Top Glove Corporation Bhd.

(474423-X)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 August 2018

474423-X

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Contents	**Pages**

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 2018.

Principal activities

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

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

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

Results

	Group RM'000	Company RM'000
Profit net of tax	437,906	233,759
Profit attributable to:		
Owners of the parent	434,215	233,759
Non-controlling interests	3,691	-
	437,906	233,759

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.

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Dividends

The amount of dividends paid by the Group and the Company since 31 August 2017 were as follows:

	Group and Company RM'000
In respect of the financial year ended 31 August 2017:	
Final tax exempt single tier dividend of 8.5 sen per share on 1,255,159,000 ordinary shares, declared on 10 November 2017 and paid on 25 January 2018	106,691
In respect of the financial year ended 31 August 2018:	
First tax exempt interim single tier dividend of 7 sen per share on 1,277,926,000 ordinary shares,declared on 19 June 2018 and paid on 17 July 2018	89,454
	196,145

Further details on dividends recognised during the financial year are disclosed in Note 44.

At the forthcoming Annual General Meeting, a single tier final dividend of 5 sen per share on 2,556,316,000 ordinary shares amounting to RM127,817,000 in respect of the financial year ended 31 August 2018 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 2019.

Directors of the Company

The directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Dr Lim Wee Chai*
Tan Sri Dato' Seri Utama Arshad bin Ayub
Tan Sri Rainer Althoff
Dato' 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
Datuk Dr. Norma Mansor
Low Chin Guan* (appointed on 4 April 2018 and removed on 10 October 2018)

*These directors are also directors of the Company’s subsidiaries.

474423-X

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Directors of subsidiaries

The following is a list of directors of the subsidiaries (excluding directors who are also directors of the Company) in office during the financial year until the date of this report:

Dato' IR Haji Ahmad Bin Hassan
Dr. Pongsak Kerdvonbundit
Choh Ai Ying
Chookiad Usaha
Hue Kon Fah
Lew Sin Chiang
Liew Say Keong
Lim Jin Feng
Ng Wee Chong
Ng Yong Lin
Oh Teik Chye
Phattaraporn Fueangthong
Puon Tuck Seng
Ravi A/L Supramaniam
Saw Eng Kooi
Seah Chong Shew
See So Kim Huat
Siow Chun Min
Max Som Chai A/L Putian
Svami Utama Batang Taris
Tan Chee Hoong
Thomas Petermoeller
Wilawan Sakulsongboonsiri
Wong Chong Ban
Dr. Navindra A/L Nageswaran
Ho Chee Meng Edmund
Masato Katayama
Hoong Hsuch Ling
Tan Puay Choo
Lam Yat Hing (appointed on 30 October 2017)
Ho Kim Nam (appointed on 30 October 2017)
Leong Chew Mun (appointed on 21 February 2018)
Zhu Bai He
Victor Daniel Angenscheidt Baridon

474423-X

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

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 below) 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, except as disclosed in the Note 38 to the financial statements.

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Salaries and other emoluments	9,555	3,292
Fees	1,256	1,202
Defined contribution plan	798	302
Defined benefit plan	12	1
Share option granted under ESOS	302	161
Share option granted under ESGP	18	-
Benefits-in-kind	211	50
	12,152	5,008

*The Company maintains a liability insurance for directors of the Group. The total amount of sum insured for the directors of the Group for the financial year amounted to RM5,000,000.

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:

	Number of ordinary shares			
	1 September 2017	**Acquired**	**Sold**	**31 August 2018**
Tan Sri Dr Lim Wee Chai				
- direct	368,822,176	1,092,600	-	369,914,776
- indirect	88,206,208	15,400	1,000,000	87,221,608
Puan Sri Tong Siew Bee				
- direct	3,605,896	9,300	-	3,615,196
- indirect	453,422,488	1,098,700	1,000,000	453,521,188
Dato' Lee Kim Meow				
- direct	620,100	266,700	400,000	486,800
- indirect	20,000	-	-	20,000
Lim Hooi Sin				
- direct	20,281,824	-	1,000,000	19,281,824
- indirect	436,735,660	1,101,900	-	437,837,560
Lim Cheong Guan				
- direct	8,000	288,800	148,000	148,800
Tan Sri Dato' Seri Utama Arshad bin Ayub				
- direct	900,000	-	100,000	800,000
- indirect	100,000	-	100,000	-
Low Chin Guan				
- direct	400	-	-	400
- indirect	-	20,505,000	10,252,500	10,252,500
Sharmila Sekarajasekaran				
- direct	-	5,000,000	-	5,000,000

	Number of options over ordinary shares			
	1 September 2017	**Granted**	**Exercised**	**31 August 2018**
Tan Sri Dr Lim Wee Chai	92,600	185,000	92,600	185,000
Puan Sri Tong Siew Bee	9,300	9,100	9,300	9,100
Dato' Lee Kim Meow	266,700	61,000	266,700	61,000
Lim Hooi Sin	-	24,600	-	24,600
Lim Cheong Guan	288,800	54,400	288,800	54,400

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.

Directors' interests (cont'd.)

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

Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM636,644,000 to RM787,709,000 by way of:

(i) issuance of 3,425,000 ordinary shares pursuant to the Company's ESOS at an option price between RM1.76 to RM10.12 per ordinary share; and

(ii) the issuance of 20,505,000 ordinary shares through a private placement at an issue price of RM6.68 per ordinary share, as partial discharge of purchase consideration for the acquisition of a subsidiary.

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")

At an Extraordinary General Meeting held on 9 January 2018, shareholders approved the ESOS for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to the eligible employees and executive directors respectively of the Company and its subsidiaries.

The committee administering the ESOS comprise two executive directors, Tan Sri Dr Lim Wee Chai and Lim Cheong Guan; four independent non-executive directors Dato' Lim Han Boon, Datuk Noripah Binti Kamso, Sharmila Sekarajasekaran and Datuk Dr. Norma Mansor and one management staff Lim Jin Feng.

The salient features and other terms of the ESOS are disclosed in Note 37(i) to the financial statements.

During the financial year, the Company granted 3,166,600 share options under New Employee Share Option scheme. These options expire on 31 May 2028 and are exercisable if the employee has not served a notice of resignation or receive a notice of termination from the date of grant and certain conditions as detailed in Note 37(i) to the financial statements are met.

Employee share options scheme ("ESOS") (cont'd.)

Details of the options exercised to subscribe for ordinary shares of the Company pursuant to the ESOS as at 31 August 2018 are as follows:

Expiry date	Exercise price RM	Number of options '000
1 August 2018	1.76	49.6
1 August 2018	2.82	12.0
1 August 2018	2.90	1,506.8
1 August 2018	3.49	23.2
1 August 2018	3.08	129.2
1 August 2018	3.06	39.0
1 August 2018	3.43	31.6
1 August 2018	3.26	12.8
1 August 2018	2.08	21.4
1 August 2018	2.76	262.6
1 August 2018	2.32	394.1
1 August 2018	5.33	938.4
31 May 2028	10.12	4.7
		3,425.4

Details of shares granted to directors are disclosed in the section on Directors' Interest in this report.

Employee Share Grant Plan ("ESGP")

At an Extraordinary General Meeting held on 6 January 2016, shareholders approved ESGP for the eligible employees and executive directors of the Company and its subsidiaries.

The committee administering the ESGP comprise two executive directors, Tan Sri Dr Lim Wee Chai and Lim Cheong Guan; four independent non-executive directors Dato' Lim Han Boon, Datuk Noripah Binti Kamso, Sharmila Sekarajasekaran and Datuk Dr. Norma Mansor and one management staff Lim Jin Feng.

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

During the financial year, the Company granted 93,700 share grant under ESGP amounted to RM975,000 for employee and the certain conditions as detailed in Note 37(ii) to the financial statements.

Details of shares granted to directors are disclosed in the section on Directors' Interest in this report.

Treasury shares

During the financial year, the Company transferred 93,700 treasury shares to eligible employees under employee share grant scheme at average market price of RM10.40 per share. The total transferred treasury shares net of transaction costs were RM975,000. The difference between the transferred treasury shares and the cost of the treasury shares amounted to RM561,000 was recognised in equity.

As at 31 August 2018, the Company held as treasury shares a total of 2,071,000 of its 1,280,229,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM9,325,000 and further relevant details are disclosed in Note 34 to the financial statements.

Other statutory information

(a) Before the 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their 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) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Other statutory information (cont'd.)

(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.

Significant events

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

Subsequent events

Details of subsequent events are disclosed in Note 47 to the financial statements.

Auditors

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

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young	316	85
Other auditors	583	-
	899	85

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young for the financial year ended 31 August 2018.

474423-X

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Signed on behalf of the Board in accordance with a resolution of the directors dated 31 October 2018.

Dato' Lee Kim Meow

Dato' Lim Han Boon

474423-X

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Dato' 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 19 to 127 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 31 October 2018.

Dato' Lee Kim Meow

Dato' Lim Han Boon

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Dato' 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 19 to 127 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed, Dato' Lee Kim Meow
at Shah Alam in the State of Selangor
on 31 October 2018

Dato' Lee Kim Meow

Before me,

Sirendar Singh
Commissioner for Oaths

474423-X

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Top Glove Corporation Bhd., which comprise the statements of financial position as at 31 August 2018 of the Group and of the Company, and statements of profit or loss and other 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 19 to 127.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 August 2018, and of their financial performance and their 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 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, Key audit matters (cont'd.)

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Review of costing of inventories
(Refer to Note 4.15, 7.2(a) and Note 24 to the financial statements)

At 31 August 2018, the Group held RM508 million of inventories which represent 10% of total assets of the Group. Total cost of inventory charged to the consolidated income statement for the year ended 31 August 2018 amounted to RM3,368 million, accounted for 91% of total expenditure of the Group. Inventories are carried at the lower of cost and net realisable value. The cost of inventories comprises the cost of purchase of raw materials, direct labour, plus conversion costs such as variable and fixed overhead.

The inventory cost is recorded and computed via the SAP system, after incorporating actual costs from a variety of inputs. As the computation and cost allocation process involve multiple inputs and management's judgement, the costing of inventories is considered complex and hence is a key area of audit focus.

a) Obtained an understanding of the current inventories valuation policy and its related processes in allocating, recording and computing the cost of inventories.

b) Performed walkthrough on the processes and reviewed the computation of standard costing of inventory. We have also observed the procedures of updating the standard cost into the SAP system.

c) Performed walkthrough and tested controls over the recording of cost of purchases, which includes the raw materials, direct labour, and allocation of overheads, into the SAP system.

d) Assessed the general and logical access controls surrounding the data input process of the SAP system by involving our IT audit professionals.

Key audit matters (cont'd.)

Annual impairment test of goodwill arising from the acquisition of Aspion Sdn. Bhd. ("Aspion")
(Refer to Note 4.1, 7.2(b) and Note 23 to the financial statements)

As at 31 August 2018, the Group recorded a provisional goodwill of RM1,258 million arising from the acquisition of Aspion, which represents 24% of the Group’s total assets. The goodwill amount has been allocated to cash generating unit (“CGU”) on a provisional basis for impairment testing purposes. The Group estimated the recoverable amount of the CGU to which the goodwill is allocated based on value-in-use (“VIU”).

Given its magnitude and the significant judgement involved in the annual impairment test, we consider this impairment test to be an area of audit focus. Specifically, we focus on the evaluation of the assumptions on the amount and timing of cash flows which are based on internal (e.g. budgets) and external market data (e.g. country specific interest rates and inflation percentages), and determination of an appropriate discount rate for Aspion.

Our audit procedures performed, amongst others are as follows:

a) Evaluated management’s key assumptions used in the cash flows projection, focusing on projected revenue, profit margins and growth rates, taking into consideration the current and expected future economic conditions. We compared the projected revenue to the past trends and compared expected growth rates to relevant market expectations.

b) Together with EY valuation specialists, we evaluated the discount rate used to determine the present value of the cash flows and assessed whether the rate used reflect the current market assessment of the time value of money and the risk specific to the asset is the return that the investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset.

c) Assessed the sensitivity of the cash flows to changes in the key inputs to understand the impact that reasonable alternative assumptions would have on the overall carrying value.

d) Evaluated the adequacy of the Group’s disclosures in the financial statements concerning those key assumptions to which the outcome of the impairment test is most sensitive.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Auditors' responsibilities for the audit of the financial statements (cont'd.)

We also: (cont'd.)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 19 to the financial statements.

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

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young	Ng Kim Ling
AF: 0039	No. 03236/04/2020 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
31 October 2018

474423-X

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Statements of profit or loss
For the financial year ended 31 August 2018

	Note	Group 2018 RM'000	Group 2017 (Restated) RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	8	4,214,482	3,409,176	243,942	333,815
Cost of sales		(3,367,611)	(2,803,857)	-	-
Gross profit		846,871	605,319	243,942	333,815
Other items of income					
Interest income	9	12,256	17,232	217	1,861
Other income	10	39,752	53,488	-	10
Other items of expense					
Distribution and selling costs		(111,692)	(90,250)	-	-
Administrative and general expenses		(224,968)	(193,452)	(10,400)	(8,413)
Finance costs		(35,321)	(6,314)	-	-
Share of results of associates		1,697	(980)	-	-
Profit before tax	11	528,595	385,043	233,759	327,273
Income tax expense	14	(90,689)	(54,514)	-	-
Profit net of tax		437,906	330,529	233,759	327,273
Profit attributable to:					
Owners of the parent		434,215	330,664	233,759	327,273
Non-controlling interests		3,691	(135)	-	-
		437,906	330,529	233,759	327,273
Earnings per share attributable to owners of the parent (sen):					
Before issuance of bonus shares					
- Basic	15	33.92	26.38		
- Diluted	15	33.92	26.36		
After issuance of bonus shares					
- Basic	15	16.97	13.06		
- Diluted	15	16.97	13.06		

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 2018

	Group		Company	
	2018	**2017 (Restated)**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit net of tax	437,906	330,529	233,759	327,273
Other comprehensive (loss)/income:				
To be reclassified to profit or loss in subsequent periods:				
Net movement on available-for-sale financial assets	(2,465)	5,609	-	-
Cash flow hedge (Note 35)	(41,504)	-	-	-
Foreign currency translation differences of foreign operations	(17,741)	30,041	-	-
Foreign currency translation differences of associate	-	(1,252)	-	-
Other comprehensive (loss)/income for the year, net of tax	(61,710)	34,398	-	-
Total comprehensive income for the year	376,196	364,927	233,759	327,273
Total comprehensive income attributable to:				
Owners of the parent	372,671	364,297	233,759	327,273
Non-controlling interests	3,525	630	-	-
	376,196	364,927	233,759	327,273

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

474423-X

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Statement of financial position (Group)
As at 31 August 2018

	Note	2018	2017 (Restated)	As at 1.9.2016 (Restated)
		RM'000	RM'000	RM'000
Assets				
Non-current assets				
Property, plant and equipment	16	2,064,817	1,498,486	1,128,937
Land use rights	17	101,675	40,457	39,461
Investment property	18	163,900	162,000	162,000
Investment in an associate	20	1,697	-	3,961
Deferred tax assets	21	14,288	14,681	7,081
Investment securities	22	392	392	145
Goodwill	23	1,304,496	22,805	22,805
		3,651,265	1,738,821	1,364,390
Current assets				
Inventories	24	508,186	315,775	263,679
Trade and other receivables	25	646,179	419,349	345,700
Other current assets	26	106,380	51,258	24,179
Tax recoverable		-	17,351	-
Investment securities	22	193,714	206,910	479,081
Derivative financial instruments	27	-	645	-
Cash and bank balances	28	164,836	240,068	224,099
		1,619,295	1,251,356	1,336,738
Total assets		5,270,560	2,990,177	2,701,128
Equity and liabilities				
Current liabilities				
Loans and borrowings	29	882,575	314,644	317,796
Trade and other payables	30	499,685	418,802	332,199
Other current liabilities	31	59,248	62,292	39,368
Income tax payable		8,680	-	1,357
Derivative financial instruments	27	856	-	189
		1,451,044	795,738	690,909
Net current assets		168,251	455,618	645,829

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Statement of financial position (Group)
As at 31 August 2018 (cont'd.)

	Note	2018 RM'000	2017 (Restated) RM'000	As at 1.9.2016 (Restated) RM'000
Non-current liabilities				
Loans and borrowings	29	1,330,359	61,750	81,637
Deferred tax liabilities	21	94,670	68,257	52,885
Provisions		719	-	-
		1,425,748	130,007	134,522
Total liabilities		2,876,792	925,745	825,431
Net assets		2,393,768	2,064,432	1,875,697
Equity attributable to owners of the parent				
Share capital	32	787,709	636,644	627,406
Share premium	33	-	-	4,781
Treasury shares	34	(9,325)	(9,739)	(9,739)
Other reserves	35	4,551	62,499	28,508
Retained earnings		1,595,546	1,365,827	1,216,915
		2,378,481	2,055,231	1,867,871
Non-controlling interests		15,287	9,201	7,826
Total equity		2,393,768	2,064,432	1,875,697
Total equity and liabilities		5,270,560	2,990,177	2,701,128

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

474423-X

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Statement of financial position (Company)
As at 31 August 2018

	Note	2018 RM'000	2017 RM'000
Assets			
Non-current asset			
Investment in subsidiaries	19	1,018,960	830,503
Current assets			
Trade and other receivables	25	2,000	174
Other current assets	26	1,071	-
Tax recoverable		12	16
Investment securities	22	2	2,583
Cash and bank balances	28	151	484
		3,236	3,257
Total assets		1,022,196	833,760
Equity and liabilities			
Current liabilities			
Trade and other payables	30	1,508	2,565
Other current liabilities	31	1	1
Total liabilities		1,509	2,566
Net current assets		1,727	691
Net assets		1,020,687	831,194
Equity attributable to owners of the Company			
Share capital	32	787,709	636,644
Treasury shares	34	(9,325)	(9,739)
Other reserves	35	1,929	2,568
Retained earnings	36	240,374	201,721
Total equity		1,020,687	831,194
Total equity and liabilities		1,022,196	833,760

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

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 August 2018

		<------- Attributable to owners of the parent -------										
		Total equity attributable to owners of the parent	<------- Non-distributable -------							>	Distributable	
2018 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**	**Cash flow hedge reserve RM'000**	**Fair value adjustment reserve RM'000**	**Retained earnings RM'000**	**Non-controlling interests ("NCI") RM'000**
Opening balance at 1 September 2017	2,012,481	2,003,280	636,644	-	(9,739)	53,700	4,929	2,568	-	1,302	1,313,876	9,201
Effects of changes in accounting policy (Note 48)	51,951	51,951	-	-	-	-	-	-	-	-	51,951	-
1 September 2017 (Restated)	2,064,432	2,055,231	636,644	-	(9,739)	53,700	4,929	2,568	-	1,302	1,365,827	9,201
Profit net of tax	437,906	434,215	-	-	-	-	-	-	-	-	434,215	3,691
Other comprehensive loss	(61,710)	(61,544)	-	-	-	(17,575)	-	-	(41,504)	(2,465)	-	(166)
Total comprehensive income	376,196	372,671	-	-	-	(17,575)	-	-	(41,504)	(2,465)	434,215	3,525
Transactions with owners												
Issuance of ordinary shares pursuant to Employee Share Options Scheme ("ESOS") (Note 37)	11,972	11,972	11,972	-	-	-	-	-	-	-	-	-
Shares issued for acquisition of a subsidiary (Note 32)	137,000	137,000	137,000	-	-	-	-	-	-	-	-	-
Share options granted under ESOS (Note 35)	1,932	1,932	-	-	-	-	-	1,932	-	-	-	-
Issuance of shares to NCI	1,500	-	-	-	-	-	-	-	-	-	-	1,500
Transfer from share option reserve (Note 32)	-	-	2,093	-	-	-	-	(2,093)	-	-	-	-
Acquisition of subsidiary companies (Note 19)	5,268	-	-	-	-	-	-	-	-	-	-	5,268
Acquisition of equity interest of NCI	(3,944)	(5,155)	-	-	-	-	-	-	-	-	(5,155)	1,211
Transfer to retained earnings (Note 35)	-	-	-	-	-	-	-	(478)	-	-	478	-
Transfer to legal reserve (Note 35)	-	-	-	-	-	-	4,235	-	-	-	(4,235)	-
Transfer to Employee Share Grant Plan ("ESGP")	975	975	-	-	414	-	-	-	-	-	561	-
Dividends on NCI	(5,418)	-	-	-	-	-	-	-	-	-	-	(5,418)
Dividends on ordinary shares (Note 44)	(196,145)	(196,145)	-	-	-	-	-	-	-	-	(196,145)	-
Total transactions with owners	(46,860)	(49,421)	151,065	-	414	-	4,235	(639)	-	-	(204,496)	2,561
Closing balance at 31 August 2018	2,393,768	2,378,481	787,709	-	(9,325)	36,125	9,164	1,929	(41,504)	(1,163)	1,595,546	15,287

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 August 2018 (cont'd.)

		<---- Attributable to owners of the parent ----										
			<---- Non-distributable ----							>	Distributable	
2017 Group	**Total equity RM'000**	**Total equity attributable to owners of the of 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**	**Cash flow hedge reserve RM'000**	**Fair value adjustment reserve RM'000**	**Retained earnings RM'000**	**Non-controlling interests ("NCI") RM'000**
Opening balance at 1 September 2016	1,825,839	1,818,013	627,406	4,781	(9,739)	25,676	4,278	2,861	-	(4,307)	1,167,057	7,826
Effects of changes in accounting policy (Note 48)	49,858	49,858	-	-	-	-	-	-	-	-	49,858	-
1 September 2016 (Restated)	1,875,697	1,867,871	627,406	4,781	(9,739)	25,676	4,278	2,861	-	(4,307)	1,216,915	7,826
Profit net of tax, as previously stated	328,436	328,571	-	-	-	-	-	-	-	-	328,571	(135)
Effects of changes in accounting policy (Note 48)	2,093	2,093	-	-	-	-	-	-	-	-	2,093	-
As restated	330,529	330,664	-	-	-	-	-	-	-	-	330,664	(135)
Other comprehensive income	34,398	33,633	-	-	-	28,024	-	-	-	5,609	-	765
Total comprehensive income	364,927	364,297	-	-	-	28,024	-	-	-	5,609	330,664	630
Transactions with owners												
Issuance of ordinary shares pursuant to ESOS (Note 37)	4,179	4,179	3,128	1,051	-	-	-	-	-	-	-	-
Share options granted under ESOS (Note 35)	578	578	-	-	-	-	-	578	-	-	-	-
Issuance of shares to NCI	780	-	-	-	-	-	-	-	-	-	-	780
Changes in ownership interest in subsidiaries	-	35	-	-	-	-	-	-	-	-	35	(35)
Transfer from share option reserve (Note 32)	-	-	-	278	-	-	-	(278)	-	-	-	-
Transition to no-par value regime	-	-	6,110	(6,110)	-	-	-	-	-	-	-	-
Transfer to retained earnings (Note 35)	-	-	-	-	-	-	-	(593)	-	-	593	-
Transfer to legal reserve (Note 35)	-	-	-	-	-	-	651	-	-	-	(651)	-
Dividends on ordinary shares (Note 44)	(181,729)	(181,729)	-	-	-	-	-	-	-	-	(181,729)	-
Total transactions with owners	(176,192)	(176,937)	9,238	(4,781)	-	-	651	(293)	-	-	(181,752)	745
Closing balance at 31 August 2017	2,064,432	2,055,231	636,644	-	(9,739)	53,700	4,929	2,568	-	1,302	1,365,827	9,201

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

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 August 2018

		<------ Non-distributable			------>	Distributable
2018 **Company**	**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**
Opening balance at 1 September 2017	831,194	636,644	-	(9,739)	2,568	201,721
Total comprehensive income	233,759	-	-	-	-	233,759
Transactions with owners						
Issuance of ordinary shares pursuant to ESOS (Note 37)	11,972	11,972	-	-	-	-
Issuance of ordinary shares (Note 32)	137,000	137,000	-	-	-	-
Share options granted under ESOS (Note 35)	1,932	-	-	-	1,932	-
Transfer from share option reserve (Note 35)	-	2,093	-	-	(2,093)	-
Transfer to retained earnings (Note 35)	-	-	-	-	(478)	478
Transfer to ESGP	975	-	-	414	-	561
Dividends on ordinary shares (Note 44)	(196,145)	-	-	-	-	(196,145)
Total transactions with owners	(44,266)	151,065	-	414	(639)	(195,106)
Closing balance at 31 August 2018	1,020,687	787,709	-	(9,325)	1,929	240,374

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 August 2018 (cont'd.)

2017 Company	Total equity RM'000	<---- Non-distributable Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Share option reserve RM'000 ---->	Distributable Retained earnings RM'000
Opening balance at 1 September 2016	680,918	627,406	4,781	(9,739)	2,861	55,609
Total comprehensive income	327,273	-	-	-	-	327,273
Transactions with owners						
Issuance of ordinary shares pursuant to ESOS (Note 37)	4,179	3,128	1,051	-	-	-
Share options granted under ESOS (Note 35)	578	-	-	-	578	-
Transfer from share option reserve (Note 35)	-	-	278	-	(278)	-
Transition to no-par value regime	-	6,110	(6,110)	-	-	-
Transfer to retained earnings (Note 35)	-	-	-	-	(593)	593
Dividends on ordinary shares (Note 44)	(181,754)	-	-	-	-	(181,754)
Total transactions with owners	(176,997)	9,238	(4,781)	-	(293)	(181,161)
Closing balance at 31 August 2017	831,194	636,644	-	(9,739)	2,568	201,721

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 cash flows
For the financial year ended 31 August 2018

	Group		Company	
	2018	2017 (Restated)	2018	2017
	RM'000	RM'000	RM'000	RM'000
Operating activities				
Profit before tax	528,595	385,043	233,759	327,273
Adjustments for :				
Gross dividends	-	-	(239,030)	(329,505)
Depreciation on property plant and equipment (Note 16)	141,105	106,037	-	-
Amortisation of land use rights (Note 17)	1,298	734	-	-
Loss/(gain) on disposal of property, plant and equipment	904	(3,087)	-	-
Gain on disposal of land use right	(4,664)	-	-	-
Net loss from fair value remeasurement on investment property (Note 18)	721	3,096	-	-
Bad debts written off	-	1,355	-	-
Gain on disposal of debt securities	(273)	(4,032)	-	-
Gain on disposal of an associate	-	(1,205)	-	-
Property, plant and equipment written off	8,025	5,790	-	-
Shares granted under ESGP	975	2,359	-	53
Share options granted under ESOS	1,932	578	167	41
Unrealised foreign exchange loss	19,630	21,490	-	-
Share of results of associates	(1,697)	980	-	-
Net fair value loss/(gain) on derivatives	2,262	(829)	-	-
Finance costs	35,321	6,314	-	-
Interest income	(12,256)	(17,232)	(217)	(1,861)
Total adjustments	193,283	122,348	(239,080)	(331,272)
Operating cash flows before changes in working capital	721,878	507,391	(5,321)	(3,999)
Changes in working capital				
Increase in inventories	(106,584)	(52,096)	-	-
(Increase)/decrease in receivables	(95,752)	(83,129)	(1,071)	20
Increase in other current assets	(55,122)	(27,079)	-	-
(Decrease)/increase in payables	(34,946)	109,656	(1,057)	310
Total changes in working capital	(292,404)	(52,648)	(2,128)	330
Cash flows from/(used in) operations	429,474	454,743	(7,449)	(3,669)
Interest paid	(35,321)	(6,314)	-	-
Purchase of shares for ESGP	-	(2,366)	-	-
Income taxes (paid)/refunded	(52,194)	(65,473)	4	(13)
Proceeds from government grant	-	496	-	-
Net cash flows generated from/(used in) operating activities	341,959	381,086	(7,445)	(3,682)

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 August 2018 (cont'd.)

	Group		Company	
	2018	2017 (Restated)	2018	2017
	RM'000	RM'000	RM'000	RM'000
Investing activities				
Purchase of property, plant and equipment	(458,812)	(479,252)	-	-
Purchase of land use rights	(341)	(1,536)	-	-
Additions to investment property	(2,621)	(2,106)	-	-
Purchase of investment securities	(170,408)	(51,269)	(95,296)	(1,486)
Proceeds from disposal of investment securities	179,953	320,892	97,877	99,066
Proceeds from disposal of land use rights	9,306	-	-	-
Decrease/(increase) in bank balances pledged with banks	(913)	(606)	-	-
Interest received	12,256	17,232	217	1,861
Dividends from subsidiaries	-	-	239,030	329,505
Dividend from an associate	-	787	-	-
Proceeds from disposal of property, plant and equipment	9,610	17,404	-	-
Additional investment in golf club membership	-	(247)	-	-
Additional investment in subsidiaries	-	-	(51,457)	(250,000)
Acquisition of equity interest of NCI	(3,944)	-	-	-
Net cash outflow on acquisition of subsidiaries	(1,270,542)	-	-	-
Net cash inflow on disposal of an associate	-	2,034	-	-
Repayment from subsidiaries	-	-	914	2,547
Net cash flows (used in)/generated from investing activities	(1,696,456)	(176,667)	191,285	181,493
Financing activities				
Proceeds from issuance of ordinary shares pursuant to ESOS	11,972	4,179	11,972	4,179
Dividends paid on ordinary shares (Note 44)	(196,145)	(181,729)	(196,145)	(181,754)
Dividends paid on non-controlling interest	(5,418)	-	-	-
Issuance of shares to non-controlling interest	1,500	780	-	-
Repayment of loans and borrowings	(292,402)	(154,637)	-	-
Drawdown of loans and borrowings	1,763,644	126,074	-	-
Net cash flows generated from/(used in) financing activities	1,283,151	(205,333)	(184,173)	(177,575)
Net (decrease)/increase in cash and cash equivalents	(71,346)	(914)	(333)	236
Effect of changes in foreign exchange rate	(4,799)	16,277	-	-
Cash and cash equivalents at 1 September 2017/2016	238,519	223,156	484	248
Cash and cash equivalents at 31 August (Note 28)	162,374	238,519	151	484

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 August 2018 (cont'd.)

(a) Reconciliation of liabilities arising from financing activities

		Movements						
		Cash flows		Non-cash changes				
	1 September 2017 RM'000	Principal movement RM'000	Interest paid RM'000	Interest cost RM'000	Acquisition of subsidiary companies RM'000	New leases RM'000	Foreign exchange movement RM'000	31 August 2018 RM'000
2018								
Group								
Loans and borrowings (Note 29)	376,394	1,471,242	(35,321)	35,321	310,038	287	54,973	2,212,934

In accordance with the transitional provision of Disclosure Initiative (Amendment to MFRS 107) for the reconciliation of movement of liabilities to cash flows arising from financing activities, comparative information is not required for preceding periods.

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

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 and Singapore Exchange Securities Trading Limited. 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.

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 2016 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.

During the financial year, the Group has re-assessed the current accounting policies and elected to change its accounting policy on measurement of the Group's investment properties from the cost model to the fair value model. The effect of the change in accounting policies is accounted for retrospectively. Further details are disclosed in Note 48. Except for this change in accounting policy, the accounting policies and presentation adopted for this financial report are consistent with those adopted for the audited financial statements for the financial year ended 31 August 2017.

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and of its subsidiaries as at 31 August 2018 and 2017. 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.

3. Basis of consolidation (cont'd.)

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, unrealised gains and losses 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.

4. Summary of significant accounting policies (cont'd.)

4.1 Business combinations and goodwill (cont'd.)

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, any previously held equity interests in the acquiree are re-measured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss.

Any excess of the cost of business combination, as the case may be, over the net amount of the fair value of identifiable assets acquired and liabilities assumed is recognised as goodwill. For business combinations, provisions are made for the acquiree’s contingent liabilities existing at the date of acquisition as the Group deems that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

Any excess in the Group's interest in the net fair value of the identifiable assets acquired and liabilities assumed over the cost of business combination is recognised immediately in profit or loss.

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.

4. Summary of significant accounting policies (cont'd.)

4.1 Business combinations and goodwill (cont'd.)

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.

Business combinations involving entities under common control are accounted for by applying the pooling on 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 entity acquired 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 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 are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

4.3 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 involvement 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. Summary of significant accounting policies (cont'd.)

4.4 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.

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 Group's separate financial statements, investment in associate 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.

4. Summary of significant accounting policies (cont'd.)

4.5 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 be 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.

4.6 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.

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.

4. Summary of significant accounting policies (cont'd.)

4.6 Fair value measurement (cont'd.)

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.

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. Summary of significant accounting policies (cont'd.)

4.7 Foreign currencies

(a) Functional and presentation currency

The Group's and the Company's financial statements are presented in RM 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.

(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 foreign exchange reserve 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 statements of comprehensive income 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.

4. Summary of significant accounting policies (cont'd.)

4.8 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.

4. Summary of significant accounting policies (cont'd.)

4.9 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

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (“EPF”).

(c) Employee share option plans

Employees of the Group and of the Company 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 and the Company'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 capital if new shares are issued.

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

4. Summary of significant accounting policies (cont'd.)

4.9 Employee benefits (cont'd.)

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

Employees of the Group and of the Company 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. Trusts have been set up and are administered by an appointed trustee ("ESGP Trusts"). The trustee will be entitled from time to time, to accept advances from the Group and the Company, upon such terms and conditions as the Group and the Company and the trustee may agree to purchase the ordinary shares of the Company ("Trust Shares") from the open market for the ESGP Trusts. The value of the ESGP Awards granted to Eligible Employees is recognised as an employee cost.

The ESGP Trusts' asset is consolidated into the Group's consolidated financial statements. Dividends received by the ESGP Trusts are eliminated against the Company's dividend payment.

4.10 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 profit or loss. 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

(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.

4. Summary of significant accounting policies (cont'd.)

4.10 Taxes (cont'd.)

(b) Deferred tax (cont'd.)

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.

4. Summary of significant accounting policies (cont'd.)

4.11 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.

4.12 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.

4. Summary of significant accounting policies (cont'd.)

4.13 Investment property

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at using the investment method that makes reference to estimated market rental values and equivalent yields. Valuation is performed by accredited independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment property is included in profit or loss in the year in which they arise.

Subsequent expenditure is included in the investment property's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Investment property is derecognised either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its 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 property only when there is a change in use. For a transfer from investment property 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 property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 4.12 up to the date of change in use.

4.14 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.

4. Summary of significant accounting policies (cont'd.)

4.14 Leases (cont'd.)

(a) Group as lessee (cont'd.)

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.

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 basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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.

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. Summary of significant accounting policies (cont'd.)

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.

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. Summary of significant accounting policies (cont'd.)

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.

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 and the Company commit to purchase or sell the asset.

The Group’s and the Company'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 and the Company 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 or 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.

4. Summary of significant accounting policies (cont'd.)

4.18 Financial assets (cont'd.)

(b) Subsequent measurement (cont'd.)

(i) Financial assets at fair value through profit or loss (cont'd.)

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.

(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 and the Company have 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.

4. Summary of significant accounting policies (cont'd.)

4.18 Financial assets (cont'd.)

(b) Subsequent measurement (cont'd.)

(iii) Held-to-maturity investments (cont'd.)

The Group and the Company did not have any held-to-maturity investments during the financial years ended 31 August 2018 and 2017.

(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.

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 and the Company evaluate whether the ability and intention to sell their AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group and the Company are unable to trade these financial assets due to inactive markets, the Group and the Company 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.

4. Summary of significant accounting policies (cont'd.)

4.18 Financial assets (cont'd.)

(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 and the Company have transferred their 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 and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or has entered into a pass-through arrangement, they evaluate if and to what extent they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue 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 and the Company have 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 and the Company could be required to repay.

(d) Impairment of financial assets

The Group and the Company assess 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.

4. Summary of significant accounting policies (cont'd.)

4.18 Financial assets (cont'd.)

(d) Impairment of financial assets (cont'd.)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group and the Company first assess 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 and the Company determine 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.

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 and the Company. 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 assets 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.

4. Summary of significant accounting policies (cont'd.)

4.18 Financial assets (cont'd.)

(d) Impairment of financial assets (cont'd.)

Available-for-sale ("AFS") financial assets (cont'd.)

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.

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, financial guarantee contracts, 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 and the Company'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.

4. Summary of significant accounting policies (cont'd.)

4.19 Financial liabilities (cont'd.)

(b) Subsequent measurement (cont'd.)

(i) Financial liabilities at fair value through profit or loss (cont'd.)

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 and the Company 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.

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 and the Company 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.

4. Summary of significant accounting policies (cont'd.)

4.19 Financial liabilities (cont'd.)

(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.

4.20 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 4.18. The Group and the Company designate certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group and Company document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group and Company also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

4. Summary of significant accounting policies (cont'd.)

4.20 Derivative financial instruments and hedging activities (cont'd.)

Cash flow hedge (cont'd.)

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss within ‘other gains/ (losses)’ and ‘foreign exchange gains/(losses)’.

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

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.

4. Summary of significant accounting policies (cont'd.)

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 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Government grants related to assets, measured at nominal value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Grants that compensate the Group for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants that compensate the Group for the cost of an asset are presented by deducting the grants in arriving at the carrying amount of the assets.

4.26 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 statements of financial position of the Group and of the Company.

4.27 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.

5. New and amended standards

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new/revised MFRSs and Amendments to MFRSs:

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 107: Disclosures Initiatives	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses	1 January 2017
Amendments to MFRS 12: Disclosure of Interests in Other Entities (Annual Improvement to MFRS 2014-2016 Cycle)	1 January 2017

The nature and the impact of each amendment is described below:

Amendments to MFRS 107: Disclosures Initiatives

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures set out in the consolidated statement of cash flows, the application of these amendments has had no impact on the Group and on the Company.

Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and on the Company as the Group and the Company already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

Amendments to MFRS 12: Disclosure of Interests in Other Entities (Annual Improvement to MFRS 2014-2016 Cycle)

The amendments clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The application of these amendments has had no effect on the Group as none of the Group's interest in these entities are classified, or included in a disposal group that is classified, as held for sale.

6. New and amended standards and interpretations 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.

Description	**Effective for annual periods beginning on or after**
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Venture	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
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 as discussed below:

MFRS 9 Financial Instruments

MFRS 9 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. During the financial year ended 31 August 2018, the Group and the Company performed a detailed impact assessment of all three aspects of MFRS 9. The assessment is based on present available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in the financial year ending 31 August 2019 when the Group and the Company adopt MFRS 9.

6. New and amended standards and interpretations issued but not yet effective (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

Based on the analysis of the Group's and of the Company's financial assets and liabilities as at 31 August 2018 on the basis of facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

(a) Classification and measurement

The Group and the Company do not expect a significant impact on its statements of financial position or equity on applying the classification and measurement requirements of MFRS 9. They expect to continue measuring at fair value all financial assets currently held at fair value.

Debt securities currently held as available-for-sale with gains and losses recorded in OCI will satisfy the conditions for classification as fair value through other comprehensive income ("FVOCI"). Fair value changes on debt securities at FVOCI are presented in OCI and are not subsequently transferred to profit or loss. Upon sale of debt securities at FVOCI, the cumulative gain or loss in OCI is reclassified to retained earnings. Money market funds currently measured at FVTPL which will continue to be measured on the same basis under MFRS 9. Debt instruments currently measured at amortised cost which meet the conditions for classification as amortised cost under MFRS 9.

There will be no impact on the Group’s and the Company’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and modified financial liabilities, and the Group and the Company do not have any such financial liabilities.

(b) Impairment

MFRS 9 requires the Group and the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group and the Company will apply the simplified approach and record lifetime expected losses on all trade receivables. Based on readily available information as at date of this report, the Group and the Company do not expect significant increase in allowance for doubtful debts.

(c) Hedging

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under MFRS 9. The Group has chosen not to retrospectively apply MFRS 9 on transition to the hedges where the Group excluded the forward points from the hedge designation under MFRS 139. As MFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of MFRS 9 will not have a significant impact on Group’s financial statements.

6. New and amended standards and interpretations issued but not yet effective (cont'd.)

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 depict 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, such as 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 directors do not expect the application of MFRS 15 to have a significant impact on the financial statements of the Group and of the Company.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Company plan to assess the potential effect of MFRS 16 on their financial statements in the next financial year.

7. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, 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 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has not made any critical judgements, 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 judgement 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. Judgement 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.

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.

7. Significant accounting judgments, estimates and assumptions (cont'd.)

7.2 Estimates and assumptions (cont'd.)

(a) Inventories

In determining the costing of inventories, management's judgement is required in determining the basis of finished goods and work-in-progress valuation which comprise costs of raw materials, direct labour, other direct costs, and the appropriate allocation of overheads based on normal operating capacity.

(b) 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.

8. Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of goods	4,214,482	3,409,176	-	-
Management fees from subsidiaries	-	-	4,912	4,310
Dividend income from subsidiaries	-	-	239,030	329,505
	4,214,482	3,409,176	243,942	333,815

9. Interest income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income from:				
Available-for-sale financial assets	4,285	11,929	-	-
Loans and receivables	3,947	992	217	412
Financial assets at fair value through profit or loss	4,011	4,309	-	1,449
Others	13	2	-	-
	12,256	17,232	217	1,861

10. Other income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Realised gain on foreign exchange	2,435	26,031	-	-
Net gain on fair value changes of derivatives	-	829	-	-
Rental income	9,557	6,021	-	-
Gain on disposal of debt securities	273	4,032	-	-
Gain on disposal of an associate	-	1,205	-	-
Gain on disposal of property, plant and equipment	-	3,087	-	-
Gain on disposal of land use rights	4,664	-	-	-
Sales of scrap items	8,868	4,798	-	-
Insurance claims	4,996	-	-	-
Sundry income	8,959	7,485	-	10
	39,752	53,488	-	10

11. Profit before tax

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Auditors' remuneration:				
Company's auditors				
- Statutory audit				
- Current year	316	246	85	75
- Under/(over) provision in prior year	14	32	(7)	-
- Other services	1,065	60	941	60
Other auditors				
- Statutory audit				
- Current year	583	371	-	-
- (Over)/under provision in prior year	(2)	19	-	-
Depreciation on property, plant and equipment (Note 16 and 48)	141,105	106,037	-	-
Amortisation of land use rights (Note 17)	1,298	734	-	-
Bad debt written off	-	1,355	-	-
Direct operating expenses arising from investment property				
- Rental generating property	699	667	-	-
Net loss on foreign exchange				
- realised	-	-	6	34
- unrealised	19,630	21,490	-	-
Net loss on fair value changes of derivatives	2,262	-	-	-
Employee benefits expense (Note 12)	483,635	384,861	4,085	4,192
Non-executive directors' remuneration (Note 13)	839	745	837	742
Operating lease - Minimum lease payment for building and machinery	2,600	952	-	-
Net loss from fair value remeasurement on investment property (Note 18)	721	3,096		
Loss on disposal of property, plant and equipment	904	-	-	-
Property, plant and equipment written off	8,025	5,790	-	-

12. Employee benefits expense

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages and salaries	434,340	345,795	3,050	3,264
Social security costs	3,303	4,377	2	2
Pension costs - defined contribution plan	17,061	12,726	319	392
Share options granted under ESOS	1,932	578	167	41
Shares granted under ESGP	975	2,359	-	53
Other staff related expenses	25,523	18,608	98	59
Executive directors' fees	501	418	449	381
	483,635	384,861	4,085	4,192

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM11,102,000 (2017: RM8,514,000) and RM4,121,000 (2017: RM3,974,000) respectively as further disclosed in Note 13.

13. Directors' remuneration

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors of the Company				
Executive:				
Salaries and other emoluments	4,791	4,727	3,208	3,123
Pension costs - defined contribution plan	406	474	302	375
Social security contributions	1	1	1	1
Share options granted under ESOS	204	166	161	41
Shares granted under ESGP	18	53	-	53
Fees	449	381	449	381
Benefits-in-kind	105	103	50	50
	5,974	5,905	4,171	4,024
Non-executive:				
Fees	753	669	753	669
Other emoluments	84	73	84	73
	837	742	837	742

13. Directors' remuneration (cont'd.)

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Other directors				
Executive:				
Salaries and other emoluments	4,680	2,450	-	-
Pension costs - defined contribution plan	392	143	-	-
Social security contributions	11	7	-	-
Share options granted under ESOS	98	11	-	-
Shares granted under ESGP	-	64	-	-
Fees	52	37	-	-
Benefits-in-kind	106	22	-	-
	5,339	2,734	-	-
Non-executive:				
Fees	2	3	-	-
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration (Note 12)	11,102	8,514	4,121	3,974
Total non-executive directors' remuneration (Note 11)	839	745	837	742
Total directors' remuneration (excluding benefits-in-kind)	11,941	9,259	4,958	4,716
Benefits-in-kind	211	125	50	50
Total directors' remuneration (including benefits-in-kind)	12,152	9,384	5,008	4,766

14. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 August 2018 and 2017 are as follows:

	Group		Company	
	2018	2017 (Restated)	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	51,876	31,650	-	-
- Foreign tax	15,075	8,973	-	-
- Real property gain tax ("RPGT")	177	258	-	-
- Under provision in respect of previous years	3,931	5,884	-	-
	71,059	46,765	-	-
Deferred income tax (Note 21):				
- Relating to origination and reversal of temporary differences	15,199	1,261	-	-
- Under provision in respect of previous years	4,431	6,488	-	-
	19,630	7,749	-	-
Income tax expense recognised in profit or loss	90,689	54,514	-	-

14. Income tax expense (cont'd.)

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 2018 and 2017 are as follows:

	Group		Company	
	2018	**2017 (Restated)**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before tax	528,595	385,043	233,759	327,273
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	126,863	92,410	56,102	78,546
Adjustments:				
Different tax rates in other countries	(1,569)	(843)	-	-
Effects of tax incentives claimed by foreign subsidiaries	(6,926)	(1,459)	-	-
Income not subject to tax	(35,684)	(37,525)	(57,418)	(79,528)
Non-deductible expenses	25,846	14,791	1,314	791
Effect of income subject to RPGT	177	258	-	-
Expenses entitled for double deduction	(27)	(15)	-	-
Utilisation of tax incentives	(22,982)	(12,235)	-	-
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowance	327	3,310	2	191
Deferred tax assets recognised in respect of previously unutilised tax losses, unrecognised export allowance, reinvestment allowance and capital allowance	(2,905)	(14,520)	-	-
Share of results of associate	(407)	235	-	-
Under provision of deferred tax in respect of previous years	4,431	6,488	-	-
Under provision of income tax in respect of previous years	3,931	5,884	-	-
Utilisation of unabsorbed losses, reinvestment allowance and capital allowances	(386)	(2,265)	-	-
Income tax expense recognised in profit or loss	90,689	54,514	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

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

(a) Basic

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.

	2018	2017
Profit for the year attributable to ordinary equity holders of the Company (RM'000)	434,215	330,664
Weighted average number of ordinary shares in issue ('000)	1,280,032	1,253,286
Bonus issue subsequent to year end, excluding treasury held by the Company ('000) (Note 47)	1,278,158	1,278,158
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	2,558,190	2,531,444
Basic EPS		
- before issuance of bonus shares (sen)	33.92	26.38
- after issuance of bonus shares (sen)	16.97	13.06

(b) Diluted

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.

	2018	2017
Profit for the year attributable to ordinary equity holders of the Company (RM'000)	434,215	330,664
Weighted average number of ordinary shares in issue ('000)	1,280,032	1,253,286
Effects of dilution:		
Assumed exercise of share options	6	1,353
	1,280,038	1,254,639
Bonus issue subsequent to year end, excluding treasury held by the Company ('000) (Note 47)	1,278,158	1,278,158
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	2,558,196	2,532,797
Diluted EPS		
- before issuance of bonus shares (sen)	33.92	26.36
- after issuance of bonus shares (sen)	16.97	13.06

The weighted average number of ordinary shares issued as at 31 August 2018 and 2017 have been adjusted to reflect the bonus issue of 1 for 1 existing ordinary shares which was completed on 29 October 2018. Further details are disclosed in Note 47.

Top Glove Corporation Bhd.
(Incorporated in Malaysia)

16. Property, plant and equipment

Group	* Land and buildings RM'000	Plant and equipment RM'000	** Other assets RM'000	Capital work-in-progress RM'000	Total RM'000
Cost					
At 1 September 2016, as previously stated	551,383	1,063,597	122,047	171,550	1,908,577
Effects of changes in accounting policy (Note 48)	3,231	(35,438)	-	-	(32,207)
At 1 September 2016, as restated	554,614	1,028,159	122,047	171,550	1,876,370
Additions #	143,535	111,859	21,008	202,850	479,252
Transfer to investment property (Note 18)	(292)	(701)	-	-	(993)
Reclassification	42,400	90,941	(954)	(132,387)	-
Written off	(229)	(13,974)	(783)	(6)	(14,992)
Disposals	(5,403)	(8,684)	(2,893)	(2,392)	(19,372)
Exchange differences	8,633	21,391	1,774	3,821	35,619
At 31 August 2017/ 1 September 2017	743,258	1,228,991	140,199	243,436	2,355,884
Additions	26,342	166,447	28,647	237,663	459,099
Transfer to investment property (Note 18)	-	-	-	(2)	(2)
Acquisition of subsidiary companies	87,308	180,128	5,405	1,318	274,159
Reclassification	43,109	108,176	3,599	(154,884)	-
Written off	(1,800)	(19,483)	(1,405)	(12)	(22,700)
Disposals	(6,946)	(24,183)	(2,675)	(348)	(34,152)
Exchange differences	(4,511)	(8,978)	(491)	(206)	(14,186)
At 31 August 2018	886,760	1,631,098	173,279	326,965	3,018,102

16. Property, plant and equipment (cont'd.)

Group	* Land and buildings RM'000	Plant and equipment RM'000	** Other assets RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation					
At 1 September 2016, as previously stated	65,741	619,483	66,586	-	751,810
Effects of changes in accounting policy (Note 48)	-	(4,377)	-	-	(4,377)
At 1 September 2016, as restated	65,741	615,106	66,586	-	747,433
Depreciation charge for the year (Note 11 and 48)	8,786	84,759	16,103	-	109,648
Transfer to investment property (Note 18)	(3)	-	-	-	(3)
Reclassification	842	182	(1,024)		-
Written off	(178)	(8,367)	(657)	-	(9,202)
Disposals	(174)	(3,754)	(1,120)	-	(5,048)
Exchange differences	1,646	15,650	885	-	18,181
Adjustment on depreciation charge (Note 48)	-	(3,611)	-	-	(3,611)
At 31 August 2017/ 1 September 2017	76,660	699,965	80,773	-	857,398
Depreciation charge for the year (Note 11)	11,639	110,810	18,656	-	141,105
Reclassification	(2)	(10)	12	-	-
Written off	(312)	(13,162)	(1,201)	-	(14,675)
Disposals	(323)	(21,606)	(1,709)	-	(23,638)
Exchange differences	(848)	(5,750)	(307)	-	(6,905)
At 31 August 2018	86,814	770,247	96,224	-	953,285
Net carrying amount					
At 31 August 2017	666,598	529,026	59,426	243,436	1,498,486
At 31 August 2018	799,946	860,851	77,055	326,965	2,064,817

As at 31 August 2017, there was a government grant received of RM2,489,000 deducted in arriving at the carrying amount of plant and equipment.

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

16. Property, plant and equipment (cont'd.)

*** Land and buildings**

	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 September 2016, as previously stated	235,379	316,004	551,383
Effects of changes in accounting policy	3,231	-	3,231
At 1 September 2016, as restated	238,610	316,004	554,614
Additions	111,154	32,381	143,535
Transfer to investment property (Note 18)	-	(292)	(292)
Reclassification	8,645	33,755	42,400
Written off	-	(229)	(229)
Disposals	(4,236)	(1,167)	(5,403)
Exchange differences	1,938	6,695	8,633
At 31 August 2017/1 September 2017	356,111	387,147	743,258
Additions	1,668	24,674	26,342
Acquisition of subsidiary companies	1,477	85,831	87,308
Reclassification	67	43,042	43,109
Written off	-	(1,800)	(1,800)
Disposals	-	(6,946)	(6,946)
Exchange differences	(848)	(3,663)	(4,511)
At 31 August 2018	358,475	528,285	886,760
Accumulated depreciation			
At 1 September 2016, as restated	-	65,741	65,741
Depreciation charge for the year	-	8,786	8,786
Transfer to investment property (Note 18)		(3)	(3)
Reclassification	-	842	842
Written off	-	(178)	(178)
Disposals	-	(174)	(174)
Exchange differences	-	1,646	1,646
At 31 August 2017/1 September 2017	-	76,660	76,660
Depreciation charge for the year	-	11,639	11,639
Reclassification	-	(2)	(2)
Written off	-	(312)	(312)
Disposals	-	(323)	(323)
Exchange differences	-	(848)	(848)
At 31 August 2018	-	86,814	86,814
Net carrying amount			
At 31 August 2017	356,111	310,487	666,598
At 31 August 2018	358,475	441,471	799,946

16. Property, plant and equipment (cont'd.)

(a) During the financial year, the Group acquired property, plant and equipment at aggregate cost of RM459,099,000 (2017: RM479,252,000) of which RM287,000 (2017: Nil) was acquired by means of finance lease.

(b) 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.

	2018 RM'000	2017 RM'000
Freehold land	1,080	9,106
Buildings	76,003	12,682
Plant and equipment	70,726	-
Motor vehicles	122	-
	147,931	21,788

(c) Property, plant and equipment of a subsidiary with the following net carrying amount is under finance lease arrangements as disclosed in Note 29.

	2018 RM'000	2017 RM'000
Plant and equipment	755	-
Motor vehicles	1,060	-
	1,815	-

17. Land use rights

	Group 2018 RM'000	Group 2017 RM'000
Cost		
At 1 September 2017/2016	45,092	43,332
Additions	341	1,536
Acquisition of subsidiary companies	67,116	-
Disposals	(4,923)	-
Exchange differences	(347)	224
At 31 August 2018/2017	107,279	45,092
Accumulated amortisation		
At 1 September 2017/2016	4,635	3,871
Amortisation for the year (Note 11)	1,298	734
Disposals	(281)	-
Exchange differences	(48)	30
At 31 August 2018/2017	5,604	4,635
Net carrying amount	101,675	40,457
Amount to be amortised:		
- Not later than one year	1,781	754
- Later than one year but not later than five years	7,122	3,016
- Later than five years	92,772	36,687
	101,675	40,457

The net carrying amounts of land use rights pledged as securities for loans and borrowings as disclosed in Note 29 amounted to RM62,844,000 (2017: Nil).

18. Investment property

	Group 2018 RM'000	Group 2017 (Restated) RM'000
Fair value of investment property (Note 40)	163,900	162,000

Fair value	**Freehold land and building 2018 RM'000**
At 1 September 2017, as previously stated	83,156
Effects of change in accounting policy (Note 48)	78,844
At 1 September 2017, as restated	162,000
Additions from subsequent expenditure	2,619
Transfer from property, plant and equipment (Note 16)	2
Net loss from fair value remeasurement (Note 11)	(721)
At 31 August 2018	163,900

18. Investment property (cont'd.)

	Freehold land and building 2017 RM'000
Fair value	
At 1 September 2016, as previously stated	82,184
Effects of change in accounting policy (Note 48)	79,816
At 1 September 2016, as restated	162,000
Additions from subsequent expenditure	2,106
Transfer from property, plant and equipment (Note 16)	990
Net loss from fair value remeasurement (Note 11)	(3,096)
At 31 August 2017	162,000

The fair value of the investment property was based on a valuation by an accredited 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.

The following table shows the valuation technique used in the determination of fair value within Level 3, as well as the significant unobservable inputs used in the valuation model.

	Valuation technique	Significant unobservable inputs	Range 2018	Range 2017
Land and building	Investment method	Estimated rental value per square feet per month	RM3.70 to RM5.20	RM5.00 to RM6.00
		Term yield rate	6.5%	6.5%
		Occupancy rate	85.0%	49.0%
		Long term vacancy rate	10.0%	15.0%
		Reversionary yield rate	7.0%	7.0%

Using the discounted cash flows method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset’s life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

18. Investment property (cont'd.)

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increase(decrease) in estimated rental value in isolation would result in a significantly higher/(lower) fair value of the property. Significant increases/(decreases) in the long term vacancy rate and yield rates in isolation would result in a significantly lower/(higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long term vacancy rate.

19. Investment in subsidiaries

	Company	
	2018	2017
	RM'000	RM'000
Unquoted shares, at cost:		
- In Malaysia	1,020,077	831,620
Less: Accumulated impairment losses	(4,845)	(4,845)
	1,015,232	826,775
- Outside Malaysia	3,728	3,728
	1,018,960	830,503

19. Investment in subsidiaries (cont'd.)

Details of the subsidiaries are as follows:

Name	Country of incorporation	Proportion of ownership interest (%) 2018	2017	Principal activities
Held by the Company:				
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
Eastern Press Sdn. Bhd.#	Malaysia	100	-	Printer and stationery
Top Feel Sdn. Bhd.#	Malaysia	100	-	Manufacture and sale of condoms and rubber related products
Top Glove Labuan Ltd.#	Labuan	100	-	Investment holding
Top Glove Global Sdn. Bhd.#	Malaysia	100	-	Provision of management services
Held through TGSB:				
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

19. Investment in subsidiaries (cont'd.)

Name	Country of incorporation	Proportion of ownership interest (%) 2018	2017	Principal activities
Held through TGSB (cont'd.):				
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 Quality Gloves (Thailand) Co. Ltd.#	Thailand	100	100	Dormant
Top Glove Europe GmbH #	Germany	97.50	97.50	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.#	The People's Republic of China	100	100	Trading of gloves
Top Glove International Sdn. Bhd.#	Malaysia	100	100	Research and development on gloves and rubber goods
Top Glove Properties Sdn. Bhd.#	Malaysia	100	100	Property investment
Medi-Flex Pte. Ltd. ("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	100	Manufacturing of formers
TGGD Medical Clinic Sdn. Bhd. ("TGGD")#	Malaysia	75	75	Providing of clinical and specialist medical services

19. Investment in subsidiaries (cont'd.)

Name	Country of incorporation	Proportion of ownership interest (%) 2018	2017	Principal activities
Held through TGSB (cont'd.):				
TG FMT Sdn. Bhd.	Malaysia	70	70	Manufacturing and trading of chemicals
Top Glove Chemicals Sdn. Bhd.#	Malaysia	100	100	Manufacturing of chemicals and chemical compounds
Held through TGMSB:				
Top Healthy Fitness Sdn. Bhd.#	Malaysia	100	100	Fitness centre
Held through Great Glove (Xinghua) Co. Ltd:				
TG Medical (Xinghua) Co. Ltd.#	The People's Republic of China	100	100	Trading of gloves
TG Medical (Putian) Co. Ltd.#	The People's Republic of China	100	100	Trading of gloves
Held through Top Care Sdn. Bhd.:				
Best Advance Resources Limited ("Best Advance")*	Malaysia	100	100	Investment holding
Green Resources Limited ("Green Resources")*	Malaysia	100	100	Investment holding
Aspion Sdn. Bhd. ("Aspion")#	Malaysia	100	-	Investment holding
Held through Top Feel Sdn. Bhd.:				
Duramedical Sdn. Bhd.#	Malaysia	85	-	Manufacturing of rubber dental dams and exercise bands

19. Investment in subsidiaries (cont'd.)

Name	Country of incorporation	Proportion of ownership interest (%) 2018	2017	Principal activities
Held through Best Advance:				
PT. Topglove Indonesia ("PT Top Glove")# ^	Indonesia	100	100	Investment holding
Held through PT Top Glove:				
PT. Agro Pratama Sejahtera#	Indonesia	95	95	Plantation of rubber trees
Held through Aspion:				
Adventa Health Sdn. Bhd.#	Malaysia	100	-	Distribution of medical gloves and other hospital related products
Terang Nusa (Malaysia) Sdn. Bhd.#	Malaysia	100	-	Manufacturing and distribution of surgical and medical examination gloves
Cytotec (M) Sdn. Bhd.#	Malaysia	100	-	Generation and supply of energy and electricity using biomass technology
Purnabina Sdn. Bhd.#**	Malaysia	97.2	-	Manufacturing and distribution of medical gloves
Sentienx Sdn. Bhd.#	Malaysia	100	-	Manufacturing and distribution of medical and protection gloves
Terang Nusa Sdn. Bhd.#	Malaysia	100	-	Dormant
Ulma International GmbH#	Germany	100	-	Distribution of medical gloves and other hospital related products
Suizze Health Limited#	Hong Kong	100	-	Investment holding
Held through Adventa Health Sdn. Bhd.:				
Beijing Adventa Health Supplies Co. Ltd.#	China	100	-	Distribution of medical products and medical devices

19. Investment in subsidiaries (cont'd.)

Name	Country of incorporation	Proportion of ownership interest (%) 2018	2017	Principal activities
Held through Suizze Health Limited:				
Kevenoll Do Brasil Produtos Medicos Hospitalares LTDA#	Brazil	100	-	Distribution of medical products and medical devices

* Audited by Ernst & Young, Malaysia
# 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:

		2018	2017
(i)	Best Advance Resources Limited	99.9%	99.9%
(ii)	Green Resources Limited	0.1%	0.1%

** The total equity interests held by the Group is 97.2% and it is held by the following subsidiaries:

		2018	2017
(i)	Aspion Sdn Bhd	95.2%	-
(ii)	Terang Nusa (Malaysia) Sdn. Bhd.	2.0%	-

<u>Changes in group struture</u>

(a) Incorporation of Top Glove Global Sdn. Bhd. (“TG Global”)

On 5 September 2017, the Company incorporated TG Global, a wholly-owned subsidiary in Malaysia under the Companies Act 2016 with an issued and paid up capital of RM1.00 comprising 1 ordinary share.

(b) Incorporation of Top Glove Labuan Ltd. (“TG Labuan”)

On 31 October 2017, the Company incorporated TG Labuan, a wholly-owned subsidiary in Labuan under the Labuan Companies Act 1990 with an issued and paid up capital of USD1.00 comprising 1 ordinary share.

(c) Incorporation of Top Feel Sdn. Bhd. (“Top Feel”)

On 31 October 2017, the Company incorporated Top Feel, a wholly-owned subsidiary in Malaysia under the Companies Act 2016 with an issued and paid up capital of RM1.00 comprising 1 ordinary share.

(d) Acquisition of equity interest of NCI in Kevenoll Do Brasil Produtos Medicos Hospitalares LTDA ("Kevenoll")

On 30 May 2018, the Group completed the acquisition of the remaining 30% equity interest in Kevenoll for a purchase consideration of USD1 million and Kevenoll became a wholly-owned subsidiary of the Group.

19. Investment in subsidiaries (cont'd.)

(e) Acquisition of Eastern Press Sdn. Bhd. ("EP")

On 5 January 2018, the Company had acquired 5,000,000 ordinary shares representing 100% of the equity interest in EP for a cash consideration of RM46,250,000, resulting in the Company became the holding company of EP.

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

	RM'000
Revenue	48,145
Profit for the year	1,262

The fair values of the identifiable assets and liabilities of EP as at the date of acquisition were:

	Fair value RM'000	**Carrying amount RM'000**
Property, plant and equipment	32,912	33,993
Land use rights	17,100	9,887
Inventories	7,956	7,956
Trade and other receivables	20,201	20,201
Tax recoverable	81	81
Cash and bank balances	79	79
	78,329	72,197
Trade and other payables	18,553	18,553
Loans and borrowings	29,153	29,153
Provision for retirement benefits	656	656
Deferred tax liabilities	5,314	3,842
	53,676	52,204
Net identifiable assets	24,653	19,993
Group's interest in the fair value of net identifiable assets	24,653	
Total cost of acquisition	46,250	
Goodwill on acquisition - provisional (Note 23)	21,597	

The purchase price allocation for this acquisition is still incomplete as the Company is currently finalising its identification and measurement of all intangible assets and its allocated goodwill. The Company has up to 12 months to complete such allocation. Accordingly, on a provisional basis, the Company has recognised goodwill of RM21.6 million.

The effect of the acquisition on cash flows is as follows:	**RM'000**
Consideration settled in cash	46,250
Cash and cash equivalents of subsidiary acquired	(79)
Net cash outflow on the acquisition	46,171

19. Investment in subsidiaries (cont'd.)

(f) Acquisition of Aspion Sdn. Bhd. ("Aspion")

On 4 April 2018, Top Care Sdn. Bhd. ("TCSB"), a wholly-owned subsidiary of the Company had acquired 270,850,119 ordinary shares representing the entire equity interest in Aspion for a purchase consideration of RM1,370 million. Accordingly, Aspion has become a wholly-owned subsidiary of TCSB.

Part of the purchase consideration amounting to RM1,233 million is settled in cash while the balance of RM137 million is through issuance of 20,505,000 new ordinary shares in the Company at an issue price of about RM6.6813 each ("Consideration Shares"). The Consideration Shares is listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m. on 5 April 2018.

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

	2018 RM'000
Revenue	234,229
Profit for the year	9,603

The fair values of the identifiable assets and liabilities of Aspion as at the date of acquisition were:

	Fair value RM'000	**Carrying amount RM'000**
Property, plant and equipment	238,740	238,740
Land use rights	49,358	49,358
Deferred tax assets	8,120	8,120
Inventories	77,739	77,739
Trade and other receivables	120,514	120,514
Derivative financial instruments	764	764
Cash and bank balances	11,789	11,789
	507,024	507,024
Trade and other payables	93,873	93,873
Loans and borrowings	279,274	279,274
Income tax payable	7,279	7,279
Deferred tax liabilities	9,826	9,826
	390,252	390,252
Net identifiable assets	116,772	116,772

Net identifiable assets	116,772
Less: Non-controlling interests	(4,941)
Group's interest in the fair value of net identifiable assets	111,831
Total purchase consideration	1,370,000
Goodwill on acquisition - provisional (Note 23)	1,258,169

19. Investment in subsidiaries (cont'd.)

(f) Acquisition of Aspion Sdn. Bhd. (“Aspion”) (cont'd.)

	RM'000
The purchase consideration was satisfied by:	
a) Cash consideration	1,233,000
b) Issuance of 20,505,000 Consideration Shares	137,000
	1,370,000

The purchase price allocation for this acquisition is still incomplete as the Company is currently finalising its identification and measurement of all intangible assets and its allocated goodwill. The Company has up to 12 months to complete such allocation. Accordingly, on a provisional basis, the Company has recognised goodwill of RM1,258 million.

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

The effect of the acquisition on cash flows is as follows:

	RM'000
Consideration settled in cash	1,233,000
Cash and cash equivalents of subsidiary acquired	(11,789)
Net cash outflow on the acquisition	1,221,211

(g) Acquisition of Duramedical Sdn. Bhd. (“Duramedical”)

On 14 May 2018, Top Feel Sdn. Bhd. ("Top Feel"), a wholly-owned subsidiary of the Company had acquired 212,500 ordinary shares representing 85% of the equity interest in Duramedical for a cash consideration of RM3,778,000. Accordingly, Duramedical has become a subsidiary of Top Feel.

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

	2018
	RM'000
Revenue	727
Profit for the year	61

19. Investment in subsidiaries (cont'd.)

(g) Acquisition of Duramedical Sdn. Bhd. ("Duramedical") (cont'd.)

The fair values of the identifiable assets and liabilities of Duramedical as at the date of acquisition were: (cont'd.)

	Fair value RM'000	Carrying amount RM'000
Property, plant and equipment	2,507	2,217
Land use rights	658	312
Inventories	133	133
Trade and other receivables	89	89
Tax recoverable	32	32
Cash and bank balances	618	618
	4,037	3,401
Trade and other payables	63	63
Loans and borrowings	1,611	1,611
Deferred tax liabilities	183	30
	1,857	1,704
Net identifiable assets	2,180	1,697

Net identifiable assets	2,180
Less: Non-controlling interests	(327)
Group's interest in the fair value of net identifiable assets	1,853
Total purchase consideration	3,778
Goodwill on acquisition - provisional (Note 23)	1,925

The purchase price allocation for this acquisition is still incomplete as the Company is currently finalising its identification and measurement of all intangible assets and its allocated goodwill. The Company has up to 12 months to complete such allocation. Accordingly, on a provisional basis, the Company has recognised goodwill of RM1.925 million.

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

The effect of the acquisition on cash flows is as follows:

	RM'000
Consideration settled in cash	3,778
Cash and cash equivalents of subsidiary acquired	(618)
Net cash outflow on the acquisition	3,160

20. Investment in an associate

	Group	
	2018	**2017**
	RM'000	**RM'000**
Unquoted shares at cost	12,204	12,204
Share of post-acquisition reserves	(10,507)	(12,204)
	1,697	-

Details of the associate are as follows:

Name	Country of incorporation	Proportion of ownership interest (%) 2018	2017	Principal activities
Held through TGSB:				
Value Add Sdn. Bhd.#	Malaysia	27	27	Investment holding

Audited by firms other than Ernst & Young

The financial year end of the above associate is non-coterminous with the Group. For the purpose of applying the equity method of accounting, the latest available financial information has been used and appropriate adjustments have been made for the effects of significant transactions between the dates of the latest available financial information and financial years ended 31 August 2018 and 2017.

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
Assets and liabilities		
Non-current assets	215,196	214,881
Current assets	1,442	2,463
Total assets	216,638	217,344
Non-current liabilities	(190,154)	(208,920)
Current liabilities	(20,200)	(14,872)
Total liabilities	(210,354)	(223,792)
Net assets/(liabilities)	6,284	(6,448)
Results		
Revenue	15,029	22,194
Profit/(loss) for the year	12,732	(10,084)

20. Investment in an associate (cont'd.)

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

	Group 2018 RM'000	Group 2017 RM'000
Net (liabilities)/assets of associates at 1 September 2017/2016	(6,448)	11,730
Profit/(loss) for the year	12,732	(10,084)
Disposal of investment in an associate	-	(6,439)
Dividend paid	-	(2,135)
Other comprehensive income	-	480
Net assets/(liabilities) of associates as at 31 August 2018/2017	6,284	(6,448)
Group's share of net assets	1,697	-

21. Deferred tax (assets)/liabilities

Deferred income tax as at 31 August 2018 and 2017 relates to the following:

	Deferred tax liabilities		*Deferred tax assets*	
Group	**Property, plant and equipment RM'000**	**Others RM'000**	**Unabsorbed export allowance, business losses, capital and reinvestment allowances RM'000**	**Total RM'000**
At 1 September 2016, as previously stated	52,272	17,300	(25,896)	43,676
Effects of changes in accounting policy (Note 48)	-	2,128	-	2,128
At 1 September 2016, as restated	52,272	19,428	(25,896)	45,804
Recognised in profit or loss, as previously stated	15,019	2,361	(9,476)	7,904
Adjustment (Note 48)	-	(155)	-	(155)
As restated	15,019	2,206	(9,476)	7,749
Exchange difference	-	23	-	23
At 31 August 2017/1 September 2017	67,291	21,657	(35,372)	53,576
Recognised in profit or loss	19,736	(3,497)	3,391	19,630
Acquisition of subsidiary companies	-	7,203	-	7,203
Exchange difference	-	(27)	-	(27)
At 31 August 2018	87,027	25,336	(31,981)	80,382

21. Deferred tax (assets)/liabilities (cont'd.)

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.

The unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences applicable to foreign incorporated subsidiaries are pre-determined by and subject to the tax legislation of the respective countries.

Presented after appropriate offsetting as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Deferred tax assets	(14,288)	(14,681)
Deferred tax liabilities	94,670	68,257
	80,382	53,576

Deferred tax assets have not been recognised by the Group and the Company in respect of the following items:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unutilised tax losses	5,787	17,094	1,895	1,895
Unabsorbed capital allowances	11,183	12,226	30	23
Unabsorbed reinvestment allowances	6,397	6,397	-	-
	23,367	35,717	1,925	1,918

Deferred tax assets have not been recognised by the Group and the Company in respect of these items as it is not probable that taxable profits of the Company and subsidiaries would be available against which deductible temporary differences could be utilised.

22. Investment securities

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Available-for-sale financial assets				
- Debt securities (quoted outside Malaysia)	106,019	125,453	-	-
Financial assets at fair value through profit or loss				
- Money market funds (quoted in Malaysia)	87,695	81,457	2	2,583
Total current investment securities	193,714	206,910	2	2,583
Non-current				
Unquoted investments - golf club membership	392	392	-	-
	194,106	207,302	2	2,583

Debt securities of the Group amounting to RM10,632,000 (2017: Nil) were 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:

	Group	
	2018	**2017**
	RM'000	**RM'000**
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
Eastern Press Sdn. Bhd. (Note 19(e))	21,597	-
Aspion Sdn. Bhd. (Note 19(f))	1,258,169	-
Duramedical Sdn. Bhd. (Note 19(g))	1,925	-
	1,304,496	22,805

Movement in goodwill:

As at 1 September 2017/2016	22,805	22,805
Acquisition of subsdiaries	1,281,691	-
As at 31 August 2018/2017	1,304,496	22,805

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 years period.

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

(i) Growth rate for the 5 years projection is determined based on the management's estimate on the industry trends and past performances of the segments, thereafter terminal growth rate is assumed to be nil.

(ii) A pre-tax discount rate of 7.41% (2017: 9%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on a weighted average cost of capital of the Company.

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, other than the provisional goodwill of Aspion as disclosed below.

Sensitivity to changes in key assumptions

The sensitivity test indicated that changes in the discount rate used in the value in use calculation of Aspion Sdn. Bhd. will result in the recoverable amount to equal to the corresponding carrying amounts of the provisional goodwill and related assets, assuming no change in other variables, is as follows:

Increase in discount rate	0.6%

24. Inventories

	Group 2018 RM'000	Group 2017 RM'000
Cost		
Raw materials	140,239	80,727
Consumables and hardware	39,041	28,257
Work-in-progress	71,742	66,325
Finished goods	247,795	121,131
	498,817	296,440
Net realisable value		
Raw materials	927	-
Work-in-progress	5,570	2,509
Finished goods	2,872	16,826
	508,186	315,775

During the year, the amount of inventories recognised as an expense of the Group amounted to RM3,368 million (2017: RM2,804 million).

25. Trade and other receivables

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Trade receivables				
Third parties	629,172	394,408	-	-
Less: Allowance for impairment	(3,422)	(975)	-	-
Trade receivables, net	625,750	393,433	-	-
Other receivables				
Amounts due from subsidiaries	-	-	1,992	166
Sundry receivables	11,467	14,036	8	8
Refundable deposits	8,962	11,880	-	-
	20,429	25,916	2,000	174
Total trade and other receivables	646,179	419,349	2,000	174
Total trade and other receivables	646,179	419,349	2,000	174
Add: Cash and bank balances (Note 28)	164,836	240,068	151	484
Total loans and receivables	811,015	659,417	2,151	658

25. Trade and other receivables (cont'd.)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2017: 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:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Neither past due nor impaired	523,360	356,685
1 to 30 days past due not impaired	72,324	34,131
31 to 60 days past due not impaired	10,637	2,071
61 to 90 days past due not impaired	5,417	38
91 to 120 days past due not impaired	7,820	61
More than 121 days past due not impaired	6,192	447
	102,390	36,748
Impaired	3,422	975
	629,172	394,408

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 RM102,390,000 (2017: RM36,748,000) that are past due at the reporting date but not impaired. These receivables are unsecured in nature.

25. Trade and other receivables (cont'd.)

(a) Trade receivables (cont'd.)

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:

	Group	
	2018 RM'000	2017 RM'000
Trade receivables-nominal amounts	3,422	975
Less: Allowance for impairment loss	(3,422)	(975)
	-	-

Movements in the allowance accounts:

	Group	
	2018 RM'000	2017 RM'000
1 September 2017/2016	975	975
Written off	(975)	-
Acquisition of subsidiary company	3,422	-
31 August 2018/2017	3,422	975

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.

26. Other current assets

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Prepaid operating expenses	28,698	13,502	1,024	-
Goods and service tax refundable	52,613	35,688	47	-
Advances to suppliers for raw materials	1,852	489	-	-
Advances to suppliers for property, plant and equipment	23,217	1,579	-	-
	106,380	51,258	1,071	-

27. Derivative financial instruments

	Group			
	2018 RM'000		2017 RM'000	
	Contract/ Notional Amount	Fair value Liabilities	Contract/ Notional Amount	Fair value Assets
Forward currency contracts	366,378	(856)	211,595	645

At 31 August 2018, the Group held forward currency contracts designated as hedges of expected future sales to customers and repayment of loan for which the Group has firm commitments. Forward currency contracts used to hedge the Company's sales are denominated in USD86,339,000 and EUR2,750,000 for which firm commitments existed at the reporting date, extending to January 2019 (2017: November 2017).

During the financial year, the Group recognised a loss of RM2,262,000 (2017: gain of RM829,000) in the profit or loss arising from changes in the fair value of the forward currency contracts.

28. Cash and bank balances

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash on hand and at banks	159,979	230,005	151	484
Deposits with licensed banks and other financial institutions	4,857	10,063	-	-
Cash and bank balances	164,836	240,068	151	484
Less: Deposits pledged with banks with maturity of more than 3 months	(2,462)	(1,549)	-	-
Cash and cash equivalents	162,374	238,519	151	484

Cash at banks and deposits with licensed banks and other financial institutions of the Group amounting to RM2,462,000 (2017: RM1,549,000) 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:

	Group	
	2018	2017
Weighted average effective interest rates (%)	2.26	1.59
Maturity days	7 days - 365 days	1 day - 357 days

29. Loans and borrowings

		Group	
		2018	2017
	Maturity	RM'000	RM'000
Current			
Secured:			
RM Bank overdrafts	On demand	1,511	-
RM Bankers' acceptances	2018	42,714	-
Hire purchase payables (Note 39(c))	2019	725	-
USD Revolving credit	2018	98,146	-
USD Revolving loan	2019	21,441	20,988
RM Term loan	2019	2,637	-
USD Term loan	2019	90,746	267
RM Trade loan financing	2018	33,465	-
USD Trade loan financing	2018	14,446	-
		305,831	21,255
Unsecured:			
Thai Baht Promissory notes	2018	51,357	67,409
USD Revolving credit	2018	471,754	183,180
RM Revolving credit	2018	54,000	42,800
RM Term loan	2019	3,125	-
Less: Unamortised transaction costs		(3,492)	-
		576,744	293,389
Total current loans and borrowings		882,575	314,644
Non-current			
Secured:			
Hire purchase payables (Note 39(c))	2020 - 2024	1,038	-
USD Revolving loan	2020 - 2021	35,674	60,666
RM Term loan	2020 - 2035	13,735	-
USD Term loan		-	1,084
		50,447	61,750
Unsecured:			
USD Syndicated term loan	2023	1,273,325	-
Less: Unamortised transaction costs		(5,288)	-
		1,268,037	-
RM Term loan	2022	11,875	-
		1,279,912	-
Total non-current loans and borrowings		1,330,359	61,750
Total loans and borrowings		2,212,934	376,394

29. Loans and borrowings (cont'd.)

The range of interest rates at the reporting date for borrowings are as follows:

	Group	
	2018	**2017**
	%	**%**
Bank overdrafts	7.5%	Nil
Bankers' acceptances	3.9% to 8.1%	Nil
Hire purchase payables	2.5% to 5.3%	Nil
Promissory notes	1.9% to 7.1%	2.0% to 2.3%
Trade loan financing	3.2% to 4.6%	Nil
Revolving credit	1.8% to 5.6%	1.8% to 3.8%
Revolving loan	1.9% to 2.8%	1.93%
Syndicated term loan	2.7% to 3.3%	Nil
Term loan	3.4% to 5.5%	0.9% to 3.3%

The remaining maturities of the loans and borrowings as at 31 August 2018 and 2017 are as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
On demand or within one year	882,575	314,644
More than 1 year and less than 2 years	789,952	21,596
More than 2 years and less than 5 years	534,487	40,154
More than 5 years	5,920	-
	2,212,934	376,394

The RM bank overdrafts, RM bankers' acceptances, hire purchase payables, USD revolving credit, USD revolving loan, RM term loan, USD term loan, RM trade loan financing, USD trade loan financing of the Group and of the Company are secured by certain assets of the Group and of the Company as follows:

(i) fixed charge over certain property, plant and equipment and land use rights as disclosed in Note 16 and 17 respectively;

(ii) corporate guarantee from the Company as disclosed in Note 45;

(iii) USD loan at 2.2% to 2.7% p.a. was secured by charges over debt securities of the Group as disclosed in Note 22; and

(iv) deposits with licensed banks and other financial institutions as disclosed in Note 28.

30. Trade and other payables

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade payables	275,801	233,494	-	-
Other payables				
Accrued operating expenses	82,067	56,546	1,499	2,488
Sundry payables	141,817	128,762	9	77
	223,884	185,308	1,508	2,565
Total trade and other payables	499,685	418,802	1,508	2,565
Add: Loans and borrowings (Note 29)	2,212,934	376,394	-	-
Total financial liabilities carried at amortised cost	2,712,619	795,196	1,508	2,565

(a) Trade payables

These amounts are non-interest bearing. The normal trade credit term granted to the Group ranges from 30 to 90 days (2017: 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 (2017: 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			
	<------------2018------------>		<------------2017------------>	
	Number of shares '000	Monetary value RM'000	Number of shares '000	Monetary value RM'000
Issued and fully paid				
At 1 September 2017/2016	1,256,299	636,644	1,254,812	627,406
Exercise of ESOS	3,425	11,972	1,487	3,128
Issued for acquisition of a subsidiary (Note 19(f))	20,505	137,000	-	-
Transfer from share option reserve	-	2,093	-	-
Transition to no-par value regime*	-	-	-	6,110
At 31 August 2018/2017	1,280,229	787,709	1,256,299	636,644

* The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concepts of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM6,110,000 become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM6,110,000 for purposes as set out in Section 618(3). There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

On 10 October 2018, the Company obtained shareholders' approval at its Extraordinary General Meeting for a bonus issue of 1,280,229,124 new ordinary shares on the basis of 1 bonus share for every 1 existing ordinary share. The bonus issue was completed on 29 October 2018.

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.

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:

	Group and Company	
	2018	2017
	RM'000	RM'000
At 1 September 2017/2016	-	4,781
Issuance of ordinary shares pursuant to ESOS	-	1,051
Transfer from share option reserve	-	278
Transition to no-par value regime	-	(6,110)
At 31 August 2018/2017	-	-

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 5 January 2017, 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 transferred 93,700 treasury shares to eligible employees under employee share grant scheme at average market price of RM10.40 per share. The total transferred treasury shares net of transaction costs were RM975,000. The difference between the transferred treasury shares and the cost of the treasury shares amounted to RM561,000 was recognised in equity.

Of the total 1,280,229,000 issued and fully paid ordinary shares as at 31 August 2018, 2,071,000 are held as treasury shares by the Company. As at 31 August 2018, the number of outstanding ordinary shares in issue and fully paid is therefore 1,278,158,000 ordinary shares.

35. Other reserves

	Foreign exchange reserve RM'000	Legal reserve RM'000	Share option reserve RM'000	Fair value adjustment reserve RM'000	Cash flow hedge reserve RM'000	Total RM'000
Group						
At 1 September 2016	25,676	4,278	2,861	(4,307)	-	28,508
Gain on fair value changes	-	-	-	9,641	-	9,641
Transfer to profit or loss upon disposal of debt securities	-	-	-	(4,032)	-	(4,032)
Foreign currency translation	28,024	-	-	-	-	28,024
Share options granted under ESOS	-	-	578	-	-	578
Transfer from/(to) retained earnings	-	651	(593)	-	-	58
Transfer to share premium	-	-	(278)	-	-	(278)
At 31 August 2017/ 1 September 2017	53,700	4,929	2,568	1,302	-	62,499
Loss on fair value changes	-	-	-	(2,192)	(41,504)	(43,696)
Transfer to profit or loss upon disposal of debt securities	-	-	-	(273)	-	(273)
Foreign currency translation	(17,575)	-	-	-	-	(17,575)
Share options granted under ESOS	-	-	1,932	-	-	1,932
Transfer from/(to) retained earnings	-	4,235	(478)	-	-	3,757
Transfer to share capital	-	-	(2,093)	-	-	(2,093)
At 31 August 2018	36,125	9,164	1,929	(1,163)	(41,504)	4,551

35. Other reserves (cont'd.)

Company	Share option reserve RM'000
At 31 August 2016/1 September 2016	2,861
Share options granted under ESOS	578
Transfer to share premium	(278)
Transfer to retained earnings	(593)
At 31 August 2017/1 September 2017	2,568
Share options granted under ESOS	1,932
Transfer to share capital	(2,093)
Transfer to retained earnings	(478)
At 31 August 2018	1,929

(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.

(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.

(e) Cash flow hedge reserve

The cash flow hedge reserve represents the effective portion of the cash flow hedge relationships incurred at the reporting date.

36. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 August 2018 and 2017 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 2018 and became effective on 2 August 2018.

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 10% 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%).

(e) No option shall be granted for less than 100 shares to any eligible employee.

(f) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the vest date but before the expiry on 31 May 2028.

(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.

37. Share based payments (cont'd.)

(i) Employee Share Options Scheme (ESOS) (cont'd.)

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

Grant date	Expiry date	Exercise price RM	Number of share options over the ordinary shares: As at 1.9.2017 '000	Granted '000	Exercised '000	Lapsed '000	As at 31.8.2018 '000
2018							
5.9.2008	1.8.2018	1.01	2.40	-	-	(2.4)	-
5.3.2009	1.8.2018	1.13	2.40	-	-	(2.4)	-
5.9.2009	1.8.2018	1.76	55.6	-	(49.6)	(6.0)	-
5.2.2010	1.8.2018	2.82	12.0	-	(12.0)	-	-
5.3.2010	1.8.2018	2.90	1,528.0	-	(1,506.8)	(21.2)	-
5.4.2010	1.8.2018	3.49	23.2	-	(23.2)	-	-
6.5.2010	1.8.2018	3.08	129.2	-	(129.2)	-	-
5.6.2010	1.8.2018	3.06	39.0	-	(39.0)	-	-
5.7.2010	1.8.2018	3.43	31.6	-	(31.6)	-	-
6.8.2010	1.8.2018	3.26	12.8	-	(12.8)	-	-
5.10.2011	1.8.2018	2.08	31.0	-	(21.4)	(9.6)	-
3.4.2013	1.8.2018	2.76	282.2	-	(262.6)	(19.6)	-
2.8.2014	1.8.2018	2.32	407.5	-	(394.1)	(13.4)	-
1.6.2017	1.8.2018	5.33	938.4	-	(938.4)	-	-
2.8.2018	31.5.2028	10.12	-	3,166.6	(4.7)	-	3,161.9
			3,495.3	3,166.6	(3,425.4)	(74.6)	3,161.9

37. Share based payments (cont'd.)

(i) Employee Share Options Scheme (ESOS) (cont'd.)

The terms of share options outstanding as at end of the financial year are as follows: (cont'd.)

			Number of share options over the ordinary shares				
Grant Date	**Expiry Date**	**Exercise Price RM**	**As at 1.9.2016 '000**	**Granted '000**	**Exercised '000**	**Lapsed '000**	**As at 31.8.2017 '000**
2017							
5.9.2008	1.8.2018	1.01	2.4	-	-	-	2.4
5.3.2009	1.8.2018	1.13	7.2	-	(4.8)	-	2.4
5.9.2009	1.8.2018	1.76	91.8	-	(36.2)	-	55.6
5.11.2009	1.8.2018	2.06	28.0	-	(28.0)	-	(0.0)
5.2.2010	1.8.2018	2.82	12.0	-	-	-	12.0
5.3.2010	1.8.2018	2.90	2,147.7	-	(619.7)	-	1,528.0
5.4.2010	1.8.2018	3.49	27.2	-	(4.0)	-	23.2
6.5.2010	1.8.2018	3.08	131.2	-	(2.0)	-	129.2
5.6.2010	1.8.2018	3.06	97.2	-	(58.2)	-	39.0
5.7.2010	1.8.2018	3.43	32.0	-	(0.4)	-	31.6
6.8.2010	1.8.2018	3.26	20.0	-	(7.2)	-	12.8
5.10.2011	1.8.2018	2.08	100.4	-	(69.4)	-	31.0
3.4.2013	1.8.2018	2.76	521.8	-	(235.8)	(3.8)	282.2
2.8.2014	1.8.2018	2.32	746.6	-	(334.9)	(4.2)	407.5
1.6.2017	1.8.2018	5.33	-	1,024.7	(86.3)	-	938.4
			3,965.5	1,024.7	(1,486.9)	(8.0)	3,495.3

37. Share based payments (cont'd.)

(i) Employee Share Options Scheme (ESOS) (cont'd.)

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

Exercise Date	Exercise price RM	Fair value of ordinary shares RM	Number of share options '000	Consider-ations received RM'000
2018				
September 2017 - August 2018	1.76	5.50 - 11.56	49.6	87.3
September 2017 - August 2018	2.82	5.50 - 11.56	12.0	33.8
September 2017 - August 2018	2.90	5.50 - 11.56	1,506.8	4,369.6
September 2017 - August 2018	3.49	5.50 - 11.56	23.2	81.0
September 2017 - August 2018	3.08	5.50 - 11.56	129.2	397.9
September 2017 - August 2018	3.06	5.50 - 11.56	39.0	119.3
September 2017 - August 2018	3.43	5.50 - 11.56	31.6	108.4
September 2017 - August 2018	3.26	5.50 - 11.56	12.8	41.7
September 2017 - August 2018	2.08	5.50 - 11.56	21.4	44.5
September 2017 - August 2018	2.76	5.50 - 11.56	262.6	724.8
September 2017 - August 2018	2.32	5.50 - 11.56	394.1	914.3
September 2017 - August 2018	5.33	5.50 - 11.56	938.4	5,001.7
September 2017 - August 2018	10.12	5.50 - 11.56	4.7	47.6
			3,425.4	11,971.9

37. Share based payments (cont'd.)

(i) Employee Share Options Scheme (ESOS) (cont'd.)

Details of share options exercised during the financial year and the fair value, at exercise date, of ordinary shares issued are as follows: (cont'd.)

Exercise Date	Exercise price RM	Fair value of ordinary shares RM	Number of share options '000	Consider-ations received RM'000
2017				
Before no-par value regime				
September 2016 - August 2017	1.76	4.26 - 8.50	5.0	8.8
September 2016 - August 2017	2.90	4.26 - 8.50	181.7	526.9
September 2016 - August 2017	3.06	4.26 - 8.50	4.0	12.2
September 2016 - August 2017	3.43	4.26 - 8.50	0.4	1.4
September 2016 - August 2017	2.08	4.26 - 8.50	18.2	37.9
September 2016 - August 2017	2.76	4.26 - 8.50	121.3	334.8
September 2016 - August 2017	2.32	4.26 - 8.50	161.8	375.4
			492.4	1,297.4
Less: Par value of ordinary shares				(246.2)
Share premium				1,051.2
After no-par value regime				
September 2016 - August 2017	1.13	4.26 - 8.50	4.8	5.4
September 2016 - August 2017	1.76	4.26 - 8.50	31.2	54.9
September 2016 - August 2017	2.06	4.26 - 8.50	28.0	57.7
September 2016 - August 2017	2.90	4.26 - 8.50	438.0	1,270.2
September 2016 - August 2017	3.49	4.26 - 8.50	4.0	14.0
September 2016 - August 2017	3.08	4.26 - 8.50	2.0	6.2
September 2016 - August 2017	3.06	4.26 - 8.50	54.2	165.9
September 2016 - August 2017	3.26	4.26 - 8.50	7.2	23.5
September 2016 - August 2017	2.08	4.26 - 8.50	51.2	106.5
September 2016 - August 2017	2.76	4.26 - 8.50	114.5	316.0
September 2016 - August 2017	2.32	4.26 - 8.50	173.1	401.6
September 2016 - August 2017	5.33	4.26 - 8.50	86.3	460.0
			994.5	2,881.9

37. Share based payments (cont'd.)

(i) Employee Share Options Scheme (ESOS) (cont'd.)

Fair value of share options

The fair value of share options granted during the year were estimated by using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options granted on 2 August 2018 was estimated on the grant date using the following assumptions:

Fair value of share options (RM)	0.61
Weighted average share price (RM)	10.18
Weighted average exercise price (RM)	10.12
Expected volatility (%)	34.43
Expected life (years)	9.84
Risk free interest rate (%)	4.07
Expected dividend yield (%)	1.47

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

(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

37. Share based payments (cont'd.)

(ii) Employee Share Grant Plan ("ESGP") (cont'd.)

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 10% 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 entitles 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.

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:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gross dividends from subsidiaries	-	-	239,030	329,505
Management fees from subsidiaries	-	-	4,912	4,310
Purchase of raw materials from related to certain directors of Company	71	22,033	-	-

(b) Compensation of the key management personnel

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries and other emoluments	10,276	8,853	3,208	3,123
Pension costs - defined contribution plan	896	817	302	375
Social security contributions	14	12	1	1
Share options granted under ESOS	317	191	161	41
Shares granted under ESGP	37	168	-	53
Fees	501	418	449	381
Benefits-in-kind	230	151	50	50
	12,271	10,610	4,171	4,024

39. Commitments

(a) Capital commitments

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment:		
Approved and contracted for	186,901	113,586

39. Commitments (cont'd.)

(b) Operating lease arrangements

(i) Group as lessee

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:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Future minimum rentals payments:		
Not later than 1 year	1,439	1,474
Later than 1 year and not later than 2 years	460	1,125
Later than 2 years and not later than 5 years	314	378
	2,213	2,977

(ii) Group as lessor

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Future minimum rentals payments:		
Not later than 1 year	6,079	6,040
Later than 1 year and not later than 2 years	4,548	4,846
Later than 2 years and not later than 5 years	5,519	8,107
	16,146	18,993

(c) Hire purchase payables

	Group	
	2018	**2017**
	RM'000	**RM'000**
Minimum lease payments:		
Not later than 1 year	774	-
Later than 1 year but not later than 2 years	688	-
Later than 2 years but not later than 5 years	373	-
Later than 5 years	15	-
Total minimum lease payments	1,850	-
Less: Amounts representing finance charges	(87)	-
Present value of minimum lease payments	1,763	-

39. Commitments (cont'd.)

(c) Hire purchase payables (cont'd.)

	Group 2018 RM'000	Group 2017 RM'000
Present value of payments:		
Not later than 1 year	725	-
Later than 1 year but not later than 2 years	663	-
Later than 2 years but not later than 5 years	360	-
Later than 5 years	15	-
Present value of minimum lease payments	1,763	-
Less: Amount due within 12 months (Note 29)	(725)	-
Amount due after 12 months (Note 29)	1,038	-

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:

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

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.

40. Fair values (cont'd.)

(i) Determination of fair value of financial instruments (cont'd.)

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.

Investment property

The fair value of the investment property was based on a valuation by an accredited independent qualified value as disclosed in Note 18.

(ii) Fair value hierarchy

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

	Quoted prices in active market (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
Group				
As at 31 August 2018				
Current				
Assets/(liabilities) measured at fair value				
Available-for-sale financial assets	106,019	-	-	106,019
Financial assets at fair value through profit or loss	87,695	-	-	87,695
Derivative financial instruments	-	(856)	-	(856)
Non-current				
Assets measured at fair value				
Investment property (Note 18)	-	-	163,900	163,900

40. Fair values (cont'd.)

(ii) Fair value hierarchy (cont'd.)

	Quoted prices in active market (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
Group				
As at 31 August 2017				
Current				
Assets measured at fair value				
Available-for-sale financial assets	125,453	-	-	125,453
Financial assets at fair value through profit or loss	81,457	-	-	81,457
Derivative financial instruments	-	645	-	645
Non-current				
Assets measured at fair value				
Investment property (Note 18)	-	-	162,000	162,000
Company				
As at 31 August 2018				
Current				
Assets measured at fair value				
Financial assets at fair value through profit or loss	2	-	-	2
As at 31 August 2017				
Current				
Assets measured at fair value				
Financial assets at fair value through profit or loss	2,583	-	-	2,583

During the reporting period ended 31 August 2018 and 2017, there were no transfers between 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, derivative assets, 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 loans and borrowings, cash and short term deposits, debt securities, money market funds investments and derivative financial instruments.

(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, 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.

41. Financial risk management objectives and policies (cont'd.)

(b) Credit risk (cont'd.)

<u>Credit risk concentration profile</u>

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

<u>Financial assets that are neither past due nor impaired</u>

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 25(a). 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.

<u>Financial assets that are either past due or impaired</u>

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

(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.

	<---------------------------------- 2018 ---------------------------------->			
	On demand or within one year RM'000	**One to five years RM'000**	**Over five years RM'000**	**Total RM'000**
Group				
Financial liabilities				
Trade and other payables, excluding bank guarantees	499,685	-	-	499,685
Derivatives	856	-	-	856
Loans and borrowings	933,364	1,380,443	6,856	2,320,663
Total undiscounted financial liabilities	1,433,905	1,380,443	6,856	2,821,204

41. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk (cont'd.)

	2018			
	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Company				
Financial liabilities				
Corporate guarantees*	1,874,167	-	-	1,874,167
Trade and other payables excluding bank guarantees	1,508	-	-	1,508
Total undiscounted financial liabilities	1,875,675	-	-	1,875,675

	2017			
	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
Financial liabilities				
Trade and other payables, excluding bank guarantees	418,802	-	-	418,802
Loans and borrowings	322,362	63,528	-	385,890
Total undiscounted financial liabilities	741,164	63,528	-	804,692
Company				
Financial liabilities				
Corporate guarantees*	350,542	-	-	350,542
Trade and other payables excluding bank guarantees	2,565	-	-	2,565
Total undiscounted financial liabilities	353,107	-	-	353,107

* 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.

41. Financial risk management objectives and policies (cont'd.)

(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 points lower/higher, with all other variables held constant, the Group's profit before tax would have been RM2,196,000 (2017: RM375,000) 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.

(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.

The Group has an Investment Committee 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.

41. Financial risk management objectives and policies (cont'd.)

(e) Market price risk (cont'd.)

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:

Group		2018 RM'000	2017 RM'000
Debt investments	- strengthened 5% (2017: 5%)	5,301	6,273
	- weakened 5% (2017: 5%)	(5,301)	(6,273)

(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 Malayisan 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. In addition, the Group has significant borrowings in USD (Note 29). Therefore, the Group is exposed to foreign currency risk. These exposures are managed, to the extent possible, by natural hedge that arise when payments for foreign currency payables are matched against receivables denominated in the same foreign currency.

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

	Net financial (liabilities)/assets held in non-functional currency		
	USD RM'000	Euro RM'000	Total RM'000
Functional currency of Group companies			
At 31 August 2018:			
Ringgit Malaysia	(462,206)	(2,451)	(464,657)
Thailand Baht	35,893	(261)	35,632
Chinese Renminbi	20,795	-	20,795
Australian Dollars	23,827	815	24,642
	(381,691)	(1,897)	(383,588)

41. Financial risk management objectives and policies (cont'd.)

(f) Foreign currency risk (cont'd.)

	Net financial (liabilities)/assets held in non-functional currency		
	USD RM'000	Euro RM'000	Total RM'000
Functional currency of Group companies			
At 31 August 2017:			
Ringgit Malaysia	(175,598)	(193)	(175,791)
Thailand Baht	20,895	-	20,895
Chinese Renminbi	13,800	-	13,800
Australian Dollars	35,667	870	36,537
	(105,236)	677	(104,559)

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.

		2018 RM'000	2017 RM'000
USD/RM	- strengthened 5% (2017: 5%)	(23,110)	(8,780)
	- weakened 5% (2017: 5%)	23,110	8,780
USD/Baht	- strengthened 5% (2017: 5%)	1,795	1,045
	- weakened 5% (2017: 5%)	(1,795)	(1,045)
USD/RMB	- strengthened 5% (2017: 5%)	1,040	690
	- weakened 5% (2017: 5%)	(1,040)	(690)
USD/AUD	- strengthened 5% (2017: 5%)	1,191	1,783
	- weakened 5% (2017: 5%)	(1,191)	(1,783)
EURO/RM	- strengthened 5% (2017: 5%)	(123)	(10)
	- weakened 5% (2017: 5%)	123	10
EURO/AUD	- strengthened 5% (2017: 5%)	41	44
	- weakened 5% (2017: 5%)	(41)	(44)

42. Capital management

The primary objective of the Group’s and of the Company'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 and the Company manage their capital structure and make adjustments, in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group and the Company 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 2018 and 2017.

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 2018 and 2017.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group and the Company include 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	
		2018	2017 (Restated)	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Loans and borrowings	29	2,212,934	376,394	-	-
Trade and other payables	30	499,685	418,802	1,508	2,565
Other current liabilities	31	59,248	62,292	1	1
Less: cash and cash equivalents	28	(162,374)	(238,519)	(151)	(484)
Net debt		2,609,493	618,969	1,358	2,082
Equity attributable to the owners of the parent		2,378,481	2,055,231	1,020,687	831,194
Add/(less):					
-Fair value adjustment reserve	35	1,163	(1,302)	-	-
-Legal reserve	35	(9,164)	(4,929)	-	-
Total capital		2,370,480	2,049,000	1,020,687	831,194
Capital and net debt		4,979,973	2,667,969	1,022,045	833,276
Gearing ratio		52.40%	23.20%	0.13%	0.25%

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 2018	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	Note	Consolidated RM'000
Revenue								
External sales	3,514,891	390,050	176,748	-	132,793	-		4,214,482
Inter-segment sales	66,983	354,082	2,094	-	-	(423,159)	A	-
Total revenue	3,581,874	744,132	178,842	-	132,793	(423,159)		4,214,482
Results								
Interest income	10,618	107	129	4,315	-	(2,913)		12,256
Depreciation and amortisation	117,655	17,973	5,751	-	1,024	-		142,403
Segment profit/(loss)	514,212	66,403	27,881	5,927	(52,204)	(33,624)	B	528,595
Assets								
Additions to non-current assets	439,382	16,264	5,944	-	469	-	C	462,059
Segment assets	3,339,728	333,264	89,802	113,913	73,372	1,320,481	D	5,270,560
Liabilities								
Segment liabilities	1,366,564	102,211	20,417	11,878	1,272,372	103,350	E	2,876,792
Other segment information								
Capital commitments	181,716	4,687	498	-	-	-		186,901

43. Segment information (cont'd.)

31 August 2017	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	Note	Consolidated RM'000
Revenue								
External sales	2,844,069	290,662	118,471	-	155,974	-		3,409,176
Inter-segment sales	69,891	398,026	1,655	-	-	(469,572)	A	-
Total revenue	2,913,960	688,688	120,126	-	155,974	(469,572)		3,409,176
Results								
Interest income	11,576	84	45	12,031	-	(6,504)		17,232
Depreciation and amortisation	83,985	16,698	5,021	-	1,067	-		106,771
Segment profit/(loss)	319,250	40,921	13,487	13,451	5,228	(7,294)	B	385,043
Assets								
Additions to non-current assets	430,922	45,874	6,085	-	13	-	C	482,894
Segment assets	2,349,621	307,700	77,506	151,098	66,766	37,486	D	2,990,177
Liabilities								
Segment liabilities	717,253	108,365	22,630	-	9,240	68,257	E	925,745
Other segment information								
Capital commitments	109,067	4,132	387	-	-	-		113,586

43. Segment information (cont'd.)

A Inter-segment revenues are eliminated on consolidation.

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

	2018 RM'000	2017 RM'000
Share of results of associates	1,697	(980)
Finance costs	(35,321)	(6,314)
	(33,624)	(7,294)

C Additions to non-current assets consist of:

	2018 RM'000	2017 RM'000
Property, plant and equipment	459,099	479,252
Land used rights	341	1,536
Investment property	2,619	2,106
	462,059	482,894

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

	2018 RM'000	2017 RM'000
Deferred tax assets (Note 21)	14,288	14,681
Investments in associates (Note 20)	1,697	-
Goodwill (Note 23)	1,304,496	22,805
	1,320,481	37,486

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

	2018 RM'000	2017 RM'000
Deferred tax liabilities (Note 21)	94,670	68,257

44. Dividends

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Recognised during the financial year:				
Dividends on ordinary shares:				
- Final tax exempt single tier dividend of 8.5 sen per share on 1,255,159,000 ordinary shares, and paid on 25 January 2018	106,691	-	106,691	-
- First tax exempt interim single tier dividend of 7 sen per share on 1,277,926,000 ordinary shares, and paid on 17 July 2018	89,454	-	89,454	-
- Final tax exempt single tier dividend of 8.5 sen per share on 1,252,987,000 ordinary shares, and paid on 23 January 2017	-	106,508	-	106,508
- First tax exempt interim single tier dividend of 6 sen per share on 1,253,938,000 ordinary shares, and paid on 17 July 2017	-	75,221	-	75,246
	196,145	181,729	196,145	181,754

At the forthcoming Annual General Meeting, a single tier final dividend of 5 sen per share on 2,556,316,000 ordinary shares amounting to RM127,817,000 in respect of the financial year ended 31 August 2018 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 2019.

Dividends received by the ESGP Trusts amounting to RM186 (2017: RM25,000) for the Group is eliminated against the dividend expense of the Company upon consolidation of the ESGP Trusts as disclosed in Note 4.9(d).

45. Financial guarantees

A nominal amount of RM1,874,167,000 (2017: RM350,542,000) relating to corporate guarantees has been provided by the Company to banks for its subsidiaries' loans and borrowings.

As at reporting date, no values are ascribed on these guarantees and letter of undertaking provided by the Company to secure banking facilities described above as the directors regard the value of the credit enhancement provided by these guarantees as minimal and the probability of default, based on historical track records of the parties receiving the guarantees are remote.

46. Material litigation

The Company and its wholly-owned subsidiary, Top Care Sdn Bhd ("Top Care") have taken the following legal proceedings:

(i) Writ action in the Kuala Lumpur High Court, against Low Chin Guan, Wong Chin Toh ACPL Sdn Bhd ("ACPL") and Kwek Siew Leng ("Kwek") (collectively, the "Defendants") ("Writ Action").

(ii) Arbitration proceedings at the Singapore International Arbitration Centre, against Adventa Capital Pte. Ltd. ("Adventa Capital") ("Singapore Arbitration").

The Writ Action and the Singapore Arbitration pertain to the Sale and Purchase Agreement entered into by the Company and Top Care on 12 January 2018 for Top Care's purchase of all issued shares in Aspion Sdn Bhd from Adventa Capital for RM1.37 billion ("the SPA").

The claim is RM640,470,000 as damages suffered by reason of the fraudulent misrepresentations made by Adventa Capital, Wong and Low to induce the Company and Top Care to enter into the SPA at RM1.37 billion as well as conspiracy by Adventa Capital, Wong, Low and Kwek to defraud the Company and Top Care. ACPL is named by reason of it having received RM72.3 million out of the RM1.37 billion purchase price. The Company and Top Care have elected to affirm the SPA and claim for damages.

In the Singapore Arbitration, Adventa Capital is counterclaiming against the Company and Top Care for inter alia the following:

(i) Losses suffered as a result of the Company's and Top Care's breach of the SPA by Adventa Capital a notice of breach under the SPA; and

(ii) Losses suffered by Adventa Capital as a result of Low's removal from the Management of Aspion.

In aid of the Writ Action and Singapore Arbitration, the Company and Top Care had applied for:

(i) A Mareva application in the Writ Action against Wong, Low and ACPL to restrain them from disposing their assets up to RM640,470,000. The hearing for the Mareva was fixed for hearing from 29 to 31 October 2018 and 2 November 2018. In the meantime, an ad interim injunction was allowed by the KL High Court.

(ii) A Mareva Injunction application was filed against Adventa Capital ACPL to restrain it from disposing its assets up to RM640,470,000. The hearing for the Mareva was fixed for hearing from 29 to 31 October 2018 and 2 November 2018. In the meantime, an ad interim injunction was allowed by the KL High Court.

(iii) A Mareva Injunction application in the Singapore High Court was also filed to restrain Adventa Capital from disposing its assets worldwide (save for Malaysia) up to the value of RM640,470,000. The Singapore High Court granted the Singapore Mareva Injunction. The hearing for the Mareva will continue from 29 to 30 November 2018 and 8 March 2019.

46. Material litigation (cont'd.)

On 13 July 2018, Adventa Capital filed an application to set aside the Singapore Mareva Injunction ("Singapore Set Aside Application"). The Singapore Mareva Injunction and the Singapore Set Aside Application was part heard on 23 August 2018 by the Singapore High Court and will continue on 29 November 2018, 30 November 2018 and 8 March 2019. Further, the Company and Top Care had on 14 August 2018 filed an application to file further affidavits in respect of Adventa Capital's application to set aside the company's and Top Care's Mareva order in the Singapore OS ("the Leave Application"). The Leave Application will also be heard on 29 November 2018, 30 November 2018 and 8 March 2019.

The Writ Action and the Singapore Arbitration are on-going and our solicitors are of the view that the Company and Top Care have even chance of success in our claims. In the event that the Company and Top Care do not succeed in the claims under the Writ Action, Singapore Arbitration and fail to obtain the Injunctions, the Company and Top Care would be exposed to costs and damages for the Writ Action, Singapore Arbitration and the Mareva Injunctions that may be awarded to the Defendants.

47. Subsequent events

(i) On 10 October 2018, the Company obtained shareholders' approval at its Extraordinary General Meeting ("EGM") for a bonus issue of 1,280,229,124 new ordinary shares on the basis of 1 bonus share for every 1 existing ordinary share. The bonus issue was completed on 29 October 2018.

(ii) The outstanding corporate proposals which have been approved by shareholders at EGM held on 10 October 2018 are as follows:
   a) Proposed issuance of guaranteed exchangeable bonds with an aggregate principal amount of up to USD300 million; and
   b) Proposed amendment to the constitution of Top Glove.

48. Comparative figures

Effective 1 September 2018, the Group adopted the policy to state its investment property at fair value. Previously, investment property was stated at cost.

The effect of the change in accounting policies is accounted for restrospectively. As a result of adopting this changes in accounting policies, fair value gains have been made to the opening retained earnings of the Group.

48. Comparative figures (cont'd.)

The following comparative figures have been restated arising from the effects of change in accounting polices:

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Group			
Statement of financial position			
As at 1 September 2016			
Property, plant and equipment	1,156,767	(27,830)	1,128,937
Investment property	82,184	79,816	162,000
Deferred tax liabilities	50,757	2,128	52,885
Retained earnings	1,167,057	49,858	1,216,915
As at 31 August 2017			
Property, plant and equipment	1,523,406	(24,920)	1,498,486
Investment property	83,156	78,844	162,000
Deferred tax liabilities	66,284	1,973	68,257
Retained earnings	1,313,876	51,951	1,365,827
Statement of profit or loss			
For the financial year ended 31 August 2017			
Administrative and general expenses	(195,390)	1,938	(193,452)
Income tax expense	(54,669)	155	(54,514)
Statement of cash flows			
For the financial year ended 31 August 2017			
Operating activities			
Profit before tax	383,105	1,938	385,043
Net loss from fair value remeasurement	-	3,096	3,096
Depreciation:			
- Property, plant and equipment	109,648	(3,611)	106,037
- Investment property	1,423	(1,423)	-

49. Authorisation of financial statements for issue

The financial statements for the year ended 31 August 2018 were authorised for issue in accordance with a resolution of the directors on 31 October 2018.