

TOP GLOVE CORPORATION BHD

(Company No. 474423-X)

(Incorporated in Malaysia)

EXTRACT OF THE MINUTES OF THE EIGHTEENTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT TG GRAND BALLROOM 1, LEVEL 9, TOP GLOVE TOWER OF 16, PERSIARAN SETIA DAGANG, SETIA ALAM, SEKSYEN U13, 40170 SHAH ALAM, SELANGOR DARUL EHSAN ON THURSDAY, 5 JANUARY 2017 AT 11:30 A.M.

DIRECTORS PRESENT : Tan Sri Dr Lim Wee Chai (*Chairman*)
Tan Sri Dato' Seri Utama Arshad Bin Ayub
Tan Sri Mohd Sidek Bin Haji Hassan
Tan Sri Rainer Althoff
Mr. Lee Kim Meow (*Managing Director*)
Puan Sri Tong Siew Bee
Dato' Lim Han Boon
Datuk Noripah Binti Kamsu
Mr. Lim Hooi Sin
Mr. Lim Cheong Guan
Ms. Sharmila Sekarajasekaran
Mr. Tay Seong Chee Simon

IN ATTENDANCE : Ms. Chua Siew Chuan (*Company Secretary*)
Ms. Chin Mun Yee (*Company Secretary*)
Ms. Ngian Yoke Fung (*Company Secretary*)

1.0 AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND THE AUDITORS THEREON

The Meeting was informed that the first item on the Agenda was to receive the Audited Financial Statements for the financial year ended 31 August 2016 together with the Reports of the Directors and the Auditors thereon.

At this juncture, Mr. Lim Cheong Guan was invited to present to the shareholders the Company's performance and the reply to the Minority Shareholder Watchdog Group's queries and the Meeting noted the same as tabled, as stipulated under [Annexure "A"](#) as attached.

Upon answering the queries from the members/proxy holders as stipulated in [Annexure "B"](#), it was declared that the Audited Financial Statements for the financial year ended 31 August 2016 together with the Reports of the Directors and the Auditors thereon, be received.

2.0 SINGLE TIER FINAL DIVIDEND OF 8.5 SEN PER SHARE (17%) FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

The Meeting was informed that the next item on the Agenda was to approve the declaration of a Single Tier Final Dividend of 8.5 sen per share (17%) for the financial year ended 31 August 2016.

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The Meeting was further informed that the Board of Directors of the Company had proposed that the Single Tier Final Dividend be paid on 23 January 2017 and the last day for lodgement of transfers into the depositors' securities accounts would be on 10 January 2017 for the purpose of determining the entitlement to the dividend payment.

The resolution was proposed by [Mr. Lim Heng Kuan, a shareholder](#) and seconded by [Mr. Gan Hwa Soon, a shareholder](#).

The Meeting was informed that the poll voting for all resolutions would be conducted upon completion of the formality and discussion of the remaining business of the Meeting.

3.0 DIRECTORS' FEES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

The Meeting was informed that the next item on the Agenda was to approve the payment of Directors' fees amounting to RM1,422,164.00 (Ringgit Malaysia: One Million Four Hundred and Twenty-Two Thousand One Hundred and Sixty-Four only) for the financial year ended 31 August 2016.

The resolution was proposed by [Mr. Yeo Seng Song, a shareholder](#) and seconded by [Mr. Choong Chee Seng, a proxy of Ms. Choong Soon Yen](#).

4.0 RE-ELECTION OF THE FOLLOWING DIRECTORS WHO RETIRED PURSUANT TO ARTICLE 94 OF THE COMPANY'S ARTICLES OF ASSOCIATION AND BEING ELIGIBLE, HAVE OFFERED THEMSELVES FOR RE-ELECTION:

- (A) TAN SRI DR LIM WEE CHAI;**
 - (B) TAN SRI MOHD SIDEK BIN HAJI HASSAN; AND**
 - (C) MR. LIM CHEONG GUAN**
-

The Meeting was informed that the next item on the Agenda was to re-elect the retiring Directors namely, Tan Sri Dr Lim Wee Chai, Tan Sri Mohd Sidek Bin Haji Hassan and Mr. Lim Cheong Guan, who retired pursuant to Article 94 of the Company's Articles of Association, and being eligible for re-election, had offered themselves for re-election.

The resolution in relation to re-election of Tan Sri Dr Lim Wee Chai was proposed by [Ms. Tan Yew Yoon, a shareholder](#) and seconded by [Mr. Sekarajasekaran a/ Arasaratnam, a shareholder](#).

The resolution in relation to re-election of Tan Sri Mohd Sidek Bin Haji Hassan was proposed by [Mr. Wan Heng Wah, a shareholder](#) and seconded by [Mr. Yeo Seng Song, a shareholder](#).

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The resolution in relation to re-election of Mr. Lim Cheong Guan was proposed by [Mr. Sekarajasekaran a/l Arasaratnam, a shareholder](#) and seconded by [Mr. Chua Boon Hock, a shareholder](#).

5.0 RE-ELECTION OF MR. TAY SEONG CHEE SIMON WHO RETIRED PURSUANT TO ARTICLE 100 OF THE COMPANY'S ARTICLES OF ASSOCIATION AND BEING ELIGIBLE, HAS OFFERED HIMSELF FOR RE-ELECTION

The Meeting was informed that the next item on the Agenda was to re-elect Mr. Tay Seong Chee Simon, who retired pursuant to Article 100 of the Company's Articles of Association, and being eligible for re-election, had offered himself for re-election.

The resolution was proposed by [Mr. Lim Heng Kuan, a shareholder](#) and seconded by [Mr. Choong Chee Seng, a proxy of Ms. Choong Soon Yen](#).

6.0 RE-APPOINTMENT OF THE FOLLOWING DIRECTORS WHO HAVE ATTAINED THE AGE OF OVER SEVENTY (70) YEARS AND TO HOLD OFFICE AS THE DIRECTORS OF THE COMPANY UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING:

A) TAN SRI DATO' SERI UTAMA ARSHAD BIN AYUB

B) TAN SRI RAINER ALTHOFF

The Meeting was informed that the next item on the Agenda was to re-appoint Tan Sri Dato' Seri Utama Arshad Bin Ayub and Tan Sri Rainer Althoff, who had attained the age of over seventy (70) years as Directors of the Company and to hold office until the conclusion of the next Annual General Meeting.

The resolution on the re-appointment of Tan Sri Dato' Seri Utama Arshad Bin Ayub was proposed by [Mr. Lim Kheng Joo, a proxy of Cimsec Nominees \(Tempatan\) Sdn. Bhd.](#) and seconded by [Ms. Ng Gah Lan, a shareholder](#).

The resolution on the re-appointment of Tan Sri Rainer Althoff was proposed by [Mr. Wan Heng Wah, a shareholder](#) and seconded by [Mr. Goh Chay Huang, a shareholder](#).

7.0 RE-APPOINTMENT OF MESSRS. ERNST & YOUNG AS AUDITORS OF THE COMPANY UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION

The Meeting was informed that the next item on the Agenda was to re-appoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

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The Meeting was further informed that Messrs. Ernst & Young had indicated their willingness to continue as Auditors of the Company.

The resolution was proposed by [Mr. Yeo Seng Song, a shareholder](#) and seconded by [Mr. Shanmugam Subramanian, a shareholder](#).

8.0 SPECIAL BUSINESS

ORDINARY RESOLUTION NO. 1

- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

The Meeting was informed that the next item on the Agenda was a special business to approve the Ordinary Resolution No. 1 on Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.

The Meeting was further informed that the proposed adoption of the Ordinary Resolution No. 1 was to renew the general mandate to provide flexibility to the Company to allot shares for any possible fund raising activities, including but not limited to placement of shares for the purpose of funding future investment project(s), working capital and/or acquisition(s). This resolution would also empower the Directors of the Company pursuant to Section 132D of the Companies Act, 1965 to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the general mandate does not exceed 10% of the issued and paid-up share capital of the Company for the time being.

The resolution was proposed by [Mr. Yeo Seng Song, a shareholder](#) and seconded by [Mr. Lim Lay Siah, a shareholder](#).

9.0 SPECIAL BUSINESS

ORDINARY RESOLUTION NO. 2

- RETENTION OF INDEPENDENT DIRECTOR

The Meeting was informed that the next item on the Agenda was a special business to approve the Ordinary Resolution No. 2 on Retention of Independent Director.

The Meeting was further informed that the proposed adoption of the Ordinary Resolution No. 2 was to retain Tan Sri Dato' Seri Utama Arshad Bin Ayub as an Independent Non-Executive Director of the Company who has served more than nine (9) years and has met the independence guidelines as set out in Chapter 1 of Bursa Securities Main Market Listing Requirements. The Board, therefore, considered Tan Sri Dato' Seri Utama Arshad Bin Ayub to be independent and believed that Tan Sri

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Dato' Seri Utama Arshad Bin Ayub should be retained as an Independent Non-Executive Director.

The resolution was proposed by [Mr. Wan Heng Wah, a shareholder](#) and seconded by [Mr. Sekarajasekaran a/l Arasaratnam, a shareholder](#).

10.0 SPECIAL BUSINESS

ORDINARY RESOLUTION NO. 3

- PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The Meeting was informed that the next item under special business was to approve the Ordinary Resolution No. 3 on Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("**Proposed New Shareholders' Mandate**").

The Meeting noted that the proposed adoption of the Ordinary Resolution No. 3 was to enable the Company and/or its subsidiaries to enter into recurrent related party transactions with related parties in the ordinary course of business which are necessary for the Group's day-to-day operations and are on terms not more favourable to the related parties than those generally available to the public.

The interested Directors, Tan Sri Dr [Lim](#) Wee Chai, Puan Sri Tong Siew Bee and Mr. Lim Hooi Sin had abstained from all deliberations and voting in respect of their direct and/or indirect interests in the Company on the Proposed New Shareholders' Mandate.

All the interested parties had undertaken to ensure that the persons connected to them would abstain from voting on the Proposed New Shareholders' Mandate at this Meeting.

The resolution was proposed by [Mr. Yeo Seng Song, a shareholder](#) and seconded by [Ms. Tan Yew Yoon, a shareholder](#).

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11.0 SPECIAL BUSINESS
ORDINARY RESOLUTION NO. 4
- PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

The Meeting was informed that the next item under special business was to approve the Ordinary Resolution No. 4 on Proposed Renewal of Authority for Share Buy-Back.

The Meeting noted that the proposed adoption of the Ordinary Resolution No. 4 was to renew the authority granted by the shareholders of the Company at the Seventeenth Annual General Meeting held on 6 January 2016. The proposed renewal would allow the Board of Directors to exercise the power of the Company to purchase not more than 10% of the issued and paid-up share capital of the Company at any time within the time period stipulated in Bursa Securities Main Market Listing Requirements.

The resolution was proposed by [Mr. Shanmugam Subramanian, a shareholder](#) and seconded by [Mr. Sekarajasekaran a/l Arasaratnam, a shareholder](#).

12.0 ANY OTHER ORDINARY BUSINESS

The Meeting noted that no notice was received for transacting any other ordinary business.

13.0 POLLING PROCESS

Mr. Lee Kim Meow informed that the Meeting would be adjourned for electronic poll voting for all the proposed resolutions nos. 1 to 13 and declared that the registration for attendance at the Meeting closed. The Company Secretary, Ms. Chua Siew Chuan, was invited to brief the Meeting on the procedure on the electronic polling process. The Company Secretary explained the same and the Meeting was adjourned at 12:50 p.m. for shareholders, proxy holders and corporate representatives to cast their votes.

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

14.0 ANNOUNCEMENT OF POLL RESULTS

The Meeting resumed at 1:10 p.m. and the Chairman invited the Company Secretary, Ms. Chua Siew Chuan to announce the results of the poll voting.

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The results of the poll voting were as follows:

RESOLUTION	Vote in Favour		Vote Against	
	No. of Shares	%	No. of Shares	%
ORDINARY BUSINESS				
Resolution 1 To approve the declaration of a Single Tier Final Dividend of 8.5 sen per share (17%) for the financial year ended 31 August 2016.	904,916,792	100.00	0	0
Resolution 2 To approve the payment of Directors' fees for the financial year ended 31 August 2016.	904,012,392	99.90	900,000	0.10
Resolution 3 To re-elect Tan Sri Dr <u>Lim</u> Wee Chai who retires pursuant to Article 94 of the Company's Articles of Association and being eligible, has offered himself for re-election.	819,384,426	91.67	74,450,666	8.33
Resolution 4 To re-elect Tan Sri Mohd Sidek Bin Haji Hassan who retires pursuant to Article 94 of the Company's Articles of Association and being eligible, has offered himself for re-election.	891,680,514	99.76	2,154,578	0.24
Resolution 5 To re-elect Mr. Lim Cheong Guan who retires pursuant to Article 94 of the Company's Articles of Association and being eligible, has offered himself for re-election.	891,234,714	99.71	2,600,378	0.29
Resolution 6 To re-elect Mr. Tay Seong Chee Simon who retires pursuant to Article 100 of the Company's Articles of Association and being eligible, has offered himself for re-election.	893,835,092	100.00	0	0

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RESOLUTION	Vote in Favour		Vote Against	
	No. of Shares	%	No. of Shares	%
Resolution 7 To re-appoint Tan Sri Dato' Seri Utama Arshad Bin Ayub, who has attained the age of over seventy (70) years, as Director of the Company and to hold office until the conclusion of the next Annual General Meeting.	765,417,650	85.72	127,517,442	14.28
Resolution 8 To re-appoint Tan Sri Rainer Althoff, who has attained the age of over seventy (70) years, as Director of the Company and to hold office until the conclusion of the next Annual General Meeting.	891,598,414	99.75	2,236,678	0.25
Resolution 9 To re-appoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	895,511,096	98.96	9,405,696	1.04
Resolution 10 Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965	874,814,392	96.67	30,102,400	3.33
Resolution 11 Retention of Tan Sri Dato' Seri Utama Arshad Bin Ayub as Independent Director.	772,573,112	86.45	121,126,324	13.55
Resolution 12 Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	444,795,608	100.00	0	0
Resolution 13 Proposed Renewal of Authority for Share Buy-Back.	904,916,792	100.00	0	0

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

RESOLUTION 1

That the Single Tier Final Dividend of 8.5 sen per share (17%) for the financial year ended 31 August 2016 be approved and declared payable on 23 January 2017 to shareholders registered in the Record of Depositors of the Company on 10 January 2017.

RESOLUTION 2

That the payment of Directors' fees amounting to RM1,422,164.00 (Ringgit Malaysia: One Million Four Hundred and Twenty-Two Thousand One Hundred and Sixty-Four only) for the financial year ended 31 August 2016 be approved for payment.

RESOLUTION 3

That the retiring Director, Tan Sri Dr Lim Wee Chai, being eligible for re-election, be re-elected to serve on the Board of Directors of the Company.

RESOLUTION 4

That the retiring Director, Tan Sri Mohd Sidek Bin Haji Hassan, being eligible for re-election, be re-elected to serve on the Board of Directors of the Company.

RESOLUTION 5

That the retiring Director, Mr. Lim Cheong Guan, being eligible for re-election, be re-elected to serve on the Board of Directors of the Company.

RESOLUTION 6

That the retiring Director, Mr. Tay Seong Chee Simon, being eligible for re-election, be re-elected to serve on the Board of Directors of the Company.

RESOLUTION 7

That Tan Sri Dato' Seri Utama Arshad Bin Ayub, who has attained the age of over seventy (70) years, be re-appointed as Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company.

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RESOLUTION 8

That Tan Sri Rainer Althoff, who has attained the age of over seventy (70) years, be re-appointed as Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company.

RESOLUTION 9

That the retiring Auditors, Messrs. Ernst & Young be re-appointed as Auditors of the Company until the conclusion of the next Annual General Meeting and that authority be given for the Directors to fix their remuneration.

RESOLUTION 10

Ordinary Resolution No. 1

- ***Authority to issue shares pursuant to Section 132D of the Companies Act, 1965***
-

THAT subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.

RESOLUTION 11

Ordinary Resolution No. 2

- ***Retention of Independent Director***

THAT subject to the passing of Resolution No. 7, approval be and is hereby given to retain Tan Sri Dato' Seri Utama Arshad Bin Ayub who has served as Independent Non-Executive Director of the Company for more than nine (9) years in accordance with Malaysian Code on Corporate Governance 2012.

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RESOLUTION 12

Ordinary Resolution No. 3

- Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

THAT, in accordance with Paragraph 10.09 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, as set out in Part A of the Circular to Shareholders dated 14 November 2016 despatched together with the Company's Annual Report 2016, which are necessary for the day-to-day operations in the ordinary course of the business of the Company and/or its subsidiaries on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company;

THAT authority conferred by such mandate will continue to be in force and effect until:

- (i) the conclusion of the next Annual General Meeting of the Company at which such mandate was passed, at which time it will lapse, unless by a resolution passed at such general meeting, the authority is renewed;***
- (ii) the expiration of the period within which the Company's next Annual General Meeting after the date is required to be held under Section 143(1) of the Companies Act, 1965 (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or***
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,***

whichever is earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts, deeds and things (including without limitation, to execute such documents under the Common Seal of the Company in accordance with the provisions of the Articles of Association of the Company, as may be required) to give effect to the aforesaid shareholders' mandate and transactions contemplated under this resolution.

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RESOLUTION 13

Ordinary Resolution No. 4

- Proposed Renewal of Authority for Share Buy-Back

THAT subject to the Companies Act, 1965, the Company's Memorandum and Articles of Association, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and the approvals of all relevant governmental and/or regulatory authority (if any), the Company be and is hereby authorised to purchase such amount of ordinary shares of RM0.50 each in the Company ("Proposed Share Buy-Back") as may be determined by the Board from time to time through Bursa Securities upon such terms and conditions as the Board may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution shall not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company;

THAT the maximum amount of funds to be utilised for the purpose of the Proposed Share Buy-Back shall not exceed the aggregate retained profits or share premium account of the Company based on its audited financial statements for the financial year ended 31 August 2016 of RM55,609,000.00 and RM4,781,000.00 respectively;

THAT at the discretion of the Board, the shares of the Company to be purchased are proposed to be cancelled and/or retained as treasury shares and/or distributed as dividends and/or resold on Bursa Securities;

THAT such authority shall commence immediately upon passing of this resolution until:

- (i) the conclusion of the next Annual General Meeting of the Company following this general meeting at which such resolution was passed at which time it will lapse unless by ordinary resolution passed at that Meeting, the authority is renewed, either unconditionally or subject to conditions;***
- (ii) the expiration of the period within which the next Annual General Meeting after that date is required by law to be held; or***
- (iii) the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,***

whichever is the earlier;

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AND THAT the Board be and is hereby authorised to take such steps to give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and/or to do all such acts and things as the Board may deem fit and expedient in the best interest of the Company.

TERMINATION

Tan Sri Chairman concluded the Meeting and thanked all present for their attendance.

The Meeting terminated at 1:15 p.m. with a vote of thanks to Tan Sri Chairman.

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Annexure "A"

EXTRACT OF THE MINUTES OF THE EIGHTEENTH ANNUAL 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, 5 JANUARY 2017 AT 11:30 A.M.

REPLY TO QUERIES FROM THE MINORITY SHAREHOLDER WATCHDOG GROUP

1. Revenue for the first quarter of 2017 was down 1.8% year-on-year and the margin for profit before taxation also declined from 16.1% to 9.4%.
What were the reasons for lower margin and measures taken to address the decline?

Revenue has reduced by 1.8% mainly due to a lower average selling price and weakening of the USD. However, sales volume has improved by 7% for the same period. The profit after tax margin reduced from 16.1% in 1Q16 to 9.4% in 1Q17 mainly attributed to:

- a. Lower average selling price due to competition
- b. The increase in minimum wage of 11%
- c. The increased in natural gas price of 24%
- d. The increase in natural rubber latex price of 13%
- e. The weakening of the USD against the RM by 2%

These factors are mainly external and not within our control. To ensure we continue to perform well, our approach has always been to focus on internal factors that are within our control, which include continuing to improve the quality of gloves and our costing through R&D, innovation and automation.

2. Could the Board share with shareholders their views/thoughts on the developments pertaining to the glove industry and their potential impact to the Group, for instance, the drastic depreciation of Ringgit against US\$ and the Bank Negara's policies on the conversion of 75% of export proceeds to Ringgit?
Please update on the latest situation and the negative implications to the Group and explain how these external factors would impact its operation and financial performance.

Overall, a stronger USD will have positive impact to the Group.

Bank Negara's policies on the conversion of 75% of export proceeds to Ringgit has no impact to the Group as Bank Negara allows exporters to reconvert immediately to USD at the same rate. The only impact is the additional administrative work involved in converting and reconvert, which results in less administrative efficiency.

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3. It was reported on 21 March 2016 that the U.S. Food and Drug Administration had announced a proposal to ban most powdered gloves in the United States. Would this proposed ban impact on the Group's production of latex based gloves? What is the contribution ratio of the latex gloves to the Group's revenue and profit after taxation?

The US FDA ban has been issued on powdered medical gloves for the medical sector only, and does not affect the use of powdered gloves for the non-medical sector. The Group has prepared for this and there is no impact arising from the ban which takes effect 19 January 2017, as the sale of such gloves to the US medical sector is negligible. The Group supplies powder-free natural rubber and nitrile gloves for the US medical market. However, powdered medical gloves are still widely accepted in developing countries.

4. How much has the Group spent on Research & Development to date and how much more is estimated to be spent in the financial year? What are the expected benefits to be derived from the exercise?

For the Financial Year 2016, the Group invested RM6.3 million in R&D expenses and RM4.2million in R&D capital expenditure. The investment in R&D, will enable the Group to continue producing consistently high quality gloves at an efficient low cost in line with our Business Direction, and also to develop new glove types to meet our customers' requirements.

5. We noted that the Group's distribution and selling costs to revenue was hovering around 2% to 3% which was higher than the ration of 1.1% to 1.3% recorded by its peer, i.e. Hartalega. Please explain the reasons for having such a higher distribution costs to revenue.

The Group's selling and distribution cost is inclusive of freight and insurance. The ratio will be 1.4% only, excluding freight and insurance.

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Annexure "B"

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QUERIES FROM THE MEMBERS/PROXY HOLDERS

Ms. Chua Siew Chuan ("**Ms. Chua**"), the Company Secretary of the Company invited questions from the floor in respect of the Audited Financial Statements for the financial year ended 31 August 2016.

Mr. Wan Heng Wah, a shareholder congratulated the Company for its good achievements and raised the following questions:

- (a) The position of Top Glove in the market for nitrile glove and any plan to become the top player in nitrile glove in the market;
- (b) The reason for the substantial growth in nitrile glove as compared to natural rubber glove; and
- (c) In conjunction with the celebration of twenty-fifth ("**25th**") anniversary, the Board should consider declaring higher dividend payment of 25 sen per share to the shareholders.

Mr. Lee Kim Meow ("**Mr. Lee**"), *Managing Director* replied to the questions (a) and (b) above as follows:

- (a) Question (a) – Currently, the Company is one of the largest player in nitrile glove in the market. Management expects that the position of the Company would improve further in the next two (2) to three (3) years. As for the Company's plan in expanding the nitrile glove business, the Company has been acquiring ready-to-use factories in order to expedite the expansion of the nitrile glove business. The Company also build at least two (2) factories per annum to cater for the aforesaid expansion.
- (b) Question (b) – Previously, nitrile glove is a good substitute for rubber glove for those who are allergy to latex. However, with the advancement of technology nowadays, the protein contain in the rubber has been reduced significantly, hence reducing the allergy concern. The Company is recognised as the most comprehensive product range glove manufacturer in the market, consisting of medical, dental, food, services and etc.

Tan Sri Dr Lim Wee Chai ("**Tan Sri Chairman**"), *Chairman* replied to the question (c) above as follow:

Question (c) – In determining the dividend payment, the Board has to consider whether there is sufficient retained earnings available for future business expansion and also without compromising the interests of other stakeholders. This strategy would ensure the sustainability of the business which in turn, promising a consistent and stable dividend

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payment in future. Employees of the Company have to adhere to the business ethics practiced throughout the Company, as it is important to build a strong foundation for the Company to grow further.

Mr. Koay Chiang Leong, a shareholder, enquired on the updates for other non-glove businesses.

Tan Sri Chairman replied that besides glove business, the Company also diversify its business through investments in the following businesses:

- (a) Porcelain glove former;
- (b) Chemical factory to supply material for own-consumption;
- (c) Properties and subsequent renting out of the said properties; and
- (d) Healthcare (i.e. medical center and gym for the staff).

Mr. James Lim, a shareholder, sought clarification from the Board on the Directors' remuneration as reported on page 53 of the Annual Report 2016.

Mr. Lim Cheong Guan ("**Mr. Lim**"), *Executive Director* clarified that the Directors' remuneration reported on page 53 of the Annual Report 2016 was categorised into two (2) components, i.e. remuneration received from the Company and also remuneration received from the Group.

Mr. Ho Yueh Weng, a proxy for Mr. Kenneth Ho Tze Kien, raised the following questions:

- (a) The impact to the nitrile glove business in view of the rising costs of material and labour;
- (b) The reason for the decrease of tax notwithstanding that profit has increased and justification for tax allowance and incentive in the following three (3) areas:
 - i. There was utilisation of tax incentive in year 2016 whereas for year 2015, there was none;
 - ii. The source of income that is not subject to tax and the aforesaid income is higher than last year;
 - iii. The reason for the decrease in foreign tax; and
- (c) The reason for the increase in cost of research and development ("**R&D**"), the field of such R&D activities and the benefits derived from it.

Tan Sri Chairman replied to the questions (a) and (c) above as follows:

- (a) Question (a) - The price of nitrile had been fluctuated over the years and 80% of the cost would be absorbed by consumers. In dealing with the rising labour cost, the

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Company has invested in technology to promote automation and computerisation to reduce reliance on manpower.

- (b) Question (c) – The Company continues its efforts in the R&D on technology in order to maximise the cost efficiency and to ensure consistency in the quality of the products.

Mr. Lim replied to the question (b) in relation to the tax allowance and incentive in the following three (3) areas as follows:-

- i. The tax incentive for year 2016 was in relation to the Special Re-investment allowance granted by the Government for a period of three (3) years from 2016 to 2018. In view thereof, there was no tax incentive recorded in year 2015.
- ii. The source of income that is not subject to tax was in relation to the investment income received from foreign source and the interest received from the placement of excess fund in the tax exempt money market.
- iii. The decrease in foreign tax was mainly due to the tax incentive claimed by the subsidiaries in Thailand, where it is entitled for tax-exemption for a period of time.

Mr. Choong Chee Seng, a proxy for Ms. Choong Soon Yen, enquired whether the Company has any intention of setting up a factory in United States of America (“USA”).

Mr. Lim Hooi Sin (“**Mr. Lim HS**”), *Executive Director* was invited to share his view on the overview of the business environment in USA. Mr. Lim HS viewed that it is not likely for the Company to set up a factory in USA considering the following factors:

- a) Glove business is very competitive in USA;
- b) Limited infrastructure in USA where the supply of raw materials is not as convenience as in Malaysia; and
- c) Lack of other supporting industries such as hand mould suppliers, production line contractors, etc.

Ms. Ng Mun Fong, a shareholder, raised the following questions:

- (a) The reason for the reduction of manpower upon the implementation of a centralised system (SCADA);
- (b) The principal business of the subsidiaries operated in China and any labour issue encountered in China; and
- (c) Whether the 1,252,648,000 shares reported on page 20 of the Annual Report 2016 includes the shares listed in Singapore Exchange.

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Tan Sri Chairman replied to questions (a) and (b) above as follows:

- (a) Question (a) - SCADA is an automation system that allow the monitoring and control of the production line parameters to be completely automated. The implementation of SCADA would enhance the data accuracy and traceability. The Company continues to implement SCADA for all production lines.
- (b) Question (b) - There is minimal labour issues faced by the Company as the increase in work force is relatively small as compared to the increase in productivity. The cost efficiency has been improved substantially. As China is a big market for glove business, it is important for the Company to set up its distribution channels in China. The principal activities of the subsidiaries in China were reported on page 128 of the Annual Report 2016.

Mr. Lim replied to question (c) that the 1,252,648,000 shares as at 31 August 2016 reported on page 20 of the Annual Report 2016 were inclusive of shares listed in Singapore Exchange.

Mr. Alvin Ngu Deing Chun, a shareholder, raised the following questions:

- (a) The amount of capital expenditure (“**CAPEX**”) investment in the next three (3) to five (5) years and the ratio of investment in new factory against upgrading of existing factories;
- (b) The strategy of the Company in relation to expansion of nitrile glove, i.e. by merger and acquisition or organic growth i.e. building of new factory; and
- (c) The capacity of the production if the natural rubber glove production line is converted into nitrile glove production line.

Tan Sri Chairman replied to the questions (a) to (c) above as follows:

- (a) Question (a) - In the past, the investment in CAPEX was approximately RM150.0 million to RM200.0 million and would be increased to RM200.0 million to RM250.0 million moving forward. 60% of the CAPEX was used to build new factory and the remaining 30% to 40% was used for upgrading of systems, R&D and purchasing of land.
- (b) Question (b) - Aside from purchasing of new factory, the Company also looking into merger and acquisition opportunities which might enable the Group to set up the distribution channel faster.
- (c) Question (c) - In view of the growth in nitrile glove segment, some of the rubber glove machineries were converted to produce nitrile glove.