



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 29 FEBRUARY 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 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 29 February 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 29 February 2004, a total of 189,000 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 29 February 2004 are as follow :-

	No. of shares	RM
As at 30 November 2003	92,680,000	92,680,000
Ordinary shares issued pursuant to the ESOS	189,000	189,000
As at 29 February 2004	92,869,000	92,869,000

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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7. Dividends Paid

No dividend was paid during the quarter under review.

However, on 3 March 2004, the Company had made payment for the final dividend of 6.0% (with tax 28%) amounting RM4,010,259.00 (after netting off 28% tax) and a special dividend of 2% (tax exempt) amounting RM1,856,600.00 for the financial year ended 31 August 2003 which were approved in the Company's AGM held on 9 January 2004. The total amount paid for the above mentioned dividends was RM5,866,859.00.

Together with the interim dividend of 4% (tax exempt) paid on 5 September 2003, 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 RM9,549,739.00.

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.

29 February 2004

	Malaysia RM'000	Thailand RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Revenue</u>					
External sales	147,165	25,608	10,761	-	183,534
Inter-segment sales	5,056	10,510	5,230	(20,796)	-
Total Revenue	<u>152,221</u>	<u>36,118</u>	<u>15,991</u>	<u>(20,796)</u>	<u>183,534</u>
<u>Result</u>					
Profit/(loss) from operations	19,523	464	314		20,301
Finance cost, net					(1,082)
Taxation					(1,362)
Profit after tax					<u>17,857</u>
Minority interests					(145)
Net profit for the period					<u>17,712</u>
<u>Assets</u>					
Segment assets	208,620	45,341	28,834		<u>282,795</u>
<u>Liabilities</u>					
Segment liabilities	92,151	22,994	11,514		<u>126,659</u>
<u>Other information</u>					
Capital expenditure	20,655	1,979	168		22,802
Depreciation	4,621	926	294		5,841

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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 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 29 February 2004, the Company recorded a sales revenue of RM95.603 million showing an increased of 66.48% compared to the sales revenue of RM57.427 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.

14. Quarterly Profits Before Tax (PBT) Comparison

On the corresponding quarter comparison, the PBT for the current quarter ended 29 February 2004 is RM9.897 million compared to RM6.280 million achieved in the quarter ended 28 February 2003, showing an improvement of approximately 57.60% in PBT.

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15. Current Year Prospect

Top Glove, the World's largest natural rubber 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 glove quality, marketing, productivity and cost reduction. The Group currently has 104 production lines with capacity of more than 680 million pieces of gloves per month or more than 8.2 billion pieces of gloves a year. Top Glove currently has approximately 500 customers and exports to more than 139 countries worldwide.

The Company's Factory 10 located next to its Factory 9 in Klang (Selangor State, Malaysia) is progressing rapidly. The Company is targeting to complete the construction of this new Factory 10 in the month of June 2004 and to complete the installation of 16 new and advance production lines by end of December 2004.

The planned 16 new and advance 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 104 production lines the Company will have a total of 120 glove production lines with production capacity of approximately 9.544 billion pieces of gloves a year upon completion.

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 2004.

16. Variance of Actual Profits from Forecast Profits

Not applicable as no profit forecast was published.

17. Taxation

	Quarter Ended 29 February		Year To Date Ended 29 February	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Current provision	647	858	1,362	1,686
Under/(Over) provision in Prior year	-	-	-	-
	<u>647</u>	<u>858</u>	<u>1,362</u>	<u>1,686</u>
Deferred taxation	-	-	-	-
	<u>647</u>	<u>858</u>	<u>1,362</u>	<u>1,686</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.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 29 FEBRUARY 2004 (CONTINUED)****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 quoted 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 29 February 2004</u>	<u>RM'000</u>
Export credit Refinancing (ECR) Bankers' Acceptance (secured)	23,586
Bank Overdrafts (secured)	8,921
Term Loan (secured)	16,819
Hire Purchase (secured)	3,939
Total facilities	<u>53,265</u>
Payable within 12 months	<u>38,531</u>
Payable after 12 months	<u>14,734</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 29 FEBRUARY 2004 (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.

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 is fixed on 6 July 2004 for parties to file all relevant documents for purposes of trial.

24. Dividend

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

Record of dividends paid in respect of 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)	4,010,259.00	3/3/2004
	Total dividend for financial year ended 31/8/2003	12%	9,549,739.00	

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 29 FEBRUARY 2004 (CONTINUED)****25. Earnings Per Share**

	Quarter Ended 29 February		Year To Date Ended 29 February	
	2004	2003	2004	2003
Net profit attributable to ordinary shareholders (RM'000)	9,207	5,627	17,712	10,699
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):				
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	-
Number of shares subscribed on 21 Dec 2003	30	-	30	-
Number of shares subscribed on 19 Jan 2004	120	-	120	-
Number of shares subscribed on 21 Feb 2004	39	-	39	-
Total number of ordinary shares ('000)	92,869	91,000	92,869	91,000
Adjusted weighted average number of ordinary shares ('000)	91,960	91,000	91,960	91,000
Basic earnings per ordinary share (sen)	10.01	6.18	19.26	11.76
Diluted				
Adjusted weighted average number of ordinary shares ('000)	91,960	91,000	91,960	91,000
ESOS :				
No. of unissued shares	131	-	131	-
No. of shares that would have been issued at fair value	(88)	-	(88)	-
Diluted weighted average number of ordinary shares ('000)	92,003	91,000	92,003	91,000
Diluted earnings per ordinary share (sen)	10.01	6.18	19.25	11.76

By Order Of The Board,

Presented by : Mr. Lim Mong Seng/ Financial Controller
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