

TOP GLOVE CORPORATION BERHAD

(Company No. 474423-X)

(Incorporated in Malaysia)

EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF THE COMPANY HELD AT TG GRAND BALLROOM 1, LEVEL 9, TOP GLOVE TOWER, 16, PERSIARAN SETIA DAGANG, SETIA ALAM, SEKSYEN U13, 40170 SHAH ALAM, SELANGOR DARUL EHSAN ON THURSDAY, 8 MARCH 2018 AT 10:00 A.M.

DIRECTORS PRESENT	:	Tan Sri Dr Lim Wee Chai (<i>Chairman</i>) Tan Sri Dato' Seri Utama Arshad Bin Ayub Tan Sri Rainer Althoff (<i>via tele-conferencing</i>) Dato' Lee Kim Meow (<i>Managing Director</i>) Puan Sri Tong Siew Bee Mr. Lim Cheong Guan Dato' Lim Han Boon Datuk Noripah Binti Kamso Ms. Sharmila Sekarajasekaran Mr. Simon Tay Seong Chee Datuk Dr. Norma Mansor
ABSENT WITH APOLOGIES	:	Mr. Lim Hooi Sin
MEMBERS	:	As per Attendance List
CORPORATE REPRESENTATIVE	:	As per Attendance List
PROXYHOLDERS	:	As per Attendance List
BY INVITATION	:	As per Attendance List
IN ATTENDANCE	:	Ms. Chua Siew Chuan (<i>Company Secretary</i>) Ms. Chin Mun Yee (<i>Company Secretary</i>)

1.0 ORDINARY RESOLUTION

PROPOSED ACQUISITION OF 270,850,119 ORDINARY SHARES IN ASPION SDN. BHD. ("ASPION") ("ASPION SHARES"), REPRESENTING THE ENTIRE EQUITY INTEREST IN ASPION, FOR A PURCHASE CONSIDERATION OF RM1,370.0 MILLION, PLUS FINESSIS INCENTIVE PAYMENTS TO BE DETERMINED AND PAID LATER ("PROPOSED ACQUISITION")

The Meeting was informed that the Agenda for this Meeting was to approve the Ordinary Resolution on the proposed acquisition of 270,850,119 ordinary shares in Aspion, representing the entire equity interest in Aspion, for a purchase consideration of RM1,370.0 million, plus finessis incentive payments to be determined and paid later.

The Proposed Acquisition represents an initiative by the Board to grow the business through a product extension merger with Aspion Group, which is a significant player in the surgical glove market. As such, the Proposed Acquisition would provide the Company with an expanded product range as well as the use of technologies and innovations of the Aspion Group, thereby reinforcing the Group's market presence as the world's largest manufacturer of gloves.

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(Extract of the Minutes of the Extraordinary General Meeting held on 8 March 2018 - cont'd)

The Proposed Acquisition is expected to add value to the Group by merging and leveraging on the skills and experience, management talent as well as valued customers and suppliers of both the Group and the Aspion Group, thereby strengthening the growth profile and long-term value creation potential. In particular, the Company would be able to serve the enlarged customer base more effectively with an enhanced range of high quality and cost effective medical gloves across multiple categories, including surgical gloves, examination gloves as well as market-leading innovation glove products.

After the briefing, the Company Secretary, Ms. Chua Siew Chuan then invited the shareholders to ask questions relating to the Proposed Acquisition.

Several questions were raised at the Meeting and were addressed by the Board as stipulated under "[Annexure A](#)" as attached.

The resolution was proposed by [Mr. Leung Saing Fook, a shareholder](#) and seconded by [Mr. Gan Hwa Soon, a shareholder](#).

2.0 POLLING PROCESS

Dato' KM Lee informed that the Meeting would be adjourned for electronic poll voting for the proposed resolution and declared that the registration for attendance at the Meeting closed. The Company Secretary, Ms. Chua Siew Chuan, then briefed the Meeting on the procedure on the electronic polling process. The Meeting was adjourned at 11:00 a.m. for shareholders, proxy holders and corporate representative to cast their votes.

The results of the poll were verified by independent scrutineer from Commercial Quest Sdn. Bhd.

3.0 ANNOUNCEMENT OF POLL RESULTS

The Meeting resumed at 11:03 a.m. and Dato' KM Lee invited the Company Secretary, Ms. Chua Siew Chuan to announce the result of the poll.

The results of the poll voting were as follows:

Resolution	Vote in Favour		Vote Against	
	No. of Shares	%	No. of Shares	%
Ordinary Resolution Proposed Acquisition of 270,850,119 Ordinary Shares in Aspion Sdn. Bhd. ("Aspion") ("Aspion Shares"), representing the entire equity interest in Aspion, for a purchase consideration of RM1,370.0 million, plus finessis incentive payments to be determined and paid later ("Proposed Acquisition")	934,789,717	100.00	0	0.00

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(Extract of the Minutes of the Extraordinary General Meeting held on 8 March 2018 - cont'd)

Based on the results of the poll voting, Tan Sri Dr Chairman declared the following resolution be **CARRIED:-**

ORDINARY RESOLUTION

PROPOSED ACQUISITION OF 270,850,119 ORDINARY SHARES IN ASPION SDN. BHD. ("ASPION") ("ASPION SHARES"), REPRESENTING THE ENTIRE EQUITY INTEREST IN ASPION, FOR A PURCHASE CONSIDERATION OF RM1,370.0 MILLION, PLUS FINESSES INCENTIVE PAYMENTS TO BE DETERMINED AND PAID LATER ("PROPOSED ACQUISITION")

*"**THAT**, subject to the approvals of all relevant authorities being obtained, approval be and is hereby given for the Company to acquire 270,850,119 ordinary shares in Aspion, representing the entire equity interest in Aspion, for a purchase consideration of RM1,370.0 million, of which RM1,233.0 million will be satisfied in cash and the balance of RM137.0 million will be satisfied via the issuance of 20,505,000 new ordinary shares in the Company ("**Consideration Shares**") at an issue price of about RM6.6813 each, plus incentive payments to be determined and paid later in accordance with and subject to the terms and conditions stipulated in the conditional share purchase agreement dated 12 January 2018 entered into between the Company and Adventa Capital Pte. Ltd.;*

***THAT** the Consideration Shares will, upon allotment and issue, rank equally in all respects with the existing Shares, except that the Consideration Shares will not be entitled to any dividends, rights, allotments and other distributions which may be declared, made or paid to shareholders, the entitlement date of which is before the date of allotment and issue of the Consideration Shares;*

***AND THAT** the board of directors of the Company ("**Board**") be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or agreements (including, without limitation, the affixing of the Company's common seal, where necessary), arrangements, deeds, undertakings, indemnities, transfers, extensions, assignments, confirmations, declarations, guarantees and/or other documents to or with any party or parties as the Board may consider necessary to give effect to and complete the Proposed Acquisition and with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Board may deem necessary or expedient in the interest of the Company and to take such steps as they may deem necessary or expedient in order to implement, finalise and give full effect to the Proposed Acquisition."*

TERMINATION

Tan Sri Dr Chairman concluded the Meeting and thanked all present for their attendance. The Meeting was closed at 11:05 a.m. with a vote of thanks to Tan Sri Dr Chairman.

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QUERIES FROM THE MEMBERS

Mr Wan Heng Wah, a shareholder raised the following questions:

- 1) The gearing ratio of the Company will increase substantially from 0.19 to 0.89, as the Company required additional funding of approximately RM1.3 billion to finance the proposed acquisition of 270,850,119 ordinary shares in Aspion Sdn. Bhd. ("**Aspion**"), representing the entire equity interest in Aspion ("**Proposed Acquisition**"). Is there any plan in place to reduce the aforesaid gearing ratio to a manageable level?
- 2) With the Proposed Acquisition as part of the inorganic expansion, the revenue of surgical gloves is expected to increase from 5% to 30% as compared to organic expansion as it might not be able to achieve the expected results as compared to inorganic expansion. Aspion is strong in producing examination glove in the market and other competitors might also be interested to acquire Aspion due to its good reputation as well as strong in research and development. Is the Proposed Acquisition a defensive strategy by the Company to prevent other competitors from acquiring Aspion?
- 3) It was noted that Mr Low Chin Guan ("**Mr Low**") would be appointed as the Managing Director/advisor of Aspion upon the completion of the Proposed Acquisition. Is there any plan for Management to take over the operations of Aspion and the measures taken by Management to ensure that Mr Low Chin Guan delivers the performance as expected in the coming years?
- 4) Any assurance given to the Company to protect the intellectual property ("**IP**") rights granted by Lucenxia Prescience AG ("**LPAG**") to Aspion upon completion of the Proposed Acquisition?

Tan Sri Dr Lim Wee Chai ("**Tan Sri Dr Chairman**"), *the Executive Chairman* replied to questions nos. 2 and 3 above as follows:

- The expected growth rate through organic expansion is approximately 3% to 5% and it is insufficient for the Company if the Company intends to be fortune 500 companies by year 2040. Hence, it is essential for the Company to consider mergers and acquisitions ("**M&A**") as part of its plan to accelerate the growth rate and be able to add value to the Company and shareholders through eminence M&A. With the Proposed Acquisition, Management is confident that the Company would be able to grow more than 10%. The Company needs to expand organically and inorganically through M&A to achieve higher growth rate. Organic expansion would take longer time to achieve the expected results even though the costs of inorganic expansion is higher.
- It is crucial and important to retain Mr Low in Aspion for the first two (2) years upon completion of the Proposed Acquisition for succession planning and transfer of technical

TOP GLOVE CORPORATION BERHAD

(Company No. 474423-X)

(Incorporated in Malaysia)

(Annexure A of the Extract of the Minutes of the Extraordinary General Meeting held on 8 March 2018 – cont'd)

know-how or such further period as mutually agreed between the Company and Mr Low if Mr Low is able to deliver the expected performance for Aspion. Top Glove Management team would work closely with Aspion Management team and learn from each other the required skills to manage the operations and businesses of Aspion. It is important to implement the integration post acquisition of Aspion in order for the Group to continue to perform well.

Mr Lim Cheong Guan ("**Mr CG Lim**"), the *Executive Director* replied to questions nos. 1 and 4 as follows:

- The funding for the Proposed Acquisition of RM1.3 billion consists of 90% borrowing and 10% issuance of new ordinary shares in the Company. Currently, the Company planned to have a combination of five (5)-year Murabahah term loan with an interest rate of 2.81% and a two (2)-year conventional term loan with an interest rate of 2.7%. Upon assessment of the earnings per share ("**EPS**") of the Company, pre and post-acquisition after taking into account of the interest cost of approximately RM30.0 million, the EPS is still strengthening around 10.2%. In addition, Management is in the midst of reviewing other funding structure to reduce the borrowing and gearing ratio of the Company.
- As stated on page 7 of the Circular to Shareholders dated 14 February 2018 ("**Circular**"), the IP rights for the Finessis glove which owned by LPAG would be assigned to the Company via the IP Deed Assignment.

Mr Choong Chee Seng, a proxy raised his concern on the issuance of the 20.0 million new ordinary shares in the Company ("**Consideration Shares**") pursuant to the Proposed Acquisition, where the issuance price for the Consideration Shares of RM6.68 per share was lower than the current market price of RM9.70 per share. He then enquired whether Aspion would be disposing of the Consideration Shares to take advantage of the appreciation of the share price and whether there is any restriction on the Consideration Shares.

Mr CG Lim replied that there is a three (3)-month moratorium on 50% of the Consideration Shares. The price for the Consideration Shares was determined based on five (5) days volume-weighted average market price upon signing of the terms sheet for the Proposed Acquisition and the share price of the Company had then been appreciated.

Mr Ho Yueh Weng, a proxy raised the following questions:

- 1) Is the purchase consideration for the Proposed Acquisition is fair and reasonable taking into consideration the overall share price of glove industry was rated upward?
- 2) How Aspion could contribute positively to the Group moving forward?
- 3) Is there any intention to change the Aspion brand to be aligned with Top Glove brand?
- 4) What is the capital expenditure ("**CAPEX**") committed and to be committed post acquisition of Aspion?

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(Annexure A of the Extract of the Minutes of the Extraordinary General Meeting held on 8 March 2018 – cont'd)

- 5) Does Aspion have any tax incentive and when is the expiry date of the said incentive?
- 6) How would Finessis Incentive Plan contribute to the Company?
- 7) Would it be beneficial for the Company to fund the majority of the purchase consideration for the Proposed Acquisition via allotment of additional shares rather than borrowings in order to reduce the gearing of the Company?

Tan Sri Dr Chairman replied to questions nos. 1, 3 and 7 as follows:

- As stated on page 7 of the Circular, the Board had compared the price earnings (“**PE**”) multiple implied by the issue price to the PE multiple of five (5) comparable companies. After taking into consideration of all aspects, the Board was of the view that the issuance price is considered fair and reasonable. The issuance of the Consideration Shares at a PE multiple of 25.48 times, which was higher than the average PE multiple of the comparable companies of 23.52 times implied that the issue price accorded a higher value to the Group as compared to the comparable companies. The Company has offered a reasonable price to acquire Aspion in order to compete with other competitors who intend to purchase Aspion.
- In terms of branding, the Company has no intention to change Aspion’s branding at the moment due to their strong brand name especially in Latin America.
- The funding structure via the issuance of the Consideration Shares was derived after taking into consideration the dilution effect on shareholdings of the shareholders and the gearing level of the Group. The gearing ratio of 0.7 times is at a comfortable and manageable level. Management is in the midst of discussing with the bankers and advisors for alternative financing structure such as issuance of convertible bonds in order to reduce the borrowings.

Mr CG Lim replied to questions nos. 2, 4, 5 and 6 as follows:

- Top Glove together with Aspion estimate to capture a total of around 29% global market share on surgical gloves and Management foresees that Top Glove would be able to capture more market share in future. Aspion is expected to contribute positively to the performance of the Group moving forward.
- The CAPEX for Aspion for the year 2018 is estimated at RM50.0 million and moving forward, it is expected to increase to approximately RM100.0 million. The Company is prepared to invest additional CAPEX which could assist in capturing more market share in future.
- One (1) of the subsidiaries of Aspion was granted a pioneer status until year 2020. Assuming there is no pioneer status granted, Management would also review other tax incentives such as reinvestment allowance.

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- The implied acquisition PE multiple was 16.93 times subject to core profit after tax guarantee by the vendor of Aspion. There would be an adjustment on the Finessis Incentive Plans based on the percentage allocation on Finessis Incentive PE multiple where eventually the Company would be paying the incentive based on a much lower PE multiple. The profit guarantee element is also important to provide certainty in next few years during the transitional period.

In regards to question no. 3 raised, Dato' Lee Kim Meow ("**Dato' KM Lee**"), *the Managing Director* further added that the Finessis gloves is a unique innovation in surgical glove market where Aspion had been selling the Finessis gloves only under their own brand name and under co-branding. Dato' KM Lee informed that the Proposed Acquisition is a strategy of the Group in expanding its products range. Based on the Company's capabilities in manufacturing, the Company would be able to reduce the cost of some other products in order to compete effectively in the market.

Mr Ng Aik Pheng, a shareholder raised the following questions:

- 1) What is the internal rate of return of the Proposed Acquisition and the finance cost to be incurred to finance the Proposed Acquisition?
- 2) Would the Company allocates additional fund for dividend payment?
- 3) In the Proposed Acquisition, there would be a lot automation and technology involvement, would the Company downsize the operation?

Tan Sri Dr Chairman and Mr CG Lim replied to the questions raised above as follows:

- The Company has a dividend policy of 50% of its profit after tax and minority interest to be distributed as dividend to its shareholders. With the Proposed Acquisition, it is expected that the dividend rate would increase in future with the positive contribution from Aspion to the performance of the Group. The Company has good track record in dividend distributions to its shareholders in the past.
- The net gearing of the Company was recorded at 0.75 times and the Company is in healthy net cash position. The EPS is expected to increase by 10% after the Proposed Acquisition. Management is in the midst of reviewing other financing structure to minimise the finance cost.