

Company No. : 474423 X

TOP GLOVE CORPORATION BHD.
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 August 2007

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 2007.

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
Profit for the year	<u>102,887</u>	<u>11,948</u>
Attributable to:		
Equity holders of the Company	103,795	11,948
Minority interests	<u>(908)</u>	<u>-</u>
	<u>102,887</u>	<u>11,948</u>

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

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 other than as disclosed in Note 2.3 to the financial statements.

DIVIDENDS

The amount of dividends paid by the Company since 31 August 2006 were as follows :

	RM'000
In respect of the financial year ended 31 August 2006 :	
Interim tax exempt dividend of 7%, paid on 15 September 2006	6,727
Final tax exempt dividend of 6%, paid on 15 March 2007	8,982
Final dividend of 5% less 27% taxation, paid on 15 March 2007	<u>5,464</u>
	<u>21,173</u>

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RM'000

In respect of the financial year ended 31 August 2007 :

Interim tax exempt dividend of 8%, paid on 13 September 2007

12,013

At the forthcoming Annual General Meeting, a final tax exempt dividend of 6% on 300,479,831 ordinary shares amounting to RM9,014,395 (3 sen per share) and a final dividend of 6% less 26% taxation amounting to RM6,670,652 (2.22 sen per share) in respect of the financial year ended 31 August 2007 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 earnings in the financial year ending 31 August 2008.

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 :

Tan Sri Dr. Lim, Wee-Chai
Tan Sri Datuk (Dr.) Arshad bin Ayub
Puan Sri Tong Siew Bee
Lim Hooi Sin
Sekarajasekaran a/l Arasaratnam
Lau Boon Ann
Quah Chin Chye
Lee Kim Meow
Lim Cheong Guan

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 7 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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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
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			Balance prior to bonus issue*
	1 September 2006	Bought	Sold	
Tan Sri Dr. Lim, Wee-Chai				
- direct	59,296,358	620,000	-	59,916,358
- indirect	27,966,702	368,000	(1,899,400)	26,435,302
Tan Sri Datuk (Dr.) Arshad bin Ayub	1,200,000	-	-	1,200,000
Puan Sri Tong Siew Bee				
- direct	3,284,196	272,000	(272,000)	3,284,196
- indirect	83,978,864	716,000	(1,627,400)	83,067,464
Lim Hooi Sin				
- direct	4,979,130	-	-	4,979,130
- indirect	82,283,930	988,000	(1,899,400)	81,372,530
Sekarajasekaran a/l Arasaratnam	7,567,978	10,000	-	7,577,978
Lau Boon Ann	196,400	-	-	196,400
Lee Kim Meow	557,012	-	(42,000)	515,012

	Number of Ordinary Shares of RM0.50 Each			31 August 2007
	Balance after bonus issue*	Bought	Sold	
Tan Sri Dr. Lim, Wee-Chai				
- direct	83,882,900	2,580,000	-	86,462,900
- indirect	37,009,421	134,400	(6,380,000)	30,763,821
Tan Sri Datuk (Dr.) Arshad bin Ayub	1,680,000	-	(50,000)	1,630,000
Puan Sri Tong Siew Bee				
- direct	4,597,874	-	-	4,597,874
- indirect	116,294,447	2,714,400	(6,380,000)	112,628,847
Lim Hooi Sin				
- direct	6,970,781	134,400	-	7,105,181
- indirect	113,921,540	2,580,000	(6,380,000)	110,121,540
Sekarajasekaran a/l Arasaratnam	10,609,169	1,400,000	(2,910,000)	9,099,169
Lau Boon Ann	274,960	-	-	274,960
Lee Kim Meow	721,016	112,000	(20,000)	813,016

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	Number of Options over Ordinary Shares of RM0.50 Each			Balance
	1 September	Granted	Exercised	prior to
	2006			bonus issue*
Tan Sri Dr. Lim, Wee-Chai	252,000	-	(252,000)	-
Puan Sri Tong Siew Bee	384,000	-	(272,000)	112,000
Lim Hooi Sin	96,000	-	-	96,000
Lee Kim Meow	304,000	-	-	304,000
Lim Cheong Guan	40,000	-	-	40,000

	Number of Options over Ordinary Shares of RM0.50 Each			Balance
	after	Granted	Exercised	31 August
	bonus issue*			2007
Tan Sri Dr. Lim, Wee-Chai	-	806,400	-	806,400
Puan Sri Tong Siew Bee	156,800	112,000	-	268,800
Lim Hooi Sin	134,400	403,200	(134,400)	403,200
Lee Kim Meow	425,600	-	(112,000)	313,600
Lim Cheong Guan	56,000	-	-	56,000

* Bonus issue on the basis of two new ordinary shares for every five existing ordinary shares.

Tan Sri Dr. Lim, Wee-Chai, Puan 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.

The other director in office at the end of the financial year had no 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 RM96,142,650 to RM150,237,915 by way of:

- (a) the issuance of 27,217,902 ordinary shares of RM0.50 each through a private placement at an issue price of RM8.80 per ordinary share for cash, for additional capital expenditure, repayment of borrowings and working capital purposes;

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- (b) the issuance of 77,765,429 ordinary shares of RM0.50 each through a bonus issue on the basis of 2 new ordinary shares of RM0.50 each for 5 existing ordinary shares of RM0.50 each held in the Company, by way of capitalisation of RM32,800,000 from the share premium account and RM6,082,715 from retained earnings; and
- (c) the issuance of 3,207,200 ordinary shares of RM0.50 each pursuant to the ESOS at an option price of between RM0.62 and RM10.49 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 RM150,237,915 to RM150,255,765 by way of the issuance of 35,700 ordinary shares of RM0.50 each pursuant to the ESOS at an option price of between RM0.62 and RM10.49 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

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 25 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (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.

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DIRECTORS' REPORT**

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for 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 would 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.

SIGNIFICANT EVENT

The significant event is disclosed in Note 12 to the financial statements.

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

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 dated 12 November 2007.

TAN SRI DR. LIM, WEE-CHAI

QUAH CHIN CHYE

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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, TAN 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 11 to 70 are drawn up in accordance with the provisions of Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2007 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 dated 12 November 2007.

TAN SRI DR. LIM, WEE-CHAI

QUAH CHIN CHYE

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

I, TAN 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 11 to 70 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 TAN SRI DR. LIM, WEE-CHAI)
at Klang in the State of Selangor)
on 12 November 2007) TAN 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 11 to 70. 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 Financial Reporting 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 2007 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 subsidiaries 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: 12 November 2007

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)

**INCOME STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2007**

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue	3	1,228,778	992,611	13,290	45,780
Cost of sales		(1,014,377)	(822,959)	-	-
Gross profit		214,401	169,652	13,290	45,780
Other operating income		8,879	3,165	1,348	107
Distribution and selling costs		(43,771)	(34,799)	-	-
Administrative and general expenses		(47,221)	(35,918)	(2,628)	(685)
Operating profit		132,288	102,100	12,010	45,202
Finance costs	4	(13,525)	(10,327)	(62)	-
Share of loss of associate		(119)	-	-	-
Profit before tax	5	118,644	91,773	11,948	45,202
Income tax expense	8	(15,757)	(12,712)	-	(3,221)
Profit for the year		102,887	79,061	11,948	41,981
Attributable to:					
Equity holders of the Company		103,795	78,392	11,948	41,981
Minority interests		(908)	669	-	-
		102,887	79,061	11,948	41,981
Earnings per share attributable to equity holders of the Company (sen):					
Basic	9	36.16	29.21		
Diluted	9	36.08	29.07		

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 2007**

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	557,623	420,391	-	-
Investments in subsidiaries	12	-	-	29,348	29,348
Investments in associate	13	8,737	-	-	-
Other investment		145	356	-	103
Due from a subsidiary	14	-	-	311,763	146,961
Goodwill	15	21,078	21,078	-	-
		<u>587,583</u>	<u>441,825</u>	<u>341,111</u>	<u>176,412</u>
Current assets					
Inventories	16	121,256	102,232	-	-
Trade receivables	17	168,764	149,761	-	-
Other receivables	18	10,441	9,042	79,271	70,820
Tax recoverable		-	45	83	83
Cash and bank balances	19	165,584	59,211	49,314	783
		<u>466,045</u>	<u>320,291</u>	<u>128,668</u>	<u>71,686</u>
TOTAL ASSETS		<u>1,053,628</u>	<u>762,116</u>	<u>469,779</u>	<u>248,098</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	24	150,238	96,143	150,238	96,143
Reserves		<u>465,453</u>	<u>185,963</u>	<u>236,087</u>	<u>49,142</u>
Shareholders' equity		615,691	282,106	386,325	145,285
Minority interests		<u>21,447</u>	<u>2,003</u>	-	-
Total equity		<u>637,138</u>	<u>284,109</u>	<u>386,325</u>	<u>145,285</u>
Non-current liabilities					
Borrowings	20	128,467	146,439	70,000	70,000
Deferred taxation	26	30,809	29,538	-	-
Non-current liabilities		<u>159,276</u>	<u>175,977</u>	<u>70,000</u>	<u>70,000</u>

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

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current liabilities					
Borrowings	20	63,726	126,229	-	24,880
Trade payables	22	104,092	100,407	-	-
Other payables	23	76,764	68,650	1,441	1,189
Tax payable		619	-	-	-
Dividends payable		12,013	6,744	12,013	6,744
		<u>257,214</u>	<u>302,030</u>	<u>13,454</u>	<u>32,813</u>
Total liabilities		<u>416,490</u>	<u>478,007</u>	<u>83,454</u>	<u>102,813</u>
TOTAL EQUITY AND LIABILITIES		<u>1,053,628</u>	<u>762,116</u>	<u>469,779</u>	<u>248,098</u>

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

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2007**

	← Attributable to Equity Holders of the Company →								
	← Non distributable				→ Distributable				
	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Legal reserve RM'000	Share option reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total Equity RM'000
Group									
At 1 September 2005	94,319	9,064	418	799	-	97,860	202,460	1,232	203,692
Profit for the year	-	-	-	-	-	78,392	78,392	669	79,061
Dividends (Note 10)	-	-	-	-	-	(15,182)	(15,182)	-	(15,182)
Issuance of ordinary shares pursuant to ESOS	1,824	13,005	-	-	-	-	14,829	-	14,829
Share issue expenses	-	(15)	-	-	-	-	(15)	-	(15)
Foreign currency translation	-	-	1,622	-	-	-	1,622	102	1,724
Transfer to legal reserve	-	-	-	895	-	(895)	-	-	-
At 31 August 2006	96,143	22,054	2,040	1,694	-	160,175	282,106	2,003	284,109

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

	← Attributable to Equity Holders of the Company →								
	← Non distributable				→ Distributable				
	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Legal reserve RM'000	Share option reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total Equity RM'000
At 1 September 2006	96,143	22,054	2,040	1,694	-	160,175	282,106	2,003	284,109
Profit for the year	-	-	-	-	-	103,795	103,795	(908)	102,887
Dividends (Note 10)	-	-	-	-	-	(26,459)	(26,459)	-	(26,459)
Issuance of ordinary shares:									
Private placement	13,609	225,909	-	-	-	-	239,518	-	239,518
Pursuant to ESOS	1,603	17,324	-	-	-	-	18,927	-	18,927
Issuance of bonus shares	38,883	(32,800)	-	-	-	(6,083)	-	-	-
Share issue expenses	-	(3,676)	-	-	-	-	(3,676)	-	(3,676)
Share options granted under ESOS	-	-	-	-	545	237	782	-	782
Foreign currency translation	-	-	698	-	-	-	698	(50)	648
Transfer from legal reserve	-	-	-	(306)	-	306	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-	20,402	20,402
At 31 August 2007	150,238	228,811	2,738	1,388	545	231,971	615,691	21,447	637,138

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

	← Non distributable →			Distributable	Total RM'000
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Retained earnings RM'000	
Company					
At 1 September 2005	94,319	9,064	-	289	103,672
Profit for the year	-	-	-	41,981	41,981
Dividends (Note 10)	-	-	-	(15,182)	(15,182)
Issuance of ordinary shares					
pursuant to ESOS	1,824	13,005	-	-	14,829
Share issue expenses	-	(15)	-	-	(15)
At 31 August 2006	96,143	22,054	-	27,088	145,285
Profit for the year	-	-	-	11,948	11,948
Dividends (Note 10)	-	-	-	(26,459)	(26,459)
Issuance of ordinary shares:					
Private placement	13,609	225,909	-	-	239,518
Pursuant to ESOS	1,603	17,324	-	-	18,927
Issuance of bonus shares	38,883	(32,800)	-	(6,083)	-
Share issue expenses	-	(3,676)	-	-	(3,676)
Share options granted under ESOS	-	-	545	237	782
At 31 August 2007	150,238	228,811	545	6,731	386,325

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

TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2007**

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	118,644	91,773	11,948	45,202
Adjustments for :				
Bad debts written off	7	-	-	-
Depreciation	43,482	28,210	-	-
Loss/(gain) on disposal of property, plant and equipment	44	(11)	-	-
Property, plant and equipment written off	1,489	195	-	-
Provision for doubtful debts	266	-	-	-
Reversal of provision for doubtful debts	(143)	-	-	-
Share options granted under ESOS	782	-	782	-
Unrealised foreign exchange gains	(1,959)	(1,426)	-	-
Share of loss of associate	119	-	-	-
Negative goodwill written off	(2,862)	-	-	-
Interest expense	13,525	10,327	62	-
Interest income	(2,552)	(772)	(1,348)	(107)
Operating profit before working capital changes	170,842	128,296	11,444	45,095
Increase in receivables	(10,690)	(31,370)	(33,266)	(26,118)
Increase in inventories	(11,029)	(29,074)	-	-
(Decrease)/increase in payables	(16,218)	45,902	252	850
Cash generated from/(used in) operations	132,905	113,754	(21,570)	19,827
Interest paid	(13,948)	(10,818)	(62)	-
Tax paid	(13,822)	(6,217)	-	(3,304)
Net cash generated from/(used in) operating activities	105,135	96,719	(21,632)	16,523
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(105,006)	(137,662)	-	-
Acquisition of subsidiaries (Note 12)	(16,143)	(24,846)	-	-
Interest received	2,552	772	1,348	107
Purchase of other investment	-	(217)	-	(103)
Proceeds from disposal of other investment	211	-	103	-
Proceeds from disposal of property, plant and equipment	307	327	-	-
Net cash (used in)/generated from investing activities	(118,079)	(161,626)	1,451	4

Company No. : 474423 X

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances to subsidiaries	-	-	(139,987)	(111,360)
Proceeds from issuance of shares	258,445	14,829	258,445	14,829
Share issue expenses	(3,676)	(15)	(3,676)	(15)
Payment of dividends	(21,190)	(14,093)	(21,190)	(14,093)
Repayment of hire purchase payables	(1,281)	(1,781)	-	-
Drawdown of term loans	-	29,417	-	-
Repayment of term loans	(46,313)	(20,186)	-	-
(Repayment)/drawdown of commercial papers	(24,880)	24,880	(24,880)	24,880
Drawdown of medium term notes	-	70,000	-	70,000
Decrease in short term borrowings	(42,619)	(4,199)	-	-
Net cash generated from/(used in) financing activities	<u>118,486</u>	<u>98,852</u>	<u>68,712</u>	<u>(15,759)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	105,542	33,945	48,531	768
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	98	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	58,757	24,812	783	15
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 19)	<u>164,397</u>	<u>58,757</u>	<u>49,314</u>	<u>783</u>

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

Company No. : 474423 X

TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2007**

1. CORPORATE INFORMATION

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 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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 November 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for the financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to nearest thousand (RM'000) except when otherwise indicated.

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

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

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

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.

Acquisition of subsidiaries that meets the conditions of a merger are accounted for using the merger method. Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. In the consolidated financial statements, the cost of the merger is cancelled with the nominal values of the shares received. Any resulting debit difference is adjusted against the consolidated capital and revenue reserves.

Subsidiaries accounted for using the purchase method are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries that do not meet the conditions of a merger are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

Company No. : 474423 X

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

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

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

(c) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(d) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress are also not depreciated as these assets are not available for use. Leasehold land is depreciated over the period of the respective leases which range from 50 to 99 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 estimate useful life at the following annual rates :

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

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(e) Impairment of Non-financial Assets

The carrying amounts of assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

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

For goodwill that have an indefinite useful life the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

(f) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first-in, first-out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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.

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

(g) 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) Cash and Cash Equivalents

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

(ii) Other Non-Current Investments

Non-current investments other than investments in subsidiaries and associates 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 profit or loss.

(iii) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

(iv) 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.

(v) 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.

(vi) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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

(vii) 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.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(viii) Derivative Financial Instruments

Derivative financial statements are not recognised in the financial statements .

(h) Leases

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.

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(d).

(i) Provisions

Provisions 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

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

(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 as income or an expense and included in the profit or loss for the period, 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 the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(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

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. 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.

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

(iii) Equity compensation benefits

The Company's ESOS allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amounts is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

(I) Revenue Recognition

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

(i) Sale of goods

Revenue is recognised net of sales taxes, discounts and returns upon the transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs and the possible return of goods.

(ii) Management fees

Management fees are recognised when services are rendered.

(iii) Interest income

Interest is recognised on an accrual basis using the effective interest method.

(iv) Dividend income

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

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

(m) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

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

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(n) Borrowing Costs

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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The MASB has issued a number of new and revised FRS and Interpretations that are effective for financial periods beginning on or after 1 January 2006.

Except for the changes in accounting policies and their effects as discussed below, the new and revised FRS and Interpretations above do not have any other significant impact on the financial statements of the Group and the Company:

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

(a) FRS 2: Share-based Payment

Prior to 1 September 2006, no compensation expense was recognised in profit or loss for share options granted. The Group and the Company recognised an increase in share capital and share premium when options were exercised. Upon the adoption of FRS 2, the total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period.

The effects on the balance sheets as at 31 August 2007 and income statements for the year ended 31 August 2007 are set out in Note 2.3(d)(i) and Note 2.3 (d)(ii) respectively.

(b) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 September 2006.

Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill).

Prior to 1 September 2006, negative goodwill was stated at cost, except to the extent it relates to identified expected future losses as at the date of acquisition. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2006 or prior periods. The effects on the consolidated balance sheet as at 31 August 2007 and consolidated income statement for the year ended 31 August 2007 are set out in Note 2.3(d)(i) and Note 2.3(d)(ii) respectively. This change has no impact on the Company's financial statements.

(c) FRS 101 : Presentation of Financial Statements

Prior to 1 September 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

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

Prior to 1 September 2006, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates accounted for using the equity method are now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

These changes in presentation have been applied retrospectively and as disclosed in Note 2.3(e), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 August 2007 are set out in Note 2.3(e). There were no effects on the consolidated income statement for the year ended 31 August 2007 and the Company's financial statements.

(d) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following table provides estimates of the extent to which each of the line items in the balance sheets and income statement for the year ended 31 August 2007 is higher or lower than it would have been had the previous policies been applied in the current year.

(i) Effects on balance sheets as at 31 August 2007

Description of change	Increase/(Decrease)		Total RM'000
	FRS 2 Note 2.3(a) RM'000	FRS 3 Note 2.3(b) RM'000	
Group			
Negative goodwill	-	2,862	2,862
Retained earnings	545	(2,862)	(2,317)
Share option reserve	(545)	-	(545)
Company			
Trade and other receivables	(782)	-	(782)
Retained earnings	(237)	-	(237)
Share option reserve	(545)	-	(545)

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

(ii) Effects on income statement for the year ended 31 August 2007

Description of change	Increase/(Decrease)		Total RM'000
	FRS 2 Note 2.3(a) RM'000	FRS 3 Note 2.3(b) RM'000	
Group			
Administrative and general expenses	(782)	-	(782)
Other income	-	(2,862)	(2,862)
Operating profit	782	(2,862)	(2,080)
Profit before tax	782	(2,862)	(2,080)
Profit for the year	782	(2,862)	(2,080)

(e) Restatement of Comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

At 31 August 2006

Description of change	Previously Stated	Increase/ (Decrease) FRS 101 Note 2.3 (c)	Restated
	RM'000	RM'000	RM'000
Group			
Total equity	282,106	2,003	284,109

2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following FRS, amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRS, Amendments to FRS and Interpretations	Effective for financial periods beginning on or after
(i) FRS 117: Leases	1 October 2006
(ii) FRS 124: Related Party Disclosures	1 October 2006
(iii) FRS 139: Financial Instruments: Recognition and Measurement	Deferred
(iv) FRS 6 : Exploration for and Evaluation of Mineral Resources	1 January 2007

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FRS, Amendments to FRS and Interpretations		Effective for financial periods beginning on or after
(v)	Amendment to FRS 119 ²⁰⁰⁴ : Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
(vi)	Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
(vii)	FRS 107: Cash Flow Statements	1 July 2007
(viii)	FRS 111: Construction Contracts	1 July 2007
(ix)	FRS 112: Income Taxes	1 July 2007
(x)	FRS 118: Revenue	1 July 2007
(xi)	FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
(xii)	FRS 134: Interim Financial Reporting	1 July 2007
(xiii)	FRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
(xiv)	IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
(xv)	IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
(xvi)	IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
(xvii)	IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
(xviii)	IC Interpretation 7: Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ Financial Reporting in Hyperinflationary Economies	1 July 2007
(xix)	IC Interpretation 8: Scope of FRS 2	1 July 2007

The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 117, FRS 124 and FRS 139.

Except for FRS 112, FRS 117, FRS 124 and FRS 139, the above FRS, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group upon their initial application.

Upon initial application of FRS 112, unused reinvestment allowance will be allowed to be recognised as deferred tax asset to the extent that it is probable that future taxable profit will be available against which the unused reinvestment allowance can be utilised. The effects on the balance sheet as at 31 August 2007 will be as follows:

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Effects on balance sheet as at 31 August 2007

Description of Change	Increase/ (Decrease) FRS 112 RM'000
Group	
Deferred tax liabilities	(1,453)
Retained earnings	<u>1,453</u>

2.5 Significant Accounting Estimates and Judgements
Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation of plant and machinery

The cost of plant and machinery for the manufacture of gloves is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Impairment of goodwill

The Group determines whether goodwill are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31 August 2007 was RM21,078,000 (2006: RM21,078,000) . Further details are disclosed in Note 15.

3. REVENUE

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Sales of goods	1,228,778	992,611	-	-
Management fees from subsidiaries	-	-	1,290	280
Dividend income from subsidiaries	-	-	12,000	45,500
	<u>1,228,778</u>	<u>992,611</u>	<u>13,290</u>	<u>45,780</u>

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4. FINANCE COSTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest expense	13,948	10,818	62	-
Less: interest expense capitalised in capital work-in-progress (Note 11 (c))	(423)	(491)	-	-
	<u>13,525</u>	<u>10,327</u>	<u>62</u>	<u>-</u>

5. PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Auditors' remuneration:				
-Statutory audit	209	128	32	25
-Overprovision in prior year	(1)	-	-	-
Bad debts written off	7	-	-	-
Provision for doubtful debts	266	-	-	-
Reversal of provision for doubtful debts	(143)	-	-	-
Depreciation	43,482	28,210	-	-
Non-executive directors' remuneration (Note 7)	212	131	136	131
Net foreign exchange losses	7,745	2,397	-	-
Employee benefits expense (Note 6)	94,676	86,543	1,656	146
Rental expenses	1,725	1,458	-	-
Property, plant and equipment written off	1,489	195	-	-
Loss/(gain) on disposal of property, plant and equipment	44	(11)	-	-
Negative goodwill written off	(2,862)	-	-	-
Interest income	(2,552)	(772)	(1,348)	(107)
Rental income	(417)	(333)	-	-
	<u>(2,552)</u>	<u>(772)</u>	<u>(1,348)</u>	<u>(107)</u>

TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
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6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	86,965	80,193	1,317	-
Social security costs	771	804	6	-
Pension costs - defined contribution plan	2,630	2,147	154	-
Share options granted under ESOS	782	-	-	-
Other staff related expenses	3,349	3,253	-	-
Directors' fees	179	146	179	146
	94,676	86,543	1,656	146

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM3,687,000 (2006 : RM2,476,000) and RM823,000 (2006 : RM146,000) respectively as further disclosed in Note 7.

7. DIRECTORS' REMUNERATION

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	2,394	2,131	574	-
Pension costs - defined contribution plan	229	199	70	-
Share options granted under ESOS	352	-	-	-
Fees	179	146	179	146
Benefits-in-kind	128	63	33	-
	3,282	2,539	856	146
Non-executive :				
Fees	136	131	136	131
Other directors				
Executive:				
Salaries and other emoluments	525	-	-	-
Pension costs - defined contribution plan	8	-	-	-
Benefits-in-kind	15	-	-	-
	548	-	-	-
Non-executive :				
Fees	76	-	-	-

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TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
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7. DIRECTORS' REMUNERATION (CONTINUED)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration (Note 6)	3,687	2,476	823	146
Total non-executive directors' remuneration (Note 5)	212	131	136	131
Total directors' remuneration	<u>3,899</u>	<u>2,607</u>	<u>959</u>	<u>277</u>

8. INCOME TAX EXPENSE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Tax expense for the year:				
Malaysian income tax	9,532	5,392	-	3,304
Foreign tax	750	371	-	-
Under/(over)provided in prior years	4,204	(184)	-	(83)
	<u>14,486</u>	<u>5,579</u>	<u>-</u>	<u>3,221</u>
Deferred tax (Note 26):				
Relating to origination and reversal of temporary differences	(471)	7,890	-	-
Under/(over) provided in prior years	1,742	(757)	-	-
	<u>1,271</u>	<u>7,133</u>	<u>-</u>	<u>-</u>
	<u>15,757</u>	<u>12,712</u>	<u>-</u>	<u>3,221</u>

Domestic current income tax is calculated at the Malaysian statutory tax rate of 27% (2006 : 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008. The computation of deferred tax as at 31 August 2007 has reflected these changes. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

8. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of income tax expense applicable to profit before tax 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:

	2007	2006
	RM'000	RM'000
Group		
Profit before tax	<u>118,644</u>	<u>91,773</u>
Taxation at Malaysian statutory tax rate of 27% (2006 : 28%)	32,034	25,696
Different tax rates in other countries	336	98
Effect of changes in tax rates on opening balance of deferred tax	1,068	-
Deferred tax recognised at different tax rates	(4,247)	-
Effect of income subject to tax rate of 20%	30	(41)
Effects of tax incentives claimed by foreign subsidiaries	(1,383)	(4,542)
Effect of income not subject to tax	(1,612)	(30)
Expenses not deductible for tax purposes	1,710	1,462
Expenses entitled for double deduction for tax purposes	(291)	(56)
Utilisation of current year's reinvestment allowances	(22,272)	(8,935)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed reinvestment allowances	4,438	1
Under/(over) provision of deferred tax in prior years	1,742	(757)
Under/(over) provision of income tax expense in prior years	4,204	(184)
Income tax expense for the year	<u>15,757</u>	<u>12,712</u>
Company		
Profit before tax	<u>11,948</u>	<u>45,202</u>
Taxation at Malaysian statutory tax rate of 27% (2006 : 28%)	3,226	12,657
Effect of income not subject to tax	(3,459)	(9,466)
Expenses not deductible for tax purposes	233	113
Overprovision of tax expense in prior year	-	(83)
Income tax expense for the year	<u>-</u>	<u>3,221</u>

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

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2007	2006
Profit attributable to ordinary equity holders of the Company (RM'000)	103,795	78,392
Weighted average number of ordinary shares in issue ('000)	287,015	268,373
Basic earnings per share (sen)	<u>36.16</u>	<u>29.21</u>

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of share options granted to employees.

	Group	
	2007	2006
Profit attributable to ordinary equity holders of the Company (RM'000)	<u>103,795</u>	<u>78,392</u>
Weighted average number of ordinary shares in issue ('000)	287,015	268,373
Effect of dilution: share options ('000)	<u>636</u>	<u>1,290</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>287,651</u>	<u>269,663</u>
Diluted earnings per share (sen)	<u>36.08</u>	<u>29.07</u>

The comparative basic and diluted earnings per share have been restated to take into account the effect of bonus issue as disclosed in Note 24.

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10. DIVIDENDS

Group and Company	Dividends in respect of Year			Dividends Recognised in Year	
	2007 RM'000	2006 RM'000	2005 RM'000	2007 RM'000	2006 RM'000
Recognised during the year:					
Final tax exempt dividend of 6% paid on 14 March 2006	-	-	5,713	-	5,713
Final dividend of 4% less 28% taxation, paid on 14 March 2006	-	-	2,742	-	2,742
Interim tax exempt dividend of 7%, paid on 15 September 2006	-	6,727	-	-	6,727
Final tax exempt dividend of 6% paid on 15 March 2007	-	8,982	-	8,982	-
Final dividend of 5% less 27% taxation, paid on 15 March 2007	-	5,464	-	5,464	-
Interim tax exempt dividend of 8%, paid on 13 September 2007	12,013	-	-	12,013	-
Proposed for approval: at AGM (not recognised as at 31 August):					
Final tax exempt dividend of 6%	9,014	-	-	-	-
Final dividend of 6%, less 26% taxation	6,671	-	-	-	-
	<u>27,698</u>	<u>21,173</u>	<u>8,455</u>	<u>26,459</u>	<u>15,182</u>

At the forthcoming Annual General Meeting, a final tax exempt dividend of 6% on 300,479,831 ordinary shares amounting to RM9,014,395 (3 sen per share) and a final dividend of 6% less 26% taxation amounting to RM6,670,652 (2.22 sen per share) in respect of the financial year ended 31 August 2007 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 earnings in the financial year ending 31 August 2008.

TOP GLOVE CORPORATION BHD. (Incorporated in Malaysia)
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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
At 31 August 2007					
Cost					
At 1 September 2006	137,872	311,781	25,932	35,977	511,562
Additions	10,023	32,976	5,341	57,189	105,529
Disposals	-	(160)	(446)	-	(606)
Written off	(95)	(304)	(1,281)	-	(1,680)
Reclassification	25,926	29,483	(1,274)	(54,135)	-
Acquisition of subsidiary	9,749	85,203	2,769	91	97,812
Exchange differences	(60)	2,546	(34)	(49)	2,403
At 31 August 2007	183,415	461,525	31,007	39,073	715,020
Accumulated depreciation					
At 1 September 2006	8,080	74,567	8,524	-	91,171
Depreciation charge for the year	3,343	36,177	3,962	-	43,482
Disposals	-	(63)	(192)	-	(255)
Written off	-	(52)	(139)	-	(191)
Reclassification	486	22	(508)	-	-
Acquisition of subsidiary	389	21,064	1,216	-	22,669
Exchange differences	36	647	(162)	-	521
At 31 August 2007	12,334	132,362	12,701	-	157,397
Net carrying amount					
At 31 August 2007	171,081	329,163	18,306	39,073	557,623

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NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	* Land and buildings RM'000	Plant and equipment RM'000	** Other assets RM'000	Capital work-in- progress RM'000	Total RM'000
At 31 August 2006					
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 carrying amount					
At 31 August 2006	<u>129,792</u>	<u>237,214</u>	<u>17,408</u>	<u>35,977</u>	<u>420,391</u>

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11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

*** Land and buildings**

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
At 31 August 2007				
Cost				
At 1 September 2006	39,166	5,563	93,143	137,872
Additions	3,116	1,253	5,654	10,023
Written off	-	-	(95)	(95)
Reclassification	1,022	-	24,904	25,926
Acquisition of subsidiary	-	3,900	5,849	9,749
Exchange differences	54	(59)	(55)	(60)
At 31 August 2007	<u>43,358</u>	<u>10,657</u>	<u>129,400</u>	<u>183,415</u>
Accumulated depreciation				
At 1 September 2006	-	348	7,732	8,080
Depreciation charge for the year	-	254	3,089	3,343
Reclassification	-	-	486	486
Acquisition of subsidiary	-	20	369	389
Exchange differences	-	-	36	36
At 31 August 2007	<u>-</u>	<u>622</u>	<u>11,712</u>	<u>12,334</u>
Net carrying amount				
At 31 August 2007	<u>43,358</u>	<u>10,035</u>	<u>117,688</u>	<u>171,081</u>

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

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
At 31 August 2006				
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 carrying amount				
At 31 August 2006	<u>39,166</u>	<u>5,215</u>	<u>85,411</u>	<u>129,792</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 net carrying amounts are pledged to banks for banking facilities granted to the Group as referred to in Note 20.

	2007	2006
	RM'000	RM'000
Land and buildings	65,309	59,764
Plant and equipment	146,216	125,266
Other assets	7,692	8,123
	<u>219,217</u>	<u>193,153</u>

- (b) During the financial year, the Group acquired property, plant and equipment at aggregate costs of RM105,529,000 (2006 : RM138,560,000) of which RM100,000 (2006 : RM407,000) were acquired by means of hire purchase arrangements. Net carrying amounts of property, plant and equipment held under hire purchase arrangements are as follows:

	2007	2006
	RM'000	RM'000
Plant and equipment	4,691	-
Motor vehicles	1,264	1,252
	<u>5,955</u>	<u>1,252</u>

- (c) Interest expense capitalised during the financial year under capital work-in-progress of the Group amounted to RM423,000 (2006 : RM491,000), as disclosed in Note 4.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	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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12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows :

Name of company	Country of incorporation	Proportion of Ownership interest (%)		Principal activities
		2007	2006	
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	Dormant
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	100	Producing and selling latex concentrate
B Tech Industry Co. Ltd.#	Thailand	100	100	Producing and selling latex concentrate

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12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Proportion of Ownership interest (%)		Principal activities
		2007	2006	
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	100	Manufacture of gloves
TG Medical (Zhangjiagang) Co. Ltd.#	The People's Republic of China	100	100	Trading of gloves
Top Glove International Sdn. Bhd.#	Malaysia	100	100	Dormant
Top Glove Technology Sdn. Bhd.#	Malaysia	100	100	Dormant
Medi-Flex Limited ("Medi-Flex")**	Singapore	60	-	Investment holding
Subsidiaries of Medi-Flex :				
Flexitech Sdn. Bhd. ("Flexitech") *	Malaysia	60	-	Manufacturing of gloves
Hiclean International Pte. Ltd. **	Singapore	60	-	Trading of gloves
Subsidiary of Flexitech :				
Techniglove Asia Sdn. Bhd. *	Malaysia	60	-	Trading of gloves

* Audited by Ernst & Young, Malaysia

** Audited by member firms of Ernst & Young Global in the respective countries

Audited by firms other than Ernst & Young

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Acquisition of Subsidiary

On 15 March 2007, the Company through its wholly owned subsidiary, Top Glove Sdn. Bhd. ("TGSB") subscribed 300,305,829 ordinary shares representing 60.06% of the equity interest in Medi-Flex Limited ("Medi-Flex"), a company incorporated in Singapore and listed on the Singapore Exchange Trading Limited Dealing and Automated System for a cash consideration of RM27.8 million, resulting in the Company to become the ultimate holding company of Medi-Flex.

The acquired subsidiary has contributed the following results to the Group:

	2007 RM'000
Revenue	22,176
Loss for the year	<u>3,589</u>

If the acquisition had occurred on 1 September 2006, the Group's revenue and profit for the year would have been approximately RM1,251.6 million and RM87.5 million respectively.

The assets and liabilities arising from the acquisition are as follows:

	Fair value* recognised on acquisition RM'000	Acquiree's carrying amount RM'000
Property, plant and equipment (Note 11)	75,143	75,143
Investments in associate	8,677	8,677
Inventories	7,995	7,995
Trade and other receivables	9,394	9,394
Cash and bank balances	11,674	11,674
	<u>112,883</u>	<u>112,883</u>
Trade and other payables	(28,017)	(28,017)
Borrowings	(33,785)	(33,785)
	<u>(61,802)</u>	<u>(61,802)</u>
Fair value of net assets	51,081	
Less: Minority interests	(20,402)	
Group's share of net assets	<u>30,679</u>	
Negative goodwill	(2,862)	
Total cost of acquisition	<u>27,817</u>	

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The cash outflow on acquisition is as follows:

	2007
	RM'000
Purchase consideration satisfied by cash	27,604
Cost attributable to the acquisition, paid in cash	213
Total cash outflow of the Company	<u>27,817</u>
Cash and cash equivalents of subsidiary acquired	<u>(11,674)</u>
Net cash outflow of the Group	<u>16,143</u>

There were no acquisition subsequent to 31 August 2007.

* The initial accounting for the above business acquisition has been accounted for using provisional values as the fair values to be assigned to the acquiree's identifiable assets or liabilities can be determined only provisionally, due to certain components of the assets and liabilities acquired require further considerations before the amounts can be finally determined.

13. INVESTMENTS IN ASSOCIATE

	Group	
	2007	2006
	RM'000	RM'000
Unquoted shares at cost	8,677	-
Share of post-acquisition reserves	60	-
	<u>8,737</u>	<u>-</u>

Details of the associate are as follows :

Name of company	Country of incorporation	Proportion of Ownership interest (%)		Principal activities
		2007	2006	
Held through subsidiary:				
Sonic Clean Pte. Ltd.	Singapore	21	-	Provide all kinds of aqueous cleaning services, consumable cleaning and sub-assembly work in clean room environment, and investment holding

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The summarised financial information of the associate are as follows:

	2007
	RM'000
Assets and liabilities	
Current assets	12,599
Non-current assets	11,245
Total assets	<u>23,844</u>
Current liabilities	(6,880)
Non-current liabilities	(233)
Total liabilities	<u>(7,113)</u>
Results	
Revenue	22,600
Profit for the period	<u>1,157</u>

14. DUE FROM A SUBSIDIARY

	Company	
	2007	2006
	RM'000	RM'000
Interest bearing at 5.10% to 5.50% per annum	70,000	70,000
Non interest bearing	241,763	76,961
	<u>311,763</u>	<u>146,961</u>

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

15. GOODWILL

	Group	
	2007	2006
	RM'000	RM'000
At 1 September	21,078	5,324
Acquisition of subsidiary	-	15,754
At 31 August	<u>21,078</u>	<u>21,078</u>

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Impairment tests for goodwill

Goodwill has been allocated to the Group's CGUs identified according to the subsidiaries, as follows:

	2007	2006
	RM'000	RM'000
Top Glove (Zhangjiagang) Co. Ltd.	2,378	2,378
Top Glove Medical (Thailand) Co. Ltd.	2,946	2,946
B Tech Industry Co. Ltd.	15,754	15,754
	<u>21,078</u>	<u>21,078</u>

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five to seven years period. The key assumptions used for value-in-use calculations are:

	Gross Margin	Discount Rate
	2007	2007
Top Glove (Zhangjiagang) Co. Ltd.	15%	5%
Top Glove Medical (Thailand) Co. Ltd.	10%	5%
B Tech Industry Co. Ltd.	7%	5%

The following describes each key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill :

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

(ii) Discount rate

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The Group believes that any reasonably possible change in the above key assumptions applied are not likely to materially cause recoverable amount to be lower than its carrying amount.

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16. INVENTORIES

	Group	
	2007	2006
	RM'000	RM'000
At cost:		
Raw materials	27,672	22,414
Consumables and hardware	8,037	6,608
Work-in-progress	14,857	8,379
Finished goods	67,071	56,473
	<u>117,637</u>	<u>93,874</u>
At net realisable value:		
Finished goods	3,619	8,358
	<u>121,256</u>	<u>102,232</u>

17. TRADE RECEIVABLES

	Group	
	2007	2006
	RM'000	RM'000
Trade receivables	169,674	149,768
Less: Provision for doubtful debts	(910)	(7)
	<u>168,764</u>	<u>149,761</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.

18. OTHER RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
	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	-	-	79,264	46,003
Other receivables, deposits and prepayments	10,441	9,042	7	2
	<u>10,441</u>	<u>9,042</u>	<u>79,271</u>	<u>70,820</u>

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The amounts due from subsidiaries are unsecured and are repayable on demand.

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

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cash on hand and in banks	58,586	52,720	12,941	783
Fixed deposits with licensed banks	48,956	6,491	-	-
Money market funds	58,042	-	36,373	-
Cash and bank balances	<u>165,584</u>	<u>59,211</u>	<u>49,314</u>	<u>783</u>
Less :				
Bank overdrafts (Note 20)	<u>(1,187)</u>	<u>(454)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u>164,397</u>	<u>58,757</u>	<u>49,314</u>	<u>783</u>

Fixed deposits amounting to RM451,000 (2006 : RM440,000) 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 RM451,000 (2006 : RM1,027,000) are pledged to banks as securities.

Cash in bank of the Company amounting to RM755,000 (2006 : RM755,000) are pledged to bank for Murabahah/Ijarah commercial papers and medium term notes facilities granted to the Company as referred to in Note 28.

The weighted average effective interest rates of deposits at the balance sheet date were as follows:

	Group	
	2007	2006
	%	%
Licensed banks	3.70	2.80
Money market funds	3.06	-

The average maturities of deposits as at the end of the financial year were as follows:

	Group	
	2007	2006
	Days	Days
Licensed banks	11	365

There is no maturity period for money market funds as these money are callable on demand.

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20. BORROWINGS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Short Term Borrowings				
Secured:				
Bank overdrafts (Note 19)	1,187	454	-	-
Bankers' acceptances	4,211	23,190	-	-
Commercial papers	-	24,880	-	24,880
Export credit refinancing	-	20,808	-	-
Revolving credits	33,245	20,879	-	-
Trust receipts	-	12,255	-	-
Term loans	23,382	23,485	-	-
Hire purchase payables (Note 21)	1,701	278	-	-
	63,726	126,229	-	24,880
Long Term Borrowings				
Secured:				
Medium term notes	70,000	70,000	70,000	70,000
Term loans	57,328	76,219	-	-
Hire purchase payables (Note 21)	1,139	220	-	-
	128,467	146,439	70,000	70,000
Total Borrowings				
Bank overdrafts (Note 19)	1,187	454	-	-
Bankers' acceptances	4,211	23,190	-	-
Commercial papers	-	24,880	-	24,880
Export credit refinancing	-	20,808	-	-
Medium term notes	70,000	70,000	70,000	70,000
Revolving credits	33,245	20,879	-	-
Trust receipts	-	12,255	-	-
Term loans	80,710	99,704	-	-
Hire purchase payables (Note 21)	2,840	498	-	-
	192,193	272,668	70,000	94,880
Maturity of borrowings (excluding hire purchase)				
Within one year	62,025	125,951	-	24,880
More than 1 year and less than 2 years	41,667	24,544	15,000	-
More than 2 years and less than 5 years	82,899	113,034	55,000	70,000
5 years or more	2,762	8,641	-	-
	189,353	272,170	70,000	94,880

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20. BORROWINGS (CONTINUED)

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

	Group		Company	
	2007	2006	2007	2006
	%	%	%	%
Bank overdrafts	7.9	7.7	-	-
Bankers' acceptances	5.0	5.1	-	-
Commercial papers	-	3.9	-	3.9
Export credit refinancing	-	4.5	-	-
Medium term notes	5.4	5.4	5.4	5.4
Revolving credits	5.9	5.7	-	-
Trust receipts	-	6.9	-	-
Term loans	5.7	5.0	-	-

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 19 respectively.

21. HIRE PURCHASE PAYABLES

	Group	
	2007	2006
	RM'000	RM'000
Minimum hire purchase payments:		
Not later than 1 year	1,835	323
Later than 1 year and not later than 2 years	1,174	120
Later than 2 years and not later than 5 years	-	109
	<u>3,009</u>	<u>552</u>
Less :Future finance charges	(169)	(54)
Present value of hire purchase payables	<u>2,840</u>	<u>498</u>
Present value of hire purchase payables:		
Not later than 1 year	1,701	278
Later than 1 year and not later than 2 years	1,139	104
Later than 2 years and not later than 5 years	-	116
	<u>2,840</u>	<u>498</u>
Analysed as:		
Due within 12 months (Note 20)	1,701	278
Due after 12 months (Note 20)	1,139	220
	<u>2,840</u>	<u>498</u>

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The hire purchase bore interest at the balance sheet date of between 2.70% to 3.50% (2006 : 2.70% to 3.30%) per annum.

22. TRADE PAYABLES

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

23. OTHER PAYABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Amounts payable for acquisition of a subsidiary	-	9,872	-	-
Sundry payables and accruals	76,764	58,778	1,441	1,189
	<u>76,764</u>	<u>68,650</u>	<u>1,441</u>	<u>1,189</u>

24. SHARE CAPITAL

	Group and Company			
	Number of Ordinary Shares		Amount	
	2007 '000	2006 '000	2007 RM'000	2006 RM'000
Authorised	<u>400,000</u>	<u>400,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid :				
Ordinary shares of RM0.50 each				
At 1 September	192,286	188,639	96,143	94,319
Bonus issue	77,765	-	38,883	-
Private placement	27,218	-	13,609	-
Exercise of ESOS	3,207	3,647	1,603	1,824
At 31 August	<u>300,476</u>	<u>192,286</u>	<u>150,238</u>	<u>96,143</u>

Subsequent to the end of the financial year, the Company increased its issued and paid-up share capital from RM150,237,915 to RM150,255,765 by way of the issuance of 35,700 ordinary shares of RM0.50 each pursuant to the ESOS at an option price of between RM0.62 and RM10.49 per ordinary share.

The new ordinary shares ranked pari passu in all respects with the existing ordinary shares of the Company.

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25. EMPLOYEE BENEFITS

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.
- (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.

Subsequent to the financial year end, the Company proposed to establish a new ESOS for the eligible persons. The maximum number of new ordinary shares of RM0.50 each to be granted under the proposed new ESOS shall not exceed 15% of the total issued and paid-up share capital of the Company at any point in time during the duration of the proposed new ESOS.

The proposed new ESOS will be implemented after the expiring of the existing ESOS on 29 April 2008.

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

2007

Number of share options over the ordinary shares of RM0.50 each

Grant Date	Expiry Date	Exercise Price RM	At beginning of year '000	Granted '000	Exercised '000	Lapsed '000	Balance prior to adjustment for bonus issue* '000
5.6.2003	29.4.2008	0.87	6.0	-	-	-	6.0
6.3.2004	29.4.2008	2.80	8.0	-	-	-	8.0
6.5.2004	29.4.2008	3.50	2.0	-	(2.0)	-	-
7.6.2004	29.4.2008	3.14	434.4	-	(285.4)	(8.0)	141.0
6.7.2004	29.4.2008	3.20	12.0	-	-	-	12.0
6.9.2004	29.4.2008	3.27	4.0	-	(4.0)	-	-
6.10.2004	29.4.2008	3.30	1.0	-	(1.0)	-	-
6.11.2004	29.4.2008	3.45	53.4	-	(4.6)	(7.6)	41.2
6.12.2004	29.4.2008	3.63	10.0	-	(3.0)	-	7.0
4.2.2005	29.4.2008	4.12	0.4	-	-	(0.4)	-
7.3.2005	29.4.2008	4.19	12.0	-	(4.0)	-	8.0
7.4.2005	29.4.2008	4.17	27.0	-	(8.0)	-	19.0
6.5.2005	29.4.2008	4.03	60.2	-	(26.0)	-	34.2
6.6.2005	29.4.2008	4.01	744.8	-	(431.7)	(11.3)	301.8
5.7.2005	29.4.2008	4.12	15.4	-	(4.0)	-	11.4
5.8.2005	29.4.2008	4.43	34.4	-	(17.0)	-	17.4
5.9.2005	29.4.2008	4.50	22.0	-	(12.0)	-	10.0
5.10.2005	29.4.2008	4.48	39.4	-	(27.0)	-	12.4
5.11.2005	29.4.2008	4.67	14.5	-	-	-	14.5
5.12.2005	29.4.2008	5.06	57.4	-	(13.0)	-	44.4
5.1.2006	29.4.2008	6.10	78.5	-	(69.0)	-	9.5
5.2.2006	29.4.2008	6.45	17.4	-	(10.0)	(2.4)	5.0
3.3.2006	29.4.2008	6.88	25.3	-	(11.3)	-	14.0
5.4.2006	29.4.2008	6.95	126.7	-	(33.7)	-	93.0
5.5.2006	29.4.2008	8.92	158.8	-	(41.4)	(2.4)	115.0
5.6.2006	29.4.2008	8.37	2,223.3	-	(809.4)	(156.5)	1,257.4
5.7.2006	29.4.2008	8.14	105.2	-	(71.0)	-	34.2
5.8.2006	29.4.2008	8.14	169.6	-	(80.2)	-	89.4
5.9.2006	29.4.2008	8.58	-	130.0	(59.2)	(7.0)	63.8
5.10.2006	29.4.2008	8.62	-	128.4	(59.1)	(7.0)	62.3
5.11.2006	29.4.2008	10.49	-	176.4	(41.3)	-	135.1
			4,463.1	434.8	(2,128.3)	(202.6)	2,567.0

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Grant Date	Expiry Date	Exercise Price RM	Number of share options over the ordinary shares of RM0.50 each				At end of year '000
			Granted '000	Exercised '000	Lapsed '000	Balance after adjustment for bonus issue* '000	
5.6.2003	29.4.2008	0.62	-	(8.4)	-	-	
6.3.2004	29.4.2008	2.00	-	-	-	11.2	
7.6.2004	29.4.2008	2.24	-	(136.0)	-	61.4	
6.7.2004	29.4.2008	2.28	-	(6.8)	-	10.0	
6.11.2004	29.4.2008	2.46	-	(42.3)	(2.4)	16.5	
6.12.2004	29.4.2008	2.59	-	(9.8)	-	-	
7.3.2005	29.4.2008	2.99	-	(11.2)	-	-	
7.4.2005	29.4.2008	2.98	-	-	-	26.6	
6.5.2005	29.4.2008	2.88	-	(46.7)	-	1.2	
6.6.2005	29.4.2008	2.86	-	(94.3)	-	328.6	
5.7.2005	29.4.2008	2.94	-	-	-	16.0	
5.8.2005	29.4.2008	3.16	-	(24.4)	-	-	
5.9.2005	29.4.2008	3.21	-	(2.8)	-	11.2	
5.10.2005	29.4.2008	3.20	-	-	-	17.4	
5.11.2005	29.4.2008	3.34	-	(7.6)	-	12.7	
5.12.2005	29.4.2008	3.61	-	(9.8)	-	52.4	
5.1.2006	29.4.2008	4.36	-	(5.6)	-	7.7	
5.2.2006	29.4.2008	4.61	-	(3.8)	-	3.2	
3.3.2006	29.4.2008	4.91	-	(11.8)	-	7.8	
5.4.2006	29.4.2008	4.96	-	(4.0)	-	126.2	
5.5.2006	29.4.2008	6.37	-	(36.4)	-	124.6	
5.6.2006	29.4.2008	5.98	-	(516.9)	-	1,243.3	
5.7.2006	29.4.2008	5.81	-	(4.8)	-	43.2	
5.8.2006	29.4.2008	5.81	-	(20.2)	-	105.0	
5.9.2006	29.4.2008	6.13	-	(13.2)	-	76.2	
5.10.2006	29.4.2008	6.16	-	(25.1)	-	62.2	
5.11.2006	29.4.2008	7.49	-	(37.0)	-	152.3	
5.6.2007	29.4.2008	8.74	-	-	-	1,363.6	
			3,598.2	1,363.6	(1,078.9)	(2.4)	3,880.5

* Bonus issue on the basis of two new ordinary shares for every five existing ordinary shares.

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2006

Grant Date	Expiry Date	Exercise Price RM	Number of share options over the ordinary shares of RM0.50 each				At end of year '000
			At beginning of year '000	Granted '000	Exercised '000	Lapsed '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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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
2007				
Before bonus issue				
September 2006 - February 2007	3.50 - 8.58	8.75 - 13.70	2,027.9	12,844
October 2006 - February 2007	8.62	8.80 - 13.70	59.1	509
November 2006 - February 2007	10.49	10.70 - 13.70	41.3	433
After bonus issue				
September 2006 - August 2007	0.62 - 6.13	6.25 - 9.30	1,016.8	4,709
October 2006 - August 2007	6.16	6.30 - 9.30	25.1	155
November 2006 - August 2007	7.49	7.65 - 9.30	37.0	277
			3,207.2	18,927
Less: Par value of ordinary shares				(1,603)
Share premium				17,324
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

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Fair value of share options granted during the year

The fair value of share options granted during the year was estimated by using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	2007
Fair value of share options at the following grant dates (RM)	
5 September 2006	0.76
5 October 2006	0.70
5 November 2006	0.93
5 June 2007	0.86
Weighted average share price (RM)	8.29
Weighted average exercise price (RM)	8.18
Expected volatility (%)	16.76 - 22.46
Expected life (years)	0.92 - 1.67
Risk free rate (%)	3.70
Expected dividend yield (%)	1.20

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option were incorporated into the measurement of fair value.

26. DEFERRED TAXATION

	Group	
	2007	2006
	RM'000	RM'000
At 1 September	29,538	22,405
Recognised in the income statement (Note 8)	1,271	7,133
At 31 August	<u>30,809</u>	<u>29,538</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 unused tax losses of approximately RM13,498,000 (2006 : RM Nil) 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 as it has arisen in a subsidiary that has recent history of losses.

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27. RETAINED EARNINGS

Presently, Malaysian companies adopt the full imputation system. In the Budget 2008, the Government announced the proposal to introduce the single tier tax system for companies effective from the year of assessment 2008. Under the proposed single tier system, the Company shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends paid, credited or distributed by the Company will be exempted from tax in the hands of the shareholders. However, there will be a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. This proposed change in the tax law also provides for the 108 balance to be locked in as at 31 December 2007.

During the transitional period, the Company can utilise the balance in the 108 account as at 31 August 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Bill, 2007.

As at 31 August 2007, the Company has sufficient balance in the 108 account and the balance in the tax-exempt income account to pay franked dividends out of its entire retained earnings.

28. 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/Ijarah 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").

(b) RM100 million Murabahah/Ijarah 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 19.

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29. COMMITMENTS

	Group	
	2007	2006
	RM'000	RM'000
Capital expenditure:		
Approved and contracted for	5,925	28,342

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2007	2006
	RM'000	RM'000
Gross dividends from subsidiaries	12,000	45,500
Management fees from subsidiaries	1,290	280

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 negotiated and mutually agreed terms.

31. CONTINGENT LIABILITIES

	Company	
	2007	2006
	RM'000	RM'000
Corporate guarantee issued to financial institutions for credit facilities granted to subsidiaries (unsecured)	129,061	149,668

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.

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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 several times to 14 September 2007 for mention for pre-trial case management and 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. On 20 July 2007, the court allowed SGM's appeal and fixed a final case management on 14 September 2007. Pursuant to the said case management on 14 September 2007, the court has fixed the matter for trial on 24 & 25 June 2008.

- (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.

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 5 February 2008.

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.

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(iii) The Company has been named as one of 39 respondents in United States International Trade Commission ("ITC") investigations, which Tillotson Corporation instituted on 30 May 2007, for alleged patent infringement of nitrile gloves.

The outcome of the abovementioned investigation is not presently determinable. The ITC, however, cannot award monetary damages and the Company's appointed solicitors, have opined that the Company has meritorious defenses.

32. 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 negotiated and mutually agreed terms.

31 August 2007

	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	941,161	181,653	42,673	63,291	-	1,228,778
Inter-segment sales	43,747	81,670	49,535	-	(174,952)	-
Total revenue	<u>984,908</u>	<u>263,323</u>	<u>92,208</u>	<u>63,291</u>	<u>(174,952)</u>	<u>1,228,778</u>
Results						
Operating profit/ (loss)	132,239	6,279	(8,456)	2,111	115	132,288
Finance costs						(13,525)
Share of loss of associate						(119)
Profit before tax						<u>118,644</u>
Income tax expense						(15,757)
Profit for the year						<u>102,887</u>
Assets						
Segment assets	731,614	163,072	85,250	43,877		1,023,813
Investments in associate						8,737
Goodwill						21,078
						<u>1,053,628</u>

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32. SEGMENTAL INFORMATION (CONTINUED)

	Malaysia RM'000	Thailand RM'000	The People's Republic of China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Liabilities						
Segment liabilities	290,038	78,115	41,487	6,850		<u>416,490</u>
Other information						
Capital expenditure	52,969	34,426	18,134	-		105,529
Depreciation	31,133	8,651	3,461	237		<u>43,482</u>
31 August 2006						
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>
Results						
Operating profit	83,922	8,734	9,452	1,596	(1,604)	102,100
Finance costs						<u>(10,327)</u>
Profit before tax						91,773
Income tax expense						<u>(12,712)</u>
Profit for the year						<u>79,061</u>
Assets						
Segment assets	514,354	131,222	66,125	29,337		741,038
Goodwill						<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		<u>28,210</u>

(b) Secondary reporting segment - Business segments

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

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33. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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.

(b) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's primary interest rate risk relates to interest-bearing debt. 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 and money market funds.

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.

(c) Foreign Exchange Risk

The Group is exposed to various currencies especially in United States Dollars, Thailand Baht, Chinese Renminbi and Singapore Dollars. 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 RM'000	Total RM'000
At 31 August 2007 :				
Ringgit Malaysia	-	42,035	-	42,035
Thailand Baht	4,337	21,400	(1,309)	24,428
Chinese Renminbi	-	(12,931)	-	(12,931)
Singapore Dollars	21	-	-	21
	<u>4,358</u>	<u>50,504</u>	<u>(1,309)</u>	<u>53,553</u>
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>

As at balance sheet date, the Group had entered into United States Dollars forward foreign exchange contracts with notional amount of RM181,432,500 (2006 : RM192,142,000) to hedge anticipated sales.

The net unrecognised gains/(losses) 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	
	2007 RM'000	2006 RM'000
Net unrealised gains/(losses)	<u>4,235</u>	<u>(284)</u>

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(d) 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 assets.

(e) 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.

(f) Fair Values

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

		Company	
	Note	Carrying Amount RM'000	Fair Value RM'000
Financial Assets			
At 31 August 2007			
Due from a subsidiary	14	311,763	*
Due from subsidiaries	18	79,264	*
<hr/>			
At 31 August 2006			
Due from a subsidiary	14	146,961	*
Due from subsidiaries	18	70,818	*
<hr/>			

* 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.