

Quarterly rpt on consolidated results for the financial period ended 28 Feb 2019

TOP GLOVE CORPORATION BHD

Financial Year End 31 Aug 2019
 Quarter 2 Qtr
 Quarterly report for the financial period ended 28 Feb 2019
 The figures have not been audited

Attachments

[TopGlove_2QFY19_Financial Results.pdf](#)
473.2 kB

[TopGlove_2QFY19_Press Release.pdf](#)
156.0 kB

Default Currency

Other Currency

Currency: **Malaysian Ringgit (MYR)**

SUMMARY OF KEY FINANCIAL INFORMATION 28 Feb 2019

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	28 Feb 2019	28 Feb 2018	28 Feb 2019	28 Feb 2018
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	1,159,965	958,440	2,421,930	1,896,556
2 Profit/(loss) before tax	125,470	124,524	267,349	246,514
3 Profit/(loss) for the period	106,677	109,990	218,348	215,935
4 Profit/(loss) attributable to ordinary equity holders of the parent	105,792	109,010	215,847	214,455
5 Basic earnings/(loss) per share (Subunit)	4.14	4.31	8.45	8.47
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 (\$\$)	0.9800	0.9400

Remarks :

1) For comparative purpose, the earnings per share for the quarter and year to date ended 28 February 2018 had been adjusted to reflect the bonus issue of 1 bonus share for every 1 existing ordinary share which was completed on 29 October 2018.

2) For comparative purpose, the net assets per share for 31 August 2018 had been adjusted to reflect the bonus issue of 1 bonus share for every 1 existing ordinary share which was completed on 29 October 2018.

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	22 Mar 2019
Category	Financial Results
Reference Number	FRA-14032019-00005



TOP GLOVE CORPORATION BHD.

(Company No. 474423-X)

The World's Largest Manufacturer of Gloves

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CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2019

	Current Quarter Ended	Corresponding Quarter Ended	Current Year To Date	Corresponding Year To Date
	28-Feb-2019	28-Feb-2018	28-Feb-2019	28-Feb-2018
	RM'000	RM'000	RM'000	RM'000
Revenue	1,159,965	958,440	2,421,930	1,896,556
Operating expenses	(1,025,073)	(839,850)	(2,138,413)	(1,669,834)
Other operating income	10,418	6,570	21,585	21,303
Profit from operations	145,310	125,160	305,102	248,025
Finance costs	(19,870)	(2,721)	(38,540)	(4,320)
Share of results of associate	30	2,085	787	2,809
Profit before tax	125,470	124,524	267,349	246,514
Taxation	(18,793)	(14,534)	(49,001)	(30,579)
Profit net of tax	106,677	109,990	218,348	215,935
Profit attributable to:				
Owners of the parent	105,792	109,010	215,847	214,455
Non-controlling interests	885	980	2,501	1,480
	106,677	109,990	218,348	215,935
Earnings per share attributable to owners of the parent (sen):				
Basic	4.14	4.31*	8.45	8.47*
Diluted	4.14	4.31*	8.45	8.47*

* For comparative purpose, the earnings per share for the quarter and year to date ended 28 February 2018 had been adjusted to reflect the bonus issue of 1 bonus share for every 1 existing ordinary share which was completed on 29 October 2018.

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2018.

TOP GLOVE CORPORATION BHD.

(Company No. 474423-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2019**

	Current Quarter	Corresponding	Current	Corresponding
	Ended	Quarter Ended	Year To Date	Year To Date
	28-Feb-2019	28-Feb-2018	28-Feb-2019	28-Feb-2018
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	106,677	109,990	218,348	215,935
Other comprehensive income/(loss):				
Net movement on debt instrument at fair value through other comprehensive income	1,189	(389)	(374)	(603)
Foreign currency translation differences of foreign operations	2,885	(1,243)	14,409	(16,797)
Net movement on cash flow hedge	31,201	-	7,821	-
Other comprehensive income/(loss)	35,275	(1,632)	21,856	(17,400)
Total comprehensive income	141,952	108,358	240,204	198,535
Total comprehensive income attributable to:				
Owners of the parent	140,852	107,417	237,174	197,311
Non-controlling interest	1,100	941	3,030	1,224
	141,952	108,358	240,204	198,535

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2018.

TOP GLOVE CORPORATION BHD.(Company No. 474423-X)
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2019**

	Unaudited as at 28-Feb-2019 RM'000	Audited as at 31-Aug-2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,233,770	2,064,817
Land use rights	128,451	101,675
Investment properties	164,038	163,900
Investment in associate	2,484	1,697
Deferred tax assets	19,624	14,288
Intangible asset	37,871	-
Investment	392	392
Goodwill	1,228,270	1,304,496
	3,814,900	3,651,265
Current assets		
Inventories	532,963	508,186
Trade and other receivables	591,554	646,179
Other current assets	65,868	106,380
Derivative financial instruments	1,292	-
Investment securities	138,892	193,714
Cash and bank balances	174,410	164,836
	1,504,979	1,619,295
Total assets	5,319,879	5,270,560
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	422,075	499,685
Other current liabilities	62,641	59,248
Loans and borrowings	940,132	882,575
Tax payable	24,084	8,680
Derivative financial instruments	-	856
	1,448,932	1,451,044
Net current assets	56,047	168,251
Non-current liabilities		
Loans and borrowings	1,234,349	1,330,359
Deferred tax liabilities	124,590	94,670
Provisions	759	719
	1,359,698	1,425,748
Total liabilities	2,808,630	2,876,792
Net assets	2,511,249	2,393,768
Equity attributable to equity holders of the company		
Share capital	788,371	787,709
Treasury shares	(9,325)	(9,325)
Retained earnings	1,683,493	1,595,546
Other reserves	30,393	4,551
	2,492,932	2,378,481
Non-controlling interest	18,317	15,287
Total equity	2,511,249	2,393,768
Total equity and liabilities	5,319,879	5,270,560
Net assets per share (RM)	0.98	0.94*

* For comparative purpose, the net assets per share for 31 August 2018 had been adjusted to reflect the bonus issue of 1 bonus share for every 1 existing ordinary share which was completed on 29 October 2018.

TOP GLOVE CORPORATION BHD

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 28 FEBRUARY 2019**

	← Attributable to owners of the parent →										
	Equity attributable to owners of the parent, total 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	Fair value adjustment reserve RM'000	Retained earnings RM'000	Non-controlling interest RM'000		
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
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	2,511,249	2,492,932	788,371	(9,325)	50,005	9,237	6,371	(33,683)	(1,537)	1,683,493	18,317
6 months ended 28 February 2018											
Opening balance at 1 September 2017	2,012,481	2,003,280	636,644	(9,739)	53,700	4,929	2,568	-	1,302	1,313,876	9,201
Total comprehensive income	198,535	197,311	-	-	(16,541)	-	-	-	(603)	214,455	1,224
Transactions with owners											
Issuance of ordinary shares pursuant to ESOS	6,421	6,421	6,421	-	-	-	-	-	-	-	-
Issuance of shares to non-controlling interest	900	-	-	-	-	-	-	-	-	-	900
Transfer to retained earnings	-	-	-	-	-	(1,182)	-	-	1,182	-	-
Transfer to legal reserve	-	-	-	-	734	-	-	-	(734)	-	-
Dividend on ordinary shares	(106,690)	(106,690)	-	-	-	-	-	-	(106,690)	-	-
Total transactions with owners	(99,369)	(100,269)	6,421	-	-	734	(1,182)	-	-	(106,242)	900
Closing balance at 28 February 2018	2,111,647	2,100,322	643,065	(9,739)	37,159	5,663	1,386	-	699	1,422,089	11,325

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 2018.

TOP GLOVE CORPORATION BHD.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
AS AT 28 FEBRUARY 2019**

	Current Year To Date Ended 28-Feb-2019 RM'000	Corresponding Year To Date Ended 28-Feb-2018 RM'000
Operating activities		
Profit before taxation	267,349	246,514
Depreciation and amortisation	95,062	63,944
Other adjustments	41,573	(26,351)
Operating cash flows before changes in working capital	<u>403,984</u>	<u>284,107</u>
Changes in working capital		
Net change in current assets	68,441	(93,905)
Net change in current liabilities	(73,866)	(3,666)
Cash flows from operating activities	<u>398,559</u>	<u>186,536</u>
Interest paid	(38,540)	(4,320)
Tax paid	(26,094)	(28,442)
Net cash flows generated from operating activities	<u>333,925</u>	<u>153,774</u>
Investing activities		
Proceeds from disposal of investment securities	127,322	80,666
Purchase of investment securities	(76,103)	(11,641)
Purchase of property, plant and equipment	(224,408)	(213,273)
Proceeds from disposal of property, plant and equipment	8,919	14,734
Deposit paid on acquisition of subsidiary	-	(137,000)
Net cash outflow on acquisition of subsidiaries	-	(46,171)
Interest received	5,092	5,449
Net cash flows used in investing activities	<u>(159,178)</u>	<u>(307,236)</u>
Financing activities		
Dividend paid on ordinary shares	(127,827)	(106,690)
Issuance of shares to non-controlling interest	-	900
Proceeds from issuance of shares	624	6,421
(Repayment)/drawdown of loans and borrowings	(37,970)	197,729
Net cash flows (used in)/generated from financing activities	<u>(165,173)</u>	<u>98,360</u>
Net increase/(decrease) in cash and cash equivalents	9,574	(55,102)
Cash and cash equivalents at 1 September	<u>164,836</u>	<u>240,068</u>
Cash and cash equivalents at 28 February	<u>174,410</u>	<u>184,966</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2018.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 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 2018. 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 2018.

The audited financial statements of the Group for the year ended 31 August 2018 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 2018 except for the adoption of the following new MFRS and Issue Committee Interpretations ("IC Interpretations"):

Description

MFRS 9 Financial Instruments

MFRS 15 Revenue from Contracts with Customers

Clarifications to MFRS 15 Revenue from Contracts with Customers

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 140: Transfers of Investment Property

IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

Annual Improvements to MFRS Standards 2014 – 2016 Cycle

The adoption of the above mentioned standards did 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 2018 was not subject to any qualification.

3. Seasonal or cyclical factors

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

4. Extraordinary and exceptional items

There were no extraordinary and exceptional items of unusual nature affecting assets, liabilities, equity, net income, or cash flows in the interim financial period ended 28 February 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.

TOP GLOVE CORPORATION BHD.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2019 (CONTINUED)

6. Changes in debts and equity securities

As at the quarter ended 28 February 2019, a total of 45,200 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 2019 are as follows:

	No. of shares	RM'000
As at 30 November 2018	2,560,536,448	788,129
Ordinary shares issued pursuant to the ESOS	45,200	242
As at 28 February 2019	2,560,581,648	788,371

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

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)
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		1,377,860

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 28 FEBRUARY 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.

6 months ended 28 February 2019

	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Revenue</u>						
External sales	2,069,393	218,956	54,238	79,343	-	2,421,930
Intersegment sales	53,970	157,064	1,205	-	(212,239)	-
Total Revenue	<u>2,123,363</u>	<u>376,020</u>	<u>55,443</u>	<u>79,343</u>	<u>(212,239)</u>	<u>2,421,930</u>
<u>Result</u>						
Segment profit	274,555	23,790	1,373	5,384	-	305,102
Finance cost						(38,540)
Share of results of Associate						787
Profit before tax						<u>267,349</u>
<u>Assets</u>						
Segment assets	3,442,909	334,147	88,224	204,221	1,250,378	<u>5,319,879</u>
Goodwill						<u>1,228,270</u>
<u>Liabilities</u>						
Segment liabilities	1,269,409	90,619	17,416	1,282,512	148,674	<u>2,808,630</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 financial statements of the Group, except in relation to the earlier announcement on the issuance of Guaranteed Exchangeable Bonds with an aggregate principal amount of up to USD300 million (“Bonds Issue”). The Company and Top Glove Labuan Ltd. have successfully priced USD200 million in principal amount of the Bonds on 20 February 2019 via a bookbuilding exercise and the Bonds Issue was completed on 1 March 2019. The terms and conditions of the Bonds Issue are disclosed in our announcement to Bursa Malaysia on 21 February 2019.

TOP GLOVE CORPORATION BHD.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2019 (CONTINUED)

11. Changes in the composition of the Group

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

- a) Top Glove Vietnam Company Limited
- b) Top Synthetic Rubber Sdn. Bhd.

Other than the above mentioned, there is 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 RM2,038.4 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 RM170.4 million.

TOP GLOVE CORPORATION BHD.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2019 (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 2019 ("2QFY19") with the corresponding period last financial year is as follows:

	2QFY19	2QFY18	Variance	1HFY19	1HFY18	Variance
	RM'mil	RM'mil	%	RM'mil	RM'mil	%
Revenue	1,160.0	958.4	21.0%	2,421.9	1,896.6	27.7%
Operating profit	145.3	125.2	16.1%	305.1	248.0	23.0%
Profit before interest and tax	143.2	125.4	14.2%	300.8	245.4	22.6%
Profit before tax	125.5	124.5	0.8%	267.3	246.5	8.4%
Profit after tax	106.7	110.0	(3.0%)	218.3	215.9	1.1%
Profit attributable to ordinary equity holders of the parent	105.8	109.0	(2.9%)	215.8	214.5	0.6%

For 2QFY19, Top Glove achieved Sales Revenue of RM1.16 billion, a 21% increase compared with 2QFY18. This was attributed to strong Sales Volume growth of 16% which is higher than the projected global demand of about 10% a year, as well as a higher average selling price. The Group's EBIT (Earnings Before Interest and Tax) also improved by 14.2% year on year owing to the increase in quantity sold, as well as quality and operational efficiency enhancements. Meanwhile, Profit Before Tax came in at RM125.5 million, increased by 0.8% compared to 2QFY18, while Profit After Tax was RM106.7 million. Income tax expense was higher due to a reduction in tax allowance, following the expiry of the 3 years' special reinvestment allowance in 2018 and the provision of deferred tax liabilities in the current quarter (as compared with FY18, where deferred tax liabilities were only provided for in 4QFY18).

For 1HFY19, Top Glove achieved Sales Revenue of RM2.42 billion, a 27.7% increase from 1HFY18 and which at the half year mark, already represents 57.5% of the total Sales Revenue for FY18. The strong numbers were attributed to robust Sales Volume, which was 18% higher compared with the previous financial year. The Group's 1HFY19 EBIT also increased year on year, going up by 22.6%, owing to a higher Sales Volume and better operational efficiency. Profit Before Tax and Profit After Tax was also up by 8.4% and 1.1% respectively versus 1HFY18.

Raw material prices were mixed. The average price for natural rubber latex was RM3.62/kg, 17.7% lower than 2QFY18, while the average nitrile latex price surged 1.9% to USD1.08/kg, year on year.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 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	1HFY19 (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	4,214.5	2,421.9
EBITDA	197.8	287.5	364.7	196.7	297.7	310.6	301.8	441.7	524.7	480.9	694.1	395.9
EBITDA margin	14.4%	18.8%	17.5%	9.6%	12.9%	13.4%	13.3%	17.6%	18.2%	14.1%	16.5%	16.3%
PBT	134.6	222.0	305.0	145.5	240.7	242.2	216.3	363.5	442.2	385.0	528.6	267.3
PBT margin	9.8%	14.5%	14.7%	7.1%	10.4%	10.5%	9.5%	14.5%	15.3%	11.3%	12.5%	11.0%
Taxation	26.5	53.9	54.6	30.3	33.4	39.4	32.7	82.3	79.8	54.5	90.7	49.0
PAT	108.1	168.1	250.4	115.1	207.3	202.8	183.6	281.2	362.4	330.5	437.9	218.3
PAT margin	7.8%	11.0%	12.0%	5.6%	9.0%	8.8%	8.1%	11.2%	12.5%	9.7%	10.4%	9.0%

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2019 (CONTINUED)****15. Comparison of quarterly financial results with preceding quarter**

	2QFY19	1QFY19	Variance
	RM'mil	RM'mil	%
Revenue	1,160.0	1,262.0	(8.1%)
Operating profit	145.3	159.8	(9.1%)
Profit before interest and tax	143.2	157.7	(9.2%)
Profit before tax	125.5	141.9	(11.6%)
Profit after tax	106.7	111.7	(4.5%)
Profit attributable to ordinary equity holders of the parents	105.8	110.1	(3.9%)

On a quarter on quarter comparison, Sales Revenue for 2QFY19 eased 8.1%, largely owing to lower average selling price arising from downtrend in raw material costs and some pricing pressure. Notwithstanding this, Sales Volume increased by 1% compared with 1QFY19. Meanwhile, Profit Before Tax and Profit After Tax also eased by 11.6% and 4.5% respectively, which mainly due to more competitive environment and weakening of USD. Raw material prices were lower compared with 1QFY19, with average natural rubber latex and nitrile latex prices easing by 4.2% to RM3.62/kg, and 14.3% to USD1.08/kg respectively.

16. Commentary on prospects and targets

Top Glove will continue to expand its operations in line with the growing glove demand globally. In progress is the expansion of several existing facilities and the construction of new facilities, as follows:

Country	Manufacturing	Commence production by (calendar quarter)	Number of production lines	Capacity (pieces per annum)
Expansion of existing factories				
Malaysia	F32 1 st phase	2 nd quarter 2019	22 lines	2.2 billion
	F33 new block	2 nd quarter 2019	12 lines	1.2 billion
	F32 2 nd phase	3 rd quarter 2019	12 lines	1.2 billion
	F2B refurbishment	4 th quarter 2019	4 lines	0.8 billion
	F5A new block	4 th quarter 2019	20 lines	2.0 billion
Construction of new factories				
Malaysia	F40 new factory, 1 st phase	4 th quarter 2019	22 lines	2.2 billion
	F40 new factory, 2 nd phase	1 st quarter 2020	8 lines	0.8 billion
	F42 new factory, 1 st phase	4 th quarter 2020	48 lines	4.8 billion
Vietnam	F41 new factory, 1 st phase	2 nd quarter 2020	20 lines	2.0 billion
Thailand	F8A new factory, 1 st phase	3 rd quarter 2020	32 lines	3.2 billion
Additional lines & capacity from expansion			200 lines	20.4 billion
Total by December 2020:			848 lines	80.9 billion

These will boost the Group's total number of production lines by an additional 200 lines and production capacity by 20.4 billion gloves per annum. By December 2020, Top Glove is projected to have 848 production lines and a production capacity of 80.9 billion gloves per annum.

TOP GLOVE CORPORATION BHD.

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(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2019 (CONTINUED)

On 1 March 2019, the Group successfully completed an issuance of Exchangeable Bonds in the amount of USD200 million. The purpose of the bonds was to retire existing borrowings and will benefit the company in terms of lower interest cost, as well as improve cash flow. As a result of this exercise, the Group expects to gain about RM16 million per annum in cash savings and RM2 million in interest expenses.

Top Glove will continue to embark on initiatives to improve the operations of Aspion, particularly in terms of production efficiency. Top Glove is also leveraging Aspion's existing capabilities and well established name in surgical gloves to further grow its market share in this segment. This will enable Top Glove to diversify its existing product range, thereby obtaining a competitive edge over other major glove manufacturers.

Going forward, Top Glove envisages a highly challenging business environment both on the domestic front and macroeconomic level. However, the Group remains positive on industry outlook. Gloves are an essential item in the medical sector, the demand for which has proven to be relatively resilient to economic and political uncertainty and is set to grow at more than 10% a year.

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 2019 RM'000	28 Feb 2018 RM'000	28 Feb 2019 RM'000	28 Feb 2018 RM'000
Income tax				
Current quarter/year	16,982	14,560	41,515	30,347
Over provision	(16)	-	(16)	-
Real property gain tax	-	-	-	288
Deferred taxation	1,827	(26)	7,502	(56)
	<u>18,793</u>	<u>14,534</u>	<u>49,001</u>	<u>30,579</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	Year To Date Ended
	28 Feb 2019 RM'000	28 Feb 2019 RM'000
Purchase of quoted securities	11,981	11,981
Disposal of quoted securities	13,922	13,922

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 SECOND QUARTER ENDED 28 FEBRUARY 2019 (CONTINUED)****22. Derivative financial instruments**

	As at 28 February 2019	
	Contract/Notional Amount RM'000	Fair value Asset RM'000
Forward currency contracts	285,416	1,292

As at 28 February 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 June 2019.

During the year to date ended 28 February 2019, the Group recognised a gain of RM2,145,000 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 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)	100,476	-	100,476
Financial assets at fair value through profit or loss			
• Money market funds (quoted in Malaysia)	38,416	-	38,416
Derivative financial instruments	-	1,292	1,292

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2019 (CONTINUED)****24. Group loans and borrowings**

The Group loans and borrowings as at 28 February 2019 were as follows:

	As at 28 Feb 2019		As at 28 Feb 2018	
	Foreign Currency Denominated '000	RM'000	Foreign Currency Denominated '000	RM'000
Current				
Secured				
Bank overdraft	-	1,482	-	3,721
Bankers' acceptance	-	29,246	-	16,758
Hire purchase	-	856	-	2,626
Revolving credit	USD 24,174	98,399	USD 8,143	31,967
Term loan	USD 20,806	84,690	-	-
Term loan	-	1,870	-	340
Trade loan financing	-	27,029	-	-
		<u>243,572</u>		<u>55,412</u>
Unsecured				
Bank overdraft	-	3	-	-
Bankers' acceptance	-	9,236	-	-
Promissory notes	THB 362,602	46,955	THB 484,102	60,386
Revolving loan	USD 5,220	21,248	-	-
Revolving credit	USD 109,900	447,348	USD 89,900	352,902
Revolving credit	JPY 556,650	20,434	-	-
Revolving credit	-	71,900	-	65,000
Term loan	-	16,343	-	-
Syndicated loan	USD 15,500	63,093	-	-
		<u>696,560</u>		<u>478,288</u>
Total current borrowings		<u>940,132</u>		<u>533,700</u>
Non-current				
Secured				
Revolving loan	-	-	USD 11,295	44,339
Hire purchase	-	-	-	3,605
Term loan	-	3,459	-	3,613
		<u>3,459</u>		<u>51,557</u>
Unsecured				
Revolving loan	USD 6,075	24,728	-	-
Term loan	-	7,400	-	-
Syndicated loan	USD 294,500	1,198,762	-	-
		<u>1,230,890</u>		<u>-</u>
Total non-current borrowings		<u>1,234,349</u>		<u>51,557</u>
Summary		RM'000		RM'000
	USD 476,175	1,938,268	USD 109,338	429,208
	RM 168,824	168,824	RM 95,663	95,663
	THB 362,602	46,955	THB 484,102	60,386
	JPY 556,650	20,434		-
Total loans and borrowings		<u>2,174,481</u>		<u>585,257</u>
Exchange rate RM to USD1.00		4.0705		3.9255
Exchange rate RM to THB1.00		0.1294		0.1247
Exchange rate RM to JPY1.00		0.0367		-

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2019 (CONTINUED)

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 2019 RM'000	Year To Date Ended 28 Feb 2019 RM'000
Interest income	2,154	5,092
Other income including investment income	8,264	16,493
Interest expenses	(19,870)	(38,540)
Depreciation and amortization	(47,372)	(95,062)
Foreign exchange gain	10,807	3,591
Fair value gain on foreign exchange contracts	2,613	2,145

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 the KL OS2 (“the Applications”).

The Company and Top Care have an injunctioned sum of RM219.7 million and the hearing at the Court of Appeal is fixed on 1 August 2019.

The High Court has fixed trial dates for the Writ Action in September 2019 to November 2019.

- 2) Arbitration proceedings at the Singapore International Arbitration Centre involving our Company and Top Care against Adventa Capital (“Singapore Arbitration”).

The hearing dates fixed for Adventa Capital’s application to set aside the Company’s and Top Care’s Singapore Mareva Injunction for the value of RM714.9 million in the Singapore OS and the leave application are from 14 to 16 May 2019.

Based on available information and on legal advice, there is a strong chance of succeeding in this claim.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2019 (CONTINUED)****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	
	28 Feb 2019	28 Feb 2018	28 Feb 2019	28 Feb 2018
Net profit attributable to owners of the Company shareholders (RM'000)	<u>105,792</u>	<u>109,010</u>	<u>215,847</u>	<u>214,455</u>
<u>Basic</u>				
Weighted average number of ordinary shares in issue ('000)	<u>2,554,359</u>	<u>2,531,302</u>	<u>2,554,314</u>	<u>2,530,802</u>
Basic earnings per share (sen)	<u>4.14</u>	<u>4.31 *</u>	<u>8.45</u>	<u>8.47 *</u>
<u>Diluted</u>				
Weighted average number of ordinary shares in issue ('000)	2,554,359	2,531,302	2,554,314	2,530,802
Effect of dilution: share options ('000)	<u>1,417</u>	<u>865</u>	<u>1,417</u>	<u>865</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>2,555,776</u>	<u>2,532,167</u>	<u>2,555,731</u>	<u>2,531,667</u>
Diluted earnings per share (sen)	<u>4.14</u>	<u>4.31 *</u>	<u>8.45</u>	<u>8.47 *</u>

*For comparative purpose, the number of ordinary shares issued as at 28 February 2018 had been adjusted to reflect the bonus issue of 1 bonus share for every 1 existing ordinary share which was completed on 29 October 2018.

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PRESS RELEASE

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

For Immediate Release

GOOD SALES VOLUME GROWTH AMIDST CHALLENGING ENVIRONMENT

Top Glove delivers consistent Sales Volume growth in 2nd quarter FY2019

Shah Alam, Friday, 22 March 2019 Top Glove Corporation Bhd (Top Glove) today announced its financial results for the Second Quarter ended 28 February 2019 (2QFY19), delivering commendable Sales Volume (quantity sold) growth of 18% in 1HFY19, despite a challenging environment and a “softer” quarter with shorter work months.

For 1HFY19, Top Glove achieved Sales Revenue of RM2.42 billion, a 27.7% increase from 1HFY18 and which at the half year mark, already represents 57.5% of the total Sales Revenue for FY18. The strong numbers were attributed to robust Sales Volume, which was 18% higher compared with the corresponding period in the previous financial year. The Group’s 1HFY19 EBIT (Earnings Before Interest and Tax) also increased 22.6% year-on-year, owing to a higher Sales Volume and better operational efficiency. Profit Before Tax was also up by 8.4% while Profit After Tax was higher by 1.1% versus 1HFY18.

For 2QFY19, Top Glove achieved Sales Revenue of RM1.16 billion, a 21% increase compared with 2QFY18. This was attributed to strong Sales Volume growth of 16% which is higher than the projected global demand of about 10% a year, as well as a higher average selling price (ASP). The Group’s EBIT also improved by 14.2% year-on-year owing to the increase in quantity sold, as well as quality and operational efficiency enhancements. Meanwhile, Profit Before Tax came in at RM125.5 million, slightly higher than the corresponding quarter in FY18 and Profit After Tax was RM106.7 million. Income tax expense was higher due to a reduction in tax allowance, following the expiry of the 3-year special reinvestment allowance in calendar year 2018 and the provision of deferred tax liabilities in the current quarter (as compared with FY18, where deferred tax liabilities were only provided for in 4QFY18).

Raw material prices for 2QFY19 remained mixed year on year, with the average price for natural rubber latex lower by 17.7% at RM3.62/kg, while the average nitrile latex price increased 1.9% to USD1.08/kg. Meanwhile, raw material prices were in decline compared with 1QFY19, with average natural rubber latex and nitrile latex prices easing by 4.2% and 14.3% respectively.

Tan Sri Dr Lim Wee Chai, Top Glove Corporation Bhd's Executive Chairman said, "We are pleased to have delivered strong results with robust Sales Volume growth, despite a challenging and competitive operating environment. Our good performance speaks to the effectiveness of our ongoing quality and efficiency enhancement programs."

Top Glove will continue to expand its operations in line with the growing glove demand globally. In progress is the expansion of several existing facilities and the construction of new facilities, as follows:

Top Glove's Expansion Plans				
Country	Manufacturing	Operational by	Number of production lines	Capacity (pcs per annum)
Existing factory expansion				
Malaysia	F32 1 st Phase	2 nd quarter 2019	22 lines	2.2 bn
	F32 2 nd Phase	3 rd quarter 2019	12 lines	1.2 bn
	F33 New Block	2 nd quarter 2019	12 lines	1.2 bn
	F2B Refurbishment	4 th quarter 2019	4 lines	0.8 bn
	F5A New Block	4 th quarter 2019	20 lines	2.0 bn
Construction of new factories				
Malaysia	F40 New Factory 1 st Phase	4 th quarter 2019	22 lines	2.2 bn
	F40 New Factory 2 nd Phase	1 st quarter 2020	8 lines	0.8 bn
	F42 1 st Phase	4 th quarter 2020	48 lines	4.8 bn
Vietnam	F41 New Factory 1 st Phase	2 nd quarter 2020	20 lines	2.0 bn
Thailand	F8A New Factory 1 st Phase	3 rd quarter 2020	32 lines	3.2 bn
Additional lines and capacity from expansion:			200 lines	20.4 bn
Total by December 2020:			848 lines	80.9 bn

These will boost the Group's total number of production lines by an additional 200 lines and production capacity by 20.4 billion gloves per annum. By December 2020, Top Glove is projected to have a total of 848 production lines and a production capacity of 80.9 billion gloves per annum.

On 1 March 2019, the Group successfully completed an issuance of Exchangeable Bonds in the amount of USD200 million. The purpose of the bonds was to retire existing borrowings and will benefit the company in terms of lower interest cost, as well as improve cashflow. As a result of this exercise, the Group expects to gain about RM16 million per annum in cash savings and RM2 million in interest expenses.

Top Glove will continue to embark on initiatives to improve the operations of Aspion, particularly in terms of production efficiency. Top Glove is also leveraging Aspion's existing capabilities and well established name in surgical gloves to further grow its market share in this segment. This will enable Top Glove to diversify its existing product range, thereby obtaining a competitive edge over other major glove manufacturers.

Going forward, Top Glove envisages a highly challenging business environment both on the domestic front and macro economic level. However, the Group remains positive on industry outlook. Gloves are an essential item in the medical sector, the demand for which has proven to be relatively resilient to economic and political uncertainty and is set to grow more than 10% a year.

Tan Sri Dr Lim commented, “We have done well in 2QFY19 despite the challenging business environment and aim to do even better over the course of the financial year. We view the challenges ahead positively and they will serve as a springboard for greater success, inspiring us to work harder, smarter, faster and more creatively”.

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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 Index, FBM Top 100 Index, FBM Emas Index, FBM Emas Syariah Index, and FTSE4Good Bursa Malaysia Index. 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 22 March 2019
Number of Factories	40 factories (35 in Malaysia, 4 in Thailand, 1 in China) comprising: <ul style="list-style-type: none">• 32 glove factories• 2 latex concentrate plants• 2 chemical factories• 1 glove former factory• 1 packaging 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	648
Glove Production Capacity	60.5 billion pieces per annum
Number of Employees	18,000