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TOP GLOVE CORPORATION BHD.

(Company No. 474423-X)

Public Listed Company on Bursa Malaysia Main Board

Latex Gloves Manufacturer and Exporter

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1998 to 2004
Celebrating Malaysia's
Enterprising Spirit

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 NOVEMBER 2004

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 2004.

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 2004.

2. Auditors' Report

The audited financial statements for the financial year ended 31 August 2004 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 unusual nature affecting assets, liabilities, equity, net income, or cash flows in the interim financial report ended 30 November 2004.

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 Employee Share Option Scheme ("ESOS") of the Company was officially implemented on 29 April 2003. During the current quarter ended 30 November 2004, a total of 91,500 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 2004 are as follow :-

	No. of shares	RM
As at 31 August 2004	93,059,000	93,059,000
Ordinary shares issued pursuant to the ESOS	91,500	91,500
As at 30 November 2004	93,150,500	93,150,500

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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7. Dividends Paid

For the financial year ended **31 August 2003**, the company made the following dividend payments : -

- i) On 5 September 2003, an interim dividend of 4% (tax exempt) totaling RM3,682,880 was paid; and
 - ii) On 3 March 2004, the Company paid a total dividend of RM RM5,866,856 consisting of a final dividend of 6.0% (with tax 28%) amounting RM4,010,256 (after netting off 28% tax) and a special dividend of 2% (tax exempt) amounting RM1,856,600 which were approved in the Company's Annual General Meeting held on 9 January 2004.
- The total dividend paid by the Company in respect of the financial year ended 31 August 2003 was 12% represented by a net payment of RM9,549,736.

For the financial year ended **31 August 2004**, the Company had made payment for the 5% (tax exempt) interim dividend on 6 September 2004 amounting RM4,651,200, that was declared on 5 July 2004 in conjunction with the 3rd quarter ended 31 May 2004's financial results announcement.

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 2004

	Malaysia RM'000	Thailand RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Revenue</u>					
External sales	102,948	21,038	15,141	-	139,127
Inter-segment sales	4,465	2,240	3,123	(9,828)	-
Total Revenue	<u>107,413</u>	<u>23,278</u>	<u>18,264</u>	<u>(9,828)</u>	<u>139,127</u>
<u>Result</u>					
Profit/(loss) from operations	14,351	943	651		15,945
Finance cost, net					(988)
Taxation					(2,024)
Profit after tax					<u>12,933</u>
Minority interests					(21)
Net profit for the period					<u>12,912</u>
<u>Assets</u>					
Segment assets	254,683	51,945	43,255		<u>349,883</u>
Goodwill arising From consolidation					<u>5,325</u>
<u>Liabilities</u>					
Segment liabilities	126,484	24,633	27,702		<u>178,819</u>
<u>Other information</u>					
Capital expenditure	10,270	5,888	2,741		18,899
Depreciation	3,395	546	221		4,162

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- 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 for the quarter, other than the completion announcement on the acquisition of the remaining 40% of Top Glove Medical (Thailand) Co Ltd (details as disclosed in note 20).

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 BURSA MALAYSIA'S LISTING REQUIREMENTS

13. Review of Performance

For the quarter ended 30 November 2004, the Group recorded sales revenue of RM139.127 million representing an increase of 58% when compared to the sales revenue of RM87.931 million achieved during the same quarter of the previous financial year, whereas, profit before tax for the quarter under review increased to RM14.957 from RM9.322 million registered for the quarter ended 30 November 2003, representing an increased of more than 60%. The significant achievement in higher growth sales and profit is in line with the Group's continuous expansion and improvement in its production capacity and marketing strategy.

Overall, the Group has a positive outlook towards continuous growth and in securing better results in the forthcoming quarters for the financial year ending 31 August 2005 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 improvements in quality, cost control and efficiency.

14. Quarterly Profits Before Tax (PBT) Comparison

On a current quarter and preceding quarter comparison, the Group continued to register a marginal increase in PBT for the quarter under review, registering a PBT of RM14.957 million as compared to RM14.907 million achieved in the previous quarter ended 31 August 2004.

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15. Prospects

Top Glove, the World's largest natural rubber glove manufacturer with the vision of "Always Staying At The Top", is moving ahead rapidly and special efforts are being undertaken to improve and innovate its glove quality, marketing, productivity and cost reduction. The Group currently operates more than 150 production lines with capacity of more than 12.0 billion pieces of gloves a year. Top Glove has approximately 600 customers and exports to more than 160 countries worldwide.

The Company's newest facility, Factory 10, which is located next to its Factory 9 in Klang (Selangor State, Malaysia), is progressing well. To date, Factory 10 has completed the installation and has commenced commercial production of 16 of the total 20 planned new and advance glove production lines. The remaining 4 lines are currently being installed and will commence commercial production by 28 February 2005.

In addition to Factory 10, the construction of a new Factory 11 that commenced in August 2004 with the factory building targeted to be ready by 28 February 2005. This new factory which is in the vicinity of its existing factories in Klang, will be installed with 20 new advance glove production lines upon completion of the building. Installation is targeted to be completed before December 2005.

With the commitment of the management team and with the continuous increase in efficiency and 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.

16. Variance of Actual Profits from Forecast Profits

Not applicable as no profit forecast was issued.

17. Taxation

	Quarter Ended 30 November		Year To Date Ended 30 November	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Malaysia income tax	1,797	870	1,797	870
Under/(Over) provision in prior year	-	(155)	-	(155)
	<u>1,797</u>	<u>715</u>	<u>1,797</u>	<u>715</u>
Deferred taxation	227	-	227	-
	<u>2,024</u>	<u>715</u>	<u>2,024</u>	<u>715</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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 NOVEMBER 2004 (CONTINUED)

19. Purchase and Dispose of Quoted Securities

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

20. Status of Corporate Proposals Announced

Date of Announcement	Subject	Status
20 August 2004	Propose Acquisition by TGSB of the remaining 45% interest in Top Glove (Zhangjiagang) Co Ltd ("TGZCL") consisting: - a) 30% interest in TGZCL from Zhangjiagang Medical Glove Co for a total cash consideration of USD1.26 million (approximately RM4.79 million) ("Proposed 30% Acquisition"); and b) 15% interest in TGZCL from Hadsyn Latex Co Ltd for a total cash consideration of USD0.63 million (approximately RM2.39 million) ("Proposed 15% Acquisition").	Announcement on the completion of the Acquisition was made to Bursa Securities on 8 December 2004.
5 October 2004	a) Proposed subdivision of ordinary shares of RM1.00 each in Top Glove on the basis of two new ordinary shares of RM0.50 each for every one existing ordinary shares of RM1.00 each held in Top Glove at a date to be determine; and b) Proposed amendment to the memorandum and articles of association of Top Glove.	The proposal is subject to the approval of: (i) Securities Commission which was obtained on 10 December 2004 ; (ii) Bursa Securities which was obtained on 6 December 2004; and (iii) Shareholders of the Company at an Extraordinary General Meeting to be convened on 11 January 2005.

21. Group Borrowings

Group Borrowings as at 30 November 2004

	<u>RM'000</u>
Export credit Refinancing (ECR) Bankers' Acceptance (secured)	34,310
Bank Overdrafts (secured)	14,674
Term Loan (secured)	38,917
Hire Purchase (secured)	4,925
Total facilities	<u>92,826</u>
Payable within 12 months	<u>59,612</u>
Payable after 12 months	<u>33,214</u>

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22. Off Balance Sheet Financial Instruments

The Group uses derivative financial instruments, mainly forward foreign exchange contracts to hedge its exposure to fluctuations in foreign exchange arising from sales. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are not recognized in the financial statements on inception.

The details of the open foreign exchange forward contracts agreement as at 30 November 2004 are as follows :-

	Notional Amount As At 30 November 2004 RM'000
Foreign exchange forward contracts :	<u>365,556</u>
Within 1 year	

The above instruments are executed with credit worthy financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of its financial strength.

23. Material Litigation

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.

- i. On 8 November 2000, Top Glove Sdn Bhd (“TGSB”), a subsidiary of the Company, 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 gloves 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. TGSB, in relation to the suit above, has filed its defence and has also filed a counterclaim in the same suit against SGM 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.

Todate, the learned Judge was not in favour of fixing trial dates until all pre-trial directions have been complied with including, inter alia, the filing of the relevant bundles of documents. The pre-trial case management was fixed for 6 July 2004 for parties to file all relevant documents for purposes of trial. This date has been extended to 14 April 2005 for mention for pre-trial case management.

- iii. TGSB, had commenced legal proceedings against SGM, pursuant to a writ filed at the Shah Alam High Court on 10 November 2004

TGSB among others are claiming for general, aggravated and exemplary damages for maliciously distributing and publishing defamatory words contained in documents relating to Summon No.22-431-2000 filed by SGM at the Shah Alam High Court. TGSB among others avers that SGM had with mala fide distributed the said documents with intent to lower TGSB’s reputation. SGM had also published defamatory words in its Quarterly Reports

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 NOVEMBER 2004 (CONTINUED)

announced by its holding company, Supermax Corporation Berhad to Bursa Malaysia Securities Berhad in years 2000 and 2001. The commencement of legal proceeding was announced to Bursa Securities on 20 December 2004.

24. Dividend

No dividend was proposed by the Board of Directors for the current quarter under review.

The Board of Directors had proposed a final dividend of 6.0% (tax exempt) amounting RM5,584,920 and a 3.0% (with tax 28%) amounting RM2,010,571 for the financial year ended 31 August 2004. The proposed final dividend (totaling 9% and amounting to RM7,595,491) is subject to the shareholders' approval in the forthcoming Annual General Meeting.

The Company had earlier declared an interim dividend of 5% (tax exempt) amounting to RM4,651,200 on 5 July 2004 in conjunction with the 3rd quarter ended 31 May 2004 financial results announcement. (Payment of the interim dividend was made on 6 September 2004.)

Thus, on the full year basis, subject to the shareholders' approval for the final dividend, the total dividend declared by the Company for financial year ended 31 August 2004 is 14% amounting to RM12,246,691. For the financial year ended 31 August 2003 the total dividend paid was 12% amounting to RM9,549,736.

Record of dividends paid in respect of previous financial year ended 31 August 2003

Date approved	Type of dividend	Dividend Rate	Amount Paid (RM)	Payment date
8/7/2003	Interim dividend	4% (tax exempt)	3,682,880.00	5/9/2003
9/1/2004	Special dividend	2% (tax exempt)	1,856,600.00	3/3/2004
9/1/2004	Final dividend	6% (with 28% tax)	4,010,256.00	3/3/2004
	Total dividend for financial year ended 31/8/2003	12%	9,549,736.00	

25. Earnings Per Share

	Quarter Ended 30 November		Year To Date Ended 30 November	
	2004	2003	2004	2003
Net profit attributable to ordinary shareholders (RM'000)	12,912	8,505	12,912	8,505
Basic				
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):	2,151	1,680	2,151	1,680
Total number of ordinary shares ('000)	93,151	92,680	93,151	92,680
Adjusted weighted average number of ordinary shares ('000)	92,936	91,522	92,936	91,522
Basic earnings per ordinary share (sen)	13.89	9.29	13.89	9.29

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 NOVEMBER 2004 (CONTINUED)****Diluted**Adjusted weighted average number
of ordinary shares ('000)

92,936 91,522 92,936 91,522

ESOS :

No. of unissued shares

1,897 253 1,897 253

No. of shares that would have been
issued at fair value(1,549) (122) (1,549) (122)Diluted weighted average number of
ordinary shares ('000)93,284 91,653 93,284 91,653**Diluted earnings per ordinary share (sen)**13.84 9.28 13.84 9.28