



# TOP GLOVE CORPORATION BHD.

(Company No. 474423-X)

Public Listed Company on Bursa Malaysia Main Board

The World's Largest Rubber Glove Manufacturer

Lot 4969, Jalan Teratai, Batu 6, Off Jalan Meru,

41050 Klang, Selangor D.E., Malaysia.

Tel: 603-33921992 / 603-33921905 Fax: 603-33921291 / 603-33928410

Homepages : (i) [www.topglove.com.my](http://www.topglove.com.my) (ii) <http://topglove.asiaep.com>

E-mails : (i) [top@topglove.com.my](mailto:top@topglove.com.my) (ii) [topg@po.jaring.my](mailto:topg@po.jaring.my)



## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MAY 2006

### 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 2005.

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 2005.

### 2. Auditors' Report

The audited financial statements for the financial year ended 31 August 2005 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.

### 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 31 May 2006.

### 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

The Employee Share Option Scheme ("ESOS") of the Company was officially implemented on 29 April 2003. During the current quarter ended 31 May 2006, a total of 967,200 new ordinary shares of RM0.50 each 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 31 May 2006 are as follows :-

	No. of shares	RM
As at 28 February 2006	190,839,400	95,419,700
Ordinary shares issued pursuant to the ESOS	967,200	483,600
As at 31 May 2006	191,806,600	95,903,300

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.

## TOP GLOVE CORPORATION BHD.

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

### NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MAY 2006 (CONTINUED)

#### 7. Dividends Paid

For the financial year ended 31 August 2005, the Company made the following dividend payments :-

- i) On 16 September 2005, paid an interim dividend of 6% (tax exempt) amounting RM5,654,664; and
- ii) On 14 March 2006, the Company paid a total dividend of RM8,454,759 consisting of a final dividend of 4% (with tax 28%) amounting RM2,742,084 (after netting off 28% tax) and a final dividend of 6% (tax exempt) amounting RM5,712,675 which were approved in the Company's Annual General Meeting held on 11 January 2006.

The total dividend paid by the Company in respect of the financial year ended 31 August 2005 was 16%, represented by a net payment of RM14,109,423.

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

- i) On 6 September 2004, paid 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 consisting of a final dividend of 3% (with tax 28%) amounting RM2,023,480 (after netting off 28% tax) and a final dividend of 6% (tax exempt) amounting RM5,620,770 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.

#### 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.

	31 May 2006					
	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue</b>						
External sales	531,847	85,273	30,601	37,303	-	685,024
Inter-segment sales	43,601	20,453	40,270	-	(104,324)	-
Total Revenue	<u>575,448</u>	<u>105,726</u>	<u>70,871</u>	<u>37,303</u>	<u>(104,324)</u>	<u>685,024</u>
	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Result</b>						
Profit/(loss) from operations	58,677	4,868	10,042	1,415		75,002
Finance cost, net						(6,135)
Taxation						(8,927)
Profit after tax						<u>59,940</u>
Minority interests						(342)
Net profit for the period						<u>59,598</u>

## TOP GLOVE CORPORATION BHD.

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

### NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MAY 2006 (CONTINUED)

	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b><u>Assets</u></b>						
Segment assets	467,195	98,460	60,779	30,986		657,420
Goodwill arising From consolidation						5,325
<b><u>Liabilities</u></b>						
Segment liabilities	296,878	52,300	33,649	6,559		389,386
<b><u>Other information</u></b>						
Capital expenditure	57,106	13,184	13,597	(159)		83,728
Depreciation	15,432	3,246	1,325	167		20,170

- 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.

### ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS

#### 13. Review of Performance

For the quarter ended 31 May 2006, the Group recorded a 55.7% increased in sales revenue to RM247.8 million from RM159.2 million registered in the corresponding quarter in the previous financial year. The profit before tax for the quarter increased by 43.9% to RM24.6 million as compared to RM17.1 million registered in the quarter ended 31 May 2005. The significant achievement in higher sales and profit is in line with the Group's continuous expansion in production capacity, better quality control, improvement in its cost efficiency and marketing strategy.

## **TOP GLOVE CORPORATION BHD.**

(Company No. 474423-X)

(Incorporated in Malaysia)

### **NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MAY 2006 (CONTINUED)**

Overall, the Group has a positive outlook towards continuous growth and in securing better results in the forthcoming quarter for the financial year ending 31 August 2006 in terms of sales revenue and profitability through its 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. The ongoing efforts are expected to enhance the average compounded annual growth rates for revenue of approximately 44% per annum registered for the past 9 years.

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

On current quarter and preceding quarter comparison, the Group's PBT increased by 5.5% to register a PBT of RM24.60 million as compared to RM23.32 million achieved in the previous quarter ended 28 February 2006. Whereas the Group's profit after tax increased by 6.2% to RM21.24 million from RM20.00 million when compared with the preceding quarter. The increase in profits were mainly contributed by the continuous expansion and improvement in the Group's production capacity, cost control, quality improvement and aggressive marketing strategy implemented by the marketing team.

#### **15. Prospects**

Top Glove, the largest rubber glove manufacturer in the world with the vision of "Always Staying At The Top", is continuing to move ahead rapidly with particular efforts undertaken to improve and innovate its glove quality, marketing, productivity and cost efficiency. The Group currently employed about 7,000 employees and operates 231 production lines with capacity of 21.0 billion pieces of gloves per annum. Top Glove has 700 customers and exports to more than 170 countries worldwide.

With the completion of Factory 8's Block 3, the installation of new and advanced vinyl glove production lines currently in progress. Block 3 is planned to house 8 new and advanced vinyl glove production lines by 30 September 2006.

The construction of the factory building for Factory 13 which are located near to its Factory 9 in Klang, was completed in January 2006 and the installation of advanced glove production lines are currently in progress. This factory is targeted to house 32 lines, to date 8 lines have been installed and running with the remaining 24 lines to be installed progressive. Full installation is targeted by 31 December 2006.

On the progress of Factory 14, which is also located in Klang, construction of the factory has commenced since February 2006 and is still ongoing. The factory building is expected to be completed by 31 August 2006, to be followed by the progressive installation of new and advanced glove production lines.

The construction of Factory 15, the Group second China plant is currently in progress and is expected to be completed by 31 August 2006 and will be followed with the progressive installation of 48 new and advanced vinyl glove production lines.

With regards to the latex concentration plants, the construction of Factory 16L, which is located in Hadyai is progressing well. This plant is planned to house 36 machines and is targeted to be completed by February 2007.

The documentation on the purchase of the second latex plant, Factory 17L, which was announced to Bursa Malaysia on 8 May 2006 is currently still in progress. The completion of the purchased is expected to be completed by August 2006.

With the commitment of the management team and with the continuous improvement of gloves quality, 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.

**TOP GLOVE CORPORATION BHD.**

(Company No. 474423-X)

(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 MAY 2006 (CONTINUED)****16. Variance of Actual Profits from Forecast Profits**

Not applicable as no profit forecast was issued.

**17. Taxation**

	Quarter Ended		Year To Date Ended	
	31 May 2006 RM'000	31 May 2005 RM'000	31 May 2006 RM'000	31 May 2005 RM'000
Income tax during the year	913	1,952	5,692	5,676
Under/(Over) provision in prior year	-	-	-	-
	<u>913</u>	<u>1,926</u>	<u>5,692</u>	<u>5,676</u>
Deferred taxation	2,392	281	3,235	758
	<u>3,305</u>	<u>2,233</u>	<u>8,927</u>	<u>6,434</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
8 May 2006	Top Glove Sdn. Bhd., a wholly owned subsidiary of Top Glove Corporation Bhd, acquisition of 7.5 million ordinary shares representing 100% interest in B Tech Industry Company Limited, a company incorporated in Thailand for a total purchase consideration of RM26.8 million.	The proposal is pending the completion of the Share Sale Agreement

## TOP GLOVE CORPORATION BHD.

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

### NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MAY 2006 (CONTINUED)

#### 21. Group Borrowings

<u>Group Borrowings as at 31 May 2006</u>	<u>RM'000</u>
Export credit Refinancing (ECR) / Bankers' Acceptance (secured)	21,004
Bank Overdrafts (secured)	157
Term Loan (secured)	120,293
Hire Purchase (secured)	463
Medium Term Notes (unsecured)	70,000
Commercial Paper (unsecured)	20,000
Total facilities	<u>231,917</u>
Payable within 12 months	<u>83,624</u>
Payable after 12 months	<u>148,293</u>

#### 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 31 May 2006 are as follows:-

	Notional Amount As At 31 May 2006 RM'000
Foreign exchange forward contracts :	<u>267,324</u>
Within 17 months	

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.

A.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 OEM customer's 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.

## **TOP GLOVE CORPORATION BHD.**

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

### **NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MAY 2006 (CONTINUED)**

To date, the learned Judge was not in favor 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 26 September 2005 for mention for pre-trial case management. This date has been further extended to 15 November 2005 and subsequently to 17 January 2006, 22 February 2006 and to 30 June 2006 pending a decision on an application for Further and Better Particulars on this suit by TGSB, as detailed in (iii) below.

- iii The court had also fixed 16 May 2005 for hearing of an application by TGSB for Further and Better Particulars on the above suit. This date has been extended to 2 August 2005 and subsequently heard on 13 September 2005 and a decision was to be given on 23 September 2005 which was extended to 11 October 2005. The matter was not listed on 11 October 2005 as the file could not be located. The file was subsequently located and on 22 February 2006 the Court fixed 31 March 2006 for a decision which was given on 3 April 2006. On that date the court allowed TGSB's application for Further and Better Particulars on the above suit and SGM was given one month to comply with the said order. SGM appealed against this decision on 12 April 2006 and also applied for a stay of execution of the order dated 3 April 2006. No dates have been fixed yet.

- B.i. 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. SGM has filed a statement of defence on the above suit on 17 January 2005 and TGSB has filed the reply to defence on 14 February 2005.

The court had fixed 6 July 2005 for hearing of an application by TGSB to amend the Statement of Claim to include Top Glove Corporation Bhd. as an additional Plaintiff and Supermax Corporation Bhd. as an additional Defendant. The court heard this case on 28 September 2005 and a decision was to be given on 14 October 2005 but this was deferred to 18 November 2005 where the court allowed TGSB's application to amend the Statement of Claim and instructed SMG to file its amended Statement of Defence.

- ii. SGM has filed an application to strike out certain paragraphs of TGSB's Statement Of claim and this was also heard on 28 September 2005. A decision on this issue was also to be given on 14 October 2005 and this was also deferred to 18 November 2005 when the court dismissed SGM's application to Strike Out with costs to be paid by SGM. SGM filed a Notice of Appeal against both the decisions given by the Senior Assistant Registrar on 18 November 2005 above. Appeals against both these decisions were allowed and they are to be heard on 12 & 29 June 2006. SGM's appeal on it's Striking Out decision was heard on 12 June 2006 and adjourned to 2 November 2006.
- iii. SGM had also on 14 December 2005 filed an application to Stay the above proceedings until the disposal of SGM's appeal. This application was allowed on 7 March 2006.

**TOP GLOVE CORPORATION BHD.**

(Company No. 474423-X)

(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 MAY 2006 (CONTINUED)****24. Dividend**

The Board of Directors has approved the payment of an interim dividend of 7% (tax exempt) amounting to RM6,718,040 for the current quarter ended 31 May 2006.

Record of dividends paid in respect of financial year ended 31 August 2005

Date approved	Type of dividend	Dividend Rate	Amount Paid ( RM )	Payment date
4/7/2005	Interim dividend	6% (tax exempt)	5,654,664.00	16/9/2005
11/1/2006	Final dividend	6% (tax exempt)	5,712,675.00	14/3/2006
11/1/2006	Final dividend	4% (with 28% tax)	2,742,084.00	14/3/2006
	<b>Total dividend for financial year ended 31/8/2005</b>	<b>16%</b>	<b>14,109,423.00</b>	

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	15/3/2005
11/1/2005	Final dividend	3% (with 28% tax)	2,023,480.73	15/3/2005
	<b>Total dividend for financial year ended 31/8/2004</b>	<b>14%</b>	<b>12,295,450.73</b>	

**25. Earnings Per Share**

	Quarter Ended		Year To Date Ended	
	31 May 2006	31 May 2005	31 May 2006	31 May 2005
Net profit attributable to ordinary shareholders (RM'000)	21,238	14,801	59,598	41,636
<b>Basic</b>				
Total number of ordinary shares ('000)	191,807	188,099	191,807	188,099
Adjusted weighted average number of ordinary shares ('000)	191,189	187,835	190,129	186,984
<b>Basic earnings per ordinary share (sen)</b>	11.11	7.88	31.35	22.27
<b>Diluted</b>				
Adjusted weighted average number of ordinary shares ('000)	191,189	187,835	190,129	186,984
<b>ESOS :</b>				
No. of unissued shares	2,382	2,650	2,382	2,650
No. of shares that would have been issued at fair value	(1,193)	(1,992)	(1,193)	(1,992)
Diluted weighted average number of ordinary shares ('000)	192,378	188,493	191,318	187,642
<b>Diluted earnings per ordinary share (sen)</b>	11.04	7.85	31.15	22.19