

**Top Glove Corporation Bhd.**  
**(474423-X)**  
**(Incorporated in Malaysia)**

**Directors' Report and**  
**Audited Financial Statements**  
**31 August 2016**

**474423-X**

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

<b>Contents</b>	<b>Pages</b>
Directors' report	1 - 7
Statement by directors	8
Statutory declaration	8
Independent auditors' report	9 - 11
Income statements	12
Statements of comprehensive income	13
Statements of financial position	14 - 15
Statements of changes in equity	16 - 19
Statements of cash flows	20 - 22
Notes to the financial statements	23 -107
Notes to the financial statements - supplementary information	108

474423-X

**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 2016.

**Principal activities**

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

The principal activities of the subsidiaries are described in Note 19 to the financial statements.

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

**Results**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit net of tax	<u>362,439</u>	<u>54,161</u>
Profit attributable to:		
Owners of the parent	360,729	54,161
Non-controlling interests	<u>1,710</u>	<u>-</u>
	<u>362,439</u>	<u>54,161</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.

**Dividends**

The amount of dividends paid by the Company since 31 August 2015 were as follows:

	<b>RM'000</b>
In respect of the financial year ended 31 August 2015:	
Final single tier dividend of 24%, paid on 28 January 2016	74,979
Special single tier dividend of 6%, paid on 28 January 2016	18,745
In respect of the financial year ended 31 August 2016:	
First interim single tier dividend of 12%, paid on 15 July 2016	<u>75,139</u>
	<u>168,863</u>

**474423-X**

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**Dividends (continued)**

At the forthcoming Annual General Meeting, a single tier final dividend of 17% on 1,252,648,000 ordinary shares amounting to RM106,475,034 (8.50 sen per share) in respect of the financial year ended 31 August 2016 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 2017.

**Directors**

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 Dato' Seri Utama Arshad bin Ayub  
Tan Sri Mohd Sidek Bin Haji Hassan  
Tan Sri Rainer Althoff  
Lee Kim Meow  
Puan Sri Tong Siew Bee  
Lim Hooi Sin  
Lim Cheong Guan  
Dato' Lim Han Boon  
Datuk Noripah Binti Kamso  
Sharmila Sekarajasekaran  
Tay Seong Chee Simon (appointed on 15 June 2016)

**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 the 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") and the Employee Share Grant Plan ("ESGP").

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 or the fixed salary of a full-time employee of the Company as shown in Note 13 to the financial statements) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**Directors' interests**

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

	<b>Number of ordinary shares of RM0.50 each</b>			
	<b>1 September 2015</b>	<b>Acquired</b>	<b>Sold</b>	<b>Balance prior to bonus issue*</b>
Tan Sri Dr <u>Lim</u> Wee Chai				
- direct	183,720,638	672,000	-	184,392,638
- indirect	51,383,004	331,200	53,000	51,661,204
Puan Sri Tong Siew Bee				
- direct	9,196,348	259,200	53,000	9,402,548
- indirect	225,907,294	744,000	-	226,651,294
Lee Kim Meow				
- direct	335,100	50,400	100,000	285,500
- indirect	10,000	-	-	10,000
Lim Hooi Sin				
- direct	10,032,562	67,200	-	10,099,762
- indirect	225,070,780	931,200	53,000	225,948,980
Lim Cheong Guan				
- direct	119,700	92,700	212,400	-
Tan Sri Dato' Seri Utama Arshad bin Ayub				
- indirect	800,000	-	400,000	400,000

	<b>Number of ordinary shares of RM0.50 each</b>			
	<b>Balance after bonus issue*</b>	<b>Acquired</b>	<b>Sold</b>	<b>31 August 2016</b>
Tan Sri Dr <u>Lim</u> Wee Chai				
- direct	368,785,276	27,400	-	368,812,676
- indirect	103,322,408	11,800	441,300	102,892,908
Puan Sri Tong Siew Bee				
- direct	18,805,096	800	441,300	18,364,596
- indirect	453,302,588	38,400	-	453,340,988
Lee Kim Meow				
- direct	571,000	9,100	-	580,100
- indirect	20,000	-	-	20,000
Lim Hooi Sin				
- direct	20,199,524	10,300	-	20,209,824
- indirect	451,897,960	28,200	441,300	451,484,860
Lim Cheong Guan				
- direct	-	8,000	-	8,000
Tan Sri Dato' Seri Utama Arshad bin Ayub				
- indirect	800,000	-	-	800,000

474423-X

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**Directors' interests (continued)**

	<b>Number of options over ordinary shares of RM0.50 each</b>			
	<b>1 September 2015</b>	<b>Granted</b>	<b>Exercised</b>	<b>Balance prior to bonus issue*</b>
Tan Sri Dr <u>Lim</u> Wee Chai	672,000	-	672,000	-
Puan Sri Tong Siew Bee	259,200	-	259,200	-
Lee Kim Meow	352,800	-	50,400	302,400
Lim Hooi Sin	67,200	-	67,200	-
Lim Cheong Guan	209,700	-	92,700	117,000

	<b>Number of options over ordinary shares of RM0.50 each</b>			
	<b>Balance after bonus issue*</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 August 2016</b>
Tan Sri Dr <u>Lim</u> Wee Chai	-	-	-	-
Puan Sri Tong Siew Bee	-	-	-	-
Lee Kim Meow	604,800	-	-	604,800
Lim Hooi Sin	-	-	-	-
Lim Cheong Guan	234,000	-	-	234,000

**Number of ordinary shares of RM0.50 each granted through ESGP  
during the financial year**

	<b>Granted</b>
Tan Sri Dr <u>Lim</u> Wee Chai	27,400
Puan Sri Tong Siew Bee	800
Lee Kim Meow	9,100
Lim Hooi Sin	10,300
Lim Cheong Guan	8,000

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 directors 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.

\* The number of ordinary shares has been adjusted to reflect the bonus issue of 1 for 1 existing ordinary shares which was completed on 27 January 2016. Further details are disclosed in Note 32 of the financial statements.

**474423-X**

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**Issue of shares**

During the financial year, the Company increased its:

- (a) authorised share capital from RM400,000,000 to RM800,000,000 through the creation of 800,000,000 shares of RM0.50 each; and
- (b) issued and paid-up share capital from RM312,092,000 to RM627,406,000 by way of:
  - (i) issuance of 4,914,100 ordinary shares of RM0.50 each pursuant to the ESOS at an exercise price between RM1.76 to RM6.97 per ordinary share; and
  - (ii) issuance of 625,714,000 ordinary shares of RM0.50 each through a bonus issue on the basis of one new ordinary share of RM0.50 each for every one existing ordinary share of RM0.50 each held in the Company, by way of capitalisation of RM220,800,000 from the share premium account and RM92,057,000 from retained earnings.

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 ("ESOS")**

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 2008 and became effective on 1 August 2008.

The main features and other terms of the ESOS are disclosed in Note 37(i) 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 95,900 ordinary shares.

**Employee share grant plan ("ESGP")**

The Company's ESGP is governed by the By-Laws which was approved by the shareholders at the Extraordinary General Meeting held on 6 January 2016 and became effective on 12 January 2016 and is administered by the ESGP Committee.

The main features and other terms of the ESGP are disclosed in Note 37(ii) to the financial statements.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**Other statutory information**

- (a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision has been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts 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) 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 their 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.



**474423-X**

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**Significant events**

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 1 and Note 19 to the financial statements.

**Subsequent events**

Details of subsequent events are disclosed in Note 46 to the financial statements.

**Auditors**

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 October 2016.

Lee Kim Meow

Dato' Lim Han Boon

474423-X

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**Statement by directors  
Pursuant to Section 169 (15) of the Companies Act, 1965**

We, Lee Kim Meow and Dato' Lim Han Boon, 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 12 to 107 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 48 on page 108 of the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 October 2016.

Lee Kim Meow

Dato' Lim Han Boon

**Statutory declaration  
Pursuant to Section 169 (16) of the Companies Act, 1965**

I, Lee Kim Meow, being 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 12 to 108 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, Lee Kim Meow  
at Klang in the State of Selangor  
on 28 October 2016

Lee Kim Meow

Before me,

Goh Cheng Teak  
Commissioner for Oaths

**474423-X**

**Independent auditors' report to the members of  
Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**Report on the financial statements**

We have audited the financial statements of Top Glove Corporation Bhd., which comprise the statements of financial position of the Group and of the Company as at 31 August 2016, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 107.

*Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

**474423-X**

**Independent auditors' report to the members of  
Top Glove Corporation Bhd. (continued)  
(Incorporated in Malaysia)**

*Auditors' responsibility (continued)*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 August 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 19 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) 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.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

474423-X

**Independent auditors' report to the members of  
Top Glove Corporation Bhd. (continued)  
(Incorporated in Malaysia)**

**Other reporting responsibilities**

The supplementary information set out in Note 48 to the financial statements on page 108 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information has been prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young  
AF: 0039  
Chartered Accountants

Ong Chee Wai  
2857/07/18(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
Date: 28 October 2016

474423-X

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**Income statements**

**For the financial year ended 31 August 2016**

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Revenue</b>	8	2,888,515	2,510,510	59,596	293,467
Cost of sales		(2,292,969)	(1,955,610)	-	-
<b>Gross profit</b>		<u>595,546</u>	<u>554,900</u>	<u>59,596</u>	<u>293,467</u>
<b>Other items of income</b>					
Interest income	9	31,022	24,774	3,107	752
Other income	10	31,308	17,843	311	86
<b>Other items of expense</b>					
Distribution and selling costs		(82,718)	(82,127)	-	-
Administrative and general expenses		(128,620)	(135,973)	(8,853)	(5,617)
Finance costs		(5,611)	(4,170)	-	-
Share of results of associates		1,275	(11,709)	-	-
<b>Profit before tax</b>	11	<u>442,202</u>	<u>363,538</u>	<u>54,161</u>	<u>288,688</u>
Income tax expense	14	(79,763)	(82,346)	-	-
<b>Profit net of tax</b>		<u>362,439</u>	<u>281,192</u>	<u>54,161</u>	<u>288,688</u>
<b>Profit attributable to:</b>					
Owners of the parent		360,729	279,781	54,161	288,688
Non-controlling interests		1,710	1,411	-	-
		<u>362,439</u>	<u>281,192</u>	<u>54,161</u>	<u>288,688</u>
<b>Earnings per share attributable to owners of the parent (sen):</b>					
Basic	15	28.83	22.48		
Diluted	15	<u>28.78</u>	<u>22.37</u>		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

474423-X

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**Statements of comprehensive income  
For the financial year ended 31 August 2016**

	<b>Group</b>		<b>Company</b>	
	<b>2016 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Profit net of tax	362,439	281,192	54,161	288,688
<b>Other comprehensive (loss)/income:</b> <i>To be reclassified to profit or loss in subsequent periods:</i>				
Net movement on available-for- sale financial assets	(4,229)	(1,132)	-	-
Foreign currency translation differences of foreign operations	(16,750)	35,294	-	-
Foreign currency translation differences of associates	(199)	1,370	-	-
<b>Other comprehensive (loss)/income: for the year, net of tax</b>	<u>(21,178)</u>	<u>35,532</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u>341,261</u>	<u>316,724</u>	<u>54,161</u>	<u>288,688</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	339,884	314,456	54,161	288,688
Non-controlling interests	1,377	2,268	-	-
	<u>341,261</u>	<u>316,724</u>	<u>54,161</u>	<u>288,688</u>

The accompanying accounting policies and explanatory notes  
form an integral part of the financial statements.

474423-X

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**Statements of financial position**  
**As at 31 August 2016**

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	16	1,156,767	1,026,490	-	-
Land use rights	17	39,461	40,315	-	-
Investment property	18	82,184	111,178	-	-
Investment in subsidiaries	19	-	-	580,503	580,503
Investment in associates	20	3,961	5,140	-	-
Deferred tax assets	21	7,081	8,762	-	-
Investment securities	22	145	145	-	-
Goodwill	23	22,805	22,805	-	-
		<u>1,312,404</u>	<u>1,214,835</u>	<u>580,503</u>	<u>580,503</u>
<b>Current assets</b>					
Inventories	24	263,679	252,115	-	-
Trade and other receivables	25	345,700	380,700	2,257	134,672
Other current assets	26	24,179	24,148	-	6
Tax recoverable		-	-	3	2
Investment securities	22	479,081	669,672	100,163	31,337
Cash and bank balances	28	224,099	146,460	248	12,137
		<u>1,336,738</u>	<u>1,473,095</u>	<u>102,671</u>	<u>178,154</u>
<b>Total assets</b>		<u>2,649,142</u>	<u>2,687,930</u>	<u>683,174</u>	<u>758,657</u>
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Loans and borrowings	29	317,796	530,333	-	-
Trade and other payables	30	332,199	326,174	2,256	2,065
Other current liabilities	31	39,368	29,625	-	-
Income tax payable		1,357	25,348	-	-
Derivative financial instruments	27	189	9,211	-	-
		<u>690,909</u>	<u>920,691</u>	<u>2,256</u>	<u>2,065</u>
<b>Net current assets</b>		<u>645,829</u>	<u>552,404</u>	<u>100,415</u>	<u>176,089</u>



474423-X

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**Statements of financial position  
As at 31 August 2016 (continued)**

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Non-current liabilities</b>					
Loans and borrowings	29	81,637	105,693	-	-
Deferred tax liabilities	21	50,757	47,153	-	-
		<u>132,394</u>	<u>152,846</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>		<u>823,303</u>	<u>1,073,537</u>	<u>2,256</u>	<u>2,065</u>
<b>Net assets</b>		<u>1,825,839</u>	<u>1,614,393</u>	<u>680,918</u>	<u>756,592</u>
<b>Equity attributable to owners of the parent</b>					
Share capital	32	627,406	312,092	627,406	312,092
Share premium	33	4,781	200,302	4,781	200,302
Treasury Shares	34	(9,739)	(14,722)	(9,739)	(14,722)
Other reserves	35	28,508	53,709	2,861	7,714
Retained earnings	36	1,167,057	1,056,583	55,609	251,206
		<u>1,818,013</u>	<u>1,607,964</u>	<u>680,918</u>	<u>756,592</u>
Non-controlling interests		<u>7,826</u>	<u>6,429</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>		<u>1,825,839</u>	<u>1,614,393</u>	<u>680,918</u>	<u>756,592</u>
<b>Total equity and liabilities</b>		<u>2,649,142</u>	<u>2,687,930</u>	<u>683,174</u>	<u>758,657</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

474423-X

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**Statements of changes in equity**  
**For the financial year ended 31 August 2016**

	← Attributable to owners of the parent →											
	Total equity RM'000	Total equity attributable to owners of the parent RM'000	← Non-distributable →					→ Distributable →				Non- controlling interests RM'000
Share capital RM'000			Share premium RM'000	Treasury Shares RM'000	Foreign exchange reserve RM'000	Legal reserve RM'000	Share option reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000			
<b>2016 Group</b>												
<b>Opening balance at 1 September 2015</b>	1,614,393	1,607,964	312,092	200,302	(14,722)	42,292	3,781	7,714	(78)	1,056,583	6,429	
<b>Total comprehensive income</b>	341,261	339,884	-	-	-	(16,616)	-	-	(4,229)	360,729	1,377	
<b>Transactions with owners</b>												
Issuance of ordinary shares pursuant to ESOS	22,791	22,791	2,457	20,334	-	-	-	-	-	-	-	
Issuance of bonus shares	-	-	312,857	(220,800)	-	-	-	-	-	(92,057)	-	
Share options granted under ESOS	144	144	-	-	-	-	-	144	-	-	-	
Issuance of shares to non-controlling interest	20	-	-	-	-	-	-	-	-	-	20	
Transfer from share option reserve	-	-	-	4,962	-	-	-	(4,962)	-	-	-	
Share issuance expenses	(17)	(17)	-	(17)	-	-	-	-	-	-	-	
Transfer to retained earnings	-	-	-	-	-	-	-	(35)	-	35	-	
Transfer to legal reserve	-	-	-	-	-	-	497	-	-	(497)	-	
Sale of treasury shares	16,110	16,110	-	-	4,983	-	-	-	-	11,127	-	
Dividends on ordinary shares (Note 44)	(168,863)	(168,863)	-	-	-	-	-	-	-	(168,863)	-	
<b>Total transactions with owners</b>	(129,815)	(129,835)	315,314	(195,521)	4,983	-	497	(4,853)	-	(250,255)	20	
<b>Closing balance at 31 August 2016</b>	1,825,839	1,818,013	627,406	4,781	(9,739)	25,676	4,278	2,861	(4,307)	1,167,057	7,826	

474423-X

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**Statements of changes in equity**  
**For the financial year ended 31 August 2016 (continued)**

	← Attributable to owners of the parent →										
	Total equity	← Total equity attributable to owners of the parent →					Non-distributable			→ Distributable	
2015 Group	Total equity RM'000	Total equity attributable to owners of the parent RM'000	Share capital RM'000	Share premium RM'000	Treasury Shares RM'000	Foreign exchange reserve RM'000	Legal reserve RM'000	Share option reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	RM'000
<b>Opening balance at 1 September 2014</b>	1,397,550	1,393,389	310,332	180,673	-	6,485	3,781	10,200	1,054	880,864	4,161
<b>Total comprehensive income</b>	316,724	314,456	-	-	-	35,807	-	-	(1,132)	279,781	2,268
<b>Transactions with owners</b>											
Issuance of ordinary shares pursuant to ESOS	17,637	17,637	1,760	15,877	-	-	-	-	-	-	-
Share options granted under ESOS	2,188	2,188	-	-	-	-	-	2,188	-	-	-
Transfer from share option reserve	-	-	-	3,752	-	-	-	(3,752)	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	(922)	-	922	-
Purchase of treasury shares	(14,722)	(14,722)	-	-	(14,722)	-	-	-	-	-	-
Dividends on ordinary shares (Note 44)	(104,984)	(104,984)	-	-	-	-	-	-	-	(104,984)	-
<b>Total transactions with owners</b>	(99,881)	(99,881)	1,760	19,629	(14,722)	-	-	(2,486)	-	(104,062)	-
<b>Closing balance at 31 August 2015</b>	1,614,393	1,607,964	312,092	200,302	(14,722)	42,292	3,781	7,714	(78)	1,056,583	6,429

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

474423-X

Top Glove Corporation Bhd.  
(Incorporated in Malaysia)

Statements of changes in equity  
For the financial year ended 31 August 2016 (continued)

	← Non-distributable →				Distributable	
	Total equity RM'000	Share capital RM'000	Share premium RM'000	Treasury Shares RM'000	Share option reserve RM'000	Retained earnings RM'000
<b>Company</b>						
<b>Opening balance at 1 September 2015</b>	756,592	312,092	200,302	(14,722)	7,714	251,206
<b>Total comprehensive income</b>	54,161	-	-	-	-	54,161
<b>Transactions with owners</b>						
Issuance of ordinary shares pursuant to ESOS	22,791	2,457	20,334	-	-	-
Issuance of bonus shares	-	312,857	(220,800)	-	-	(92,057)
Share options granted under ESOS	144	-	-	-	144	-
Transfer from share option reserve	-	-	4,962	-	(4,962)	-
Share issue expenses	(17)	-	(17)	-	-	-
Transfer to retained earnings	-	-	-	-	(35)	35
Resold of treasury shares	16,110	-	-	4,983	-	11,127
Dividends on ordinary shares (Note 44)	(168,863)	-	-	-	-	(168,863)
<b>Total transactions with owners</b>	<b>(129,835)</b>	<b>315,314</b>	<b>(195,521)</b>	<b>4,983</b>	<b>(4,853)</b>	<b>(249,758)</b>
<b>Closing balance at 31 August 2016</b>	<b>680,918</b>	<b>627,406</b>	<b>4,781</b>	<b>(9,739)</b>	<b>2,861</b>	<b>55,609</b>

474423-X

Top Glove Corporation Bhd.  
(Incorporated in Malaysia)

Statements of changes in equity  
For the financial year ended 31 August 2016 (continued)

	← Non-distributable →				Distributable	
	Total equity RM'000	Share capital RM'000	Share premium RM'000	Treasury Shares RM'000	Share option reserve RM'000	Retained earnings RM'000
<b>Opening balance at 1 September 2014</b>	567,785	310,332	180,673	-	10,200	66,580
<b>Total comprehensive income</b>	288,688	-	-	-	-	288,688
<b>Transactions with owners</b>						
Issuance of ordinary shares pursuant to ESOS	17,637	1,760	15,877	-	-	-
Share options granted under ESOS	2,188	-	-	-	2,188	-
Transfer from share option reserve	-	-	3,752	-	(3,752)	-
Transfer to retained earnings	-	-	-	-	(922)	922
Purchase of treasury shares	(14,722)	-	-	(14,722)	-	-
Dividends on ordinary shares (Note 44)	(104,984)	-	-	-	-	(104,984)
<b>Total transactions with owners</b>	<b>(99,881)</b>	<b>1,760</b>	<b>19,629</b>	<b>(14,722)</b>	<b>(2,486)</b>	<b>(104,062)</b>
<b>Closing balance at 31 August 2015</b>	<b>756,592</b>	<b>312,092</b>	<b>200,302</b>	<b>(14,722)</b>	<b>7,714</b>	<b>251,206</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**Statements of cash flows**  
**For the financial year ended 31 August 2016**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Operating activities</b>				
Profit before tax	442,202	363,538	54,161	288,688
<u>Adjustments for :</u>				
Gross dividends	-	-	(55,000)	(289,400)
Depreciation:				
- Property, plant and equipment	105,773	96,616	-	-
- Investment property	1,385	1,469	-	-
Amortisation of land use rights	733	695	-	-
Loss on disposal of property, plant and equipment	1,090	48	-	-
Bad debts written off	-	2,052	-	-
Gain on disposal of debt securities	(5,995)	(911)	-	-
Property, plant and equipment written off	1,410	1,872	-	-
Shares granted under ESGP	3,486	-	213	-
Share options granted under ESOS	144	2,188	-	165
Unrealised foreign exchange loss/(gain)	1,691	(8,360)	-	-
Fair value gain on financial asset at fair value through profit or loss	(451)	(409)	(293)	(86)
Gain on disposal of land use rights	-	(811)	-	-
Share of results of associates	(1,275)	11,709	-	-
Net fair value (gain)/loss on derivative	(9,022)	11,873	-	-
Finance costs	5,611	4,170	-	-
Interest income	(31,022)	(24,774)	(3,107)	(752)
Total adjustments	73,558	97,427	(58,187)	(290,073)
<b>Operating cash flows before changes in working capital</b>	<b>515,760</b>	<b>460,965</b>	<b>(4,026)</b>	<b>(1,385)</b>
<u>Changes in working capital</u>				
Increase in inventories	(11,564)	(44,738)	-	-
Decrease/(increase) in receivables	20,508	(50,554)	(8)	-
Decrease/(increase) in other current assets	49	(21,475)	-	(6)
Increase in payables	16,599	49,611	191	633
Total changes in working capital	25,592	(67,156)	183	627
<b>Cash flows from operations</b>	<b>541,352</b>	<b>393,809</b>	<b>(3,843)</b>	<b>(758)</b>
Interest paid	(5,611)	(4,170)	-	-
Purchase of shares for ESGP	(3,566)	-	-	-
Income taxes paid	(98,469)	(55,562)	(1)	(2)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>433,706</b>	<b>334,077</b>	<b>(3,844)</b>	<b>(760)</b>

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**Statements of cash flows**  
**For the financial year ended 31 August 2016 (continued)**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Investing activities</b>				
Purchase of property, plant and equipment	(231,296)	(205,739)	-	-
Purchase of land use rights	-	(50)	-	-
Additions to investment property	(2,777)	(6,139)	-	-
Purchase of investment securities	(132,874)	(564,567)	(68,533)	(31,251)
Proceeds from disposal of investment securities	284,635	47,018	-	-
Proceeds from disposal of land use rights	-	2,428	-	-
Decrease in bank balances pledged with banks	305	53,038	-	-
Interest received	31,022	24,774	3,107	752
Dividend from subsidiaries	-	-	55,000	163,900
Dividend from associate	2,255	3,983	-	-
Proceeds from disposal of property, plant and equipment	14,372	3,715	-	-
Repayment from/(advances) to subsidiaries	-	-	132,360	(19,073)
<b>Net cash flows (used in)/generated from investing activities</b>	<b>(34,358)</b>	<b>(641,539)</b>	<b>121,934</b>	<b>114,328</b>
<b>Financing activities</b>				
Proceeds from issuance of ordinary shares	22,791	17,637	22,791	17,637
Purchase of treasury shares	-	(14,722)	-	(14,722)
Proceeds from sale of treasury shares	16,110	-	16,110	-
Share issuance expenses	(17)	-	(17)	-
Dividends paid on ordinary shares	(168,863)	(104,984)	(168,863)	(104,984)
Issuance of shares to non-controlling interest	20	-	-	-
Repayment of obligations under finance leases	-	(18)	-	-
Repayment of loans and borrowings	(242,463)	-	-	-
Drawdown of loans and borrowings	44,394	364,122	-	-
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(328,028)</b>	<b>262,035</b>	<b>(129,979)</b>	<b>(102,069)</b>

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**Statements of cash flows**  
**For the financial year ended 31 August 2016 (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	71,320	(45,427)	(11,889)	11,499
Effect of changes in foreign exchange rate	6,624	2,975	-	-
<b>Cash and cash equivalents at 1 September</b>	<u>145,212</u>	<u>187,664</u>	<u>12,137</u>	<u>638</u>
<b>Cash and cash equivalents at 31 August (Note 28)</b>	<u>223,156</u>	<u>145,212</u>	<u>248</u>	<u>12,137</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**Notes to the financial statements**  
**For the financial year ended 31 August 2016**

**1. Corporate information**

Top Glove Corporation Bhd. ("the Company") is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at Level 21, Top Glove Tower, 16, Persiaran Setia Dagang, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor.

On 28 June 2016, the Company was officially listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") by way of an Introduction.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 19. There have been no significant changes in the nature of the principal activities during the financial year.

**2. Basis of preparation**

These financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have also been prepared on a historical basis, unless otherwise indicated in the accounting policies below.

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

**3. Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and of its subsidiaries as at 31 August 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**3. Basis of consolidation (continued)**

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

**4. Summary of significant accounting policies**

**4.1 Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.1 Business combinations and goodwill (continued)**

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resultant gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to Other Comprehensive Income ("OCI"). If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.1 Business combinations and goodwill (continued)**

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

**4.2 Current versus non-current classification**

Assets and liabilities in the statements of financial position are presented based on a current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**4.3 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.3 Fair value measurement (continued)**

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.3 Fair value measurement (continued)**

At each reporting date, the senior management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to the accounting policies of the Group. For this analysis, the senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The senior management, in conjunction with the external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**4.4 Transactions with non-controlling interests**

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated income statement, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

**4.5 Foreign currencies**

**(a) Functional and presentation currency**

The Group's and the Company's financial statements are presented in Ringgit Malaysia which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.5 Foreign currencies (continued)**

**(b) Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

**(c) Group companies**

On consolidation, the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.6 Revenue and other income recognition**

Revenue and other income are recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue and other income can be reliably measured, regardless of when the payment is being made. Revenue and other income are measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group and the Company have concluded that they are the principals in all of their revenue arrangements since they are the primary obligors in all the revenue arrangements, have pricing latitude and are also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

**(a) Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

**(b) Dividend income**

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

**(c) Management fees**

Management fees are recognised when services are rendered.

**(d) Interest income**

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale and at fair value through profit or loss, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in profit or loss.

**(e) Rental income**

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.



**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.7 Employee benefits**

**(a) 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. 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.

**(b) Defined contribution plans**

The Group makes contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

**(c) Employee share option plans**

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the options are exercised, the employee share option reserve is transferred to share premium if new shares are issued.

The employee share option reserve is transferred to retained earnings upon forfeiture or expiry of the share options.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.7 Employee benefits (continued)**

**(d) Employee share grant plan ("ESGP")**

Employees of the Group are entitled to performance based shares as consideration for services rendered. The ESGP may be settled by way of issuance or transfer of shares of the Company or by cash at the discretion of the ESGP Committee. The value of the ESGP Awards granted to Eligible Employees is recognised as an employee cost.

**4.8 Taxes**

**(a) Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**(b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.8 Taxes (continued)**

**(b) Deferred tax (continued)**

- (ii) in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- (i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.9 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**4.10 Property, plant and equipment**

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress are not depreciated as these assets are not available for use. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 to 50 years
Plant and equipment	10 years
Other assets	5 to 10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.11 Investment properties**

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The depreciation policy for investment properties are in accordance with that for property, plant and equipment as described in Note 4.10.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition.

Transfers are made to (or from) investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied property, the deemed cost for subsequent accounting is the carrying amount at the date of change in use. For a transfer from owner-occupied property to investment properties, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 4.10 up to the date of change in use.

**4.12 Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

**(a) Group as lessee**

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.12 Leases (continued)**

**(a) Group as lessee (continued)**

Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

Leasehold lands	50 to 100 years
-----------------	-----------------

**(b) Group as lessor**

Leases in which the Group do not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**4.13 Investment in subsidiaries**

A subsidiary is an entity over which the Group has all the following:

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

**4.14 Investment in associates**

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An 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.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.14 Investment in associates (continued)**

The Group's investment in associates is accounted for using the equity method of accounting. Under the equity method, the investment in associates is measured in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. 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 for 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, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Group unless it is impracticable to do so. When the financial statements of associates used in applying the equity method are prepared as of a different reporting date from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.15 Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials, packing materials and consumables: purchase costs on a weighted average basis.
- Former: purchase costs on a first in, first out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, excluding borrowing costs. These costs are assigned on a weighted average basis.

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

**4.16 Impairment of non-financial assets**

At each reporting date, an assessment is made as to whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.



**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.16 Impairment of non-financial assets (continued)**

Impairment calculation is based on detailed budgets and forecast calculations, which are prepared separately for each CGU to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

Goodwill is tested for impairment annually at reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

For assets other than goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the recoverable amount of the asset or CGU is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

**4.17 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**4.18 Financial assets**

**(a) Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.18 Financial assets (continued)**

**(a) Initial recognition and measurement (continued)**

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and bank balances, trade and other receivables, investments in debt securities and money market funds.

**(b) Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

**(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

The Group and the Company have designated derivatives that do not qualify for hedge accounting and money market funds as at fair value through profit or loss.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.18 Financial assets (continued)**

**(b) Subsequent measurement (continued)**

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables. The category generally applies to trade and other receivables.

Loans and receivables of the Group and Company comprise trade and other receivables (other than prepaid operating expenses and tax recoverable), amount due from related companies and cash and bank balances.

**(iii) Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and an ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in profit or loss. The losses arising from impairment are recognised in profit or loss as finance costs.

The Group and the Company did not have any held-to-maturity investments during the financial years ended 31 August 2016 and 2015.

**(iv) Available-for-sale (AFS) financial assets**

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.18 Financial assets (continued)**

**(b) Subsequent measurement (continued)**

**(iv) Available-for-sale (AFS) financial assets (continued)**

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the fair value adjustment reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the fair value adjustment reserve to profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

All quoted debt securities of the Group are designated as AFS financial assets.

**(c) Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the statements of financial position) when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.18 Financial assets (continued)**

**(c) Derecognition (continued)**

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**(d) Impairment of financial assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.18 Financial assets (continued)**

**(d) Impairment of financial assets (continued)**

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as finance income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

Available-for-sale ("AFS") financial assets

For AFS financial assets, an assessment is made at each reporting date whether there is objective evidence that an asset or a group of assets is impaired.

In the case of investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss) is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.19 Financial liabilities**

**(a) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, financial guarantee contracts and derivative liabilities.

**(b) Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**(i) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

The Group and the Company have designated derivatives that do not qualify for hedge accounting as at fair value through profit or loss.

**(ii) Other financial liabilities**

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.19 Financial liabilities (continued)**

**(b) Subsequent measurement (continued)**

**(ii) Other financial liabilities (continued)**

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss.

**(c) Financial guarantee contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

**(d) Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

**(e) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated and separate statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.



**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.20 Derivative financial instruments**

**(a) Initial recognition and subsequent measurement**

The Group uses forward foreign currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit or loss.

**4.21 Cash and bank balances**

Cash and bank balances in the statements of financial position comprise cash at banks and on hand and short-term deposits.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less excluding deposits pledged with banks that are not available for use.

**4.22 Share capital and share issuance expenses**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments and are recorded at the proceeds received, net of directly attributable incremental transaction costs.

**4.23 Cash dividend and non-cash distribution to equity holders of the Company**

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders and a corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in profit or loss.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**4. Summary of significant accounting policies (continued)**

**4.24 Provisions**

Provisions are recognised when there is a present obligation (legal or constructive) 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 can be made of the amount of the obligation. When it is expected that some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statements net of any reimbursement.

If 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**4.25 Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and the Company.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group and of the Company.

**4.26 Segment reporting**

For management purposes, the Group is organised into operating segments based on their geographical location which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 43, including the factors used to identify the reportable segments and the measurement basis of segment information.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**5. New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year.

**6. New and amended standards issued but not yet effective**

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are discussed below. The Group and the Company intend to adopt these standards if applicable, when they become effective.

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 141 Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 107: Disclosure Initiatives	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
Amendments to MFRS 2 : Classification and measurement of Share-based Payment Transactions	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as disclosed in the succeeding page:

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**6. New and amended standards issued but not yet effective (continued)**

*MFRS 15 Revenue from Contracts with Customers*

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

*MFRS 9 Financial Instruments*

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but no impact on the classification and measurement of the Group’s financial liabilities.

*MFRS 16 Leases*

MFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**6. New and amended standards issued but not yet effective (continued)**

*MFRS 16 Leases (continued)*

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Either a full or modified retrospective transition approach is required for annual periods beginning on or after 1 January 2019. The standard's transition provisions permit certain reliefs. Early application is permitted, but not before an entity applies MFRS 15. The Group is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

**7. Significant accounting judgments, estimates and assumptions**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**7.1 Judgments made in applying accounting policies**

In the process of applying the Group's accounting policies, management has not made any critical judgments, apart from those involving estimations, which could have a significant effect on the amounts recognised in the financial statements except as discussed below:

Classification between investment property and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 in making judgment whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property. The Group has determined that its property held to earn rental income or capital appreciation is investment property as only an insignificant portion of the property is used in the production or supply of goods or services or for administrative purposes and ancillary services are not significant to the property.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**7. Significant accounting judgments, estimates and assumptions (continued)**

**7.2 Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**(a) Impairment of goodwill**

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculations are undertaken, management must estimate future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present values of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment and sensitivity analysis to changes in the assumptions are disclosed in Note 23.

**(b) Impairment of loans and receivables**

The impairment loss on trade receivables of the Group is based on the evaluation of collectability and ageing analysis of the receivables and on management's judgment. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current credit-worthiness and the past collection history on each receivables. If the financial conditions of the receivables of the Group were to deteriorate, additional provision may be required.

**(c) Useful lives of plant and equipment**

The cost of plant and equipment for the manufacture of gloves is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be 10 years. These are common life expectancies applied in the gloves manufacturing 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.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**7. Significant accounting judgments, estimates and assumptions (continued)**

**7.2 Estimates and assumptions (continued)**

**(d) Taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's subsidiaries' domicile. As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

Deferred tax assets are recognised for all unutilised tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the losses and credits can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The amount of deferred tax assets recognised in respect of unutilised tax losses, capital allowances and reinvestment allowances and the amounts of such losses and allowances for which deferred tax assets were not recognised are disclosed in Note 21.

**(e) Fair value of investment property**

The Group carried out impairment testing of its investment property based on the fair value of the investment property. The Group engaged independent valuation specialists to determine fair value as at 31 August 2016 based on the comparison method.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**8. Revenue**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sales of goods	2,888,515	2,510,510	-	-
Management fees from subsidiaries	-	-	4,596	4,067
Dividend income from subsidiaries	-	-	55,000	289,400
	<u>2,888,515</u>	<u>2,510,510</u>	<u>59,596</u>	<u>293,467</u>

**9. Interest income**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income from:				
Available-for-sale-financial assets	19,030	20,064	-	-
Loans and receivables	989	2,189	-	-
Financial assets at fair value through profit or loss	10,598	2,521	3,107	752
Others	405	-	-	-
	<u>31,022</u>	<u>24,774</u>	<u>3,107</u>	<u>752</u>

**10. Other income**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gain on foreign exchange				
- realised	2,339	-	-	-
- unrealised	-	8,360	-	-
Net gain on fair value changes of derivatives	9,022	-	-	-
Fair value gain on financial assets at fair value through profit or loss	451	409	293	86
Rental income	3,342	772	-	-
Gain on disposal of debt securities	5,995	911	-	-
Gain on disposal of land use rights	-	811	-	-
Sundry income	10,159	6,580	18	-
	<u>31,308</u>	<u>17,843</u>	<u>311</u>	<u>86</u>



**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**11. Profit before tax**

The following items have been charged in arriving at profit before tax:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Auditors' remuneration:				
- Statutory audit				
Company's auditors				
- Current year	228	221	58	58
- Underprovision in prior year	5	1	-	-
Other auditors				
- Current year	326	288	-	-
- Underprovision in prior year	-	8	-	-
Depreciation:				
- Property, plant and equipment	105,773	96,616	-	-
- Investment property	1,385	1,469	-	-
Amortisation of land use rights	733	695	-	-
Bad debt written off	-	2,052	-	-
Direct operating expenses arising from investment property				
- Rental generating property	688	161	-	-
Net loss on foreign exchange				
- realised	-	7,097	27	-
- unrealised	1,691	-	-	-
Net loss on fair value changes of derivatives	-	11,873	-	-
Employee benefits expense (Note 12)	314,001	288,256	4,202	3,944
Non-executive directors' remuneration (Note 13)	545	452	543	451
Operating lease - Minimum lease payment for building and machinery	946	1,010	-	-
Loss on disposal of property, plant and equipment	1,090	48	-	-
Property, plant and equipment written off	1,410	1,872	-	-

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**12. Employee benefits expense**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages and salaries	285,475	264,774	2,637	2,590
Social security costs	2,884	2,585	2	2
Pension costs - defined contribution plan	11,840	10,243	316	294
Share options granted under ESOS	144	2,188	-	165
Shares granted under ESGP	3,486	-	213	-
Other staff related expenses	9,191	7,574	81	28
Directors' fees	981	892	953	865
	<u>314,001</u>	<u>288,256</u>	<u>4,202</u>	<u>3,944</u>

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM7,969,000 (2015: RM7,754,000) and RM3,901,000 (2015: RM3,585,000) respectively as further disclosed in Note 13.

**13. Directors' remuneration**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	3,801	3,614	2,441	2,322
Pension costs - defined contribution plan	389	359	293	269
Social security contributions	1	1	1	1
Share options granted under ESOS	-	190	-	128
Shares granted under ESGP	259	-	213	-
Fees	953	865	953	865
Benefits-in-kind	96	98	47	49
	<u>5,499</u>	<u>5,127</u>	<u>3,948</u>	<u>3,634</u>
Non-executive:				
Fees	469	395	469	395
Other emoluments	74	56	74	56
	<u>543</u>	<u>451</u>	<u>543</u>	<u>451</u>

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**13. Directors' remuneration (continued)**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Other directors</b>				
Executive:				
Salaries and other emoluments	2,313	2,433	-	-
Pension costs - defined contribution plan	151	184	-	-
Social security contributions	6	7	-	-
Share options granted under ESOS	-	74	-	-
Shares granted under ESGP	68	-	-	-
Fees	28	27	-	-
Benefits-in-kind	22	58	-	-
	<u>2,588</u>	<u>2,783</u>	<u>-</u>	<u>-</u>
Non-executive:				
Fees	<u>2</u>	<u>1</u>	<u>-</u>	<u>-</u>
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration (Note 12)	7,969	7,754	3,901	3,585
Total non-executive directors' remuneration (Note 11)	545	452	543	451
Total directors' remuneration	<u>8,514</u>	<u>8,206</u>	<u>4,444</u>	<u>4,036</u>

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**14. Income tax expense**

Major components of income tax expense

The major components of income tax expense for the years ended 31 August 2016 and 2015 are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current income tax:				
- Malaysian income tax	66,542	68,484	-	-
- Foreign tax	4,686	7,129	-	-
- Real property gain tax	(164)	80	-	-
- Underprovision in respect of previous years	3,414	2,687	-	-
	<u>74,478</u>	<u>78,380</u>	<u>-</u>	<u>-</u>
Deferred income tax (Note 21):				
- Relating to origination and reversal of temporary differences	9,148	7,708	-	-
- Reduction in Malaysia income tax rate	(1,214)	(837)	-	-
- Overprovision in respect of previous years	(2,649)	(2,905)	-	-
	<u>5,285</u>	<u>3,966</u>	<u>-</u>	<u>-</u>
Income tax expense recognised in profit or loss	<u>79,763</u>	<u>82,346</u>	<u>-</u>	<u>-</u>

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**14. Income tax expense (continued)**

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 August 2016 and 2015 are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before tax	442,202	363,538	54,161	288,688
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	106,128	90,885	12,999	72,172
Adjustments:				
Different tax rates in other countries	(726)	(1,396)	-	-
Effects of tax incentives claimed by foreign subsidiaries	(1,292)	(661)	-	-
Income not subject to tax	(11,427)	(6,673)	(13,945)	(72,253)
Effect of change in tax rate	(931)	(1,069)	-	-
Non-deductible expenses	8,373	10,828	1,034	81
Effect of income subject to real property gain tax	(164)	80	-	-
Expenses entitled for double deduction	(69)	-	-	-
Utilisation of tax incentives	(9,639)	-	-	-
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowance	898	545	-	-
Deferred tax assets recognised in respect of current year unabsorbed export allowance	-	(227)	-	-
Share of results of associates	(237)	2,927	-	-
Overprovision of deferred tax in respect of previous years	(2,649)	(2,905)	-	-
Underprovision of income tax in respect of previous years	3,414	2,687	-	-
Utilisation of unabsorbed losses and capital allowances	(11,916)	(12,675)	(88)	-
Income tax expense recognised in profit or loss	79,763	82,346	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year. The computation of deferred tax as at 31 August 2016 has reflected these changes.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**14. Income tax expense (continued)**

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

**15. Earnings per share**

Basic earnings per share is calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares held by the Company.

Diluted earnings per share is calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The information below have been used in the computation of basic and diluted earnings per share for the years ended 31 August 2016 and 2015:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
Profit net of tax attributable to owners of the parent used in the computation of basic and diluted earnings per share (RM'000)	360,729	279,781
Weighted average number of ordinary shares for basic earnings per share computation ('000)	1,251,278	1,244,354
Effects of dilution - share options ('000)	1,953	6,546
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,253,231	1,250,900
Basic earnings per share (sen)	28.83	22.48
Diluted earnings per share (sen)	28.78	22.37

The number of ordinary shares issued as at 31 August 2015 has been adjusted to reflect the bonus issue of 1 for 1 existing ordinary shares which was completed on 27 January 2016. Further details are disclosed in Note 32.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**16. Property, plant and equipment**

<b>Group</b>	<b>* Land and buildings RM'000</b>	<b>Plant and equipment RM'000</b>	<b>** Other assets RM'000</b>	<b>Capital work-in-progress RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>					
<b>At 1 September 2014</b>	489,526	878,831	90,690	97,263	1,556,310
Additions	33,816	64,220	13,014	94,689	205,739
Transfer to investment property (Note 18)	(14,002)	-	-	(92,506)	(106,508)
Reclassification	13,605	15,100	117	(28,822)	-
Written off	-	(5,058)	(725)	(1)	(5,784)
Disposals	(1,127)	(12,950)	(618)	(801)	(15,496)
Exchange differences	21,045	42,811	2,890	614	67,360
<b>At 31 August 2015/ 1 September 2015</b>	542,863	982,954	105,368	70,436	1,701,621
Additions	8,743	77,873	20,067	124,613	231,296
Transfer from investment property (Note 18)	-	31,222	193	-	31,415
Reclassification	7,552	5,154	1,721	(14,427)	-
Written off	(204)	(6,841)	(2,522)	(22)	(9,589)
Disposals	(1,845)	(13,707)	(1,710)	(8,571)	(25,833)
Exchange differences	(5,726)	(13,058)	(1,070)	(479)	(20,333)
<b>At 31 August 2016</b>	551,383	1,063,597	122,047	171,550	1,908,577
<b>Accumulated depreciation</b>					
<b>At 1 September 2014</b>	50,003	468,016	43,049	-	561,068
Depreciation charge for the year	6,235	78,140	12,241	-	96,616
Written off	-	(3,288)	(624)	-	(3,912)
Disposals	(129)	(11,036)	(568)	-	(11,733)
Exchange differences	2,633	28,452	2,007	-	33,092
<b>At 31 August 2015/ 1 September 2015</b>	58,742	560,284	56,105	-	675,131
Depreciation charge for the year	7,801	83,627	14,345	-	105,773
Transfer from investment property (Note 18)	-	1,029	-	-	1,029
Reclassification	355	(753)	398	-	-
Written off	(31)	(6,004)	(2,144)	-	(8,179)
Disposals	(238)	(8,871)	(1,262)	-	(10,371)
Exchange differences	(888)	(9,829)	(856)	-	(11,573)
<b>At 31 August 2016</b>	65,741	619,483	66,586	-	751,810

474423-X

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**16. Property, plant and equipment (continued)**

	<b>* Land and buildings RM'000</b>	<b>Plant and equipment RM'000</b>	<b>** Other assets RM'000</b>	<b>Capital work-in- progress RM'000</b>	<b>Total RM'000</b>
<b>Net carrying amount</b>					
At 31 August 2015	484,121	422,670	49,263	70,436	1,026,490
At 31 August 2016	485,642	444,114	55,461	171,550	1,156,767

\*\* Other assets comprise motor vehicles, computer and software system, office equipment, signage, small value of assets, fire extinguisher, furniture and equipment.

**\* Land and buildings**

	<b>Freehold land RM'000</b>	<b>Buildings RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
<b>At 1 September 2014</b>	208,000	281,526	489,526
Additions	32,893	923	33,816
Transfer to investment property	(14,002)	-	(14,002)
Reclassification	3,497	10,108	13,605
Disposals	-	(1,127)	(1,127)
Exchange differences	3,566	17,479	21,045
<b>At 31 August 2015/1 September 2015</b>	233,954	308,909	542,863
Additions	2,343	6,400	8,743
Reclassification	155	7,397	7,552
Written off	-	(204)	(204)
Disposals	-	(1,845)	(1,845)
Exchange differences	(1,073)	(4,653)	(5,726)
<b>At 31 August 2016</b>	235,379	316,004	551,383



474423-X

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**16. Property, plant and equipment (continued)**

	<b>Freehold land RM'000</b>	<b>Buildings RM'000</b>	<b>Total RM'000</b>
<b>Accumulated depreciation</b>			
<b>At 1 September 2014</b>	-	50,003	50,003
Depreciation charge for the year	-	6,235	6,235
Disposals	-	(129)	(129)
Exchange differences	-	2,633	2,633
<b>At 31 August 2015/1 September 2015</b>	-	58,742	58,742
Depreciation charge for the year	-	7,801	7,801
Reclassification	-	355	355
Written off	-	(31)	(31)
Disposals	-	(238)	(238)
Exchange differences	-	(888)	(888)
<b>At 31 August 2016</b>	-	65,741	65,741
<b>Net carrying amount</b>			
At 31 August 2015	233,954	250,167	484,121
At 31 August 2016	235,379	250,263	485,642

Property, plant and equipment of a subsidiary with the following net carrying amount is pledged to a bank for banking facility granted to the subsidiary as disclosed in Note 29.

	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Land and buildings	20,967	22,257

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**17. Land use rights**

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
<b>At 1 September 2015/2014</b>	43,483	44,655
Additions	-	50
Diposals	-	(1,810)
Exchange differences	(151)	588
<b>At 31 August</b>	<u>43,332</u>	<u>43,483</u>
<b>Accumulated amortisation</b>		
<b>At 1 September 2015/2014</b>	3,168	2,587
Amortisation for the year (Note 11)	733	695
Disposals	-	(193)
Exchange differences	(30)	79
<b>At 31 August</b>	<u>3,871</u>	<u>3,168</u>
<b>Net carrying amount</b>	<u>39,461</u>	<u>40,315</u>
Amount to be amortised:		
- Not later than one year	733	727
- Later than one year but not later than five years	2,932	2,908
- Later than five years	35,796	36,680
	<u>39,461</u>	<u>40,315</u>

**18. Investment property**

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Freehold land and building</b>		
<b>Cost</b>		
<b>At 1 September 2015/2014</b>	112,647	-
Additions	2,777	6,139
Transfer (to)/from property, plant and equipment (Note 16)	(31,415)	106,508
<b>At 31 August</b>	<u>84,009</u>	<u>112,647</u>
<b>Accumulated depreciation</b>		
<b>At 1 September 2015/2014</b>	1,469	-
Depreciation charge for the year (Note 11)	1,385	1,469
Transfer to property, plant and equipment (Note 16)	(1,029)	-
<b>At 31 August</b>	<u>1,825</u>	<u>1,469</u>
<b>Net carrying amount</b>	<u>82,184</u>	<u>111,178</u>
Fair value of investment property (Note 40)	<u>162,000</u>	<u>124,184</u>

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**18. Investment property (continued)**

The fair value of the investment property was based on a valuation by an independent qualified valuer. Valuation was based on current prices in an active market for certain properties and where appropriate, the investment method reflecting receipt of contractual rentals, expected future market rentals, current market yields, void periods, maintenance requirements and approximate capitalisation rates were used.

A quantitative sensitivity analysis of the change in the yield rate as at 31 August 2016 is shown below:

	Fair Value RM'000	Valuation techniques	Unobservable inputs	Range	Sensitivity of the fair value to input
<b>Land and building</b>	162,000	Investment Method	Yield adjustment based on management assumptions	7.0%	0.5% increase or decrease in the yield rate would result in decrease or increase in fair value by approximately RM12 million

The fair value of the investment property disclosed in prior year was based on the estimation of the Directors of the Company.

**19. Investment in subsidiaries**

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost:		
- In Malaysia	581,620	581,620
Less: Accumulated impairment losses	(4,845)	(4,845)
	576,775	576,775
- Outside Malaysia	3,728	3,728
	580,503	580,503

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**19. Investment in subsidiaries (continued)**

Details of the subsidiaries are as follows:

Name	Country of incorporation	Proportion of ownership interest (%)		Principal activities
		2016	2015	
<b>Held by the Company:</b>				
Top Glove Sdn. Bhd. ("TGSB")*	Malaysia	100	100	Manufacturing and trading of gloves
TG Medical Sdn. Bhd. ("TGMSB")#	Malaysia	100	100	Manufacturing and trading of gloves
Great Glove Sdn. Bhd.#	Malaysia	100	100	Provision of management services
Top Glove Engineering Sdn. Bhd.#	Malaysia	100	100	Property investment
TG Medical (U.S.A.) Inc#	United States of America	100	100	Trading of gloves
Top Quality Glove Sdn. Bhd.*	Malaysia	100	100	Manufacturing and trading of gloves
Top Care Sdn. Bhd.*	Malaysia	100	100	Investment holding
GMP Medicare Sdn. Bhd.*	Malaysia	100	100	Manufacturing and trading of gloves
<b>Held through TGSB:</b>				
Great Glove (Thailand) Co., Ltd.#	Thailand	74	74	Manufacturing and trading of gloves
Top Glove Medical (Thailand) Co., Ltd.#	Thailand	100	100	Manufacturing and trading of gloves
Top Glove Technology (Thailand) Co., Ltd.#	Thailand	100	100	Producing and selling concentrate latex
B Tech Industry Co., Ltd.#	Thailand	100	100	Producing and selling concentrate latex

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**19. Investment in subsidiaries (continued)**

Name	Country of incorporation	Proportion of ownership interest (%)		Principal activities
		2016	2015	
<b>Held through TGSB (continued):</b>				
Top Quality Gloves (Thailand) Co., Ltd.#	Thailand	100	100	Dormant
Top Glove Europe GmbH #	Germany	98	98	Trading of gloves
Great Glove (Xinghua) Co., Ltd.#	The People's Republic of China	100	100	Manufacturing and trading of gloves
TG Medical (Suzhou) Co.,Ltd # (Formerly known as TG Medical (Zhangjiagang) Incorporated)	The People's Republic of China	100	100	Trading of gloves
Top Glove International Sdn. Bhd.#	Malaysia	100	100	Research and development and manufacturing of all types of gloves and rubber goods
Top Glove Properties Sdn. Bhd.#	Malaysia	100	100	Property investment
Medi-Flex Limited ("Medi-Flex")#	Singapore	100	100	Investment holding
BestStar Enterprise Ltd.*	The British Virgin Islands	100	100	Investment holding
Flexitech Sdn. Bhd. ("Flexitech")*	Malaysia	100	100	Manufacturing and trading of gloves
TG Porcelain Sdn. Bhd.# ("TGPSB")	Malaysia	100	-	Manufacturing of formers
TGGD Medical Clinic Sdn. Bhd.# ("TGGD")	Malaysia	95	-	Providing of clinical and specialist medical services

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**19. Investment in subsidiaries (continued)**

Name	Country of incorporation	Proportion of ownership interest (%)		Principal activities
		2016	2015	
<b>Held through TGMSB</b>				
Top Healthy Fitness Sdn. Bhd.# (Formerly known as Top Glove Agro Sdn. Bhd.)	Malaysia	100	100	Fitness centre
<b>Held through Flexitech:</b>				
Techniglove Asia Sdn. Bhd.*	Malaysia	100	100	Temporarily ceased operations
<b>Held through Great Glove (Xinghua) Co., Ltd:</b>				
TG Medical (Xinghua) Co., Ltd.#	The People's Republic of China	100	-	Trading of gloves
<b>Held through Top Care Sdn. Bhd.:</b>				
Best Advance Resources Limited ("Best Advance")*	Malaysia	100	100	Investment holding
Green Resources Limited ("Green Resources")*	Malaysia	100	100	Investment holding
Efficient Plantations Co., Ltd.*	Cambodia	-	100	Dormant
<b>Held through Best Advance:</b>				
Great Plantations Co., Ltd.*	Cambodia	-	100	Dormant
PT. Topglove Indonesia ("PT Top Glove")# ^	Indonesia	100	100	Investment holding

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**19. Investment in subsidiaries (continued)**

Name	Country of incorporation	Proportion of ownership interest (%)		Principal activities
		2016	2015	
<b>Held through PT Top Glove:</b>				
PT. Agro Pratama Sejahtera#	Indonesia	95	95	Plantation of rubber trees

\* Audited by Ernst & Young, Malaysia

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

# Audited by firms other than Ernst & Young

^ The total equity interests held by the Group is 100% and it is held by the following subsidiaries:

	2016	2015
(i) Best Advance Resources Limited	99.90%	99.90%
(ii) Green Resources Limited	0.10%	0.10%

Changes in group structure

The following changes in group structure took place during the financial year:

- (a) On 28 October 2015, the Company through its wholly-owned subsidiary, Top Glove Sdn. Bhd. had acquired the entire issued and paid up share capital of TG Porcelain Sdn. Bhd. ("TGPSB"), a company duly incorporated in Malaysia, comprising 2 ordinary shares of RM1.00 each fully paid up in the capital of TGPSB for a total cash consideration of RM2.00 ("the Acquisition"). TGPSB is set up for manufacturing of glove dipping formers ("moulds") for production of gloves; the moulds produced are for internal usage by Top Glove factories. Resulting from the Acquisition, TGPSB became a wholly-owned subsidiary of the Group.
- (b) On 22 March 2016, the Company, through its wholly-owned subsidiary, Top Glove Sdn. Bhd. ("TGSB") had acquired the entire issued and paid-up share capital of TGGD Medical Clinic Sdn. Bhd. ("TGGD"), a company duly incorporated in Malaysia, comprising of 2 ordinary shares of RM1.00 each fully paid-up in the capital of TGGD for a total cash consideration of RM2.00. On the same day, TGSB also entered into a Joint Venture Agreement ("JV Agreement") with DHS Emergency Asia Sdn. Bhd. to jointly own TGGD, to carry on the business to provide clinical and specialist medical services within the states of Malaysia. Pursuant to the JV Agreement, TGGD increased its issued and paid up share capital to RM400,000 comprising 400,000 ordinary shares of RM1.00 each fully paid up. TGSB had a 95% shareholding in TGGD as at financial year end.
- (c) The Company, through its wholly-owned sub-subsidiary, Great Glove (Xinghua) Co., Ltd. had on 16 May 2016, incorporated a private limited Company in China, known as TG Medical (Xinghua) Co., Ltd., wholly-owned by Great Glove (Xinghua) Co., Ltd., with registered capital of RMB1,000,000.00. The principal activity of TG Medical (Xinghua) Co., Ltd. is trading of all types of gloves, medical-related products and devices.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**19. Investment in subsidiaries (continued)**

Changes in group structure (continued)

(d) On 11 August 2016, the Company, through its wholly owned subsidiary, Top Care Sdn. Bhd. received approval from the Ministry of Commerce of the Kingdom of Cambodia to de-register two of its wholly owned subsidiaries, Efficient Plantations Co., Ltd. and Great Plantations Co., Ltd. There were no outstanding obligations to be fulfilled by these subsidiaries at the date of dissolution. Upon de-registration, Efficient Plantations Co., Ltd. and Great Plantations Co., Ltd. ceased to be subsidiaries of the Company at the end of the financial year.

Summarised financial information for subsidiaries with non-controlling interests have not been disclosed as the carrying amount of the non-controlling interests in the consolidated statement of financial position is immaterial to the Group.

**20. Investment in associates**

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares at cost	21,217	21,217
Share of post-acquisition reserves	(9,424)	(10,699)
Dividend received from associate	(6,238)	(3,983)
Foreign currency translation	1,252	1,451
	<u>6,807</u>	<u>7,986</u>
Less: Accumulated impairment losses	(2,846)	(2,846)
	<u>3,961</u>	<u>5,140</u>

Details of the associates are as follows:

Name	Country of incorporation	Proportion of ownership interest (%)		Principal activities
		2016	2015	
<b>Held through Medi-Flex:</b>				
Sonic Clean Pte. Ltd.	Singapore	37	37	Provide all kinds of aqueous cleaning services, consumable cleaning and sub-assembly work in clean room environment and investment holding
<b>Held through TGSB:</b>				
Value Add Sdn. Bhd.	Malaysia	27	27	Investment holding

The financial year end of the above associates are non-coterminous with those of the Group. For the purpose of applying the equity method of accounting, the latest available financial information have been used and appropriate adjustments have been made for the effects of significant transactions between the dates of the latest available financial information and 31 August 2016.



**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**20. Investment in associates (continued)**

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets and liabilities</b>		
Non-current assets	219,804	224,307
Current assets	13,449	17,099
Total assets	<u>233,253</u>	<u>241,406</u>
Non-current liabilities	(208,158)	(225,660)
Current liabilities	(13,365)	(7,915)
Total liabilities	<u>(221,523)</u>	<u>(233,575)</u>
Net assets	<u>11,730</u>	<u>7,831</u>
<b>Results</b>		
Revenue	24,871	28,050
Profit/(loss) for the year	<u>10,561</u>	<u>(50,540)</u>

**Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associates:**

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Net assets of associates at 1 September 2015/2014	7,831	67,297
Profit/(loss) for the year	10,561	(50,540)
Dividend paid	(6,120)	(12,630)
Other comprehensive (loss)/income	(542)	3,704
Net assets of associates as at 31 August	<u>11,730</u>	<u>7,831</u>
Group's share of net assets	<u>6,807</u>	<u>7,986</u>

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**21. Deferred tax (assets)/liabilities**

Deferred income tax as at 31 August 2016 relates to the following:

Group	Deferred tax liabilities		Deferred tax assets	Total RM'000
	Property, plant and equipment RM'000	Provisions RM'000	Unabsorbed export allowance, business losses, capital allowances and reinvestment allowances RM'000	
At 1 September 2014	54,101	5,001	(24,677)	34,425
Recognised in profit or loss	528	5,468	(2,030)	3,966
At 31 August 2015/1 September 2015	54,629	10,469	(26,707)	38,391
Recognised in profit or loss	(2,357)	6,831	811	5,285
At 31 August 2016	52,272	17,300	(25,896)	43,676

The unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Presented after appropriate offsetting as follows:

	Group	
	2016 RM'000	2015 RM'000
Deferred tax assets	(7,081)	(8,762)
Deferred tax liabilities	50,757	47,153
	43,676	38,391

Deferred tax assets have not been recognised by the Group and the Company in respect of the following items as their ultimate realisation could not be anticipated:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unutilised tax losses	51,501	97,584	1,345	1,713
Unabsorbed capital allowances	181	7	-	-
Unabsorbed increase in export allowances	54,233	26,163	-	-
Unabsorbed reinvestment allowances	20,569	20,569	-	-
	126,484	144,323	1,345	1,713

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**22. Investment securities**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current</b>				
<i>Available-for-sale financial assets</i>				
- Debt securities (quoted outside Malaysia)	222,732	527,956	-	-
<i>Financial assets at fair value through profit or loss</i>				
- Money market funds (quoted in Malaysia)	256,349	141,716	100,163	31,337
Total current investment securities	<u>479,081</u>	<u>669,672</u>	<u>100,163</u>	<u>31,337</u>
<b>Non-current</b>				
Unquoted investments - golf club membership	145	145	-	-
	<u>479,226</u>	<u>669,817</u>	<u>100,163</u>	<u>31,337</u>

Debt securities of the Group amounting to RM2,960,000 (2015: RM208,859,000) are pledged to a bank for credit facility granted to the Group as disclosed in Note 29.

**23. Goodwill**

Goodwill has been allocated to Cash Generating Units ("CGUs") identified as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Top Glove Medical (Thailand) Co., Ltd.	2,946	2,946
B Tech Industry Co., Ltd.	14,789	14,789
GMP Medicare Sdn. Bhd.	5,070	5,070
	<u>22,805</u>	<u>22,805</u>

**Movement in goodwill:**

As at 1 September 2015/2014 and 31 August 2016/2015	<u>22,805</u>	<u>22,805</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 year period. The key assumptions used for value-in-use calculations as discussed in the succeeding page:

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**23. Goodwill (continued)**

**Key assumptions used in value-in-use calculations (continued)**

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

- (i) Growth rate which is determined based on the management's estimate of on the industry trends and past performances of the segments.
- (ii) A post-tax discount rate of 4% (2015 : 5%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on an industry average weighted average cost of capital.

The Group is of the opinion that any reasonably possible change in the above key assumptions would not materially cause the recoverable amount of the CGU's to be lower than its carrying amount.

**24. Inventories**

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
Raw materials	58,214	52,956
Consumables and hardware	22,366	20,148
Work-in-progress	39,196	26,465
Finished goods	138,812	145,903
	258,588	245,472
<b>Net realisable value</b>		
Work-in-progress	772	1,790
Finished goods	4,319	4,853
	263,679	252,115

During the year, the amount of inventories recognised as an expense of the Group amounted to RM2,293 million (2015: RM1,956 million).

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**25. Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Trade receivables</b>				
Third parties	327,457	365,117	-	-
Less: Allowance for impairment	(975)	(975)	-	-
Trade receivables, net	<u>326,482</u>	<u>364,142</u>	<u>-</u>	<u>-</u>
<b>Other receivables</b>				
Amounts due from subsidiaries	-	-	2,229	134,658
Sundry receivables	6,886	10,254	28	14
Refundable deposits	12,332	6,304	-	-
	<u>19,218</u>	<u>16,558</u>	<u>2,257</u>	<u>134,672</u>
<b>Total trade and other receivables</b>	<u>345,700</u>	<u>380,700</u>	<u>2,257</u>	<u>134,672</u>
Total trade and other receivables	345,700	380,700	2,257	134,672
Add: Cash and bank balances (Note 28)	224,099	146,460	248	12,137
Total loans and receivables	<u>569,799</u>	<u>527,160</u>	<u>2,505</u>	<u>146,809</u>

**(a) Trade receivables**

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2015: 30 to 90 days) terms. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Neither past due nor impaired	293,238	314,700
1 to 30 days past due not impaired	29,391	41,806
31 to 60 days past due not impaired	1,366	5,579
61 to 90 days past due not impaired	1,336	-
91 to 120 days past due not impaired	298	1
More than 121 days past due not impaired	853	2,056
	<u>33,244</u>	<u>49,442</u>
Impaired	975	975
	<u>327,457</u>	<u>365,117</u>

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**25. Trade and other receivables (continued)**

**(a) Trade receivables (continued)**

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and are mostly regular customers that have been transacting with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM33,244,000 (2015: RM49,442,000) that are past due at the reporting date but not impaired. These receivables are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:-

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade receivables-nominal amounts	975	975
Less: Allowance for impairment loss	(975)	(975)
	<u>-</u>	<u>-</u>

Movements in the allowance accounts:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
1 September/31 August	<u>975</u>	<u>975</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to a debtor that is in significant financial difficulty and has defaulted on payment. This receivable is not secured by any collateral or credit enhancements.

**(b) Related party balances**

Amounts due from subsidiaries are unsecured, non-interest bearing and are repayable upon demand.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**26. Other current assets**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Prepaid operating expenses	8,537	8,189	-	-
Goods and service tax refundable	13,214	13,302	-	6
Advances to suppliers for raw materials	2,428	2,609	-	-
Advances to suppliers for property, plant and equipment	-	48	-	-
	<u>24,179</u>	<u>24,148</u>	<u>-</u>	<u>6</u>

**27. Derivative financial instruments**

	Group			
	2016 RM'000		2015 RM'000	
	Contract/ Notional Amount	Fair value Liabilities	Contract/ Notional Amount	Fair value Liabilities
Forward currency contracts	<u>179,796</u>	<u>(189)</u>	<u>211,888</u>	<u>(9,211)</u>

At 31 August 2016, the Group held forward currency contracts designated as hedges of expected future sales to customers for which the Group has firm commitments. Forward currency contracts are used to hedge the Company's sales are denominated in USD and EURO for which firm commitments existed at the reporting date, extending to October 2016 (2015: January 2016).

During the financial year, the Group recognised a gain of RM9,022,000 (2015: loss of RM11,873,000) in the profit or loss arising from changes in the fair value of the forward currency contracts.

**28. Cash and bank balances**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash on hand and at banks	213,769	144,876	248	12,137
Deposits with licensed banks and other financial institutions	10,330	1,584	-	-
Cash and bank balances	<u>224,099</u>	<u>146,460</u>	<u>248</u>	<u>12,137</u>
Less: Deposits pledged with banks	(943)	(1,248)	-	-
Cash and cash equivalents	<u>223,156</u>	<u>145,212</u>	<u>248</u>	<u>12,137</u>

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**28. Cash and bank balances (continued)**

Cash at banks and deposits with licensed banks and other financial institutions of the Group amounting to RM943,000 (2015: RM1,248,000) are pledged to banks for credit facility granted to the Group as disclosed in Note 29.

The weighted average effective interest rates and maturity days of deposits with licensed banks and other financial institutions at the reporting date were as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
Weighted average effective interest rates (%)	0.86	1.30
Maturity days	6 days - 246 days	3 days - 247 days

**29. Loans and borrowings**

		<b>Group</b>	
	<b>Maturity</b>	<b>2016</b>	<b>2015</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Current</b>			
<i>Unsecured:</i>			
Import loan at 2.50% p.a.	2017	-	211
Revolving credit at 0.79% to 1.36% p.a. (2015: 0.79% to 1.08% p.a.)	2017	163,054	170,084
Revolving credit at 1.09% p.a. (2015: 0.80% p.a.)	2017	42,782	44,626
Revolving credit at 1.39% p.a. (2015: 1.1% p.a.)	2017	4,036	4,210
Revolving credit at 1.31% p.a. (2015: 1.00% p.a.)	2017	44,396	46,310
Bank loans:			
- USD loan at 0.75% to 1.45% p.a.	2017	-	10,457
- Thai Baht loan at 1.13% to 2.30% p.a.	2017	24,116	-
- Thai Baht loan at 2.14% to 2.19% p.a. (2015: 2.15% to 2.19% p.a.)	2017	16,763	23,414
		<u>295,147</u>	<u>299,312</u>
<i>Secured:</i>			
Bank loans:			
- USD loan at 0.85% to 1.08% p.a. (2015: 0.80% to 1.11% p.a.)	2017	2,960	173,927
- British Pound loan at 1.15% p.a.	2017	-	12,574
- Euro loan at 0.75% to 0.95% p.a.	2017	-	22,359
- Fixed rate USD bank loan at 3.25% p.a.	2017	183	185
- Revolving loan at 1.18% p.a. (2015: 1.08% p.a.)	2017	19,506	21,976
		<u>22,649</u>	<u>231,021</u>
Total current loans and borrowings		<u>317,796</u>	<u>530,333</u>



**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**29. Loans and borrowings (continued)**

	Maturity	Group	
		2016 RM'000	2015 RM'000
<b>Non-current</b>			
<i>Secured:</i>			
Bank loan:			
- Revolving loan at 1.18% p.a. (2015: 1.08% p.a.)	2017 - 2021	78,751	102,492
- Fixed rate USD bank loan at 3.25% p.a.	2017 - 2030	2,886	3,201
Total non-current loans and borrowings		81,637	105,693
Total loans and borrowings (Note 30)		399,433	636,026

The remaining maturities of the loans and borrowings as at 31 August 2016 are as follows:

	Group	
	2016 RM'000	2015 RM'000
On demand or within one year	317,796	530,333
More than 1 year and less than 2 years	20,005	22,167
More than 2 years and less than 5 years	59,332	66,329
5 years or more	2,300	17,197
	399,433	636,026

Revolving loan at 1.18% p.a. (2015: 1.08% p.a.)

This callable loan is secured by way of a corporate guarantee from the Company and is repayable in 84 monthly repayments commencing from November 2014.

3.25% p.a. fixed rate USD bank loan

The loan is secured by way of fixed charges over certain property, plant and equipment as disclosed in Note 16.

USD loan at 0.85% p.a. to 1.08% p.a.

The loan is secured by way of charges over debt securities of the Group as disclosed in Note 22.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**30. Trade and other payables**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables	176,493	179,782	-	-
<u>Other payables</u>				
Accrued operating expenses	51,425	49,525	2,156	2,032
Sundry payables	104,281	96,867	100	33
	<u>155,706</u>	<u>146,392</u>	<u>2,256</u>	<u>2,065</u>
Total trade and other payables	332,199	326,174	2,256	2,065
Add: Loans and borrowings (Note 29)	<u>399,433</u>	<u>636,026</u>	<u>-</u>	<u>-</u>
Total financial liabilities carried at amortised cost	<u>731,632</u>	<u>962,200</u>	<u>2,256</u>	<u>2,065</u>

**(a) Trade payables**

These amounts are non-interest bearing. The normal trade credit term granted to the Group ranges from 30 to 90 days (2015: range from 30 to 90 days).

**(b) Other payables**

These amounts are non-interest bearing. Other payables are normally settled on an average term of 30 to 90 days (2015: range from 30 to 90 days).

**31. Other current liabilities**

These amounts represent advances received from customers for goods purchased.

**32. Share capital**

	Group and Company			
	Number of ordinary shares of RM0.50 each		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
<b>Authorised</b>				
At 31 August	1,600,000	800,000	800,000	400,000
<b>Issued and fully paid</b>				
At 1 September 2015/2014	624,184	620,664	312,092	310,332
Exercise of ESOS	4,914	3,520	2,457	1,760
Bonus Issue	625,714	-	312,857	-
At 31 August	<u>1,254,812</u>	<u>624,184</u>	<u>627,406</u>	<u>312,092</u>

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**32. Share capital (continued)**

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

On 6 January 2016, the Company obtained shareholders' approval at its Annual General Meeting for a bonus issue of 625,714,000 new ordinary shares of RM0.50 each in the Company on the basis of one (1) bonus share for every one (1) existing Company share held through the capitalization of the Company's available share premium of RM220,800,000 and retained earnings of RM92,057,000. The bonus issue was completed on 27 January 2016.

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

**33. Share premium**

This is a non-distributable reserve which arose from the issue of the Company's shares at a premium:

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 September 2015/2014	200,302	180,673
Issuance of ordinary shares pursuant to ESOS	20,334	15,877
Issuance of bonus shares	(220,800)	-
Transfer from share option reserve	4,962	3,752
Share issuance expenses	(17)	-
At 31 August	4,781	200,302

**34. Treasury shares**

This amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

The shareholders of the Company, by an ordinary resolution passed in an annual general meeting held on 6 January 2016, renewed their approval for the Company's plan to repurchase its own shares. The Directors of the Company are committed in enhancing the value of the Company to its shareholders and believe that the Share Buy Back can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company resold 1,160,000 of its treasury shares to the open market at the average price of RM13.89 per share. The total proceeds from the sale of treasury shares net of transaction costs was RM16,110,000. The excess of the proceeds and the cost of the treasury shares which amounted to RM11,127,000 was recognised in equity.

Of the total 1,254,812,000 issued and fully paid ordinary shares as at 31 August 2016, 2,164,000 are held as treasury shares by the Company. As at 31 August 2016, the number of outstanding ordinary shares in issue and fully paid is therefore 1,252,648,000 ordinary shares of RM0.50 each.

474423-X

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**35. Other reserves**

	<b>Foreign exchange reserve RM'000</b>	<b>Legal reserve RM'000</b>	<b>Share option reserve RM'000</b>	<b>Fair value adjustment reserve RM'000</b>	<b>Total RM'000</b>
<b>Group</b>					
<b>At 1 September 2014</b>	6,485	3,781	10,200	1,054	21,520
Foreign currency translation	35,807	-	-	-	35,807
Loss on fair value changes	-	-	-	(2,043)	(2,043)
Transfer to profit or loss upon disposal of debt securities	-	-	-	911	911
Share options granted under ESOS	-	-	2,188	-	2,188
Transfer to retained earnings	-	-	(922)	-	(922)
Transfer to share premium	-	-	(3,752)	-	(3,752)
<b>At 31 August 2015/1 September 2015</b>	42,292	3,781	7,714	(78)	53,709
Gain on fair value changes	-	-	-	1,766	1,766
Transfer to profit or loss upon disposal of debt securities	-	-	-	(5,995)	(5,995)
Foreign currency translation	(16,616)	-	-	-	(16,616)
Share options granted under ESOS	-	-	144	-	144
Transfer from/(to) retained earnings	-	497	(35)	-	462
Transfer to share premium	-	-	(4,962)	-	(4,962)
<b>At 31 August 2016</b>	<b>25,676</b>	<b>4,278</b>	<b>2,861</b>	<b>(4,307)</b>	<b>28,508</b>

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**35. Other reserves (continued)**

<b>Company</b>	<b>Share option reserve RM'000</b>
<b>At 1 September 2014</b>	10,200
Share options granted under ESOS	2,188
Transfer to retained earnings	(922)
Transfer to share premium	(3,752)
<b>At 31 August 2015/1 September 2015</b>	<u>7,714</u>
Share options granted under ESOS	144
Transfer to retained earnings	(35)
Transfer to share premium	(4,962)
<b>At 31 August 2016</b>	<u>2,861</u>

**(a) Foreign exchange reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

**(b) Legal reserve**

This represents a general reserve provided for in respect of subsidiaries incorporated in the People's Republic of China and Thailand.

Under the Wholly Foreign Owned Enterprise ("WFOE") Law in the People's Republic of China, at least 10% of the net profit after taxation in each financial year must be credited to this reserve, until it reaches 50% of the registered paid up capital of the subsidiary.

Under the Civil and Commercial Code in Thailand, a company is required to set aside a statutory reserve equal to at least 5% of its net profit each time when the company pays out a dividend, until it reaches 10% of the registered share capital of the company.

**(c) Share option reserve**

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**35. Other reserves (continued)**

**(d) Fair value adjustment reserve**

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

**36. Retained earnings**

The Company may distribute dividends out of its entire retained earnings as at 31 August 2016 and 2015 under the single tier system.

**37. Share based payments**

**(i) Employee Share Options Scheme (ESOS)**

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 2008 and became effective on 1 August 2008.

The main features of the ESOS are as follows:

- (a) The ESOS shall be in force for a period of ten 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 15% of the issued and paid up 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 either a premium or a discount of not more than ten percent (10%), or the par value of the ordinary shares of the Company of RM0.50, whichever is higher.
- (e) No option shall be granted for less than 100 shares to any eligible employee.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**37. Share based payments (continued)**

**(i) Employee Share Options Scheme (ESOS) (continued)**

- (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 vest date but before the expiry on 1 August 2018.
- (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) No eligible person shall participate at any time in more than one share option scheme implemented by any company within the Group unless otherwise approved by the Options Committee.
- (i) The options shall not carry any right to vote at a general meeting of the Company.

474423-X

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**37. Share based payments (continued)**

**(i) Employee Share Options Scheme (ESOS) (continued)**

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

**2016**

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

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Exercise Price RM</b>	<b>At beginning of year '000</b>	<b>Granted '000</b>	<b>Exercised '000</b>	<b>Lapsed '000</b>	<b>Balance prior to adjustment for bonus issue* '000</b>
5.9.2008	1.8.2018	2.01	5.0	-	(3.8)	-	1.2
5.10.2008	1.8.2018	1.99	0.8	-	(0.8)	-	-
5.3.2009	1.8.2018	2.26	8.4	-	(4.8)	-	3.6
6.4.2009	1.8.2018	2.45	0.8	-	(0.8)	-	-
20.9.2009	1.8.2018	3.52	214.7	-	(139.0)	-	75.7
5.10.2009	1.8.2018	3.60	0.8	-	(0.8)	-	-
5.11.2009	1.8.2018	4.12	16.4	-	(2.4)	-	14.0
4.12.2009	1.8.2018	4.60	2.0	-	(2.0)	-	-
5.1.2010	1.8.2018	5.04	8.0	-	(3.0)	(5.0)	-
5.2.2010	1.8.2018	5.64	36.4	-	(30.4)	-	6.0
5.3.2010	1.8.2018	5.79	2,897.3	-	(1,478.2)	(94.0)	1,325.1
5.4.2010	1.8.2018	6.97	89.2	-	(36.6)	-	52.6
6.5.2010	1.8.2018	6.16	124.8	-	(37.8)	(9.4)	77.6
5.6.2010	1.8.2018	6.12	107.6	-	(43.8)	-	63.8
5.7.2010	1.8.2018	6.85	92.0	-	(70.0)	(6.0)	16.0
6.8.2010	1.8.2018	6.51	45.7	-	(33.2)	-	12.5
5.10.2011	1.8.2018	4.15	393.2	-	(320.7)	(0.8)	71.7
3.4.2013	1.8.2018	5.51	1,043.5	-	(628.5)	(25.7)	389.3
2.8.2014	1.8.2018	4.64	1,426.9	-	(857.2)	(16.0)	553.7
			<b>6,513.5</b>	<b>-</b>	<b>(3,693.8)</b>	<b>(156.9)</b>	<b>2,662.8</b>



474423-X

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**37. Share based payments (continued)**

**(i) Employee Share Options Scheme (ESOS) (continued)**

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

**2016**

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

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Exercise Price RM</b>	<b>Balance after adjustment for bonus issue* '000</b>	<b>Granted '000</b>	<b>Exercised '000</b>	<b>Lapsed '000</b>	<b>At end of year '000</b>
5.9.2008	1.8.2018	1.01	2.4	-	-	-	2.4
5.10.2008	1.8.2018	1.00	-	-	-	-	-
5.3.2009	1.8.2018	1.13	7.2	-	-	-	7.2
6.4.2009	1.8.2018	1.23	-	-	-	-	-
20.9.2009	1.8.2018	1.76	151.4	-	(59.6)	-	91.8
5.10.2009	1.8.2018	1.80	-	-	-	-	-
5.11.2009	1.8.2018	2.06	28.0	-	-	-	28.0
4.12.2009	1.8.2018	2.30	-	-	-	-	-
5.1.2010	1.8.2018	2.52	-	-	-	-	-
5.2.2010	1.8.2018	2.82	12.0	-	-	-	12.0
5.3.2010	1.8.2018	2.90	2,650.2	-	(464.9)	(37.6)	2,147.7
5.4.2010	1.8.2018	3.49	105.2	-	(72.0)	(6.0)	27.2
6.5.2010	1.8.2018	3.08	155.2	-	(24.0)	-	131.2
5.6.2010	1.8.2018	3.06	127.6	-	(30.4)	-	97.2
5.7.2010	1.8.2018	3.43	32.0	-	-	-	32.0
6.8.2010	1.8.2018	3.26	25.0	-	(5.0)	-	20.0
5.10.2011	1.8.2018	2.08	143.4	-	(36.8)	(6.2)	100.4
3.4.2013	1.8.2018	2.76	778.6	-	(231.4)	(25.4)	521.8
2.8.2014	1.8.2018	2.32	1,107.4	-	(296.2)	(64.6)	746.6
			<b>5,325.6</b>	<b>-</b>	<b>(1,220.3)</b>	<b>(139.8)</b>	<b>3,965.5</b>

\* Bonus issue for one for one existing existing ordinary shares

474423-X

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**37. Share based payments (continued)**

**(i) Employee Share Options Scheme (ESOS) (continued)**

**2015**

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	At end of year '000
5.9.2008	1.8.2018	2.01	16.8	-	(10.8)	(1.0)	5.0
5.10.2008	1.8.2018	1.99	0.8	-	-	-	0.8
5.3.2009	1.8.2018	2.26	43.4	-	(35.0)	-	8.4
6.4.2009	1.8.2018	2.45	0.8	-	-	-	0.8
5.9.2009	1.8.2018	3.52	546.0	-	(331.3)	-	214.7
5.10.2009	1.8.2018	3.60	0.8	-	-	-	0.8
5.11.2009	1.8.2018	4.12	29.8	-	(13.4)	-	16.4
4.12.2009	1.8.2018	4.60	24.6	-	(6.0)	(16.6)	2.0
5.1.2010	1.8.2018	5.04	35.6	-	(20.4)	(7.2)	8.0
5.2.2010	1.8.2018	5.64	65.2	-	(23.8)	(5.0)	36.4
5.3.2010	1.8.2018	5.79	4,076.7	-	(957.4)	(222.0)	2,897.3
5.4.2010	1.8.2018	6.97	114.8	-	(3.6)	(22.0)	89.2
6.5.2010	1.8.2018	6.16	142.8	-	(5.4)	(12.6)	124.8
5.6.2010	1.8.2018	6.12	231.4	-	(66.0)	(57.8)	107.6
5.7.2010	1.8.2018	6.85	118.0	-	(10.4)	(15.6)	92.0
6.8.2010	1.8.2018	6.51	65.3	-	(9.3)	(10.3)	45.7
5.10.2011	1.8.2018	4.15	748.7	-	(333.9)	(21.6)	393.2
3.4.2013	1.8.2018	5.51	2,053.6	-	(769.7)	(240.4)	1,043.5
2.8.2014	1.8.2018	4.64	2,734.4	-	(923.7)	(383.8)	1,426.9
			11,049.5	-	(3,520.1)	(1,015.9)	6,513.5

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**37. Share based payments (continued)**

**(i) Employee Share Options Scheme (ESOS) (continued)**

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

<b>Exercise Date</b>	<b>Exercise price RM</b>	<b>Fair value of ordinary shares RM</b>	<b>Number of share options '000</b>	<b>Consider- ations received RM'000</b>
<b>2016</b>				
<b>Before bonus issue</b>				
September 2015 - August 2016	2.01	4.26 - 8.50	3.8	7.6
September 2015 - August 2016	1.99	4.26 - 8.50	0.8	1.6
September 2015 - August 2016	2.26	4.26 - 8.50	4.8	10.8
September 2015 - August 2016	2.45	4.26 - 8.50	0.8	2.0
September 2015 - August 2016	3.52	4.26 - 8.50	139.0	489.3
September 2015 - August 2016	3.60	4.26 - 8.50	0.8	2.9
September 2015 - August 2016	4.12	4.26 - 8.50	2.4	9.9
September 2015 - August 2016	4.60	4.26 - 8.50	2.0	9.2
September 2015 - August 2016	5.04	4.26 - 8.50	3.0	15.1
September 2015 - August 2016	5.64	4.26 - 8.50	30.4	171.5
September 2015 - August 2016	5.79	4.26 - 8.50	1,478.2	8,558.8
September 2015 - August 2016	6.97	4.26 - 8.50	36.6	254.9
September 2015 - August 2016	6.16	4.26 - 8.50	37.8	232.7
September 2015 - August 2016	6.12	4.26 - 8.50	43.8	268.1
September 2015 - August 2016	6.85	4.26 - 8.50	70.0	479.2
September 2015 - August 2016	6.51	4.26 - 8.50	33.2	216.1
September 2015 - August 2016	4.15	4.26 - 8.50	320.7	1,330.9
September 2015 - August 2016	5.51	4.26 - 8.50	628.5	3,463.0
September 2015 - August 2016	4.64	4.26 - 8.50	857.2	3,977.4
<b>After bonus issue</b>				
September 2015 - August 2016	1.76	4.26 - 8.50	59.6	104.9
September 2015 - August 2016	2.90	4.26 - 8.50	464.9	1,348.3
September 2015 - August 2016	3.49	4.26 - 8.50	72.0	251.3
September 2015 - August 2016	3.08	4.26 - 8.50	24.0	73.9
September 2015 - August 2016	3.06	4.26 - 8.50	30.4	93.0
September 2015 - August 2016	3.26	4.26 - 8.50	5.0	16.3
September 2015 - August 2016	2.08	4.26 - 8.50	36.8	76.5
September 2015 - August 2016	2.76	4.26 - 8.50	231.4	638.7
September 2015 - August 2016	2.32	4.26 - 8.50	296.2	687.2
			4,914.1	22,791
Less: Par value of ordinary shares				(2,457)
Share premium				20,334

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**37. Share based payments (continued)**

**(i) Employee Share Options Scheme (ESOS) (continued)**

<b>Exercise Date</b>	<b>Exercise price RM</b>	<b>Fair value of ordinary shares RM</b>	<b>Number of share options '000</b>	<b>Considerations received RM'000</b>
<b>2015</b>				
September 2014 - August 2015	2.01	4.26 - 8.50	10.8	21.7
September 2014 - August 2015	2.26	4.26 - 8.50	35.0	79.1
September 2014 - August 2015	3.52	4.26 - 8.50	331.3	1,166.2
September 2014 - August 2015	4.12	4.26 - 8.50	13.4	55.2
September 2014 - August 2015	4.60	4.26 - 8.50	6.0	27.6
September 2014 - August 2015	5.04	4.26 - 8.50	20.4	102.8
September 2014 - August 2015	5.64	4.26 - 8.50	23.8	134.2
September 2014 - August 2015	5.79	4.26 - 8.50	957.4	5,543.3
September 2014 - August 2015	6.97	4.26 - 8.50	3.6	25.1
September 2014 - August 2015	6.16	4.26 - 8.50	5.4	33.5
September 2014 - August 2015	6.12	4.26 - 8.50	66.0	403.9
September 2014 - August 2015	6.85	4.26 - 8.50	10.4	71.2
September 2014 - August 2015	6.51	4.26 - 8.50	9.3	60.5
September 2014 - August 2015	4.15	4.26 - 8.50	333.9	1,385.7
September 2014 - August 2015	5.51	4.26 - 8.50	769.7	4,241.0
September 2014 - August 2015	4.64	4.26 - 8.50	923.7	4,286.0
			3,520.1	17,638
Less: Par value of ordinary shares				(1,761)
Share premium				15,877

**(ii) Employee Share Grant Plan ("ESGP")**

The Company's ESGP is governed by the By-Laws which was approved by the shareholders at the Extraordinary General Meeting held on 6 January 2016 and became effective on 12 January 2016 and is administered by the ESGP Committee.

Under the ESGP, Eligible Employees may be granted ESGP Awards comprising shares of the Company. The ESGP Awards, once accepted, will vest without any consideration payable, subject to vesting date(s) and/or vesting conditions as may be determined at the discretion of the ESGP Committee. The ESGP Committee may, at its discretion, decide that any vesting of the Company's shares comprised in an ESGP Awards shall be satisfied through:

- (a) the issuance of new shares of the Company
- (b) the transfer of existing shares of the Company
- (c) settlement in cash; or
- (d) a combination of any of the above

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**37. Share based payments (continued)**

**(ii) Employee Share Grant Plan ("ESGP") (continued)**

The main features of the ESGP are as follows:

- (a) The aggregate number of shares of the Company which may be awarded under the ESGP and any other schemes involving issuance of new shares of the Company to employees which are still subsisting shall not exceed 15% of the issued and paid-up share capital of the Company ("Plan Size").
- (b) Eligible persons are any employee or executive director of the Group (excluding dormant subsidiaries) who fulfills the eligibility criteria. The eligibility for participation in the ESGP shall be at the discretion of the ESGP Committee appointed by the Board of Directors.
- (c) The number of shares comprised in each ESGP Award shall be determined at the discretion of the ESGP Committee after taking into consideration, inter alia, the performance and seniority, years of service and potential for future development of the Eligible Employee and the employee's contribution to the Group as well as such other criteria as the ESGP Committee may deem relevant.
- (d) The aggregate number of shares that may be allocated to any one participant shall not exceed 10% of the total number of shares to be awarded under the ESGP and any other schemes involving issuance of new shares of the Company which may be implemented from time to time by the Company.
- (e) The aggregate maximum allocation to the directors and senior management of the Group (excluding dormant subsidiaries) shall not be more than 75% of the Company's shares awarded under the ESGP.
- (f) The ESGP shall be in force for a period of ten years from the effective date of implementation which is the date the last of the requisite approvals and/or conditions have been obtained and/or complied with.
- (g) The shares to be allotted and issued under the ESGP will, upon allotment and issue, rank pari passu in all respects with the existing shares of the Company, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions in respect of which the entitlement date is prior to the date of allotment and issuance of the new shares.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**38. Related party transactions**

**(a) Sales and purchase of goods**

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms mutually agreed between the parties during the financial year:

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Gross dividends from subsidiaries	55,000	289,400
Management fees from subsidiaries	4,596	4,067
Purchase of raw materials from companies related to certain directors of the Company	20,492	15,696
	<u>20,492</u>	<u>15,696</u>

**(b) Compensation of key management personnel**

The remuneration of directors and other key management personnel during the year were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Salaries and other emoluments	7,873	7,602	2,441	2,322
Pension costs - defined contribution plan	750	729	293	269
Social security contributions	10	10	1	1
Share options granted under ESOS	-	322	-	128
Shares granted under ESGP	450	-	213	-
Fees	981	892	953	865
	<u>10,064</u>	<u>9,555</u>	<u>3,901</u>	<u>3,585</u>

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**39. Commitments**

**(a) Capital commitments**

Capital expenditure as at the reporting date is as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment: Approved and contracted for	132,902	90,026

**(b) Operating lease arrangements**

In addition to the land use rights disclosed in Note 17, the Group had entered into commercial leases on certain office equipment. These leases have an average tenure of between one and five years.

Future minimum rentals payable under non-cancellable operating leases (excluding land use rights) at the reporting date are as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Future minimum rentals payments:		
Not later than 1 year	1,176	862
Later than 1 year and not later than 2 years	1,884	203
Later than 2 years and not later than 5 years	310	157
	3,370	1,222

**40. Fair values**

**(i) Determination of fair value of financial instruments**

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<b>Note</b>
Trade and other receivables	25
Loans and borrowings (current)	29
Loans and borrowings (non-current)	29
Trade and other payables	30

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**40. Fair values (continued)**

**(i) Determination of fair value of financial instruments (continued)**

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair values of loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Investment securities (current)

Fair value is determined directly by reference to their published market bid price at the reporting date.

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

**(ii) Fair value hierarchy**

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at reporting date:

	<b>Quoted prices in active market (Level 1) RM'000</b>	<b>Significant observable inputs (Level 2) RM'000</b>	<b>Significant unobservable inputs (Level 3) RM'000</b>	<b>Total RM'000</b>
<b>Group</b>				
<b>As at 31 August 2016</b>				
<b>Current</b>				
<b>Assets measured at fair value</b>				
Available-for-sale financial assets	222,732	-	-	222,732
Financial assets at fair value through profit or loss	256,349	-	-	256,349
<b>Liabilities measured at fair value</b>				
Derivative liabilities	-	(189)	-	(189)



**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**40. Fair values (continued)**

**(ii) Fair value hierarchy (continued)**

	<b>Quoted prices in active market (Level 1) RM'000</b>	<b>Significant observable inputs (Level 2) RM'000</b>	<b>Significant unobservable inputs (Level 3) RM'000</b>	<b>Total RM'000</b>
<b>Group</b>				
<b>As at 31 August 2016</b>				
<b>Non-current</b>				
<b>Assets for which fair values are disclosed :</b>				
Investment property (Note 18)	-	-	162,000	162,000
<b>As at 31 August 2015</b>				
<b>Current</b>				
<b>Assets measured at fair value</b>				
Available-for-sale financial assets	527,956	-	-	527,956
Financial assets at fair value through profit or loss	141,716	-	-	141,716
<b>Liabilities measured at fair value</b>				
Derivative liabilities	-	(9,211)	-	(9,211)
<b>Non-current</b>				
<b>Assets for which fair values are disclosed :</b>				
Investment property (Note 18)	-	-	124,184	124,184
<b>Company</b>				
<b>As at 31 August 2016</b>				
<b>Current</b>				
<b>Assets measured at fair value</b>				
Financial assets at fair value through profit or loss	100,163	-	-	100,163

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**40. Fair values (continued)**

**(ii) Fair value hierarchy (continued)**

	<b>Quoted prices in active market (Level 1) RM'000</b>	<b>Significant observable inputs (Level 2) RM'000</b>	<b>Significant unobservable inputs (Level 3) RM'000</b>	<b>Total RM'000</b>
<b>Company</b>				
<b>As at 31 August 2015</b>				
<b>Current</b>				
<b>Assets measured at fair value</b>				
Financial assets at fair value through profit or loss	31,337	-	-	31,337

During the reporting period ended 31 August 2016 and 2015, there were no transfers amongst Level 1, Level 2 and Level 3 fair value measurements.

**41. Financial risk management objectives and policies**

Financial liabilities comprise loans and borrowings, trade and other payables, derivative liabilities and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's and the Company's operations and to provide guarantees to support their operations. Financial assets include trade and other receivables, debt securities, money market funds investments and cash and short-term deposits.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks and ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by senior management who have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

**(a) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise interest rate risk, foreign exchange currency risk and other price risk such as equity price risk. Financial instruments affected by market risk include trade and other receivables, trade and other payables, loans and borrowings, cash and short term deposits, debt securities, money market funds investments and derivative financial instruments.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**41. Financial risk management objectives and policies (continued)**

**(b) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including debt securities, money market funds investments and cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives liabilities.

Credit risk concentration profile

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

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 25. Deposits with banks and other financial institutions, debt securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 25.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**41. Financial risk management objectives and policies (continued)**

**(c) Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	<b>2016</b>			<b>Total RM'000</b>
	<b>On demand or within one year RM'000</b>	<b>One to five years RM'000</b>	<b>Over five years RM'000</b>	
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables, excluding bank guarantees	332,199	-	-	332,199
Derivatives	189	-	-	189
Loans and borrowings	318,855	81,308	2,608	402,771
Total undiscounted financial liabilities	<u>651,243</u>	<u>81,308</u>	<u>2,608</u>	<u>735,159</u>
<b>Company</b>				
<b>Financial liabilities</b>				
Corporate guarantees*	356,000	-	-	356,000
Trade and other payables excluding bank guarantees	2,256	-	-	2,256
Total undiscounted financial liabilities	<u>358,256</u>	<u>-</u>	<u>-</u>	<u>358,256</u>

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**41. Financial risk management objectives and policies (continued)**

Group	2015			Total RM'000
	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	
<b>Financial liabilities</b>				
Trade and other payables, excluding bank guarantees	326,174	-	-	326,174
Derivatives	9,211	-	-	9,211
Loans and borrowings	531,682	91,555	17,465	640,702
Total undiscounted financial liabilities	867,067	91,555	17,465	976,087
<b>Company</b>				
<b>Financial liabilities</b>				
Corporate guarantees*	387,000	-	-	387,000
Trade and other payables excluding bank guarantees	2,065	-	-	2,065
Total undiscounted financial liabilities	389,065	-	-	389,065

\* Based on the maximum amount that can be called for under the corporate guarantees. No default has occurred at the end of the financial year.

**(d) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its loans and borrowings. The Group manages its interest rate exposure by maintaining a 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.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis point lower/higher, with all other variables held constant, the Group's profit before tax would have been RM396,000 (2015: RM633,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**41. Financial risk management objectives and policies (continued)**

**(e) Market price risk**

The Group's quoted investment securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the market price risk through diversification and by placing limits on individual and total investment in investment securities. Reports on the investment portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors reviews and approves all investment decisions.

During the year, an Investment Committee was formed with the objectives of reviewing, advising and ensuring that the Group's investment in debt securities is consistent with the delegated authority limit approved by the Board; and cash invested is within the risk appetite of the Group. The Investment Committee established certain criteria for current and future investment in debt securities. Any investment differing from the criteria established will require the Investment Committee's approval. The Investment Committee also aims to establish an effective investment management framework for the Group.

At the reporting date, the exposure to quoted investment securities at fair value was disclosed in Note 22.

Sensitivity analysis for market price risk

The following table demonstrates the sensitivity of the Group's debt investments to reasonably possible price movements in investments classified as available-for-sale at the reporting date:

<b>Group</b>	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
Debt investments - strengthened 5% (2015: 5%)	11,137	26,398
- weakened 5% (2015: 5%)	(11,137)	(26,398)
	<u>11,137</u>	<u>(26,398)</u>

**(f) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures mainly arising from revenue that are denominated in a currency other than the respective functional currencies of the Group entities. These functional currencies are Malaysian Ringgit ("RM"), Thailand Baht ("Baht"), Chinese Renminbi ("RMB") and Australian Dollar ("AUD"). The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD"), Euro and AUD.

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**41. Financial risk management objectives and policies (continued)**

**(f) Foreign currency risk (continued)**

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

Functional currency of Group companies	Net financial assets/(liabilities) held in non-functional currency		
	USD RM'000	Euro RM'000	Total RM'000
<b>At 31 August 2016:</b>			
Ringgit Malaysia	(198,196)	(73)	(198,269)
Thailand Baht	23,607	-	23,607
Chinese Renminbi	8,941	-	8,941
Australian Dollars	120,675	767	121,442
	<b>(44,973)</b>	<b>694</b>	<b>(44,279)</b>
<b>At 31 August 2015:</b>			
Ringgit Malaysia	(296,846)	(946)	(297,792)
Thailand Baht	7,417	(451)	6,966
Chinese Renminbi	18,176	-	18,176
Australian Dollars	169,060	622	169,682
	<b>(102,193)</b>	<b>(775)</b>	<b>(102,968)</b>

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD and EURO exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	2016 RM'000	2015 RM'000
USD/RM - strengthened 5% (2015: 5%)	(9,910)	(14,842)
- weakened 5% (2015: 5%)	9,910	14,842
USD/Baht - strengthened 5% (2015: 5%)	1,180	371
- weakened 5% (2015: 5%)	(1,180)	(371)
USD/RMB - strengthened 5% (2015: 5%)	447	909
- weakened 5% (2015: 5%)	(447)	(909)
USD/AUD - strengthened 5% (2015: 5%)	6,034	8,453
- weakened 5% (2015: 5%)	(6,034)	(8,453)
EURO/RM - strengthened 5% (2015: 5%)	(4)	(47)
- weakened 5% (2015: 5%)	4	47
EURO/Baht - strengthened 5% (2015: 5%)	-	(23)
- weakened 5% (2015: 5%)	-	23
EURO/AUD - strengthened 5% (2015: 5%)	38	31
- weakened 5% (2015: 5%)	(38)	(31)

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**42. Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 August 2016 and 31 August 2015.

As disclosed in Note 35(b), subsidiaries of the Group incorporated in the People's Republic of China and Thailand are required to set aside a statutory reserve fund under local regulations. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 August 2016 and 31 August 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less the fair value adjustment reserve and the above-mentioned restricted statutory reserve fund.

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans and borrowings	29	399,433	636,026	-	-
Trade and other payables	30	332,199	326,174	2,256	2,065
Other current liabilities	31	39,368	29,625	-	-
Less: cash and cash equivalents	28	(223,156)	(145,212)	(248)	(12,137)
Net debt		<u>547,844</u>	<u>846,613</u>	<u>2,008</u>	<u>-</u>
Equity attributable to the owners of the parent		1,818,013	1,607,964	680,918	756,592
Add/(less):					
-Fair value adjustment reserve	35	4,307	78	-	-
-Statutory reserve	35	(4,278)	(3,781)	-	-
Total capital		<u>1,818,042</u>	<u>1,604,261</u>	<u>680,918</u>	<u>756,592</u>
<b>Capital and net debt</b>		<u>2,365,886</u>	<u>2,450,874</u>	<u>682,926</u>	<u>756,592</u>
<b>Gearing ratio</b>		23.16%	34.54%	0.29%	0.00%



**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**43. Segment information**

For management purposes, the Group is organised into business units based on their geographical areas, and has five reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs), income taxes and share of results of associate are managed on a group basis and are not allocated to operating segments.

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 2016**

	Malaysia RM'000	Thailand RM'000	The People's Republic of China RM'000	The British Virgin Islands RM'000	Others RM'000	Eliminations RM'000	Notes	Consolidated RM'000
<b>Revenue</b>								
External sales	2,395,413	217,490	106,479	-	169,133	-		2,888,515
Inter-segment sales	78,485	296,154	2,024	-	-	(376,663)	A	-
Total revenue	<u>2,473,898</u>	<u>513,644</u>	<u>108,503</u>	<u>-</u>	<u>169,133</u>	<u>(376,663)</u>		<u>2,888,515</u>
<b>Results</b>								
Interest income	16,791	75	11	19,160	-	(5,015)		31,022
Depreciation and amortisation	86,427	14,529	5,961	-	974	-		107,891
Segment profit/(loss)	<u>364,931</u>	<u>37,938</u>	<u>11,637</u>	<u>24,936</u>	<u>7,096</u>	<u>(4,336)</u>	B	<u>442,202</u>
<b>Assets</b>								
Additions to non-current assets	200,418	32,913	279	-	463	-	C	234,073
Segment assets	<u>2,005,171</u>	<u>219,676</u>	<u>51,702</u>	<u>249,219</u>	<u>89,527</u>	<u>33,847</u>	D	<u>2,649,142</u>
<b>Liabilities</b>								
Segment liabilities	<u>672,729</u>	<u>70,893</u>	<u>12,743</u>	<u>2,960</u>	<u>11,864</u>	<u>52,114</u>	E	<u>823,303</u>
<b>Other segment information</b>								
Capital commitments	<u>115,612</u>	<u>17,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>132,902</u>

474423-X

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**43. Segment information (continued)**

31 August 2015

	Malaysia RM'000	Thailand RM'000	The People's Republic of China RM'000	The British Virgin Islands RM'000	Others RM'000	Eliminations RM'000	Notes	Consolidated RM'000
<b>Revenue</b>								
External sales	2,072,889	186,437	95,589	-	155,595	-		2,510,510
Inter-segment sales	67,317	272,589	2,404	-	-	(342,310)	A	-
Total revenue	<u>2,140,206</u>	<u>459,026</u>	<u>97,993</u>	<u>-</u>	<u>155,595</u>	<u>(342,310)</u>		<u>2,510,510</u>
<b>Results</b>								
Interest income	8,655	74	9	20,111	-	(4,075)		24,774
Depreciation and amortisation	78,876	15,200	3,798	-	906	-		98,780
Segment profit/(loss)	<u>329,400</u>	<u>23,548</u>	<u>6,145</u>	<u>15,366</u>	<u>4,958</u>	<u>(15,879)</u>	B	<u>363,538</u>
<b>Assets</b>								
Additions to non-current assets	197,613	12,814	1,050	-	451	-	C	211,928
Segment assets	<u>1,718,000</u>	<u>229,427</u>	<u>72,205</u>	<u>538,205</u>	<u>93,386</u>	<u>36,707</u>	D	<u>2,687,930</u>
<b>Liabilities</b>								
Segment liabilities	<u>706,132</u>	<u>55,383</u>	<u>10,967</u>	<u>208,877</u>	<u>19,677</u>	<u>72,501</u>	E	<u>1,073,537</u>
<b>Other segment information</b>								
Capital commitments	<u>62,878</u>	<u>27,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>90,026</u>

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**43. Segment information (continued)**

A Inter-segment revenues are eliminated on consolidation.

B The following items are added to/(deducted from) segment profit to arrive at profit before tax presented in the consolidated income statement.

	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Share of results of associates	1,275	(11,709)
Finance costs	(5,611)	(4,170)
	<u>(4,336)</u>	<u>(15,879)</u>

C Additions to non-current assets consist of:

	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment	231,296	205,739
Land used rights	-	50
Investment property	2,777	6,139
	<u>234,073</u>	<u>211,928</u>

D The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred tax assets	7,081	8,762
Investments in associates	3,961	5,140
Goodwill	22,805	22,805
	<u>33,847</u>	<u>36,707</u>

E The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax payable	1,357	25,348
Deferred tax liabilities	50,757	47,153
	<u>52,114</u>	<u>72,501</u>

**Top Glove Corporation Bhd.**  
**(Incorporated in Malaysia)**

**44. Dividends**

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Recognised during the financial year:		
Dividends on ordinary shares:		
- Final single tier dividend for 2015: 12.00 sen per share	74,979	-
- Special single tier dividend for 2015: 3.00 sen per share	18,745	-
- First interim single tier dividend for 2016: 6.00 sen per share	75,139	-
- Final single tier dividend for 2014: 9.00 sen per share	-	55,565
- First interim single tier dividend for 2015: 8.00 sen per share	-	49,419
	<b>168,863</b>	<b>104,984</b>

At the forthcoming Annual General Meeting, a single tier final dividend of 17% on 1,252,648,000 ordinary shares amounting to RM106,475,034 (8.50 sen per share) in respect of the financial year ended 31 August 2016 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 2017.

**45. Contingent liabilities**

A nominal amount of RM356,000,000 (2015: RM387,000,000) relating to corporate guarantees provided by the Company to banks for its subsidiaries' loans and borrowings.

The fair value of the corporate guarantees granted by the Company to banks in respect of loans and borrowings obtained by its subsidiaries is not material as the difference in borrowing rates charged by the banks is not significant in the absence of such guarantees.

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**46. Subsequent event**

On 14 September 2016, Top Glove Sdn. Bhd., a wholly owned subsidiary of the Company had acquired the entire issued and paid up share capital of Top Glove Chemicals Sdn Bhd ("TGCSB") comprising 2 ordinary shares of RM1.00 each fully paid up in the capital of TGCSB for a total cash consideration of RM2.00 ("the Acquisition").

TGCSB is set up for manufacturing of chemicals and chemical compounds. Resulting from the Acquisition, TGCSB will become an indirect wholly-owned subsidiary of the Company. The Acquisition is not expected to have any material effects on the net assets, gearing and earnings of the Group for the financial year ending 31 August 2017.

**47. Authorisation of financial statements for issue**

The financial statements for the year ended 31 August 2016 were authorised for issue in accordance with a resolution of the directors on 28 October 2016.

474423-X

**Top Glove Corporation Bhd.  
(Incorporated in Malaysia)**

**48. Supplementary information – Breakdown of realised and unrealised profits and losses**

The breakdown of the retained earnings of the Group and of the Company as at 31 August 2016 into realised and unrealised profits and losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings of the Company and its subsidiaries				
- Realised	1,229,505	1,111,120	55,609	251,206
- Unrealised	(45,556)	(39,242)	-	-
	<u>1,183,949</u>	<u>1,071,878</u>	<u>55,609</u>	<u>251,206</u>
Less: Consolidated adjustments	(16,892)	(15,295)	-	-
Total Group's retained earnings as per consolidated financial statements	<u>1,167,057</u>	<u>1,056,583</u>	<u>55,609</u>	<u>251,206</u>