



TOP GLOVE CORPORATION BHD.

(Company No. 474423-X)

Public Listed Company on Bursa Malaysia Main Board

The World's Largest Rubber Glove Manufacturer

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2008

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Securities.

The interim financial report should be read in conjunction with the audited financial statements for the Group for the financial year ended 31 August 2007. The explanatory notes attached to the interim financial statements provide an explanation of events and transaction that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 August 2008.

Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 August 2008.

2. Auditors' Report

The audited financial statements for the financial year ended 31 August 2008 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 August 2008.

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

On 1 August 2008, the Company implemented the 2nd Employee Share Option Scheme ("ESOS II"), which is for a 10 years period. During the current quarter ended 30 November 2008, total 2,885,400 new options have been allotted pursuant to ESOS II but no option has been exercised.

Other than the above, there were no issuance and repayment of debt and equity securities, share cancellations 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 2008, the Company :-

- i) On 13 September 2008, paid an interim dividend of 10% (tax exempt) amounting RM14.72 million.
- ii) On 22 October 2008, a final dividend of 12% (single tier) amounting to RM17.67 million for the financial year ended 31 August 2008 was proposed. The proposed final dividend is subject to shareholders' approval in the forthcoming Annual General Meeting on 13th January 2009

The total dividend paid and proposed by the Company in respect of the financial year ended 31 August 2008 is 22% represented by a net payment of approximately RM32.39 million.

For the financial year ended 31 August 2007, the Company :-

- i) On 13 September 2007, paid an interim dividend of 8% (tax exempt) amounting RM12.02 million.
- ii) On 14 March 2008, the Company paid a total dividend of RM15.42 million consisting of a final dividend of 6% (with tax 26%) amounting RM6.56 million (after netting off 26% tax) and a final dividend of 6% (tax exempt) amounting RM8.86 million which were approved in the Company's Annual General Meeting held on 9 January 2008.

The total dividend paid by the Company in respect of the financial year ended 31 August 2007 was 20% represented by a net payment of RM27.43 million.

Record of dividends paid in respect of previous financial year :

Financial Year	Dividend (%)	Dividend (RM'000)
2008	22%	32,389
2007	20%	27,435
2006	18%	21,173
2005	16%	14,110
2004	14%	12,295
2003	12%	9,550
2002	6%	2,808
Total		119,760

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 2008 (3 months)

	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	301,718	30,809	34,354	19,195	-	386,076
Inter-segment sales	14,078	68,346	29,077	-	(111,501)	-
Total Revenue	<u>315,796</u>	<u>99,155</u>	<u>63,431</u>	<u>19,195</u>	<u>(111,501)</u>	<u>386,076</u>

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	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Result</u>						
Profit from operations	35,713	7,262	2,572	625	-	46,172
Finance cost						(2,718)
Share of loss from associate						(156)
Profit before tax						43,298
Taxation						(8,783)
Profit for the year						34,515
<u>Assets</u>						
Segment assets	727,395	168,860	156,026	38,934		1,091,215
Goodwill arising From Consolidation						20,113
<u>Liabilities</u>						
Segment liabilities	236,966	67,724	70,735	9,042		384,467
<u>Other information</u>						
Capital expenditure	14,861	1,679	4,978	-		21,518
Depreciation	10,133	2,649	1,049	51		13,882

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 Report

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

Despite the global economy slowdown, the Group continues to deliver commendable growth. For the 1st quarter ended 30 November 2008, sales revenue increased by 15% to RM386.1 million from RM336.5 million registered in the corresponding quarter in the previous financial year. Profit before tax for the quarter increased by 25% to RM43.3 million as compared to RM34.6 million registered in the quarter ended 30 November 2007. The significant achievement in higher sales revenue 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. The decline in oil price, latex price and favourable exchange rate also help in increasing the Group's profit.

The Group also continues to strengthen its balance sheet and working capital position, with the net gearing level reduced to less than 0.06 times and improvement in debtors and inventory turnover days.

The financial results of the Group since financial year 2001 (year of listing) are as follow :

RM 'mil	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008
Revenue	138.9	180.2	265.1	418.1	641.8	992.6	1,228.8	1,377.9
EBITDA	23.9	27.1	39.5	60.6	89.2	130.3	175.7	197.8
EBITDA margin	17.2%	15.0%	14.9%	14.5%	13.9%	13.1%	14.3%	14.4%
PBT	17.2	20.2	29.3	45.2	65.7	91.8	118.6	134.6
PAT	15.9	17.8	25.7	39.9	58.2	84.8	88.7	108.1
PAT margin	11.4%	9.9%	9.7%	9.5%	9.1%	8.5%	7.2%	7.8%

14. Quarterly Profits Before Tax (PBT) Comparison

The Group registered a PBT of RM43.3 million for current quarter compared with RM38.3 million in quarter ended 31 August 2008, an increase of 13%. The increase in profit is mainly attributable to lower latex and crude oil price, favourable exchange rate and good cost control, efficiency and glove quality improvement.

15. Commentary on prospects and targets

Top Glove, the world's largest rubber glove manufacturer with a vision of "Always Staying At The Top", is continuing to move ahead rapidly with specific efforts undertaken to improve and innovate its glove quality, marketing, productivity and cost efficiency. The Group currently has 19 factories, 339 production lines with production capacity of 30 billion pieces of gloves per annum and employed about 8,600 employees. Top Glove has more than 850 customers and exports to more than 180 countries worldwide.

In Factory 15, the Group 2nd plant in China, the new additional 8 advanced vinyl glove production lines has started operation in October 2008.

Factory 19, which is located in Klang, is in the final stage of installing 16 new and advanced glove production lines.

The construction of its latest factory in Klang, Factory 20 has been completed.

The Group's two latex plants in Thailand, which is Factory 16L and Factory 17L, will also increase an additional 8 latex centrifuge machines, in order to supply additional latex concentrate to the increasing demand from the Group's glove factories.

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With lower crude oil and latex prices, and also the exchange rate is in the Group's favour, the Group has a positive outlook. The Group is confident in continuous growth and in securing better results in the forthcoming quarters in terms of profitability if the current trend continues, coupled with the continued efforts of aggressive marketing strategies, as well as, further improvements in quality, cost control and efficiency.

The management is of the view that the slow down in the world economy due to the current financial crisis, has minimum impact on the Group performance as glove is a necessity item in the health care sector. The majority of the Group sales is to the healthcare sector, which is less sensitive to the current economy situation. However, we may expect some slowdown in the non medical sectors, such as the industrial and food and beverage sectors.

In this challenging time, the Group will continue to put in its best effort towards achieving the internal target growth for both sales revenue and net profit.

16. Variance of Actual Profits from Forecast Profits

Not applicable as no profit forecast was issued.

17. Taxation

	Quarter Ended		Year To Date Ended	
	30 Nov 2008 RM'000	30 Nov 2007 RM'000	30 Nov 2008 RM'000	30 Nov 2007 RM'000
Income tax during the year	7,729	4,391	7,729	4,391
Deferred taxation	1,054	382	1,054	382
	<u>8,783</u>	<u>4,773</u>	<u>8,783</u>	<u>4,773</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

- a) As of 30 November 2008, the status of utilization of the proceeds raised from the Share Placement amounting to RM239.5 million is as below :

	Proposed Utilisation	Actual Utilisation
	RM'mil	RM'mil
Capital expenditure	100.0	100.0
Repayment of borrowings	110.0	110.0
Working capital	25.8	25.8
Defray expenses for Proposed Placement	3.7	3.7
	<u>239.5</u>	<u>239.5</u>

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- b) On 21 October 2008, Medi-Flex Ltd, which is a subsidiary of the Company via the interest of 60.06% through Top Glove Sdn Bhd, announced the proposed renounceable non-underwritten rights issue for up to 500,000,000 new ordinary Shares ("Rights Shares"), at an issue price of S\$0.04 for each Rights Share, on the basis of one (1) Rights Share for every one (1) existing ordinary Share in the capital of the Medi-Flex Ltd. The proposal is pending for shareholders' approval at an Extraordinary General Meeting to be convened on 20th January 2009.

21. Group Borrowings

The Group borrowings as at 30 November 2008 were as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings	15,000	84,223	99,223
Long term borrowings	55,000	26,026	81,026
	<u>70,000</u>	<u>110,249</u>	<u>180,249</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 30 November 2008 are as follows:-

	Notional Amount As At 30 Nov 2008 RM'000
Foreign exchange forward contracts :	<u>187,453</u>
Within 6 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

The Company has been named as one of 39 respondents in United States International Trade Commission ("USITC") investigation, which Tillotson Corporation instituted on 30 May 2007, for alleged patent infringement of nitrile gloves. On 25 August 2008, an Administrative Law Judge ("ALJ") at the United States International Trade Commission issued an initial determination finding that Tillotson Corporation's patent for nitrile gloves was invalid.

On 22 December 2008, the USITC has determined to affirm the ALJ initial determination that the Company did not violate intellectual property infringement of nitrile gloves as alleged by Tillotson Corporation because the asserted claims are invalid.

Accordingly, USITC has terminated investigations into the said alleged infringement.

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24. Dividend

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

The total dividend declared for financial year 2008 was 22%. The Company paid an interim dividend 10% (tax exempt) amounting to RM14.72 million on 13 September 2008. The Board of Directors has also proposed a final dividend of 12% (single tier) amounting to RM17.67 million for the financial year ended 31 August 2008. The proposed final dividend is subject to the shareholders' approval in the forthcoming Annual General Meeting on 13 January 2009.

Record of dividends proposed and paid :

Financial Year	Dividend (%)	Dividend (RM'000)
2008	12% (Final - proposed) 10% (Interim - paid)	17,667 14,722
2007	20%	27,435
2006	18%	21,173
2005	16%	14,110
2004	14%	12,295
2003	12%	9,550
2002	6%	2,808
Total		119,760

25. Earnings Per Share

	Quarter Ended		Year To Date Ended	
	30 Nov 2008	30 Nov 2007	30 Nov 2008	30 Nov 2007
Net profit attributable to ordinary shareholders (RM'000)	<u>34,160</u>	<u>29,383</u>	<u>34,160</u>	<u>29,383</u>
Basic				
Total number of ordinary shares ('000)	<u>301,065</u>	<u>300,496</u>	<u>301,065</u>	<u>300,496</u>
Adjusted weighted average number of ordinary shares ('000) excluding treasury shares	<u>294,448</u>	<u>297,358</u>	<u>294,448</u>	<u>297,358</u>
Basic earnings per ordinary share (sen)	<u>11.60</u>	<u>9.88</u>	<u>11.60</u>	<u>9.88</u>
Diluted				
Adjusted weighted average number of ordinary shares ('000)	294,448	297,358	294,448	297,358
ESOS :				
No. of unissued shares	2,885	7,630	2,885	7,630
No. of shares that would have been issued at fair value	<u>(1,801)</u>	<u>(5,492)</u>	<u>(1,801)</u>	<u>(5,492)</u>
Diluted weighted average number of ordinary shares ('000)	<u>295,532</u>	<u>299,496</u>	<u>295,532</u>	<u>299,496</u>
Diluted earnings per ordinary share (sen)	<u>11.56</u>	<u>9.81</u>	<u>11.56</u>	<u>9.81</u>