



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 FOURTH QUARTER ENDED 31 AUGUST 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 2007

Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 August 2007 except for the adoption of the following new and revised FRSs :-

(a) FRS 117 Leases

FRS 117 requires if leasehold land for own use to be classified as operating lease and where necessary minimum lease payments or the up-front payments made are allocated between the land and the building elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and the comparative figure has been restated. The effects on the comparative figure stated as below :-

	As previously Reported (RM'000)	Effect of adoption of FRS117 (RM'000)	As restated (RM'000)
<u>Balance Sheet as at 31 August 2007</u>			
Property, Plant and Equipment	557,623	(9,588)	548,035
Prepaid Lease Payments	-	9,588	9,588

(b) FRS 124 Related Party Disclosures

This standard extends the definition of related party and adds new disclosure requirements. The adoption of FRS124 has no impact on the Group's consolidation financial statements

(c) FRS 112²⁰⁰⁴ Income Taxes

In prior years, the Group did not recognised deferred tax assets on unabsorbed reinvestment allowances. During the current year, the Group changed its accounting policy and accordingly, deferred tax assets on unabsorbed reinvestment allowances has been recognised

The change in accounting policy has been applied retrospectively and comparatives have been restated. The effects of change in accounting policy are as follows :-

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	Group	
	2008 RM'000	2007 RM'000
Effect on retained profits :		
At 1 September, as previously stated	231,971	160,175
Effects of change in accounting policy	3,841	18,076
At 1 September, as restated	<u>235,812</u>	<u>178,251</u>
Effect on profit attributable to equity for the year :		
Profit attributable to equity before change in accounting policy	113,905	103,795
Effects of change in accounting policy	(3,841)	(14,235)
Profit attributable to equity for the year	<u>110,064</u>	<u>89,560</u>

Comparative amount of the Company as at 31 August 2007 have been restated as follows :-

	Previously Stated RM'000	Adjustment RM'000	Restated RM'000
Deferred tax liabilities	<u>30,809</u>	<u>(3,841)</u>	<u>26,968</u>

(d) FRS 6 Exploration for and Evaluation of Mineral Resources

(e) FRS 119₂₀₀₄ Amendment to FRS 119₂₀₀₄ Employee Benefits Actuarial Gains and Losses, Group Plans and Disclosures.

(f) FRS 111 Construction Contracts

(g) FRS 120 Accounting for Government Grants and Disclosure of Government Assistance

The new and revised FRS 6, FRS 119₂₀₀₄, FRS 111 and FRS 120 are not relevant to the operation of the Group

(h) FRS 107 Cash Flow Statements

(i) FRS 118 Revenue

(j) FRS 134 Interim Financial Reporting

(k) FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The new and revised FRS 107, FRS 118, FRS 134 and FRS 137 has no financial impact on the Group's consolidation financial statements.

2. Auditors' Report

The audited financial statements for the financial year ended 31 August 2007 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.

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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 2007.

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 1st Employee Share Option Scheme ("ESOS I") of the Company which was implemented for a 5 years period expired on 29 April 2008.
- 6.2) 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 31 August 2008, no new option or ordinary shares were issued and allotted pursuant to ESOS II.
- 6.2) Of the total 301,064,931 issued and fully paid ordinary shares as at 31 August 2008, 6,616,700 shares are held as treasury shares by the Company. The total consideration paid for the treasury shares including transaction costs was RM38.427 million which were financed by internally generated funds.

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.

7. Dividends Paid

On 13 September 2008, the Company paid an interim dividend of 10% (tax exempt) amounting RM14.72 million, which was declared on 2 July 2008 in conjunction with the 3rd quarter ended 31 May 2008 financial results announcement.

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	10% (Interim)	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		102,093

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FOR THE FOURTH QUARTER ENDED 31 AUGUST 2008 (CONTINUED)****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 August 2008 (12 months)

	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	1,068,631	139,198	97,028	69,339	-	1,374,196
Inter-segment sales	42,754	220,962	58,490	-	(322,206)	-
Total Revenue	<u>1,111,385</u>	<u>360,160</u>	<u>155,518</u>	<u>69,339</u>	<u>(322,206)</u>	<u>1,374,196</u>
Result						
Profit/(loss) from operations	125,153	12,050	5,505	1,127	-	143,835
Finance cost						(10,118)
Share of profit from associate						909
Profit before tax						134,626
Taxation						(26,524)
Profit for the year						<u>108,102</u>
Assets						
Segment assets	747,798	167,808	140,852	37,472		1,093,930
Goodwill arising from Consolidation						20,113
Liabilities						
Segment liabilities	276,808	75,772	66,230	7,995		426,805
Other information						
Capital expenditure	40,968	8,524	17,381	41		66,914
Depreciation	39,158	10,322	3,484	212		53,176

b. Secondary reporting segment – Business segments

As the Group is principally involved in gloves manufacturing industry, segment reporting by business segment is not prepared.

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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.

ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS

13. Review of Performance

Financial year 2008 ("FY08") has been a very challenging and tough year for the Group, with latex prices surged to a peak of RM7.20/kg in July 2008, Ringgit Malaysia strengthened to a high of RM3.14 per 1 USD in April 2008, crude oil price hit the all time high of USD147 per barrel in July 2008, Malaysian government announced the 41% increased in petrol price effective 5th of June 2008, 26% electricity tariff hike effective 1st of July 2008 and also the 72% hike in natural gas tariffs effective 1st of August 2008. Despite all these headwinds, the Group continues to grow at the top and bottom line, while maintaining a strong and healthy balance sheet position, with low gearing which put the Group in strategic position to face the current world financial crisis or to fund any potential acquisitions.

For the quarter ended 31 August 2008, sales revenue increased by 17% to RM360.8 million from RM307.6 million registered in the corresponding quarter in the previous financial year which can be analysed as follow:

	Qtr 4/08	Qtr 4/07	Growth
Sales:			
Gloves (RM mil)	355.0	290.9	22%
Latex concentrate (external sales – RM mil)	5.8	16.7	(65)%
Total sales (RM mil)	360.8	307.6	17%
Sales of Gloves (in USD'million equivalent)	109.6	84.3	30%
Profit before tax (RM mil)	38.3	31.3	22%
Net Profit (RM mil) – equity holders of the Company	25.1	13.4	87%

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Due to the appreciation of Ringgit Malaysia against USD between quarter ended 31 August 2008 and quarter ended 31 August 2007, sales of gloves in USD value increased by 30% but only 22% in Ringgit Malaysia value. The reduction in sales of latex concentrate in current quarter was mainly due to higher internal consumption compared with higher external sales for quarter ended 31 August 2007.

Profit before tax for the quarter increased by RM7.0 million to RM38.3 million compared with RM31.3 million registered in the quarter ended 31 August 2007.

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	Unaudited FY2008
Revenue	138.9	180.2	265.1	418.1	641.8	992.6	1,228.8	1,374.2
EBITDA	23.9	27.1	39.5	60.6	89.2	130.3	175.7	197.9
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%	7.9%

* Prior year profits has been restated with the compliance of FRS112 in current financial year

However, all these headwinds mentioned above has turned into the Group's advantage since beginning of the new financial year as crude oil and latex prices had reduced and exchange rate is in the Group favour now. The Group has a positive outlook towards continuous growth and in securing better results in the coming financial year in terms of sales revenue and profitability if the current trend continues, coupled with the continued efforts of 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

The Group registered a PBT of RM38.3 million for current quarter compared with RM30.0 million in quarter ended 31 May 2008, an increase of 28%. Despite of all the headwinds, the Group managed to overcome it and able to improved its PBT.

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, 336 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.

Factory 15, the Group 2nd plant in China, which currently has 16 advanced glove production lines, is currently in the final stage of installing additional 8 advanced vinyl glove production lines and target to complete by end of October 2008.

Factory 19, which is located in Klang, is in the process of installing 16 new and advanced glove production lines and target to complete by December 2008. Due to the hike in natural gas price recently, Factory 19 will be operating on biomass boiler systems of which is cheaper and more cost efficient.

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The construction of its latest factory in Klang, Factory 20 has been completed. It will also be installed with 16 new and advanced glove production lines and operating on biomass boiler systems.

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

With crude oil and latex prices continue to decline, and also exchange rate is in the Group favour, the Group has a positive outlook towards continuous growth and in securing better results in the forthcoming quarters in terms of sales revenue and profitability if the current trend continues, coupled with the continued efforts of 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 management is of the view that the expected slow down in the world economy due to the current financial crisis, is unlikely to have an impact on the Group performance as glove is a necessity item in the health care industry.

The Company had earlier set an internal target of net profit attributable to equity shareholders of RM125 million for the financial year 2008. As highlighted in Note 13 above, financial year 2008 was a tough and challenging year for the Group due to the headwinds faced by the Group. Nevertheless, the Group achieved the net profit attributable to equity shareholders of RM110.06 million.

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 Aug 2008 RM'000	31 Aug 2007 RM'000	31 Aug 2008 RM'000	31 Aug 2007 RM'000
Income tax during the year	11,400	7,472	23,231	14,486
Deferred taxation	1,978	11,231	3,293	15,506
	<u>13,378</u>	<u>18,703</u>	<u>26,524</u>	<u>29,992</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.

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20. Status of Corporate Proposals Announced

- a) As of 31 Aug 2008, the status of utilization of the proceeds raised from the Share Placement amounting to RM239.5 million is as below :

	Proposed Utilisation RM'mil	Actual Utilisation RM'mil
Capital expenditure	100.0	83.9
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>223.4</u>

- 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.

21. Group Borrowings

The Group borrowings as at 31 Aug 2008 were as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings	-	85,362	85,362
Long term borrowings	70,000	31,625	101,625
	<u>70,000</u>	<u>116,987</u>	<u>186,987</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 Aug 2008 are as follows:-

	Notional Amount As At 31 Aug 2008 RM'000
Foreign exchange forward contracts : Within 10 months	<u>181,462</u>

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.

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23. Material Litigation

- i) With reference to the financial results for the 3rd quarter ended 31 May 2008 announced on 2nd July 2008, subsequently by 23/7/2008, both Top Glove Sdn. Bhd. ("TGSB") and Supermax Glove Manufacturing Sdn. Bhd. ("SGM") filed notices of discontinuance of all suits and counterclaims without liberty to file afresh and with no order as to cost, after a settlement was reached. This ended all litigation and counterclaims between TGSB and SGM.
- ii) The Company has been named as one of 39 respondents in United States International Trade Commission ("ITC") investigation, which Tillotson Corporation instituted on 30 May 2007, for alleged patent infringement of nitrile gloves. On 25 August 2008, an Administrative Law Judge at the United States International Trade Commission issued an initial determination finding that Tillotson Corporation's patent for nitrile gloves was invalid and this was announced to the Bursa by the Company on the 29th day of August 2008.

24. Dividend

The Board of Directors is pleased to 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 shareholders' approval in the forthcoming Annual General Meeting.

The Company paid an interim dividend of 10% (tax exempt) amounting RM14.72 million on 13th September 2008, which was declared on 2nd July 2008 in conjunction with the 3rd quarter ended 31 May 2008 financial results announcement.

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.

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

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	Quarter Ended		Year To Date Ended	
	31 Aug 2008	31 Aug 2007	31 Aug 2008	31 Aug 2007
Net profit attributable to ordinary shareholders (RM'000)	<u>25,108</u>	<u>13,445</u>	<u>110,064</u>	<u>89,560</u>
Basic				
Total number of ordinary shares ('000)	<u>301,065</u>	<u>300,476</u>	<u>301,065</u>	<u>300,476</u>
Adjusted weighted average number of ordinary shares ('000) excluding treasury share	<u>294,448</u>	<u>300,356</u>	<u>296,001</u>	<u>287,015</u>
Basic earnings per ordinary share (sen)	<u>8.53</u>	<u>4.48</u>	<u>37.18</u>	<u>31.20</u>
Diluted				
Adjusted weighted average number of ordinary shares ('000)	294,448	300,356	296,001	287,015
ESOS :				
No. of unissued shares	-	2,365	-	2,365
No. of shares that would have been issued at fair value	-	(1,728)	-	(1,728)
Diluted weighted average number of ordinary shares ('000)	<u>294,448</u>	<u>300,993</u>	<u>296,001</u>	<u>287,652</u>
Diluted earnings per ordinary share (sen)	<u>8.53</u>	<u>4.47</u>	<u>37.18</u>	<u>31.13</u>

There is no diluted earnings per ordinary share for current quarter and current financial year to date as there is no ESOS option outstanding as at 31 August 2008.