



TOP GLOVE CORPORATION BHD.

Company No.199801018294 (474423-X)

The World's Largest Manufacturer of Gloves

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SECOND QUARTER ENDED 29 FEBRUARY 2020

	Current Quarter Ended	Corresponding Quarter Ended	Current Year To Date	Corresponding Year To Date
	29/Feb/2020	28/Feb/2019	29/Feb/2020	28/Feb/2019
	RM'000	RM'000	RM'000	RM'000
Revenue	1,229,777	1,159,965	2,438,877	2,421,930
Operating expenses	(1,091,584)	(1,025,073)	(2,168,445)	(2,138,413)
Other operating income	11,179	10,418	20,524	21,585
Profit from operations	149,372	145,310	290,956	305,102
Finance costs	(18,165)	(19,870)	(36,883)	(38,540)
Share of result of associate	(833)	30	1,753	787
Profit before tax	130,374	125,470	255,826	267,349
Taxation	(14,362)	(18,793)	(28,057)	(49,001)
Profit net of tax	116,012	106,677	227,769	218,348
Profit attributable to:				
Owners of the parent	115,683	105,792	227,109	215,847
Non-controlling interests	329	885	660	2,501
	116,012	106,677	227,769	218,348
Earnings per share attributable to owners of the parent (sen) :				
Basic	4.52	4.14	8.87	8.44
Diluted	4.29	4.14	8.43	8.44

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2019.

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 29 FEBRUARY 2020**

	Current	Corresponding	Current	Corresponding
	Quarter Ended	Quarter Ended	Year To Date	Year To Date
	29/Feb/2020	28/Feb/2019	29/Feb/2020	28/Feb/2019
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	116,012	106,677	227,769	218,348
Other comprehensive income/(loss): <i>Items that may be reclassified subsequently to profit or loss:</i>				
Net movement on debt instrument at fair value through other comprehensive income	(2,406)	1,189	(2,084)	(374)
Foreign currency translation differences of foreign operations	(5,141)	2,885	(5,308)	14,409
Cash flow hedge	(14,971)	31,201	3,514	7,821
Other comprehensive (loss)/income, net of tax	(22,518)	35,275	(3,878)	21,856
Total comprehensive income	93,494	141,952	223,891	240,204
Total comprehensive income attributable to:				
Owners of the parent	93,562	140,852	223,613	237,174
Non-controlling interests	(68)	1,100	278	3,030
	93,494	141,952	223,891	240,204

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2019.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 29 FEBRUARY 2020**

	Unaudited as at 29/Feb/2020 RM'000	Audited as at 31/Aug/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,739,716	2,480,026
Land use rights	177,247	178,495
Right of use assets	5,439	-
Investment property	163,905	163,900
Investment in an associate	13,606	11,853
Deferred tax assets	67,607	58,472
Investment securities	392	392
Intangible assets	1,254,535	1,256,376
	4,422,447	4,149,514
Current assets		
Inventories	618,569	629,896
Trade and other receivables	630,256	592,217
Other current assets	69,717	63,511
Investment securities	554,432	87,285
Cash and bank balances	854,863	165,782
	2,727,837	1,538,691
Total assets	7,150,284	5,688,205
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	563,402	492,414
Contract liabilities	91,367	55,610
Loans and borrowings	1,003,851	1,041,325
Lease liabilities	1,791	-
Income tax payables	6,137	789
Derivative financial instruments	245	1,653
	1,666,793	1,591,791
Net current assets/(liabilities)	1,061,044	(53,100)
Non-current liabilities		
Loans and borrowings	1,336,695	1,379,369
Lease liabilities	3,741	-
Deferred tax liabilities	158,537	159,714
Provisions	3,311	3,190
	1,502,284	1,542,273
Total liabilities	3,169,077	3,134,064
Net assets	3,981,207	2,554,141
Equity attributable to owners of the parent		
Share capital	797,393	788,326
Treasury shares	(1,781)	(1,781)
Retained earnings	1,876,357	1,751,963
Other reserves	(2,785)	(1,553)
	2,669,184	2,536,955
Perpetual Sukuk	1,294,559	-
Non-controlling interests	17,464	17,186
Total equity	3,981,207	2,554,141
Total equity and liabilities	7,150,284	5,688,205
Net assets per share (RM)	1.55	1.00

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 29 FEBRUARY 2020

	← Attributable to owners of the parent →												
	Total equity attributable to owners of the parent	Non distributable					Distributable						
Total equity RM'000	to owners of the parent RM'000	Share capital RM'000	Treasury shares RM'000	Foreign exchange reserve RM'000	Legal reserve RM'000	Share option reserve RM'000	Cash flow hedge reserve RM'000	Other reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Perpetual sukuk RM'000	Non-controlling interests RM'000	
6 months ended 29 February 2020													
Opening balance at 1 September 2019	2,554,141	2,536,955	788,326	(1,781)	51,645	10,088	8,995	(80,291)	5,926	2,084	1,751,963	-	17,186
Effects of adoption of MFRS 16 (note 1)	(54)	(54)	-	-	-	-	-	-	-	(54)	-	-	
1 September 2019 (restated)	2,554,087	2,536,901	788,326	(1,781)	51,645	10,088	8,995	(80,291)	5,926	2,084	1,751,909	-	17,186
Total comprehensive income	223,891	223,613	-	-	(4,926)	-	-	3,514	-	(2,084)	227,109	-	278
	2,777,978	2,760,514	788,326	(1,781)	46,719	10,088	8,995	(76,777)	5,926	-	1,979,018	-	17,464
Transactions with owners													
Issuance of ordinary shares pursuant to ESOS	9,071	9,071	9,071	-	-	-	-	-	-	-	-	-	-
Share options granted under ESOS	1,997	1,997	-	-	-	1,997	-	-	-	-	-	-	-
Transaction cost	(4)	(4)	(4)	-	-	-	-	-	-	-	-	-	-
Transfer from retained earnings	-	-	-	-	-	-	-	-	267	-	(267)	-	-
Issuance of perpetual sukuk	1,294,559	-	-	-	-	-	-	-	-	-	1,294,559	-	-
Dividend on ordinary shares	(102,394)	(102,394)	-	-	-	-	-	-	-	-	(102,394)	-	-
Total transactions with owners	1,203,229	(91,330)	9,067	-	-	-	1,997	-	267	-	(102,661)	1,294,559	-
Closing balance at 29 February 2020	3,981,207	2,669,184	797,393	(1,781)	46,719	10,088	10,992	(76,777)	6,193	-	1,876,357	1,294,559	17,464
6 months ended 28 February 2019													
Opening balance at 1 September 2018	2,393,768	2,378,481	787,709	(9,325)	36,125	9,164	1,929	(41,504)	-	(1,163)	1,595,546	-	15,287
Prior year adjustment	4,628	4,565	-	-	(786)	-	-	-	2,898	-	2,453	-	63
1 September 2018 (Restated)	2,398,396	2,383,046	787,709	(9,325)	35,339	9,164	1,929	(41,504)	2,898	(1,163)	1,597,999	-	15,350
Total comprehensive income	240,204	237,174	-	-	13,880	-	-	7,821	-	(374)	215,847	-	3,030
Transactions with owners													
Issuance of ordinary shares pursuant to ESOS	624	624	624	-	-	-	-	-	-	-	-	-	-
Share options granted under ESOS	4,480	4,480	-	-	-	4,480	-	-	-	-	-	-	-
Transfer from share option reserve	-	-	38	-	-	-	(38)	-	-	-	-	-	-
Transfer to legal reserve	-	-	-	-	-	73	-	-	-	-	(73)	-	-
Dividend on ordinary shares	(127,827)	(127,827)	-	-	-	-	-	-	-	-	(127,827)	-	-
Total transactions with owners	(122,723)	(122,723)	662	-	-	73	4,442	-	-	-	(127,900)	-	-
Closing balance at 28 February 2019	2,515,877	2,497,497	788,371	(9,325)	49,219	9,237	6,371	(33,683)	2,898	(1,537)	1,685,946	-	18,380

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
AS AT 29 FEBRUARY 2020**

	Current Year To Date Ended 29/Feb/2020 RM'000	Corresponding Year To Date Ended 28/Feb/2019 RM'000
Operating activities		
Profit before tax	255,826	267,349
Depreciation and amortisation	110,629	95,062
Other adjustments	16,206	41,573
Operating cash flows before changes in working capital	382,661	403,984
Changes in working capital		
Net changes in current assets	(27,658)	68,441
Net changes in current liabilities	106,254	(73,866)
Cash flows from operating activities	461,257	398,559
Interest paid	(27,741)	(38,540)
Income taxes paid	(32,986)	(26,094)
Net cash flows generated from operating activities	400,530	333,925
Investing activities		
Proceeds from disposal of investment securities	125,910	127,322
Purchase of investment securities	(592,313)	(76,103)
Purchase of property, plant and equipment	(367,505)	(224,408)
Proceeds from disposal of property, plant and equipment	4,231	8,919
Interest received	2,908	5,092
Net cash flows used in investing activities	(826,769)	(159,178)
Financing activities		
Dividend paid on ordinary shares	(102,394)	(127,827)
Proceeds from issuance of shares	9,071	624
Transaction cost	(4)	-
Repayment of lease liabilities	(901)	-
Proceeds from issuance of perpetual sukuk	1,294,559	-
Repayment of loans and borrowings	(85,011)	(37,970)
Net cash flows generated from/(used in) financing activities	1,115,320	(165,173)
Net increase in cash and cash equivalents	689,081	9,574
Cash and cash equivalents at 1 September 2019 / 2018	165,782	158,724
Cash and cash equivalents at 29 February 2020 / 2019	854,863	168,298

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2019.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 29 FEBRUARY 2020**

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 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 of the Group for the financial year ended 31 August 2019. 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 2019.

The audited financial statements of the Group for the year ended 31 August 2019 were prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”). The significant accounting policies and method of computations adopted in preparation of this interim financial report are consistent with those adopted in the audited financial statements of the Company for the financial year ended 31 August 2019 except for the adoption of the following new MFRS and Issue Committee Interpretations (“IC Interpretations”):

Description

Amendments to MFRS 9: Prepayment Features with Negative Compensation
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRSs 2015 - 2017 Cycle
IC Interpretation 23: Uncertainty over Income Tax Treatments

The adoption of the above mentioned standards did not have a material impact on the financial statements of the Group.

Impact of the initial application of MFRS 16 Leases

On the date of initial application, the Group applied the simplified transitional approach and did not restate comparative amounts for the period prior to first adoption.

The adoption of MFRS 16 to the opening balance as at 1 September 2019 has the following impact:

	Audited 31 Aug 2019 RM'000	Adjustment RM'000	After MFRS 16 Adoption RM'000
Right of use assets	-	6,542	6,542
Lease liabilities	-	6,596	6,596
Retained earnings	1,751,963	(54)	1,751,909

2. Auditors' report

The audited financial statements for the financial year ended 31 August 2019 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 29 FEBRUARY 2020 (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 period ended 29 February 2020.

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. Changes in debts and equity securities

- a) As at the quarter ended 29 February 2020, a total of 1,798,600 new ordinary shares were issued pursuant to the exercise of the ESOS. Details of the issued and paid up capital of the Company as at 29 February 2020 are as follows:

	No. of shares	RM'000
As at 30 November 2019	2,560,589,348	788,322
Ordinary shares issued pursuant to the ESOS	1,798,600	9,071
As at 29 February 2020	2,562,387,948	797,393

- b) On 22 January 2020, the Company's 100% ultimate owned subsidiary, TG Excellence Berhad ("TGE") lodged the Perpetual Sukuk Programme with the Securities Commission Malaysia ("SC"). The Perpetual Sukuk Programme, under the Shariah principle of Wakalah Bi-Al Istithmar, is guaranteed by the Company via a subordinated guarantee. The Perpetual Sukuk Programme provides TGE with the flexibility to issue unsecured and subordinated perpetual sukuk from time to time, subject to the aggregate outstanding nominal amount not exceeding RM3.0 billion at any point in time.

On 27 February 2020, TGE completed the first issuance with a nominal value of RM1.3 billion under the Perpetual Sukuk Programme. The Perpetual Sukuk was issued with a tenure of perpetual non-callable 5 years with an initial periodic distribution rate of 3.95% per annum.

	As at 29 Feb 2020
	RM'000
Issuance nominal value	1,300,000
Less: Transaction costs	(5,441)
Net nominal value	<u>1,294,559</u>

Other than the above, there were no issuance and repayment of debt and equity securities, share cancellations and resale of treasury shares in the current quarter and financial period ended 29 February 2020.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 29 FEBRUARY 2020 (CONTINUED)

7. Dividends paid

The Board of Directors of Top Glove has adopted a Dividend Policy to declare and pay annual dividends of 50% of its profit after tax and minority interest in respect of future financial years.

Record of dividends paid:

Financial Year	Net Dividend per share (sen)*	Total Dividend Paid (RM'000)
2019	7.50	191,960
2018	8.50	217,282
2017	7.25	181,936
2016	7.25	181,655
2015	5.75	143,143
2014	4.00	99,009
2013	4.00	99,252
2012	4.00	99,038
2011	2.75	68,035
2010	4.00	98,877
2009	2.75	65,873
2008	1.38	32,389
2007	1.15	27,435
2006	0.92	21,173
2005	0.67	14,110
2004	0.59	12,295
2003	0.46	9,550
2002	0.14	2,808
2001	0.20	4,000
Total		1,569,820

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

- Bonus issue of 30% in April 2002, 40% in April 2003, 40% in February 2007, 100% in July 2010, 100% in January 2016 and 100% in October 2018.
- Subdivision of shares from one ordinary share of RM1.00 to two ordinary shares of RM0.50 each which was completed in February 2005.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 29 FEBRUARY 2020 (CONTINUED)

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 intersegment transactions have been entered into in the normal course of business and have been established on negotiated and mutually agreed terms.

6 months ended 29 February 2020

	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Revenue</u>						
External sales	2,101,289	177,276	32,581	127,731	-	2,438,877
Intersegment sales	95,429	172,012	182	-	(267,623)	-
Total Revenue	<u>2,196,718</u>	<u>349,288</u>	<u>32,763</u>	<u>127,731</u>	<u>(267,623)</u>	<u>2,438,877</u>
<u>Result</u>						
Segment profit	262,769	24,836	(1,026)	4,377	-	290,956
Finance cost	(36,049)	(695)	-	(139)	-	(36,883)
Share of result of associate	1,753	-	-	-	-	1,753
Profit before tax						<u>255,826</u>
<u>Assets</u>						
Segment assets	5,143,644	398,924	73,814	231,592	1,302,310	<u>7,150,284</u>
Intangible assets	1,254,535	-	-	-	-	<u>1,254,535</u>
<u>Liabilities</u>						
Segment liabilities	2,773,271	187,970	12,366	30,796	164,674	<u>3,169,077</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, plant 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 the date of this announcement, which will materially affect the earnings or income of the Group.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 29 FEBRUARY 2020 (CONTINUED)

11. Changes in the composition of the Group

During the quarter under review, the following subsidiaries had been added to the Group:

- a) Top Academy Sdn. Bhd., a wholly owned sub-subsiidiary
- b) TG Healthcare Sdn. Bhd., a wholly owned subsidiary

Other than the above, there were no other significant changes in the composition of the Group, including business combination, acquisition or disposal of subsidiaries and long term investment, restructuring and discontinuing operations.

12. Contingent liabilities

A nominal amount of RM 2,325.6 million relating to corporate guarantees has been provided by the Company to banks for its subsidiaries' loans and borrowings.

The fair value of the corporate guarantees granted by the Company to banks in respect of loans and borrowings obtained by its subsidiaries is not material as the difference in borrowing rates charged by the banks is not significant in the absence of such guarantees.

13. Capital commitments

As at the end of the reporting quarter, the Company had approved and contracted for capital expenditures amounting approximately to RM362.4 million.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 29 FEBRUARY 2020 (CONTINUED)

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

14. Review of performance

A comparison of Top Glove's performance for the second quarter ended 29 February 2020 ("2QFY2020") with the corresponding period last financial year is as follows:

	2QFY2020	2QFY2019	Variance	1HFY2020	1HFY2019	Variance
	RM'mil	RM'mil	%	RM'mil	RM'mil	%
Revenue	1,229.8	1,160.0	6.0%	2,438.9	2,421.9	0.7%
Operating profit	149.4	145.3	2.8%	291.0	305.1	(4.6%)
Profit before interest and tax	147.4	143.2	2.9%	289.9	300.8	(3.6%)
Profit before tax	130.4	125.5	3.9%	255.8	267.3	(4.3%)
Profit after tax	116.0	106.7	8.7%	227.8	218.3	4.4%
Profit attributable to owners of the parent	115.7	105.8	9.4%	227.1	215.8	5.2%

Top Glove achieved Sales Revenue of RM1.23 billion in 2QFY2020, an increase of 6% compared with 2QFY2019. Profit Before Tax and Profit After Tax came in at RM130.4 million and RM116 million, up 3.9% and 8.7% respectively against the corresponding period last year. This was attributed to steady Sales Volume (Quantity Sold) growth, with particularly strong growth in the nitrile glove segment, where there was a 14% increase in Sales Volume versus 2QFY2019. Sales Volume for natural rubber gloves was softer by 6% against 2QFY2019, while margins were impacted by a 19% surge in natural rubber latex concentrate prices which the corresponding increase in average selling prices (ASP) was not sufficient to offset. Meanwhile, quarter-on-quarter Sales Volume for natural rubber gloves improved by 11% as Top Glove recovered market share through aggressive marketing strategies and production utilisation also increased. Profit After Tax was RM116 million, increasing by 8.7% year-on-year, as the Group continued to enjoy tax incentives from its ongoing expansion, as well as unutilised tax allowances from some of its subsidiaries.

For 1HFY2020, Top Glove delivered Sales Revenue of RM2.44 billion, an improvement from 1HFY19 in terms of both Sales Revenue and Sales Volume. Profit Before Tax was RM255.8 million, easing 4.3% while Profit After Tax was RM227.8 million, an increase of 4.4% versus 1HFY2019.

The Group also recorded significant progress in Aspion's performance arising from enhancement initiatives implemented over the past 2 years, as Sales Volume for Aspion's surgical gloves grew substantially by 29% year-on-year. Improvement efforts will continue to be intensified across Aspion's operations from Production to Marketing, to ensure the Group realises Aspion's full potential and establishes a bigger presence in the surgical glove segment.

Raw material prices were mixed. Average natural rubber latex concentrate prices at RM4.37/kg, up 19% against 2QFY2019, while the average nitrile latex price was USD1/kg, down 8.3% year on year.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 29 FEBRUARY 2020 (CONTINUED)**

14. Review of performance (continued)

The financial results of Top Glove since financial year 2008 are as follows:

RM 'mil	Financial year ended 31 August												
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	1HFY2020 (unaudited)
Revenue	1,377.9	1,529.1	2,079.4	2,053.9	2,314.5	2,313.2	2,275.4	2,510.5	2,888.5	3,409.2	4,220.7	4,801.1	2,438.9
EBITDA	197.8	287.5	364.7	196.7	297.7	310.6	301.8	441.7	524.7	489.3	694.0	687.5	400.4
EBITDA margin	14.4%	18.8%	17.5%	9.6%	12.9%	13.4%	13.3%	17.6%	18.2%	14.4%	16.4%	14.3%	16.4%
PBT	134.6	222.0	305.0	145.5	240.7	242.2	216.3	363.5	442.2	393.4	522.8	423.6	255.8
PBT margin	9.8%	14.5%	14.7%	7.1%	10.4%	10.5%	9.5%	14.5%	15.3%	11.5%	12.4%	8.8%	10.5%
Taxation	26.5	53.9	54.6	30.3	33.4	39.4	32.7	82.3	79.8	54.5	89.6	56.1	28.0
PAT	108.1	168.1	250.4	115.2	207.3	202.8	183.6	281.2	362.4	338.9	433.2	367.5	227.8
PAT margin	7.8%	11.0%	12.0%	5.6%	9.0%	8.8%	8.1%	11.2%	12.5%	9.9%	10.3%	7.7%	9.3%

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 29 FEBRUARY 2020 (CONTINUED)**

15. Comparison of quarterly financial results with preceding quarter

	2QFY2020	1QFY2020	Variance
	RM'mil	RM'mil	%
Revenue	1,229.8	1,209.1	1.7%
Operating profit	149.4	141.6	5.5%
Profit before interest and tax	147.4	142.4	3.5%
Profit before tax	130.4	125.5	3.9%
Profit after tax	116.0	111.8	3.8%
Profit attributable to owners of the parent	115.7	111.4	3.9%

The Group's Sales Revenue for 2QFY2020 was RM1.23 billion, up 1.7%, with growth in Sales Volume (Quantity Sold) of 2% versus 1QFY2020. In particular, quarter-on-quarter Sales Volume for natural rubber gloves improved by 11%, delivering a higher profit margin as well, as Top Glove recovered market share from its competitors. Meanwhile, Profit Before Tax and Profit After Tax trended upward by 3.9% to RM130.4 million and 3.8% to RM116 million respectively. Aspion's performance also improved during the quarter in review, with surgical glove sales increasing by 29% from 1QFY2020.

Raw material prices were mixed. Average natural rubber latex concentrate prices at RM4.37/kg, up 5.8% against 1QFY2020, while the average nitrile latex price was USD1/kg, down 5.3% quarter on quarter.

16. Commentary on prospects and targets

Top Glove will continue to expand its operations in line with the growing glove demand globally to ensure it is well-positioned to help protect and save lives, particularly in view of the ongoing outbreak of COVID-19. At the initial stage of the outbreak, sales orders came mainly from China, Hong Kong, Singapore and South Korea. However, the Group has in recent weeks also received strong sales orders from Europe, US and other countries as well, following its rapid spread to other continents across the globe, which has seen the Group's sales order book double. The Group also anticipates that the declaration of the COVID-19 outbreak as a pandemic by the World Health Organisation (WHO) on 12 March 2020, will eventually result in the healthcare and other sectors requiring more medical supplies such as gloves and other essential items.

With current utilisation levels above 90%, Top Glove is able to further ramp up production close to 100%, to meet the surge in demand. Moreover, it has new capacity coming onstream with F2B and F5A having commenced operations, which will add a total of 24 lines and a capacity 3.2 billion pieces of gloves per annum, when fully operational. In tandem, the company is also embarking on more capacity expansion plans, details of which are as follows:

Factories	To commence production by (Calendar quarter)	Country	Glove type	Number of production lines	Capacity (pieces per annum)
Current: 34 glove factories			All	711 lines	73.4 billion
Expansion in progress: Glove					
F40 New factory 1 st phase	2 nd quarter 2020	Malaysia	Nitrile	22 lines	2.7 billion
F41 New factory 1 st phase	3 rd quarter 2020	Vietnam	PVC	20 lines	2.0 billion
F8A New factory 1 st phase	4 th quarter 2020	Thailand	Nitrile	28 lines	3.5 billion
Total new capacity in 2020				70 lines	8.2 billion
F40 New factory 2 nd phase	1 st quarter 2021	Malaysia	Nitrile	16 lines	2.0 billion
F42 New factory 1 st phase	1 st quarter 2021	Malaysia	Nitrile	24 lines	3.0 billion
F41 New factory 2 nd phase	4 th quarter 2021	Vietnam	PVC	20 lines	2.0 billion
F45 New factory 1 st phase	4 th quarter 2021	Malaysia	Nitrile	20 lines	2.5 billion
Total new capacity in 2021				80 lines	9.5 billion
Total new capacity from expansion in 2020 and 2021				150 lines	17.7 billion
Grand total by December 2021: 39 glove factories				861 lines	91.1 billion

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16. Commentary on prospects and targets (continued)

These will boost the Group's total number of production lines by an additional 150 lines and production capacity by 17.7 billion gloves per annum. By December 2021, Top Glove is projected to have a total of 861 production lines and a production capacity of 91.1 billion gloves per annum.

On 23 January 2020, Top Glove was assigned a corporate credit rating of AA by the Malaysia Rating Corporation Berhad (MARC), the highest rating to be accorded to a Malaysian manufacturing company. This indicates Top Glove's demonstrated strong revenue growth and net profit, positive cash flow generation, with stable working capital management, backed by strong and sustainable glove demand globally. On 27 February 2020, Top Glove also issued RM1.3 billion perpetual Sukuk, which will be utilised to refinance existing borrowings as well as for CAPEX purposes. With the restructuring of debts following the Sukuk issuance, coupled with Bank Negara Malaysia (BNM)'s and the US Federal Reserve's action to reduce interest rates in order to support the economy, the Group expects its interest costs in the coming quarters to reduce significantly. As at 29 February 2020, the net gearing had reduced to 0.24 times, as the perpetual Sukuk is taken up as equity.

In another development, Top Glove on 2 March 2020 entered into a settlement agreement with Adventa Capital Pte Ltd in relation to all disputes concerning the purchase of Aspion Sdn. Bhd. by its subsidiary Top Care. As part of the agreement, Top Care received a total of RM245 million as full and final settlement of the disputes and all parties are to withdraw their respective legal claims, with no liberty to file fresh proceedings. The settlement will not have any effect on the issued and paid-up share capital of Top Glove and is expected to improve cashflow. Cash proceeds from the settlement will be netted off against the cost of investment and the related goodwill will be reduced accordingly. Top Glove believes that settling their dispute amicably is in their best interests as well as that of their stakeholders, enabling them to focus exclusively on growing their respective businesses.

Going forward, the Group envisions very solid quarters ahead, having already secured exceptionally large sales orders for the next few months on the back of the COVID-19 outbreak, which saw a surge in sales orders for gloves, an essential item in the medical sector. Moreover, the interplay of several other factors, which include the recent plunge in oil prices, augur well for Top Glove's performance for 2HFY2020. Demand for gloves is also expected to continue to grow by at least 10% every year, as awareness and usage increases, all the more so with the COVID-19 pandemic. New users who have started using gloves during this period are expected to continue usage even after the outbreak recedes, having gained an appreciation of their importance in protecting lives, as was the case with past outbreaks such as H1N1.

17. Variance of actual profits from forecast profits

Not applicable as no profit forecast was issued.

18. Taxation

	Quarter Ended		Year To Date Ended	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
	RM'000	RM'000	RM'000	RM'000
Income tax				
Current quarter/year	19,643	16,982	38,158	41,515
Under provision	-	(16)	132	(16)
Real property gain tax	33	-	44	-
Deferred tax	(5,314)	1,827	(10,277)	7,502
	<u>14,362</u>	<u>18,793</u>	<u>28,057</u>	<u>49,001</u>

The effective tax rate of the Group is lower than the statutory tax rate due to the tax incentives available to Malaysia and certain overseas subsidiaries.

19. Profit/(loss) on sales of unquoted investments and/or properties

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

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20. Purchase and disposal of quoted securities

	Quarter Ended 29 Feb 2020 RM'000	Year To Date Ended 29 Feb 2020 RM'000
Purchase of quoted securities	553,714	592,313
Disposal of quoted securities	120,023	125,910

Other than the above, there was no other purchase or disposal of quoted securities by the Group for the current quarter and financial year to date.

21. 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.

22. Derivative financial instruments

	As at 29 Feb 2020	
	Contract/Notional Amount RM'000	Fair value Liabilities RM'000
Forward currency contracts	388,041	245

As at 29 February 2020, the Group held forward contracts designated as hedges of expected future sales to customers and repayment of loan for which the Group has firm commitments. Forward currency contracts used to hedge the Company's sales are denominated in USD and EURO for which firm commitments existed at the reporting date, extending to June 2020.

During the year to date ended 29 February 2020, the Group recognised a gain of RM1,413,000 arising from changes in fair value of the forward currency contracts.

23. Fair value hierarchy

The Group uses the following hierarchy in determining the fair value of all financial instruments carried at fair value:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs that are based on observable market data, either directly or indirectly

Level 3 – Inputs that are not based on observable market data

As at 29 February 2020, the Group held the following financial assets and liabilities that are measured at fair value:

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Assets measured at fair value:			
Debt instrument at fair value through other comprehensive income			
Financial assets at fair value through profit or loss			
• Money market funds (quoted in Malaysia)	554,432	-	554,432
Derivative financial instruments			
• Fair value liabilities	-	245	245

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24. Group loans and borrowings

The Group loans and borrowings as at 29 February 2020 were as follows:

	As at 29 Feb 2020		As at 28 Feb 2019	
	Foreign Currency Denominated '000	RM'000	Foreign Currency Denominated '000	RM'000
Current				
Secured				
Revolving credit	-	-	USD 29,394	119,647
Term loan	-	-	USD 20,806	84,690
Trade facilities	-	337	-	58,703
		<u>337</u>		<u>263,040</u>
Unsecured				
Syndicated loan	USD 31,000	131,006	USD 15,500	63,093
Less: Transaction costs	-	(1,117)	-	(3,434)
		<u>129,889</u>		<u>59,659</u>
Bankers' acceptance	-	1,192	-	9,239
Promissory notes	THB 952,000	127,074	THB 362,902	46,955
Revolving credit	USD 95,660	404,259	USD 109,900	447,348
Revolving credit	EUR 45,824	212,776	-	-
Revolving credit	JPY 2,340,770	90,634	JPY 556,650	20,434
Revolving credit	-	31,800	-	71,900
Term loan	-	5,890	-	6,030
		<u>1,003,514</u>		<u>661,565</u>
Total current borrowings		<u>1,003,851</u>		<u>924,605</u>
Non-current				
Secured				
Hire purchase	-	82	-	417
Revolving loan	-	-	USD 6,075	24,728
Term loan	-	-	-	4,821
		<u>82</u>		<u>29,966</u>
Unsecured				
Syndicated loan	USD 108,500	458,521	USD 294,500	1,198,762
Less: Transaction costs	-	(2,376)	-	(3,576)
		<u>456,145</u>		<u>1,195,186</u>
Term loan	-	15,460	-	17,713
Term loan	EUR 3,300	14,978	-	-
Exchangeable bond	USD 201,143	850,030	-	-
		<u>1,336,613</u>		<u>1,212,899</u>
Total non-current borrowings		<u>1,336,695</u>		<u>1,242,865</u>
Summary of all loans and borrowings		RM'000		RM'000
	USD 436,303	1,843,816	USD 476,175	1,938,268
	RM 51,268	51,268	RM 161,813	161,813
	THB 952,000	127,074	THB 362,902	46,955
	EUR 49,124	227,754	-	-
	JPY 2,340,770	90,634	JPY 556,650	20,434
Total loans and borrowings		<u>2,340,546</u>		<u>2,167,470</u>

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24. Group loans and borrowings (continued)

	As at 29 Feb 2020	As at 28 Feb 2019
Exchange rate RM to USD1.00	4.2260	4,0705
Exchange rate RM to THB1.00	0.1335	0.1294
Exchange rate RM to EUR1.00	4.6433	-
Exchange rate RM to JPY1.00	0.0387	0.0367

25. Notes to the Statement of Comprehensive Income

Profit for the period has been arrived at after crediting/(charging) the following items:

	Quarter Ended 29 Feb 2020 RM'000	Year To Date Ended 29 Feb 2020 RM'000
Interest income	1,183	2,908
Other income including investment income	9,996	17,616
Interest expenses	(18,165)	(36,883)
Depreciation and amortization	(56,236)	(110,629)
Foreign exchange loss	(7,408)	(5,569)
Fair value (loss) / gain on foreign exchange contracts	(545)	1,413

26. 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 rise to any proceedings which might materially and/or adversely affect the position or business of the Company or subsidiaries.

27. Dividends

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

28. Earnings per share

	Quarter Ended		Year To Date Ended	
	29 Feb 2020	28 Feb 2019	29 Feb 2020	28 Feb 2019
Profit net of tax attributable to owners of the parent (RM'000)	<u>115,683</u>	<u>105,792</u>	<u>227,109</u>	<u>215,847</u>
Basic				
Weighted average number of ordinary shares in issue ('000)	<u>2,560,143</u>	<u>2,556,430</u>	<u>2,559,959</u>	<u>2,556,385</u>
Basic earnings per share (sen)	<u>4.52</u>	<u>4.14</u>	<u>8.87</u>	<u>8.44</u>
Diluted				
Weighted average number of ordinary shares in issue ('000)	2,560,143	2,556,430	2,559,959	2,556,385
Effect of dilution from:				
Share options ('000)	2,089	1,417	2,089	1,417
Exchangeable bonds ('000)	<u>131,215</u>	<u>-</u>	<u>131,215</u>	<u>-</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>2,693,447</u>	<u>2,557,847</u>	<u>2,693,263</u>	<u>2,557,802</u>
Diluted earnings per share (sen)	<u>4.29</u>	<u>4.14</u>	<u>8.43</u>	<u>8.44</u>