



TOP GLOVE CORPORATION BHD.

Company No.199801018294 (474423-X)

The World's Largest Manufacturer of Gloves

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THIRD QUARTER ENDED 31 MAY 2020

	Current Quarter Ended	Corresponding Quarter Ended	Current Year To Date	Corresponding Year To Date
	31/May/2020	31/May/2019	31/May/2020	31/May/2019
	RM'000	RM'000	RM'000	RM'000
Revenue	1,688,324	1,190,235	4,127,201	3,612,165
Operating expenses	(1,271,296)	(1,101,143)	(3,439,741)	(3,239,556)
Other operating income	12,851	15,077	33,375	36,662
Profit from operations	429,879	104,169	720,835	409,271
Finance costs	(5,772)	(20,020)	(42,655)	(58,560)
Share of result of associate	(2,087)	(1,910)	(334)	(1,123)
Profit before tax	422,020	82,239	677,846	349,588
Taxation	(71,987)	(7,051)	(100,044)	(56,052)
Profit net of tax	350,033	75,188	577,802	293,536
Profit attributable to:				
Owners of the parent	347,895	74,665	575,004	290,512
Non controlling interests	2,138	523	2,798	3,024
	350,033	75,188	577,802	293,536
Earnings per share attributable to owners of the parent (sen) :				
Basic	13.59	2.92	22.46	11.37
Diluted	13.15	2.78	21.74	10.81

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2019.

TOP GLOVE CORPORATION BHD.

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(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 MAY 2020**

	Current	Corresponding	Current	Corresponding
	Quarter Ended	Quarter Ended	Year To Date	Year To Date
	31/May/2020	31/May/2019	31/May/2020	31/May/2019
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	350,033	75,188	577,802	293,536
Other comprehensive income/(loss): <i>Items that may be reclassified subsequently to profit or loss:</i>				
Net movement on debt instrument at fair value through other comprehensive income	0	1,765	(2,084)	1,391
Foreign currency translation differences of foreign operations	7,777	(15)	2,469	14,394
Cash flow hedge	(21,202)	(37,904)	(17,688)	(30,083)
Other comprehensive loss, net of tax	(13,425)	(36,154)	(17,303)	(14,298)
Total comprehensive income	336,608	39,034	560,499	279,238
Total comprehensive income attributable to:				
Owners of the parent	334,187	38,222	557,800	275,396
Non controlling interests	2,421	812	2,699	3,842
	336,608	39,034	560,499	279,238

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2019.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2020**

	Unaudited as at 31/May/2020 RM'000	Audited as at 31/Aug/2019 RM'000
ASSETS		
Non current assets		
Property, plant and equipment	2,874,103	2,480,026
Land use rights	177,976	178,495
Right of use assets	4,926	0
Investment property	163,908	163,900
Investment in an associate	11,519	11,853
Deferred tax assets	64,139	58,472
Investment securities	392	392
Intangible assets	1,011,963	1,014,693
	4,308,926	3,907,831
Current assets		
Inventories	515,358	629,896
Trade and other receivables	710,512	592,217
Other current assets	65,672	305,194
Investment securities	1,451,451	87,285
Cash and bank balances	347,824	165,782
	3,090,817	1,780,374
Total assets	7,399,743	5,688,205
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	571,539	492,414
Contract liabilities	394,448	55,610
Loans and borrowings	556,018	1,041,325
Lease liabilities	1,771	0
Income tax payables	58,991	789
Derivative financial instruments	817	1,653
	1,583,584	1,591,791
Net current assets	1,507,233	188,583
Non current liabilities		
Loans and borrowings	959,343	1,379,369
Lease liabilities	3,253	0
Deferred tax liabilities	160,574	159,714
Provisions	3,260	3,190
	1,126,430	1,542,273
Total liabilities	2,710,014	3,134,064
Net assets	4,689,729	2,554,141
Equity attributable to owners of the parent		
Share capital	1,169,954	788,326
Treasury shares	(1,781)	(1,781)
Retained earnings	2,224,569	1,751,963
Other reserves	(18,160)	(1,553)
	3,374,582	2,536,955
Perpetual Sukuk	1,295,262	0
Non controlling interests	19,885	17,186
Total equity	4,689,729	2,554,141
Total equity and liabilities	7,399,743	5,688,205
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.29	0.99

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 AS AT 31 MAY 2020**

	← Attributable to owners of the parent →												
	Total equity attributable to owners of the parent	← Non distributable					→ Distributable						
Total equity RM'000	Share capital RM'000	Treasury shares RM'000	Foreign exchange reserve RM'000	Legal reserve RM'000	Share option reserve RM'000	Cash flow hedge reserve RM'000	Other reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Perpetual sukuk RM'000	Non controlling interests RM'000		
9 months ended 31 May 2020													
Opening balance at 1 September 2019	2,554,141	2,536,955	788,326	(1,781)	51,645	10,088	8,995	(80,291)	5,926	2,084	1,751,963	0	17,186
Effects of adoption of MFRS 16 (note 1)	(51)	(51)	0	0	0	0	0	0	0	0	(51)	0	0
1 September 2019 (restated)	2,554,090	2,536,904	788,326	(1,781)	51,645	10,088	8,995	(80,291)	5,926	2,084	1,751,912	0	17,186
Total comprehensive income	560,499	557,800	0	0	2,568	0	0	(17,688)	0	(2,084)	575,004	0	2,699
	3,114,589	3,094,704	788,326	(1,781)	54,213	10,088	8,995	(97,979)	5,926	0	2,326,916	0	19,885
Transactions with owners													
Issuance of ordinary shares pursuant to ESOS	33,174	33,174	33,174	0	0	0	0	0	0	0	0	0	0
Issuance of ordinary shares pursuant to conversion of exchangeable bonds	348,458	348,458	348,458	0	0	0	0	0	0	0	0	0	0
Share options granted under ESOS	642	642	0	0	0	642	0	0	0	0	0	0	0
Transfer from share option reserve	0	0	0	0	0	(297)	0	0	0	0	297	0	0
Transaction cost	(4,742)	(4)	(4)	0	0	0	0	0	0	0	0	(4,738)	0
Transfer from retained earnings	0	0	0	0	0	0	0	0	252	0	(252)	0	0
Issuance of perpetual sukuk	1,300,000	0	0	0	0	0	0	0	0	0	0	1,300,000	0
Dividend on ordinary shares	(102,392)	(102,392)	0	0	0	0	0	0	0	0	(102,392)	0	0
Total transactions with owners	1,575,140	279,878	381,628	0	0	0	345	0	252	0	(102,347)	1,295,262	0
Closing balance at 31 May 2020	4,689,729	3,374,582	1,169,954	(1,781)	54,213	10,088	9,340	(97,979)	6,178	0	2,224,569	1,295,262	19,885
9 months ended 31 May 2019													
Opening balance at 1 September 2018	2,393,768	2,378,481	787,709	(9,325)	36,125	9,164	1,929	(41,504)	0	(1,163)	1,595,546	0	15,287
Prior year adjustment	4,628	4,565	0	0	(786)	0	0	0	2,898	0	2,453	0	63
1 September 2018 (Restated)	2,398,396	2,383,046	787,709	(9,325)	35,339	9,164	1,929	(41,504)	2,898	(1,163)	1,597,999	0	15,350
Total comprehensive income	279,238	275,396	0	0	13,576	0	0	(30,083)	0	1,391	290,512	0	3,842
Transactions with owners													
Issuance of ordinary shares pursuant to ESOS	648	648	648	0	0	0	0	0	0	0	0	0	0
Share options granted under ESOS	4,480	4,480	0	0	0	4,480	0	0	0	0	0	0	0
Equity component of exchangeable bonds	1,433	1,433	0	0	0	0	0	1,433	0	0	0	0	0
Transfer from share option reserve	0	0	46	0	0	(87)	0	0	0	0	41	0	0
Transfer to legal reserve	0	0	0	0	0	926	0	0	0	0	(926)	0	0
Dividend on ordinary shares	(217,303)	(217,303)	0	0	0	0	0	0	0	0	(217,303)	0	0
Total transactions with owners	(210,742)	(210,742)	694	0	0	926	4,393	0	1,433	0	(218,188)	0	0
Closing balance at 31 May 2019	2,466,892	2,447,700	788,403	(9,325)	48,915	10,090	6,322	(71,587)	4,331	228	1,670,323	0	19,192

 The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the
 Annual Financial Report for the financial year ended 31 August 2019.

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(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
AS AT 31 MAY 2020**

	Current Year To Date Ended 31/May/2020 RM'000	Corresponding Year To Date Ended 31/May/2019 RM'000
Operating activities		
Profit before tax	677,846	349,588
Depreciation and amortisation	169,852	145,711
Other adjustments	16,340	12,457
Operating cash flows before changes in working capital	864,038	507,756
Changes in working capital		
Net changes in current assets	(5,425)	15,125
Net changes in current liabilities	418,046	(40,110)
Cash flows from operating activities	1,276,659	482,771
Interest paid	(33,628)	(58,560)
Income taxes paid	(46,766)	(49,056)
Net cash flows generated from operating activities	1,196,265	375,155
Investing activities		
Withdrawal of investment securities	125,910	276,954
Placement of investment securities	(1,489,332)	(198,186)
Purchase of property, plant and equipment	(562,316)	(439,201)
Proceeds from disposal of property, plant and equipment	4,888	8,455
Net cash inflow from acquisition settlement	241,683	0
Interest received	12,747	7,260
Net cash flows used in investing activities	(1,666,420)	(344,718)
Financing activities		
Dividend paid on ordinary shares	(102,392)	(127,827)
Proceeds from issuance of shares	33,174	648
Transaction cost	(4,742)	0
Repayment of lease liabilities	(1,336)	0
Proceeds from issuance of perpetual sukuk	1,300,000	0
Proceeds from issuance of exchangeable bonds	0	839,400
Repayment of loans and borrowings	(572,507)	(706,984)
Net cash flows generated from financing activities	652,197	5,237
Net increase in cash and cash equivalents	182,042	35,674
Cash and cash equivalents at 1 September 2019 / 2018	165,782	158,724
Cash and cash equivalents at 31 May 2020 / 2019	347,824	194,398

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2019.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 MAY 2020**

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2019. The explanatory notes attached to the interim financial statements provide an explanation of events and transaction that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 August 2019.

The audited financial statements of the Group for the year ended 31 August 2019 were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"). The significant accounting policies and method of computations adopted in preparation of this interim financial report are consistent with those adopted in the audited financial statements of the Company for the financial year ended 31 August 2019 except for the adoption of the following new MFRS and Issue Committee Interpretations ("IC Interpretations"):

Description

Amendments to MFRS 9: Prepayment Features with Negative Compensation
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRSs 2015 - 2017 Cycle
IC Interpretation 23: Uncertainty over Income Tax Treatments

The adoption of the above mentioned standards did not have a material impact on the financial statements of the Group.

Impact of the initial application of MFRS 16 Leases

On the date of initial application, the Group applied the simplified transitional approach and did not restate comparative amounts for the period prior to first adoption.

The adoption of MFRS 16 to the opening balance as at 1 September 2019 has the following impact:

	Audited		After MFRS 16
	31 Aug 2019	Adjustment	Adoption
	RM'000	RM'000	RM'000
Right of use assets	0	6,276	6,276
Lease liabilities	0	6,327	6,327
Retained earnings	1,751,963	(51)	1,751,912

2. Auditors' report

The audited financial statements for the financial year ended 31 August 2019 was not subject to any qualification.

3. Seasonal or cyclical factors

The operations of the Group were not affected by any seasonal or cyclical factors in view of its well diversified world markets and the nature of the Company's products being disposable gloves.

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(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020 (CONTINUED)

4. Extraordinary and exceptional items

There were no extraordinary and exceptional items of unusual nature affecting assets, liabilities, equity, net income, or cash flows in the interim financial period ended 31 May 2020.

5. Changes in estimates of amounts reported previously

There were no material changes in estimates of amounts reported in prior interim periods or prior financial year that have a material effect in the current financial year to date.

6. Changes in debts and equity securities

- a) As at the quarter ended 31 May 2020, a total of 4,741,359 and 57,124,305 new ordinary shares were issued pursuant to the exercise of the ESOS and conversion of exchangeable bonds respectively. Details of the issued and paid up capital of the Company as at 31 May 2020 are as follows:

	No. of shares	RM'000
As at 29 February 2020	2,562,387,948	797,393
Ordinary shares issued pursuant to the ESOS	4,741,359	24,103
Ordinary shares issued pursuant to the conversion of exchangeable bonds	57,124,305	348,458
As at 31 May 2020	2,624,253,612	1,169,954

- b) On 22 January 2020, the Company's 100% ultimate owned subsidiary, TG Excellence Berhad ("TGE") lodged the Perpetual Sukuk Programme with the Securities Commission Malaysia ("SC"). The Perpetual Sukuk Programme, under the Shariah principle of Wakalah Bi-Al Istithmar, is guaranteed by the Company via a subordinated guarantee. The Perpetual Sukuk Programme provides TGE with the flexibility to issue unsecured and subordinated perpetual sukuk from time to time, subject to the aggregate outstanding nominal amount not exceeding RM3.0 billion at any point in time.

On 27 February 2020, TGE completed the first issuance with a nominal value of RM1.3 billion under the Perpetual Sukuk Programme. The Perpetual Sukuk was issued with a tenure of perpetual non-callable 5 years with an initial periodic distribution rate of 3.95% per annum.

	As at 31 May 2020
	RM'000
Issuance nominal value	1,300,000
Less: Transaction costs	(4,738)
Net nominal value	<u>1,295,262</u>

Other than the above, there were no issuance and repayment of debt and equity securities, share cancellations and resale of treasury shares in the current quarter and financial period ended 31 May 2020.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020 (CONTINUED)

7. Dividends paid

The Board of Directors of Top Glove has adopted a Dividend Policy to declare and pay annual dividends of 50% of its profit after tax and minority interest in respect of future financial years.

Record of dividends paid:

Financial Year	Net Dividend per share (sen)*	Total Dividend Paid (RM'000)
2019	7.50	191,960
2018	8.50	217,282
2017	7.25	181,936
2016	7.25	181,655
2015	5.75	143,143
2014	4.00	99,009
2013	4.00	99,252
2012	4.00	99,038
2011	2.75	68,035
2010	4.00	98,877
2009	2.75	65,873
2008	1.38	32,389
2007	1.15	27,435
2006	0.92	21,173
2005	0.67	14,110
2004	0.59	12,295
2003	0.46	9,550
2002	0.14	2,808
2001	0.20	4,000
Total		1,569,820

Note: * Net dividend per share has been adjusted to reflect:

- Bonus issue of 30% in April 2002, 40% in April 2003, 40% in February 2007, 100% in July 2010, 100% in January 2016 and 100% in October 2018.
- Subdivision of shares from one ordinary share of RM1.00 to two ordinary shares of RM0.50 each which was completed in February 2005.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020 (CONTINUED)

8. Segmental reporting

- a. Primary reporting segment – Geographical segments.

The Group operates in three principal geographical areas of the world and is primarily involved in the gloves manufacturing industry.

The directors are of the opinion that all intersegment transactions have been entered into in the normal course of business and have been established on negotiated and mutually agreed terms.

9 months ended 31 May 2020

	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Revenue</u>						
External sales	3,544,486	299,602	57,250	225,863	0	4,127,201
Intersegment sales	139,302	279,319	620	0	(419,241)	0
Total Revenue	<u>3,683,788</u>	<u>578,921</u>	<u>57,870</u>	<u>225,863</u>	<u>(419,241)</u>	<u>4,127,201</u>
<u>Result</u>						
Segment profit	649,840	56,888	2,443	11,664	0	720,835
Finance cost	(41,427)	(971)	0	(257)	0	(42,655)
Share of result of associate	(334)	0	0	0	0	(334)
Profit before tax						<u>677,846</u>
<u>Assets</u>						
Segment assets	5,586,217	425,765	111,839	220,849	1,055,073	<u>7,399,743</u>
Intangible assets	1,011,963	0	0	0	0	<u>1,011,963</u>
<u>Liabilities</u>						
Segment liabilities	2,236,698	156,755	46,491	50,505	219,565	<u>2,710,014</u>

- b. Secondary reporting segment – Business segments

As the Group is principally involved in gloves manufacturing industry, segment reporting by business segment is not prepared.

9. Valuation of property, plant and equipment

There was no revaluation of property, plant and equipment brought forward from the previous audited financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

10. Material events subsequent to the end of the interim report

There were no significant subsequent events after the end of the interim period to the date of this announcement, which will materially affect the earnings or income of the Group.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020 (CONTINUED)

11. Changes in the composition of the Group

During the quarter under review, a wholly owned sub-subsidiary TG Ecommerce Sdn. Bhd had been added to the Group.

Other than the above, there were no other significant changes in the composition of the Group, including business combination, acquisition or disposal of subsidiaries and long term investment, restructuring and discontinuing operations.

12. Contingent liabilities

A nominal amount of RM 1,515 million relating to corporate guarantees has been provided by the Company to banks for its subsidiaries' loans and borrowings.

The fair value of the corporate guarantees granted by the Company to banks in respect of loans and borrowings obtained by its subsidiaries is not material as the difference in borrowing rates charged by the banks is not significant in the absence of such guarantees.

13. Capital commitments

As at the end of the reporting quarter, the Company had approved and contracted for capital expenditures amounting approximately to RM299 million.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020 (CONTINUED)

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

14. Review of performance

A comparison of Top Glove's performance for the third quarter ended 31 May 2020 ("3QFY2020") with the corresponding period last financial year is as follows:

	3QFY2020 RM'mil	3QFY2019 RM'mil	Variance %	9MFY2020 RM'mil	9MFY2019 RM'mil	Variance %
Revenue	1,688.3	1,190.2	42	4,127.2	3,612.2	14
Operating profit	429.9	104.2	313	720.8	409.3	76
Profit before interest and tax	418.0	100.1	318	707.8	400.9	77
Profit before tax	422.0	82.2	413	677.8	349.6	94
Profit after tax	350.0	75.2	365	577.8	293.5	97
Profit attributable to owners of the parent	347.9	74.7	366	575.0	290.5	98

Top Glove attained the highest ever quarterly Sales Revenue of RM1.69 billion, representing an increase of 42% compared with 3QFY2019 and Profit Before Tax (PBT) of RM422 million, a triple-digit gain of 413% year-on-year. Profit After Tax (PAT) was equally impressive at RM350 million, increased by 365% year-on-year, made up 95% of FY2019's full year results. Meanwhile, Sales Volume grew by 24% versus 3QFY2019.

The Group's 9MFY2020 Sales Revenue was RM4.1 billion, a 14% increased from 9MFY2019, while Profit Before Tax was RM677.8 million, 94% higher year-on-year. Profit After Tax was RM577.8 million, increased 97% compared with 9MFY2019, which had exceeded the net profits for the full financial year 2019 by 57%.

As a result of the aggressive organic expansion in nitrile glove capacity, Top Glove also emerged its position as the world's largest manufacturer of nitrile gloves, in addition to being the world's largest manufacturer of natural rubber gloves and surgical gloves.

Aspion's capacity was also instrumental in enabling Top Glove to meet the intensified demand. Accordingly, Sales Revenue for Aspion was RM202.3 million, 48% higher than 2QFY20 while Profit After Tax grew four times compared with the previous quarter, as the Group's concentrated efforts to improve its efficiency, quality and profitability bore fruit. Meanwhile, Sales Volume grew 45% quarter-on-quarter.

The Group's extraordinary performance was attributed to unparalleled growth in Sales Volume, on the back of the global COVID-19 pandemic. Monthly sales orders went up by some 180%, resulting in long lead times, which went up from 40 days to around 400 days, whereby orders placed now would only be delivered over a year later. However, Top Glove has endeavoured to allocate capacity to as many countries as possible, to ensure its life-saving gloves reach those most in need, while also prioritising its existing customers. It also accommodated requests from various governments of hard-hit countries who approached the Group directly to procure gloves.

Following the marked increase in glove demand from virtually every country in the world, the Group's utilisation rate rose from a pre-COVID level of 85% to above 95% in 3QFY2020, resulting in greater efficiency and economies of scale. Additional capacity which came onstream in 3QFY2020 also enabled the Group to meet demand growth, while upward revisions in average selling prices in line with prevailing market prices were also effected.

As at 31 May 2020, Top Glove's financial position improved significantly, with a net cash position of RM279 million compared with net borrowings in 2QFY2020. This has enabled the Group to fund CAPEX requirements.

In keeping with its commitment to deliver shareholders value, Top Glove declared an interim dividend of 10 sen per share, amounting to approximately RM262 million, which is a 186% increase from FY2019 interim dividend. The dividend is payable on 9 July 2020.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 MAY 2020 (CONTINUED)**
14. Review of performance (continued)

The financial results of Top Glove since financial year 2008 are as follows:

RM 'mil	Financial year ended 31 August												
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	9MFY2020 (unaudited)
Revenue	1,377.9	1,529.1	2,079.4	2,053.9	2,314.5	2,313.2	2,275.4	2,510.5	2,888.5	3,409.2	4,220.7	4,801.1	4,127.2
EBITDA	197.8	287.5	364.7	196.7	297.7	310.6	301.8	441.7	524.7	489.3	694.0	687.5	877.6
EBITDA margin	14.4%	18.8%	17.5%	9.6%	12.9%	13.4%	13.3%	17.6%	18.2%	14.4%	16.4%	14.3%	21.3%
PBT	134.6	222.0	305.0	145.5	240.7	242.2	216.3	363.5	442.2	393.4	522.8	423.6	677.8
PBT margin	9.8%	14.5%	14.7%	7.1%	10.4%	10.5%	9.5%	14.5%	15.3%	11.5%	12.4%	8.8%	16.4%
Taxation	26.5	53.9	54.6	30.3	33.4	39.4	32.7	82.3	79.8	54.5	89.6	56.1	100.0
PAT	108.1	168.1	250.4	115.2	207.3	202.8	183.6	281.2	362.4	338.9	433.2	367.5	577.8
PAT margin	7.8%	11.0%	12.0%	5.6%	9.0%	8.8%	8.1%	11.2%	12.5%	9.9%	10.3%	7.7%	14.0%

TOP GLOVE CORPORATION BHD.

Company No. 199801018294 (474423-X)
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020 (CONTINUED)

15. Comparison of quarterly financial results with preceding quarter

	3QFY2020 RM'mil	2QFY2020 RM'mil	Variance %
Revenue	1,688.3	1,229.8	37
Operating profit	429.9	149.4	188
Profit before interest and tax	418.0	147.4	184
Profit before tax	422.0	130.4	224
Profit after tax	350.0	116.0	202
Profit attributable to owners of the parent	347.9	115.7	201

The Group's Sales Revenue of RM1.69 billion, up by 37%, with growth in Sales Volume (Quantity Sold) of 25% versus 2QFY2020. Meanwhile, Profit Before Tax and Profit After Tax surged by 224% to RM422 million and 202% to RM350 million respectively.

16. Commentary on prospects and targets

Top Glove will continue to expand its capacity to ensure it is well-positioned to fulfil global glove demand, which is expected to grow from a pre-COVID level of 8% to 10% per annum, to 12% to 15% per annum post-COVID, on the back of increased usage in both the medical and non-medical sectors, as well as heightened hygiene awareness. To this end, Top Glove has earmarked RM3 billion for CAPEX to build 450 new lines, creating new capacity of 60 billion pieces of gloves from CY2020 to CY2026. The Group's blueprints for expansion up to CY2022 are illustrated in the table below.

Factories	To commence production by (Calendar Quarter)	Location	Glove type	Number of production lines	Capacity (pcs per annum)
				1 Double Former (DF) Line = 2 Single Former (SF) Lines	
Current: 34 glove factories				700 Equivalent SF lines	78.7 bn
F40 1 st Phase NEW FACTORY	3 rd qtr CY20	Klang, Malaysia	Nitrile	11 DF lines	3.1 bn
F41 1 st Phase (Block 1) NEW FACTORY	3 rd qtr CY20	Binh Duong, Vietnam	PVC	10 DF lines	2.4 bn
F20A Line Refurbishment	3 rd qtr CY20	Klang, Malaysia	Latex	Upgrading of production	2.2 bn
Total new capacity in CY2020				21 DF lines	7.7 bn (+9.8%)
Grand total by December 2020 : 36 glove factories				742 Equivalent SF lines	86.4 bn
F40 2 nd Phase	1 st qtr CY21	Klang, Malaysia	Nitrile	8 DF lines	2.2 bn
F8A 1 st Phase NEW FACTORY	1 st qtr CY21	Sadao, Thailand	Nitrile	14 DF lines	3.9 bn
F38 (Block A2) NEW FACTORY	1 st qtr CY21	Kulim, Malaysia	Nitrile	8 DF lines	2.2 bn
F35CD (Block A) NEW FACTORY	2 nd qtr CY21	Klang, Malaysia	Surgical/ Nitrile	6 DF lines	1.7 bn
F37 Lines Refurbishment (Block A)	2 nd qtr CY21	Kluang, Malaysia	Nitrile	3 DF lines	0.8 bn
F37 Lines Refurbishment (Block D)	2 nd qtr CY21	Kluang, Malaysia	Nitrile	3 DF lines	0.8 bn
F41 1 st Phase (Block 2)	4 th qtr CY21	Binh Duong, Vietnam	PVC	10 DF lines	2.4 bn
Total new capacity in CY2021				52 DF lines	14.0 bn (+16.2%)
Grand total by December 2021 : 39 glove factories				846 Equivalent SF lines	100.4 bn
F42 1 st Phase (Block 1) NEW FACTORY	1 st qtr CY22	Banting, Malaysia	Nitrile	12 DF lines	3.4 bn
F45 1 st Phase NEW FACTORY	1 st qtr CY22	Ipoh, Malaysia	Nitrile	10 DF lines	2.8 bn
Total new capacity in CY2022				22 DF lines	6.2 bn (+6.2%)
Grand total by December 2022 : 41 glove factories				890 Equivalent SF lines	106.6 bn

TOP GLOVE CORPORATION BHD.

Company No.199801018294 (474423-X)
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2020 (CONTINUED)

16. Commentary on prospects and targets (continued)

The Top Glove Innovation Complex (TGIC) at Factory 42 in Banting, is the Group's new manufacturing and research centre of excellence facility. A smart and digitalised manufacturing plant, it leverages Industry 4.0 technology, big data analytics for optimum productivity and process efficiency, towards reducing dependency on manual labour for routine and repetitive tasks. It represents a pivotal shift to Industry 4.0 connecting the Group's factories together, which all future factories will be modelled after. Phase 1 of the TGIC is expected to be completed by 2nd quarter of CY2022.

Top Glove has earmarked RM5 million for CSR initiatives, which at this critical time will include assisting those affected by the pandemic, such as charity organisations. Doing its part to advance the war on COVID-19, the Group also donated 3 million pieces of medical gloves to Malaysian hospitals, various government ministries, the Royal Malaysia Police and Malaysian charity organisations, as well as Tzu Chi Foundation Kuala Lumpur for distribution to affected communities. At the initial stage of the outbreak in January 2020, Top Glove also donated 3 million pieces of gloves to China as part of a joint initiative between the Malaysian government and Malaysian glovemakers.

The Group also made an ex-gratia payment to both its local and foreign workers, in appreciation of their contributions which enabled the Group to meet the surge in glove demand.

Going forward, Top Glove envisions extremely robust quarters ahead, driven by strong demand growth, high utilisation and additional capacity coming onstream, coupled with a continued focus on innovation, technology, quality and cost efficiency.

17. Variance of actual profits from forecast profits

Not applicable as no profit forecast was issued.

18. Taxation

	Quarter Ended		Year To Date Ended	
	31 May 2020 RM'000	31 May 2019 RM'000	31 May 2020 RM'000	31 May 2019 RM'000
Income tax				
Current quarter/year	66,670	15,187	104,828	56,701
(Over) / Under provision	(36)	(11,956)	96	(11,972)
Real property gain tax	0	244	44	244
Deferred tax	5,353	3,576	(4,924)	11,079
	<u>71,987</u>	<u>7,051</u>	<u>100,044</u>	<u>56,052</u>

The effective tax rate of the Group is lower than the statutory tax rate due to the tax incentives available to Malaysia and certain overseas subsidiaries.

19. Profit/(loss) on sales of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties during the current quarter and financial year to date.

TOP GLOVE CORPORATION BHD.

Company No.199801018294 (474423-X)
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 MAY 2020 (CONTINUED)**
20. Purchase and disposal of quoted securities

	Quarter Ended 31 May 2020 RM'000	Year To Date Ended 31 May 2020 RM'000
Placement of quoted securities	897,019	1,489,332
Withdrawal of quoted securities	0	125,910

Other than the above, there was no other purchase or disposal of quoted securities by the Group for the current quarter and financial year to date.

21. Status of corporate proposals announced

There were no corporate proposals announced which remain uncompleted during the quarter under review as at the date of this report.

22. Derivative financial instruments

	As at 31 May 2020	
	Contract/Notional Amount RM'000	Fair value Liabilities RM'000
Forward currency contracts	223,211	817

As at 31 May 2020, the Group held forward contracts designated as hedges of expected future sales to customers for which the Group has firm commitments. Forward currency contracts used to hedge the Company's sales are denominated in USD and EURO for which firm commitments existed at the reporting date, extending to August 2020.

During the year to date ended 31 May 2020, the Group recognised a gain of RM837,000 arising from changes in fair value of the forward currency contracts.

23. Fair value hierarchy

The Group uses the following hierarchy in determining the fair value of all financial instruments carried at fair value:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs that are based on observable market data, either directly or indirectly
- Level 3 – Inputs that are not based on observable market data

As at 31 May 2020, the Group held the following financial assets and liabilities that are measured at fair value:

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Assets measured at fair value:			
Financial assets at fair value through profit or loss			
• Money market funds (quoted in Malaysia)	1,451,451	0	1,451,451
Liabilities measured at fair value:			
Derivative financial instruments			
• Fair value liabilities	0	817	817

TOP GLOVE CORPORATION BHD.

Company No.199801018294 (474423-X)
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 MAY 2020 (CONTINUED)**

24. Group loans and borrowings

The Group loans and borrowings as at 31 May 2020 were as follows:

	As at 31 May 2020		As at 31 May 2019		
	RM'000		RM'000		
Current					
Secured					
Bank borrowings		256		70,449	
Term loan		0		507	
		<u>256</u>		<u>70,956</u>	
Unsecured					
Syndicated loan		134,804		130,107	
Less: Transaction costs		(1,097)		(2,480)	
		<u>133,707</u>		<u>127,627</u>	
Bank borrowings		416,139		720,673	
Term loan		5,916		6,030	
		<u>555,762</u>		<u>854,330</u>	
Total current borrowings		<u>556,018</u>		<u>925,286</u>	
Non-current					
Secured					
Bank borrowings		52		305	
Term loan		0		4,757	
		<u>52</u>		<u>5,062</u>	
Unsecured					
Syndicated loan		404,411		520,428	
Less: Transaction costs		(2,011)		(3,108)	
		<u>402,400</u>		<u>517,320</u>	
Bank borrowings		0		20,020	
Term loan		54,507		16,205	
Exchangeable bonds		502,384		816,711	
		<u>959,291</u>		<u>1,370,256</u>	
Total non-current borrowings		<u>959,343</u>		<u>1,375,318</u>	
Summary of all loans and borrowings					
		Foreign		Foreign	
		Currency		Currency	
		Denominated		Denominated	
		'000		'000	
		RM'000		RM'000	
USD	246,080	1,070,082	USD	467,746	1,963,129
RM	19,528	19,528	RM	106,313	106,313
THB	504,500	68,891	THB	420,802	55,584
EUR	54,374	262,082	EUR	21,029	98,246
JPY	2,340,770	94,778	JPY	2,011,770	77,332
Total loans and borrowings		<u>1,515,361</u>		<u>2,300,604</u>	
Exchange rate RM to USD1.00		4.3485		4.1970	
Exchange rate RM to THB1.00		0.1366		0.1321	
Exchange rate RM to EUR1.00		4.8225		4.6719	
Exchange rate RM to JPY1.00		0.0405		0.0384	

TOP GLOVE CORPORATION BHD.

Company No.199801018294 (474423-X)
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 MAY 2020 (CONTINUED)**
25. Notes to the Statement of Comprehensive Income

Profit for the period has been arrived at after crediting/(charging) the following items:

	Quarter Ended 31 May 2020 RM'000	Year To Date Ended 31 May 2020 RM'000
Interest income	9,839	12,747
Other income including investment income	3,012	20,628
Interest expenses	(5,772)	(42,655)
Depreciation and amortization	(59,223)	(169,852)
Foreign exchange loss	(16,576)	(22,145)
Fair value (loss) / gain on foreign exchange contracts	(576)	837

26. Material litigation

The Company and its subsidiaries are not engaged in any material litigation, either as plaintiff or defendant, which has a material effect on the financial position of the Company and its subsidiaries, and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and/or adversely affect the position or business of the Company or subsidiaries.

27. Dividends

The Board of Directors has on 11 June 2020, declared a first single tier interim dividend of 10 sen per ordinary share payable on 9 July 2020, amounting to approximately RM262 million for the quarter ended 31 May 2020.

28. Earnings per share

	Quarter Ended		Year To Date Ended	
	31 May 2020	31 May 2019	31 May 2020	31 May 2019
Profit net of tax attributable to owners of the parent (RM'000)	<u>347,895</u>	<u>74,665</u>	<u>575,004</u>	<u>290,512</u>
<u>Basic</u>				
Weighted average number of ordinary shares in issue ('000)	<u>2,560,143</u>	<u>2,554,370</u>	<u>2,559,959</u>	<u>2,554,333</u>
Basic earnings per share (sen)	<u>13.59</u>	<u>2.92</u>	<u>22.46</u>	<u>11.37</u>
<u>Diluted</u>				
Weighted average number of ordinary shares in issue ('000)	2,560,143	2,554,370	2,559,959	2,554,333
Effect of dilution from:				
Share options ('000)	9,159	749	9,159	749
Exchangeable bonds ('000)	<u>76,328</u>	<u>131,215</u>	<u>76,328</u>	<u>131,215</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>2,645,630</u>	<u>2,686,334</u>	<u>2,645,446</u>	<u>2,686,297</u>
Diluted earnings per share (sen)	<u>13.15</u>	<u>2.78</u>	<u>21.74</u>	<u>10.81</u>

TOP GLOVE CORPORATION BHD.

Company No.199801018294 (474423-X)
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 MAY 2020 (CONTINUED)****29. Comparative figures**

The comparative figures in respect of financial year ended 31 August 2019 have been adjusted retrospectively to reflect the effect of the settlement pertaining to the legal proceedings of the Company and its subsidiaries, Top Care Sdn. Bhd. and Aspion Sdn. Bhd. with Adventa Capital Pte. Ltd., ACPL Sdn. Bhd., Low Chin Guan, Wong Chin Toh and Kwek Siew Leng. The net settlement amounted approximately RM241.7 million has been offset against the cost of investment in the Top Care Sdn. Bhd. accounts, and consequently reduced the corresponding goodwill of the Company.

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Condensed Consolidated Statement of Financial Position			
As at 31 August 2019			
Intangibles assets	1,256,376	(241,683)	1,014,693
Other current assets	63,511	241,683	305,194