



TOP GLOVE CORPORATION BHD. (Company No. 474423-X)

TOP QUALITY, TOP EFFICIENT

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 2009

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 2008. The explanatory notes attached to the interim financial statements provide an explanation of events and transaction that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 August 2008.

Changes in accounting policies

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

2. Auditors' report

The audited financial statements for the financial year ended 31 August 2008 was not subject to any qualification.

3. Seasonal or cyclical factors

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

4. Extraordinary and exceptional items

There were no extraordinary and exceptional items of unusual nature affecting assets, liabilities, equity, net income, or cash flows in the interim financial report ended 31 August 2008.

5. Changes in estimates of amounts reported previously

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

6. Debts and equity securities

On 1 August 2008, the Company implemented the 2nd Employee Share Option Scheme ("ESOS II"), which is for duration of 10 years. During the current quarter ended 31 May 2009, a total of 1,090,300 new ordinary shares of RM0.50 each were issued and allotted pursuant to the exercise of the ESOS II. The details of the issued and paid-up capital of the Company as at 31 May 2009 are as follow :-

	No. of shares	RM
As at 28 February 2009	301,123,631	150,561,816
Ordinary shares issued pursuant to the ESOS	1,090,300	545,150
As at 31 May 2009	302,213,931	151,106,966

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6. Debts and equity securities (cont'd)

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

7. Dividends paid

For the financial year ended 31 August 2008, the Company :-

- i) On 13 September 2008, paid an interim dividend of 10% (tax exempt) amounting RM14.72 million.
- ii) On 16 March 2009, the Company paid a final dividend of 12% (single tier) amounting to RM17.67 million which were approved in the Company's Annual General Meeting held on 13 January 2009

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

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

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

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

Record of dividends paid in respect of previous financial year :

Financial Year	Dividend % (on par value)	Dividend per share (sen)	Total Dividend (RM'000)
2008	22%	11	32,389
2007	20%	10	27,435
2006	18%	9	21,173
2005 *	16%	8	14,110
2004	14%	9.5	12,295
2003	12%	12	9,550
2002	6%	6	2,808
2001	8%	8	4,000

* Subdivision of shares from one ordinary share of RM1.00 to two ordinary shares of RM0.50 each which was completed in February 2005.

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.

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8. Segmental reporting (cont'd)

31 May 2009 (9 months)

	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	876,121	90,206	79,296	58,940	-	1,104,563
Inter-segment sales	36,106	167,520	52,954	-	(256,580)	-
Total Revenue	<u>912,227</u>	<u>257,726</u>	<u>132,250</u>	<u>58,940</u>	<u>(256,580)</u>	<u>1,104,563</u>
Result						
Profit from operations	116,361	24,798	7,949	1,375	-	150,483
Finance cost						(7,058)
Share of loss from associate						(884)
Profit before tax						<u>142,541</u>
Taxation						<u>(29,454)</u>
Profit for the year						<u>113,087</u>
Assets						
Segment assets	722,285	165,168	133,201	43,614		<u>1,064,268</u>
Goodwill arising from consolidation						<u>22,378</u>
Liabilities						
Segment liabilities	226,429	18,859	30,023	10,206		<u>285,517</u>
Other information						
Capital expenditure	40,257	3,771	11,241	-		<u>55,269</u>
Depreciation	31,052	8,107	3,708	158		<u>43,025</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.

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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.

ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS

13. Review of performance

For the 9 months period ended 31 May 2009, the Group sales revenue increased by 9% to RM1,104.6 million compared with RM1,013.4 million for 9 months period ending 31 May 2008. Profit before tax for the 9 months period surged to RM142.5 million, an increased of 48% from RM96.3 million registered in the same period last year, and the 9 months profit after tax of RM113.1 million surpassed the full year net profit of financial year 2008. The continuing strong profit growth for the past few quarters shows that Top Glove had adapted well to the current economic environment and resulting from high efficiency advancements in its operations, as well as improvement in cost efficiency and quality, product mix, while maintaining a strong customer relationship to position the Group as a market leader.

The Group also continues to strengthen its balance sheet and working capital position, currently in net cash position with RM173.2 million cash in bank as at 31 May 2009, with total borrowings reduced by RM53.5mil in this quarter, and improvement in working capital management.

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

RM 'mil	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	9 mths FY2009 (1/9/08 to 31/5/09)
Revenue	138.9	180.2	265.1	418.1	641.8	992.6	1,228.8	1,377.9	1,104.6
EBITDA	23.9	27.1	39.5	60.6	89.2	130.3	175.7	197.8	192.6
EBITDA margin	17.2%	15.0%	14.9%	14.5%	13.9%	13.1%	14.3%	14.4%	17.4%
PBT	17.2	20.2	29.3	45.2	65.7	91.8	118.6	134.6	142.5
PAT	15.9	17.8	25.7	39.9	58.2	84.8	88.7	108.1	113.1
PAT margin	11.4%	9.9%	9.7%	9.5%	9.1%	8.5%	7.2%	7.8%	10.2%

14. Quarterly profits before tax (PBT) comparison

The Group's PBT increased by 21% to RM54.3 million compared with RM44.9 million in the quarter ended 28 February 2009. Also, the Group's profit after tax has increased by 17% to RM42.4 million from RM36.2 million compared with the preceding quarter. The Group managed to increase the profit as compared with preceding quarter mainly due to favourable exchange rate and effective cost control, efficiency and glove quality improvement.

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15. Commentary on prospects and targets

Top Glove, which always strives towards its business direction “Top Quality With Efficient Low Cost”, is the world’s largest rubber glove manufacturer with a vision of “Always Staying At The Top”. It is continuing to move ahead rapidly with specific efforts undertaken to improve and innovate its glove quality, marketing strategies, productivity enhancement and cost efficiency. The Group currently has 19 factories, 355 production lines with production capacity of 31.5 billion pieces of gloves per annum and 8,600 employees. Top Glove has more than 850 customers and exports to more than 180 countries worldwide.

The Group’s Factory 19, which is located in Klang, has started operation in early June, 2009. Factory 19 has 16 new and advanced glove production lines.

The Group which has completed the construction of Factory 20 located in Klang, will install 16 new and advanced glove production lines in July 2009 and target to complete the installation by February 2010.

In addition, the Group will also plan to commence the construction of Factory 21 in August 2009. Factory 21 will be located in Klang.

With the Group achieving strong profit growth for the first 9 months of financial year 2009, the Group continues to be cautiously optimistic in its future outlook despite the ongoing global economic crisis. With a large customer base spread over more than 180 countries and a comprehensive glove products range, coupled with a team of good employees, the Group is confident of continuous growth and securing better results in the forthcoming quarters in terms of profitability.

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

16. Variance of actual profits from forecast profits

Not applicable as no profit forecast was issued.

17. Taxation

	Quarter Ended		Year To Date Ended	
	31 May 2009 RM’000	31 May 2008 RM’000	31 May 2009 RM’000	31 May 2008 RM’000
Income tax during the year	10,231	4,472	22,974	11,831
Deferred taxation	1,728	497	6,480	1,315
	<u>11,959</u>	<u>4,969</u>	<u>29,454</u>	<u>13,146</u>

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

18. Profit/(loss) on sale of unquoted investments and/or properties

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

19. Purchase and dispose of quoted securities

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

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20. Status of corporate proposals announced

There were no corporate proposals announced which remain uncompleted during the quarter under review as at the date of this report.

21. Group borrowings

The Group borrowings as at 31 May 2009 were as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings	20,000	38,455	58,455
Long term borrowings	25,000	6,573	31,573
	<u>45,000</u>	<u>45,028</u>	<u>90,028</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 2009 are as follows:-

	Notional Amount As At 31 May 2009 RM'000
Foreign exchange forward contracts :	
Within 3 months	<u>138,170</u>

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

23. Material litigation

There is no material litigation that have material effect in the current financial year to-date.

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24. Dividends

The Board of Directors has declared a first interim single tier dividend of 14% or 7 sen net per ordinary share of RM0.50 each, which is not taxable in the hands of shareholders, amounting to approximately RM20.692 million for the quarter ended 31 May 2009.

Record of dividends :

Financial Year	Dividend % (on par value)	Dividend per share (sen)	Total Dividend (RM'000)	Status
2009	14% (1 st interim)	7	20,692	Declared
2008	22%	11	32,389	Paid
2007	20%	10	27,435	Paid
2006	18%	9	21,173	Paid
2005 *	16%	8	14,110	Paid
2004	14%	9.5	12,295	Paid
2003	12%	12	9,550	Paid
2002	6%	6	2,808	Paid
2001	8%	8	4,000	Paid
Total			144,452	

* Subdivision of shares from one ordinary share of RM1.00 to two ordinary shares of RM0.50 each which was completed in February 2005.

25. Earnings per share

	Quarter Ended		Year To Date Ended	
	31 May 2009	31 May 2008	31 May 2009	31 May 2008
Net profit attributable to ordinary shareholders (RM'000)	42,167	26,093	112,323	84,956
Basic				
Total number of ordinary shares ('000)	302,214	301,065	302,214	301,065
Adjusted weighted average number of ordinary shares excluding treasury shares ('000)	294,687	297,686	294,530	297,531
Basic earnings per ordinary share (sen)	14.31	8.77	38.14	28.55
Diluted				
Adjusted weighted average number of ordinary shares ('000)	294,687	297,686	294,530	297,531
ESOS :				
No. of unissued shares	4,605	4,008	4,605	4,008
No. of shares that would have been issued at fair value	(3,199)	(3,016)	(3,199)	(3,016)
Diluted weighted average number of ordinary shares ('000)	296,093	298,678	295,936	298,523
Diluted earnings per ordinary share (sen)	14.24	8.74	37.96	28.46