881)	(55,074,568)
Increase in payables	33,813	180,106
Cash generated from/(used in) operations	4,183,181	(34,499,142)
Tax paid	(2,458,000)	(280,000)
Net cash generated from/(used in) operating activities	<u>1,725,181</u>	<u>(34,779,142)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of shares	-	38,738,153
Interest received	-	21,247
Net cash generated from investing activities	<u>-</u>	<u>38,759,400</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue / listing expenses	(225,840)	(1,472,658)
Dividends paid	(1,500,000)	(2,500,000)
Net cash used in financing activities	<u>(1,725,840)</u>	<u>(3,972,658)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(659)	7,600
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,594</u>	<u>994</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>7,935</u>	<u>8,594</u>
Cash and cash equivalents comprise :		
Cash and bank balances	<u>7,935</u>	<u>8,594</u>

The accompanying notes are an integral part of this statement.

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2002

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiaries are described in Note 4. There were no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Kuala Lumpur Stock Exchange. The principal place of business of the Company is located at Lot 5091, Jalan Teratai, Batu 5, off Jalan Meru, 41050 Klang, Selangor.

The number of employees in the Group at the end of the financial year was 1,500 (2001 : 1,356).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 6 November 2002.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the provisions of the Companies Act 1965 and applicable approved accounting standards in Malaysia.

(b) Revenue Recognition

(i) Sales of goods

Revenue relating to sale of goods is recognised net of discounts when transfer of risks and rewards has been completed.

(ii) Dividend income

Dividend income is recognised when shareholder's right to receive payment is established.

(iii) Revenue from services

Revenue from services rendered is recognised net of discounts as and when the services are performed.

(iv) Interest income

Interest income is recognised on accrual basis.

(c) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits therefrom. Companies acquired or disposed are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

Acquisition of subsidiaries which meet the criteria for merger are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's book is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. The results of the companies being merged are included as if the merger had been effected throughout the current and previous financial years. All the subsidiaries are consolidated using the merger method of accounting except for the acquisition of Great Glove (Thailand) Co. Ltd., Top Glove Medical (Thailand) Co. Ltd. and Top Glove (Zhangjiagang) Co. Ltd., which are accounted for under the acquisition method.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The difference between the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation and is not amortised or credited to income statement.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets.

(d) Investments

Investment in subsidiaries and other non-current investments are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognized as an expense in the period in which the decline occurred. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(e) Currency Conversion and Translation

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences are taken to the income statement.

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are taken to reserves.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows :

	2002	2001
	RM	RM
United States Dollar	3.800	3.800
Singapore Dollar	2.170	2.167
Thailand Baht	0.089	0.088
China, Yuan Renminbi	0.450	N/A

(f) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated over the period of the respective lease which ranges from 63 years to 72 years. Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost of each asset to their residual value over their estimated useful life at the following annual rates :

Buildings	2%
Plant and equipment	10%
Other assets	10% - 20%

The carrying values of property, plant and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(g) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable values. Cost of finished goods and work-in-progress include direct materials, direct labour, other direct costs and appropriate production overheads.

(h) Deferred Taxation

Deferred taxation is provided under the liability method for all material timing differences except where there is reasonable evidence that these timing differences will not reverse.

(i) Hire Purchase

Property, plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in (f) above. The corresponding outstanding obligations due under the hire purchase after deducting finance charges are included as liabilities in the financial statements. Finance charges are charged to the income statement over the period of the respective agreements so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at banks and deposits at call, net of outstanding bank overdrafts.

(k) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

(l) Interest Capitalisation

Interest incurred on borrowings relating to the purchase of property, plant and equipment is capitalised until the assets are ready for their intended use.

3. PROPERTY, PLANT AND EQUIPMENT

Group	* Land and buildings RM	Plant and equipment RM	** Other assets RM	Capital work-in- progress RM	Total RM
Cost					
At 1 September 2001	37,054,628	41,101,050	5,104,274	1,326,015	84,585,967
Additions	3,525,879	13,662,295	1,439,005	3,502,935	22,130,114
Reclassification	-	1,326,015	-	(1,326,015)	-
Disposals	(1,223,468)	(26,000)	(13,800)	-	(1,263,268)
At 31 August 2002	<u>39,357,039</u>	<u>56,063,360</u>	<u>6,529,479</u>	<u>3,502,935</u>	<u>105,452,813</u>
Accumulated Depreciation					
At 1 September 2001	1,507,522	10,065,718	1,569,203	-	13,142,443
Charge for the year	654,318	4,599,782	784,618	-	6,038,718
Disposals	(1,817)	-	(460)	-	(2,277)
At 31 August 2002	<u>2,160,023</u>	<u>14,665,500</u>	<u>2,353,361</u>	<u>-</u>	<u>19,178,884</u>

474423 X

	* Land and buildings RM	Plant and equipment RM	** Other assets RM	Capital work-in-progress RM	Total RM
Net Book Value					
At 31 August 2002	37,197,016	41,397,860	4,176,118	3,502,935	86,273,929
At 31 August 2001	35,547,106	31,035,332	3,535,071	1,326,015	71,443,524
Depreciation charge for 2001	560,928	3,589,636	714,081	-	4,864,645

* Land and buildings

	Freehold land RM	Long term leasehold land RM	Buildings RM	Total RM
Cost				
At 1 September 2001	9,462,142	2,900,000	24,692,486	37,054,628
Additions	2,445,873	-	1,080,006	3,525,879
Disposals	(1,093,651)	-	(129,817)	(1,223,468)
At 31 August 2002*	10,814,364	2,900,000	25,642,675	39,357,039
Accumulated Depreciation				
At 1 September 2001	-	56,976	1,450,546	1,507,522
Charge for the year	-	42,732	611,586	654,318
Disposals	-	-	(1,817)	(1,187)
At 31 August 2002	-	99,708	2,060,315	2,160,023
Net Book Value				
At 31 August 2002	10,814,364	2,800,292	23,582,360	37,197,016
At 31 August 2001	9,462,142	2,843,024	23,241,940	35,547,106
Depreciation charge for 2001	-	42,732	518,196	560,928

** Other assets comprise motor vehicles, office furniture and equipment.

- (a) Property, plant and equipment of the Group with the following carrying values are pledged to banks for banking facilities granted to the Group as referred to in Notes 10 and 13.

	2002 RM	2001 RM
Land and buildings	25,799,427	30,703,678
Plant and equipment	11,606,944	20,488,277
Other assets	407,913	2,569,199
Capital work-in-progress	-	1,326,015
	<u>37,814,284</u>	<u>55,087,169</u>

- (b) Included in the above property, plant and equipment are assets held under hire purchase agreements as follows:

	Net Book Value	
	2002 RM	2001 RM
Motor vehicles	1,339,331	1,328,529
Plant and equipment	-	3,522,271
	<u>1,339,331</u>	<u>4,850,800</u>

4. SUBSIDIARIES

	Company	
	2002 RM	2001 RM
Unquoted shares, at cost :		
- in Malaysia	25,170,022	25,170,022
- outside Malaysia	805,191	805,191
	<u>25,975,213</u>	<u>25,975,213</u>

- (a) Details of the subsidiaries are as follows :

Name of company	Country of incorporation	Equity interests		Principal activities
		2002 %	2001 %	
Top Glove Sdn. Bhd. ("TGSB")	Malaysia	100	100	Manufacture and trading of gloves
TG Medical Sdn. Bhd. *	Malaysia	100	100	Manufacture and trading of gloves
Great Gloves Sdn. Bhd. *	Malaysia	100	100	Trading of gloves

Name of company	Country of incorporation	Equity interests		Principal activities
		2002 %	2001 %	
Top Glove Engineering Sdn. Bhd. *	Malaysia	100	100	Property investment
TG Medical (U.S.A.) Inc *	United States of America	100	100	Trading of gloves
Subsidiaries of TGSB :				
Great Glove (Thailand) Co. Ltd. ("GG Thailand") *	Thailand	74	74	Manufacture of gloves
Top Glove Medical (Thailand) Co. Ltd. ("TG Thailand") *	Thailand	60	-	Dormant
Top Glove (Zhangjiagang) Co. Ltd. ("TG China") *	China	55	-	Dormant

* Subsidiaries not audited by Arthur Andersen & Co.

(b) Acquisition of subsidiaries :

On 28 January 2002, the Company through its wholly owned subsidiary, TGSB subscribed 3,600,000 ordinary shares of 10 Thailand Baht each, representing 60% equity interest in TG Thailand, for a cash consideration of 36,000,000 Thailand Baht or RM3,669,720. TG Thailand is incorporated in Thailand and its intended principal activities are to engage in the manufacturing and trading of latex gloves.

On 8 May 2002, TGSB subscribed for 1,650,000 ordinary shares of USD1 each, representing 55% equity interest in TG China for a cash consideration of USD1,650,000 or approximately RM6,270,000. As at the end of the financial year, TG China has called up 15% of share capital and TGSB has paid RM965,648 for its portion. TG China is incorporated in China and its intended principal activities are to engage in the manufacturing and trading of PVC gloves.

- (c) The effect of the acquisition on the financial results of the Group from the date of acquisition to 31 August 2002 was as follows :

	2002 RM	2001 RM
Revenue	-	138,862,134
Operating costs	<u>(170,163)</u>	<u>(119,744,528)</u>
(Loss)/profits from operations	(170,163)	19,117,606
Finance costs, net	<u>(10,920)</u>	<u>(1,805,599)</u>
Profit before taxation	(181,083)	17,312,007
Taxation	<u>-</u>	<u>(1,032,313)</u>
(Loss)/profit after taxation and attributable to shareholders	<u>(181,083)</u>	<u>16,279,694</u>

- (d) The effect of the acquisition on the financial position of the Group as at 31 August 2002 was as follows :

	RM	RM
Property, plant and equipment	5,205,899	71,443,524
Other investment	-	15,300
Inventories	-	23,025,816
Trade and other receivables	1,418,099	9,113,082
Cash and bank balances	3,264,829	9,815,741
Trade and other payables	<u>(1,007,522)</u>	<u>(77,356,765)</u>
Short term borrowings	(919,137)	(8,398,308)
Term loans	(990,099)	(5,254,440)
Hire purchase payables	(31,744)	(305,706)
Deferred taxation	-	(1,733,000)
Taxation payable	<u>-</u>	<u>(726,245)</u>
	<u>6,940,325</u>	<u>19,638,999</u>

5. OTHER INVESTMENT

	2002 RM	Group 2001 RM
Golf resort membership at cost	<u>15,300</u>	<u>15,300</u>

6. DUE FROM A SUBSIDIARY

The amount due from a subsidiary is unsecured, interest free and with no fixed terms of repayment.

7. INVENTORIES

	Group	
	2002 RM	2001 RM
At cost -		
Raw materials	3,748,018	2,048,264
Consumables and hardware	1,762,178	1,343,271
Work-in-progress	5,123,323	4,641,872
Finished goods	16,374,154	14,992,409
	<u>27,007,673</u>	<u>23,025,816</u>

8. OTHER RECEIVABLES

Included in the other receivables are the amounts due from subsidiaries of RM17,373,276 (2001 : RM11,779,849) which are unsecured, interest free and with no fixed terms of repayment.

9. CASH AND BANK BALANCES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Cash on hand and in banks	10,876,050	4,780,158	7,935	8,594
Fixed deposits with a licensed bank	6,030,927	5,044,177	-	-
	<u>16,906,977</u>	<u>9,824,335</u>	<u>7,935</u>	<u>8,594</u>
Less :				
Fixed deposits pledged as securities	(1,393,406)	(2,779,934)	-	-
	<u>15,513,571</u>	<u>7,044,401</u>	<u>7,935</u>	<u>8,594</u>

Fixed deposits amounting to RM2,479,752 (2001 : RM3,049,377) are registered in the name of directors and are held in trust for the Group.

10. SHORT TERM BORROWINGS

	Group	
	2002	2001
	RM	RM
Bank overdrafts	275,806	1,781,433
Banker's acceptances	-	134,000
Export credit refinancing	4,430,657	4,024,000
	<u>4,706,463</u>	<u>5,939,433</u>
Hire purchase payables (Note 12)	377,735	607,045
Term loans (Note 13)	2,651,141	1,851,830
	<u>7,735,339</u>	<u>8,398,308</u>

The short term borrowings bear interest of between 3.50% to 8.05% (2001 : 3.15% to 9.30%) per annum.

The short term borrowings of the Group are secured by way of fixed and floating charges over all the assets of certain subsidiaries.

11. SHARE CAPITAL

	Group and Company	
	2002	2001
	RM	RM
(a) Authorised :		
Ordinary shares of RM1 each		
At 1 September	50,000,000	50,000,000
Created during the year -	50,000,000	-
At 31 August	<u>100,000,000</u>	<u>50,000,000</u>
(b) Issued and fully paid :		
Ordinary shares of RM1 each		
At 1 September	50,000,000	600,000
Issued and paid up during the year		
- Acquisition of subsidiaries	-	25,975,213
- Rights issue	-	15,914,787
- Public issue	-	7,510,000
- Bonus issue	15,000,000	-
At 31 August	<u>65,000,000</u>	<u>50,000,000</u>

The newly issued shares during the financial year rank pari passu in all respects with the existing issued shares of the Company.

On 26 August 2002, the Company announced the proposed bonus issue of 26,000,000 new ordinary shares of RM1 each in the Company on the basis of 2 new ordinary shares for every 5 existing ordinary shares held. In addition, the Company has also announced the proposed Employee Share Option Scheme ("ESOS") of up to 10% of its issued and paid up share capital.

The above proposals are subject to the Shareholders', Securities Commission's and Kuala Lumpur Stock Exchange's approval.

On 10 October 2002, the Company announced the proposed Share Buy Back of up to 10% of its issued and paid up share capital. The said proposal is conditional upon the shareholders' approval.

All the shares to be issued pursuant to the proposed Bonus Issue and ESOS will rank pari passu in all respects with the existing shares of the Company except that they shall not entitle to any dividends, rights, allotments and/or any other distributions, the entitlement of which is prior to the allotment of Bonus Issue and ESOS.

To accommodate the proposed Bonus Issue and ESOS, the Company also proposed an increase in authorised share capital from 100,000,000 ordinary shares to 200,000,000 ordinary shares by the creation of 100,000,000 new ordinary shares of RM1 each.

12. HIRE PURCHASE PAYABLES

	Group	
	2002 RM	2001 RM
Future minimum payments:		
Payable within one year	469,966	736,242
Payable between one to five years	140,674	354,367
	<u>610,640</u>	<u>1,090,609</u>
	(94,415)	(177,858)
Less : finance charges	<u>516,225</u>	<u>912,751</u>
Representing hire purchase liabilities :		
Due within 12 months (Note 10)	377,735	607,045
Due after 12 months	138,490	305,706
	<u>516,225</u>	<u>912,751</u>

13. TERM LOANS

	Group	
	2002 RM	2001 RM
Total payables	8,213,182	7,106,270
Repayments due within 12 months included in current liabilities (Note 10)	<u>(2,651,141)</u>	<u>(1,851,830)</u>
Due after 12 months	<u>5,562,041</u>	<u>5,254,440</u>

The term loans are repayable over a period of up to 7.5 years and bear interest of between [7.40% to 8.05%] (2001 : 4.0% to 9.6%) per annum.

The term loans are secured by way of fixed and floating charges over all the assets of certain subsidiaries.

14. DEFERRED TAXATION

	Group	
	2002 RM	2001 RM
(a) At 1 September	1,733,000	1,233,000
Transfer from income statement	970,000	500,000
At 31 August	<u>2,703,000</u>	<u>1,733,000</u>
(b) Deferred taxation is in respect of the following :		
Timing differences between depreciation and corresponding capital allowances	<u>9,654,000</u>	<u>6,189,000</u>

15. REVENUE

Revenue of the Group and the Company consist of the following :

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Sales of goods net of discounts	180,202,451	138,862,134	-	-
Management fees receivable from subsidiaries	-	-	120,000	100,000
Dividends received from subsidiaries	-	-	14,057,778	20,500,000
	<u>180,202,451</u>	<u>138,862,134</u>	<u>14,177,778</u>	<u>20,600,000</u>

16. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting) :

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Auditors' remuneration	60,841	50,500	15,000	12,000
Depreciation	6,038,718	4,864,645	-	-
Directors' remuneration *	1,072,590	793,889	210,000	170,000
Gain on disposal of property, plant and equipment	62,912	-	-	-
Intangible assets written off	-	33,792	-	11,089
Staff costs	19,274,820	18,903,888	-	-
Rental expenses	<u>1,137,546</u>	<u>315,614</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
* Directors' remuneration				
Directors of the company				
Executive :				
Salaries and other emoluments	637,090	623,889	-	-
Fees	220,000	80,000	80,000	80,000
Benefit-in-kind	42,700	35,400	-	-
Non-executive :				
Fees	215,500	90,000	130,000	90,000
Total	<u>1,115,290</u>	<u>829,289</u>	<u>210,000</u>	<u>170,000</u>
Total excluding benefit-in-kind	<u>1,072,590</u>	<u>793,889</u>	<u>210,000</u>	<u>170,000</u>

17. FINANCE COSTS

Included in finance costs of the Group are :

	2002 RM	2001 RM
Interest expenses on borrowings	833,092	1,782,740
Interest income on deposits	<u>(193,361)</u>	<u>(101,984)</u>

18. TAXATION

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Current year's provision	1,242,821	812,313	2,457,778	280,000
Transfer to deferred taxation	970,000	500,000	-	-
	<u>2,212,821</u>	<u>1,312,313</u>	<u>2,457,778</u>	<u>280,000</u>

The effective rate of taxation of the Group is lower than the statutory rate of taxation principally due to the claim of reinvestment allowance by certain subsidiaries.

The effective rate of taxation of the Company is lower than the statutory rate of taxation principally due to majority of the dividends received by the Company are exempted from tax.

19. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit after taxation and minority interests of RM18,059,406 (2001 : RM15,901,527) by the weighted average number of shares during the year of 65,000,000 (2001 : 55,116,226). The number of ordinary shares used in the computation of earnings per share for 2001 have been adjusted for the bonus issue of 15,000,000 ordinary shares during the year retrospectively.

20. DIVIDENDS

	Group and Company			
	2002 RM	Amount 2001 RM	Dividend per share 2002 Sen	2001 Sen
Ordinary first interim tax exempt dividend of 5%	-	2,500,000	-	5
Ordinary final tax exempt dividend of 3%	<u>1,500,000</u>	<u>-</u>	3	-
	<u>1,500,000</u>	<u>2,500,000</u>		

At the forthcoming Annual General Meeting, a first and final dividend in respect of the current financial year ended 31 August 2002 of 6% on 65,000,000 ordinary shares less 28% taxation amounting to a total dividend of RM2,808,000 (4.32 sen per share) will be proposed for shareholders approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 August 2003.

21. COMMITMENTS

	Group	
	2002 RM	2001 RM
Capital expenditure:		
Approved and contracted for	2,629,000	-
Approved but not contracted for	<u>8,117,000</u>	<u>592,000</u>

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group	
	2002 RM	2001 RM
Purchases of raw materials from Titi Latex Sdn Bhd, a company in which a director, Dr. Lim Wee Chai has interest	<u>4,801,880</u>	<u>6,474,286</u>

The directors are of the opinion that the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

23. CONTINGENT LIABILITIES

	Group	
	2002	2001
	RM	RM
Corporate guarantee issued to financial institutions for credit facilities granted to subsidiaries (unsecured)	<u>9,263,062</u>	<u>2,991,663</u>

In addition, a wholly owned subsidiary of the Company, Top Glove Sdn. Bhd. ("TGSB") is subject to a litigation suit, which details are set out below :

Pursuant to Shah Alam High Court Civil Suit No. MT3-22-431-2000, a writ of summons was served by Supermax Glove Manufacturing Sdn. Bhd. ("SGM") ("the Plaintiff") against TGSB on 8 November, 2000 claiming damages in the region of USD 2 million. The claim alleges passing off by TGSB of certain coloured boxes bearing the device of a glove containing gloves manufactured by TGSB under the brand name "SAFEMAX" as boxes containing gloves manufactured by SGM under the brand name "SUPERMAX". The alleged infringing boxes are also alleged to carry notations of the various certifications of quality/accreditation belonging to SGM. Apart from damages, SGM have, inter alia, sought by way of relief injunctions preventing TGSB from carrying on certain acts relating to the alleged infringement and an order for the delivery up or destruction of the infringing goods.

TGSB's appointed solicitors have opined that SGM's case against TGSB is weak and unlikely to succeed. As such, the directors are of the opinion that no provision for any liabilities are required in the financial statements. The hearing of the Plaintiff's application to attend Pre-Trial Case Management was fixed on 14 April 2003.

24. FINANCIAL INFORMATION BY SEGMENTS

No financial information by segments has been prepared as the Group's activities are primarily in the manufacturing of gloves and are principally conducted in Malaysia.