

TOP GLOVE CORPORATION BHD.
[Registration No. 199801018294 (474423-X)]
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE EXTRAORDINARY GENERAL MEETING (“**EGM**”) OF TOP GLOVE CORPORATION BHD. (“**TOP GLOVE**” OR “**THE COMPANY**”) HELD ON FULLY VIRTUAL BASIS AT THE BROADCAST VENUE AT TG GRAND BALLROOM, LEVEL 9, TOP GLOVE TOWER, 16, PERSIARAN SETIA DAGANG, SETIA ALAM, SEKSYEN U13, 40170 SHAH ALAM, SELANGOR DARUL EHSAN ON TUESDAY, 18 AUGUST 2020 AT 10:00 A.M.

DIRECTORS PRESENT AT BROADCAST VENUE : Tan Sri Dr. Lim Wee Chai (*Chairman*)
Dato’ Lee Kim Meow (*Managing Director*)
Dato’ Lim Han Boon
Tan Sri Rainer Althoff
Mr. Lim Cheong Guan
Datuk Noripah Kamso
Datuk Dr. Norma Mansor
Ms. Sharmila Sekarajasekaran
Puan Azrina Arshad

DIRECTORS WHO PARTICIPATED REMOTELY : Mr. Lim Hooi Sin
Puan Sri Tong Siew Bee
Mr. Lim Andy

MEMBERS : As per Attendance List

PROXY HOLDERS : As per Attendance List

INVITEES : As per Attendance List

IN ATTENDANCE : Ms. Chua Siew Chuan (*Company Secretary*)
Ms. Chin Mun Yee (*Company Secretary*)
Ms. Lim Keat See (*Company Secretary*)

QUORUM

The requisite quorum being present pursuant to Clause 72 of the Company’s Constitution, the EGM of the Company was duly convened.

QUESTIONS AND ANSWERS SESSION

Questions received in advance from the shareholders prior to the EGM:

Mr. Lim Cheong Guan (“**Mr. Lim CG**”), the Executive Director of the Company presented the questions received in advance from the shareholders. The summary of the same were as follows:

1) What is the rationale for the Proposed Bonus Issue?

The rationale for the Proposed Bonus Issue are as follows:

- (i) reward the existing shareholders of the Company for their continuous support;

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- (ii) enlarge the number of ordinary shares in the Company held by the Company's existing shareholders, without increasing the percentage of equity interest held; and
- (iii) potentially enhance the marketability and trading liquidity of shares in Top Glove ("**Top Glove Shares**") on the Main Market of Bursa Malaysia Securities Berhad and Singapore Exchange.

The share price of Top Glove Shares without any bonus issues and share split would be approximately RM1,000 since its IPO. Hence, with the proposed bonus issues and share split, it is more affordable for investors to invest in Top Glove Shares.

- 2) What is the sales order book and the lead time arising from Covid-19 outbreak?

There was significant increase in sales order after January 2020. The monthly increasing trend for Average Selling Price ("ASP") was mainly due to strong demand and glove supply shortage arising from Covid 19 outbreak.

The Group had allocated 30% of its production capacity for spot order. The Group expects that the gloves usage to be stronger post Covid-19 pandemic even with vaccine available as compared to pre Covid-19 pandemic due to increase in healthcare and hygiene awareness.

The current lead time has increased significantly as compared to the lead time prior to Covid-19 pandemic.

- 3) What is the status update of United States ("**US**") Custom and Border Protection ("**CBP**")?

The Company has been actively engaging with the US CBP towards resolving the Withhold Release Order expeditiously, and is currently working with an independent consultant to perform the verification work. The total remediation fee was estimated at RM53.0 million, subject to finalisation with the US CBP. The Company has made the first remediation payment of RM4.4 million on 10 August 2020 and targeted to resolve the aforesaid issue by end of August 2020. There was no impact on the Group's revenue and profit due to strong demand and long lead time from other countries.

- 4) What is the Company's expansion plan with new players interested to venture into gloves business in view of the good business during the Covid-19 pandemic?

There is continuous rapid growth in the capacity of the Group and the Group expects 36% growth from financial year 2020 to financial year 2022. The Group has invested additional new capacity in order to meet the strong demand from every country in the world to ensure Top Gove's life-savings gloves reach to those who need it the most. The Group will work towards its targets utilisation rate of 100%.

The Company took note that some newcomers are interested to venture into gloves business in view of the strong demand and good profit due to Covid-19 pandemic.

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The same situation has been seen in the past pandemics such as H1N1, however, not all of them were able to sustain their business when the glove demand normalised. There were about 250 gloves manufacturers in the past 30 years but only left with about 40 players currently. Many of them were unable to sustain during tough time. It would be more prudent for investors to invest in the existing glove companies listed on Bursa Malaysia Securities Berhad.

- 5) What is the employment rate of Top Glove's local and foreign workers as well as the efficiency of production process?

There was significant improvement in productivity and efficiency of workers per million pieces (i.e. 78% improvement) from financial year 2001 until July 2020 through investment in technology focusing on innovation, automation, digitalisation and artificial intelligent.

For the past two (2) years, the production capacity has increased by 33%, however, the number of foreign workers has reduced by 2%. Currently, it is easier to employ local workers as many industries have been affected by the Covid-19 pandemic. The Group has employed around 1,500 local workers over the past one (1) year.

- 6) What is the consideration for the declaration of dividends?

The total dividend payment since the listing of Top Glove on Bursa Malaysia Securities Berhad in year 2001 was amounted to RM1.84 billion.

Going forward, the Company would continue to reward the shareholders with good dividends. The proposed dividend would take into consideration the Company's available cash and cash equivalents; return on equity and retained earnings of the Company; and the Company's projected capital expenditures and other investment plans. The Company had paid an interim dividend of 10 sen per share for financial year 2020 and intends to declare a good final dividend for financial year 2020. The dividend for full financial year 2020 is expected to be significantly higher as compared to past years' dividends.

- 7) What is the track record of delivering of shareholders' value?

The total shareholders return as at 17 August 2020 was 34,806% or 348 times over twenty (20) years since its listing on Bursa Malaysia Securities Berhad in year 2001. Currently, the Company was ranked fourth highest in term of market capitalisation in Bursa Malaysia Securities Berhad and ninth highest in Singapore Exchange. For the year-to-date, 17 August 2020, the share price has appreciated approximately 377%.

- 8) What is the projected profit for future years as well as the expected share price?

Based on the analysts' research reports rating as at 18 August 2020, the average projected profit after tax of the Company for financial year 2020 is RM1.4 billion with highest RM1.9 billion and for financial year 2021 is RM4.1 billion with highest RM9.1 billion. The average target share price of the Company is RM31.13 with highest RM48.10 from Citibank, RM46.40 from Affin Hwang, RM37.00 from Credit Suisse and RM36.90 from UOB Kay Hian.

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Questions received during live streaming via Securities Services ePortal

At this juncture, Tan Sri Dr. Chairman, Dato' Lee Kim Meow ("**Dato' Lee KM**") and Mr. Lim CG answered the questions raised by shareholders during live streaming via Securities Services ePortal as follows:

1) **Mr. Lee Siu Ming raised the following questions:**

In Malaysian Investment Development Authority (MIDA) Annual Report 2019, it was reported that: "Top Glove Group is the first Malaysian company that has ventured into production of synthetic latex, which involves advanced technology". What is the status of the aforesaid project and whether the production of synthetic latex has commenced? Will this facility serve as an in-house requirement only, or will it takes orders from other customers?

In response, Mr. Lim CG informed that the aforesaid project is at the planning stage and would make further announcement once it is completed.

Tan Sri Dr. Chairman further added that the aforesaid project is important and beneficial to the Group to produce the nitrile latex mainly for self-consumption. Currently, about 20,000 metric tonnes of nitrile latex are consumed per month or about 250,000 metric tonnes per annum. The Company had allocated 20 acres of land located at Banting, Selangor for the production of synthetic nitrile latex and had submitted the application to the local authority for the aforesaid production.

2) **Mr. Goh In Foo raised the following questions:**

What is Management's view on the aggressive expansion plan by China gloves manufacturers? Would it bring down the ASP once the expansion plan is fully implemented in the next few years? What is the competitive edge of Top Glove in terms of costing against China competitors?

Dato' Lee KM responded that the time taken to expand and build new machineries and factories is totally different now as compared to previous years. The machineries are more sophisticated and it would take at least nine (9) to fifteen (15) months to have a sizeable production line. Secondly, due to travel restriction arising from Covid-19 pandemic, it is difficult to get contractors and suppliers from Malaysia and hence, there would be some delay in the installation of machineries by the China manufacturers. Thirdly, in China, there are plenty of opportunities in other business ventures instead of gloves and the cost of production in China is not cheap coupled with difficulty in recruiting domestic workers in China. The cost of production in Malaysia is at advantage. Malaysia still maintain the edge in terms of costing, technology, availability of raw materials and strong supplier, such as Synthomer Sdn. Bhd. to supply adequate raw materials to the industry.

Tan Sri Dr. Chairman further explained that the shortage of nitrile latex has resulted in the increase of nitrile latex prices. Currently, the suppliers are operating at full capacity in view of the shortage of nitrile latex. The price of nitrile latex has increased since January 2020 for about 10% to 30% due to strong demand and shortage of nitrile latex supply. The price of nitrile gloves has also increased to about 40% to 70%.

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- 3) **Encik Mohd Khairul Naziri bin Abdul Nashir** raised the following question:

Any plan to diversify the business not only in gloves but also in other sectors?

In response, Tan Sri Dr. Chairman informed that the Company would continue to source for other businesses. The main core business of the Group is manufacturing of gloves and the Group has also ventured into manufacturing of face masks with three (3) machineries which generated about 7 million pieces of face masks per month.

- 4) **Ms. Tan Seok In** raised the following question:

When will the Company announce its quarterly report for the fourth quarter ending 31 August 2020 ("4Q20") to the public?

In response, Mr. Lim CG informed that the quarterly report for 4Q20 is tentatively scheduled to be released on 17 September 2020.

- 5) **Ms. Loke Foong Wai** raised the following question:

Does the Company foresee any difficulty in achieving the average profit after tax forecasted by the analysts for financial years 2020 and 2021?

In response, Mr. Lim CG informed that the gloves demand continues to be strong due to Covid-19 pandemic and the Group strives to achieve good results for the 4QFY20 and the coming years.

- 6) **Mr. Ho Yueh Weng** raised the following questions:

As a beneficiary of the Covid-19 pandemic, what is your expectation of the earnings per share of this and next financial year's performance? What is the likely impact on your profit and share price if the Government decides to impose an excessive tax on the profit generated by this sector? To what extent are the issues on human resources, including foreign workers, affecting your smooth manufacturing operations, especially foreign Governments concerns and Customs actions on your exports into their nation?

In response, Mr. Lim CG informed that some of the questions raised by Mr. Ho Yueh Weng had been answered earlier during the Meeting.

Mr. Lim CG further informed that the Government of Malaysia has yet to decide on the imposition of windfall tax in order to increase the nation's revenue. As highlighted in Parliament, the Ministry of Finance has formed a task force to address the leakages of sales for cigarettes and liquors and this would be addressed in the National Budget for year 2021. Based on past experience, windfall tax would typically be imposed on commodity-related products or the natural resources segment, and not manufacturing sector. In addition, the gloves exporters are paying in excess of 0.2% free-on-board value of gloves export out of Malaysia.

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Tan Sri Dr. Chairman further added that the Company is working very well with US CBP and communicating with them daily to resolve the Withhold Release Order issue and hoping that the issue could be resolved by end of August 2020.

7) Mr. Chew Seng Huar raised the following questions:

Will the Company build factories in Sabah and Sarawak? Is it possible for solar energy to replace nature gas during the production of gloves? Are there any new products in the pipeline?

In response, Mr. Lim CG informed that the Company's expansion is mainly in Peninsular Malaysia, Vietnam and Thailand and the Company has no plan to expand to Sabah and Sarawak as of now.

With regards to the new products in the pipeline, it has been addressed by Tan Sri Dr. Chairman earlier during the Meeting on the new ventures.

The Company is currently conducting research and development on solar energy to reduce the energy consumption by the Group in the production of gloves. Tan Sri Dr. Chairman further added that the solar energy is to reduce the electricity consumption and not to replace the natural gas in the production of gloves. The Group's consumption of electricity is relatively low in the production of gloves.

DECLARATION OF POLLING RESULT

Further to the verification of poll result by the Independent Scrutineer, the result of the poll as follows was announced by the Company Secretary:

| Ordinary Resolution | Vote in favour | | Vote against | | Results |
|--|----------------|---------|---------------|--------|----------|
| | No. of shares | % | No. of shares | % | |
| Proposed Bonus Issue of up to 5,476,974,322 new Ordinary Shares in Top Glove ("Top Glove Shares") ("Bonus Shares") on the basis of Two (2) Bonus Shares for One (1) Existing Top Glove Share held in Top Glove on an Entitlement Date to be determined later ("Proposed Bonus Issue") | 1,799,828,262 | 99.9987 | 22,630 | 0.0013 | Accepted |

TERMINATION

The Meeting terminated at 11:00 a.m.