

Quarterly rpt on consolidated results for the financial period ended 30 Nov 2019

TOP GLOVE CORPORATION BHD

Financial Year End	31 Aug 2020
Quarter	1 Qtr
Quarterly report for the financial period ended	30 Nov 2019
The figures	have not been audited

Attachments

TopGlove_1QFY20 Financial Results.pdf
365.3 kB

TopGlove_1QFY20_Press Release.pdf
321.5 kB

Default Currency	Other Currency
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Currency: **Malaysian Ringgit (MYR)**

SUMMARY OF KEY FINANCIAL INFORMATION 30 Nov 2019

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 Nov 2019	30 Nov 2018	30 Nov 2019	30 Nov 2018
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	1,209,100	1,261,965	1,209,100	1,261,965
2 Profit/(loss) before tax	125,452	141,879	125,452	141,879
3 Profit/(loss) for the period	111,757	111,671	111,757	111,671
4 Profit/(loss) attributable to ordinary equity holders of the parent	111,426	110,055	111,426	110,055
5 Basic earnings/(loss) per share (Subunit)	4.36	4.31	4.36	4.31
6 Proposed/Declared dividend per share (Subunit)	0.00	0.00	0.00	0.00

		AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
7	Net assets per share attributable to ordinary equity holders of the parent (\$\$)	1.0100	1.0000

Definition of Subunit:

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit.
Example for the subunit as follows:

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

Announcement Info

Company Name	TOP GLOVE CORPORATION BHD
Stock Name	TOPGLOV
Date Announced	17 Dec 2019
Category	Financial Results
Reference Number	FRA-26092019-00003



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 FIRST QUARTER ENDED 30 NOVEMBER 2019

	Current Quarter Ended	Corresponding Quarter Ended	Current Year To Date	Corresponding Year To Date
	30-Nov-2019	30-Nov-2018	30-Nov-2019	30-Nov-2018
	RM'000	RM'000	RM'000	RM'000
Revenue	1,209,100	1,261,965	1,209,100	1,261,965
Operating expenses	(1,076,861)	(1,113,340)	(1,076,861)	(1,113,340)
Other operating income	9,345	11,167	9,345	11,167
Profit from operations	141,584	159,792	141,584	159,792
Finance costs	(18,718)	(18,670)	(18,718)	(18,670)
Share of result of associate	2,586	757	2,586	757
Profit before tax	125,452	141,879	125,452	141,879
Taxation	(13,695)	(30,208)	(13,695)	(30,208)
Profit net of tax	111,757	111,671	111,757	111,671
Profit attributable to:				
Owners of the parent	111,426	110,055	111,426	110,055
Non-controlling interests	331	1,616	331	1,616
	111,757	111,671	111,757	111,671
Earnings per share attributable to owners of the parent (sen) :				
Basic	4.36	4.31	4.36	4.31
Diluted	4.15	4.31	4.15	4.31

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.

TOP GLOVE CORPORATION BHD.

Company No.199801018294 (474423-X)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2019**

	Current	Corresponding	Current	Corresponding
	Quarter Ended	Quarter Ended	Year To Date	Year To Date
	30-Nov-2019	30-Nov-2018	30-Nov-2019	30-Nov-2018
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	111,757	111,671	111,757	111,671
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	322	(1,563)	322	(1,563)
Foreign currency translation differences of foreign operations	(167)	11,524	(167)	11,524
Cash flow hedge	18,485	(23,380)	18,485	(23,380)
Other comprehensive income/(loss), net of tax	18,640	(13,419)	18,640	(13,419)
Total comprehensive income	130,397	98,252	130,397	98,252
Total comprehensive income attributable to:				
Owners of the parent	130,051	96,322	130,051	96,322
Non-controlling interests	346	1,930	346	1,930
	130,397	98,252	130,397	98,252

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.

TOP GLOVE CORPORATION BHD.

Company No.199801018294 (474423-X)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2019**

	Unaudited as at 30-Nov-2019 RM'000	Audited as at 31-Aug-2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,602,821	2,480,026
Land use rights	177,385	178,495
Right of use assets	6,053	-
Investment property	163,905	163,900
Investment in an associate	14,439	11,853
Deferred tax assets	32,431	58,472
Investment securities	392	392
Intangible assets	1,255,456	1,256,376
	4,252,882	4,149,514
Current assets		
Inventories	603,145	629,896
Trade and other receivables	637,463	592,217
Other current assets	73,049	63,511
Derivative financial instruments	306	-
Investment securities	120,321	87,285
Cash and bank balances	154,210	165,782
	1,588,494	1,538,691
Total assets	5,841,376	5,688,205
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	459,946	492,414
Contract liabilities	60,482	55,610
Loans and borrowings	1,191,118	1,041,325
Lease liabilities	1,817	-
Income tax payables	1,568	789
Derivative financial instruments	-	1,653
Dividend payable	102,393	-
	1,817,324	1,591,791
Net current liabilities	(228,830)	(53,100)
Non-current liabilities		
Loans and borrowings	1,305,736	1,379,369
Lease liabilities	4,312	-
Deferred tax liabilities	128,624	159,714
Provisions	3,293	3,190
	1,441,965	1,542,273
Total liabilities	3,259,289	3,134,064
Net assets	2,582,087	2,554,141
Equity attributable to owners of the parent		
Share capital	788,322	788,326
Treasury shares	(1,781)	(1,781)
Retained earnings	1,760,671	1,751,963
Other reserves	17,343	(1,553)
	2,564,555	2,536,955
Non-controlling interests	17,532	17,186
Total equity	2,582,087	2,554,141
Total equity and liabilities	5,841,376	5,688,205
Net assets per share (RM)	1.01	1.00

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

TOP GLOVE CORPORATION BHD

 Company No.199801018294 (474423-X)
 (Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 AS AT 30 NOVEMBER 2019**

	← Attributable to owners of the parent →											
	Total equity RM'000	Total equity attributable to owners of the parent RM'000	← Non distributable					→ Distributable				
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	Non-controlling interests RM'000	
3 months ended 30 November 2019												
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	130,397	130,051	-	-	(182)	-	-	18,485	-	322	111,426	346
	2,684,484	2,666,952	788,326	(1,781)	51,463	10,088	8,995	(61,806)	5,926	2,406	1,863,335	17,532
Transactions with owners												
Transaction cost	(4)	(4)	(4)	-	-	-	-	-	-	-	-	-
Transfer from retained earnings	-	-	-	-	-	-	-	-	271	-	(271)	-
Dividend on ordinary shares	(102,393)	(102,393)	-	-	-	-	-	-	-	-	(102,393)	-
Total transactions with owners	(102,397)	(102,397)	(4)	-	-	-	-	-	271	-	(102,664)	-
Closing balance at 30 November 2019	2,582,087	2,564,555	788,322	(1,781)	51,463	10,088	8,995	(61,806)	6,197	2,406	1,760,671	17,532
3 months ended 30 November 2018												
Opening balance at 1 September 2018	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	98,252	96,322	-	-	11,210	-	-	(23,380)	-	(1,563)	110,055	1,930
Transactions with owners												
Issuance of ordinary shares pursuant to ESOS	396	396	396	-	-	-	-	-	-	-	-	-
Transfer from share option reserve	-	-	24	-	-	-	(24)	-	-	-	-	-
Transfer to legal reserve	-	-	-	-	-	72	-	-	-	-	(72)	-
Total transactions with owners	396	396	420	-	-	72	(24)	-	-	-	(72)	-
Closing balance at 30 November 2018	2,497,044	2,479,764	788,129	(9,325)	46,549	9,236	1,905	(64,884)	2,898	(2,726)	1,707,982	17,280

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 2019.

TOP GLOVE CORPORATION BHD.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
AS AT 30 NOVEMBER 2019**

	Current Year To Date Ended 30-Nov-2019 RM'000	Corresponding Year To Date Ended 30-Nov-2018 RM'000
Operating activities		
Profit before tax	125,452	141,879
Depreciation and amortisation	54,393	47,690
Other adjustments	13,718	29,066
Operating cash flows before changes in working capital	<u>193,563</u>	<u>218,635</u>
Changes in working capital		
Net changes in current assets	(29,633)	26,422
Net changes in current liabilities	(29,766)	(75,730)
Cash flows from operating activities	<u>134,164</u>	<u>169,327</u>
Interest paid	(18,661)	(18,670)
Income taxes paid	(17,879)	(15,560)
Net cash flows generated from operating activities	<u>97,624</u>	<u>135,097</u>
Investing activities		
Proceeds from disposal of investment securities	5,887	4,982
Purchase of investment securities	(38,599)	(20,347)
Purchase of property, plant and equipment	(185,040)	(104,604)
Proceeds from disposal of property, plant and equipment	177	7,034
Interest received	1,725	3,037
Net cash flows used in investing activities	<u>(215,850)</u>	<u>(109,898)</u>
Financing activities		
Proceeds from issuance of shares	-	396
Transaction cost	(4)	-
Repayment of lease liabilities	(524)	-
Drawdown of loans and borrowings	107,182	11,731
Net cash flows generated from financing activities	<u>106,654</u>	<u>12,127</u>
Net (decrease)/increase in cash and cash equivalents	<u>(11,572)</u>	<u>37,326</u>
Cash and cash equivalents at 1 September 2019 / 2018	<u>165,782</u>	<u>158,724</u>
Cash and cash equivalents at 30 November 2019 / 2018	<u>154,210</u>	<u>196,050</u>

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 FIRST QUARTER ENDED 30 NOVEMBER 2019**

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 FIRST QUARTER ENDED 30 NOVEMBER 2019 (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 30 November 2019.

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

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 30 November 2019.

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	3.50 (interim)	89,566
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		1,467,426

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 FIRST QUARTER ENDED 30 NOVEMBER 2019 (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.

3 months ended 30 November 2019

	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Revenue</u>						
External sales	1,039,795	90,665	18,744	59,896	-	1,209,100
Intersegment sales	64,254	82,527	182	-	(146,963)	-
Total Revenue	<u>1,104,049</u>	<u>173,192</u>	<u>18,926</u>	<u>59,896</u>	<u>(146,963)</u>	<u>1,209,100</u>
<u>Result</u>						
Segment profit	132,065	8,776	(1,626)	2,369	-	141,584
Finance cost	(18,246)	(294)	-	(178)	-	(18,718)
Share of result of associate	2,586	-	-	-	-	2,586
Profit before tax						<u>125,452</u>
<u>Assets</u>						
Segment assets	3,816,628	369,257	75,980	311,544	1,267,967	<u>5,841,376</u>
Intangible assets	1,255,456	-	-	-	-	<u>1,255,456</u>
<u>Liabilities</u>						
Segment liabilities	2,945,407	147,252	13,700	22,738	130,192	<u>3,259,289</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 FIRST QUARTER ENDED 30 NOVEMBER 2019 (CONTINUED)

11. Changes in the composition of the Group

During the quarter under review, TG Excellence Berhad, a wholly owned subsidiary had been added to the Group.

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 RM2,474.9 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 RM386.6 million.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2019 (CONTINUED)

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

14. Review of performance

A comparison of Top Glove's performance for the first quarter ended 30 November 2019 ("1QFY20") with the corresponding period last financial year is as follows:

	1QFY20 RM'mil	1QFY19 RM'mil	Variance %
Revenue	1,209.1	1,262.0	(4.2%)
Operating profit	141.6	159.8	(11.4%)
Profit before interest and tax	142.4	157.6	(9.6%)
Profit before tax	125.5	141.9	(11.6%)
Profit after tax	111.8	111.7	0.1%
Profit attributable to owners of the parent	111.4	110.1	1.2%

The Group's Sales Revenue for 1QFY20 came in at RM1.21 billion, easing by 4.2% compared with 1QFY19, due to lower average selling prices (ASPs) and lower average raw material prices, but Sales Volume increased by 0.2% and Profit After Tax increased by 0.1% year on year to RM111.8 million.

The nitrile glove segment continued to perform very well, delivering strong Sales Volume growth of 20% and significantly higher contributions to Group Profit. Ongoing technological advancements, as well as automation and digitalisation initiatives which resulted in more efficiency and better quality control, also accounted for the improved profit. Thus, the Group was able to increase both sales and profitability. Meanwhile, increased nitrile capacity from ongoing organic expansion allowed the Group to further grow sales, cater to larger customers and capture a bigger market share in US, Western Europe and Japan.

The improvements in the nitrile glove segment were offset by weaker contributions from the natural rubber and the vinyl glove segments. In addition, the price of natural rubber latex which had increased by nearly 9% compared with 1QFY19 coupled with competition, also impacted performance. Sales volume growth in the natural rubber segment was lower year on year following slower demand growth in developing countries compared with 1QFY19. However, the Group is confident that demand growth in developing countries will pick up going forward, driven by increased healthcare awareness arising from improved standards of living.

Raw material prices were mixed. Average latex concentrate prices at RM4.13/kg, up 8.7% against 1QFY19, while the average nitrile latex price was USD1.06/kg, down 14.5% year on year.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2019 (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	3MFY20 (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	1,209.1
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	196.9
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%	16.3%
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	125.5
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%	10.4%
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	13.7
PAT	108.1	168.1	250.4	115.1	207.3	202.8	183.6	281.2	362.4	338.9	433.2	367.5	111.8
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%	9.2%

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2019 (CONTINUED)****15. Comparison of quarterly financial results with preceding quarter**

	1QFY20	4QFY19	Variance
	RM'mil	RM'mil	%
Revenue	1,209.1	1,189.0	1.7%
Operating profit	141.6	96.6	46.6%
Profit before interest and tax	142.4	91.6	55.5%
Profit before tax	125.5	74.0	69.6%
Profit after tax	111.8	74.0	51.1%
Profit attributable to owners of the parent	111.4	74.2	50.1%

The Group's Sales Revenue for 1QFY20 was RM1.21 billion, up 1.7% quarter on quarter, with strong growth in Sales Volume (Quantity Sold) of 6% versus 4QFY19. Its profit figures were solid, with Profit Before Tax and Profit After Tax surging 69.6% to RM125.5 million and 51.1% to RM111.8 million respectively.

The Group's commendable profit was mainly attributed to strong growth in the nitrile glove segment, which saw an increase of 12% in Sales Volume versus 4QFY19. Also contributing to profit margins was the natural rubber glove segment, as the effect of the upward revision in ASPs took effect alongside the downward trend in the price of latex concentrate.

In addition, Top Glove's Thailand operations contributed positively to its good performance, while the Group continued to see recovery in its China operations, which has improved due to better ASPs for its vinyl gloves. Aspion's positive profit position also contributed to the Group's bottom line.

In line with expectations, average latex concentrate prices continued their downward trend, falling by 11% from RM4.64/kg in 4QFY19 to RM4.13/kg in 1QFY20. Average prices for nitrile latex also decreased marginally by 1.8% from USD1.08/kg to USD1.06/kg quarter on quarter.

TOP GLOVE CORPORATION BHD.

Company No.199801018294 (474423-X)
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2019 (CONTINUED)

16. Commentary on prospects and targets

The Group will continue pursuing expansion in order to meet the increase in global glove demand which is set to grow by 10% yearly. Its expansion plans are detailed as follows:

Factories	To commence production by (Calendar quarter)	Country	Glove type	Number of production lines	Capacity (pieces per annum)
Current: 33 glove factories			All	683 lines	70.1 billion
Expansion in progress: Glove					
F7A Refurbishment	1 st quarter 2020	Thailand	Latex	4 lines	0.4 billion
F2B Refurbishment	1 st quarter 2020	Malaysia	Nitrile	4 lines	0.7 billion
F5A New factory	1 st quarter 2020	Malaysia	Nitrile	20 lines	2.5 billion
F40 New factory 1 st phase	2 nd quarter 2020	Malaysia	Nitrile	22 lines	2.7 billion
F41 New factory 1 st phase	2 nd 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				98 lines	11.8 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	2 nd 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 by 2021				178 lines	21.3 billion
Grand total by December 2021: 39 glove factories				861 lines	91.4 billion

This will boost the Group's total number of production lines by an additional 178 lines and production capacity by 21.3 billion gloves per annum, represent an increase of 30.4% in capacity over the next 2 years. By December 2021, Top Glove is projected to have 861 production lines and a production capacity of 91.4 billion gloves per annum.

Top Glove will continue to invest in existing line refurbishment and building new technologically advanced glove factories. The Group's newer factories will feature more automation and digitalisation initiatives, such as an Automated Guided Vehicle (AGV) transport and warehouse management system, production SCADA system, glove auto packing system, artificial intelligence vision camera system for online detection and removal of defective gloves, as well as auto compounding and chemical preparation. In addition, the Group will continue to explore M&As and JVs, while also diversifying into rubber or healthcare-related businesses.

Reflecting the importance of R&D and innovation at Top Glove, plans are in progress to establish a *Manufacturing and Research Centre of Excellence*, the Group's new state-of-the-art hub for R&D and product innovation embracing Industry Revolution 4.0 initiatives, based in Banting, Malaysia.

In recognition of its continued good performance, Top Glove remains a component of the FBM KLCI following a recent review by the FTSE Russell in December 2019. Top Glove also garnered several prestigious local and regional HR awards in October and November 2019, which include *Graduates' Choice Award 2019: Champion (Manufacturing)*, *Malaysia's 100 Leading Graduate Employers 2019: Winner (Chemicals and Heavy Industries)* and *HR Asia's Best Companies to Work for In Asia 2019 (Malaysian Chapter): Winner*.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2019 (CONTINUED)**

16. Commentary on prospects and targets (continued)

As a socially responsible employer and industry leader, Top Glove is committed to upholding fair labour practices and complying with requirements of labour laws, while ensuring adequate measures are in place to protect the safety and well-being of its workforce.

In the face of a difficult business environment, Top Glove remains upbeat in terms of outlook. Industry prospects remain promising and to ensure it is well-positioned to tap the growing glove demand, Top Glove will continue to prioritise R&D, innovation and Industry 4.0 initiatives. These will enable the company to increase quality, operational efficiency and effectiveness, while keeping customers satisfied and ultimately deliver good results in the quarters to come.

17. Variance of actual profits from forecast profits

Not applicable as no profit forecast was issued.

18. Taxation

	Quarter Ended and Year To Date Ended	
	30 Nov 2019	30 Nov 2018
	RM'000	RM'000
Income tax		
Current quarter/year	18,515	24,533
Under provision	132	-
Real property gain tax	11	-
Deferred tax	(4,963)	5,675
	<u>13,695</u>	<u>30,208</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 quoted securities

	Quarter Ended and Year To Date Ended
	30 Nov 2019
	RM'000
Purchase of quoted securities	38,599
Disposal of quoted securities	5,887

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.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2019 (CONTINUED)**
22. Derivative financial instruments

	As at 30 Nov 2019	
	Contract/Notional Amount RM'000	Fair value Assets RM'000
Forward currency contracts	462,915	306

As at 30 Nov 2019, 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 April 2020.

During the year to date ended 30 Nov 2019, the Group recognised a gain of RM1,958,000 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 30 Nov 2019, 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			
• Debt securities (quoted outside Malaysia)	106,378	-	106,378
Financial assets at fair value through profit or loss			
• Money market funds (quoted in Malaysia)	13,943	-	13,943
Derivative financial instruments			
• Fair value assets	-	306	306

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2019 (CONTINUED)**

24. Group loans and borrowings

The Group loans and borrowings as at 30 Nov 2019 were as follows:

	As at 30 Nov 2019		As at 30 Nov 2018			
	Foreign Currency Denominated '000	RM'000	Foreign Currency Denominated '000	RM'000		
Current						
Secured						
Revolving credit	USD	1,525	6,359	USD	23,957	100,072
Revolving credit	EUR	46	212		-	-
Revolving loan		-	-	USD	5,220	21,861
Term loan		-	-	USD	21,429	89,549
Term loan		-	-		-	2,787
Trade facilities		-	-	USD	677	2,838
Trade facilities		-	402		-	77,225
			<u>6,973</u>			<u>294,332</u>
Unsecured						
Syndicated loan	USD	31,000	129,310		-	-
Less: Transaction costs		-	(1,137)		-	(3,463)
			128,173			(3,463)
Bankers' acceptance		-	1,875		-	-
Promissory notes	THB	670,702	92,546	THB	347,902	44,280
Revolving credit	USD	153,760	639,294	USD	119,450	500,257
Revolving credit	EUR	38,624	177,409		-	-
Revolving credit	JPY	2,340,770	89,183		-	-
Revolving credit		-	49,800		-	62,500
Term loan		-	5,865		-	3,750
			<u>1,184,145</u>			<u>607,324</u>
Total current borrowings			<u>1,191,118</u>			<u>901,656</u>
Non-current						
Secured						
Hire purchase		-	147		-	579
Revolving loan		-	-	USD	7,380	30,907
Term loan		-	-		-	12,856
			<u>147</u>			<u>44,342</u>
Unsecured						
Syndicated loan	USD	108,500	452,586	USD	310,000	1,298,280
Less: Transaction costs		-	(2,559)			(4,432)
			450,027			1,293,848
Term loan		-	17,038		-	11,250
Exchangeable bond	USD	201,022	838,524		-	-
			<u>1,305,589</u>			<u>1,305,098</u>
Total non-current borrowings			<u>1,305,736</u>			<u>1,349,440</u>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2019 (CONTINUED)**

24. Group loans and borrowings (continued)

Summary	As at 30 Nov 2019		As at 30 Nov 2018			
		RM'000		RM'000		
	USD	495,807	2,066,073	USD	488,113	2,043,764
	RM	71,431	71,431	RM	163,052	163,052
	THB	670,702	92,546	THB	347,902	44,280
	EUR	38,670	177,621			-
	JPY	2,340,770	89,183			-
Total loans and borrowings			2,496,854			2,251,096
Exchange rate RM to USD1.00			4.1713			4,1880
Exchange rate RM to THB1.00			0.1380			0.1273
Exchange rate RM to EUR1.00			4.5932			-
Exchange rate RM to JPY1.00			0.0381			-

25. Notes to the Statement of Comprehensive Income

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

	Quarter Ended and Year To Date Ended 30 Nov 2019 RM'000
Interest income	1,725
Other income including investment income	7,620
Interest expenses	(18,718)
Depreciation and amortization	(54,393)
Foreign exchange gain	1,839
Fair value gain on foreign exchange contracts	1,958

26. Material litigation

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

The Board is not aware of any proceedings, pending or threatened against the Group, or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group.

In reference to all the announcements made in relation to the below mentioned legal proceedings, the Board wishes to provide the latest update on the legal proceedings as follows:

(Unless otherwise defined, the terms used herein shall have the same meaning as those defined in the Announcements in relation to the following legal proceedings.)

1. Fresh Mareva Injunction against Low Chin Guan, Wong Chin Toh and ACPL in the Writ Action and Adventa Capital Pte Ltd the KL OS2 ("the Applications") at the Kuala Lumpur High Court.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2019 (CONTINUED)

26. Material litigation (Continued)

The Company and Top Care have obtained:

- (i) In the Fresh Mareva Injunction, an Erinford injunction pending the disposal of their appeal at the Court of Appeal. Pursuant to the Erinford injunction, Low Chin Guan and Wong Chin Toh are restrained up to RM219.7 million and ACPL Sdn Bhd up to the amount of RM72.3 million;
- (ii) In KL OS2, an Erinford injunction pending disposal of their appeal at the Court of Appeal. Pursuant to the Erinford injunction, Adventa Capital Pte Ltd is restrained up to RM219.7 million pending disposal of their appeal at the Court of Appeal.

The appeals at the Court of Appeal were partially heard on 1 August 2019 and adjourned to 25 March 2020. For the Writ Action, the High Court has vacated all trial dates previously fixed and fixed new trial dates in March 2020 to October 2020.

2. Mareva Injunction at the High Court of the Republic of Singapore and subsequently at the Singapore arbitration tribunal.

On 10 June 2019, the Singapore High Court has set aside the Mareva Order but granted an Erinford injunction up to RM714.9 million on the same terms as the Mareva Order. The Erinford injunction will subsist until the Company and Top Care file an application for a Mareva injunction to the arbitration tribunal by 24 June 2019, and if the Company and Top Care file such application, the Erinford injunction will remain in force until further determination or order by the arbitration tribunal. The Company and Top Care have on 23 June 2019 filed the aforesaid application at the arbitration tribunal. The application was heard from 21 to 23 November 2019 but the decision is still pending.

3. Arbitration proceedings at the Singapore International Arbitration Centre involving the Company and Top Care against Adventa Capital ("Singapore Arbitration").

The evidentiary hearing of Arbitration proceedings has been fixed from January to June 2021.

Based on available information and on legal advice, there have a more than even chance of success in this claims.

27. Dividends

The Board of Directors has on 26 September 2019 declared a final single tier dividend of 4 sen per ordinary share amounting to approximately RM102.4 million for the financial year ended 31 August 2019, payable on 23 December 2019.

28. Earnings per share

	Quarter Ended and Year To Date Ended	
	30 Nov 2019	30 Nov 2018
<u>Basic</u>		
Profit net of tax attributable to owners of the parent (RM'000)	111,426	110,055
Weighted average number of ordinary shares in issue ('000)	2,555,009	2,554,246
Basic earnings per share (sen)	4.36	4.31
<u>Diluted</u>		
Weighted average number of ordinary shares in issue ('000)	2,555,009	2,554,246
Effect of dilution from:		
Share options ('000)	-	621
Exchangeable bonds ('000)	131,215	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	2,686,224	2,554,867
Diluted earnings per share (sen)	4.15	4.31

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PRESS RELEASE

Top Glove Corporation Bhd [Company No. 199801018294 (474423-X)]

For Immediate Release

A STRONG START TO FY2020 FOR TOP GLOVE

***51% surge in Net Profit quarter-on-quarter underpinned by continued growth
in nitrile glove sales***

Shah Alam, Tuesday, 17 December 2019 Top Glove Corporation Bhd (“Top Glove”) today announced its financial results for the First Quarter or 1QFY20 (from 1 September 2019 to 30 November 2019), turning in a robust Profit primarily attributed to better contributions from both the nitrile glove and natural rubber glove segments.

For 1QFY20, the Group achieved Sales Revenue of RM1.21 billion, up 1.7% quarter-on-quarter. Its profit figures were solid, with Profit Before Tax surging 70% to RM125.5 million and Profit After Tax rising 51.1% to RM111.8 million, compared with the preceding quarter. Meanwhile, Sales Volume (Quantity Sold) growth was a healthy 6% versus 4QFY19.

Year-on-year Sales Revenue was softer by 4.2%, while Profit After Tax and Sales Volume improved slightly by 0.1% and 0.2% respectively against 1QFY19, during which the Group had benefited from tailwinds coupled with lower raw material prices.

The Group’s commendable profit was mainly attributed to a strong performance in the nitrile glove segment, which saw Sales Volume growth of 12% versus 4QFY19. This was largely the result of ongoing technological advancements, as well as automation and digitalisation initiatives, which led to higher levels of efficiency and quality control, thereby enabling the Group to increase its sales and profitability. Meanwhile, increased nitrile capacity from ongoing organic expansion allowed the Group to further grow sales, cater to larger customers and capture a bigger market share in US, Western Europe and Japan. Also contributing to profit margins was the natural rubber glove segment, as the impact of the upward revision in average selling prices (ASPs) came into effect alongside the downward trend in the price of latex concentrate. Sales Volume growth in the natural rubber glove segment was lower year-on-year, following slower demand growth in developing countries compared with 1QFY19, coupled with competition. However, the Group is confident that demand growth will pick up going forward, driven by increased healthcare awareness arising from improved standards of living.

In addition, Top Glove's Thailand operations contributed positively to its good performance, while the Group continued to see recovery in its China operations, which improved due to better ASPs for its vinyl gloves. Aspion's positive profit position also contributed to the Group's bottom line.

In line with expectations, average latex concentrate prices continued their downward trend, falling by 11% from RM4.64/kg in 4QFY19 to RM4.13/kg in 1QFY20. Average prices for nitrile latex also decreased marginally by 1.8% from USD1.08/kg to USD1.06/kg quarter-on-quarter.

In tandem with strong glove demand which is estimated to grow at 10% to 12% yearly, the Group will continue to embark on organic expansion, the plans for which are detailed as follows:

Factories	To commence production by (Calendar quarter)	Country	Glove type	Number of production lines	Capacity (pcs per annum)
Current: 33 glove factories			All	683 lines	70.1 bn
Expansion in progress : Glove					
F7A Refurbishment	1 st quarter 2020	Thailand	Latex	4 lines	0.4 bn
F2B Refurbishment	1 st quarter 2020	Malaysia	Nitrile	4 lines	0.7 bn
F5A New Factory	1 st quarter 2020	Malaysia	Nitrile	20 lines	2.5 bn
F40 New Factory 1 st Phase	2 nd quarter 2020	Malaysia	Nitrile	22 lines	2.7 bn
F41 New Factory 1 st Phase	2 nd quarter 2020	Vietnam	PVC	20 lines	2.0 bn
F8A New Factory 1 st Phase	4 th quarter 2020	Thailand	Nitrile	28 lines	3.5 bn
Total new capacity in 2020				98 lines	11.8 bn
F40 New Factory 2 nd Phase	1 st quarter 2021	Malaysia	Nitrile	16 lines	2.0 bn
F42 New Factory 1 st Phase	1 st quarter 2021	Malaysia	Nitrile	24 lines	3.0 bn
F41 New Factory 2 nd Phase	2 nd quarter 2021	Vietnam	PVC	20 lines	2.0 bn
F45 New Factory 1 st Phase	4 th quarter 2021	Malaysia	Nitrile	20 lines	2.5 bn
Total new capacity in 2021				80 lines	9.5 bn
Total new capacity by 2021				178 lines	21.3 bn
Grand total by December 2021 : 39 glove factories				861 lines	91.4 bn

Top Glove will continue to invest in existing line refurbishment and building new technologically advanced glove factories. The Group's newer factories will feature more automation and digitalisation initiatives, such as an Automated Guided Vehicle (AGV) transport and warehouse management system, production SCADA system, glove auto packing system, artificial intelligence vision camera system for online detection and removal of defective gloves, as well as auto compounding and chemical preparation. In addition, the Group will continue to explore M&As and JVs, while also diversifying into rubber or healthcare-related businesses.

Reflecting the importance of R&D and innovation at Top Glove, plans are in progress to establish a *Manufacturing and Research Centre of Excellence*, the Group's new state-of-the-art hub for R&D and product innovation embracing Industry Revolution 4.0 initiatives, based in Banting, Malaysia.

Commenting on the Group's performance, Tan Sri Dr Lim Wee Chai, Executive Chairman of Top Glove said, "I am pleased with the Company's performance for the quarter in review, during which we have achieved strong profits despite intense competition. We credit this to the tireless efforts of all our team members, as well as our continuous improvement initiatives which enable us to keep enhancing our quality as well as operational and cost efficiency".

In recognition of its continued good performance, Top Glove remains a component of the FBM KLCI following a recent review by the FTSE Russell in December 2019. Top Glove also garnered several prestigious local and regional HR awards in October and November 2019, which include *Graduates' Choice Award 2019: Champion (Manufacturing)*, *Malaysia's 100 Leading Graduate Employers 2019: Winner (Chemicals and Heavy Industries)* and *HR Asia's Best Companies to Work for In Asia 2019 (Malaysian Chapter): Winner*.

As a socially responsible employer and industry leader, Top Glove is committed to upholding fair labour practices and complying with requirements of labour laws, while ensuring adequate measures are in place to protect the safety and well-being of its workforce.

In the face of a difficult business environment, Top Glove remains upbeat in terms of outlook. Tan Sri Dr Lim observed, "We have begun FY2020 on strong footing, which sets a positive tone for the rest of the year. While it may be challenging and competitive, the new year will also bring opportunities which we are excited to leverage."

"Industry prospects remain promising and to ensure we are well-positioned to tap the growing glove demand, we will continue to prioritise R&D, innovation and Industry 4.0 initiatives. These will enable us to increase quality, operational efficiency and effectiveness, while keeping our customers satisfied, which ultimately allows us to deliver good results in the quarters to come", Tan Sri Dr Lim concluded.

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About Top Glove Corporation Bhd

Top Glove Corporation Bhd is listed on the Bursa Malaysia Stock Exchange Main Board and Singapore Exchange Mainboard. It is also one of the component stocks of the MSCI Global Standard Index, FTSE Bursa Malaysia KLCI, FBM Top 100 Index, FBM Emas Index, FBM Hijrah Syariah Index, FBM Emas Syariah Index, FTSE4Good Bursa Malaysia Index and the Dow Jones Sustainability Indices (DJSI) for Emerging Markets. Top Glove is currently the world's largest manufacturer of gloves with an established corporate culture and good business direction of producing consistently high quality, cost efficient gloves. Top Glove has over 2,000 customers worldwide and exports to more than 195 countries.

Summary of key information:

	As at 17 December 2019
Number of Factories	42 factories (37 in Malaysia, 4 in Thailand, 1 in China) comprising: <ul style="list-style-type: none">• 33 glove factories• 2 latex concentrate plants• 3 chemical factories• 1 glove former factory• 1 packaging material factory• 1 dental dam factory• 1 condom factory
Number of Marketing Offices	6 (Malaysia, USA, Germany, Brazil, China and Thailand)
Number of Glove Production Lines	683
Glove Production Capacity	70.1 billion pieces per annum
Number of Employees	18,000