

#### 4. INFORMATION ON THE TOP GLOVE GROUP

##### 4.1 Incorporation

Top Glove was incorporated in Malaysia on 23 December 1998 as a public limited company under the Act under the name of Top Glove Corporation Bhd. Top Glove is principally an investment holding company with five (5) wholly owned subsidiary companies. As at 8 February 2001, Top Glove has 1,526 employees. Top Glove does not have any associated companies.

Details of the subsidiary companies of Top Glove are summarised below:-

Subsidiary Companies	Date and place of incorporation	Issued and paid-up share capital	Effective Equity Interest (%)	Principal Activities
TGSB	9.7.1991 Malaysia	RM10,000,000	100.0	Manufacturing, trading and exporting of various types of latex gloves.
TG Medical	4.12.1993 Malaysia	RM2,000,000	100.0	Manufacturing, trading and exporting of examination, surgical and nitrile gloves
TG Engineering	27.11.1995 Malaysia	RM1,000,000	100.0	Property investment
TG USA	19.5.1994 USA	USD231,000	100.0	Trading of latex gloves
GG	19.2.1998 Malaysia	RM50,000	100.0	Trading of latex gloves

##### 4.2 Share Capital and Changes in Share Capital

The present authorised, issued and paid up share capital of Top Glove are RM50,000,000 and RM42,490,000 respectively comprising 50,000,000 ordinary shares and 42,490,000 ordinary shares respectively of RM1.00 each.

The changes in the issued and paid up share capital of Top Glove since its incorporation are as follows:-

Date of Allotment	No. of Ordinary Shares	Par Value RM	Consideration	Total Issued and Paid-up Share Capital RM
23.12.1998	2	1.00	Cash	2.00
15.8.2000	599,998	1.00	Cash	600,000
1.9.2000	25,975,213	1.00	Acquisitions of TGSB, TG Medical, TG Engineering, TG USA and GG for a total consideration of RM30,131,246	26,575,213
8.1.2001	15,914,787	1.00	Rights Issue of approximately 599 shares for every 1,000 shares at RM1.16 per share	42,490,000

#### 4. INFORMATION ON TOP GLOVE (Cont'd)

The changes in the shareholdings of Top Glove for the past three (3) years are as follows:-

	Shares held			
	Upon Incorporation	Upon the Share Issue being completed	Upon the Acquisitions being completed	Upon the Rights Issue being completed
Liew Chin Khew	1	300,000	300,000	479,658
Chew Teck Chiang	1	300,000	300,000	479,658
Lim Wee Chai	-	-	13,805,443	22,072,947
Tong Siew Bee	-	-	849,716	1,358,575
Lim Hooi Sin	-	-	1,303,269	2,083,742
United Gloves Sdn Bhd	-	-	2,912,150	4,656,115
Sekarajasekaran a/l Arasaratnam	-	-	1,941,433	3,104,076
Lim Quee Choo	-	-	566,015	904,978
Lee Kim Meow	-	-	174,867	279,588
Top Glove Holding Sdn Bhd	-	-	4,422,320	7,070,663
<b>TOTAL SHARES</b>	<b>2</b>	<b>600,000</b>	<b>26,575,213</b>	<b>42,490,000</b>

#### 4.3 Restructuring Scheme

In conjunction with, and as an integral part of the listing and quotation for the entire issued and paid-up share capital of Top Glove on the Second Board of the KLSE, the Company undertook a restructuring scheme which included an issue of 599,998 new Top Glove Ordinary Shares to Liew Chin Khew and Chew Teck Chiang. Aside from the share issue, the restructuring scheme involves the following:-

##### i) Acquisition of TGSB

Acquisition of the entire issued and paid-up share capital of TGSB comprising 10,000,000 Shares from its existing shareholders for a purchase consideration of RM18,016,500 based on the audited NTA of TGSB as at 31 August 1999 satisfied by the issuance of 15,531,466 Shares in Top Glove at an issue price of approximately RM1.16 per Share as follows:-

Shareholders	No of shares held in TGSB		Purchase Consideration RM	No. of Top Glove Shares issued
		%		
Lim Wee Chai	5,662,497	56.62	10,201,837	8,794,688
Tong Siew Bee	375,000	3.75	675,619	582,430
Lim Hooi Sin	637,503	6.38	1,148,558	990,136
United Gloves Sdn Bhd	1,875,000	18.75	3,378,094	2,912,150
Sekarajasekaran a/l Arasaratnam	1,250,000	12.50	2,252,062	1,941,433
Lim Quee Choo	200,000	2.00	360,330	310,629
<b>TOTAL</b>	<b>10,000,000</b>	<b>100.00</b>	<b>18,016,500</b>	<b>15,531,466</b>

The Acquisition of TGSB was completed on 1 September 2000. The shares issued pursuant to the Acquisition rank pari passu in all respects with the then existing shares of the Company.

**4. INFORMATION ON TOP GLOVE (Cont'd)**ii) Acquisition of TG Medical

Acquisition of the entire issued and paid-up share capital of TG Medical comprising 2,000,000 Shares from its existing shareholders for a purchase consideration of RM10,142,301 based on the audited NTA of TG Medical as at 31 August 1999 satisfied by the issuance of 8,743,363 Shares in Top Glove at an issue price of approximately RM1.16 per Share as follows:-

Shareholders	No of shares held in TG Medical	%	Purchase Consideration RM	No. of Top Glove Shares issued
Lim Wee Chai	825,999	41.30	4,188,765	3,611,005
Tong Siew Bee	49,999	2.50	253,552	218,580
Lee Kim Meow	40,000	2.00	202,846	174,867
Lim Hooi Sin	44,000	2.20	223,131	192,354
Lim Quee Choo	40,000	2.00	202,846	174,867
TG Holding	1,000,002	50.00	5,071,161	4,371,690
<b>TOTAL</b>	<b>2,000,000</b>	<b>100.0</b>	<b>10,142,301</b>	<b>8,743,363</b>

The Acquisition of TG Medical was completed on 1 September 2000. The shares issued pursuant to the Acquisition rank pari passu in all respects with the then existing shares of the Company.

iii) Acquisition of TG Engineering

Acquisition of the entire issued and paid-up share capital of TG Engineering comprising 1,000,000 Shares from its existing shareholders for a purchase consideration of RM979,693 based on the audited NTA of TG Engineering as at 31 August 1999 satisfied by the issuance of 844,563 Shares in Top Glove at an issue price of approximately RM1.16 per Share as follows:-

Shareholders	No of shares held in TG Engineering	%	Purchase Consideration RM	No. of Top Glove Shares issued
Lim Wee Chai	990,000	99.00	969,896	836,117
Tong Siew Bee	10,000	1.00	9,797	8,446
<b>TOTAL</b>	<b>1,000,000</b>	<b>100.0</b>	<b>979,693</b>	<b>844,563</b>

The Acquisition of TG Engineering was completed on 1 September 2000. The shares issued pursuant to the Acquisition rank pari passu in all respects with the then existing shares of the Company.

iv) Acquisition of TG USA

Acquisition of the entire issued and paid-up share capital of TG USA comprising 231,000 of USD1 shares from its existing shareholders for a purchase consideration of RM934,021 based on the audited NTA of TG USA as at 31 August 1999 satisfied by the issuance of 805,191 Shares in Top Glove at an issue price of approximately RM1.16 per Share as follows:-

**4. INFORMATION ON TOP GLOVE (Cont'd)**

Shareholders	No of shares held in TG USA		Purchase Consideration RM	No. of Top Glove Shares issued
		%		
Lim Wee Chai	161,700	70.00	653,815	563,633
Tong Siew Bee	11,550	5.00	46,701	40,260
Lim Hooi Sin	34,650	15.00	140,103	120,779
Lim Quee Choo	23,100	10.00	93,402	80,519
<b>TOTAL</b>	<b>231,000</b>	<b>100.00</b>	<b>934,021</b>	<b>805,191</b>

The Acquisition of TG USA was completed on 1 September 2000. The shares issued pursuant to the Acquisition rank pari passu in all respects with the then existing shares of the Company.

v) Acquisition of GG

Acquisition of the entire issued and paid-up share capital of GG comprising 50,000 Shares from its existing shareholders for a purchase consideration of RM58,731 based on the audited NTA of GG as at 31 August 1999 satisfied by the issuance of 50,630 Shares in Top Glove at an issue price of approximately RM1.16 per Share as follows:-

Shareholders	No of shares held in GG		Purchase Consideration RM	No. of Top Glove Shares issued
		%		
TG Holding	50,000	100.00	58,731	50,630
<b>TOTAL</b>	<b>50,000</b>	<b>100.00</b>	<b>58,731</b>	<b>50,630</b>

The Acquisition of GG was completed on 1 September 2000. The shares issued pursuant to the Acquisition rank pari passu in all respects with the then existing shares of the Company.

The issue price of RM1.16 per Top Glove Share for the above Acquisitions was determined after considering the level of retention of reserves required to be retained by Top Glove pursuant to the guidelines of the SC in relation to the IPO.

vi) Rights Issue

Upon completion of the Acquisitions, Top Glove carried out a Rights Issue of 15,914,787 new Shares at an issue price of approximately RM1.16 on the basis of approximately 599 new Shares for every 1,000 Shares held which was completed on 8 January 2001. The shares issued pursuant to the Rights Issue rank pari passu in all respects with the then existing shares of the Company.

The Rights Issue price of RM1.16 per Share was determined after considering the level of retention of reserves required to be retained by Top Glove pursuant to the guidelines of the SC in relation to the IPO.

#### 4. INFORMATION ON TOP GLOVE (Cont'd)

##### vii) Initial Public Offering

Top Glove will issue 7,510,000 new Shares or 15.0% of its enlarged issued and paid-up share capital at an issue price of RM2.70 per Share pursuant to the Public Issue. In order to satisfy the National Development Policy requirements, the existing shareholders of Top Glove will also offer 14,240,000 Shares representing approximately 28.5% of the enlarged issued and paid-up share capital of Top Glove at an offer price of RM2.70 per share to Bumiputra Investors approved by MITI.

The 21,750,000 IPO Shares representing approximately 43.5% of the enlarged issued and paid-up share capital of Top Glove will be allocated in the following manner:-

- i) 2,500,000 Shares representing approximately 5.0% of the enlarged issued and paid-up share capital of Top Glove to eligible employees and Directors, customers and suppliers of the Top Glove Group;
- ii) 4,250,000 Shares representing 8.5% of the enlarged issued and paid-up share capital of Top Glove to the Malaysian public of which at least 30% is to be set aside for Bumiputra investors; and
- iii) 15,000,000 Shares representing 30.0% of the enlarged issued and paid-up share capital of Top Glove have been reserved for Bumiputra investors to be allocated by MITI.

#### 4.4 Subsidiary Companies

##### (i) Information on TGSB

TGSB was incorporated on 9 July 1991 in Malaysia as a private limited company under the Act. TGSB is principally involved in the manufacturing, trading and exporting of various types of latex gloves. The company commenced operation of the production lines in early April 1992.

TGSB has 4 factories namely Factory 1, 2, 4 and 5. The location of the 4 factories are as follows:

Factory	Location
Factory 1*	Bangunan United Industries, Lot 5019, Bt 5½, Jalan Meru, 41050, Klang, Selangor Darul Ehsan
Factory 2	Lot 4968, Jalan Teratai, Batu 6, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan
Factory 4	Lot 5987, Jalan Teratai, Bt 5, Off Jalan Meru 41050 Klang, Selangor Darul Ehsan
Factory 5	Lot 18, 27, 38 & 57, Medan Tasek, Kawasan Perindustrian Tasek 31400 Ipoh, Perak Darul Ridzwan

\* Factory 1 is situated on leased premises.

#### 4. INFORMATION ON TOP GLOVE (Cont'd)

Factory 1 has 3 lines producing powdered latex examination gloves and Factory 2 has 6 lines also producing examination gloves including powdered, powder free or chlorinated gloves (smooth or textured), polymer bonded gloves, long length 12" high risk gloves, coloured gloves (blue/green) and mint gloves. The older lines at TGSB's factory are capable of producing up to 5 million gloves per month, however the newer machines can produce up to 6 million pieces per month. Factory 1 is capable of producing about 15 million pieces of gloves per month and Factory 2 about 30 million per month. Both Factory 1 and 2 are working on 3 shifts of 8 hours each per day and are producing at 15 million gloves and 30 million gloves respectively, which are also at the optimum capacity. Hence, the total capacity for TGSB's Factory 1 and 2 is at approximately 45 million gloves per month. The level of production capacity mentioned is with the newer machines which commenced operations in early 1997.

The land area for Factory 1 and 2 are 29,400 square feet and 130,680 square feet respectively while their built-up areas are 18,900 square feet and 66,980 square feet respectively. In January 2000, the Group expanded further through the acquisition of a Safeskin Corporation plant in Ipoh. The total purchase consideration for the acquisition of the plant was RM19 million. The plant, which is now operational, has been renamed Factory 5 and operates 20 production lines with a production capacity of 95 million pieces of gloves per month. As a result, the Group's number of production lines have nearly been doubled from 21 lines to 41 lines with this acquisition. The construction of Factory 4 a new factory, which is in the vicinity of Factory 1 and 2, has been completed.

TGSB has 1,127 employees as at 8 February 2001. TGSB's authorised share capital is RM10,000,000 comprising Shares while its issued and paid-up share capital is RM10,000,000 comprising Shares.

The changes in its issued and paid-up share capital since incorporation are as follows:-

Date of allotment	No. of shares allotted	Consideration	Total (RM)
9.7.1991	2	Cash	2
25.11.1991	99,998	Cash	100,000
29.6.1992	450,000	Cash	550,000
	150,000	To purchase glove machinery @ RM150,000	700,000
6.10.1992	100,000	To purchase glove machinery @ RM100,000	800,000
15.1.1993	200,000	Cash	1,000,000
8.12.1993	150,000	Cash	1,150,000
25.7.1994	350,000	Cash	1,500,000
1.9.1994	150,000	Cash	1,650,000
5.7.1995	650,000	Cash	2,300,000
25.8.1995	700,000	Cash	3,000,000
22.10.1999	7,000,000	Bonus Issue* of approximately 2,333 Shares for every 1,000 Shares held	10,000,000

\* The bonus issue was capitalised from retained profits account during the financial year ended 31 August 2000

#### 4. INFORMATION ON TOP GLOVE (Cont'd)

The financial record of TGSB based on its audited accounts for the past five (5) financial years ended 31 August 1996 to 2000 are as follows:-

	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	28,322	33,682	36,250	61,043	94,115
EBIDTA	4,098	5,413	6,729	6,778	9,344
Profit before taxation	3,169	4,125	5,163	5,382	6,638
Taxation	(413)	(749)	(910)	(285)	-
Profit after taxation	2,756	3,376	4,253	5,097	6,638
Number of shares ('000)	3,000	3,000	3,000	3,000	10,000
Gross EPS (RM)*	0.32	0.41	0.52	0.54	0.66
Net EPS (RM)*	0.28	0.34	0.43	0.51	0.66
Gross dividend rate (%)	5	6	10	10	**
Net dividend rate (%)	5	6	10	10	**

\* Computed based on 10 million ordinary shares of RM1 each with the incorporation of the bonus issue of 7 million ordinary shares during the financial year ended 31.8.2000. The bonus issue was capitalised from retained profits account during the financial year ended 31 August 2000

\*\* There were no dividend paid or declared during the financial year ended 31.08.2000

**Notes:-**

- i) There were no exceptional or extraordinary items in all the financial years under review
- ii) The taxation have been adjusted to reflect under/over provision in the respective financial years/ periods 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	834	358	910	259	-
Adjustment to reflect the taxation in the respective years	(421)	391	-	26	-
Adjusted taxation as stated in this report	413	749	910	285	-

- iii) The higher turnover in 1999 was made possible due to the increase in production capacity of TG Medical by an additional five production lines. During the year, TG Medical sold RM18.6 million of gloves to TGSB which eventually exported them overseas. Due to the quality gloves produced by both TGSB and TG Medical, demand from American and European countries had been overwhelming and achieved a more than 100% growth in these markets.

Notwithstanding the significant growth in turnover, profit before taxation increased marginally due to the reduction in average selling prices as a result of the Ringgit pegged at RM3.80:USD1.00

- iv) The increase in turnover and profit before taxation for the year 2000 were mainly due to the increase in production capacity resulting from the acquisition of twenty additional production lines in Ipoh. In addition, the production growth in TG Medical had contributed the increase in sales of TGSB as TG Medical sold RM36.7 million of gloves to TGSB during the year.

TGSB does not have any subsidiaries or associated company.

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**4. INFORMATION ON TOP GLOVE (Cont'd)**


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(b) Information on TG Medical

TG Medical was incorporated on 4 December 1993 in Malaysia as a private limited company under the Act. It commenced operations in 1996. TG Medical is principally involved in the manufacturing, trading and exporting of examination, surgical and nitrile gloves. TG Medical's factory which is known as Factory 3 currently has twelve lines producing powdered examination gloves, nitrile examination gloves and surgical gloves. One line each is dedicated to the production of nitrile and surgical and the others are for the production of powdered examination gloves.

Factory 3 started out in 1996 with 6 production lines with 3 shifts of 8 hours each per day producing powdered gloves at a minimum capacity of 30 million pieces per month. In 1998 to 1999, the company expanded with additional six lines. This brings the company's current capacity to approximately 65 million pieces per month. The land area and built-up area for Factory 3 are 130,680 square feet and 68,490 square feet respectively.

TG Medical has 392 employees as at 8 February 2001.

TG Medical's authorised share capital is RM5,000,000 comprising Shares while its issued and paid-up share capital is RM2,000,000 comprising Shares.

The changes in its issued and paid-up share capital since incorporation are as follows:-

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration</b>	<b>Total (RM)</b>
4.12.1993	2	Cash	2
21.3.1995	49,998	Cash	50,000
17.10.1995	450,000	Cash	500,000
1.3.1996	500,000	Cash	1,000,000
2.6.1997	1,000,000	Cash	2,000,000



#### 4. INFORMATION ON TOP GLOVE (Cont'd)

The financial record of TG Medical based on its audited accounts for the past six (6) financial periods/years ended 31 August 2000 are as follows:-

	Financial Year/Period Ended					
	1.4.1995 to 31.3.1996 RM'000	1.4.1996 to 31.3.1997 RM'000	1.4.1997 to 31.8.1997 RM'000	1.9.1997 to 31.8.1998 RM'000	1.9.1998 to 31.8.1999 RM'000	1.9.1999 to 31.8.2000 RM'000
Turnover	1,132	7,182	5,225	17,476	35,802	57,353
EBIDTA	14	187	1,081	3,964	5,966	7,738
Profit before taxation	8	136	951	2,918	4,718	5,903
Taxation	(2)	-	(130)	(143)	(25)	(964)
Profit after taxation	6	136	821	2,775	4,693	4,939
Number of shares ('000)	1,000	1,000	2,000	2,000	2,000	2,000
Gross EPS (RM)	0.01	0.14	1.14*	1.46	2.36	2.95
Net EPS (RM)	0.01	0.14	0.99*	1.39	2.35	2.47
Gross dividend rate (%)	-	-	-	5	6	**
Net dividend rate (%)	-	-	-	5	6	**

\* Annualised

\*\* There were no dividend paid or declared during the financial year ended 31.08.2000

Notes:-

- i) There were no exceptional or extraordinary items in all the financial years under review
- ii) The taxation have been adjusted to reflect under/over provision in the respective financial years as follows:-

	Financial Year/Period Ended					
	1.4.1995 to 31.3.1996 RM'000	1.4.1996 to 31.3.1997 RM'000	1.4.1997 to 31.8.1997 RM'000	1.9.1997 to 31.8.1998 RM'000	1.9.1998 to 31.8.1999 RM'000	1.9.1999 to 31.8.2000 RM'000
Taxation stated in audited accounts	2	43	222	145	(15)	867
Under/over provision of taxation	-	(43)	(92)	(2)	40	97
Adjusted taxation	2	-	130	143	25	964

- iii) TG Medical commenced its own manufacturing activities in the financial period ended 31 August 1997. Prior to this, TG Medical only involved in trading of gloves that were produced by TGSB.
- iv) The growth in turnover for the year 1998 was mainly due to the increase in sales order by an importer of latex examination gloves from Holland which comprised of 36% of TG Medical's sales for the year.

Profit before taxation was higher in 1998 due to the following:

- Improvement in production efficiency since it commenced manufacturing activities in the previous year.
- Favourable foreign exchange rates as 89% of TG Medical's sales were for export markets and quoted in US Dollars.
- Latex prices had decreased from an average of RM2.25 per kilogram to RM2.04 per kilogram.

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**4. INFORMATION ON TOP GLOVE (Cont'd)**


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v) *The higher turnover and profit before taxation for the year 1999 and 2000 was due to the following:*

- *Increase in production capacity by the commission of five and two additional production lines in the year 1999 and 2000 respectively.*
- *Economies of scale achieved as TG Medical expanded from one production line as at 31 August, 1997 to a total of twelve production lines as at 31 August, 2000.*

TG Medical does not have any subsidiaries or associated company.

(c) Information on TG Engineering

TG Engineering was incorporated on 27 November 1995 in Malaysia as a private limited company under the Act.

TG Engineering's principal activity is property investment. TG Engineering holds a piece of industrial freehold land located at EMR 8780, Lot No 5987, Mukim of Kapar, District of Klang, State of Selangor, which is diagonally opposite to Factory 3 where TG Medical's operations are currently located. The Group's Factory 4 is located on this piece of land. The land measures 2.8 acres and has a net book value of approximately RM2.1 million as at 31 August 2000.

TG Engineering does not have any employees currently.

TG Engineering's authorised share capital is RM1,000,000 comprising Shares while its issued and paid-up share capital is RM1,000,000 comprising Shares.

The changes in its issued and paid-up share capital since incorporation are as follows:-

Date of allotment	No. of shares allotted	Consideration	Total (RM)
27.11.1995	2	Cash	2.00
1.3.1996	99,998	Cash	100,000
27.5.1996	900,000	Cash	1,000,000

TG Engineering has no financial record as it is still dormant.

TG Engineering does not have any subsidiaries or associated company.

(d) Information on TG USA

TG Medical (U.S.A) Inc was incorporated on 19 May 1994, in USA and it commenced business in 1995. The company was established to liaise with the regulatory authorities and to provide more efficient services to its customer base in the USA and also to expand its market base in USA where there is a growing demand for natural rubber latex gloves. This office also keeps tabs on the latest developments in the biggest market for the Group's latex examination gloves.

#### 4. INFORMATION ON TOP GLOVE (Cont'd)

TG USA's authorised and paid-up share capital is USD231,000 comprising ordinary shares of USD1.00 each.

The changes in its issued and paid-up share capital since incorporation are as follows:-

Date of allotment	No. of shares allotted	Consideration	Total (USD)
19.5.1994	100,000	Cash	100,000
31.8.1999	131,000	Cash	231,000

The financial record of TG USA based on its audited accounts for the past six (6) financial periods/years ended 31 August 2000 are as follows:-

	Financial Year/ Period Ended 31 December					31.8.2000 RM'000
	31.12.1995 (RM'000)	31.12.1996 (RM'000)	31.12.1997 (RM'000)	31.12.1998 (RM'000)	1.1.1999 to 31.8.1999 (RM'000)	
Turnover	93	45	90	324	243	437
EBIDTA	25	15	27	82	11	92
Profit before taxation	22	10	18	66	7	71
Taxation	(3)	(3)	(3)	(8)	-	(41)
Profit after taxation	19	7	15	58	7	30
Number of shares ('000)	25	100	100	100	231	231
Gross EPS (RM)	0.88	0.10	0.18	0.66	*0.05	0.31
Net EPS (RM)	0.76	0.07	0.15	0.58	*0.05	0.13
Gross dividend rate (%)	-	-	-	-	-	**
Net dividend rate (%)	-	-	-	-	-	**

\* Annualised

\*\* There were no dividend paid or declared during the financial year ended 31.08.2000

#### Notes:-

- i) There were no exceptional or extraordinary items in all the financial periods/years under review.
- ii) The above has been translated into Ringgit at average rate of exchange as at the end of the respective periods/years as follows:-

For the year/period ended	Exchange rate
31.12.1995	RM2.50 = USD1.00
31.12.1996	RM2.50 = USD1.00
31.12.1997	RM2.90 = USD1.00
31.12.1998	RM3.90 = USD1.00
1.1.1999 to 31.8.2000	RM3.80 = USD1.00

- iii) TG USA commenced its trading activity in 1995 to assist TGSB and TG Medical in all aspects of marketing activities.
- iv) The decline in turnover for financial year ended 31 December 1996 was mainly due to limited resources and lack of experienced marketing efforts.
- v) For the year ended 31 December 1998, turnover increased three fold as compared to previous year which was mainly due to improved marketing efforts and diversifying into sales of powder free gloves.

TG USA does not have any subsidiaries or associated company.

**4. INFORMATION ON TOP GLOVE (Cont'd)****(e) Information on GG**

GG was incorporated on 19 February 1998 and it commenced business in 25 March 1998. The company was established to trade in second grade and rejected latex examination gloves. The company is currently active and has managed to procure RM50,000 in sales for the past financial year. GG's authorised share capital is RM50,000 comprising Shares while its issued and paid-up share capital is RM50,000 comprising Shares.

The changes in its issued and paid-up share capital since incorporation are as follows:-

Date of allotment	No. of shares allotted	Consideration	Total (RM)
19.12.1998	2	Cash	2
1.2.1999	49,998	Cash	50,000

The financial records of GG based on its audited since incorporation are as follows:-

	Financial Year Ended		
	19.2.1998 to 31.12.1998 RM'000	8 Months ended 31.8.1999 RM'000	31.8.2000 RM'000
Turnover	54	56	134
EBIDTA	-	-	24
Profit before taxation	2	7	24
Taxation	-	-	(7)
Profit after taxation	2	7	17
Number of shares ('000)	*	50	50
Gross EPS (RM)	**1,090.91	**0.21	0.48
Net EPS (RM)	**1,090.91	**0.21	0.34
Gross dividend rate (%)***	-	-	-
Net dividend rate (%)***	-	-	-

\* This represents paid-up capital of RM2

\*\* Annualised

\*\*\* There were no dividend paid or declared during the financial year ended 31.08.2000

**Notes:-**

The company commenced trading activity on 25 March 1998. All trading was local and on cash terms.

GG does not have any subsidiaries or associated company.

#### 4. INFORMATION ON TOP GLOVE (Cont'd)

##### 4.5 Business Overview

Top Glove was incorporated in Malaysia on 23 December 1998 under the Companies Act, 1965 as a public limited company by the name of Top Glove Corporation Bhd. It is principally an investment holding company with its five (5) wholly owned subsidiaries involved substantially in the manufacturing, trading and exporting of latex examination, surgical and nitrile gloves.

Based on MARGMA's membership directory for Year 2000, Top Glove Group is currently one of Malaysia's leading manufacturer of latex examination gloves with 41 production lines. (Source: MARGMA - Membership Directory Year 2000) The other major players in the industry include Latexx Partner Berhad, Kossan Rubber Industries Berhad and Rubberex Corporation Berhad. The Group acts as a one-stop glove sourcing center, manufacturing various types of latex examination gloves, including surgical and nitrile gloves. The Group operates a total of 5 factories with 41 production lines having an annual production capacity of about 2.4 billion pieces of gloves as at 8 February 2001. Information on the Group's currently operating factories are set out below:-

Factory	No of lines	Location	Land & Build-Up Area (square feet)	Optimum Production Capacity (million gloves per month)	Actual Production Capacity (million gloves per month)
1	3	Bangunan United Industries, Lot 5019, 5½ Miles, Jalan Meru, 41050, Klang	29,400 / (18,900)	15	15
2	6	Lot 4968, Jalan Teratai, Batu 6, Off Jalan Meru, 41050 Klang	130,680 / (66,980)	30	30
3	12	Lot 5091, Jalan Teratai, Batu 5, Off Jalan Meru, 41050 Klang	130,680 / (68,490)	60	60
5	20	Lot 18, 27, 38 & 57, Medan Tasek, Kawasan Perindustrian Tasek, 31400 Ipoh	311,992 / (196,795)	95	80
				<b>200</b>	<b>185</b>

Accredited with numerous international quality awards for its latex examination gloves, the Group is currently exporting to 103 countries world-wide with special emphasis on countries such as the USA countries in Europe and the Middle East, Australia and Japan.

For three consecutive years from 1998 to 2000, the Top Glove Group was awarded Andersen Consulting's Top 50 Enterprise achievement award in Malaysia in recognition of its financial and human resources management achievements. The receipt of the award for three years running serves to underline the Group's ability to meet its customers requirements and demands for product quality, reliability in supply and most importantly, price competitiveness in the international market. The Company was also awarded Export Excellence Award 2000 by Selangor State Government on 14 September 2000.

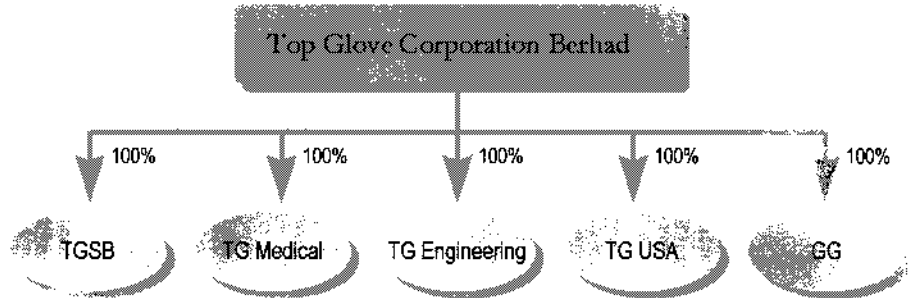
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**4. INFORMATION ON TOP GLOVE (Cont'd)**


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Top Glove Group strongly believes in the concept and practices of “CONTINUOUSLY STRIVING FOR IMPROVEMENT AND INNOVATION” to stay ahead in the global market for gloves.

The Group’s corporate structure is set out below:-



***Development of the Group***

The Group was established in 1991 by its promoters, Lim Wee Chai and his wife Tong Siew Bee. The Group started its operations by trading gloves in 1991 and in 1992, commenced production of gloves under its own “Top Glove” brand as well as other customer’s brands from TGSB’s Factory 1 at Lot 5019, 5 ½ Mile, Jalan Meru, Klang.

Through hard work and commitment to quality, the Group was awarded a 2-year contract from Safeskin Corporation Inc., USA a well known glove importer cum manufacturer in 1993. Coupled with buoyant global demand for latex examination and surgical gloves, the Group expanded further by setting up Factory 2 in 1995 at Lot 4968, Jalan Teratai, Batu 6, Off Jalan Meru, Klang. Factory 2 commenced operation with two production lines and has increased its production to six lines.

As the Group grew, the promoters realised that in order for the Group to progress they had to restructure the Group into a professionally run organisation. As a result professional managers and experienced staff from related industries were recruited to boost the strength and dynamism of the management team. To further strengthen the operational procedures of the Group, many systems and documentation procedures were revised in order to comply with ISO9002 requirements.

The Company also embarked on the rapid expansion of its factory facilities. As a result, in 1996 a modern factory No. 3 with 6 modern glove manufacturing machine was set up under TG Medical at Lot 5091, Jalan Teratai, Batu 6, Off Jalan Meru, Klang. The cost of setting up Factory 3 amounted to RM2,603,690. In 1998, the Top Glove Group expanded again in 1998 by investing in another 5 new production lines costing RM2,601,721. In addition to broaden its product range and in line with its goal of becoming a comprehensive one stop glove sourcing centre, the Group invested more than RM1.5 million to upgrade an existing line to produce nitrile gloves and commissioned an additional line to produce sterile surgical gloves. Nitrile and surgical gloves are value added products and are increasingly sought after by the American, Japanese and European markets. In mid 1999, construction began on a new factory, Factory 4 which will further expand the capacity of the Group. Construction of Factory 4 is expected to be completed by end of March 2001. The building cost incurred as at 8 February 2001 was RM3,649,659.

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**4. INFORMATION ON TOP GLOVE (Cont'd)**


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Recently, the Group also expanded through the acquisition of a Safeskin Corporation plant for RM19 million in Ipoh in January 2000. The plant which is now fully operational, has been renamed Factory 5 and operates 20 production lines. As a result, the Group's number of production lines have nearly doubled from 21 lines to 41 lines with this acquisition. Based on the Directors' estimate, the Group's market share is estimated to be at 15% of the Malaysian market and approximately 7% of the world market.

**Product Range**

The wide range of gloves produced by the Group are as follows:-

- **Powdered latex gloves**  
These gloves are made of 100% natural rubber latex and are non-sterile, ambidextrous, disposable with a creamy white colour. The gloves are suitable for multiple uses such as for patient examination, diagnostic procedures by dentists, general medical procedures and laboratory practices.
- **Powder-free latex gloves comprising, smooth/textured gloves**  
Powder-free latex gloves are specially designed for precise procedures and also for those users who are sensitive to powder content. It is also made from premium high quality 100% natural rubber latex and are non-sterile, ambidextrous, disposable and light yellowish in colour.
- **Long Length 12" High Risk Gloves**  
Unique in feature with longer length that provides better protection to the professional users that require superior strength and durability.
- **Coloured (Blue/Green) Gloves**  
Similar to powdered latex gloves except for the color. These gloves are widely used in the food and services, non-medical and dental industries.
- **Flavoured (Mint) Gloves**  
Similar to powdered latex gloves except for the color and flavor. These gloves are very popular amongst dentists as patients are more receptive to green gloves scented with mint smell.
- **Polymer-Bonded Gloves**  
The polymer bonding on the gloves provides better color and appearance to the gloves. Suitable for those who are sensitive to powder and protein content of the gloves.
- **Nitrile Gloves**  
Manufactured by using synthetic latex, these gloves are ambidextrous, disposable and non-sterile. Synthetic nitrile gloves provide a good alternative for users who are sensitive to proteins found in natural rubber latex.
- **Surgical Gloves**  
These gloves are made of high quality 100% natural rubber latex, sterile (Gamma Sterilization), fully anatomically shaped, hand specific, disposable and creamy white in colour. Specially made for special functional process like surgery operations.
- **Cleanroom Gloves**  
Hypoallergenic latex formulation and special processes that produce extremely low particles gloves that provide contamination protection for the semi-conductor, electronic aerospace and biotech industries.

#### 4. INFORMATION ON TOP GLOVE (Cont'd)

The Top Glove Group's product range and the respective market segments can be generally summarised as follows:-

(a) Natural Rubber Base

	Types	Market Segments
<b>POWDERED</b>	• Smooth	1 Medical
	• Textured	2 Dental
	• Long length	3 High technology
	• High risk	4 Medical-diagnostic
	• Coloured	- laboratories
	• Coloured & Flavoured	- therapeutic
	• Multi-purpose	5 Food & Services
	• Procedural	6 Scientific research
<b>POWDERFREE</b>	• Fitted	7 Household & Utilities
	• Surgical	
	• Smooth	1 Medical
	• Textured	2 Dental
	• Long Length	3 High technology

(b) Synthetic Rubber base (Nitrile)

	Types	Market Segments
<b>POWDERED &amp; POWDERFREE</b>	• Smooth	1 Medical
	• Textured	2 Food & Services
	• Long Length	3 High technology
	• Cleanroom	4 Industrial

The Group's gloves are manufactured to comply and/or exceed the specifications set by:-

- The American Society for Testing and Materials (ASTM D3578-99);
- The US Food and Drug Administration; and
- The European Standard EN455 Part 1 & 2.

The specifications set by various international authorities such as the FDA are usually fine-tuned on a continuous basis after taking into consideration of feedbacks from laboratory studies and users who are sensitive to higher levels of protein in the manufactured gloves. As a regular exporter of quality latex examination gloves to the USA for the past nine years, Top Glove is very familiar with the FDA as well as other authorities' stringent regulations and requirements. Top Glove also sends the gloves for testing by external parties on a regular basis to ensure compliance in product quality as set by not only the FDA but also the American ASTM and the European EN455 Standards. Presently, all of Top Glove's products meet the FDA's requirements on the protein level for latex examination gloves.

In general, the Top Glove Group's extensive range of glove products can be divided into two main categories; powdered and powder-free gloves. Powdered gloves are coated with a layer of cornstarch powder for easier donning of the gloves by end users as well as to ensure that the gloves do not stick to one another. Powder-free gloves undergo an extra process of chlorination or polymer coating to remove the powder and lower the protein contents of latex.



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**4. INFORMATION ON TOP GLOVE (Cont'd)**

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To cater for certain USA, European and Japanese market that require protein free gloves, the Group has actively ventured into the production of synthetic gloves like nitrile gloves. At present, nitrile gloves are very effective in addressing the issue of latex allergy as they do not contain any traces of natural rubber latex. Nitrile gloves can be either powdered or powder-free types.

**Production Process**

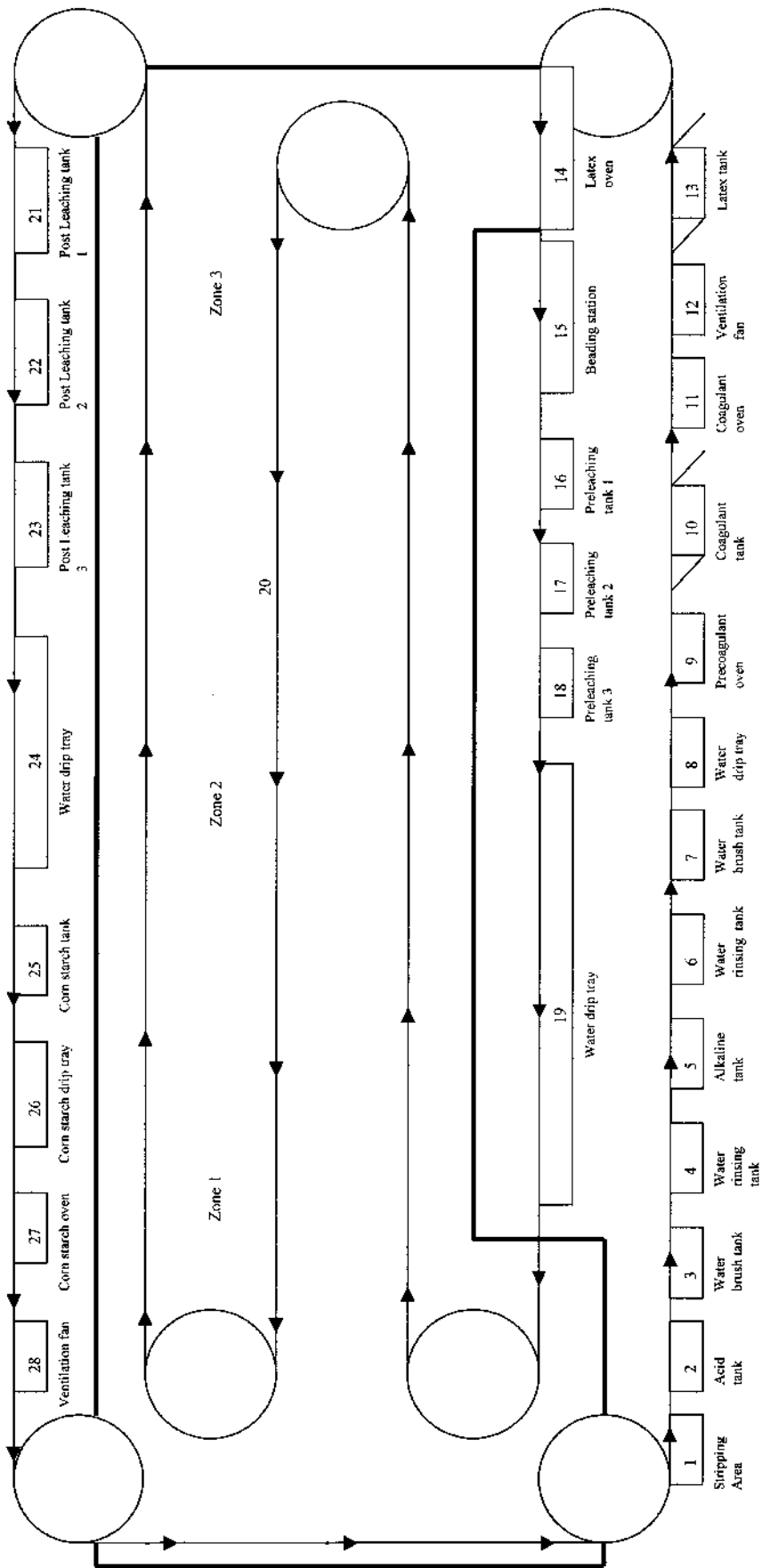
Top Glove's production process for manufacturing of gloves is explained in the following diagram and its explanatory notes.

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4. INFORMATION ON TOP GLOVE (Cont'd)

A general manufacturing process that is currently adopted by the Top Glove Group is illustrated below.

Process Flow Chart



**4. INFORMATION ON TOP GLOVE (Cont'd)*****Explanatory Notes to Production Process***

No	Process	Equipment/ Material Used	Function
1.	Stripping	Porcelain formers	Gloves can be stripped either manually by hand or automatically by air jets or other automation devices
2.	Acid Tank	Mineral Acid	React and remove excessive powder on the formers
3.	Washing Brush Tank	Soft nylon brushes	Wash out acid on the formers and scrubs the formers clean
4.	Water Rinsing Tank	Water	Wash out acid on the formers
5.	Alkaline Tank	Alkaline cleaner	Neutralize acid and wash out dirt on the formers
6.	Water Rinsing Tank	Water	Wash out alkaline on the formers
7.	Water Brush Tank	Soft nylon brushes	Remove dirt from formers
8.	Water Drip Tray	Collection tray	Collect water droplet from the formers
9.	Precoagulant Oven	Temperature controlled air circulation oven	Removes residual moistures and warm up the formers
10.	Coagulant Tank	Calcium Nitrate	Coagulates latex to form a uniform gel on the formers
		Calcium Carbonate	Reduces glove surface tack and assist in glove stripping
		Wetting agent	Allows a uniform coating of coagulant layer on the formers
11.	Coagulant Oven	Temperature controlled air circulation oven	It is used to dry up the coagulant layer on the formers
12.	Ventilation Fan	Ventilation Fan	It is used to cool down the coagulant layer on the formers from the coagulant oven
13.	Latex Tank	Compounded Latex	Form a latex layer on the formers.
14.	Latex Oven	Temperature controlled air circulation oven	It is used to dry up the latex layer on the formers
15.	Beading Station	Beading machine	Beading Brush will roll the edge of the glove and create a bead
16, 17 & 18	Pre-Leaching Tanks	Hot water	Separate protein and other chemical particles from the gloves
19.	Water Drip Tray	Drip tray	Collects water and direct water to the drain
20.	Main Oven	Temperature controlled air circulation oven	To cure and dry gloves before stripping
21,22 & 23	Post Leaching Tanks	Hot water	Separate protein and other chemical particles from the gloves
24.	Water Drip Tray	Drip tray	Collects and direct water to the drain
25.	Corn Starch Tank	Corn starch & water	Apply a uniform layer of starch on the glove donning surface to remove rubbertack
26.	Corn Starch Drip Tray	Drip tray	Collects corn starch water droplet from the formers
27.	Corn Starch Oven	Temperature controlled air circulation oven	To dry the corn starch layer on the formers
28.	Ventilation Fan	Ventilation fan	It is used to cool down the formers before stripping

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**4. INFORMATION ON TOP GLOVE (Cont'd)**


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**Key Strengths Of The Top Glove Group**

The Top Glove Group, being one of the leading glove manufacturers in Malaysia has the following key strengths:-

**i) Large Plant Capacity**

As at 8 February 2001, Top Glove Group's production capacity is as follows:-

Factory	No of lines	Optimum Annual Production Capacity (million pieces of gloves)
1	3	180
2	6	360
3	12	720
4	NA*	-
5	20	1,140
<b>TOTAL</b>	<b>41</b>	<b>2,400</b>

\* Factory 4 is not yet operational as at 8 February 2001.

All of the above factories operate on three 8-hour shifts per day.

Based on MARGMA's membership directory for Year 2000, Top Glove is currently one of largest latex examination, nitrile and surgical glove manufacturers in Malaysia with 41 production lines producing approximately 2.4 billion pieces of gloves per annum. (Source: MARGMA - Membership Directory Year 2000). The Group's capacity is set to increase further to 44 production lines in the financial year ending 31 August 2001 with Factory 4 becoming operational. The Board of Directors of Top Glove believe that Group is able to produce its wide range of gloves at a comparatively lower cost of production than other Malaysian glove manufacturers through the economies of scale achieved from operating its five glove production factories. Such economies of scale include bulk discounts arising from the combined purchases of raw materials such as latex and fuel for its factories and shared marketing and distribution costs for its gloves.

**ii) One- Stop Glove Sourcing Center**

The Top Glove Group acts as a comprehensive one-stop glove sourcing centre in the market, with more than a dozen variations of natural and synthetic rubber based gloves. The Group derives its strength from being able to capture markets in many countries because the Group offers its customers the convenience of sourcing a variety of gloves ranging from powdered, powder-free, nitrile, surgical, clean room and household gloves to cater to their diverse requirements without having to approach different suppliers.

**iii) Numerous Quality Accreditations**

Top Glove's commitment to the quality and standards required for their products is supported by the ISO 9002 Quality Award obtained from the Standards and Research Institute of Malaysia in 1996 for TGSB and 1999 for TG Medical. The Group's products are manufactured to comply with stringent requirements of the American Society for Testing and Materials (ASTM), the European Standard EN455 Part 1, 2 & 3 (EN Standard) and the US Food and Drug Administration's (FDA) Good Manufacturing Practices.

#### 4. INFORMATION ON TOP GLOVE (Cont'd)

Top Glove sends its gloves regularly to accreditation bodies all over the world and its gloves are widely accepted as evidenced from the following accreditations and awards under its subsidiaries, TGSB and TG Medical:-

<b>TGSB</b>				
<b>Country/Place</b>	<b>Awarding organisation</b>	<b>Name of award/approval</b>	<b>Product/Process</b>	<b>Issue Date/ Expiry Date</b>
Malaysia	SIRIM Berhad (factory 1&2)	ISO 9002	1994 Quality Systems-Model for Quality Assurance in Production, Installation and Servicing for the manufacture of latex examination gloves (non sterile)	8.2.1995/7.2.2002
	MRB	SMG	Manufacture of powdered and powder free latex examination gloves	5.5.2000/4.5.2001 31.7.2000/30.7.2001
	Small and Medium Industries Development Corporation	Enterprise 50 Award Programme	Certificate of Achievement for the company	1998/None 1999/None 2000/None
Germany	TUV Product Service GMBH	TUV Certificate	Certification to enhance the marketability of non-sterile latex examination gloves	13.10.1997/ None
France	NF Mark	Association Francaise De Normalisation	Certification to enhance the marketability of non-sterile latex examination gloves	15.1.1998/30.4.2001
Australia	Therapeutic Goods Administration	Certificate of Listing	Certification to enhance the marketability of non sterile gloves	14.5.1997/None
Europe	CE Mark	Marketing of Goods SATRA	Certification to enhance the marketability of non-sterile latex examination gloves	March, 1998/None
	EC-Type Examination Certificate		Certification to enhance the marketability of non-sterile latex examination gloves for protective purposes	22.03.1999/None
Poland	Instytut Lekow	Marketing of Goods	Confirmation that gloves meet required standards to export to Poland	30.4.1998/19.4.2003
USA	Food and Drug Administration	Marketing of Goods	To allow marketing of powdered and powder free latex examination gloves in USA	27.9.1991(LP) and 13.12.1994(PF)/ All None
Turkey	STE	Marketing of Goods	Certification to enhance the marketability of non-sterile latex examination gloves	16.10.1998/16.10.00*
Canada	Canadian Glove Standard Board	CFSB award	Certification that gloves are approved for export to Canada	17.2.1999/None
Russia	Ministry of Health of Russian Federation	Certificate of Registration	Certification to enhance marketability of non sterile examination gloves	3.1.1998/3.1.2003
Mexico	Estados Unidos Mexicanos Secretaria de Salud	Certification of Registration	Certificate of approval of exporting of glove to Mexico	9/9/1997/None

\* Certificate expired on 16.10.00. Top Glove's agent will be making the payment and submitting the application for renewal. As the procedure is a mere formality, the renewal certificate is expected to be ready soon.

#### 4. INFORMATION ON TOP GLOVE (Cont'd)

TG Medical				
Country/ Place	Awarding organisation	Name of award/approval	Product/Process	Issue Date/ Expiry Date
Malaysia	SIRIM Berhad	ISO 9002	1994 Quality Systems-Model for Quality Assurance in Production, Installation and Servicing for the manufacture of latex examination gloves (non sterile)	7.12.1998/6.12. 2001
Europe	CE Mark	Marketing of Goods	Certification to enhance the marketability of non-sterile latex examination gloves	March 1999/None
USA	Food & Drug Administration	Marketing of Goods	To allow marketing of powdered & powder free latex examination gloves and powdered and powder free latex sterile surgical gloves in USA	21.6.1994/None 15.10.1998/None 30.7.99/None 29.12.1999/None
Poland	Instytut Lckow	Marketing of Goods	Confirmation that gloves meet required standards to export to Poland	10.1.1999/9.1.2004
United Kingdom	SGS Yarsley International Certification Services	EN 46002 and ISO 13488	Certification that quality management systems meets the requirements of EN46001 and ISO13485	19.11.1999/18.11.2003
United Kingdom	SGS Yarsley International Certification Services	Directive 93/42/EEC Annex V	Certification that the company's manufacturing of natural latex and nitrile examination gloves and natural latex surgical gloves meet with the assessment standard of the EN 46002:1996 and ISO 13488:1996	19.11.1999/18.11.2003

Top Glove also has an in-house Quality Control Department to maintain the quality and standard of gloves demanded in the industry. As evidence of the importance of quality standards and controls to the Group, this department reports directly to the Managing Director.

#### iv) Strong Emphasis on World-wide Marketing

The Top Glove Group has been distributing its Top Glove brand since 1991. Apart from promoting its in-house brand, the Group also supplies gloves under its customers' own brands label. Since its inception, the Group has successfully marketed its gloves to customers in 103 countries and has a total of 193 suppliers. The growth in the Group's customer base can be attributed to its ability to tap into its Managing Director, Lim Wee Chai's vast experience in the marketing of consumer goods in developing value added partnerships with customers throughout the world. Under Mr Lim's stewardship, the Group has aggressively marketed its products overseas by actively and regularly participating in about 35 international medical products exhibitions and trade missions every year around the world since 1997.

To augment its marketing efforts in the USA, its biggest market, the Group has also established a marketing and distribution office in Phoenix, USA since 1995 to service its US customers as well as to keep abreast of the latest regulatory and market developments in the glove market there. 95% of the Group's products are exported. The exports to the USA amounted 28% of the Group's total exports.

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**4. INFORMATION ON TOP GLOVE (Cont'd)**


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The Group intends to continue its efforts to sustain its marketing activities by implementing new sales strategies, emphasizing on product quality (a good product will sell by itself) and continuing efforts to achieve total customer satisfaction to maintain its markets.

v) **In-house Technical Expertise**

Since its commencement, the Group has invested substantial in-house training for its maintenance and engineering departments. As such, the Group has access to personnel who are well-equipped to install, modify and upgrade its production lines in order to improve the efficiency and productivity of each new production line. With its experienced personnel, the Group has been able to undertake major modifications to its production lines which have resulted in a substantial increase in various production efficiencies and savings in maintenance costs.

vi) **Stringent Quality Assurance**

The Top Glove Group is committed to ensure consistency & reliability of the quality of its products. The manufacturing of gloves at the Top Glove Group goes through a stringent Quality Assurance ("QA") programme which is applied to all the significant areas which may affect the quality of the finished products. The entire manufacturing process, from the acceptance of raw materials right through to the production process and the loading of finished products into the container are carefully monitored and controlled in order to meet all the requirements laid down in the ASTM D 3578, ASTM D 3577, EN 455 Part 1 & 2, FDA Quality System Regulation (QSR) and ISO 9002 standards. Basically, the QA programme is classified into four critical stages of production, namely:-

- a) Raw material control;
- b) Processing control;
- c) Product quality control;
- d) Pre-shipment quality control.

a) **Raw Material Control**

The Group has processes established to ensure that for all raw materials received, the properties/quality are inspected carefully and then tested in the laboratory against the supplier's certificate of analysis. Only the accepted materials will be allowed to be used in production of gloves to ensure consistency of quality.

b) **Processing Control**

A tight control of the production process is necessary to ensure that consistent quality gloves are produced. Various important parameters such as temperature, chemical concentration are continuously monitored closely by the laboratory personnel to ensure that they meet the standard requirements.

c) **Product Quality Control**

Top Glove have established and implemented a quality system covering all levels of its employees to ensure that its employees pay particular emphasis towards the quality of the products. Every batch of gloves produced is subject stringent quality test such as air pump or water weight tests, physical dimension checks to ensure that the gloves meets the customer's requirements prior to packing.

**4. INFORMATION ON TOP GLOVE (Cont'd)**

**d) Pre-Shipping Quality Control**

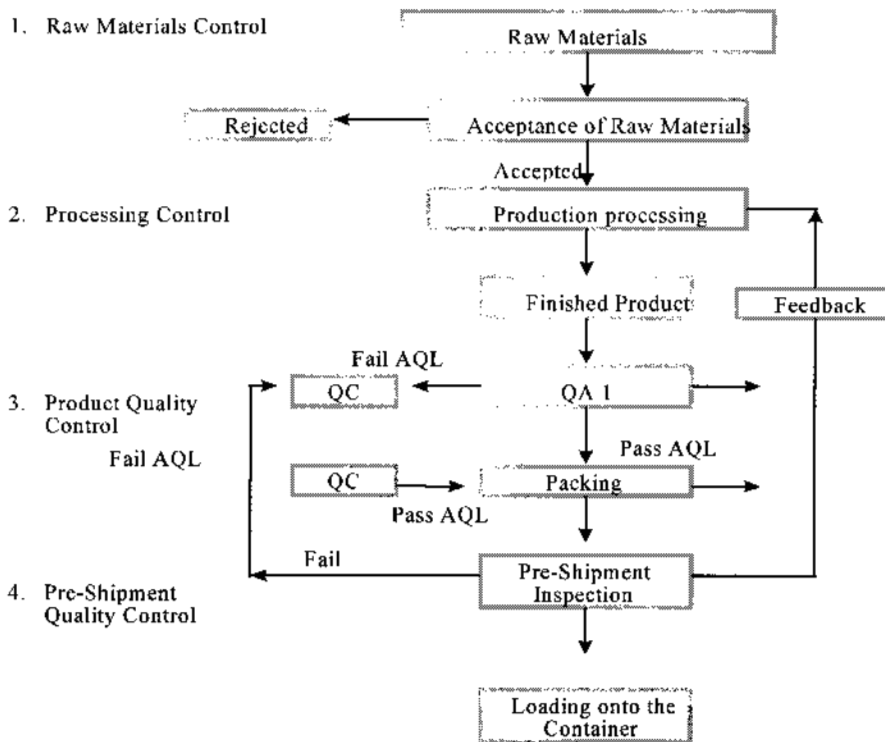
Pre-shipping quality control is important to ensure that the quality of gloves delivered to the customer is as per requirements. Before the container of gloves is shipped out, the QA personnel will sample and inspect the gloves according to EN 455 Part 1 and Part 2 standard or ASTM D 3578-99 standards. Further watertight test, physical dimension, tensile strength and protein tests will be carried out to ensure that the product strictly conforms to the customer's requirements.

Employees are encouraged to learn and apply principles of total quality management ("TQM") in its QA systems to enhance productivity and quality of processes in their respective areas of operations. The Board of Directors expect that the QA systems employed by the Group will result in high customers' satisfaction thus enhancing the company's image, business operations and securing repeat orders.

In further recognising the importance of the principles of TQM and the need for continuous quality improvement, the Top Glove Group has in the current year engaged the assistance of a Japanese expert through the Japanese Overseas Development Corporation's JESA-1 (JODC Expert Service Abroad) Improvement Programme to analyse and further improve the production processes through various re-engineering processes.

An illustration of the entire process of Top Glove's QA programme is shown below:-

***Quality Assurance Flowchart for Powdered Gloves***





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**4. INFORMATION ON TOP GLOVE (Cont'd)**

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**Recent U.S. Food and Drug Administration (“FDA”) Regulatory Requirements**

The FDA has recently proposed some new guidelines to fine-tune the powder and protein levels of latex examination gloves. FDA has proposed the following guidelines:-

- For Powdered Gloves, the powder level requirement is not more than 120 mg per glove.
- For Powdered Gloves, the protein level requirement is not more than 1,200 microgramme per glove.

It is normal for FDA to fine-tune the requirements of latex examination gloves on a regular basis after taking into consideration the feedback from laboratory studies and end users who are sensitive to higher levels of powder and protein levels.

The recent proposals made by FDA will have to go through a process of publication in the Federal Register before its implementation in early 2002.

Being a regular exporter of quality latex examination gloves to the USA for the past eight (8) years, the Top Glove Group is very familiar with FDA’s regulatory requirements. Top Glove also sends its range of gloves for testing by external parties on a regular basis to ensure that they comply with the FDA’s stringent requirements. Over the years, Top Glove have made substantial investments to upgrade their production facilities to comply not only with the American Standards but also the European Standards which was mentioned earlier.

**vii) Progressive Research and Development**

The Group has been investing substantially on new Research and Development (“R&D”) efforts since its inception. Its R&D is focused on plant technology improvement and new products development. As a result, the Group is able to introduce new glove variants which has expanded its product range and hence customer base. Starting from producing powdered gloves in the early 90’s, the Group moved to include other types of gloves in its range of products, such as powder-free gloves (1996), nitrile gloves (1998) and surgical gloves (1999). The production of household gloves is currently being developed by its R&D department and is expected to be launched by 2001.

During the year ended 31 August 2000, the Group spent approximately RM460,000 on R&D and expects the future annual expenditure on R&D to be about 0.5% of turnover. A sum of RM800,000 has been budgeted for R&D for the financial year ending 31 August 2001 which involves factory automation, process re-engineering, production process as well as the development of a new range of glove products to meet the ever increasing expectations of end-users. Substantial investments have also been made to upgrade the Group’s production facilities with enhanced leaching systems to relieve protein allergies. In addition, protein testing equipment valued at approximately RM70,000 has also been acquired to enable it to better monitor its production and extractable protein levels.

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**4. INFORMATION ON TOP GLOVE (Cont'd)**


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Other forms of R&D initiatives which have been undertaken successfully by the Group include:-

- Development of a new latex formulation and compounding methods for the production process.
- Development of new chlorination processes to improve the quality of the powder-free gloves.
- Research into better coagulants and latex tanks which have resulted in increase in production yields.
- Introduction of new products such as polymer bonded gloves, nitrile and sterile surgical gloves.
- Design of an updated waste water treatment plant in compliance with DOE's requirement.
- Implementation of automatic stripping processes to reduce labour and improve quality of gloves.
- Upgrading of production machines with a unique post-leaching facilities.
- Utilised in-house expertise to design and adopt production lines which are more efficient by improving the leaching process to remove soluble proteins from the gloves.

Top Glove have also been collaborating closely with the Rubber Research Institute in order to remain abreast of the latest technologies in glove manufacturing.

As at 8 February 2001, there are about 30 personnel involved in R&D.

viii) Active Product Diversification

The Group is also actively developing its capability to venture into the production of household and industrial gloves to realize its objective of being a more comprehensive supplier and manufacturer of a full range of gloves. It is also penetrating actively into producing gloves for the high technology, scientific and food based sectors. In this case, the Group would be less dependent and exposed to business risks of the medical sector for its overall profitability.

ix) Increasing reliance on IT

In recent years, the Group have expanded its usage on information technology to enhance its competitiveness and to extend its markets globally in a cost effective manner. As at 1 September 2000, the Group have invested approximately RM600,000 in various IT hardware, peripherals, servers, operating systems and software to promote greater IT usage and awareness among staff. Such investments include the following:-

- A Local Area Network (LAN) to facilitate better communication and sharing of information between its staff. This will result in the Group having a more efficient distribution system.
- Staff travelling overseas on marketing trips are equipped with Internet-ready computers in order to keep in close contact with the Group's head office and hence expedite processing of customers' orders.

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**4. INFORMATION ON TOP GLOVE (Cont'd)**


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- The Group also has two (2) Internet websites to enhance Top Glove's image and company's profile to its current and potential customers as well as to improve accessibility of customers to the Group. The websites are complete with information on product specifications, the Group's quality certifications as well as frequently asked questions ("FAQ") about the Group and its products.
- The Group has also subscribed to the services of the Malaysian Trade Electronic Exchange (MTeX) to take advantage of the opportunities of e-commerce and the digital economy as means of promoting its products via the Internet. Hence, customers of the Group can directly place their purchase orders through the Internet and thus, reducing lead time and documentation in the sales and purchases of the Group's range of products.
- Recruitment of additional IT staff to cater for the expected increased IT utilisation within the Group to improve its operations.

As part of the utilisation of funds under the listing exercise, the Group also intends to invest in an Enterprise Resource Planning ("ERP") system in the near future to improve its operations and as such will increase its IT budget to accommodate the acquisition of the ERP system.

x) Diversified Markets

As an export orientated manufacturer, the Top Glove Group has access to markets world-wide. The Group exports to 103 countries and is not overly dependent on any particular country for its business. Hence, the Company is able to diversify its business risks across a wider range of markets and economies.

xi) Responsible Corporate Citizen

The Group believes in being a progressive and pro-active corporate citizen and is conscious of its social responsibilities and this is evidenced by the following:-

- The Group has installed modern waste processing plants in its factories to treat hazardous wastes before discharging into drains. Continuous research has been undertaken to improve on its factories' waste management system in line with the increasing global awareness for environment conservation. The Top Glove Group will continue to work closely with the authorities in meeting the requirements of the governmental environmental enforcement and regulatory agencies.
- The Group launched a scholarship scheme for poor and needy students to assist them in pursuing their further studies in institutions of higher learning. Upon completion of their courses, these students will have the opportunity of being employed as part of the Top Glove group of companies.
- Donations of rubber gloves to aid worthy organizations like the St. John's Ambulance on a regular basis.

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**4. INFORMATION ON TOP GLOVE (Cont'd)**

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**4.6 Industry Overview****(a) Overall Malaysian Economy**

The Malaysian economy rebounded strongly in 2000 after recovering from the sharp output decline in 1998 and early 1999 following the financial crisis. Economic turnaround, which began in the second quarter of 1999, has since become well-entrenched, underpinned by the return of confidence and a more stable economic environment made possible by the introduction of selective capital controls and the pegging of the ringgit. The economic recovery, initially led by the strong performance of external demand, has become broad-based, driven by the increase in aggregate domestic demand following the impact of expansionary fiscal and accommodative monetary policies. Reflecting these trends, real Gross Domestic Product (GDP) registered a growth of 10.3% in the first half, based on growth of 11.9% in the first quarter and 8.8% in the second quarter of year 2000. Based on performance in the first half of the year and the sustained growth for the second half, real GDP is expected to register a growth of 7.5% in 2000, higher than the estimate of 5.8% announced in February 2000 when the 2000 budget was retabled in Parliament. (Source: *Economic Report: 2000/2001*)

On the supply side, growth is expected to remain broad-based with all sectors anticipated to register positive growth. The nation's resource position will remain in surplus at 9.9% of Gross National Savings (1999: 17.1%) with total investment estimated at 27.3% of Gross National Product ("GNP") (1999: 23.9%). Inflation, as measured by the Consumer Price Index ("CPI"), is expected to remain low at 1.9% (1999: 2.8%) after taking into account the recent domestic price increases for petrol, diesel and liquefied petroleum gas. In consonance with the economic recovery, the economic situation is expected to have a favourable impact on employment generation, creating 186,000 new job opportunities while the number of retrenched workers is anticipated to decline to 14,600 persons (1999: 24,036 persons). (Source: *Economic Report: 2000/2001*)

The economic outlook for year 2001 continues to be favourable. Growth is expected to be sustained by the stronger performance of the private sector, which will provide the primary stimulus for growth. The international economic environment is expected to continue to be conducive with world growth remaining strong at 4.2% (2000: 4.7%). Regional growth is expected to moderate but remain strong at 6% (2000: 6.5%). Given the favourable external outlook, real GDP growth for Malaysia is forecast at 7% in 2001. Despite the strong indications that sustainable growth is achievable, some downside risks exist. These risks include the possibility of a larger than anticipated slowing down of US economy, which in turn could affect the electronics sector, a slower than expected strengthening of private consumption and lower private investment, both domestic and foreign. CPI is expected to remain low in 2001, on account of stable world prices as well as moderation in petroleum prices. World inflation is expected to remain subdued and is not likely to impact on growth prospects, as imported inflation is also expected to remain low. With the economy forecast to grow at 7%, new job opportunities will be generated with employment projected to increase by 6.2% from 8.9 million to 9.5 million in 2001. The economy will continue to operate virtually under full employment rate remaining low at below 3%. (Source: *Economic Report: 2000/2001*)

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**4. INFORMATION ON TOP GLOVE (Cont'd)**

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As macroeconomic fundamentals continue to strengthen, growth in GDP is expected to be sustained at 7% for 2001. Although some downside risks may emerge, in particular some slowing down of US and the world economy mainly due to oil prices hike, this is expected to be mitigated by the strength of domestically generated demand. The thrust of macroeconomic management in 2001 will, therefore, be on managing risks that may emerge whilst ensuring the continuation of efforts to enhance the nation's competitiveness and resilience. *(Source: Economic Report: 2000/2001)*

(b) The Manufacturing Sector

Growth in the manufacturing sector, which began in 1999, accelerated well into 2000 with double-digit growth registered for 15 consecutive months to date. Underpinned by strong global demand in electronic products, economic recovery in Asia as well as the continued improvement in domestic demand, value added in the manufacturing sector is envisaged to record a significant growth of 17% in 2000. The export-oriented industries are expected to spearhead growth due to continued strong global demand in electronic products and sustained economic growth in the United States (US) and Asia. Output of the export-oriented industries is estimated to expand by 22.4% (1999: 10.8%). Likewise, the growth of domestic-oriented industries is also expected to be maintained in 2000, with growth estimated at 17% on the back of rising incomes, lower interest rates as well as accelerated public spending on infrastructure. As the sector's output growth is expected to surpass growth in GDP, its share to real GDP is expected to increase to 32.6% (1999: 30%). *(Source: Economic Report: 2000/2001)*

All sectors are expected to register positive growth in 2000 with the recovery becoming increasingly broad-based during the course of the year. The manufacturing sector is expected to lead growth given the anticipated double digit growth in both export and domestic oriented industries. *(Source: Economic Report: 2000/2001)*

(c) Rubber/Rubber Glove Industry

Latex gloves are essential items which provide biological barriers against virus, diseases, germs and harmful substances. They are mainly used in the medical and health industry as examination and surgical gloves, followed by the dentistry sector, high technology manufacturing scientific research areas, food-based industries, sanitary and general household purposes. Being a disposable item, the demand for latex gloves is expected to continue to grow, particularly in developed countries due to the introduction of stricter governmental regulation for the protection of healthcare workers. The demand for medical gloves from the newly developing countries is expected to increase at a faster rate in the light of the continuing awareness and spread of the AIDS and other contagious diseases.

In 1990s, the demand for disposable latex examination and surgical gloves continued to increase due to the AIDS menace and a greater awareness in developed and developing countries to protect healthcare workers and others against the transmission of diseases through human contacts.

#### 4. INFORMATION ON TOP GLOVE (Cont'd)

The glove industry is facing various challenges including lower selling prices, rising operational costs, price undercutting, labour shortages and tighter quality standards. In addition, competition from regional natural latex products producers and from substitution by synthetic gloves due to the protein allergy problem are also issues faced by the Malaysian latex industry. In the light of this, the industry is expected to continue to consolidate itself with the stronger companies being left to compete and the smaller companies closing.

Notwithstanding the challenges outlined above, the Top Glove Group believes that it is ready to face the challenges posed as it enjoys economies of scale from being one of the largest glove manufacturers in Malaysia and acts as a comprehensive, one-stop sourcing center for gloves. In addition, the Group believes the size and value of glove market, in particular the global market, remains encouraging. In recent years, Malaysia has recorded continuing strong growth rates for its latex glove exports, averaging double digit growth from 1994 -1998.

Exports reached a high of 17.853 billion gloves valued at RM 4.132 billion in 1998, up by 31.6% (in Ringgit terms) from 1997's export of 19.179 billion gloves valued at RM 2.826 billion (Source: Department of Statistics). For 1999, exports of gloves slightly declined by 4.2% to 17.105 billion gloves valued at RM3.659 billion (Source: Department of Statistics). Notwithstanding this, the value in Ringgit of gloves exported in 1999 remains 29% higher than that recorded for 1997.

Notwithstanding that there was a fall in volume of gloves exported since 1997, in Ringgit terms, the value of glove exports have risen since 1997. This is likely to have been primarily contributed by the depreciation in the Ringgit as the majority of the glove manufacturers are export based. A further factor is that glove manufacturers also increased production and introduced sales of powder free and higher value added gloves (such as surgical gloves) which fetched better premiums and may have contributed to the higher sales values earned.

#### 4.7 Major Customers

The major customers for the Group's local/export sales for the financial year ended 31 August 2000 are as follows:-

Customer (Country)	Length of relationship (years)	Percentage (%) of total sales as at 31.8.2000
Steriltx (USA) Inc (USA)	3	8.0
Boyd Medical Inc (USA)	9	7.0
American Healthcare (USA)	3	5.0
Tronex International, Inc (USA)	5	4.0
Ibergom (Spain)	2	5.0
Cemex Medical (Holland)	5	3.5
IDA Medical (Holland)	2	1.5
DOBB GmbH (Germany)	2	3.0
Zarys (Poland)	2	2.5
Cezal (Poland)	2	2.5
<b>TOTAL</b>		<b>42</b>

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**4. INFORMATION ON TOP GLOVE (Cont'd)**


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The remaining 58% of the production is exported to more than 90 other countries in the world mainly for the medical, dental, food and services, high technology and industrial segments.

**4.8 Major Suppliers**

The major suppliers for the Group's purchases for the financial year ended 31.8.2000 are as follows:-

Supplier	Items Supplied	Length of Relationship (years)	Percentage (%) of Total Purchases as at 31.8.2000
Gas Malaysia Sdn Bhd	Natural gas	5	9.60
Titi Latex Sdn Bhd	Concentrated latex	8	8.60
Lee Rubber (Selangor) Sdn Bhd	Concentrated latex	5	6.00
Cargill (M) Sdn Bhd	Concentrated latex	5	5.90
Safic Alcan (M) Sdn Bhd	Chemical / Concentrated latex	3	4.30
Heap Heng (Selama) Rubber Trading Sdn Bhd	Concentrated latex	1	3.00
Interocean Freight Services Sdn Bhd	Freight Services	5	2.50
Welion Industry	Hardwares	4	2.50
Excelkos Sdn Bhd	Chemical	3	1.80
IBV Flexpack Sdn Bhd	Packaging Materials	1	1.60
			<b>45.80</b>

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#### 4. INFORMATION ON TOP GLOVE (Cont'd)

##### 4.9 Information On Employees

The following is a table setting out information on the breakdown of the number of years served by Top Glove's employees as at 8 February 2001:-

Category of employees	Number of employees			Total
	< 1 year	1 - 5 years	> 5 years	
Director & General Manager	1	4	1	6
Senior & Key Managers	6	7	2	15
Engineer & Senior Executives	5	8	2	15
Executives & Supervisors	66	44	12	122
Technician, Clerks & General workers	881	422	65	1,368
<b>TOTAL</b>	<b>959</b>	<b>485</b>	<b>82</b>	<b>1,526</b>

Employees at Top Glove are to attend various training programmes and seminars throughout the year to keep them updated on the latest developments in the latex manufacturing industry. These programmes include the following topics:-

- International Rubber Conference;
- Process Control - Measurement and calibration;
- New global market opportunities;
- Critical skills for supervisor in manufacturing industries;
- Glove automation;
- Latex dipped products;
- CE marking for medical devices;
- Natural and synthetic rubber latex systems;
- Rubber technology;
- Advance statistical processes; and
- Developing new exporting marketing strategies.

There are also other motivational and social programmes to enhance the employees' productivity and commitment to their work scope. These include the following:-

- kaizen - the strategy for continuous improvement;
- Inter-departmental sports activities; and
- Telephone techniques and courtesies.

The employees of Top Glove are not members of any unions. Top Glove has maintained a good working relationship with its employees through the provision of performance incentives, annual dinners, staff accommodation and recreational facilities.

##### 4.10 Future Plans, Strategies and Prospects of the Group

###### General Strategies for Growth

The Group is laying the foundation in advance to meet the challenges of the global market. These involve tactical initiatives such as the following:-

- Expansion in capacity
- Research and development ("R&D") activities
- Increase use of information technology
- Expansion of product range
- Exploring new markets



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**4. INFORMATION ON TOP GLOVE (Cont'd)**

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**⇒ Expansion in Capacity**

In line with its objective of capturing a larger share in the world market, the Group has undertaken to expand its capacity.

The Group has in November 1999 acquired a factory in Ipoh which has 20 lines which previously belonged to Safeskin Corporation Sdn Bhd. The purchase consideration for the said acquisition was RM19 million. The factory has already commenced production in May 2000. The production lines will produce powdered, powder free latex examination gloves and nitrile gloves. As at 8 February 2001, the factory is fully operational with an optimum capacity of 1.14 billion pieces of gloves per year.

TGSB has also completed construction on TG Engineering's plot of land in Klang i.e. factory 4 to improve the Group's production capacity. The factory is currently being used as a warehouse but will be fully operational in 2001. The factory has two blocks and will have a maximum of twelve (12) lines. The first three (3) lines for Factory 4 will commence production in the financial year ending 31 August 2001 and it is anticipated that by year 2002, nine (9) out of the projected twelve (12) lines will be fully operational. This will improve the Group's production capacity by approximately 540 million pieces per annum by year 2002.

The current optimum capacity of the Group as at 8 February 2001 is approximately 2.4 billion pieces per year. By year 2002 the Group is expected to have a yearly capacity of approximately 3 billion pieces per year.

**⇒ R & D Activities**

The Top Glove Group has invested substantially in successful research and development efforts which have assisted the Group in improving its operations as set out in Section 4.5. The Group will continue to invest in R&D activities which will enable the Group to introduce new glove variants such as household gloves. RM800,000 has been budgeted for R&D in the Group for the financial year ending 31 August 2001 which will involve factory automation, process re-engineering, production process as well as the development of a new range of glove products to meet the ever increasing expectations of end-users.

**⇒ Increased Use of Information Technology**

The Group will continue to intensify efforts to continue to upgrade and increase the use of information technology in its operations. Chief amongst such efforts is the purchase and installation of an Enterprise Resource Planning (ERP) system which is budgeted to be in the region of RM1.0 million for year 2001. An experienced IT personnel has also been recruited to in mapping out the utilisation of the IT infrastructure for the next 2 years. In addition the Group plans to install another server to complement the existing networking system for other applications. The Group has also purchased teleconferencing facilities to facilitate the conduct of regular teleconferencing meetings of the Group's Head Office with the newly acquired Safeskin plant in Ipoh.

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**4. INFORMATION ON TOP GLOVE (Cont'd)**


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**⇒ Expansion of Product Range**

The extensive range of gloves provided by the Group, has enable it to create a competitive edge against others in the industry. The Group will strive to constantly find new and improved products to provide for changing customer needs over time, thus providing its customers with a one stop centre for the purchase of an extensive range of latex and synthetic latex gloves. The Group has ventured to the production of synthetic gloves and is currently producing surgical gloves. Surgical gloves will provide an edge for the Top Glove Group as compared with local glove manufacturers since not many local manufacturers produce the product. Many manufacturers do not produce the surgical gloves, because it has a more sophisticated process and subject to more stringent quality standards. In addition, the Group looks forward to developing its capability for manufacturing household gloves in the future to diversify its product range and reduce its reliance on medical industry based gloves.

**⇒ Exploring New Markets**

The Group will continue to strive for wider geographical distribution of its products by actively participating in more international trade exhibitions whilst continuing to serve its existing markets such as USA and Europe. Its office in Phoenix, USA will continue to provide the gateway for the marketing of its products to the USA and nearby countries. Todate, the Group has managed to expand its customer base through its active participation international trade exhibitions in developing markets such as Latin America, Africa, Middle East and Eastern Europe.

Since 1997, the Group has participated in more than 35 international trade exhibitions and missions in more than 25 cities around the world. This trend is expected to continue and intensify after the listing of the Group in view that the Group has expanded its capacity.

**4.11 Approvals, Major Licenses and Permits**

All of Top Glove's factories have manufacturing licenses issued by the Ministry of International Trade and Industry to produce examination gloves. The manufacturing licenses of all the factories of Top Glove are shown in the following table:

Factory	Date License Issued
1	16.11.1992
2	15.07.1995
3	11.11.1997
4	28.11.2000
5	15.11.2000

*Note: There are no expiry dates and other conditions of approval in all licenses issued.*

**4.12 Related Party Transactions**

Saved as follows, there are no transactions of the Group which involve the Directors or substantial shareholders of the Company:-

One of the Company's latex suppliers, Titi Latex Sdn Bhd ("Titi Latex") is owned by Lim Wee Chai (4%) and his brother, Lim Kwee Fatt (70%). The Group has dealt with Titi Latex for more than three (3) years and latex supplies from Titi Latex represent approximately 8.6% of the total latex supplied to the Group. The directors confirm that purchases made from Titi Latex are based on prevailing market prices.

The Audit Committee of Top Glove will monitor all related party transactions and the directors will report on such transactions in the annual reports.