

7. FINANCIAL INFORMATION

7.1 Consolidated Profit and Dividend Record

A summary of the proforma consolidated audited results of the Top Glove Group for the five (5) financial years ended 31 August 1996 to 2000 has been prepared for illustrative purposes only based on the audited accounts of the Top Glove Group and the assumption that the current structure of the Group has been in existence throughout the period under review:-

	Financial Year Ended				
	31.8.1996 RM'000	31.8.1997 RM'000	31.8.1998 RM'000	31.8.1999 RM'000	31.8.2000 RM'000
Turnover	29,089	35,453	48,493	70,198	103,161
EBIDTA	4,203	6,628	10,757	12,790	17,198
Interest Expense	(253)	(385)	(860)	(970)	(1,405)
Depreciation	(706)	(1,070)	(1,766)	(1,683)	(3,157)
PBT	3,244	5,173	8,131	10,137	12,636
Taxation	(417)	(882)	(1,059)	(313)	(1,012)
PAT	2,827	4,291	7,072	9,824	11,624
No. of Shares assumed to be in issue	26,575	26,575	26,575	26,575	26,575
Gross EPS	0.12	0.19	0.31	0.38	0.48
Net EPS	0.11	0.16	0.27	0.37	0.44
Gross dividend rate (%)	0.56	0.68	1.51	1.58	-
Net Dividend rate (%)	0.40	0.49	1.08	1.58	-

Notes:-

- i) Top Glove's results are not included as it was incorporated on 23 December 1998 and is currently dormant
- ii) There were no exceptional items and extraordinary items in all the financial years under review
- iii) There were no minority interests in all the financial years under review.
- iv) There were no dividend paid or declared during the financial year ended 31.08.2000
- v) The taxation have been adjusted to reflect under/over provision in the respective financial years/periods of TGSB, TG Medical and TG USA. The resulting effect of under/over provision of taxation on the proforma consolidated results are as follows:-

	Financial year ended 31 August				
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000
Taxation stated in audited accounts	856	608	1,061	247	915
Adjustment to reflect the taxation in the respective years	(439)	274	(2)	66	97
Adjusted taxation as stated in this report	417	882	1,059	313	1,012

- vi) The results of the following subsidiaries have been time apportioned to 31 August in order to be coterminous with the financial year end of the Group.
 - 31 March, 1996 to 1997 for TG Medical;
 - 31 December, 1998 and 31 August, 1999 for GG; and
 - 31 December, 1995 to 1998 and 31 August, 1999 for TG USA

7. FINANCIAL INFORMATION (Cont'd)

- vii) *The growth in turnover for the year 1998 was mainly due to favourable exchange rates as 84% of the Group's sales were for export markets and quoted in US Dollars. In addition, there was an increase in sales order by an importer of latex examination gloves from Holland which comprised 12% of the current year's sales. As a result of the above and coupled with the drop in average latex prices, the Group achieved higher profit before taxation.*
- viii) *The higher turnover in 1999 was made possible due to increase in production capacity of TG Medical by additional five production lines. Due to the quality gloves produced by both TGSB and TG Medical, demand from American countries had been overwhelming and achieved a more than 100% growth in this region.*
- ix) *The turnover for year 2000 increased significantly by RM33 million mainly due to the full commissioning of twelve production lines by TG Medical and the acquisition of twenty additional production lines in Ipoh by TGSB which started production in the month of June, 2000.*

7.2 Working Capital, Borrowings and Contingent Liabilities

(a) Working Capital

The Directors of Top Glove are of the opinion that after taking into account the Group's cashflow position, banking facilities available and gross proceeds from the Rights Issue and Public Issue, the Group will have adequate working capital for its present and foreseeable requirements.

(b) Borrowings

As at 8 February 2001 (being the last practicable date prior to the printing of this Prospectus), the total borrowings of the Top Glove Group from financial institutions amounted to approximately RM33.55 million comprising term loans overdraft, hire purchase and trade facilities. Long term and Short term borrowings amount to RM16.66 million and RM16.89 million respectively. The facilities are secured by a fixed and floating charge over the entire assets of the subsidiary up to RM44,813,587.

Saved as disclosed above, the Top Glove Group has no loan capital outstanding or created but unissued, mortgages or charges.

(c) Contingent Liabilities and Capital Commitments

As at 8 February 2001 (being the last practicable date prior to the printing of this Prospectus):-

- the Group has contingent liabilities of approximately RM1,560,990 as detailed below:-

Contingent Liabilities	Top Glove RM	TG Medical RM	Total RM
Bankers' Guarantee Issued			
To Ketua Pengarah Imigresen for foreign labours (Indonesian and Bangladesh)	210,010	73,250	283,260
To Utility Companies & Suppliers			
Gas Malaysia Bhd	316,530	109,200	425,730
Tenaga Nasional Bhd	397,000	180,000	577,000
Other Suppliers	275,000	-	275,000
Total	1,198,540	362,450	1,560,990

7. FINANCIAL INFORMATION (Cont'd)

In addition, TGSB is also subject to a litigation suit, which details are set out below:

Pursuant to Shah Alam High Court Civil Suit No. MT3-22-431-2000, a writ of summons was served by Supermax Glove Manufacturing Sdn Bhd (“SGM”) against TGSB on 8 November 2000 claiming damages in the region of USD 2 million. The claim alleges 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”. The alleged infringing boxes are also alleged to carry notations of the various certifications of quality/accreditation belonging to SGM. Apart from damages, SGM have, *inter alia*, sought by way of relief injunctions preventing TGSB from carrying on certain acts relating to the alleged infringement and an order for the delivery up or destruction of the infringing goods.

SGM also applied to the Courts for interlocutory relief pending final disposal of the claim. It was initially fixed for hearing on 20 November 2000 but was adjourned to 16 April 2001. Certain limited undertakings were given by TGSB to the courts pending final disposal of the application, including that TGSB by itself or its officers shall not (i) manufacture or sell gloves under the brand name “SAFEMAX” packaged in boxes bearing certain designs, and (ii) reproduce on any packaging material produced by TGSB any registration or other identification number peculiar to SGM in respect of any certificates of quality/accreditation.

TGSB, through its appointed solicitors, M/s Ranjit Ooi & Robert Low, entered an appearance to the suit on 9 November 2000. A statement of defence to the claim was filed on 5 December 2000. TGSB also filed a counter claim against SGM on 5 December 2000 for general damages for the tort of abuse of process and/or unlawful interference with trade or business and/or the commission of positive and deliberate acts designed to injure TGSB on, *inter alia*, the alleged basis that SGM had commenced the suit with the collateral and dominant purpose of interfering with and adversely affecting the pending listing exercise of TGSB’s holding company, Top Glove.

TGSB’s appointed solicitors have opined that SGM’s case against TGSB is weak and unlikely to succeed on the grounds, *inter alia*, that (i) the alleged infringing goods were manufactured for, and at the request of, one of TGSB’s customers in Brazil in accordance with its normal trade practice with respect to “original equipment manufacturing” customers, and was never packaged for circulation or sale in Malaysia. Further, SGM’s holding company has, since cessation of supply of gloves to the customer in August 2000, entered into a joint venture with the same customer, (ii) the customer had provided for adoption by TGSB, and expressly required exact reproduction by TGSB of, the complete artwork and specifications for the packaging of the gloves and (iii) after 2 initial shipments shipped out in early July and early August 2000, respectively, no further orders were received from the customer and TGSB accordingly ceased supplying the packaging of gloves under the “SAFEMAX” branding for the customer, (iv) the quality logos appearing on the alleged infringing packaging are not peculiar to SGM as TGSB itself has obtained all the quality certifications and/or accreditations associated with the quality logos, and (v) TGSB itself is a reputable and one of the leading glove manufacturers and worldwide exporters with its own established in-house brand name (including “Top Glove”) having a production capacity of over 2.4 billion gloves per year. Consequently, TGSB has no reason to want or intend to pass off its goods as that of SGM’s.

7. FINANCIAL INFORMATION (Cont'd)

TGSB's appointed solicitors are of the view that it is premature at this time to ascertain the financial outcome of the civil action. Based on the legal opinion from M/s Ranjit Ooi & Robert Low, TGSB's reporting accountants, M/s Arthur Andersen & Co have stated that it is of the opinion that the Suit should not have any material impact on Top Glove's net tangible assets or its profit forecast for the financial year ending 31 August, 2001. However, the full particulars of the Suit, its status and the lawyer's opinion should be adequately disclosed in the Prospectus. A copy of the letters of opinion from M/s Ranjit Ooi & Robert Low and M/s Arthur Andersen & Co are set out in Section 13 of this Prospectus.

2. the Group has capital commitments of approximately RM150,000 authorised but not contracted for. The particulars of these capital commitment is set out below:-

Capital Commitment		
1)	Contract sum for converting existing production lines (6 lines) to on line chlorination system.	500,000
	Payment to date	(350,000)
Total		150,000

7.3 Consolidated Profit Forecast and Assumptions

The Directors of Top Glove forecast that, barring any unforeseen circumstances, the proforma consolidated PBT and PAT for the year ending 31 August 2001 will be as follows:-

	Proforma Consolidated Profit Forecast Financial year ending 31.8.2001 RM'000
Turnover	168,222
Consolidated profit before taxation	18,531
Taxation	(2,736)
Consolidated profit after taxation	<u>15,795</u>
Gross EPS (sen)	37.06
Net EPS (sen)	31.59
Gross PE ratio (times)	7.29
Net PE ratio (times)	8.55

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7. FINANCIAL INFORMATION (Cont'd)

The principal bases and assumptions upon which the profit forecast has been made are set out below.

1. In conjunction with the listing and quotation of the entire issued and paid-up share capital of the Company on the Second Board of the KLSE, the Company undertook the following:-

- a) Issue of 599,998 new ordinary shares of RM1 each by Top Glove at par for cash before the Acquisitions to Liew Chin Khew and Chew Teck Chiang;
- b) Acquisition of the entire issued and paid-up share capital of the following companies for a total purchase consideration of RM30,131,246 by way of issue of 25,975,213 new ordinary shares in Top Glove at an issue price of approximately RM1.16 per share was completed on 1 September 2000. The acquisitions are summarised as follows:-

Company	No of shares acquired	Equity interest acquired (%)	Purchase consideration (RM)	No of new shares in Top Glove issued
TGSB	10,000,000	100	18,016,500	15,531,466
TG Medical	2,000,000	100	10,142,301	8,743,363
TG Engineering	1,000,000	100	979,693	844,563
GG	50,000	100	58,731	50,630
TG USA	231,000	100	934,021	805,191

- c) Rights issue of 15,914,787 new ordinary shares of RM1 at an issue price of RM1.16 per share; and
 - d) Public issue of 7,510,000 new ordinary shares of RM1 each in Top Glove at an issue price of RM2.70 per share and offer for sale by the Company's shareholders of 14,240,000 shares of RM1 each at an offer price of RM2.70 per share.
2. The following are expected to be completed by March 2001:-
- a) Offer for sale of 14,240,000 ordinary shares of RM1.00 each in Top Glove at an offer price of RM2.70 per ordinary share;
 - b) Public issue of 7,510,000 new ordinary shares of RM1.00 each in Top Glove at an issue price of RM2.70 per ordinary share; and
 - c) Listing of and quotation for the entire enlarged issued and paid-up capital of Top Glove, comprising 50,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.
- 3.
- a) There will be no significant changes in the present principal activities and group structure of the Group
 - b) The prevailing Malaysian and world economic conditions will not adversely affect the activities or performance of the Group as currently planned. There will be no further significant changes affecting the Malaysian economy which will adversely affect the Group.
 - c) There will be no significant changes in the present legislations and government regulations adversely affecting the activities of the Group or the market in which its operates.

7. FINANCIAL INFORMATION (Cont'd)

- d) There will be no significant fluctuations in inflation rates.
- e) There will be no material increase in prices of raw materials, wages, costs of production and other related costs which will adversely affect the performance of the Group.
- f) There will be no material legal claims which will adversely affect the performance of the Group.
- g) There will be no major industrial disputes or disruptions in the production operations or other abnormal factors, both domestic and overseas, which will adversely affect the activities and performance of the Group. The Group is forecasted to have 44 production lines in operation by the year ending 31 August 2001. The production quantity is forecasted to be as follows:-

	2001 (‘000 pieces)
Latex examination gloves	1,971,281
Latex powder free gloves	228,744
Surgical gloves	38,880
Nitrile gloves	136,080
TOTAL	2,374,985

- h) Existing financing facilities will remain available and the level of interest rates will not change materially from those prevailing which is estimated and forecast to be approximately 8% per annum. The Group will also be able to obtain additional financing facilities at interest rates approximately to those currently available to the Group.
- i) Capital expenditure will take place as planned with no material changes in the costs or prices from the forecast level.
- j) There will be no significant changes in the present income tax rate. It is also assumed that the Group will continue to enjoy reinvestment allowance incentive during the period covered by the forecast.
- k) Foreign currency exchange rate will not fluctuate significantly from the prevailing exchange rate of RM3.80 : USD1.00
- l) There will be no significant changes in management structure and accounting policies normally adopted by the companies within the Group.
- m) Demand of the Group’s products will be maintained at current increasing trend and the selling prices are not expected to vary significantly from the prevailing levels.
- n) The proceeds from rights issue and public issue will be received by March 2001 and utilised in the following manner:-

	RM’000
Repayment of bank borrowings	24,361
Purchase of plant and machinery	4,800
Purchase of information technology and office equipment	1,540
Estimated listing expenses	1,500
Working capital	6,537
TOTAL	38,738

7. **FINANCIAL INFORMATION (Cont'd)**

Directors' commentary on achievability of profit forecast

The Board of Directors of Top Glove confirm that the proforma consolidated profit forecast of the Top Glove Group for the financial year ended 31 August 2001 and the underlying bases and assumptions stated therein have been reviewed by the Directors after due and careful enquiry, and that the Directors, having taken into account the future prospects of the industry, future plans of the Top Glove Group and its level of gearing liquidity and working capital requirements, are of the opinion that the profit forecast of the Top Glove Group is achievable and the assumptions made are reasonable.

Nevertheless, in the light of the current economic environment in Malaysia and in the Asia Pacific region, certain assumptions, including interest and exchange rates, may differ significantly from actual should the economic situation differ significantly from the date of this profit forecast and this may have a material impact on Top Glove's profit forecast.

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7. FINANCIAL INFORMATION (Cont'd)

7.4 Auditors' Letter on the Consolidated Profit Forecast of the Top Glove Group for the Financial Year Ended 31 August 2001
(Prepared for inclusion in this Prospectus)

Date: 8 February 2001

The Board of Directors
TOP GLOVE CORPORATION BHD.
Level 22, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Gentlemen

CONSOLIDATED PROFIT FORECAST

We have reviewed the accounting policies and calculations for the consolidated profit forecast of **TOP GLOVE CORPORATION BHD.** ("Top Glove") and its subsidiaries ("the Group") for which the Directors are solely responsible, for the year ending 31 August, 2001 which has been prepared for inclusion in the Prospectus dated 16 February 2001 in connection with the Public Issue of 7,510,000 new ordinary shares of RM1.00 each and Offer For Sale of 14,240,000 ordinary shares of RM1.00 each in Top Glove at an issue/offer price of RM2.70 per share and the listing and quotation of the entire enlarged issued and paid-up share capital of Top Glove comprising 50,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of assumptions made by the Directors as set out in the Prospectus and are presented on a basis consistent with the accounting policies normally adopted by the companies within the Group.

Yours faithfully

ARTHUR ANDERSEN & CO.
No. AF 0103
Public Accountants

BALA KRISHNAN A/L PONNIAH
No. 1394/7/01 (F)
Partner of the Firm

7. FINANCIAL INFORMATION (Cont'd)

7.5 Dividend Forecast and Policy

On the basis of the consolidated profit forecast and on the assumption that the present basis for calculating taxation and the rates of taxation will remain unchanged, the Directors of Top Glove Group anticipate that they will be in a position to propose, based on the enlarged issued share capital of RM50,000,000, a tax-exempt dividend of 5% for the financial year ending 31 August 2001.

It will be the policy of the Directors in recommending dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for the future growth of the Top Glove Group.

The intended appropriation of the forecast consolidated profit for the financial year ending 31 August 2001 will be as follows:-

	Forecast Financial Year Ending 31.8.2001 RM'000
Consolidated profit before taxation	18,531
Less : Taxation	(2,736)
Consolidated profit after taxation	15,795
Less : Proposed Dividend	(2,500)
Consolidated retained profit for the year	13,295
Gross Dividend per share (sen)	5.0
Dividend yield based on the issue price of RM2.70 per Share (%)	1.85
Net dividend cover (times)	6.32

Investors should note that future dividends may be waived if:-

- (a) the Group records a loss instead of the forecast profits; or
- (b) the payment of the dividends would adversely effect the Group's cashflows and operations.

7. FINANCIAL INFORMATION (Cont'd)

7.6 Auditors' Letter on the Proforma Consolidated Balance Sheets
(Prepared for inclusion in this Prospectus)

Date: 8 February 2001

The Board of Directors
TOP GLOVE CORPORATION BHD.
Level 22, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Gentlemen

PROFORMA CONSOLIDATED BALANCE SHEETS

We have reviewed the Proforma Consolidated Balance Sheets of **TOP GLOVE CORPORATION BHD.** ("Top Glove") and its subsidiaries ("the Group") as at 31 August, 2000 together with the notes thereon, for which the Directors are solely responsible, and which have been prepared for inclusion in the Prospectus dated 16 February 2001 in connection with the Public Issue of 7,510,000 new ordinary shares of RM1.00 each and Offer For Sale of 14,240,000 ordinary shares of RM1.00 each in Top Glove at an issue/offer price of RM2.70 per share and the listing and quotation of the entire enlarged issued and paid-up share capital of Top Glove comprising 50,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the Proforma Consolidated Balance Sheets together with the notes thereon, which are provided for illustrative purposes only, have been prepared on a basis consistent with the accounting policies normally adopted by the Group and are presented in a form suitable for inclusion in the Prospectus.

Yours faithfully

ARTHUR ANDERSEN & CO.
No. AF 0103
Public Accountants

BALA KRISHNAN A/L PONNIAH
No. 1394/7/01(J)
Partner of the Firm

7. FINANCIAL INFORMATION (Cont'd)

APPENDIX

TOP GLOVE CORPORATION BHD.
PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 31 AUGUST, 2000

The Proforma Consolidated Balance Sheets of **TOP GLOVE CORPORATION BHD.** ("Top Glove") as at 31 August, 2000 as set out below are provided for illustrative purposes only.

	← Proforma Consolidated → Balance Sheets			
	(I)	(II)	(III)	
Audited balance sheet of Top Glove as at 31 August, 2000 RM'000	After incorporation of the Acquisitions RM'000	After (I) and Rights Issue RM'000	After (II) and Public Issue RM'000	
CURRENT ASSETS				
Cash and bank balances	1	2,732	21,193	39,970
Debtors	599	15,729	15,729	15,729
Stocks	-	14,557	14,557	14,557
	<u>600</u>	<u>33,018</u>	<u>51,479</u>	<u>70,256</u>
CURRENT LIABILITIES				
Short term borrowings	-	9,104	9,104	9,104
Creditors	11	20,410	20,410	20,410
Due to a director	-	1,128	1,128	1,128
Taxation	-	573	573	573
	<u>11</u>	<u>31,215</u>	<u>31,215</u>	<u>31,215</u>

7. FINANCIAL INFORMATION (Cont'd)

APPENDIX (Cont'd)

TOP GLOVE CORPORATION BHD.**PROFORMA CONSOLIDATED BALANCE SHEETS**
AS AT 31 AUGUST, 2000

	Audited balance sheet of Top Glove as at 31 August, 2000 RM	← Proforma Consolidated → Balance Sheets		
		(I) After incorporation of the Acquisitions RM'000	(II) After (I) and Rights Issue RM'000	(III) After (II) and Public Issue RM'000
NET CURRENT ASSETS	589	1,803	20,264	39,041
FIXED ASSETS	-	62,382	62,382	62,382
OTHER INVESTMENT	-	15	15	15
INTANGIBLE ASSETS	11	34	34	34
HIRE PURCHASE CREDITORS	-	(911)	(911)	(911)
TERM LOANS	-	(19,619)	(19,619)	(19,619)
DEFERRED TAXATION	-	(1,233)	(1,233)	(1,233)
	<u>600</u>	<u>42,471</u>	<u>60,932</u>	<u>79,709</u>
SHAREHOLDERS' FUNDS				
SHARE CAPITAL	600	26,575	42,490	50,000
RESERVES	-	15,896	18,442	29,709
	<u>600</u>	<u>42,471</u>	<u>60,932</u>	<u>79,709</u>
NTA per share (RM)	<u>0.98</u>	<u>1.60</u>	<u>1.43</u>	<u>1.59</u>

7. FINANCIAL INFORMATION (Cont'd)

APPENDIX (Cont'd)

TOP GLOVE CORPORATION BHD.**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS**
AS AT 31 AUGUST, 2000

1. The Proforma Consolidated Balance Sheets of **TOP GLOVE CORPORATION BHD.** ("Top Glove") and the following subsidiaries as at 31 August, 2000 have been prepared for illustrative purposes based on accounting principles and bases adopted in the preparation of the audited financial statements :

(i)	Top Glove Sdn. Bhd.	("TGSB")
(ii)	TG Medical Sdn. Bhd.	("TG Medical")
(iii)	Top Glove Engineering Sdn. Bhd.	("TG Engineering")
(iv)	Great Glove Sdn. Bhd.	("GG")
(v)	TG Medical (USA) Inc.	("TG USA")

2. The Acquisitions, Rights Issue and Public Issue are assumed to have been effected on 31 August, 2000 in the following manner :

- (i) Proforma I incorporates the acquisition of the following subsidiaries ("Acquisitions") based on the audited NTA as at 31 August, 1999 to be satisfied by an issue of 25,975,213 new ordinary shares of RM1 each in the Company at an issue price of approximately RM1.16 per share;

<u>Company</u>	<u>No. of shares acquired</u>	<u>Equity interest acquired</u>	<u>Purchase consideration</u>	<u>Satisfied by new shares in Top Glove</u>
			RM	
TGSB	10,000,000	100%	18,016,500	15,531,466
TG Medical	2,000,000	100%	10,142,301	8,743,363
TG Engineering	1,000,000	100%	979,693	844,563
GG	50,000	100%	58,731	50,630
TG USA	231,000	100%	934,021	805,191
			<u>30,131,246</u>	<u>25,975,213</u>

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7. FINANCIAL INFORMATION (Cont'd)

APPENDIX (Cont'd)

- (ii) Proforma II incorporates Proforma I and the rights issue of 15,914,787 new ordinary shares of RM1 each at an issue price of RM1.16 per share on the basis of approximately 599 new ordinary shares of RM1 each for every one thousand ordinary shares held upon completion of Proforma I.
- (iii) The Proforma III incorporates Proforma II and the public issue of 7,510,000 new ordinary shares of RM1 each by the Company at an issue price of RM2.70 per share to the eligible employees, directors, Malaysian citizens and companies, societies, co-operatives and institutions.
- (iv) all inter-company balances have been eliminated in arriving at the proforma consolidated balance sheets.
- (v) estimated listing expenses of RM1,500,000 is written off against the share premium account.
- (vi) the accounts of the subsidiaries acquired have been accounted for in the consolidated accounts using the merger method.

3. SHARE CAPITAL

The movement of the issued and paid-up share capital of Top Glove after taking into account the Subscription of shares, Acquisitions, Rights Issue and Public Issue are as follows :

As at 31 August, 2000	RM 600,000
Shares issued pursuant to the acquisition of the entire issued and paid up share capital of the subsidiaries	25,975,213
	<u>26,575,213</u>
Rights Issue	15,914,787
	<u>42,490,000</u>
Public Issue	7,510,000
Per Proforma Consolidated Balance Sheet (III)	<u><u>50,000,000</u></u>

4. RESERVES

The merger deficit arising from the acquisitions is as follows :

	<u>Total</u> RM'000
Par value of shares issued	25,975
Par value of shares acquired	<u>(13,720)</u>
	<u><u>12,255</u></u>

7. FINANCIAL INFORMATION (Cont'd)

APPENDIX (Cont'd)

The merger deficit has been set off against the following reserves :

	Retained Profits RM'000	Exchange Fluctuation Reserve RM'000	Share Premium Account RM'000	Total RM'000
Balance as at 31 August, 2000	27,949	202	-	28,151
Share premium arising from Rights Issue	-	-	2,546	2,546
Share premium arising from Public Issue	-	-	12,767	12,767
	<u>27,949</u>	<u>202</u>	<u>15,313</u>	<u>43,464</u>
Less :				
Merger deficit set off	(12,053)	(202)	-	(12,255)
Estimated listing expenses	-	-	(1,500)	(1,500)
	<u>15,896</u>	<u>-</u>	<u>13,813</u>	<u>29,709</u>

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8. DIRECTORS' REPORT
(Prepared for inclusion in this Prospectus)

8 February 2001

The Shareholders of
TOP GLOVE CORPORATION BHD
Level 22, Menara Milenium
Jalan Damankela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Dear Sir/Madam

On behalf of the Board of Top Glove Corporation Bhd, I report after due inquiry that during the period from 31 August 2000 (being a date to which the last audited accounts of the Company and its subsidiary companies have been made) to 8 February 2001 (being a date not earlier than fourteen (14) days before the issue of this Prospectus) that:-

- (a) the business of the Company and its subsidiary companies have, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited accounts of the Company and its subsidiary companies which have adversely affected the trading or the value of the assets of the Company or its subsidiaries;
- (c) the current assets of the Company and its subsidiary companies appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) the Company and its subsidiaries have contingent liabilities as set out below:

As at 8 February 2001 (being the last practicable date prior to the printing of this Prospectus):-

The Group has contingent liabilities of approximately RM1,560,990 as detailed below:-

Contingent Liabilities	Top Glove RM	TG Medical RM	Total RM
<u>Bankers' Guarantee Issued</u>			
To Ketua Pengarah Imigresen for foreign labours (Indonesian and Bangladesh)	210,010	73,250	283,260
<u>To Utility Companies & Suppliers</u>			
Gas Malaysia Bhd	316,530	109,200	425,730
Tenaga Nasional Bhd	397,000	180,000	577,000
Other Suppliers	275,000	-	275,000
Total	1,198,540	362,450	1,560,990

In addition, TGSB is also subject to a litigation suit, which details are set out below:

8. DIRECTORS' REPORT (Cont'd)

Pursuant to Shah Alam High Court Civil Suit No. MT3-22-431-2000, a writ of summons was served by Supermax Glove Manufacturing Sdn Bhd ("SGM") against TGSB on 8 November 2000 claiming damages in the region of USD 2 million. The claim alleges 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". The alleged infringing boxes are also alleged to carry notations of the various certifications of quality/accreditation belonging to SGM. Apart from damages, SGM have, *inter alia*, sought by way of relief injunctions preventing TGSB from carrying on certain acts relating to the alleged infringement and an order for the delivery up or destruction of the infringing goods.

SGM also applied to the Courts for interlocutory relief pending final disposal of the claim. It was initially fixed for hearing on 20 November 2000 but was adjourned to 16 April 2001. Certain limited undertakings were given by TGSB to the courts pending final disposal of the application, including that TGSB by itself or its officers shall not (i) manufacture or sell gloves under the brand name "SAFEMAX" packaged in boxes bearing certain designs, and (ii) reproduce on any packaging material produced by TGSB any registration or other identification number peculiar to SGM in respect of any certificates of quality/accreditation.

TGSB, through its appointed solicitors, M/s Ranjit Ooi & Robert Low, entered an appearance to the suit on 9 November 2000. A statement of defence to the claim was filed on 5 December 2000. TGSB also filed a counter claim against SGM on 5 December 2000 for general damages for the tort of abuse of process and/or unlawful interference with trade or business and/or the commission of positive and deliberate acts designed to injure TGSB on, *inter alia*, the alleged basis that SGM had commenced the suit with the collateral and dominant purpose of interfering with and adversely affecting the pending listing exercise of TGSB's holding company, Top Glove.

TGSB's appointed solicitors have opined that SGM's case against TGSB is weak and unlikely to succeed on the grounds, *inter alia*, that (i) the alleged infringing goods were manufactured for, and at the request of, one of TGSB's customers in Brazil in accordance with its normal trade practice with respect to "original equipment manufacturing" customers, and was never packaged for circulation or sale in Malaysia. Further, SGM's holding company has, since cessation of supply of gloves to the customer in August 2000, entered into a joint venture with the same customer, (ii) the customer had provided for adoption by TGSB, and expressly required exact reproduction by TGSB of, the complete artwork and specifications for the packaging of the gloves and (iii) after 2 initial shipments shipped out in early July and early August 2000, respectively, no further orders were received from the customer and TGSB accordingly ceased supplying the packaging of gloves under the "SAFEMAX" branding for the customer, (iv) the quality logos appearing on the alleged infringing packaging are not peculiar to SGM as TGSB itself has obtained all the quality certifications and/or accreditations associated with the quality logos, and (v) TGSB itself is a reputable and one of the leading glove manufacturers and worldwide exporters with its own established in-house brand name (including "Top Glove") having a production capacity of over 2.4 billion gloves per year. Consequently, TGSB has no reason to want or intend to pass off its goods as that of SGM's.

TGSB's appointed solicitors are of the view that it is premature at this time to ascertain the financial outcome of the civil action.

8. DIRECTORS' REPORT (Cont'd)

- (e) there has been no changes in published reserve nor any unusual factors affecting the profits of the Company and its subsidiary companies.

Yours faithfully
On behalf of the Board of Directors of
TOP GLOVE CORPORATION BHD

LIM WEE CHAI
Managing Director

9. VALUERS' CERTIFICATE



WTW
INTERNATIONAL

C H Williams Talhar & Wong

C H Williams Talhar & Wong Sdn Bhd (18149-U)

Juruukur Berkanun
Chartered Surveyors

Perunding Harta Antarabangsa
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Our Ref: VIUK/54547/2/00/AS

8 February 2001

The Board of Directors
Top Glove Corporation Bhd
Lot 4968, Jalan Teratai
Batu 6, Off Jalan Meru
41500 Klang
Selangor Darul Ehsan

Mohd Talhar A Rahman
FRICS, FISM, MIBSV, APEPS
John S G Loh SEA P.R
M Sc., MBA, FRCS, FISM, APEPS
Abdul Halim Othman
B Sc., FRICS, FISM, APEPS
David Khoo Tiang Huat
MBA, FRICS, FISM, APEPS
Goh Tian Sui
B Sc., FRICS, FISM, APEPS
Ping Soo Theng
B Sc., FRICS, MISM, IRV, APEPS
Chong Pah Aung
B Sc., FRICS, FISM, APEPS
Tew You Kian
B Surv., MISM, APEPS
Md Beharuddin Mustafa
B Surv., MISM, MIMM, APEPS
Wan Nordin Wan Salleh
Dip in Val., Dip in Est. Mgt., MISM, APEPS
Danny Yeo Soon Kee
Dip in Val., MISM, APEPS
Foo Gee Jen
B Surv., MISM, APEPS
Tony Lee Eng Kow
B Sc., MISM, APEPS

Dear Sirs

TOP GLOVE CORPORATION BHD

- PROSPECTUS IN RELATION TO THE PUBLIC ISSUE OF 7,510,000 NEW ORDINARY SHARES OF RM1.00 EACH AND THE OFFER FOR SALE OF 14,240,000 ORDINARY SHARES OF RM1.00 EACH AT AN ISSUE/OFFER PRICE OF RM2.70 PER ORDINARY SHARE
- VALUATION OF A GLOVE FACTORY BELONGING TO TOP GLOVE SDN BHD KNOWN AS LOT 18, 27, 38 & 57, MEDAN TASEK, KAWASAN PERINDUSTRIAN TASEK, IPOH, PERAK

This Certificate has been prepared for inclusion in the Prospectus to be dated 16 February 2001 in connection with the Public Issue of 7,510,000 new ordinary shares of RM1.00 each and the offer for sale of 14,240,000 ordinary shares of RM1.00 each at an issue/offer price of RM2.70 per ordinary share in Top Glove Corporation Bhd.

In accordance with your instructions, we have inspected the property on 23rd February 2000 and the date of inspection is taken as the date of valuation. We have assessed the Market Value of the abovementioned Property in conjunction with the listing of Top Glove Corporation Berhad on the Second Board of the Kuala Lumpur Stock Exchange. We have valued the Property vide our valuation report bearing the reference number VIUK/54547/2/00/AS. Further details of the valuation of the Property are set out in our valuation report.

Our valuation is based on the Guidelines on Asset Valuation for Submission to the Securities Commission and the Malaysian Valuation Standards issued by the Board of Valuer, Appraisers and Estate Agents, Malaysia. We have adopted the Comparison and Depreciated Replacement Cost methods in arriving at the market value.

In our opinion, the Market Value of the Property free from all encumbrances is RM11,000,000/- (Ringgit Malaysia: Eleven Million Only).

Kuala Lumpur Petaling Jaya Penang Johor Bahru Kuantan Malacca Ipoh Alor Setar Butterworth Kota Bharu Batu Pahat Kuala Terengganu Seremban Kota Kinabalu Sandakan Tawau Lahad Datu Labuan Kuching Sibiu Miri Bintulu Brunei

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VI1/0010

9. VALUERS' CERTIFICATE (Cont'd)

C H Williams Talhar & Wong

C H Williams Talhar & Wong Sdn Bhd (18149-U)



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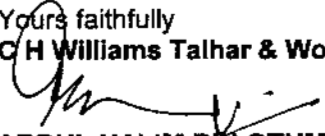
Top Glove Corporation Bhd

The property is held for owner occupation. Details are as follows:-

Property	Description	Market Value for the Existing Use
<p>1. Pajakan Negeri 2865, Lot 54547 Mukim of Ulu Kinta District of Kinta, Perak Leasehold 99 years expiring on 30.9.2072 (Unexpired term of approximately 72 years) Land Area: 12,797.59 sq.metres</p> <p>2. H.S.(D)KA 20396, Plot 27 Mukim of Ulu Kinta District of Kinta, Perak Leasehold 99 years expiring on 28.12.2063 (Unexpired term of approximately 63 years) Land Area: 4,046.86 sq.metres</p> <p>3. H.S.(D)KA 15741, PT 1019 Mukim of Ulu Kinta District of Kinta, Perak Leasehold 99 years expiring on 23.12.2069 (Unexpired term of approximately 69 years) Land Area: 4,046.86 sq.metres</p> <p>4. H.S.(D)KA 59459, PT PTK 1314/61 Sj.23 Mukim of Ulu Kinta District of Kinta, Perak Leasehold 99 years expiring on 1.10.2064 (Unexpired term of approximately 64 years) Land Area: 8,093.72 sq.metres</p> <p>Total Land Area: 28,985.03 sq.metres</p> <p>Addresses: Lot 18, 22, 38 & 57, Medan Tasek, Kawasan Perindustrian Tasek, Ipoh, Perak</p>	<p>A glove factory complex consisting of the following buildings:-</p> <p>Building 1 - Processing Plant - Block A, B & C Building 2 - Office Block Building 3 - Technical Office, Laboratory & Store Building 4 - Canteen & Processing Area Building 5 - Chlorination Plant - Block F Building 6 - Cyclone Dryer Plant Building 7 - QC, Packing Room & Finished Goods Warehouse Building 8 - Chlorination Plant - Block J Building 9 - Processing Factory - Block H Building 10 - Boiler House Building 11 - Pump House Building 12 - Guard Houses Building 13 - Toilet Building 14 - Store Building 15 - Blower Room Building 16 - Motorcycle/Bicycle Shed</p> <p>Age of Buildings: The original buildings are estimated to be about 10 years old. The extension of the factory is estimated to be about 6 - 9 years old.</p> <p>Total Gross Floor Area: 18,402.90 square metres</p>	<p>RM11,000,000</p>

Yours faithfully

C H Williams Talhar & Wong Sdn Bhd


ABDUL HALIM BIN OTHMAN
 Bsc FRICS FTSM
 Registered Valuer (V-047)