



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 28 FEBRUARY 2022

	Current Quarter Ended	Corresponding Quarter Ended	Current Year To Date	Corresponding Year To Date
	28 Feb 2022	28 Feb 2021	28 Feb 2022	28 Feb 2021
	RM'000	RM'000	RM'000	RM'000
Revenue	1,449,297	5,365,482	3,033,417	10,123,815
Operating expenses	(1,356,672)	(1,673,896)	(2,713,444)	(3,381,492)
Other operating income	20,217	33,178	53,420	67,278
Profit from operations	112,842	3,724,764	373,393	6,809,601
Finance costs	(941)	(1,099)	(2,018)	(2,035)
Share of results of an associate	374	1,329	(256)	2,092
Profit before tax	112,275	3,724,994	371,119	6,809,658
Taxation	(9,939)	(823,287)	(66,411)	(1,520,695)
Profit net of tax	102,336	2,901,707	304,708	5,288,963
Profit attributable to:				
Owners of the parent	87,549	2,868,977	273,266	5,226,762
Holder of Perpetual Sukuk	13,217	12,872	26,019	25,745
Non controlling interests	1,570	19,858	5,423	36,456
	102,336	2,901,707	304,708	5,288,963
Earnings per share attributable to owners of the parent, sen:				
Basic	1.09	35.77	3.41	64.75
Diluted	1.09	35.73	3.41	64.66

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 2021.

TOP GLOVE CORPORATION BHD.

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(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2022**

	Current Quarter Ended	Corresponding Quarter Ended	Current Year To Date	Corresponding Year To Date
	28 Feb 2022	28 Feb 2021	28 Feb 2022	28 Feb 2021
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	102,336	2,901,707	304,708	5,288,963
Other comprehensive income/(loss) : <i>Items that may be reclassified subsequently to profit or loss:</i>				
Net movement on debt securities at fair value through other comprehensive income	(4,527)	(1,283)	(6,236)	(1,101)
Foreign currency translation differences of foreign operations	18,304	528	2,826	3,332
Cash flow hedge	0	0	0	2,690
Other comprehensive income/(loss), net of tax	13,777	(755)	(3,410)	4,921
Total comprehensive income	116,113	2,900,952	301,298	5,293,884
Total comprehensive income attributable to:				
Owners of the parent	100,722	2,868,247	270,093	5,231,530
Holders of Perpetual Sukuk	13,217	12,872	26,019	25,745
Non controlling interests	2,174	19,833	5,186	36,609
	116,113	2,900,952	301,298	5,293,884

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2021.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2022**

	Unaudited as at 28 Feb 2022 RM'000	Audited as at 31 Aug 2021 RM'000
ASSETS		
Non current assets		
Property, plant and equipment	4,288,744	3,958,715
Right-of-use assets	207,704	210,649
Investment property	227,400	227,400
Investment in an associate	12,813	13,069
Deferred tax assets	17,627	17,073
Biological assets	773	574
Investment securities: Unquoted investments	392	392
Intangible assets	1,007,029	1,008,795
	5,762,482	5,436,667
Current assets		
Inventories	879,475	1,144,705
Trade and other receivables	396,203	566,299
Other current assets	106,495	118,174
Current tax asset	201,880	5,803
Derivative financial instruments	102	2,411
Investment securities: Debt securities	243,019	306,622
Investment securities: Money market funds	523,124	1,323,297
Cash and bank balances	562,461	878,446
	2,912,759	4,345,757
Total assets	8,675,241	9,782,424
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	665,366	692,361
Contract liabilities	357,613	737,627
Loans and borrowings	313,867	312,704
Lease liabilities	3,684	5,542
Income tax payable	68,983	450,023
Derivative financial instruments	444	230
	1,409,957	2,198,487
Net current assets	1,502,802	2,147,270
Non current liabilities		
Loans and borrowings	115,321	146,002
Lease liabilities	16,040	18,127
Deferred tax liabilities	180,570	191,200
Provisions	7,748	8,448
	319,679	363,777
Total liabilities	1,729,636	2,562,264
Net assets	6,945,605	7,220,160
Equity attributable to owners of the parent		
Share capital	1,842,140	1,841,654
Treasury shares	(1,413,274)	(1,413,274)
Retained earnings	5,087,219	5,342,360
Other reserves	105,311	101,663
	5,621,396	5,872,403
Perpetual Sukuk	1,285,299	1,295,262
Non controlling interests	38,910	52,495
Total equity	6,945,605	7,220,160
Total equity and liabilities	8,675,241	9,782,424
Net assets per share attributable to ordinary equity holders of the parent, RM	0.70	0.73

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2021.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 28 FEBRUARY 2022**

	← Attributable to owners of the parent →																	
	← Total	Non distributable						→ Distributable					Non controlling interests					
	Total equity attributable to owners of the parent	Share capital	Treasury shares	Foreign exchange reserve	Legal reserve	Share option reserve	Cash flow hedge reserve	Other reserve	Fair value adjustment reserve	Retained earnings	Perpetual sukuk	Total equity RM'000		RM'000	RM'000	RM'000	RM'000	RM'000
6 months ended 28 February 2022																		
Opening balance at 1 September 2021	7,220,160	5,872,403	1,841,654	(1,413,274)	24,928	27,569	34,596	0	12,726	1,844	5,342,360	1,295,262	52,495					
Profit net of tax	304,708	273,266	0	0	0	0	0	0	0	0	273,266	26,019	5,423					
Other comprehensive (loss)/income	(3,410)	(3,173)	0	0	3,063	0	0	0	0	(6,236)	0	0	(237)					
Total comprehensive income	301,298	270,093	0	0	3,063	0	0	0	0	(6,236)	273,266	26,019	5,186					
Transactions with owners																		
Issuance of ordinary shares pursuant to ESOS	449	449	449	0	0	0	0	0	0	0	0	0	0					
Share options granted under ESOS	7,006	7,006	0	0	0	7,006	0	0	0	0	0	0	0					
Transfer from share option reserve/ retained earnings	0	0	37	0	0	(1,242)	0	1,057	0	0	148	0	0					
Distribution to holders of Perpetual Sukuk	(26,019)	0	0	0	0	0	0	0	0	0	0	(26,019)	0					
Redemption of Perpetual Sukuk	(9,962)	1	0	0	0	0	0	0	0	0	1	(9,963)	0					
Dividends on ordinary shares/ non controlling interests	(547,327)	(528,556)	0	0	0	0	0	0	0	0	(528,556)	0	(18,771)					
Total transactions with owners	(575,853)	(521,100)	486	0	0	5,764	0	1,057	0	0	(528,407)	(35,982)	(18,771)					
Closing balance at 28 February 2022	6,945,605	5,621,396	1,842,140	(1,413,274)	27,991	27,569	40,360	0	13,783	(4,392)	5,087,219	1,285,299	38,910					
6 months ended 28 February 2021																		
Opening balance at 1 September 2020	6,190,883	4,870,755	1,675,704	(1,519)	44,549	10,088	5,319	(2,690)	7,774	0	3,131,530	1,295,262	24,866					
Profit net of tax	5,288,963	5,226,762	0	0	0	0	0	0	0	0	5,226,762	25,745	36,456					
Other comprehensive income/(loss)	4,921	4,768	0	0	3,179	0	0	2,690	0	(1,101)	0	0	153					
Total comprehensive income	5,293,884	5,231,530	0	0	3,179	0	0	2,690	0	(1,101)	5,226,762	25,745	36,609					
Transactions with owners																		
Issuance of ordinary shares pursuant to ESOS	47,816	47,816	47,816	0	0	0	0	0	0	0	0	0	0					
Issuance of ordinary shares pursuant to conversion of exchangeable bonds	104,387	104,387	104,387	0	0	0	0	0	0	0	0	0	0					
Issuance of shares to non controlling interests	300	0	0	0	0	0	0	0	0	0	0	0	300					
Share options granted under ESOS	25,781	25,781	0	0	0	25,781	0	0	0	0	0	0	0					
Transfer from share option reserve/ retained earnings/ tax incentive reserve	0	0	3,337	0	0	(3,343)	0	3,002	0	0	(2,996)	0	0					
Purchase of treasury shares	(1,422,585)	(1,422,585)	0	(1,422,585)	0	0	0	0	0	0	0	0	0					
Distribution to holders of Perpetual Sukuk	(25,745)	0	0	0	0	0	0	0	0	0	0	(25,745)	0					
Dividends on ordinary shares/ non controlling interests	(2,019,504)	(2,015,903)	0	0	0	0	0	0	0	0	(2,015,903)	0	(3,601)					
Total transactions with owners	(3,289,550)	(3,260,504)	155,540	(1,422,585)	0	22,438	0	3,002	0	0	(2,018,899)	(25,745)	(3,301)					
Closing balance at 28 February 2021	8,195,217	6,841,781	1,831,244	(1,424,104)	47,728	10,088	27,757	0	10,776	(1,101)	6,339,393	1,295,262	58,174					

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2021.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 28 FEBRUARY 2022**

	Current Year To Date Ended 28 Feb 2022 RM'000	Corresponding Year To Date Ended 28 Feb 2021 RM'000
Operating activities		
Profit before tax	371,119	6,809,658
Depreciation and amortisation	169,451	151,062
Other adjustments	6,646	(20,204)
Operating cash flows before changes in working capital	547,216	6,940,516
Changes in working capital		
Net changes in current assets	446,795	(1,428,258)
Net changes in current liabilities	(409,361)	512,468
Cash flows from operating activities	584,650	6,024,726
Interest paid	(2,018)	(2,765)
Income taxes paid	(657,066)	(258,353)
Net cash flows (used in)/generated from operating activities	(74,434)	5,763,608
Investing activities		
Withdrawal/(placement) of money market funds	800,173	(304,104)
Disposal/(purchase) of debt securities	47,175	(198,481)
Purchase of property, plant and equipment	(496,914)	(769,850)
Proceeds from disposal of property, plant and equipment	2,023	280
Interest received	14,391	29,481
Net decrease/(increase) in bank balances pledged with banks and monies held in debt service reserve account	564	(486)
Net cash flows generated from/(used in) investing activities	367,412	(1,243,160)
Financing activities		
Dividends paid on ordinary shares	(528,556)	(2,015,903)
Dividends paid on non controlling interests	(18,771)	(3,601)
Issuance of shares to non controlling interests	0	300
Proceeds from issuance of ordinary shares pursuant to ESOS	449	47,816
Purchase of treasury shares	0	(1,422,585)
Payment of principal portion of lease liabilities	(2,481)	(1,478)
Distribution paid to Perpetual Sukuk holders	(26,019)	(25,745)
Redemption of Perpetual Sukuk	(9,962)	0
(Repayment)/drawdown of loans and borrowings	(12,604)	38,891
Net cash flows used in financing activities	(597,944)	(3,382,305)
Net (decrease)/increase in cash and cash equivalents	(304,966)	1,138,143
Effects of changes in foreign exchange rate	(10,455)	12,505
Cash and cash equivalents at 1 September 2021/2020	875,198	1,204,947
Cash and cash equivalents at 28 February 2022/2021	559,777	2,355,595

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2021.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2022**

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 2021. 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 2021.

The audited financial statements of the Group for the year ended 31 August 2021 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 Group for the financial year ended 31 August 2021 except for the adoption of the following amendments to MFRSs:

Description

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2
Amendment to MFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of the above amendments to MFRSs do not have a material impact on the financial statements of the Group.

2. Auditors' report

The audited financial statements for the financial year ended 31 August 2021 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 Group'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 period ended 28 February 2022.

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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2022 (CONTINUED)

6. Changes in debts and equity securities

- a) As at the quarter ended 28 February 2022, a total of 59,200 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 28 February 2022 are as follows:

	No. of shares	RM'000
As at 30 November 2021	8,207,017,734	1,842,021
Ordinary shares issued pursuant to the ESOS	59,200	119
As at 28 February 2022	8,207,076,934	1,842,140

- b) On 23 February 2022, the Company's 100% owned subsidiary, TG Excellence Berhad has redeemed and cancelled an aggregate RM10 million nominal value of Perpetual Sukuk under the Shariah principle of Wakalah Bi Al-Istithmar.

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 28 February 2022.

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)
1QFY2022	1.20	96,102
2021	65.10	5,214,202
2020	11.83	961,731
2019	2.50	191,960
2018	2.83	217,282
2017	2.42	181,936
2016	2.42	181,647
2015	1.92	143,143
2014	1.33	99,009
2013	1.33	99,252
2012	1.33	99,038
2011	0.92	68,035
2010	1.33	98,877
2009	0.92	65,873
2008	0.46	32,389
2007	0.38	27,435
2006	0.31	21,173
2005	0.22	14,110
2004	0.20	12,295
2003	0.15	9,550
2002	0.05	2,808
2001	0.07	4,000
Total		7,814,847

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, 100% in October 2018 and 200% in September 2020.
- 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 28 FEBRUARY 2022 (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 28 February 2022

	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Revenue</u>						
External sales	2,622,810	232,330	19,467	158,810	0	3,033,417
Intersegment sales	77,080	227,649	133	122	(304,984)	0
Total Revenue	<u>2,699,890</u>	<u>459,979</u>	<u>19,600</u>	<u>158,932</u>	<u>(304,984)</u>	<u>3,033,417</u>
<u>Result</u>						
Segment profit/(loss)	306,158	61,619	(223)	5,839	0	373,393
Finance cost	(743)	(312)	0	(963)	0	(2,018)
Share of result of associate	(256)	0	0	0	0	(256)
Profit before tax						<u>371,119</u>
<u>Assets</u>						
Segment assets	6,018,554	704,493	202,419	510,426	1,239,349	<u>8,675,241</u>
Intangible assets	1,007,029	0	0	0	0	<u>1,007,029</u>
<u>Liabilities</u>						
Segment liabilities	1,179,514	66,006	8,851	225,712	249,553	<u>1,729,636</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 28 FEBRUARY 2022 (CONTINUED)

11. Changes in the composition of the Group

There were no 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 RM429 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 Group had approved and contracted for capital expenditure amounting approximately to RM906 million.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2022 (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 28 February 2022 ("2QFY2022") and the year to date 28 February 2022 ("1HFY2022") with the corresponding period last financial year is as follows:

	2QFY2022	2QFY2021	Variance	1HFY2022	1HFY2021	Variance
	RM'mil	RM'mil	%	RM'mil	RM'mil	%
Revenue	1,449	5,365	(73)	3,033	10,124	(70)
Operating profit	113	3,725	(97)	373	6,810	(95)
Profit before interest and tax	107	3,709	(97)	359	6,783	(95)
Profit before tax	112	3,725	(97)	371	6,810	(95)
Profit after tax	102	2,902	(96)	305	5,289	(94)
Profit attributable to owners of the parent	88	2,869	(97)	273	5,227	(95)

For 2QFY2022, the Group achieved Sales Revenue of RM1.45 billion, and Profit After Tax of RM102 million.

On a half yearly basis, 1HFY2022 Sales Revenue amounted to RM3.03 billion while Profit After Tax registered at RM305 million.

The softer financial performance came on the back of normalising average selling prices (ASPs) which are moving closer to pre pandemic levels. Raw material prices were generally on a downward trend, decreasing at a slower pace than ASPs, which resulted in margin compression. The Group also had to contend with increases in other operating costs including utilities, manpower and chemical costs; as well as intensifying competition, with the new glove supply causing pricing pressure in light of the successful Covid 19 vaccine rollout globally.

The Group has anticipated this adjustment and is well prepared for a more challenging period ahead as it transitions towards a pre pandemic scenario. Despite challenges encountered in 2QFY2022, Sales Volume has shown a marked improvement in comparison with 1QFY2022, following the resumption of regular glove restocking activity by customers, and as ASPs approach pre pandemic levels. Moreover, the Group's sales to U.S. are well on its path to recovery since September 2021, with Sales Volume to the U.S. market growing sharply by 220% to date. In September 2021, sales to the U.S. comprised 4% of total Group global sales and by February 2022, sales to the U.S had grown to contribute 13% towards total Group global sales. In tandem, the Group's production utilisation increased from 60% in September 2021 to 73% in February 2022.

Raw material prices have shown decreases compared to 2QFY2021, with average natural latex concentrate prices drop by 6% to RM5.57/kg, whilst nitrile latex prices decreased by 50% to USD1.15/kg.

As at 28 February 2022, the Group maintained a net cash position of RM656 million and net assets of RM6.95 billion.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2022 (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	2020	2021	1HFY2022 (unaudited)
Revenue	1,378	1,529	2,079	2,054	2,315	2,313	2,275	2,511	2,889	3,409	4,221	4,801	7,237	16,361	3,033
EBITDA	198	288	365	197	298	311	302	442	525	489	694	687	2,421	10,285	528
EBITDA margin	14%	19%	18%	10%	13%	13%	13%	18%	18%	14%	16%	14%	33%	63%	17%
PBT	135	222	305	145	241	242	216	363	442	393	523	424	2,166	10,034	371
PBT margin	10%	15%	15%	7%	10%	11%	10%	15%	15%	12%	12%	9%	30%	61%	12%
Taxation	27	54	55	30	34	39	32	82	80	54	90	56	377	2,210	66
PAT	108	168	250	115	207	203	184	281	362	339	433	368	1,789	7,824	305
PAT margin	8%	11%	12%	6%	9%	9%	8%	11%	13%	10%	10%	8%	25%	48%	10%

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2022 (CONTINUED)

15. Comparison of quarterly financial results with preceding quarter

	2QFY2022 RM'mil	1QFY2022 RM'mil	Variance %
Revenue	1,449	1,584	(9)
Operating profit	113	261	(57)
Profit before interest and tax	107	251	(57)
Profit before tax	112	259	(57)
Profit after tax	102	202	(49)
Profit attributable to owners of the parent	88	186	(53)

For the quarter ended 2QFY2022, the Group's Sales Revenue was RM1.45 billion, 9% lower compared to 1QFY2022, whilst Profit After Tax was at RM102 million, attribute to softer performance as per the explanation in Note 14. However, total Sales Volume has increased by 10% from 1QFY22 due to higher sales to US by 120%, and customers commencing restocking as ASPs stabilise towards pre pandemic levels.

Average natural latex concentrate prices saw an increase of 10% to RM5.57/kg quarter on quarter due to the wintering season, while the average nitrile latex price decreased by 36% to USD1.15/kg versus 1QFY2022.

16. Commentary on prospects and targets

In light of the current supply situation, the Group will remain cautious and scale back on its expansion plans for the interim. The Group will however, continue to monitor the situation closely and stands ready to reinstate expansion plans as required when demand eventually picks up.

The Group's growth strategy will include a combination of organic expansion, inorganic expansion and strategic investments. By 31 December 2025, Top Glove is projected to have a total of 58 factories comprising 45 glove factories and 13 other factories, 1,400 glove production lines and a glove production capacity of 188 billion gloves per annum.

With an enhanced commitment to Environmental, Social and Governance or "ESG" considerations, Top Glove continues to lead the way in terms of exemplary sustainability practices, garnering the following recognitions and accolades:

(i) ***First time inclusion S&P Global's Sustainability Yearbook 2022 alongside global leaders with an Industry Mover distinction***

In February 2022, Top Glove was for the first time included in S&P Global's Sustainability Yearbook, which is one of the world's most comprehensive publications providing in depth analysis on corporate sustainability. It was accorded an *Industry Mover* distinction, which is given only to companies within the top 15% of each industry participating in the S&P Global Corporate Sustainability Assessments (CSA), who have achieved a minimum improvement of 5% in their S&P Global ESG Score and have accomplished the strongest improvement in their industry.

(ii) ***First time inclusion among global leaders in 2022 Bloomberg Gender Equality Index***

Top Glove was recognised for its outstanding performance in the area of gender reporting and measures to advance gender equality in the workplace, placing among 20 companies globally under the Industrials category with an above average industry score.

(iii) ***Advocating women at the workplace***

With robust human capital policies and practices that champion equal opportunities for gainful employment, learning and development, and career advancement, the Group has become an employer of choice to some 22,000 employees. Women participation on Top Glove's Board is at 38% and the Group currently also boasts a commendable 52:48 ratio of women to men in leadership positions (managers and above).

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2022 (CONTINUED)

16. Commentary on prospects and targets (continued)

The business environment is anticipated to be challenging and competitive in the immediate term, as the pandemic gradually comes under control. The additional glove supply and ensuing pricing/margin pressure may in turn result in industry consolidation, as part of the business cycle. Nonetheless, taking a positive view of the situation, Top Glove is confident that even in the hardest of times, opportunity still abounds and maintains that the long term industry outlook is promising.

Glove demand will still continue to grow steadily, albeit not at the accelerated but unsustainable pace during the pandemic. This challenging period is temporary and the Group will continue to focus on maintaining a strong foundation which will position the Group to weather the tough times and capitalise on good opportunities.

17. Variance of actual profits from forecast profits

Not applicable as no profit forecast was issued.

18. Taxation

	Quarter Ended		Year To Date Ended	
	28 Feb 2022	28 Feb 2021	28 Feb 2022	28 Feb 2021
	RM'000	RM'000	RM'000	RM'000
Income tax				
Current quarter/year	32,999	862,847	79,902	1,526,653
Under/ (over) provision in respect of prior year	23	0	23	(62)
Deferred tax	(23,106)	(39,560)	(13,537)	(5,896)
Real property gain tax	23	0	23	0
	<u>9,939</u>	<u>823,287</u>	<u>66,411</u>	<u>1,520,695</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.

20. Purchase and disposal of investment securities

	Quarter Ended	Year To Date Ended
	28 Feb 2022	28 Feb 2022
	RM'000	RM'000
Investment in money market funds	307,582	307,582
Withdrawal of money market funds	390,306	1,107,755
Investment in debt securities	13,807	36,703
Disposal of debt securities	78,964	83,878

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

Other than the announcements made for the proposed listing of Top Glove on the HKEX, there were no other corporate proposals not announced or outstanding as at 28 February 2022.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2022 (CONTINUED)****22. Derivative financial instruments**

	As at 28 Feb 2022	
	Contract/Notional Amount RM'000	Fair Value RM'000
Forward currency contracts		
• Derivative financial assets	9,935	102
• Derivative financial liabilities	123,712	(444)
	123,712	(444)

As at 28 February 2022, the Group held forward contracts designated as hedges of expected future sales to customers for which the Group has firm commitments. Forward currency contracts used to hedge the Group's sales are denominated in USD for which firm commitments existed at the reporting date, extending to July 2022.

During the year to date ended 28 February 2022, the Group recognised a loss of RM2,522,000 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 28 February 2022, the Group held the following financial assets/(liabilities) that are measured at fair value:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets/(liabilities) measured at fair value:				
Financial assets at fair value through profit or loss				
• Unquoted investments	0	0	392	392
• Debt securities (quoted outside Malaysia)	181,793	0	0	181,793
• Money market funds (quoted in Malaysia)	523,124	0	0	523,124
• Derivative financial instruments	0	102	0	102
Financial liabilities at fair value through profit or loss				
• Derivative financial instruments	0	(444)	0	(444)
Financial assets at fair value through other comprehensive income				
• Debt securities (quoted outside Malaysia)	61,226	0	0	61,226

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2022 (CONTINUED)****24. Group loans and borrowings**

The Group loans and borrowings as at 28 February 2022 were as follows:

	As at 28 Feb 2022 RM'000	As at 28 Feb 2021 RM'000
Current		
Secured		
Term loan	0	2,279
	<u>0</u>	<u>2,279</u>
Unsecured		
Bank borrowings	263,890	289,021
Term loan	49,977	13,214
	<u>313,867</u>	<u>302,235</u>
Total current borrowings	<u>313,867</u>	<u>304,514</u>
Non-current		
Secured		
Term loan	0	2,840
	<u>0</u>	<u>2,840</u>
Unsecured		
Term loan	115,321	165,658
	<u>115,321</u>	<u>165,658</u>
Total non-current borrowings	<u>115,321</u>	<u>168,498</u>

Summary of all loans and borrowings:

	Foreign Currency Denominated '000		Foreign Currency Denominated '000	
	RM'000	RM'000	RM'000	RM'000
USD	20,810	87,423	USD	20,781
RM	2,813	2,813	RM	13,232
THB	35,000	4,489	THB	165,000
EUR	53,193	249,353	EUR	53,729
JPY	2,340,770	85,110	JPY	2,340,770
Total loans and borrowings		<u>429,188</u>		<u>473,012</u>
Exchange rate RM to USD1.00		4.2010		4.0495
Exchange rate RM to THB1.00		0.1283		0.1344
Exchange rate RM to EUR1.00		4.6845		4.9240
Exchange rate RM to JPY1.00		0.0364		0.0382

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
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25. Notes to the Statement of Comprehensive Income

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

	Quarter Ended 28 Feb 2022 RM'000	Year To Date Ended 28 Feb 2022 RM'000
Interest income	5,845	14,391
Other income including investment income	10,929	21,117
Gain on disposal of debt securities	576	1,274
Fair value gain/(loss) on foreign exchange contracts	525	(2,522)
Interest expense	(941)	(2,018)
Depreciation and amortisation	(85,845)	(169,451)
Foreign exchange (loss)/gain	(5,083)	10,036

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

The Board of Directors had on 10 December 2021, declared a first single tier interim dividend of 1.2 sen per ordinary share and paid on 10 January 2022, amounting to RM96 million for the first quarter ended 30 November 2021.

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	
	28 Feb 2022	28 Feb 2021	28 Feb 2022	28 Feb 2021
Profit net of tax attributable to owners of the parent (RM'000)	<u>87,549</u>	<u>2,868,977</u>	<u>273,266</u>	<u>5,226,762</u>
Basic				
Weighted average number of ordinary shares in issue ('000)	<u>8,008,178</u>	<u>8,020,259</u>	<u>8,008,306</u>	<u>8,072,602</u>
Basic earnings per share (sen)	<u>1.09</u>	<u>35.77</u>	<u>3.41</u>	<u>64.75</u>
Diluted				
Weighted average number of ordinary shares in issue ('000)	8,008,178	8,020,259	8,008,306	8,072,602
Effect of dilution from:				
Share options ('000)	<u>2,159</u>	<u>8,284</u>	<u>2,809</u>	<u>10,628</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>8,010,337</u>	<u>8,028,543</u>	<u>8,011,115</u>	<u>8,083,230</u>
Diluted earnings per share (sen)	<u>1.09</u>	<u>35.73</u>	<u>3.41</u>	<u>64.66</u>