



TOP GLOVE CORPORATION BHD.

(Company No. 474423-X)

Public Listed Company on Bursa Malaysia Main Board

The World's Largest Rubber Glove Manufacturer

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2008

1. Basis of Preparation

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

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

Changes in Accounting Policies

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

(a) FRS 117 Leases

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

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

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

(b) FRS 124 Related Party Disclosures

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

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

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

(e) FRS 111 Construction Contracts

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

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

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(f) FRS 107 Cash Flow Statements

(g) FRS 118 Revenue

(h) FRS 134 Interim Financial Reporting

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

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

2. Auditors' Report

The audited financial statements for the financial year ended 31 August 2007 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The operations of the Group were not affected by any seasonal or cyclical factors in view of its well-diversified world markets and the nature of the Company's products being disposable gloves.

4. Extraordinary and Exceptional Items

There were no extraordinary and exceptional items of unusual nature affecting assets, liabilities, equity, net income, or cash flows in the interim financial report ended 31 August 2007.

5. Changes in Estimates of Amounts Reported Previously

There were no material changes in estimates of amounts reported in prior interim periods or prior financial year that have a material effect in the current financial year to-date.

6. Debts and Equity Securities

6.1) The Employee Share Option Scheme ("ESOS") of the Company which was implemented for 5 years period expired on 29 April 2008. During the current quarter ended 31 May 2008, a total of 334,600 new ordinary shares of RM0.50 each were issued and allotted pursuant to the exercise of the ESOS. The details of the issued and paid-up capital of the Company as at 31 May 2008 are as follows :-

	No. of shares	RM
As at 29 February 2008	300,730,331	150,365,166
Ordinary shares issued pursuant to the ESOS	334,600	167,300
As at 31 May 2008	301,064,931	150,532,466

6.2) During the current quarter, the Company repurchased 978,500 of its issued ordinary shares from the open market at an average price of RM4.40 per share. The total consideration paid for the repurchase including transaction costs was RM4.323 million and this was financed by internally generated funds. Of the total 301,064,931 issued and fully paid ordinary shares as at 31 May 2008, 6,616,700 shares are held as treasury shares by the Company

Other than the above, there were no issuance and repayment of debt and equity securities, share cancellations and resale of treasury shares for the current financial year-to-date.

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7. Dividends Paid

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

- i) On 13 September 2007, paid an interim dividend of 8% (tax exempt) amounting RM12,017,257.
- ii) On 14 March 2008, the Company paid a total dividend of RM15,417,667 consisting of a final dividend of 6% (with tax 26%) amounting RM6,556,941 (after netting off 26% tax) and a final dividend of 6% (tax exempt) amounting RM8,860,726 which were approved in the Company's Annual General Meeting held on 9 January 2008

The total dividend paid by the Company in respect of the financial year ended 31 August 2007 was 20% represented by a net payment of RM27,434,924.

Record of dividends paid in respect of previous financial year :

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

8. Segmental Reporting

- a. Primary reporting segment – Geographical segments.

The Group operates in three principal geographical areas of the world and is primarily involved in the gloves manufacturing industry.

The directors are of the opinion that all inter-segment transaction have been entered into the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

31 May 2008 (9 months)

	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	797,497	105,234	59,772	50,894	-	1,013,397
Inter-segment sales	25,508	162,813	40,458	-	(228,779)	-
Total Revenue	<u>823,005</u>	<u>268,047</u>	<u>100,230</u>	<u>50,894</u>	<u>(228,779)</u>	<u>1,013,397</u>
	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Result						
Profit/(loss) from operations	93,440	5,186	3,091	1,627	-	103,344
Finance cost						(7,657)
Share of profit from associate						654
Profit before tax						<u>96,341</u>
Taxation						<u>(13,146)</u>
Profit for the year						<u>83,195</u>

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	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Assets</u>						
Segment assets	718,759	154,171	113,620	31,039		<u>1,017,589</u>
Goodwill arising From Consolidation						<u>21,078</u>
<u>Liabilities</u>						
Segment liabilities	263,380	67,836	48,763	7,742		<u>388,721</u>
<u>Other information</u>						
Capital expenditure	24,042	7,305	7,362	-		<u>38,709</u>
Depreciation	29,288	9,041	2,539	159		<u>41,027</u>

- b. Secondary reporting segment – Business segments

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

9. Valuation of Property and Equipment

There was no revaluation of property, plant and equipment brought forward from the previous audited financial statements, as the Group does not adopt a revaluation policy on its property, plant and equipment.

10. Material Events Subsequent to the End of the Interim Report

There were no significant subsequent events after the end of the interim period to date of this announcement, which will materially affect the earnings or income of the Group.

11. Changes in the Composition of the Group

There were no significant changes in the composition of the Group in the interim financial report, including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

12. Contingent Liabilities

There were no significant changes in contingent liabilities since the last annual balance sheet date and there were no contingent liabilities pending at the date of this report except, the material litigation as disclosed in note 23 below.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MAY 2008 (CONTINUED)

ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS

13. Review of Performance

For the quarter ended 31 May 2008, sales revenue increased by 18% to RM356.1 million from RM301.6 million registered in the corresponding quarter in the previous financial year which can be analysed as follow:

	Qtr 3/08	Qtr 3/07	Growth
Sales:			
Gloves (RM mil)	351.3	293.2	20%
Latex concentrate (external sales – RM mil)	4.8	8.4	(43)%
Total sales (RM mil)	356.1	301.6	18%
Sales of Gloves (in USD'mil equivalent)	109.7	84.4	30%
Profit before tax (RM mil)	30.0	29.5	2%
Net Profit (RM mil) – equity holders of the Company	26.1	25.9	1%

Due to the appreciation of Ringgit Malaysia against USD between quarter ended 31 May 2008 and quarter ended 31 May 2007, sales of gloves in USD value increased by 30% but only 20% in Ringgit Malaysia value. The reduction in sales of latex concentrate in current quarter was mainly due to higher internal consumption compared with higher external sales for quarter ended 31 May 2007.

Profit before tax for the quarter increased by 2% to RM30.0 million as compared to RM29.5 million registered in the quarter ended 31 May 2007. The net profit of current quarter ended 31 May 2008 was affected by the time lag effect between selling price adjustment to counter the adverse currency effect, higher latex and crude oil price. The Group continue to maintain strong and healthy balance sheet position with cash in hand of RM124.9 million and net gearing at only 0.066 times of total equity.

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

RM 'mil	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	9 mths FY2008 (Sept'07 to May'08)
Revenue	138.9	180.2	265.1	418.1	641.8	992.6	1,228.8	1,013.4
EBITDA	23.9	27.1	39.5	60.6	89.2	130.3	175.7	145.0
EBITDA margin	17.2%	15.0%	14.9%	14.5%	13.9%	13.1%	14.3%	14.3%
PBT	17.2	20.2	29.3	45.2	65.7	91.8	118.6	96.3
PAT	14.7	16.0	23.8	39.3	53.5	79.1	102.9	83.2
PAT margin	10.6%	8.9%	9.0%	9.4%	8.3%	8.0%	8.4%	8.2%

Overall, the Group has a positive outlook towards continuous growth and in securing better results in the forthcoming quarters in terms of sales revenue and profitability through its on-going effort in implementing aggressive marketing strategies, increase in production capacity to achieve better economies of scale, as well as, further improvements in quality, cost control and efficiency.

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14. Quarterly Profits Before Tax (PBT) Comparison

The Group achieved an increased of 11% in turnover from RM320.8 million in quarter ended 29 February 2008 to RM356.1 million in current quarter. As for profit before tax, the Group registered PBT of RM30.0 million for current quarter compared with RM31.8 million in quarter ended 29 February 2008. The profit before tax of current quarter ended 31 May 2008 was affected by the time lag effect between selling price adjustment to counter the adverse currency effect, higher latex and crude oil price. The Group continue to maintain strong and healthy balance sheet position with cash in hand of RM124.9 million and net gearing at only 0.066 times of total equity.

15. Prospects

Top Glove, the world's largest rubber glove manufacturer with a vision of "Always Staying At The Top", is continuing to move ahead rapidly with specific efforts undertaken to improve and innovate its glove quality, marketing, productivity and cost efficiency. The Group currently has 19 factories, 338 production lines with capacity of 30 billion pieces of gloves per annum and employed about 8,300 employees. Top Glove has more than 850 customers and exports to more than 180 countries worldwide.

As for F15, the Group 2nd plant in China, the additional 8 new and advanced vinyl glove production lines had started operating in March 2008 and, the factory currently has 16 advanced glove production lines. The Company is currently installing additional 8 advanced vinyl glove production lines and target to complete by September 2008.

Following from the completion of the construction of Factory 19 in Klang in December 2007, the Company has started to install 16 new and advanced glove production lines and target to complete by August 2008.

The construction of its latest factory, Factory 20 has commenced in March 2008. The factory building is targeted to be ready by October 2008. Upon completion of the factory building, the factory will be installed with 16 new advanced glove production lines.

With the commitment of the management team and with the continuous improvement of our glove quality, increase in efficiency and production capacity via technology innovation as well as construction of new glove production lines, the marketing of more profitable glove products and further expansion of the market share, the Company is confident of achieving better results in the future.

16. Variance of Actual Profits from Forecast Profits

Not applicable as no profit forecast was issued.

17. Taxation

	Quarter Ended		Year To Date Ended	
	31 May 2008 RM'000	31 May 2007 RM'000	31 May 2008 RM'000	31 May 2007 RM'000
Income tax during the year	4,472	3,440	11,831	7,014
Deferred taxation	497	403	1,315	4,275
	<u>4,969</u>	<u>3,843</u>	<u>13,146</u>	<u>11,289</u>

The effective tax rate of the Group is lower than the statutory tax rate due to the availability of reinvestment allowance by certain subsidiaries and the tax-free status of certain overseas subsidiaries during the current financial period.

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18. Profit/(Loss) on Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and/or properties during the current interim report and financial year-to-date.

19. Purchase and Dispose of Quoted Securities

There was no purchase or disposal of quoted securities by the Group for the current quarter and financial year-to-date.

20. Status of Corporate Proposals Announced

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

	Proposed Utilisation RM'mil	Actual Utilisation RM'mil
Capital expenditure	100.0	54.8
Repayment of borrowings	110.0	110.0
Working capital	25.8	25.8
Defray expenses for Proposed Placement	3.7	3.7
	<u>239.5</u>	<u>194.3</u>

21. Group Borrowings

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

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings	12,028	46,956	58,984
Long term borrowings	87,488	21,301	108,789
	<u>99,516</u>	<u>68,257</u>	<u>167,773</u>

22. Off Balance Sheet Financial Instruments

The Group uses derivative financial instruments, mainly forward foreign exchange contracts to hedge its exposure to fluctuations in foreign exchange arising from sales. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are not recognized in the financial statements on inception.

The details of the open foreign exchange forward contracts agreement as at 31 May 2008 are as follows:-

	Notional Amount As At 31 May 2008 RM'000
Foreign exchange forward contracts :	<u>401,708</u>
Within 13 months	

The above instruments are executed with credit worthy financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of its financial strength.

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23. Material Litigation

Save as disclosed below, the Group is not engaged in any litigation, either as plaintiff or defendant, which may have a material effect on the financial position of the Group.

(i) On 8 November 2000, Top Glove Sdn. Bhd. ("TGSB"), a subsidiary of the Company was served a writ of summons by Supermax Glove Manufacturing Sdn. Bhd. ("SGM") claiming damages for alleged passing off by TGSB of certain coloured boxes bearing the device of a glove containing gloves manufactured by TGSB under the brand name "Safemax" as boxes containing gloves manufactured by SGM under the brand name "Supermax". TGSB's appointed solicitors, have opined that SGM's case against the TGSB is weak and unlikely to succeed.

TGSB, in relation to the suit above, has filed its defence and has also filed a counterclaim in the same suit against SGM seeking general damages for the abuse of process and/or unlawful interference with trade or business and/or the commission of deliberate and positive acts designed to injure the Company.

The pre-trial case management was fixed for 6 July 2004 for parties to file all relevant documents for purposes of trial. This date has been extended several times and the court has fixed trial dates for 24 & 25 June 2008. On 24 June 2008 the case was postponed to 8 August 2008 pending settlement by both parties.

During the above period, the court had also fixed 16 May 2005 for hearing of an application by TGSB for Further and Better Particulars on the above suit. This date was extended several times and a decision was given on 3 April 2006. On that date, the court allowed TGSB's application for Further and Better Particulars on the above suit and SGM was given one month to comply with the said order. SGM appealed against this decision on 12 April 2006 and also applied for a stay of execution of the order. On 20 July 2007, the court allowed SGM's appeal and subsequently fixed the matter for trial on 24 & 25 June 2008. On 24 June 2008 the case was postponed to 8 August 2008 pending settlement by both parties

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

TGSB among others is claiming for general, aggravated and exemplary damages for maliciously distributing and publishing defamatory words contained in documents relating to Summon No. 22-431-2000 filed by SGM at the Shah Alam High Court. TGSB among others avers that SGM had, with mala fide, distributed the said documents with intent to lower TGSB's reputation. SGM had also published defamatory words in its quarterly reports announced by its holding company, Supermax Corporation Berhad to Bursa Malaysia Securities Berhad ("Bursa Securities") in the years 2000 and 2001. The commencement of these legal proceedings was announced to Bursa Securities on 20 December 2004. SGM has filed a statement of defence on the above suit on 17 January 2005 and the TGSB has filed the reply to defence on 14 February 2005.

The court had fixed 6 July 2005 for hearing of an application by TGSB to amend the Statement of Claim to include the Company as an additional plaintiff and Supermax Corporation Berhad as an additional defendant. The matter was heard on 28 September 2005 and a decision given on 18 November 2005 where the court allowed TGSB's application to amend the Statement of Claim and instructed SGM to file its amended Statement of Defence.

SGM had filed an application to strike out certain paragraphs of TGSB's Statement of Claim. This matter was also heard on 28 September 2005 and a decision given on 18 November 2005 when the court dismissed SGM's application to strike out with costs to be paid by SGM. SGM filed a notice of appeal against both decisions given by the Senior Assistant Registrar on 18 November 2005 above. SGM had also on 14 December 2005 filed an application to stay the above proceedings until the disposal of SGM's two appeals. This application was allowed on 7 March 2006. Appeals against both these decisions were allowed and on 5 February 2008 both SGM's appeals were dismissed and Supermax Corporation Berhad was included as a Second Defendant in this Suit. This will also be part of the above mentioned settlement in part (i) above.

(iii) The Company has been named as one of 39 respondents in United States International Trade Commission ("ITC") investigation, which Tillotson Corporation instituted on 30 May 2007, for alleged patent infringement of nitrile gloves.

The outcome of the abovementioned investigation is not presently determinable. The ITC, however, cannot award monetary damages and the Company's appointed solicitors, have opined that the Company has meritorious defences.

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24. Dividend

The Board of Directors has declared an interim dividend of 10% (tax exempt), amounting to approximately RM14.72 million, for the quarter ended 31 May 2008.

Record of dividends paid in respect of previous financial year :

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

25. Earnings Per Share

	Quarter Ended		Year To Date Ended	
	31 May 2008	31 May 2007	31 May 2008	31 May 2007
Net profit attributable to ordinary shareholders (RM'000)	<u>26,093</u>	<u>25,902</u>	<u>84,956</u>	<u>76,115</u>
Basic				
Total number of ordinary shares ('000)	<u>301,065</u>	<u>300,249</u>	<u>301,065</u>	<u>300,249</u>
Adjusted weighted average number of ordinary shares ('000)	<u>300,824</u>	<u>299,808</u>	<u>300,669</u>	<u>282,519</u>
Basic earnings per ordinary share (sen)	<u>8.67</u>	<u>8.64</u>	<u>28.26</u>	<u>26.94</u>
Diluted				
Adjusted weighted average number of ordinary shares ('000)	-	299,808	-	282,519
ESOS :				
No. of unissued shares	-	4,007	-	4,007
No. of shares that would have been issued at fair value	-	(3,016)	-	(3,016)
Diluted weighted average number of ordinary shares ('000)	<u>-</u>	<u>300,799</u>	<u>-</u>	<u>283,510</u>
Diluted earnings per ordinary share (sen)	<u>-</u>	<u>8.61</u>	<u>-</u>	<u>26.85</u>

There is no diluted earnings per ordinary share for this quarter ended 31 May 2008 due to the expiry of Employee Share Option Scheme on 29 April 2008.