

Company No. : 474423 X

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 August 2006

Company No. : 474423 X

TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services.

The principal activities of the subsidiaries are described in Note 12 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Net profit for the year	<u>78,392</u>	<u>41,981</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31 August 2005 were as follows :

	RM'000
In respect of the financial year ended 31 August 2005 :	
Interim tax exempt dividend of 6%, paid on 16 September 2005	5,655
Final tax exempt dividend of 6%, paid on 14 March 2006	5,713
Final dividend of 4% less 28% taxation, paid on 14 March 2006	<u>2,742</u>
	<u>14,110</u>
In respect of the financial year ended 31 August 2006 :	
Interim tax exempt dividend of 7%, paid on 15 September 2006	<u>6,727</u>

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DIRECTORS' REPORT

At the forthcoming Annual General Meeting, a final tax exempt dividend of 6% on 192,285,300 ordinary shares amounting to RM5,768,559 (3 sen per share) and a final dividend of 5% less 28% taxation amounting to RM3,461,136 (1.80 sen per share) in respect of the financial year ended 31 August 2006 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 August 2007.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are :

Dato' Sri Dr. Lim, Wee-Chai

Tan Sri Datuk (Dr.) Arshad bin Ayub

Datin Sri Tong Siew Bee

Lim Hooi Sin

Sekarajasekaran a/l Arasaratnam

Lau Boon Ann

Quah Chin Chye

Lee Kim Meow

(also alternate to Lim Hooi Sin)

Lim Cheong Guan

(appointed on 31 August 2006)

Haji Shahadan bin Haji Abd Manas

(retired on 31 August 2006)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Options Scheme ("ESOS").

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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DIRECTORS' REPORT

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of Ordinary Shares of RM0.50 Each			
	1 September 2005	Bought	Sold	31 August 2006
Dato' Sri Dr. Lim, Wee-Chai				
- direct	58,728,358	568,000	-	59,296,358
- indirect	29,226,702	256,000	(1,516,000)	27,966,702
Tan Sri Datuk (Dr.) Arshad bin Ayub	2,375,000	-	(1,175,000)	1,200,000
Datin Sri Tong Siew Bee				
- direct	3,284,196	-	-	3,284,196
- indirect	84,670,864	824,000	(1,516,000)	83,978,864
Haji Shahadan bin Haji Abd Manas	276,400	112,000	(58,000)	330,400
Lim Hooi Sin				
- direct	4,979,130	256,000	(256,000)	4,979,130
- indirect	82,975,930	568,000	(1,260,000)	82,283,930
Sekarajasekaran a/l Arasaratnam	7,567,978	-	-	7,567,978
Lau Boon Ann	196,400	-	-	196,400
Lee Kim Meow	537,012	80,000	(60,000)	557,012

	Number of Options over Ordinary Shares of RM0.50 Each			
	1 September 2005	Granted	Exercised	31 August 2006
Dato' Sri Dr. Lim, Wee-Chai	252,000	252,000	(252,000)	252,000
Datin Sri Tong Siew Bee	272,000	112,000	-	384,000
Lim Hooi Sin	256,000	96,000	(256,000)	96,000
Haji Shahadan bin Haji Abd Manas	112,000	112,000	(112,000)	112,000
Lee Kim Meow	272,000	112,000	(80,000)	304,000
Lim Cheong Guan	-	40,000	-	40,000

Dato' Sri Dr. Lim, Wee-Chai, Datin Sri Tong Siew Bee and Lim Hooi Sin by virtue of their interest in shares of the Company are also deemed interested in shares of all the subsidiaries to the extent the Company has an interest.

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DIRECTORS' REPORT

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations or in share options in the Company during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM94,319,300 to RM96,142,650 by way of the issuance of 3,646,700 ordinary shares of RM0.50 each pursuant to the ESOS at an option price of between RM0.87 and RM8.37 per ordinary share.

Subsequent to the end of the financial year up to the date of this report, the Company increased its issued and paid-up share capital from RM96,142,650 to RM96,287,650 by way of the issuance of 290,000 ordinary shares of RM0.50 each pursuant to the ESOS at an option price of between RM3.14 and RM8.62 per ordinary share.

All the new ordinary shares that were issued rank pari passu in all respects with the existing shares.

EMPLOYEE SHARE OPTIONS SCHEME

The Company's ESOS is governed by the by-laws which was approved by the shareholders at the Extraordinary General Meeting held on 9 January 2003 and became effective on 29 April 2003.

The main features and other terms of the ESOS are disclosed in Note 23 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 100,000 ordinary shares. The list of employees granted options to subscribe for 100,000 or more ordinary shares during the financial year is disclosed in the section on Directors' Interests in this report.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

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DIRECTORS' REPORT

- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

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**TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
DIRECTORS' REPORT**

SIGNIFICANT EVENTS

The significant events are disclosed in Note 12 and Note 31 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors

DATO' SRI DR. LIM, WEE-CHAI

QUAH CHIN CHYE

Klang, Malaysia

Date: 30 October 2006

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, DATO' SRI DR. LIM, WEE-CHAI and QUAH CHIN CHYE, being two of the directors of TOP GLOVE CORPORATION BHD., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 10 to 60 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

DATO' SRI DR. LIM, WEE-CHAI

QUAH CHIN CHYE

Klang, Malaysia

Date: 30 October 2006

STATUTORY DECLARATION

PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, DATO' SRI DR. LIM, WEE-CHAI, the director primarily responsible for the financial management of TOP GLOVE CORPORATION BHD., do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 60 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the)
abovenamed DATO' SRI DR. LIM, WEE-)
CHAI at Klang in the State of Selangor)
on 30 October 2006)

DATO' SRI DR. LIM, WEE-CHAI

Before me,

LEE PEI NAM

**REPORT OF THE AUDITORS TO THE MEMBERS OF
TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 10 to 60. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of :
 - (i) the financial position of the Group and of the Company as at 31 August 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
TOP GLOVE CORPORATION BHD.
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We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 12 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and, in respect of subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174 (3) of the Act.

ERNST & YOUNG
AF: 0039
Chartered Accountants

ABRAHAM VERGHESE A/L T.V.ABRAHAM
No. 1664/10/08(J)
Partner

Melaka, Malaysia
Date: 30 October 2006

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)

**INCOME STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006**

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	3	992,611	641,827	45,780	15,134
Cost of sales		(822,959)	(524,374)	-	-
Gross profit		169,652	117,453	45,780	15,134
Other operating income		2,393	3,676	-	-
Distribution and selling costs		(34,799)	(27,595)	-	-
Administrative and general expenses		(35,918)	(23,107)	(685)	(887)
Profit from operations	4	101,328	70,427	45,095	14,247
Finance costs, net	7	(9,555)	(4,682)	107	-
Profit before taxation		91,773	65,745	45,202	14,247
Taxation	8	(12,712)	(12,262)	(3,221)	(777)
Profit after taxation		79,061	53,483	41,981	13,470
Minority interests		(669)	(36)	-	-
Net profit for the year		78,392	53,447	41,981	13,470
Earnings per share (sen)					
Basic	9	41.13	28.53		
Diluted	9	40.85	28.36		

The accompanying notes form an integral part of the financial statements.

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)

**BALANCE SHEETS
AS AT 31 AUGUST 2006**

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	420,391	295,296	-	-
Investments in subsidiaries	12	-	-	29,348	29,348
Other investment		356	139	103	-
Due from a subsidiary	13	-	-	146,961	60,416
Goodwill on consolidation	14	21,078	5,324	-	-
		<u>441,825</u>	<u>300,759</u>	<u>176,412</u>	<u>89,764</u>
CURRENT ASSETS					
Inventories	15	102,232	62,727	-	-
Trade receivables	16	149,761	112,321	-	-
Other receivables	17	9,042	5,569	70,820	19,887
Tax recoverable		45	-	83	-
Cash and bank balances	18	59,211	25,128	783	15
		<u>320,291</u>	<u>205,745</u>	<u>71,686</u>	<u>19,902</u>
CURRENT LIABILITIES					
Borrowings	19	126,229	84,291	24,880	-
Trade payables	21	100,407	78,529	-	-
Other payables	22	68,650	41,440	1,189	339
Tax payable		-	593	-	-
Dividends payable		6,744	5,655	6,744	5,655
		<u>302,030</u>	<u>210,508</u>	<u>32,813</u>	<u>5,994</u>
NET CURRENT ASSETS/(LIABILITIES)					
		<u>18,261</u>	<u>(4,763)</u>	<u>38,873</u>	<u>13,908</u>
		<u>460,086</u>	<u>295,996</u>	<u>215,285</u>	<u>103,672</u>

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
BALANCE SHEETS

		Group		Company	
	Note	2006	2005	2006	2005
		RM	RM	RM	RM
FINANCED BY :					
Share capital	23	96,143	94,319	96,143	94,319
Reserves		185,963	108,141	49,142	9,353
Shareholders' equity		<u>282,106</u>	<u>202,460</u>	<u>145,285</u>	<u>103,672</u>
Minority interests		2,003	1,232	-	-
		<u>284,109</u>	<u>203,692</u>	<u>145,285</u>	<u>103,672</u>
Borrowings	19	146,439	69,899	70,000	-
Deferred taxation	24	29,538	22,405	-	-
Non-current liabilities		<u>175,977</u>	<u>92,304</u>	<u>70,000</u>	<u>-</u>
		<u>460,086</u>	<u>295,996</u>	<u>215,285</u>	<u>103,672</u>

The accompanying notes form an integral part of the financial statements.

TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2006**

	← Non distributable →			Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Legal reserve RM'000	Retained profits RM'000	
Group						
At 1 September 2004						
As previously stated	93,059	2,279	5	-	66,160	161,503
Prior year adjustment (Note 27)	-	-	-	-	(7,649)	(7,649)
At 1 September 2004 (restated)	93,059	2,279	5	-	58,511	153,854
Issuance of shares						
under ESOS	1,260	6,791	-	-	-	8,051
Share issue expenses	-	(6)	-	-	-	(6)
Currency translation differences *	-	-	413	-	-	413
Net profit for the year	-	-	-	-	53,447	53,447
Amount transfer to legal reserve	-	-	-	799	(799)	-
Dividends (Note 10)	-	-	-	-	(13,299)	(13,299)
At 31 August 2005	94,319	9,064	418	799	97,860	202,460
At 1 September 2005						
As previously stated	94,319	9,064	418	799	110,203	214,803
Prior year adjustment (Note 27)	-	-	-	-	(12,343)	(12,343)
At 1 September 2005 (restated)	94,319	9,064	418	799	97,860	202,460
Issuance of shares						
under ESOS	1,824	13,005	-	-	-	14,829
Share issue expenses	-	(15)	-	-	-	(15)
Currency translation differences *	-	-	1,622	-	-	1,622
Net profit for the year	-	-	-	-	78,392	78,392
Amount transfer to legal reserve	-	-	-	895	(895)	-
Dividends (Note 10)	-	-	-	-	(15,182)	(15,182)
At 31 August 2006	96,143	22,054	2,040	1,694	160,175	282,106

* Representing net gain not recognised in the income statement.

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
STATEMENTS OF CHANGES IN EQUITY

	Share capital RM'000	Non distributable Share premium RM'000	Distributable Retained profits RM'000	Total RM'000
Company				
At 1 September 2004	93,059	2,279	118	95,456
Issuance of shares under ESOS	1,260	6,791	-	8,051
Share issue expenses	-	(6)	-	(6)
Net profit for the year	-	-	13,470	13,470
Dividends (Note 10)	-	-	(13,299)	(13,299)
At 31 August 2005	94,319	9,064	289	103,672
Issuance of shares under ESOS	1,824	13,005	-	14,829
Share issue expenses	-	(15)	-	(15)
Net profit for the year	-	-	41,981	41,981
Dividends (Note 10)	-	-	(15,182)	(15,182)
At 31 August 2006	96,143	22,054	27,088	145,285

The accompanying notes form an integral part of the financial statements.

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**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006**

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	91,773	65,745	45,202	14,247
Adjustments for :				
Depreciation	28,210	18,620	-	-
(Gain)/loss on disposal of property, plant and equipment	(11)	197	-	-
Property, plant and equipment written off	195	-	-	-
Unrealised foreign exchange (gains)/losses	(1,426)	244	-	-
Interest expense	10,818	4,826	-	-
Interest income	(772)	(144)	(107)	-
Operating profit before working capital changes	128,787	89,488	45,095	14,247
Increase in receivables	(31,370)	(50,900)	(26,118)	(5,912)
Increase in inventories	(29,074)	(22,422)	-	-
Increase in payables	45,902	43,732	850	71
Cash generated from operations	114,245	59,898	19,827	8,406
Interest paid	(10,818)	(4,826)	-	-
Tax paid	(6,217)	(5,681)	(3,304)	(777)
Net cash generated from operating activities	97,210	49,391	16,523	7,629
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(138,153)	(135,704)	-	-
Acquisition of a subsidiary (Note 12(a))	(24,846)	-	-	-
Additional investment in subsidiaries	-	-	-	(3,372)
Interest received	772	144	107	-
Purchase of investment	(217)	(95)	(103)	-
Proceeds from disposal of property, plant and equipment	327	287	-	-
Net cash (used in)/generated from investing activities	(162,117)	(135,368)	4	(3,372)

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
CASH FLOW STATEMENTS

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances to subsidiaries	-	-	(111,360)	-
Proceeds from issuance of shares	14,829	8,051	14,829	8,051
Share issue expenses	(15)	(6)	(15)	(6)
Payment of dividends	(14,093)	(12,295)	(14,093)	(12,295)
Repayment of hire purchase payables	(1,781)	(4,273)	-	-
Drawdown of term loans	29,417	69,547	-	-
Repayment of term loans	(20,186)	(8,159)	-	-
Drawdown of commercial papers	24,880	-	24,880	-
Drawdown of medium term notes	70,000	-	70,000	-
(Decrease)/increase in short term borrowings	(4,199)	41,306	-	-
Net cash generated from/(used in) financing activities	<u>98,852</u>	<u>94,171</u>	<u>(15,759)</u>	<u>(4,250)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	33,945	8,194	768	7
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>24,812</u>	<u>16,618</u>	<u>15</u>	<u>8</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 18)	<u>58,757</u>	<u>24,812</u>	<u>783</u>	<u>15</u>

The accompanying notes form an integral part of the financial statements

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2006**

1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiaries are described in Note 12. There were no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at Lot 4969, Jalan Teratai, Batu 6, off Jalan Meru, 41050 Klang, Selangor.

The number of employees in the Group and in the Company at the end of the financial year were 6,573 (2005 : 6,298) and Nil (2005 : 10) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 October 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Acquisition of subsidiaries which meet the criteria for merger are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's book is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. The results of the companies being merged are included as if the merger has been effected through the current and previous financial years. All the subsidiaries are consolidated using the merger method of accounting except for the subsidiaries of Top Glove Sdn. Bhd., which are accounted for under the acquisition method.

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Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

Minority interest in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill is not amortised.

(d) Investments in Subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

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(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated over the period of the respective lease which ranges from 50 years to 72 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates :

Buildings	2% - 5%
Plant and equipment	10%
Other assets	10% - 20%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(f) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. The cost of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

(g) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits at call which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(h) Hire Purchases

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum hire purchase payments at the inception of the hire purchase, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum hire purchase payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

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Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant hire purchase so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for assets purchased under hire purchase is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

(i) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(j) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

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(k) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

(iii) Equity compensation benefits

The Company's ESOS allows the Group's employees to acquire ordinary shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

(l) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of goods

Revenue relating to sale of goods is recognised net of sales taxes, discounts and returns upon the transfer of risks and rewards.

(ii) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(iii) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

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(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(m) Foreign Currencies

(i) Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. All exchange differences are taken to the income statement.

(ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the date of the transactions with respect to the income statement. All resulting translation differences are recognised in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates used for each respective unit of foreign currency ruling at balance sheet date used are as follows :

	2006	2005
	RM	RM
United States Dollars	3.68	3.77
Singapore Dollars	-	2.15
Thailand Baht	0.10	0.09
Chinese Renminbi	0.46	0.47

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(n) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. An impairment loss is recognised as an expense in the income statement immediately.

(o) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) Trade Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iii) Trade Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

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Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(vi) Derivative Financial Instruments

Derivative financial statements are not recognised in the financial statements on inception.

Forward foreign exchange contracts :

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

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3. REVENUE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sales of goods net of discounts	992,611	641,827	-	-
Management fees receivable from subsidiaries	-	-	280	334
Dividends received from subsidiaries	-	-	45,500	14,800
	<u>992,611</u>	<u>641,827</u>	<u>45,780</u>	<u>15,134</u>

4. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting) :

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Auditors' remuneration	128	111	25	18
Depreciation	28,210	18,620	-	-
Non-executive directors' remuneration (Note 6)	131	119	131	119
Net foreign exchange losses/(gains) :				
-Realised	3,823	(1,199)	-	-
-Unrealised	(1,426)	244	-	-
Staff costs (Note 5)	86,543	60,971	146	251
Rental expenses	1,458	1,657	-	-
Property, plant and equipment written off	195	-	-	-
Loss/(gain) on disposal of property, plant and equipment	(11)	197	-	-
Rental income	(333)	(3)	-	-
	<u>(333)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>

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5. STAFF COSTS

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	80,193	56,196	-	82
Social security costs	804	727	-	1
Pension costs - defined contribution plan	2,147	1,953	-	10
Other staff related expenses	3,253	1,936	-	-
Directors' fees	146	159	146	158
	86,543	60,971	146	251

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM2,476,000 (2005 : RM2,087,000) and RM146,000 (2005 : RM193,000) respectively as further disclosed in Note 6.

6. DIRECTORS' REMUNERATION

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	2,131	1,760	-	31
Pension costs - defined contribution plan	199	168	-	4
Fees	146	159	146	158
Benefits-in-kind	63	49	-	-
	2,539	2,136	146	193
Non-executive :				
Fees	131	119	131	119
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration (Note 5)	2,476	2,087	146	193
Total non-executive directors' remuneration (Note 4)	131	119	131	119
Total directors' remuneration	2,607	2,206	277	312

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Executive directors of the Company have been granted the following number of options under the Company's ESOS :

	Group and Company	
	2006	2005
	'000	'000
Number of options over ordinary shares of RM1.00 each		
At beginning of year	-	500
Exercised	-	(180)
Arising from share split	-	(320)
At end of year	<u>-</u>	<u>-</u>
Number of options over ordinary shares of RM0.50 each		
At beginning of year	1,164	-
Arising from share split	-	640
Granted	724	684
Exercised	(604)	(160)
At end of year	<u>1,284</u>	<u>1,164</u>

The share options were granted on the same terms and conditions as those offered to other employees of the Group as disclosed in Note 23.

7. FINANCE COSTS, NET

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Interest expense	10,818	4,826	-	-
Interest income	(772)	(144)	(107)	-
	<u>10,046</u>	<u>4,682</u>	<u>(107)</u>	<u>-</u>
Less: interest expense capitalised in capital work-in-progress (Note 11 (c))	(491)	-	-	-
	<u>9,555</u>	<u>4,682</u>	<u>(107)</u>	<u>-</u>

8. TAXATION

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Tax expense for the year:				
Malaysian income tax	5,392	3,722	3,304	812
Foreign tax	371	398	-	-
(Over)/underprovided in prior years	(184)	304	(83)	(35)
	<u>5,579</u>	<u>4,424</u>	<u>3,221</u>	<u>777</u>

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8. TAXATION (CONT'D)

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Deferred tax (Note 24):				
Relating to origination and reversal of temporary differences	7,890	7,254	-	-
Under/(over) provided in prior years	(757)	584	-	-
	<u>7,133</u>	<u>7,838</u>	<u>-</u>	<u>-</u>
	<u>12,712</u>	<u>12,262</u>	<u>3,221</u>	<u>777</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005 : 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2006	2005
	RM'000	RM'000
Group		
Profit before taxation	<u>91,773</u>	<u>65,745</u>
Taxation at Malaysian statutory tax rate of 28% (2005 : 28%)	25,696	18,409
Effect of different tax rates in other countries	98	165
Effect of income subject to tax rate of 20%	(41)	(41)
Effects of tax incentives claimed by foreign subsidiaries	(4,542)	(2,129)
Effect of income not subject to tax	(30)	-
Expenses not deductible for tax purposes	1,462	659
Expenses entitled for double deduction for tax purposes	(56)	(27)
Utilisation of current year's reinvestment allowances	(8,935)	(5,663)
Deferred tax assets not recognised in respect of current year's tax losses	1	1
(Over)/underprovision of deferred tax in prior years	(757)	584
(Over)/underprovision of income tax expense in prior years	(184)	304
Tax expense for the year	<u>12,712</u>	<u>12,262</u>

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8. TAXATION (CONT'D)

	2006	2005
Company	RM'000	RM'000
Profit before taxation	45,202	14,247
Taxation at Malaysian statutory tax rate of 28% (2005 : 28%)	12,657	3,989
Effect of income not subject to tax	(9,466)	(3,332)
Expenses not deductible for tax purposes	113	155
Overprovision of tax expense in prior year	(83)	(35)
Tax expense for the year	3,221	777

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2006	2005
Net profit for the year (RM'000)	78,392	53,447
Weighted average number of ordinary shares in issue ('000)	190,608	187,324
Basic earnings per share (sen)	41.13	28.53

(b) Diluted

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue during the financial year have been adjusted for the effects of dilutive potential ordinary shares from conversion of the options granted under ESOS. The adjusted weighted average number of ordinary shares is the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares which would be issued on the conversion of the outstanding options granted under the Company's ESOS into ordinary shares.

	Group	
	2006	2005
Net profit for the year (RM'000)	78,392	53,447

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9. EARNINGS PER SHARE (CONT'D)

	Group	
	2006	2005
Weighted average number of ordinary shares in issue ('000)	190,608	187,324
Effect of dilution: share options ('000)	1,290	1,116
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>191,898</u>	<u>188,440</u>
Diluted earnings per share (sen)	<u>40.85</u>	<u>28.36</u>

The comparative basic and diluted earnings per share have been restated to take into account the effect of change in accounting policy as disclosed in Note 27 on net profit for that year.

10. DIVIDENDS

	Amount		Net Dividends per Share	
	2006	2005	2006	2005
	RM'000	RM'000	Sen	Sen
Group and Company				
In respect of financial year 2005 :				
Interim tax exempt dividend of 6%, paid on 16 September 2005	-	5,655	-	3.00
Final tax exempt dividend of 6%, paid on 14 March 2006	-	5,713	-	3.00
Final dividend of 4% less 28% taxation, paid on 14 March 2006	-	2,742	-	1.44
In respect of financial year 2006 :				
Interim tax exempt dividend of 7%, paid on 15 September 2006	6,727	-	3.50	-
Proposed :				
Final tax exempt dividend of 6%	5,769	-	3.00	-
Final dividend of 5% less 28% taxation	3,461	-	1.80	-
	<u>15,957</u>	<u>14,110</u>	<u>8.30</u>	<u>7.44</u>

At the forthcoming Annual General Meeting, a final tax exempt dividend of 6% on 192,285,300 ordinary shares amounting to RM5,768,559 (3 sen per share) and a final dividend of 5% less 28% taxation amounting to RM3,461,136 (1.80 sen per share) in respect of the financial year ended 31 August 2006 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 August 2007.

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11. PROPERTY, PLANT AND EQUIPMENT

Group	* Land and buildings RM'000	Plant and equipment RM'000	** Other assets RM'000	Capital work-in- progress RM'000	Total RM'000
Cost					
At 1 September 2005	103,760	193,794	18,432	38,721	354,707
Additions	24,511	68,851	5,647	39,551	138,560
Disposals	-	(295)	(106)	-	(401)
Written off	(76)	(120)	-	-	(196)
Reclassification	5,324	39,352	(459)	(44,217)	-
Acquisition of subsidiary	3,832	8,951	2,297	2	15,082
Exchange differences	521	1,248	121	1,920	3,810
At 31 August 2006	<u>137,872</u>	<u>311,781</u>	<u>25,932</u>	<u>35,977</u>	<u>511,562</u>
Accumulated Depreciation					
At 1 September 2005	5,337	48,103	5,971	-	59,411
Depreciation charge for the year	1,998	23,795	2,417	-	28,210
Disposals	-	(43)	(42)	-	(85)
Written off	-	(1)	-	-	(1)
Reclassification	-	493	(493)	-	-
Acquisition of subsidiary	489	2,116	619	-	3,224
Exchange differences	256	104	52	-	412
At 31 August 2006	<u>8,080</u>	<u>74,567</u>	<u>8,524</u>	<u>-</u>	<u>91,171</u>
Net Book Value					
At 31 August 2006	<u>129,792</u>	<u>237,214</u>	<u>17,408</u>	<u>35,977</u>	<u>420,391</u>
At 31 August 2005	<u>98,423</u>	<u>145,691</u>	<u>12,461</u>	<u>38,721</u>	<u>295,296</u>
Details at 1 September 2004					
Cost	71,840	130,042	12,842	4,453	219,177
Accumulated Depreciation	<u>4,057</u>	<u>32,656</u>	<u>4,259</u>	<u>-</u>	<u>40,972</u>
Depreciation charge for 2005	<u>1,280</u>	<u>15,544</u>	<u>1,796</u>	<u>-</u>	<u>18,620</u>

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*** Land and buildings**

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
Cost				
At 1 September 2005	28,722	3,748	71,290	103,760
Additions	10,171	1,881	12,459	24,511
Written off	-	-	(76)	(76)
Reclassification	-	-	5,324	5,324
Acquisition of subsidiary	483	-	3,349	3,832
Exchange differences	(210)	(66)	797	521
At 31 August 2006	<u>39,166</u>	<u>5,563</u>	<u>93,143</u>	<u>137,872</u>
Accumulated Depreciation				
At 1 September 2005	-	322	5,015	5,337
Depreciation charge for the year	-	86	1,912	1,998
Acquisition of subsidiary	-	-	489	489
Exchange differences	-	(60)	316	256
At 31 August 2006	<u>-</u>	<u>348</u>	<u>7,732</u>	<u>8,080</u>
Net Book Value				
At 31 August 2006	<u>39,166</u>	<u>5,215</u>	<u>85,411</u>	<u>129,792</u>
At 31 August 2005	<u>28,722</u>	<u>3,426</u>	<u>66,275</u>	<u>98,423</u>
Details at 1 September 2004				
Cost	19,832	3,736	48,272	71,840
Accumulated depreciation	-	274	3,783	4,057
Depreciation charge for 2005	<u>-</u>	<u>48</u>	<u>1,232</u>	<u>1,280</u>

** Other assets comprise motor vehicles, renovation, office furniture and equipment.

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- (a) Property, plant and equipment of the Group with the following carrying values are pledged to banks for banking facilities granted to the Group as referred to in Note 19.

	2006	2005
	RM'000	RM'000
Land and buildings	59,764	52,622
Plant and equipment	125,266	77,985
Other assets	8,123	5,076
	<u>193,153</u>	<u>135,683</u>

- (b) During the financial year, the Group acquired property, plant and equipment at aggregate costs of RM138,560,000 (2005 : RM136,028,000) of which RM407,000 (2005 : RM324,000) were acquired by means of hire purchase arrangements. Net book values of property, plant and equipment held under hire purchase arrangements are as follows:

	2006	2005
	RM'000	RM'000
Plant and equipment	-	6,891
Motor vehicles	1,252	1,305
	<u>1,252</u>	<u>8,196</u>

- (c) Interest expense capitalised during the financial year under capital work-in-progress of the Group amounted to RM491,000 (2005: RM Nil), as disclosed in Note 7.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006	2005
	RM'000	RM'000
Unquoted shares, at cost :		
- in Malaysia	25,620	25,620
- outside Malaysia	3,728	3,728
	<u>29,348</u>	<u>29,348</u>

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows :

Name of company	Country of incorporation	Equity interest (%)		Principal activities
		2006	2005	
Top Glove Sdn. Bhd. (“TGSB”)	Malaysia	100	100	Manufacture and trading of gloves
TG Medical Sdn. Bhd. *	Malaysia	100	100	Manufacture and trading of gloves
Great Glove Sdn. Bhd. *	Malaysia	100	100	Trading of gloves
Top Glove Engineering Sdn. Bhd. *	Malaysia	100	100	Property investment and trading of machinery
TG Medical (U.S.A.) Inc *	United States of America	100	100	Trading of gloves
Subsidiaries of TGSB :				
Great Glove (Thailand) Co. Ltd.*	Thailand	74	74	Manufacture of gloves
Top Glove Medical (Thailand) Co. Ltd.*	Thailand	100	100	Manufacture of gloves
Top Glove Technology (Thailand) Co. Ltd.*	Thailand	100	-	Producing and selling rubber products
B Tech Industry Co. Ltd.*	Thailand	100	-	Producing and selling latex concentrate

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of company	Country of incorporation	Equity interest (%)		Principal activities
		2006	2005	
Top Glove (Zhangjiagang) Co. Ltd.*	The People's Republic of China	100	100	Manufacture of gloves
Great Glove (Xinghua) Co. Ltd.*	The People's Republic of China	100	-	Manufacture of gloves
TG Medical (Zhangjiagang) Co. Ltd.*	The People's Republic of China	100	-	Trading of gloves
Top Glove International Sdn. Bhd.*	Malaysia	100	100	Dormant
Top Glove Technology Sdn. Bhd.*	Malaysia	100	100	Dormant

* Audited by firms of auditors other than Ernst & Young.

(a) Acquisition of Subsidiary

On 8 May 2006, the Company through its wholly owned subsidiary, Top Glove Sdn. Bhd. ("TGSB") acquired 7.5 million ordinary shares of Baht 10 each representing 100% equity interest in B Tech Industry Co. Ltd. ("B Tech"), a company incorporated in Thailand for a cash consideration of RM26.8 million, resulting in the Company to become the ultimate holding company of B Tech.

The acquisition had the following effect on the Group's financial results for the year

	2006 RM'000
Revenue	18,078
Profit from operations	1,451
Net profit for the year	<u>1,483</u>

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
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12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The acquisition had the following effect on the financial position of the Group as at end of the year:

	2006 RM'000
Property, plant and equipment	11,933
Inventories	9,590
Trade and other receivables	8,164
Cash and bank balances	1,209
Trade and other payables	(1,993)
Borrowings	(16,218)
Group's share of net assets	<u>12,685</u>

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiary were as follows:

	31.7.2006 RM'000
Property, plant and equipment (Note 11)	11,858
Inventories	10,431
Trade and other receivables	9,791
Cash and bank balances	1,954
Trade and other payables	(3,186)
Borrowings	(19,802)
Group's share of net assets	<u>11,046</u>
Goodwill on acquisition (Note 14)	<u>15,754</u>
Cost of acquisition	<u>26,800</u>
Purchase consideration satisfied by:	
Cash	16,928
Included in other payables (Note 22)	<u>9,872</u>
	<u>26,800</u>
Cash outflow arising on acquisition:	
Purchase consideration satisfied by cash	26,800
Cash and cash equivalents of subsidiary acquired	<u>(1,954)</u>
Net cash outflow of the Company	<u>24,846</u>

There were no acquisitions in the financial year ended 31 August 2005.

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

13. DUE FROM A SUBSIDIARY

	Company	
	2006	2005
	RM'000	RM'000
Interest bearing at 5.10% to 5.50% per annum	70,000	-
Non interest bearing	76,961	60,416
	<u>146,961</u>	<u>60,416</u>

The amounts due from a subsidiary are unsecured and are not receivable within the next twelve months.

14. GOODWILL ON CONSOLIDATION

	Group	
	2006	2005
	RM'000	RM'000
At 1 September	5,324	5,330
Acquisition of subsidiary (Note 12(a))	15,754	-
Exchange differences	-	(6)
At 31 August	<u>21,078</u>	<u>5,324</u>

15. INVENTORIES

	Group	
	2006	2005
	RM'000	RM'000
At cost:		
Raw materials	22,414	13,740
Consumables and hardware	6,608	4,585
Work-in-progress	8,379	5,605
Finished goods	56,473	38,797
	<u>93,874</u>	<u>62,727</u>
At net realisable value:		
Finished goods	8,358	-
	<u>102,232</u>	<u>62,727</u>

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

16. TRADE RECEIVABLES

	Group	
	2006	2005
	RM'000	RM'000
Trade receivables	149,768	112,328
Less: Provision for doubtful debts	(7)	(7)
	<u>149,761</u>	<u>112,321</u>

The Group's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

17. OTHER RECEIVABLES

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Due from subsidiaries				
- interest bearing at 3.44% to 4.02% per annum	-	-	24,815	-
- non interest bearing	-	-	46,003	19,885
Other receivables, deposits and prepayments	9,042	5,569	2	2
	<u>9,042</u>	<u>5,569</u>	<u>70,820</u>	<u>19,887</u>

The amounts due from subsidiaries are unsecured and with no fixed terms of repayment.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash on hand and in banks	52,720	23,634	783	15
Fixed deposits with a licensed bank	6,491	1,494	-	-
Cash and bank balances	59,211	25,128	783	15
Less :				
Bank overdrafts (Note 19)	(454)	(316)	-	-
Cash and cash equivalents	58,757	24,812	783	15

Fixed deposits amounting to RM1,027,000 (2005 : RM767,000) are registered in the name of certain directors, who are holding them in trust for the Group.

Deposits with a licensed bank of the Group amounting to RM440,000 (2005 : RM913,000) are pledged to banks as securities.

Cash in bank of the Company amounting to RM755,000 (2005 : Nil) are pledged to bank for Murabahah/Ijarah commercial papers and medium term notes facilities granted to the Company as referred to in Note 26.

The weighted average effective interest rates and maturities of the deposits at the end of the financial year were 2.8% (2005 : 2.8%) and 365 days (2005 : 365 days) respectively.

19. BORROWINGS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Short Term Borrowings				
Secured:				
Bank overdrafts (Note 18)	454	316	-	-
Bankers' acceptances	23,190	25,197	-	-
Commercial papers	24,880	-	24,880	-
Export credit refinancing	20,808	13,918	-	-
Promissory notes	-	4,566	-	-
Revolving credits	20,879	8,852	-	-
Trust receipts	12,255	11,271	-	-
Term loans	23,485	18,520	-	-
Hire purchase payables (Note 20)	278	1,651	-	-
	126,229	84,291	24,880	-

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

19. BORROWINGS (CONT'D)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Long Term Borrowings				
Secured:				
Medium term notes	70,000	-	70,000	-
Term loans	76,219	69,695	-	-
Hire purchase payables (Note 20)	220	204	-	-
	<u>146,439</u>	<u>69,899</u>	<u>70,000</u>	<u>-</u>
Total Borrowings				
Bank overdrafts (Note 18)	454	316	-	-
Bankers' acceptances	23,190	25,197	-	-
Commerical papers	24,880	-	24,880	-
Export credit refinancing	20,808	13,918	-	-
Medium term notes	70,000	-	70,000	-
Promissory notes	-	4,566	-	-
Revolving credits	20,879	8,852	-	-
Trust receipts	12,255	11,271	-	-
Term loans	99,704	88,215	-	-
Hire purchase payables (Note 20)	498	1,855	-	-
	<u>272,668</u>	<u>154,190</u>	<u>94,880</u>	<u>-</u>
Maturity of borrowings (excluding hire purchase)				
Within one year	125,951	82,640	24,880	-
More than 1 year and less than 2 years	24,544	22,060	-	-
More than 2 years and less than 5 years	58,034	40,316	15,000	-
5 years or more	63,641	7,319	55,000	-
	<u>272,170</u>	<u>152,335</u>	<u>94,880</u>	<u>-</u>

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

The weighted average effective interest rates at the balance sheet date for borrowings, excluding hire purchase payables were as follows:

	Group		Company	
	2006	2005	2006	2005
	%	%	%	%
Bank overdrafts	7.7	7.0	-	-
Bankers' acceptances	5.1	3.9	-	-
Commercial papers	3.9	-	3.9	-
Export credit refinancing	4.5	3.3	-	-
Medium term notes	5.4	-	5.4	-
Promissory notes	5.5	5.5	-	-
Revolving credits	5.7	5.8	-	-
Trust receipts	6.9	5.0	-	-
Term loans	5.0	4.5	-	-

The above bank borrowings of the Group are secured by way of fixed and floating charges over certain property, plant and equipment and deposits with a licensed bank of the Group as disclosed in Note 11(a) and Note 18 respectively.

20. HIRE PURCHASE PAYABLES

	Group	
	2006	2005
	RM'000	RM'000
Minimum hire purchase payments:		
Not later than 1 year	323	1,762
Later than 1 year and not later than 2 years	120	215
Later than 2 years and not later than 5 years	109	8
	<u>552</u>	<u>1,985</u>
Less :Future finance charges	(54)	(130)
Present value of hire purchase payables	<u>498</u>	<u>1,855</u>
Present value of hire purchase payables:		
Not later than 1 year	278	1,651
Later than 1 year and not later than 2 years	104	197
Later than 2 years and not later than 5 years	116	7
	<u>498</u>	<u>1,855</u>
Analysed as:		
Due within 12 months (Note 19)	278	1,651
Due after 12 months (Note 19)	220	204
	<u>498</u>	<u>1,855</u>

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The hire purchase bore interest at the balance sheet date of between 2.70% to 3.30% (2005 : 2.80% to 3.90%) per annum.

21. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 90 days.

22. OTHER PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Amounts payable for acquisition of a subsidiary	9,872	-	-	-
Sundry payables and accruals	58,778	41,440	1,189	339
	<u>68,650</u>	<u>41,440</u>	<u>1,189</u>	<u>339</u>

23. SHARE CAPITAL

	Group and Company			
	Number of Ordinary Shares		Amount	
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
Authorised :				
Ordinary shares of RM1.00 each				
At beginning of year	-	200,000	-	200,000
Arising from share split	-	(200,000)	-	(200,000)
At end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ordinary shares of RM0.50 each				
At beginning of year	400,000	-	200,000	-
Arising from share split	-	400,000	-	200,000
At end of year	<u>400,000</u>	<u>400,000</u>	<u>200,000</u>	<u>200,000</u>

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

23. SHARE CAPITAL (CONT'D)

	Group and Company			
	Number of Ordinary Shares		Amount	
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
Issued and fully paid :				
Ordinary shares of RM1.00 each				
At beginning of year	-	93,059	-	93,059
Issued and paid up during the year:				
- Pursuant to ESOS	-	621	-	621
Arising from share split	-	(93,680)	-	(93,680)
At end of year	-	-	-	-
Ordinary shares of RM0.50 each				
At beginning of year	188,639	-	94,319	-
Arising from share split	-	187,359	-	93,680
Issued and paid up during the year:				
- Pursuant to ESOS	3,647	1,280	1,824	639
At end of year	192,286	188,639	96,143	94,319

Subsequent to the end of the financial year, the Company increased its issued and paid-up share capital from RM96,142,650 to RM96,287,650 by way of the issuance of 290,000 ordinary shares of RM0.50 each pursuant to the ESOS at an option price of between RM3.14 and RM8.62 per ordinary share.

All the new ordinary shares that were issued rank pari passu in all respects with the existing shares.

Employee Share Options Scheme

The Company's ESOS is governed by the by-laws which was approved by the shareholders at the Extraordinary General Meeting held on 9 January 2003 and became effective on 29 April 2003.

The main features of the ESOS are as follows:

- (a) The ESOS shall be in force for a period of five years from the date of the receipt of the last of the requisite approvals.

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
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- (b) Eligible persons are employees of the Group (including executive directors) who have been confirmed in the employment of the Group and have served for at least one year before the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the Options Committee appointed by the Board of Directors.
- (c) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS.
- (d) The option price for each share shall be the 5-days weighted average market price of the underlying shares at the time the ESOS Options are granted, with a discount of not more than ten percent (10%) if deemed appropriate, or the par value of the ordinary shares of the Company of RM0.50, whichever is the higher.
- (e) No option shall be granted for less than 100 shares to any eligible employee.
- (f) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the date of the offer but before the expiry of five years from the date of the receipt of the last of the requisite approvals.
- (g) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respect with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.
- (h) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.
- (i) The options shall not carry any right to vote at a general meeting of the Company.

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

The terms of share options outstanding as at end of the financial year are as follows :

2006

Grant Date	Expiry Date	Number of share options over the ordinary shares of RM0.50 each					
		Exercise Price RM	At beginning	Granted	Exercised	Lapsed	At end
			of year				of year
			'000	'000	'000	'000	'000
5.6.2003	29.4.2008	0.87	21.0	-	(15.0)	-	6.0
6.3.2004	29.4.2008	2.80	11.0	-	(3.0)	-	8.0
6.4.2004	29.4.2008	3.17	26.0	-	(26.0)	-	-
6.5.2004	29.4.2008	3.50	14.0	-	(12.0)	-	2.0
7.6.2004	29.4.2008	3.14	1,422.0	-	(967.6)	(20.0)	434.4
6.7.2004	29.4.2008	3.20	16.0	-	(4.0)	-	12.0
6.8.2004	29.4.2008	3.33	15.0	-	(15.0)	-	-
6.9.2004	29.4.2008	3.27	14.0	-	(10.0)	-	4.0
6.10.2004	29.4.2008	3.30	24.0	-	(23.0)	-	1.0
6.11.2004	29.4.2008	3.45	146.0	-	(92.2)	(0.4)	53.4
6.12.2004	29.4.2008	3.63	14.0	-	(4.0)	-	10.0
6.1.2005	29.4.2008	3.92	91.0	-	(91.0)	-	-
4.2.2005	29.4.2008	4.12	22.8	-	(8.0)	(14.4)	0.4
7.3.2005	29.4.2008	4.19	67.8	-	(37.8)	(18.0)	12.0
7.4.2005	29.4.2008	4.17	182.0	-	(155.0)	-	27.0
6.5.2005	29.4.2008	4.03	157.2	-	(97.0)	-	60.2
6.6.2005	29.4.2008	4.01	2,079.6	-	(1,323.8)	(11.0)	744.8
5.7.2005	29.4.2008	4.12	77.8	-	(62.4)	-	15.4
5.8.2005	29.4.2008	4.43	101.9	-	(67.5)	-	34.4
5.9.2005	29.4.2008	4.50	-	67.9	(45.9)	-	22.0
5.10.2005	29.4.2008	4.48	-	117.6	(78.2)	-	39.4
5.11.2005	29.4.2008	4.67	-	127.3	(112.8)	-	14.5
5.12.2005	29.4.2008	5.06	-	114.6	(57.2)	-	57.4
5.1.2006	29.4.2008	6.10	-	179.7	(101.2)	-	78.5
5.2.2006	29.4.2008	6.45	-	77.9	(60.5)	-	17.4
3.3.2006	29.4.2008	6.88	-	88.9	(63.4)	(0.2)	25.3
5.4.2006	29.4.2008	6.95	-	185.2	(51.5)	(7.0)	126.7
5.5.2006	29.4.2008	8.92	-	158.8	-	-	158.8
5.6.2006	29.4.2008	8.37	-	2,281.5	(54.7)	(3.5)	2,223.3
5.7.2006	29.4.2008	8.14	-	112.2	(7.0)	-	105.2
5.8.2006	29.4.2008	8.14	-	169.6	-	-	169.6
			4,503.1	3,681.2	(3,646.7)	(74.5)	4,463.1

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2005 (before share split)

Grant Date	Expiry Date	Exercise Price RM	Number of share options over the ordinary shares of RM1.00 each				Balance prior to adjustment for share split* '000
			At beginning of year '000	Granted '000	Exercised '000	Lapsed '000	
5.6.2003	29.4.2008	1.73	26.0	-	(11.0)	-	15.0
6.10.2003	29.4.2008	3.55	9.0	-	(9.0)	-	-
6.1.2004	29.4.2008	4.33	15.0	-	(15.0)	-	-
6.2.2004	29.4.2008	5.24	2.0	-	(2.0)	-	-
6.3.2004	29.4.2008	5.60	8.0	-	(1.0)	-	7.0
6.4.2004	29.4.2008	6.34	14.0	-	-	-	14.0
6.5.2004	29.4.2008	7.00	19.0	-	(3.0)	-	16.0
7.6.2004	29.4.2008	6.28	1,606.0	-	(435.0)	-	1,171.0
6.7.2004	29.4.2008	6.39	50.0	-	(24.0)	-	26.0
6.8.2004	29.4.2008	6.66	44.0	-	(21.0)	-	23.0
6.9.2004	29.4.2008	6.53	-	14.0	(7.0)	-	7.0
6.10.2004	29.4.2008	6.59	-	66.0	(48.0)	-	18.0
6.11.2004	29.4.2008	6.90	-	136.1	(42.5)	(2.4)	91.2
6.12.2004	29.4.2008	7.26	-	21.0	(2.0)	-	19.0
6.1.2005	29.4.2008	7.83	-	52.0	-	-	52.0
4.2.2005	29.4.2008	8.23	-	14.4	-	-	14.4
			<u>1,793.0</u>	<u>303.5</u>	<u>(620.5)</u>	<u>(2.4)</u>	<u>1,473.6</u>

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2005 (after share split)

Grant Date	Expiry Date	Exercise Price RM	Number of share options over the ordinary shares of RM0.50 each				At end of year '000
			Balance after adjustment for share split* '000	Granted '000	Exercised '000	Lapsed '000	
5.6.2003	29.4.2008	0.87	30.0	-	(9.0)	-	21.0
6.3.2004	29.4.2008	2.80	14.0	-	(3.0)	-	11.0
6.4.2004	29.4.2008	3.17	28.0	-	(2.0)	-	26.0
6.5.2004	29.4.2008	3.50	32.0	-	(18.0)	-	14.0
7.6.2004	29.4.2008	3.14	2,342.0	-	(920.0)	-	1,422.0
6.7.2004	29.4.2008	3.20	52.0	-	(36.0)	-	16.0
6.8.2004	29.4.2008	3.33	46.0	-	(31.0)	-	15.0
6.9.2004	29.4.2008	3.27	14.0	-	-	-	14.0
6.10.2004	29.4.2008	3.30	36.0	-	(12.0)	-	24.0
6.11.2004	29.4.2008	3.45	182.4	-	(36.4)	-	146.0
6.12.2004	29.4.2008	3.63	38.0	-	(24.0)	-	14.0
6.1.2005	29.4.2008	3.92	104.0	-	(13.0)	-	91.0
4.2.2005	29.4.2008	4.12	28.8	-	(6.0)	-	22.8
7.3.2005	29.4.2008	4.19	-	87.8	(20.0)	-	67.8
7.4.2005	29.4.2008	4.17	-	186.6	(4.0)	(0.6)	182.0
6.5.2005	29.4.2008	4.03	-	169.2	(12.0)	-	157.2
6.6.2005	29.4.2008	4.01	-	2,216.4	(133.2)	(3.6)	2,079.6
5.7.2005	29.4.2008	4.12	-	77.8	-	-	77.8
5.8.2005	29.4.2008	4.43	-	101.9	-	-	101.9
			<u>2,947.2</u>	<u>2,839.7</u>	<u>(1,279.6)</u>	<u>(4.2)</u>	<u>4,503.1</u>

* Share split into two (2) new ordinary shares of RM0.50 each for every one (1) existing ordinary share of RM1.00 each.

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Details of share options exercised during the financial year and the fair value, at exercise date, of ordinary shares issued are as follows :

Exercise Date	Exercise Price RM	Fair Value of Ordinary Shares RM	Number of Share Options '000	Considerations Received RM'000
2006				
September 2005 - August 2006	0.87 - 4.50	5.00 - 9.91	3,060.2	11,346
October 2005 - August 2006	4.48	5.00 - 9.91	78.2	350
November 2005 - August 2006	4.67	5.00 - 9.91	112.8	527
December 2005 - August 2006	5.06	5.00 - 9.91	57.2	290
January 2006 - August 2006	6.10	6.78 - 9.91	101.2	617
February 2006 - August 2006	6.45	7.17 - 9.91	60.5	390
March 2006 - August 2006	6.88	7.64 - 9.91	63.4	436
April 2006 - August 2006	6.95	7.72 - 9.91	51.5	358
June 2006 - August 2006	8.37	9.30 - 9.91	54.7	458
July 2006 - August 2006	8.14	9.04 - 9.91	7.0	57
			3,646.7	14,829
Less: Par value of ordinary shares				(1,824)
Share premium				13,005
2005				
Before share split				
September 2004 - February 2005	1.73 - 6.66	7.26 - 9.14	528.0	3,224
October 2004 - February 2005	6.59	7.32 - 9.14	48.0	316
November 2004 - February 2005	6.90	7.67 - 9.14	42.5	293
December 2004 - February 2005	7.26	8.07 - 9.14	2.0	14
After share split				
February 2005 - August 2005	0.87 - 4.12	3.63 - 4.92	1,110.4	3,521
March 2005 - August 2005	4.19	4.66 - 4.92	20.0	84
April 2005 - August 2005	4.17	4.63 - 4.92	4.0	17
May 2005 - August 2005	4.03	4.48 - 4.92	12.0	48
June 2005 - August 2005	4.01	4.46 - 4.92	133.2	534
				8,051
Less: Par value of ordinary shares				(1,260)
Share premium				6,791

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24. DEFERRED TAXATION

	Group	
	2006	2005
	RM'000	RM'000
At 1 September	22,405	14,567
Recognised in the income statement (Note 8)	7,133	7,838
At 31 August	<u>29,538</u>	<u>22,405</u>

The deferred taxation provided in the financial statements represents the temporary differences arising between the amounts attributed to property, plant and equipment for tax purposes and their carrying amount in the financial statements.

The Group has unabsorbed reinvestment allowances of approximately RM64,558,000 (2005 : RM46,365,000) which can be used to offset against future taxable income, such amount has not been recognised as deferred tax assets in arriving at the above deferred tax liabilities.

25. RETAINED PROFITS

As at 31 August 2006, the Company has tax exempt profits available for distribution of approximately RM42,338,000 (2006 : RM15,414,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1976 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained profits as at 31 August 2006.

26. ISLAMIC COMMERCIAL PAPERS/MEDIUM TERM NOTES

The Company entered into Murabahah/Ijarah commercial papers and medium term notes facilities which comprised the following :

(a) RM100 million Murabahah Commercial Papers ("CP")

The CP facility has an availability period of 7 years from the date of the first issue under the CP programme. CP are issued at discount to face value and have maturity periods of 1 (one), 2 (two), 3 (three), 6 (six), 9 (nine) or 12 (twelve) months. The profit rates are determined on the formula specified in the rules of fully automated system for tendering of private debt securities ("FAST") issued by Bank Negara Malaysia ("BNM").

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(b) RM100 million Murabahah Medium Term Notes ("MTN")

The MTN facility has an availability period of 15 years from the date of the first issue under the MTN programme. MTN are issued at par or at discount to face value and have a maturity period of more than 1 year to not more than 15 years. The profit rates are determined on the formula specified in FAST rules issued by BNM.

The CP and MTN are secured by an assignment of the Finance Service Reserve Account as disclosed in Note 18.

27. CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENT

(a) **Change in Accounting Policy**

MASB 25: Income Taxes

In prior years, the Group recognised deferred tax assets on unused reinvestment allowances. During the current year, the Group changed its accounting policy and accordingly, deferred tax assets on unused reinvestment allowances are no longer recognised.

(b) **Prior Year Adjustment**

The change in accounting policy has been applied retrospectively and comparatives have been restated. The effects of change in accounting policy are as follows:

	Group	
	2006	2005
	RM'000	RM'000
Effect on retained profits:		
At 1 September, as previously stated	110,203	66,160
Effects of change in accounting policy	<u>(12,343)</u>	<u>(7,649)</u>
At 1 September, as restated	<u>97,860</u>	<u>58,511</u>
Effect on net profit for the year:		
Net profit before changes in accounting policy	84,125	58,141
Effects of change in accounting policy	<u>(5,733)</u>	<u>(4,694)</u>
Net profit for the year	<u>78,392</u>	<u>53,447</u>

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Comparative amount of the Company as at 31 August 2005 have been restated as follows:

	Previously Stated RM'000	Adjustment RM'000	Restated RM'000
Deferred tax liabilities	10,062	12,343	22,405

28. COMMITMENTS

	Group	
	2006 RM'000	2005 RM'000
Capital expenditure: Approved and contracted for	28,342	12,546

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2006 RM'000	2005 RM'000
Gross dividends from subsidiaries	45,500	14,800
Management fees from subsidiaries	280	334

The directors are of the opinion that the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

30. CONTINGENT LIABILITIES

	Company	
	2006 RM'000	2005 RM'000
Corporate guarantee issued to financial institutions for credit facilities granted to subsidiaries (unsecured)	149,668	137,719

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

- (i) On 8 November 2000, Top Glove Sdn. Bhd. ("TGSB"), a subsidiary of the Company was served a writ of summons by Supermax Glove Manufacturing Sdn. Bhd. ("SGM") claiming damages for alleged passing off by TGSB of certain coloured boxes bearing the device of a glove containing gloves manufactured by TGSB under the brand name "Safemax" as boxes containing gloves manufactured by SGM under the brand name "Supermax". TGSB's appointed solicitors, have opined that SGM's case against the TGSB is weak and unlikely to succeed.

TGSB, in relation to the suit above, has filed its defence and has also filed a counterclaim in the same suit against SGM seeking general damages for the abuse of process and/or unlawful interference with trade or business and/or the commission of deliberate and positive acts designed to injure the Company.

To date, the learned Judge was not in favour of fixing trial dates until all pre-trial directions have been complied with including, inter alia, the filing of the relevant bundles of documents. The pre-trial case management was fixed for 6 July 2004 for parties to file all relevant documents for purposes of trial. This date has been extended to 13 March 2007 for mention for pre-trial case management pending a decision on an application for Further and Better Particulars on this suit by TGSB as set out below.

The court had also fixed 16 May 2005 for hearing of an application by TGSB for Further and Better Particulars on the above suit. This date was extended to 2 August 2005 and subsequently heard on 13 September 2005 and the said application was fixed for decision on 11 October 2005. The matter however was not listed before the court on 11 October 2005 as the file could not be located. The file was subsequently located and on 22 February 2006 the court fixed 31 March 2006 for a decision which was given on 3 April 2006. On that date, the court allowed TGSB's application for Further and Better Particulars on the above suit and SGM was given one month to comply with the said order dated 3 April 2006 which was fixed to be heard on 6 September 2006 and extended to 13 March 2007.

- (ii) TGSB had commenced legal proceedings against SGM, pursuant to a writ filed at the Shah Alam High Court on 10 November 2004.

TGSB among others is claiming for general, aggravated and exemplary damages for maliciously distributing and publishing defamatory words contained in documents relating to Summon No. 22-431-2000 filed by SGM at the Shah Alam High Court. TGSB among others avers that SGM had, with mala fide, distributed the said documents with intent to lower TGSB's reputation. SGM had also published defamatory words in its quarterly reports announced by its holding company, Supermax Corporation Berhad to Bursa Malaysia Securities Berhad ("Bursa Securities") in the years 2000 and 2001. The commencement of these legal proceedings was announced to Bursa Securities on 20 December 2004. SGM has filed a statement of defence on the above suit on 17 January 2005 and the TGSB has filed the reply to defence on 14 February 2005.

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The court had fixed 6 July 2005 for hearing of an application by TGSB to amend the Statement of Claim to include the Company as an additional plaintiff and Supermax Corporation Berhad as an additional defendant. The matter was heard on 28 September 2005 and a decision was to be given on 14 October 2005 but this was deferred to 18 November 2005 where the court allowed TGSB's application to amend the Statement of Claim and instructed SGM to file its amended Statement of Defence.

SGM had filed an application to strike out certain paragraphs of TGSB's Statement of Claim. This matter was also heard on 28 September 2005 and a decision was to be given on 14 October 2005 but this was also deferred to 18 November 2005 when the court dismissed SGM's application to strike out with costs to be paid by SGM. SGM filed a notice of appeal against both decisions given by the Senior Assistant Registrar on 18 November 2005 above. Appeals against both these decisions were allowed and they were to be heard on 12 and 29 June 2006 and subsequently adjourned to 2 November 2006.

SGM had also on 14 December 2005 filed an application to stay the above proceedings until the disposal of SGM's appeal. This application was allowed on 7 March 2006.

31. SIGNIFICANT EVENTS

Significant events during the financial year were as follows :

- (i) A wholly owned subsidiary of the Company, TGSB incorporated a new company, Great Glove (Xinghua) Co. Ltd. ("Great Glove China") in The People's Republic of China with an authorised capital of USD10.05 million or approximately RM38,190,000 and initial paid up capital of USD3 million or approximately RM11,100,000.
- (ii) TGSB invested in a total of Baht 77 million or approximately RM7,300,000 which represents 100% equity interest in Top Glove Technology (Thailand) Co. Ltd. ("Top Glove Tech"), a company incorporated in Thailand, resulting in the Company to become the ultimate holding company of Top Glove Tech.
- (iii) TGSB invested in a total of USD200,000 or approximately RM734,000 which represents 100% equity interest in TG Medical (Zhangjiagang) Incorporated ("TG Zhangjiagang"), a company incorporated in The People's Republic of China, resulting in the Company to become the ultimate holding company of TG Zhangjiagang.

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32. SUBSEQUENT EVENTS

- (a) The Company proposed to undertake the following corporate exercise:
- (i) Proposed bonus issue of up to 80,491,412 new ordinary shares of RM0.50 each in the Company on the basis of two (2) new ordinary shares of RM0.50 each for every five (5) existing ordinary shares of RM0.50 each held.
 - (ii) Proposed purchase of its own ordinary shares of up to 10% of the issued and paid-up share capital of the Company.

The above proposals are subject to the approvals by the relevant authorities and the shareholders of the Company in general meeting.

- (b) On 12 October 2006, the Company announced that it has accepted the key terms of an offer from Medi-Flex Limited ("Medi-Flex"), a company listed on the Singapore Exchange Trading Limited Dealing and Automated System ("SGX-SESDAQ") for the Company to subscribe for new ordinary shares in Medi-Flex ("Medi-Flex Shares) subject to the signing of a definitive agreement ("Proposed Subscription"). The salient terms of the Proposed Subscription are as follows:

The Proposed Subscription involves the subscription of 300,305,829 new Medi-Flex Shares at an issue price of SGD0.07 each subject to both the Company and Medi-Flex entering into a definitive subscription agreement within 30 days from 12 October 2006 or such other date to be mutually agreed by the parties, failing which the acceptance shall lapse and thereafter no party shall have any claims against the other.

One of the major shareholders of Medi-Flex undertakes not to dispose of or transfer his shareholdings in Medi-Flex (except the Medi-Flex Shares pledged to a nominee company) for a period of six months from the date of admission of the new Medi-Flex shares to be issued under the Proposed Subscription on the official list of the SGX-SESDAQ and upon the expiry of the said 6 months period, the major shareholder shall maintain 50% of his shareholding for the next 6 months period.

Certain directors and key management will enter into service agreements with Medi-Flex upon terms agreeable to the Company for an initial term of one year and subject to annual renewal by Medi-Flex.

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The Proposed Subscription is subject to the following conditions precedent:

- (i) Due diligence on Medi-Flex by the Company to be completed within four weeks from the date of the definite subscription agreement and the results of such due diligence being to the Company's satisfaction;
- (ii) Approval in principle of the Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing and quotation of the new Medi-Flex Shares on the official list of the SGX-SESDAQ;
- (iii) The approvals of Medi-Flex's shareholders and SGX-ST in accordance with the provisions of the SGX-ST Listing Manual;
- (iv) Whitewash waiver to be obtained from Securities Industry Council ("SIC") of Singapore and a whitewash resolution to be obtained from Medi-Flex's shareholders such that the Company need not make a general offer for the Medi-Flex Shares.
- (v) Approval from shareholders of the Company, if required;
- (vi) Any other regulatory approvals required from the relevant authorities in Malaysia or Singapore by both the Company and Medi-Flex, if any;
- (vii) The execution of the service agreements as described above; and
- (viii) Such other conditions precedent as may advised by the Company's legal adviser, subject to mutual agreement between the Company and Medi-Flex.

Upon the completion of the Proposed Subscription, Medi-Flex will become a subsidiary of the Company.

- (c) Subsequent to the Budget 2007 announcement, the domestic statutory tax rate is reduced from the current year's rate of 28% to 27%, effective year of assessment 2007 and to 26%, effective year of assessment 2008. This change will have significant effects on the Group's computation of deferred tax as at balance sheet date as follows:

Increase/(decrease)	Group RM'000
Deferred tax liabilities	(1,053)
Deferred tax expense	(1,053)
Net profit for the year	<u>1,053</u>

The financial statements for the current financial year do not reflect the above effects. These effects will be accounted for in the financial year ending 31 August 2007.

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33. SEGMENTAL INFORMATION

(a) Primary reporting segment - Geographical segments

The Group operates in four 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 terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

31 August 2006

	Malaysia	Thailand	The People's Republic of China	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External sales	766,980	132,125	38,148	55,358	-	992,611
Inter-segment sales	48,000	22,773	53,715	-	(124,488)	-
Total revenue	<u>814,980</u>	<u>154,898</u>	<u>91,863</u>	<u>55,358</u>	<u>(124,488)</u>	<u>992,611</u>
Result						
Profit from operations	83,378	8,576	9,382	1,596	(1,604)	101,328
Finance costs, net						(9,555)
Taxation						(12,712)
Profit after taxation						<u>79,061</u>
Minority interests						(669)
Net profit for the year						<u>78,392</u>
Assets						
Segment assets	514,354	131,222	66,125	29,337		741,038
Goodwill arising from consolidation						<u>21,078</u>
						<u>762,116</u>
Liabilities						
Segment liabilities	366,921	66,614	37,056	7,416		<u>478,007</u>
Other information						
Capital expenditure	103,029	14,719	20,520	292		138,560
Depreciation	21,304	4,890	1,787	229		28,210

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31 August 2005

	Malaysia RM'000	Thailand RM'000	The People's Republic of China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	479,484	74,980	55,494	31,869	-	641,827
Inter-segment sales	23,753	23,230	25,162	-	(72,145)	-
Total revenue	<u>503,237</u>	<u>98,210</u>	<u>80,656</u>	<u>31,869</u>	<u>(72,145)</u>	<u>641,827</u>
Result						
Profit from operations	60,310	1,267	7,793	1,057		70,427
Finance costs, net						(4,682)
Taxation						(12,262)
Profit after taxation						<u>53,483</u>
Minority interests						(36)
Net profit for the year						<u>53,447</u>
Assets						
Segment assets	350,864	76,214	50,787	23,315		501,180
Goodwill arising from consolidation						<u>5,324</u>
						<u>506,504</u>
Liabilities						
Segment liabilities	212,252	45,328	36,432	8,800		<u>302,812</u>
Other information						
Capital expenditure	84,280	33,247	8,569	9,932		136,028
Depreciation	14,782	2,532	1,214	92		18,620

(b) Secondary reporting segment - Business segments

As the Group is principally involved in gloves manufacturing industry, segment reporting by business segment is not prepared.

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34. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous year except that certain comparative amounts have been adjusted as a result of change in accounting policy as disclosed in Note 27.

35. FINANCIAL INSTRUMENTS

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, credit and liquidity risks.

(a) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long-term interest-bearing assets as at 31 August 2006. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(b) Foreign Exchange Risk

The Group is exposed to various currencies especially in United States Dollars, Thailand Baht and Chinese Renminbi. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

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The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows :

Net Financial Assets/(Liabilities) Held in Non-Functional Currency

Functional Currency of Group Companies	Ringgit Malaysia RM'000	United States Dollars RM'000	Euro Dollars RM'000	Total RM'000
At 31 August 2006 :				
Ringgit Malaysia	-	(719)	-	(719)
Thailand Baht	(290)	17,270	-	16,980
Chinese Renminbi	-	(2,939)	-	(2,939)
	<u>(290)</u>	<u>13,612</u>	<u>-</u>	<u>13,322</u>
At 31 August 2005 :				
Ringgit Malaysia	-	(2,042)	-	(2,042)
Thailand Baht	-	9,486	39	9,525
Chinese Renminbi	-	6,369	-	6,369
	<u>-</u>	<u>13,813</u>	<u>39</u>	<u>13,852</u>

As at balance sheet date, the Group had entered into United States Dollars forward foreign exchange contracts with notional amount of RM192,142,000 (2005 : RM156,334,000) to hedge anticipated sales.

The net unrecognised (losses)/gains as at balance sheet date on forward contracts used to hedge anticipated sales which are expected to occur during the next twelve months and are deferred until the related sales occur, at which time they will be included in the measurement of the sales is as follows:

	Group	
	2006 RM'000	2005 RM'000
Net unrealised (losses)/gains	<u>(284)</u>	<u>944</u>

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(c) Credit Risk

Credit risks or the risk of customers defaulting are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(d) Liquidity

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(e) Fair Values

The carrying amounts of financial assets and liabilities of the Company at the balance sheet date approximated their fair values except for the following:

	Note	Carrying Amount RM'000	Fair Value RM'000
Financial Assets			
At 31 August 2006			
Due from a subsidiary	13	146,961	*
Due from subsidiaries	17	<u>70,818</u>	<u>*</u>
At 31 August 2005			
Due from a subsidiary	13	60,416	*
Due from subsidiaries	17	<u>19,885</u>	<u>*</u>

* It is not practicable to estimate the fair value of the amount due from subsidiaries due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.