



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 28 FEBRUARY 2005

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 28 February 2005.

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) During the current quarter under review, the Company completed the proposed subdivision of its ordinary shares of RM1.00 each on the basis of two new ordinary shares of RM0.50 each for every one existing ordinary shares of RM1.00 each held. Resulting from the completion of the subdivision of shares, the issued and paid up capital of RM93,679,500 comprising of 187,359,000 ordinary shares of RM0.50 each was granted listing and quotation on 16 February 2005.

6.2) The Employee Share Option Scheme ("ESOS") of the Company was officially implemented on 29 April 2003. During the current quarter ended 28 February 2005, a total of 529,000 new ordinary shares of RM1.00 each were issued prior to the completion of the subdivision of shares and 208,000 new ordinary shares of RM0.50 each were issued after the completion of the subdivision of shares and allotted pursuant to the exercise of the ESOS. The details of the issued and paid-up capital of the Company as at 28 February 2005 are as follow :-

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	No. of shares	RM
As at 30 November 2004	93,150,500	93,150,500
Ordinary shares issued pursuant to the ESOS (prior to the completion of subdivision of shares)	529,000	529,000
Total number of shares in issue prior to the completion of subdivision of shares	93,679,500	93,679,500
Total number of shares in issue after the completion of subdivision of shares	187,359,000	93,679,500
Ordinary shares issued pursuant to the ESOS	208,000	104,000
As at 28 February 2005	187,567,000	93,783,500

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.

7. Dividends Paid

For the financial year ended **31 August 2004**, the company made the following dividend payments :-

- i) On 6 September 2004, an interim dividend of 5% (tax exempt) totaling RM4,651,200 was paid; and
- ii) On 15 March 2005, the Company paid a total dividend of RM7,644,250.73 consisting of a final dividend of 3% (with tax 28%) amounting RM2,023,480.73 (after netting off 28% tax) and a final dividend of 6% (tax exempt) amounting RM5,620,770.00 which were approved in the Company's Annual General Meeting held on 11 January 2005.

The total dividend paid by the Company in respect of the financial year ended 31 August 2004 was 14% represented by a net payment of RM12,295,450.73

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.

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.

28 February 2005

	Malaysia RM'000	Thailand RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External sales	211,815	41,521	34,536	-	287,872
Inter-segment sales	12,201	6,153	5,887	(24,241)	-
Total Revenue	<u>224,016</u>	<u>47,674</u>	<u>40,423</u>	<u>(24,241)</u>	<u>287,872</u>

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	Malaysia RM'000	Thailand RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Result</u>					
Profit/(loss) from operations	30,112	506	2,161		32,779
Finance cost, net					(1,775)
Taxation					(4,201)
Profit after tax					26,803
Minority interests					32
Net profit for the period					26,835
<u>Assets</u>					
Segment assets	276,970	70,148	54,349		401,467
Goodwill arising From consolidation					5,325
<u>Liabilities</u>					
Segment liabilities	164,244	34,763	21,401		220,408
<u>Other information</u>					
Capital expenditure	21,537	15,618	8,287		45,442
Depreciation	6,873	1,292	479		8,644

- 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 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 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.

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ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS

13. Review of Performance

For the quarter ended 28 February 2005, the Group recorded sales revenue of RM148.745 million representing an increase of 56% against the sales revenue of RM95.603 million achieved during the same quarter in the previous financial year. Whereas, profit before tax for the quarter under review increased to RM16.048 million from RM9.897 million registered in the quarter ended 29 February 2004, representing an increased of 62%. On a cumulative 6 months year to date comparison, the Group recorded a revenue of RM287.872 million and profit before taxation of RM31.004 million as compared to revenue of RM183.534 million and profit before taxation of RM19.219 million recorded in the corresponding period ended 29 February 2004, registering a percentage improvement of 57% and 61% respectively. 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 increase in PBT for the quarter under review, registering a PBT of RM16.048 million as compared to RM14.957 million achieved in the previous quarter ended 30 November 2004. The increase in profits by approximately 7% was contributed by the continuous expansion and improvement in the Group's production capacity and aggressive marketing strategy implemented by the marketing team.

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 160 production lines with capacity of more than 13.0 billion pieces of gloves a year. Top Glove has approximately 600 customers and exports to more than 160 countries worldwide.

The Company's Factory 10, which is located next to its Factory 9 in Klang (Selangor State, Malaysia) has completed the installation and had commenced commercial production of the total 20 planned new and advance glove production lines since February 2005.

In addition to Factory 10, the construction of a new Factory 11 that was commenced in August 2004 has also been completed. This new factory which is in the vicinity of its existing factories in Klang, is currently being installed with advance glove production lines. To date, 10 lines from the total planned production capacity of 20 lines has been installed and has commenced commercial production. The remaining lines will be installed progressively and is targeted to be completed before December 2005.

Whereas, construction of Factory 12 which is also within the vicinity of its existing factories in Klang is progressing well and is targeted to complete by July 2005. The factory will be installed with 20 new advanced glove production lines on a progressive basis upon completion of the building. Commercial production from the initial two production lines is targeted to commence from August 2005.

The Group is also planning to construct Factories 13 and 14, which is also within the vicinity of its Klang factories in the forth quarter of 2005 and second quarter of 2006 respectively. A combined total of 40 new advanced latex glove production lines are targeted to be installed progressively upon completion of the construction of the factories.

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.

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16. Variance of Actual Profits from Forecast Profits

Not applicable as no profit forecast was issued.

17. Taxation

	Quarter Ended		Year To Date Ended	
	28 Feb 2005 RM'000	29 Feb 2004 RM'000	28 Feb 2005 RM'000	29 Feb 2004 RM'000
Malaysia income tax	1,926	647	3,723	1,362
Under/(Over) provision in prior year	-	-	-	-
	<u>1,926</u>	<u>647</u>	<u>3,723</u>	<u>1,362</u>
Deferred taxation	251	-	478	-
	<u>2,177</u>	<u>647</u>	<u>4,201</u>	<u>1,362</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 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
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 was approved by the shareholders of the Company at an Extraordinary General Meeting on 11 January 2005 and the new subdivided shares was granted listing and quotation on 16 February 2005.

21. Group Borrowings

Group Borrowings as at 28 February 2005	RM'000
Export credit Refinancing (ECR) Bankers' Acceptance (secured)	41,958
Bank Overdrafts (secured)	14,983
Term Loan (secured)	59,973
Hire Purchase (secured)	4,120
Total facilities	<u>121,034</u>
Payable within 12 months	<u>73,492</u>
Payable after 12 months	<u>47,542</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 28 February 2005 are as follows :-

	Notional Amount As At 28 February 2005 RM'000
Foreign exchange forward contracts :	<u>362,250</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.

To date, 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 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.

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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 2004

Date approved	Type of dividend	Dividend Rate	Amount Paid (RM)	Payment date
5/7/2004	Interim dividend	5% (tax exempt)	4,651,200.00	6/9/2004
11/1/2005	Final dividend	6% (tax exempt)	5,620,770.00	15/3/2004
11/1/2005	Final dividend	3% (with 28% tax)	2,023,480.73	15/3/2004
	Total dividend for financial year ended 31/8/2004	14%	12,295,450.73	

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		Year To Date Ended	
	28 Feb 2005	29 Feb 2004	28 Feb 2005	29 Feb 2004
Net profit attributable to ordinary shareholders (RM'000)	13,923	9,207	26,835	17,712
Basic				
Total number of ordinary shares ('000)	187,567	185,738*	187,567	185,738*
Adjusted weighted average number of ordinary shares ('000)	186,538	183,920*	186,899	183,920*
Basic earnings per ordinary share (sen)	7.46	5.01*	14.36	9.63*
Diluted				
Adjusted weighted average number of ordinary shares ('000)	186,538	183,920*	186,899	183,920*
ESOS :				
No. of unissued shares	2,710	262*	2,710	262*
No. of shares that would have been issued at fair value	(1,902)	(176)*	(1,902)	(176)*
Diluted weighted average number of ordinary shares ('000)	187,346	184,006*	187,707	184,006
Diluted earnings per ordinary share (sen)	7.43	5.00*	14.30	9.63*

* For comparative purpose, the Earnings Per Share for quarter and year-to-date ended 29 February 2004 had been adjusted to reflect the subdivision of shares from one ordinary share of RM1.00 each to two ordinary shares of RM0.50 each.