



TOP GLOVE CORPORATION BHD.

(Company No. 474423-X)

Public Listed Company on Bursa Malaysia Main Board

The Largest Rubber Glove Manufacturer in the World

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1998 to 2005
Celebrating Malaysia's
Enterprising Spirit

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 AUGUST 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 31 August 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

The Employee Share Option Scheme ("ESOS") of the Company was officially implemented on 29 April 2003. During the current quarter ended 31 Aug 2005, a total of 539,200 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 August 2005 are as follow :-

	No. of shares	RM
As at 31 May 2005	188,099,400	94,049,700
Ordinary shares issued pursuant to the ESOS	539,200	269,600
As at 31 Aug 2005	188,638,600	94,319,300

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.

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7. Dividends Paid

On 16 September 2005, the Company paid an interim dividend of 6% (tax exempt) amounting RM5,654,664, which was declared on 4 July 2005 in conjunction with the 3rd quarter ended 31 May 2005's financial results announcement.

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.

There was no payment of dividend from 1 June 2005 to 31 August 2005.

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 Aug 2005

	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Revenue</u>						
External sales	479,484	74,980	55,494	31,869	-	641,827
Inter-segment sales	<u>23,753</u>	<u>23,230</u>	<u>25,162</u>	<u>-</u>	<u>(72,145)</u>	<u>-</u>
Total Revenue	<u>503,237</u>	<u>98,210</u>	<u>80,656</u>	<u>31,869</u>	<u>(72,145)</u>	<u>641,827</u>
	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Result</u>						
Profit/(loss) from operations	60,310	1,267	7,793	1,057		70,427
Finance cost, net						(4,682)
Taxation						(7,568)
Profit after tax						<u>58,177</u>
Minority interests						<u>(36)</u>
Net profit for the period						<u>58,141</u>

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	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Assets</u>						
Segment assets	350,864	77,143	50,534	23,368		501,909
Goodwill arising From consolidation						5,325
<u>Liabilities</u>						
Segment liabilities	199,908	45,329	36,407	8,788		290,432
<u>Other information</u>						
Capital expenditure	84,074	33,420	7,868	10,010		135,372
Depreciation	14,782	2,523	1,214	92		18,611

- 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 fourth quarter ended 31 August 2005, the Group recorded sales revenue of RM194.782 million representing an increase of 58% against sales revenue of RM123.250 million achieved during the same quarter in the previous financial year. Whereas, profit before tax for the fourth quarter under review increased to RM17.623 million from RM15.167 million registered in the fourth quarter ended 31 August 2004. On a cumulative 12 months year-to-date comparison, the Group recorded a revenue of RM641.827 million and profit before taxation of RM65.745 million as compared to revenue of RM418.133 million and profit before taxation of RM45.190 million recorded in the corresponding period ended 31 August 2004, registering a 53% and 45% improvement respectively, whereas, net profit increased by 47%. The significant achievement in higher growth 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.

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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 2006 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. The ongoing efforts are expected to boost the average compounded annual revenue growth rates (“CAGR”) of about 44% per annum registered for the past 9 years.

14. Quarterly Profits Before Tax (PBT) Comparison

On a current quarter and preceding quarter comparison, the Group registered a PBT of RM17.623 million as compared to RM17.118 million achieved in the previous quarter ended 31 May 2005. Whereas profit after tax for the forth quarter increased 11.5% from RM14.801 million recorded in the preceding quarter to RM16.505 million in this quarter. The increase in profits 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 largest rubber glove manufacturer in the world with the vision of “Always Staying At The Top”, is moving ahead rapidly and particular efforts are being undertaken to improve and innovate its glove quality, marketing, productivity and cost reduction. The Group currently operates 183 production lines with capacity of approximately 15.3 billion pieces of gloves per annum. Top Glove has approximately 650 customers and exports to more than 165 countries worldwide.

The Company’s Factory 11 and Factory 12, which are located near to its Factory 9 in Klang (State of Selangor, Malaysia), is currently in commercial production and the gloves manufactured are exported worldwide. Both factories building, which were completed in February 2005 and June 2005 respectively, is presently being installed with new advanced glove producing lines. To date, both factories have 12 lines respectively which are in commercial production. These factories are planned to house more than 20 lines each, the remaining lines will be installed progressively and full installation is targeted for March 2006 respectively.

The construction of its latest Factory 13 that commenced since June 2005, which is also located along its other factories in Klang is progressing well. The factory building, which was targeted to be ready by December 2005, will now be ready in November 2005, a month ahead of schedule. Upon completion of the construction, the factory will be installed with more than 20 new advanced glove production lines progressively.

Going forward, earthwork has been completed for Factory 14, which is also located in Klang. Construction is expected to commence by December 2005 and the factory building expected to be completed by July 2006, followed by the progressive installation of new and advanced glove production lines.

Construction of the additional lines in Factory 8, which is located in China, is also progressing well with the construction of its Block C is expected to be completed in November 2005 and installation expected to follow suit thereafter. Factory 8 Block C is expected to house 16 new and advanced vinyl glove production lines.

In addition to the above, the Group will also venture into the manufacturing of a new product to complement its existing extensive product range. The new product, Polyethylene glove or in short PE glove, will be manufactured in its China plant. These gloves are highly sought after in the food and other industrial related sectors.

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 and next financial year.

16. Variance of Actual Profits from Forecast Profits

Not applicable as no profit forecast was issued.

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17. Taxation

	Quarter Ended		Year To Date Ended	
	31 Aug 2005 RM'000	31 Aug 2004 RM'000	31 Aug 2005 RM'000	31 Aug 2004 RM'000
Income tax during the year	(504)	986	5,172	3,073
Under/(Over) provision in prior year	(796)	10	(796)	10
	<u>(1,300)</u>	<u>996</u>	<u>4,376</u>	<u>3,083</u>
Deferred taxation	2,434	2,163	3,192	2,163
	<u>1,134</u>	<u>3,159</u>	<u>7,568</u>	<u>5,246</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

There were no corporate proposals announced which remain uncompleted during the quarter under review and as at the date of this report.

21. Group Borrowings

<u>Group Borrowings as at 31 Aug 2005</u>	<u>RM'000</u>
Export credit Refinancing (ECR) / Bankers' Acceptance (secured)	42,541
Bank Overdrafts (secured)	20,439
Term Loan (secured)	89,319
Hire Purchase (secured)	1,892
Total facilities	<u>154,191</u>
Payable within 12 months	<u>82,856</u>
Payable after 12 months	<u>71,335</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 AUGUST 2005 (CONTINUED)

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 Aug 2005 are as follows:-

	Notional Amount As At 31 Aug 2005 RM'000
Foreign exchange forward contracts :	<u>156,334</u>
Within 4 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.

1.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 26 September 2005 for mention for pre-trial case management. This date has been further extended to 15 November 2005 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 23.9.05 which was extended to 11.10.05. The matter was not listed on 11.10.05 as the file could not be located. The court will inform the parties on a new decision date once the file is located.

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

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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 has 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 has been deferred to another date which has yet to be fixed by the court.

- ii. SGM has filed an application to strike out and this was also heard on 28 September 2005. A decision on this issue was also given on 14 October 2005 and this has also been deferred to another date which has yet to be fixed by the court.

24. Dividend

The Board of Directors is pleased to proposed a final dividend of 10%, consisting of 6.0% (tax exempt) amounting to RM5,665,983 and 4.0% (with tax 28%) amounting RM3,777,322 for the financial year ended 31 August 2005. The proposed final dividend (totaling 10% and amounting to RM9,443,305) is subject to the shareholders' approval in the forthcoming Annual General Meeting.

The Company paid an interim dividend of 6% (tax exempt) amounting RM5,654,664 on 16th September 2005, which was declared on 4 July 2005 in conjunction with the 3rd quarter ended 31 May 2005's financial results announcement.

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	

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FOR THE QUARTER ENDED 31 AUGUST 2005 (CONTINUED)**
25. Earnings Per Share

	Quarter Ended		Year To Date Ended	
	31 Aug 2005	31 Aug 2004	31 Aug 2005	31 Aug 2004
Net profit attributable to ordinary shareholders (RM'000)	<u>16,505</u>	<u>11,789</u>	<u>58,141</u>	<u>39,534</u>
Basic				
Total number of ordinary shares ('000)	<u>188,639</u>	<u>186,118*</u>	<u>188,639</u>	<u>186,118*</u>
Adjusted weighted average number of ordinary shares ('000)	<u>188,333</u>	<u>185,570*</u>	<u>187,324</u>	<u>185,570*</u>
Basic earnings per ordinary share (sen)	<u>8.76</u>	<u>6.35*</u>	<u>31.04</u>	<u>21.30*</u>
Diluted				
Adjusted weighted average number of ordinary shares ('000)	188,333	185,570*	187,324	185,570*
ESOS :				
No. of unissued shares	4,503	3,586*	4,503	3,586*
No. of shares that would have been issued at fair value	<u>(3,387)</u>	<u>(3,016)*</u>	<u>(3,387)</u>	<u>(3,016)*</u>
Diluted weighted average number of ordinary shares ('000)	<u>189,449</u>	<u>186,140*</u>	<u>188,440</u>	<u>186,140*</u>
Diluted earnings per ordinary share (sen)	<u>8.71</u>	<u>6.33*</u>	<u>30.85</u>	<u>21.24*</u>

* For comparative purpose, the Earnings Per Share for quarter and year-to-date ended 31 Aug 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.