



TOP GLOVE CORPORATION BHD.

TOP QUALITY, TOP EFFICIENT, GOOD HEALTH,
SAFETY FIRST & BE HONEST

(Company No. 474423-X)

Public Listed Company on Bursa Malaysia Main Market

The World's Largest Rubber Glove Manufacturer

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CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2011

	Current Quarter Ended	Corresponding Quarter Ended	Current Year To Date	Corresponding Year To Date
	28-Feb-2011	28-Feb-2010	28-Feb-2011	28-Feb-2010
	RM'000	RM'000	RM'000	RM'000
Revenue	485,208	509,895	976,717	982,195
Operating Expenses	(457,573)	(417,630)	(907,834)	(804,821)
Other Operating Income	3,560	2,658	6,649	4,764
Profit From Operations	31,195	94,923	75,532	182,138
Finance Costs	(51)	(76)	(88)	(474)
Share of gain/(loss) of associate	331	(962)	436	(1,136)
Profit Before Taxation	31,475	93,885	75,880	180,528
Taxation	(5,535)	(21,627)	(13,607)	(41,722)
Profit for the year	25,940	72,258	62,273	138,806
Profit Attributable to :				
Owners of the Company	25,410	70,526	61,460	135,734
Minority Interest	530	1,732	813	3,072
	25,940	72,258	62,273	138,806
Earnings Per Share (sen)				
Basic	4.11	*11.59	9.94	*22.34
Diluted	4.06	*11.58	9.83	*22.31

* For comparative purpose, the Earnings Per Share for the quarter and year-to-date ended 28 February 2010 had been adjusted to reflect the bonus issue of 1 for every 1 existing ordinary shares of par value RM0.50 each which was completed on 20 July 2010.

The Condensed Consolidated Income Statement should be read in conjunction with the
Annual Financial Report for the year ended 31 August 2010

TOP GLOVE CORPORATION BHD.

(Company No. 474423-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2011**

	Current Quarter	Corresponding	Current	Corresponding
	Ended	Quarter Ended	Year To Date	Year To Date
	28-Feb-2011	28-Feb-2010	28-Feb-2011	28-Feb-2010
	RM'000	RM'000	RM'000	RM'000
Profit for the year	25,940	72,258	62,273	138,806
Other comprehensive income:				
Net gain on fair value on short term investment	1,406	-	3,007	-
Foreign currency translation	(2,314)	741	(42)	(7,618)
Other comprehensive income for the year	(908)	741	2,965	(7,618)
Total comprehensive income for the year	25,032	72,999	65,238	131,188
Total comprehensive income attributable to:				
Owners of the Company	24,980	73,068	64,583	130,058
Minority Interest	52	(69)	655	1,130
	25,032	72,999	65,238	131,188

The Condensed Consolidated Income Statement should be read in conjunction with the
Annual Financial Report for the year ended 31 August 2010

TOP GLOVE CORPORATION BHD.

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(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2011**

	Unaudited as at 28-Feb-2011 RM'000	Audited as at 31-Aug-2010 RM'000 (Restated)
ASSETS		
Non-current assets		
Property, Plant and Equipment	623,636	599,583
Prepaid Land Lease Payment	3,039	3,025
Investment in Associate	5,428	5,056
Other Investment	145	145
Goodwill	20,113	20,113
	652,361	627,922
Current assets		
Inventories	192,441	167,511
Trade Receivables	254,793	247,268
Other Receivables and Deposits	47,186	20,349
Tax Recoverable	18,768	5,473
Short term investments	77,834	40,557
Cash and bank balances	132,023	262,930
Derivative Asset	511	-
	723,556	744,088
Total Assets	<u>1,375,917</u>	<u>1,372,010</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Share Capital	309,190	309,081
Share premium	171,512	170,563
Retained profit	607,038	599,407
Foreign exchange reserves	907	791
Others	16,482	12,660
	1,105,129	1,092,502
Minority Interest	23,238	23,864
Total Equity	<u>1,128,367</u>	<u>1,116,366</u>
Non-Current Liabilities		
Long Term Borrowings	1,292	3,025
Deferred Tax Liabilities	36,404	34,360
	37,696	37,385
Current Liabilities		
Trade Payables	102,797	105,116
Other Payables and Accruals	105,945	112,602
Short Term Borrowings	1,112	541
	209,854	218,259
Total Liabilities	247,550	255,644
Total Equity and Liabilities	<u>1,375,917</u>	<u>1,372,010</u>
Net Tangible Assets per share (RM)	1.79	1.77
Net Assets per share (RM)	1.82	1.81

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 August 2010

TOP GLOVE CORPORATION BHD

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2011**

	← Attributable to Equity Holders of the Company →						Minority Interest	Total Equity	
	← Non distributable →		Distributable						
	Share Capital	Share Premium	Treasury Shares	Other Reserve	Fair value Adjustment Reserve	Retained Profits			Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
6 Months Ended 28 FEBRUARY 2011									
Balance as at 01 September 2010 (as previously stated)	309,081	170,563	-	13,451	-	599,407	1,092,502	23,864	1,116,366
Effects of adopting FRS 139	-	-	-	-	-	3,026	3,026	-	3,026
Balance as at 01 September 2010 (as restated)	309,081	170,563	-	13,451	-	602,433	1,095,528	23,864	1,119,392
Profit for the period	-	-	-	-	-	61,460	61,460	813	62,273
Total comprehensive income for the period	-	-	-	116	3,007	-	3,123	(158)	2,965
Transfer to legal reserve	-	-	-	1,204	-	(1,204)	-	-	-
Issuance of ordinary shares pursuant to ESOS	109	949	-	(389)	-	-	669	-	669
Dividend	-	-	-	-	-	(55,651)	(55,651)	(1,281)	(56,932)
Balance as at 28 February 2011	309,190	171,512	-	14,382	3,007	607,038	1,105,129	23,238	1,128,367
6 Months Ended 28 FEBRUARY 2010									
Balance as at 01 September 2009	151,879	243,677	(38,427)	21,964	-	445,420	824,513	21,464	845,977
Profit for the period	-	-	-	-	-	135,734	135,734	3,072	138,806
Total comprehensive income for the period	-	-	-	(5,676)	-	-	(5,676)	(1,942)	(7,618)
Transfer to legal reserve	-	-	-	515	-	(515)	-	-	-
Share options granted under ESOS	-	-	-	722	-	-	722	-	722
Issuance of ordinary shares pursuant to ESOS	1,844	23,154	-	(5,732)	-	-	19,266	-	19,266
Dividend	-	-	-	-	-	(45,292)	(45,292)	-	(45,292)
Balance as at 28 February 2010	153,723	266,831	(38,427)	11,793	-	535,347	929,267	22,594	951,861

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD YEAR ENDED 28 FEBRUARY 2011**

	Current Year 6 mths Ended 28-Feb-2011	Corresponding Year 6 mths Ended 28-Feb-2010
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	75,880	180,528
Other adjustment	22,517	35,362
Operating profit before changes in working capital	<u>98,397</u>	<u>215,890</u>
Changes in working capital		
Net change in current assets	(50,016)	(74,637)
Net change in current liabilities	(8,976)	15,546
Cash flows from operating activities	<u>39,405</u>	<u>156,799</u>
Tax paid	(24,858)	(18,819)
Net cash flows from operating activities	<u>14,547</u>	<u>137,980</u>
Cash flows from investing activities		
Increase in short term investment	(34,270)	-
Purchase of property, plant and equipment	(55,361)	(31,789)
	<u>(75,084)</u>	<u>106,191</u>
Cash flows from financing activities		
Dividend paid	(56,932)	(20,982)
Increase in share capital	669	19,266
Increase/(Decrease) in borrowings	440	(12,627)
Net change in cash and cash equivalents	<u>(130,907)</u>	<u>91,848</u>
Cash and cash equivalents at beginning of year	262,930	185,848
Cash and cash equivalents at end of period	<u><u>132,023</u></u>	<u><u>277,696</u></u>
Breakdown of cash and cash equivalents at end of period		
Bank and cash balances	<u><u>132,023</u></u>	<u><u>277,696</u></u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 August 2010



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ISO 9001

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2011

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard ("FRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements for the Group for the financial year ended 31 August 2010. 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 2010.

Changes in accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 August 2010 except for the adoption of new FRSSs, amendments to FRS and Issues Committee ("IC") Interpretations. The adoption of these new FRSSs, amendments to FRS and IC Interpretations do not have material financial impact on the results and the financial position of the Group except for the adopting of the following FRSSs :-

(a) FRS 101: Presentation of Financial Statements

The revised FRS 101 requires Statement of Changes in Equity to include only transaction with owner changes in equity, and all non-owner changes in equity are presented separately in statement of Comprehensive Income, which can be presented as a single statement or two statements. The Group has applied this standard retrospectively and elected to present in two statements. Certain comparative figures have been reclassified to conform with the current period's presentation. There is no impact in the results of the Group apart from the new presentation as described.

(b) Amendments to FRS 117: Leases

Prior to adoption of the Amendments to FRS 117, leasehold land were treated as operating lease. The considerations paid were classified and presented as prepaid land lease payments in the statement of financial position. With the adoption of Amendments to FRS 117, based on the extent to which risks and rewards incidents to ownership lie, the Group has determine certain leasehold lands as finance leases to reclassify to property, plant and equipment.

The reclassification has been accounted for retrospectively in accordance with the transitional provision and the comparative figure has been restated. The effects on the comparative figure restated as below:-

	As previously reported (RM'000)	Effect of amendment of FRS 117 (RM'000)	As restated (RM'000)
<u>Statement of Financial Position</u>			
<u>as at 31 August 2010</u>			
Property, Plant and Equipment	580,867	18,716	599,583
Prepaid Lease Payments	21,741	(18,716)	3,025

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2011 (CONTINUED)

1. Basis of preparation (cont'd)

(c) FRS 139: Financial Instruments: Recognition and Measurement

The Group classifies its financial assets in the following categories : at fair value through profit or loss and available-for-sale. The classification depends on the nature of the asset and the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. Set out below are the major changes in classification of financial assets of the Group :-

(i) Short term investment

Short term investments, are now classified as available-for-sales financial assets. These are initially measured at fair value plus transaction costs and subsequently, at fair value.

Changes in the fair values of available-for-sale financial assets are recognised in other comprehensive income, together with the related currency translation differences.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss.

(ii) Derivatives financial instruments

Prior to adoption of FRS139, derivatives financial instruments were not recognised in the financial statements. With the adoption of FRS139, derivatives financial instruments are initially recognised at fair value and are subsequently remeasured at fair value with gain or loss recognised in the profit or loss.

In accordance with the transitional provisions for first time adoption of FRS139, the above changes in accounting policy have been accounted for prospectively and the comparatives are not restated. The effects arising from the adoption of FRS139 has been accounted for by adjusting the opening balance of the retained profit as at 1 September 2010, as follows :-

	As previously reported RM'000	Effects of adopting FRS139 RM'000	Effects after adopting FRS139 RM'000
<u>Current Assets</u>			
Derivatives assets	-	1,394	1,394
<u>Equity</u>			
Retained earnings	599,407	3,026	602,433
<u>Non-current liabilities</u>			
Borrowings	3,025	(1,632)	1,393

2. Auditors' report

The audited financial statements for the financial year ended 31 August 2010 was not subject to any qualification.

3. Seasonal or cyclical factors

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2011 (CONTINUED)

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 28 February 2011.

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

The Company 2nd Employee Share Option Scheme (“ESOS II”) was implemented on 1 August 2008. During the quarter ended 28 February 2011, a total of 46,900 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 28 February 2011 are as follows :-

	No. of shares	RM
As at 30 November 2010	618,334,062	309,167,031
Ordinary shares issued pursuant to the ESOS	46,900	23,450
As at 28 February 2011	618,380,962	309,190,481

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

7. Dividends paid

For the financial year ended 31 August 2010, the Company:-

- i) On 23 July 2010, paid an interim single tier dividend of 7 sen amounting to RM43.23 million.
- ii) On 20 January 2011, the Company paid a final single tier dividend of 9 sen amounting to RM55.65 million which was approved in the Company’s Annual General Meeting held on 11 January 2011.

The total dividend paid by the Company in respect of financial year ended 31 August 2010 was 16 sen per share represented by a net payment of RM98.88 million.

For the financial year ended 31 August 2009, the Company:-

- i) On 16 September 2009, paid an interim single tier dividend of 3.5 sen per share amounting to RM20.78 million.
- ii) On 12 March 2010, the Company paid a final single tier dividend of 4.5 sen per share amounting to RM27.05 million and a special single tier dividend of 3 sen per share amounting to RM18.04 million which were approved in the Company’s Annual General Meeting held on 12 January 2010.

The total dividend paid by the Company in respect of financial year ended 31 August 2009 was 11 sen per share represented by a net payment of RM65.87 million.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2011 (CONTINUED)

7. Dividends paid (cont'd)

Record of dividends paid :-

Financial Year	Net Dividend per share (sen)	Total Dividend (RM'000)
2010	16.00	98,877
2009	11.00	65,872
2008	5.50	32,389
2007	4.61	27,435
2006	3.45	21,173
2005	2.19	14,110
2004	2.06	12,295
2003	1.53	9,550
2002	0.46	2,808
2001	0.66	4,000
Total		288,509

Note : Net dividend per share has been adjusted to reflect :

- Subdivision of shares from one ordinary share of RM1.00 to two ordinary shares of RM0.50 each which was completed in February 2005.
- Bonus issue of 30% in April 2002, 40% in April 2003, 40% in February 2007 and 100% in July 2010.

8. Segmental reporting

- 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.

6 months ended 28 February 2011

	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	806,627	96,689	30,136	43,265	-	976,717
Inter-segment sales	18,251	246,263	21,012	-	(285,526)	-
Total Revenue	824,878	342,952	51,148	43,265	(285,526)	976,717

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2011 (CONTINUED)****8. Segmental reporting (cont'd)**

a. Primary reporting segment – Geographical segments. (cont'd)

	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Result						
Profit from operations	67,585	10,813	(3,645)	779		75,532
Finance cost						(88)
Share of gain of associate						436
Profit before tax						75,880
Taxation						(13,607)
Profit for the year						62,273
Segment assets	993,976	218,536	100,809	37,055		1,350,376
Goodwill						20,113
Investment in associate						5,428
Liabilities						
Segment liabilities	159,445	28,778	12,038	10,885		211,146
Unallocated liabilities						36,404
Other information						
Capital expenditure	40,910	13,982	520	(51)		55,361
Depreciation	21,484	6,014	2,834	103		30,435

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 for the quarter review, including business combination, acquisition or disposal of subsidiaries and long-term investment, 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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2011 (CONTINUED)

ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS

13. Review of performance

The Group sales revenue for the 6 months ("1H2011") and 3 months ("2Q2011") ended 28 February 2011 has decreased by 0.6% to RM976.7 million and 4.8% to RM485.2 million respectively comparing with corresponding period of last financial year. The Group profit before tax (PBT) for 1H2011 and 2Q2011 has declined by 58.0% to RM75.9 million and 66.5% to RM31.5 million respectively.

The 6 months to 28 February 2011 continue to be a challenging quarter for the Group due to the headwinds such as persistently high latex prices and the continued weakening of the US dollar coupled with the time lag in passing on the higher costs to its customers, which have affected the group's profit margins. The decline in performance comparing with last year was also due to the exceptionally high sales volume experienced last year during the H1N1 flu virus outbreak. Average latex prices rose by 59% (from RM5.80/kg in 2Q2010 to RM9.22/kg in 2Q2011) while the average US dollar against Ringgit weakened by 9.4% (RM3.40 in 2Q2010 to RM3.08 in 2Q2011) during the quarter under review compared with the previous corresponding quarter. However, since reaching its peak of RM10.95 per kg on 22 Feb 2011, latex price has declined by 21% to RM8.61 per kg as at 16 March 2011.

In order to mitigate latex cost increases in the future, Top Glove has started moving upstream by acquiring land by diversifying into rubber plantation. Top Glove is also dedicating more production lines to produce nitrile gloves, which command better margins and not subjected to the volatility in latex prices.

The Group continued to maintain its strong balance sheet position with net cash and short term investments of RM207 million despite higher working capital requirement from the escalating latex price.

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

RM 'mil	Financial year ended 31 August										1H2011 6 mths ended 28 Feb 2011 (unaudited)
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Revenue	138.9	180.2	265.1	418.1	641.8	992.6	1,228.8	1,377.9	1,529.1	2,079.4	976.7
EBITDA	23.9	27.1	39.5	60.6	89.2	130.3	175.7	197.8	287.5	364.7	106.4
EBITDA margin	17.2%	15.0%	14.9%	14.5%	13.9%	13.1%	14.3%	14.4%	18.8%	17.5%	11.0%
PBT	17.2	20.2	29.3	45.2	65.7	91.8	118.6	134.6	222.0	305.0	75.9
PBT margin	12.4%	11.2%	11.1%	10.8%	10.2%	9.2%	9.7%	9.8%	14.5%	14.7%	7.8%
Taxation	1.3	2.4	3.6	5.3	7.5	7.0	29.9	26.5	53.9	54.6	13.6
PAT	15.9	17.8	25.7	39.9	58.2	84.8	88.7	108.1	168.1	250.4	62.3
PAT margin	11.4%	9.9%	9.7%	9.5%	9.1%	8.5%	7.2%	7.8%	11.0%	12.0%	6.4%

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2011 (CONTINUED)

14. Quarterly profits before tax (PBT) comparison with preceding quarter

The Group registered PBT of RM31.5 million for current quarter compared with RM44.4 million in the quarter ended 30 November 2010. The current headwinds of high latex price and weaker US dollar have affected the performance of the Group in these 2 quarters.

15. Commentary on prospects and targets

Top Glove, the world's largest rubber glove manufacturer with its good and established corporate culture, has always emphasized on its business direction to produce consistently high quality gloves at efficient low cost. It has forged ahead strongly to improve and innovate its glove quality, marketing strategies, productivity enhancement and cost efficiency. The Group currently has 20 factories, 379 production lines with production capacity of 33.75 billion pieces of gloves per annum and 10,900 employees. Top Glove has more than 900 customers worldwide and exports to more than 180 countries.

The Group on-going expansion plans are as follows :-

Factory	Location	No. of additional lines	Capacity p.a	Target completion
Factory 21	Klang, Malaysia	16	1.5 billion pcs	April 2011
Factory 7	Sadao, Thailand	16	1.5 billion pcs	August 2011
Factory 22	Klang, Malaysia	16	1.5 billion pcs	August 2011
Factory 23	Ipoh, Malaysia	32	3.0 billion pcs	August 2011
Total		80	7.5 billion pcs	

Outlook

This was a challenging period, as Top Glove faced substantial increases in its main raw material costs and adverse foreign exchange movements. Nevertheless, the Group has started revising its latex glove prices and it is starting to arrest the decline in its revenue. Top Glove's long-standing business relationship with its customers had enabled it to seek their understanding in passing on part of the increased raw material costs to them.

Even though in the short term the business conditions is expected to remain difficult, the Group believes its prospects going forward are good. Latex price has started to ease in recent weeks from its all-time high of RM10.95/kg and the Group expects it to go down further with many rubber producing countries stepping up production through more intensive tapping in the near term, and expansion of plantation area in the longer term. In order to mitigate latex cost increases in the future, Top Glove has also started moving upstream by acquiring land and diversifying into rubber plantation.

Top Glove is also increasing its production lines to produce nitrile gloves, which command better margins and not subjected to the volatility in latex prices. In Q2FY11, nitrile glove production has increased to 11% of its product mix. The group has targeted for its product mix to be made up of at least 15% nitrile gloves by end of this year.

Top Glove believed the current adverse situation is only temporary and that demand will remain strong as gloves are deemed as necessity items especially in the healthcare industry. Demand from emerging markets is also growing as the health care standards in these markets improve. To capture the opportunity Top Glove has undertaken a reorganisation of its marketing team to focus on special growth areas.

16. Variance of actual profits from forecast profits

Not applicable as no profit forecast was issued.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2011 (CONTINUED)

17. Taxation

	Quarter Ended		Year To Date Ended	
	28 Feb 2011 RM'000	28 Feb 2010 RM'000	28 Feb 2011 RM'000	28 Feb 2010 RM'000
Income tax	4,705	18,383	11,566	35,464
Deferred taxation	830	3,244	2,041	6,258
	<u>5,535</u>	<u>21,627</u>	<u>13,607</u>	<u>41,722</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.

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

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 28 February 2011 were as follows :-

	Unsecured RM'000
Short term borrowings	1,112
Long term borrowings	1,292
	<u>2,404</u>

22. Financial derivative 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.

The details of the outstanding foreign currency forward contracts agreement as at 28 February 2011 are as follows:-

	Notional Amount As At 28 Feb 2011 RM'000	Fair Value As At 28 Feb 2011 RM'000
Foreign currency forward contracts :		
Less than 1 year	<u>203,093</u>	<u>203,866</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 their financial strength.

There are also no cash requirements risks as the Group only uses forward foreign currency contracts as its hedging instruments.

With the adoption of FRS139, the fair value changes have been recognised in the profit or loss.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2011 (CONTINUED)

23. Realised and Unrealised Profits/Losses

The breakdown of the retained profits of the Group as at 28 February 2011, into realised and unrealised profits, pursuant to a directive issued by Bursa Securities on 25 March 2010 and 20 December 2010 is as follows :

	As at 28 Feb 2011 RM'000	As at 30 Nov 2010 RM'000
Total retained profits / (accumulated losses) of Top Glove Corporation Berhad and its subsidiaries:		
- Realised	629,036	654,882
- Unrealised	<u>(28,039)</u>	<u>(24,088)</u>
	600,997	630,794
Total share of retained profits / (accumulated losses) from associate company:		
- Realised	406	292
- Unrealised	<u>(122)</u>	<u>(62)</u>
	601,281	631,024
Add: Consolidation adjustments	<u>5,757</u>	<u>7,459</u>
Total group retained profits as per consolidated accounts	<u><u>607,038</u></u>	<u><u>638,483</u></u>

24. Material litigation

The Company and its subsidiaries are not engaged in any material litigation, either as plaintiff or defendant, which has a material effect on the financial position of the Company and its subsidiaries, and the Directors do not know of any proceedings pending or threatened or of any fact likely to give to any proceedings which might materially and/or adversely affect the position or business of the Company or subsidiaries.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2011 (CONTINUED)

25. Dividends

No dividend was proposed by the Board of Directors for current quarter under review.

The dividend payment for previous financial years were as follow :-

Financial Year	Net Dividend per share (sen)	Total Dividend (RM'000)	Status
2010	16.00	98,877	Paid
2009	11.00	65,872	Paid
2008	5.50	32,389	Paid
2007	4.61	27,435	Paid
2006	3.45	21,173	Paid
2005	2.19	14,110	Paid
2004	2.06	12,295	Paid
2003	1.53	9,550	Paid
2002	0.46	2,808	Paid
2001	0.66	4,000	Paid
Total		288,509	

Note : Net dividend per share has been adjusted to reflect :

- Subdivision of shares from one ordinary share of RM1.00 to two ordinary shares of RM0.50 each which was completed in February 2005.
- Bonus issue of 30% in April 2002, 40% in April 2003, 40% in February 2007 and 100% in July 2010.

26. Earnings per share

	Quarter Ended		Year To Date Ended	
	28 Feb 2011	28 Feb 2010	28 Feb 2011	28 Feb 2010
Net profit attributable to owners of the Company shareholders (RM'000)	25,410	70,526	61,460	135,734
Basic				
Weighted average number of ordinary shares in issue ('000)	618,238	608,411	618,285	607,538
Basic earnings per share (sen)	4.11	11.59	9.94	22.34
Diluted				
Weighted average number of ordinary shares in issue ('000)	618,238	608,411	618,285	607,538
Effect of dilution : share options ('000)	7,127	852	7,127	852
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	625,366	609,263	625,413	608,390
Diluted earnings per share (sen)	4.06	11.58	9.83	22.31

* For comparative purpose, the number of ordinary shares issued as at 28 February 2010 had been adjusted to reflect the bonus issue of 1 for every 1 existing ordinary shares which was completed on 20 July 2010.