



# TOP GLOVE CORPORATION BHD.

(Company No. 474423-X)

**Public Listed Company on KLSE Main Board**

**Latex Gloves Manufacturer and Exporter**

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## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 NOVEMBER 2003

### 1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with MASB 26, Interim Financial Reporting. The interim financial report should be read in conjunction with the audited financial statements for the Group for the financial year ended 31 August 2003.

The accounting policies and methods of computation adopted in the interim financial report are consistent with those adopted in the audited financial statements as at 31 August 2003.

### 2. Auditors' Report

The audited financial statements for the financial year ended 31 August 2003 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 mainly disposable gloves.

### 4. Extraordinary and Exceptional Items

There were no extraordinary and exceptional items of an unusual nature affecting assets, liabilities, equity, net income, or cash flows in the interim financial report ended 30 November 2003.

### 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. Debts and Equity Securities

- 6.1) The Executive Share Option Scheme ("ESOS") of the Company was officially implemented on 29 April 2003. During the current quarter ended 30 November 2003, a total of 483,000 new ordinary shares were issued and allotted pursuant to the exercise of the ESOS. The details of the issued and paid-up capital of the Company as at 30 November 2003 are as follow :-

	No. of shares	RM
As at 31 August 2003	92,197,000	92,197,000
Ordinary shares issued pursuant to the ESOS	483,000	483,000
As at 30 November 2003	92,680,000	92,680,000

Other than the above, there were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year-to-date.

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### NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 NOVEMBER 2003 (CONTINUED)

#### 7. Dividends Paid

On 5 September 2003, the Company made payment for the 4% (tax exempt) interim dividend, amounting RM3,682,880.00, that was declared on 8 July 2003 in conjunction with the quarter ended 31 May 2003's financial results announcement

During the previous financial year ended 31 August 2003, the Company made payment on 27 February 2003 the first and final dividend of 6% (with tax 28%) amounting RM2.808 million (net of 28%) for the financial year ended 31 August 2002 which was approved for payment by the shareholders in the Annual General meeting of the Company held on 9 Jan 2003.

#### 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 inter-segment transaction have been entered into the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

##### 30 November 2003

	Malaysia RM'000	Thailand RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External sales	70,281	11,332	6,318	-	87,931
Inter-segment sales	1,711	4,764	2,572	(9,047)	-
Total Revenue	<u>71,992</u>	<u>16,096</u>	<u>8,890</u>	<u>(9,047)</u>	<u>87,931</u>
Result					
Profit/(loss) from operations	9,400	336	36		9,772
Finance cost, net					(450)
Taxation					(715)
Profit after tax					<u>8,607</u>
Minority interests					(102)
Net profit for the period					<u>8,505</u>
Assets					
Segment assets	179,844	46,701	22,450		<u>248,995</u>
Liabilities					
Segment liabilities	66,727	21,207	9,514		<u>97,448</u>
Other information					
Capital expenditure	7,329	453	(1,326)		6,456
Depreciation	2,193	477	162		2,832

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### **NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 NOVEMBER 2003 (CONTINUED)**

- 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 and Equipment**

There was no revaluation of property, plant and equipment bought 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 Reported**

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

#### **11. Changes in the Composition of the Group**

There were no significant changes in the composition of the Group in the interim financial report, including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

#### **12. Contingent Liabilities**

There were no significant changes in contingent liabilities since the last annual balance sheet date and there were no contingent liabilities pending at the date of this report except the material litigation as disclosed in note 23 below.

### **ADDITIONAL INFORMATION REQUIRED BY THE KLSE'S LISTING REQUIREMENTS**

#### **13. Review of Performance**

For the quarter ended 30 November 2003, the Company recorded a sales revenue of RM87.931 million showing an increased of 59.49% compared to the sales revenue of RM55.132 million achieved during the same quarter of the previous year. The achievement in the significantly high growth in sales is in line with the Company's continuous expansion and improvement in the production capacity and marketing strategy.

Overall, the Company has a positive outlook towards continuous growth and securing better results in the current financial year 2004 compared to the previous financial year in terms of sales revenue and profitability through the on-going effort in implementing aggressive marketing strategies; increase in production capacity to achieve better economies of scale as well as further improvement in quality, cost control and efficiency.

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### **NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 NOVEMBER 2003 (CONTINUED)**

#### **14. Quarterly Profits Before Tax (PBT) Comparison**

On the corresponding quarter comparison, the PBT for the current quarter ended 30 November 2003 is RM9.322 million compared to RM5.930 million achieved in the quarter ended 30 November 2002, showing an improvement of approximately 57.20% in PBT.

#### **15. Current Year Prospect**

Top Glove, the World's largest natural rubber disposable glove manufacturer with the vision of "Always Staying On The Top", is moving ahead rapidly and special efforts are being undertaken to improve and innovate in sales, productivity, quality and cost reduction. The Group currently has 96 production lines with capacity of more than 600 million pieces of gloves per month or more than 7.2 billion pieces of gloves a year. Top Glove currently has approximately 500 customers and exports to more than 128 countries worldwide.

During the quarter under review, the Company has started work on installation of 8 (eight) new and advance production lines in its existing Factory 2 in Klang (Selangor State, Malaysia). Two production lines have been installed and are expected to start running by mid- January 2004 while the remaining 6 new lines are expected to be completed and contribute to production by 30 April 2004.

The said 8 new production lines in Factory 2 when fully completed would contribute an additional production capacity of 52 million pieces of gloves per month or 624 million pieces of gloves a year to the Group.

Also, as per the Company's recent announcement to the KLSE, the Company has acquired a piece of freehold industrial land in the vicinity of the Group's existing factories no. 1, 2, 3, 4 & 9 in Klang, (Selangor State, Malaysia). The Company is planning to build its Factory 10 on this new plot of land with 16 new advance latex glove production lines. The Company is targeting to complete the installation of the said 16 lines by end of December 2004.

The planned 16 new production lines will have a production capacity of 112 million pieces of gloves per month or 1.344 billion pieces of gloves a year.

Adding the above new production lines to the Company's existing facility of 96 production lines with production capacity of approximately 7.2 billion pieces of gloves a year, the Company will have a total of 120 glove production lines with production capacity of approximately 9.168 billion pieces of gloves a year upon completion.

With the commitment of the management team and with the continuous increase in production capacity via technology innovation as well as construction of new glove production lines, the marketing of more value added premium glove products and further expansion of the market share, the Company is confident of achieving better results in the current financial year 2004.

#### **16. Variance of Actual Profits from Forecast Profits**

Not applicable as no profit forecast was published.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 NOVEMBER 2003 (CONTINUED)****17. Taxation**

	Quarter Ended 30 November		Year To Date Ended 30 November	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current provision	870	828	870	828
Under/(Over) provision in Prior year	(155)	-	(155)	-
	<u>715</u>	<u>828</u>	<u>715</u>	<u>828</u>
Deferred taxation	-	-	-	-
	<u>715</u>	<u>828</u>	<u>715</u>	<u>828</u>

The effective tax rate of the Group is lower than the statutory tax rate due to the availability of reinvestment allowance by certain subsidiaries and the tax-free status of certain overseas subsidiaries during the current financial period.

**18. Profit/(Loss) on Sale of Unquoted Investments and/or Properties**

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

**19. Purchase and Dispose of Quoted Securities**

There were no purchase or disposal of unquoted securities by the Group for the current quarter and financial year-to-date.

**20. Status of Corporate Proposals Announced**

There is no corporate proposal announced but not completed during the quarter under review and as at the date of this report

**21. Group Borrowings**

<u>Group Borrowings as at 30 November 2003</u>	<u>RM'000</u>
Export credit Refinancing (ECR) Bankers' Acceptance (secured)	14,425
Bank Overdrafts (secured)	3,237
Term Loan (secured)	16,944
Hire Purchase (secured)	312
Total facilities	<u>34,918</u>
Payable within 12 months	<u>22,045</u>
Payable after 12 months	<u>12,873</u>

**22. Financial Instruments with Off Balance Sheet Risks**

There were no financial instruments with off balance sheet risk at the date of this quarterly report.

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### **NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 NOVEMBER 2003 (CONTINUED)**

#### **23. Material Litigation**

- i. Save as disclosed below, the company and its subsidiaries are not engaged in any 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 to any proceedings which might materially and/or adversely affect the position or business of the Company or subsidiaries.

On 8 November 2000, Top Glove Sdn. Bhd. (TGSB), a subsidiary, was served a writ of summons by Supermax Glove Manufacturing Sdn. Bhd. (SGM) claiming damages for alleged passing off by TGSB of certain coloured boxes bearing the device of a glove containing glove manufactured by TGSB under the brand name "Safemax" as boxes containing gloves manufactured by SGM under the brand name "Supermax".

TGSB's appointed solicitors, M/s Ranjit Ooi & Robert Low, have opined that SGM's case against TGSB is weak and unlikely to succeed.

The full particulars of the Suit, its status and the lawyer's opinion have been adequately disclosed in the Prospectus dated 16 February 2001.

- ii. Top Glove Sdn. Bhd., in relation to the suit above, has filed its defence and has also filed a counterclaim in the same suit against Supermax seeking general damages for the abuse of process and/or unlawful interference with trade or business and/or the commission of deliberate and positive acts designed to injure Top Glove.

On 14 April 2002, the Court has postponed the hearing and will in due course assign a date for the solicitors of the Company to attend before the learned Judge for directions as regards preparation for the trial.

#### **24. Dividend**

The Board of Directors did not propose payment of any dividend for the current quarter under review.

##### **Dividend Pending Approval and Payment**

On 17 Oct 2003, as disclosed in the financial results announcement for the 4<sup>th</sup> quarter ended 31 August 2003, the Board of Directors has proposed payment of a final dividend of 6.0% (with tax 28%) amounting RM3,999,586 (net of 28%) and a special dividend of 2% (tax exempt) amounting RM1,851,660.00 for the financial year ended 31 August 2003. The proposed final dividend and the special dividend are subject to the shareholders' approval in the forthcoming Annual General Meeting scheduled on 9 January 2004.

The Company had declared an interim dividend of 4.0% (tax exempt) amounting to RM3,682,880.00 on 8 July 2003 in conjunction with the quarter ended 31 May 2003 financial results announcement. (Payment of the interim dividend was made on 5 September 2003.)

Thus, on the full year basis, subject to the shareholders' approval for the final & special dividend, the total dividend declared by the Company for financial year ended 31 August 2003 is 12% (dividend declared for 31 August 2002 was 6%).

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 NOVEMBER 2003 (CONTINUED)****25. Earnings Per Share**

	<b>Quarter Ended 30 November</b>		<b>Year To Date Ended 30 November</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Net profit attributable to ordinary shareholders (RM'000)	8,505	5,072	8,505	5,072
<b>Basic</b>				
Number of ordinary shares ('000 shares)	65,000	65,000	65,000	65,000
Adjusted for bonus issue of 26,000,000 shares allotted on 28 March 2003	26,000	26,000	26,000	26,000
ESOS Shares Subscription ('000 shares):				
Number of shares subscribed on 05 July 2003	783	-	783	-
Number of shares subscribed on 21 July 2003	170	-	170	-
Number of shares subscribed on 05 Aug 2003	119	-	119	-
Number of shares subscribed on 21 Aug 2003	125	-	125	-
Number of shares subscribed on 05 Sept 2003	108	-	108	-
Number of shares subscribed on 21 Sept 2003	109	-	109	-
Number of shares subscribed on 05 Oct 2003	59	-	59	-
Number of shares subscribed on 21 Oct 2003	110	-	110	-
Number of shares subscribed on 21 Nov 2003	97	-	97	-
Total number of ordinary shares ('000)	92,680	91,000	92,680	91,000
Adjusted weighted average number of ordinary shares ('000)	91,522	91,000	91,522	91,000
<b>Basic earnings per ordinary share (sen)</b>	9.29	5.57	9.29	5.57
<b>Diluted</b>				
Adjusted weighted average number of ordinary shares ('000)	91,522	91,000	91,522	91,000
<b>ESOS :</b>				
No. of unissued shares	253	-	253	-
No. of shares that would have been issued at fair value	(122)	-	(122)	-
Diluted weighted average number of ordinary shares ('000)	91,653	91,000	91,653	91,000
<b>Diluted earnings per ordinary share (sen)</b>	9.28	5.57	9.28	5.57

By Order Of The Board,

Presented by : Mr. Lim Mong Seng/ Financial Controller

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