

Quarterly rpt on consolidated results for the financial period ended 28 Feb 2017

TOP GLOVE CORPORATION BHD

Financial Year End 31 Aug 2017
 Quarter 2 Qtr
 Quarterly report for the financial period ended 28 Feb 2017
 The figures have not been audited

Attachments

[Top_Glove_2QFY17_Press Release.pdf](#)
48.1 kB

[TopGlove_2QFY17_Financial_Results.pdf](#)
361.3 kB

Default Currency

Other Currency

Currency: **Malaysian Ringgit (MYR)**

SUMMARY OF KEY FINANCIAL INFORMATION 28 Feb 2017

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	851,537	693,855	1,637,120	1,494,131
2 Profit/(loss) before tax	102,728	131,841	192,484	293,109
3 Profit/(loss) for the period	83,202	105,238	156,836	234,150
4 Profit/(loss) attributable to ordinary equity holders of the parent	83,054	104,607	156,369	232,955
5 Basic earnings/(loss) per share (Subunit)	6.63	8.36	12.48	18.69
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 (\$\$)	1.5100	1.4500

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	16 Mar 2017
Category	Financial Results
Reference Number	FRA-07032017-00001

TOP GLOVE**TOP QUALITY, TOP EFFICIENCY****TOP GLOVE CORPORATION BHD.**

(Company No. 474423-X)

The World's Largest Rubber Glove ManufacturerWebsite : www.topglove.com.myE-mail : invest@topglove.com.my**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2017**

	Current Quarter Ended	Corresponding Quarter Ended	Current Year To Date	Corresponding Year To Date
	28-Feb-2017	29-Feb-2016	28-Feb-2017	29-Feb-2016
	RM'000	RM'000	RM'000	RM'000
Revenue	851,537	693,855	1,637,120	1,494,131
Operating Expenses	(758,124)	(571,557)	(1,461,995)	(1,219,411)
Other Operating Income	10,732	10,954	20,802	21,428
Profit From Operations	104,145	133,252	195,927	296,148
Finance Costs	(1,474)	(1,505)	(2,643)	(3,172)
Share of results of associates	57	94	(800)	133
Profit Before Tax	102,728	131,841	192,484	293,109
Taxation	(19,526)	(26,603)	(35,648)	(58,959)
Profit Net of Tax	83,202	105,238	156,836	234,150
Profit Attributable to:				
Owners of the Company	83,054	104,607	156,369	232,955
Minority Interest	148	631	467	1,195
	83,202	105,238	156,836	234,150
Earnings Per Share (sen)				
Basic	6.63	8.36	12.48	18.69
Diluted	6.62	8.34	12.47	18.65

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2016

TOP GLOVE CORPORATION BHD.

(Company No. 474423-X)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2017**

	Current	Corresponding	Current	Corresponding
	Quarter Ended	Quarter Ended	Year To Date	Year To Date
	28-Feb-2017	29-Feb-2016	28-Feb-2017	29-Feb-2016
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	83,202	105,238	156,836	234,150
Other comprehensive income/(loss):				
Net movement on available-for-sale financial assets	6,608	(9,407)	2,797	(9,489)
Foreign currency translation	17,732	(2,216)	28,454	(11,047)
Other comprehensive income/(loss)	24,340	(11,623)	31,251	(20,536)
Total comprehensive income	107,542	93,615	188,087	213,614
Total comprehensive income attributable to:				
Owners of the Company	106,687	92,995	186,910	212,597
Minority Interest	855	620	1,177	1,017
	107,542	93,615	188,087	213,614

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2016

TOP GLOVE CORPORATION BHD.

(Company No. 474423-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2017**

	Unaudited as at 28-Feb-2017 RM'000	Audited as at 31-Aug-2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,321,240	1,156,767
Land use rights	39,330	39,461
Investment properties	84,156	82,184
Investment in associates	3,468	3,961
Deferred tax assets	7,081	7,081
Investment	392	145
Goodwill	22,805	22,805
	1,478,472	1,312,404
Current Assets		
Inventories	322,792	263,679
Trade and other receivables	463,885	345,700
Other current assets	58,446	24,179
Investment securities	282,411	479,081
Cash and bank balances	174,630	224,099
	1,302,164	1,336,738
Total Assets	2,780,636	2,649,142
EQUITY AND LIABILITIES		
Current Liabilities		
Trade and other payables	368,299	332,199
Other current liabilities	37,750	39,368
Short term borrowings	341,986	317,796
Tax payable	2,795	1,357
Derivative financial instruments	633	189
	751,463	690,909
Net Current Assets	550,701	645,829
Non-Current Liabilities		
Long term borrowings	76,491	81,637
Deferred tax liabilities	43,113	50,757
	119,604	132,394
Total Liabilities	871,067	823,303
Net Assets	1,909,569	1,825,839
Equity Attributable to Equity Holders of the Company		
Share capital	634,561	627,406
Share premium	-	4,781
Treasury shares	(9,739)	(9,739)
Retained earnings	1,217,114	1,167,057
Other reserves	58,575	28,508
	1,900,511	1,818,013
Minority Interest	9,058	7,826
Total Equity	1,909,569	1,825,839
Total Equity and Liabilities	2,780,636	2,649,142
Net Tangible Assets per share (RM)	1.49	1.44
Net Assets per share (RM)	1.51	1.46

TOP GLOVE CORPORATION BHD

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2017**

	←----- Attributable to Equity Holders of the Company -----→										
	Equity, total RM'000	← Equity attributable to owners of the parent, total RM'000	Non distributable						Distributable		Minority Interest RM'000
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Foreign exchange reserve RM'000	Legal reserve RM'000	Share option reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000			
6 Months Ended 28 February 2017											
Opening balance at 1 September 2016	1,825,839	1,818,013	627,406	4,781	(9,739)	25,676	4,278	2,861	(4,307)	1,167,057	7,826
Total comprehensive income	188,087	186,910	-	-	-	27,744	-	-	2,797	156,369	1,177
Transactions with owners											
Issuance of ordinary shares pursuant to ESOS	2,096	2,096	1,045	1,051	-	-	-	-	-	-	-
Issuance of shares to non controlling interest	55	-	-	-	-	-	-	-	-	-	55
Reclassification due to compliance with Company Act 2016	-	-	6,110	(6,110)	-	-	-	-	-	-	-
Transfer from share option reserve	-	-	-	278	-	-	-	(278)	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	(196)	-	196	-
Dividend on ordinary shares	(106,508)	(106,508)	-	-	-	-	-	-	-	(106,508)	-
Closing balance at 28 February 2017	1,909,569	1,900,511	634,561	-	(9,739)	53,420	4,278	2,387	(1,510)	1,217,114	9,058
6 Months Ended 29 February 2016											
Opening balance at 1 September 2015	1,614,393	1,607,964	312,092	200,302	(14,722)	42,292	3,781	7,714	(78)	1,056,583	6,429
Total comprehensive income	213,614	212,597	-	-	-	(10,869)	-	-	(9,489)	232,955	1,017
Transactions with owners											
Issuance of ordinary shares pursuant to ESOS	21,876	21,876	2,282	19,589	-	-	-	-	-	5	-
Issuance of bonus shares	-	-	312,857	(220,800)	-	-	-	-	-	(92,057)	-
Share options granted under ESOS	72	72	-	-	-	-	-	72	-	-	-
Transfer from share option reserve	-	-	-	5,131	-	-	-	(5,131)	-	-	-
Share issue expenses	(78)	(78)	-	(78)	-	-	-	-	-	-	-
Resold of treasury shares	16,110	16,110	-	11,127	4,983	-	-	-	-	-	-
Dividend on ordinary shares	(93,724)	(93,724)	-	-	-	-	-	-	-	(93,724)	-
Closing balance at 29 February 2016	1,772,263	1,764,817	627,231	15,271	(9,739)	31,423	3,781	2,655	(9,567)	1,103,762	7,446

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 2016

TOP GLOVE CORPORATION BHD.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 28 FEBRUARY 2017**

	Current Year To Date Ended 28-Feb-2017 RM'000	Corresponding Year To Date Ended 29-Feb-2016 RM'000
Cash Flows From Operating Activities		
Profit before taxation	192,484	293,109
Depreciation and amortisation	53,446	54,206
Other adjustments	33,432	(26,378)
Operating profit before changes in working capital	<u>279,362</u>	<u>320,937</u>
Changes in working capital		
Net change in current assets	(204,810)	48,860
Net change in current liabilities	34,550	(12,592)
Cash flows from operating activities	<u>109,102</u>	<u>357,205</u>
Interest paid	(2,643)	(3,172)
Tax paid	(41,901)	(32,140)
Net cash flows from operating activities	<u>64,558</u>	<u>321,893</u>
Cash flows from investing activities		
Proceeds from disposal of investment securities	232,452	149,345
Purchase of investment securities	(35,815)	(169,781)
Purchase of property, plant and equipment	(213,131)	(117,444)
Proceeds from disposal of property, plant and equipment	10,406	2,130
Interest received	10,449	17,055
Net cash flows from/(used in) investing activities	<u>4,361</u>	<u>(118,695)</u>
Cash flows from financing activities		
Dividend paid on ordinary shares	(106,508)	(93,724)
Share issue expenses	-	(78)
Proceeds from issuance of shares	2,096	21,876
Proceeds of of treasury shares	-	16,110
Repayment of loans and borrowings	(13,976)	(163,807)
Net cash flows used in financing activities	<u>(118,388)</u>	<u>(219,623)</u>
Net change in cash and cash equivalents	(49,469)	(16,425)
Cash and cash equivalents at beginning of year	<u>224,099</u>	<u>146,460</u>
Cash and cash equivalents at end of period	<u>174,630</u>	<u>130,035</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the financial year ended 31 August 2016

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2017**

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysia 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 2016. 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 2016.

The audited financial statements of the Group for the year ended 31 August 2016 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 2016.

2. Auditors’ report

The audited financial statements for the financial year ended 31 August 2016 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 2017.

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 2017 (CONTINUED)

6. Changes in debts and equity securities

As at the quarter ended 28 February 2017, a total of 578,700 new ordinary shares were issued and allotted pursuant to the exercise of the ESOS II, details of the issued and paid-up capital of the Company as at 28 February 2017 are as follows:

	No. of shares	RM'000
As at 30 November 2016	1,255,007,764	627,504
Ordinary shares issued pursuant to the ESOS	578,700	947
Balance share premium as at 31 January 2017*	-	6,110
As at 28 February 2017	1,255,586,464	634,561

* With the implementation of the Companies Act 2016 ("CA 2016") on 26 January 2017, all shares shall have no par or nominal value. In view thereof, the amount standing in share premium as at 31 January 2017 will be part of the Company's share capital. Nevertheless, the Company may within 24 months upon the commencement of the CA 2016, utilised the amount standing in share premium account for such purposes allowed under CA 2016.

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 (RM'000)
2016	14.50	181,655
2015	11.50	143,143
2014	8.00	99,009
2013	8.00	99,252
2012	8.00	99,038
2011	5.50	68,035
2010	8.00	98,877
2009	5.50	65,873
2008	2.75	32,389
2007	2.31	27,435
2006	1.84	21,173
2005	1.33	14,110
2004	1.18	12,295
2003	0.93	9,550
2002	0.28	2,808
2001	0.40	4,000
Total		978,642

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 and 100% in January 2016.
- 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 2017 (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 inter-segment 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 2017

	Malaysia RM'000	Thailand RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	1,370,371	139,649	49,383	77,717	-	1,637,120
Inter-segment sales	41,477	195,738	1,041	-	(238,256)	-
Total Revenue	<u>1,411,848</u>	<u>335,387</u>	<u>50,424</u>	<u>77,717</u>	<u>(238,256)</u>	<u>1,637,120</u>
Result						
Segment profit	163,640	18,685	4,287	9,315	-	195,927
Finance cost						(2,643)
Share of results of Associates						<u>(800)</u>
Profit before tax						<u>192,484</u>
Assets						
Segment assets	2,030,829	307,601	59,905	348,947	7,081	<u>2,754,363</u>
Goodwill						<u>22,805</u>
Investment in Associates						<u>3,468</u>
Liabilities						
Segment liabilities	684,583	117,502	12,940	10,135	45,907	<u>871,067</u>
Other segment information						
Capital commitments	122,765	17,025	236	-	-	<u>140,026</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 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.

TOP GLOVE CORPORATION BHD.

(Company No. 474423-X)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2017 (CONTINUED)

11. Changes in the composition of the Group

There were no significant changes in the composition of the Group for the quarter under review, including business combination, acquisition or disposal of subsidiaries and long-term investment, restructuring and discontinuing operations.

12. Contingent liabilities

There were no significant changes in contingent liabilities since the last annual balance sheet date and there were no contingent liabilities pending at the date of this report.

13. Capital commitments

As at the end of the reporting quarter, the Company had commitments for approved and contracted for capital expenditures amounting approximately to RM140 million.

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

14. Review of performance

Top Glove's performance for the second quarter ended 28 February 2017 ("2QFY17") compared with the corresponding period last financial year is as follows:

	2QFY17	2QFY16	Variance	1HFY17	1HFY16	Variance
	RM'mil	RM'mil	%	RM'mil	RM'mil	%
Revenue	851.5	693.9	22.7	1,637.1	1,494.1	9.6
PBT	102.7	131.8	(22.1)	192.5	293.1	(34.3)
PBT Margin	12.1%	19.0%	(36.3)	11.8%	19.6%	(39.8)

Revenue for 2QFY17 grew 22.7% quarter-on-quarter, mainly due to an increase of 9% in sales volume and of 8% in average selling price, as well as a strengthening of the USD by 4.4%. On a 6 months comparison, revenue increased by 10% mainly attributed to sales volume which was higher by 8%.

Profit before tax for 2QFY17 declined by 22.1% to RM102.7 million, compared with 2QFY16. Meanwhile, Profit before tax for 1HFY17 came in at RM192.5 million, easing 34.3% from 1HFY16. This was mainly attributed to a more competitive environment during the period in review, coupled with the higher raw material prices, unlike the corresponding period last year. Whereas in comparison with 2HFY16, Profit after tax went up by 22%. Meanwhile, profit before tax has been on the uptrend for the past four quarters since 3QFY16, from RM73.7 million to RM102.7 million in 2QFY17, stemming from internal improvements and cost pass-through.

Meanwhile, in 2QFY17, the average natural rubber latex price surged a 5-year high, surging 33% to RM5.95/kg compared with 1QFY17 and 72.5% compared with 2QFY16. The average price for nitrile latex also increased to USD1.08/kg, going up 10.2% compared with 1QFY17 and 12% compared with 1QFY16.

As at 28 February 2017, the Group maintained a positive net cash position of RM38.6 million and a healthy balance sheet.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2017 (CONTINUED)****14. Review of performance (continued)**

The financial results of Top Glove since financial year 2005 are as follows:

RM 'mil	Financial year ended 31 August												
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	1HFY17 (unaudited)
Revenue	641.8	992.6	1,228.8	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	1,637.1
EBITDA	89.2	130.3	175.7	197.8	287.5	364.7	196.7	297.7	310.6	301.8	441.7	524.7	238.1
EBITDA margin	13.9%	13.1%	14.3%	14.4%	18.8%	17.5%	9.6%	12.9%	13.4%	13.3%	17.6%	18.2%	14.5%
PBT	65.7	91.8	118.6	134.6	222.0	305.0	145.5	240.7	242.2	216.3	363.5	442.2	192.5
PBT margin	10.2%	9.2%	9.7%	9.8%	14.5%	14.7%	7.1%	10.4%	10.5%	9.5%	14.5%	15.3%	11.8%
Taxation	7.5	7.0	29.9	26.5	53.9	54.6	30.3	33.4	39.4	32.7	82.3	79.8	35.7
PAT	58.2	84.8	88.7	108.1	168.1	250.4	115.1	207.3	202.8	183.6	281.2	362.4	156.8
PAT margin	9.1%	8.5%	7.2%	7.8%	11.0%	12.0%	5.6%	9.0%	8.8%	8.1%	11.2%	12.6%	9.6%

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2017 (CONTINUED)

15. Quarterly profit before tax (PBT) comparison with preceding quarter

	2QFY17 RM'mil	1QFY17 RM'mil	Variance %
Revenue	851.5	785.6	8.4
PBT	102.7	89.8	14.4
PBT margin	12.1%	11.4%	6.1

The Group achieved Sales Revenue of RM851.5 million, an increase of 8.4% compared with 1QFY17. Profit Before Tax was also on the rise at RM102.7 million, representing an increase of 14.4% against 1QFY17. Top Glove's strong performance despite less favourable conditions (arising from higher raw material prices and a competitive environment), was attributed to improvements adopted across the manufacturing process. These enabled the Group to maintain good quality while managing its costs efficiently. Upward price revisions, were also instrumental in normalising Revenue figures vis-à-vis the previous quarter.

16. Commentary on prospects and targets

As an essential item in the medical sector, the global demand for gloves is expected to continue growing by 6% to 8% every year. To ensure Top Glove is ready to meet demand both in developed and emerging markets, it is steadily expanding its operations. Construction of a new facility, Factory 30 (Klang) is almost completed and is expected to commence production by May 2017 with a production capacity of 4.4 billion gloves per annum. Meanwhile, additional new facilities in Klang, Factory 31 and Factory 32 will respectively commence operations by November 2017 and December 2018, with a production capacity of 2.8 billion and 4.8 billion gloves per annum. By December 2018, the Group is projected to have 632 production lines and a production capacity of 60 billion gloves per annum. Towards improving operational efficiency and increasing automation, Top Glove has also been working with government agencies and domain experts to develop Industry 4.0 applications, which it is in the process of implementing throughout its factories. As a matter of course, it is concurrently exploring mergers and acquisitions and joint ventures with good valuations in similar or related industries.

Looking ahead, the Group expects the business environment to be increasingly challenging, with competition intensifying on a larger scale. Given the high raw material price position, the Group will also have to rely on its good relationships with customers to share out the cost increases. However, in line with industry practice, cost savings when raw material prices decrease, will also be passed on customers. Top Glove is of the view that raw materials prices will stabilise at current levels or possibly be on the downtrend, going forward.

Nonetheless, Top Glove remains optimistic on the industry outlook, given the resilient nature of the industry. It aims to do even better and will continue to strengthen its glove quality, costing and competitiveness in the coming quarters.

17. Variance of actual profits from forecast profits

Not applicable as no profit forecast was issued.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2017 (CONTINUED)****18. Taxation**

	Quarter Ended		Year To Date Ended	
	28 Feb 2017 RM'000	29 Feb 2016 RM'000	28 Feb 2017 RM'000	29 Feb 2016 RM'000
Income tax				
- Current year	23,143	34,150	43,110	65,077
- Overprovision in previous year	-	(5,029)	-	(5,029)
Real property gain tax	16	18	229	62
Deferred taxation	(3,633)	(2,536)	(7,691)	(1,151)
	<u>19,526</u>	<u>26,603</u>	<u>35,648</u>	<u>58,959</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

There was no purchase or disposal of quoted securities by the Group for the current quarter and financial year-to-date.

21. Status of corporate proposals announced

There were no corporate proposals announced which remain uncompleted during the quarter under review as at the date of this report.

22. Group borrowings

The Group borrowings as at 28 February 2017 were as follows:

	As at	As at
	28 Feb 2017 RM'000	29 Feb 2016 RM'000
Short term borrowings		
Unsecured	318,582	302,524
Secured	23,404	74,753
	<u>341,986</u>	<u>377,277</u>
Long term borrowings		
Secured	76,491	94,942
Total borrowings	<u>418,477</u>	<u>472,219</u>

Borrowings are mainly denominated in US Dollar amounting to USD77.4 million and Thai Baht amounting THB585.6 million as at 28 Feb 2017 (29 Feb 2016: USD104.1 million and Thai Baht amounting THB273.9 million).

TOP GLOVE CORPORATION BHD.

(Company No. 474423-X)

(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2017 (CONTINUED)****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 2017, 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:			
Available-for-sale financial assets			
-Debt securities (quoted outside Malaysia)	258,514	-	258,514
Financial assets at fair value through profit or loss			
-Money market funds (quoted in Malaysia)	23,897	-	23,897
Liabilities measured at fair value:			
Derivative financial instruments	-	633	633

24. Realised and Unrealised Profits/Losses

	As at 28 Feb 2017 RM'000	As at 29 Feb 2016 RM'000
Total retained earnings of the company and its subsidiaries:		
Realised	1,307,238	1,186,378
Unrealised	(67,569)	(66,777)
	<u>1,239,669</u>	<u>1,119,601</u>
Less : Consolidation adjustments	(22,555)	(15,839)
Total group retained earnings as per consolidated accounts	<u>1,217,114</u>	<u>1,103,762</u>

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 2017 RM'000	Year To Date Ended 28 Feb 2017 RM'000
Interest income	4,754	10,449
Other income including investment income	5,978	10,353
Interest expenses	(1,474)	(2,643)
Depreciation and amortisation	(27,225)	(53,446)
Foreign exchange (loss)/gain	(4,029)	6,411
Fair value gain/(loss) on foreign exchange contracts	5,964	(444)

TOP GLOVE CORPORATION BHD.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2017 (CONTINUED)****26. Material litigation**

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

27. Dividends

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

28. Earnings per share

	Quarter Ended		Year To Date Ended	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Net profit attributable to owners of the Company shareholders (RM'000)	<u>83,054</u>	<u>104,607</u>	<u>156,369</u>	<u>232,955</u>
<u>Basic</u>				
Weighted average number of ordinary shares in issue ('000)	<u>1,253,005</u>	<u>1,251,377</u>	<u>1,252,855</u>	<u>1,246,570</u>
Basic earnings per share (sen)	<u>6.63</u>	<u>8.36</u>	<u>12.48</u>	<u>18.69</u>
<u>Diluted</u>				
Weighted average number of ordinary shares in issue ('000)	<u>1,253,005</u>	<u>1,251,377</u>	<u>1,252,855</u>	<u>1,246,570</u>
Effect of dilution : share options ('000)	<u>1,498</u>	<u>2,480</u>	<u>1,498</u>	<u>2,480</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>1,254,503</u>	<u>1,253,857</u>	<u>1,254,353</u>	<u>1,249,050</u>
Diluted earnings per share (sen)	<u>6.62</u>	<u>8.34</u>	<u>12.47</u>	<u>18.65</u>

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PRESS RELEASE

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

For Immediate Release

HEALTHY GROWTH IN CHALLENGING TIMES

Group posts higher quarter-on-quarter Revenue and Profit amidst cost increases

Shah Alam, Thursday, 16 March 2017 – Top Glove Corporation Bhd (“Top Glove”) today announced its financial results for the Second Quarter ended 28 February 2017 (“2QFY17”), posting improved Sales Revenue amidst an increasingly challenging business environment.

The Group achieved 2QFY17 Sales Revenue of RM851.5 million, an increase of 8% compared with 1QFY17. Profit Before Tax and Profit After Tax were also on the rise, coming in at RM102.7 million and RM83.2 million, respectively representing an increase of 14% and 13% against 1QFY17. Sales Volume (quantity sold) eased 1% quarter-on-quarter, owing to shorter work months during the quarter in review, but was up 9% compared with 2QFY16.

Top Glove’s strong performance despite less favourable conditions, was attributed to improvements adopted across the manufacturing process, which enabled the Group to maintain good quality while managing its costs efficiently. Upward price revisions implemented, the effects of which were felt in 2QFY17, were also instrumental in normalising Sales Revenue figures vis-à-vis the previous quarter.

Year-on-year, Sales Revenue grew by 23%. However, Profit After Tax was softer by 21% versus 2QFY16, on the back of sharp increases in raw material prices, unlike the corresponding period in FY16.

For 1HFY17, Top Glove recorded Sales Revenue of RM1.6 billion demonstrating growth of 10%, while Sales Volume also trended upward by 8% compared with 1HFY16. Meanwhile, Profit After Tax registered at RM156.8 million, easing 33% from 1HFY16, again attributed to higher raw material prices in 1HFY17. Whereas in comparison with 2HFY16, Profit After Tax went up by 22%.

Meanwhile, in 2QFY17, the average latex price surged to a 5-year high, rising 33% to RM5.95/kg compared with 1QFY17 and 72% compared with 2QFY16. The average price for nitrile also increased to USD1.08/kg, going up 10% compared with 1QFY17 and 12% compared with 2QFY16. The sharp rise in raw material prices have steadily driven average selling prices (ASPs) up.

Tan Sri Dr Lim Wee Chai, Top Glove Corporation Bhd's Executive Chairman remarked: "We have delivered a healthy set of numbers for our 2QFY17, despite a challenging business environment with sharp increases in manufacturing cost. This shows that our approach of focusing on internal factors within our control, such as quality and cost efficiency, and not external factors, is the correct way forward for our business".

As an essential item in the medical sector, the global demand for gloves is expected to continue growing by 6% to 8% every year. To ensure Top Glove is ready to meet demand both in developed and emerging markets, it is steadily expanding its operations. Construction of a new facility, **Factory 30** (Klang) is almost completed and is expected to commence production by May 2017 with a production capacity of 4.4 billion gloves per annum. Meanwhile, additional new facilities in Klang, **Factory 31** and **Factory 32** will respectively commence operations by November 2017 and December 2018, with a production capacity of 2.8 billion and 4.8 billion gloves per annum. By December 2018, the Group is projected to have 632 production lines and a production capacity of 60 billion gloves per annum. Towards improving operational efficiency and increasing automation, Top Glove has also been working with government agencies and domain experts to develop Industry 4.0 applications, which it is in the process of implementing throughout its factories. As a matter of course, it is concurrently exploring mergers and acquisitions and joint ventures with good valuations in similar or related industries.

As at 28 February 2017, the Group maintained a positive net cash position of RM38.6 million and a healthy balance sheet.

Looking ahead, the Group expects the business environment to be increasingly challenging, with competition intensifying on a larger scale. Given the high raw material price position, the Group will also have to rely on its good relationships with customers to share out the cost increases. However, in line with industry practice, cost savings when raw material prices decrease, will also be passed on customers. Top Glove is of the view that raw materials prices will stabilise at current levels or possibly be on the downtrend, going forward.

Nonetheless, Top Glove remains optimistic on industry outlook given the resilient nature of the industry. Tan Sri Dr Lim asserts, "We have done well in what is considered a softer and challenging quarter. However, we aim to do even better and will continue to strengthen our glove quality, costing and competitiveness in the coming quarters".

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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 FTSE Bursa Malaysia (“FBM”) Mid 70 Index, FBM Top 100 Index, FBM Emas Index, FBM Emas Syariah Index, FTSE Bursa Malaysia Hijrah Shariah Index and FTSE4Good Bursa Malaysia Index. Top Glove is currently the world’s largest rubber glove manufacturer 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 16 March 2017
Number of Factories	28 (23 in Malaysia, 4 in Thailand, 1 in China)
Number of Glove Production Lines	512
Glove Production Capacity	48 billion pieces per annum
Number of Employees	10,000