THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Securities takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular. You should rely on your own evaluation to assess the merits and risks of the Proposed Acquisition (as defined below).

TOP GLOVE

TOP QUALITY, TOP EFFICIENCY

TOP GLOVE CORPORATION BHD

(Company No. 474423-X)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED ACQUISITION OF 270,850,119 ORDINARY SHARES IN ASPION SDN BHD ("ASPION"), REPRESENTING THE ENTIRE EQUITY INTEREST IN ASPION, FROM ADVENTA CAPITAL PTE. LTD. FOR A PURCHASE CONSIDERATION OF RM1,370.0 MILLION, OF WHICH RM1,233.0 MILLION WILL BE SATISFIED IN CASH WHILE THE BALANCE RM137.0 MILLION IS INTENDED TO BE SATISFIED VIA THE ISSUANCE OF 20,505,000 NEW ORDINARY SHARES IN TOP GLOVE CORPORATION BHD AT AN ISSUE PRICE OF ABOUT RM6.6813 EACH, PLUS FINESSIS INCENTIVE PAYMENTS TO BE DETERMINED AND PAID LATER

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser and Transaction Adviser

HongLeong Investment Bank

Hong Leong Investment Bank Berhad (10209-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

The notice of extraordinary general meeting ("**EGM**") of Top Glove to be 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, Malaysia on Thursday, 8 March 2018 at 10.00 a.m. or at any adjournment thereof, together with the form of proxy are enclosed in this circular.

As a shareholder, you are entitled to appoint a proxy or proxies to attend and to vote on your behalf. The form of proxy must be completed and lodged at the office of the Share Registrar of Top Glove at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last day and time for lodging the form of proxy	:	Tuesday, 6 March 2018 at 10.00 a.m.
Date and time of the EGM	:	Thursday, 8 March 2018 at 10.00 a.m. or at any adjournment thereof

This circular is dated 14 February 2018

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this circular:

"2018 Core PAT Shortfall"	:	The shortfall of the actual Core PAT for the FYE 31 October 2018 against the 2018 Target Core PAT
"2018 Finessis Incentive"	:	The Finessis Incentive for the FYE 31 October 2018
"2018 Forward PE Multiple"	:	The consensus estimate of the forward PE Multiple for the 12-month period ending 31 October 2018
"2018 Target Core PAT"	:	The target Core PAT of the Aspion Group of RM80.9 million for the FYE 31 October 2018
"2019 Core PAT Shortfall"	:	The shortfall of the actual Core PAT for the FYE 31 October 2019 against the 2019 Target Core PAT
"2019 Finessis Incentive"	:	The Finessis Incentive for the FYE 31 October 2019
"2019 Target Core PAT"	:	The target Core PAT of the Aspion Group of RM108.3 million for the FYE 31 October 2019
"2020 Finessis Incentive"	:	The Finessis Incentive for the FYE 31 October 2020
"ACPL" or the "Vendor"	:	Adventa Capital Pte. Ltd.
"Act"	:	Companies Act 2016
"Aspion"	:	Aspion Sdn Bhd
"Aspion Group"	:	Aspion and its subsidiaries, collectively
"Aspion Shares"	:	Ordinary shares in Aspion
"BNM"	:	Bank Negara Malaysia
"Board"	:	Board of directors
"Brazil"	:	The Federative Republic of Brazil
"BRL"	:	Brazilian real, the lawful currency of Brazil
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"CAGR"	:	Compounded annual growth rate
"Comparable Companies"	:	Companies listed on the Main Market of Bursa Securities and the Mainboard of the SGX-ST which are generally involved in similar businesses as the Aspion Group
"Completion"	:	Completion of the Proposed Acquisition in accordance with the terms of the SPA

"Completion Date"	:	The date of Completion, being 14 days from the date the Conditions Precedent are fulfilled or waived or 3 months from the date of the SPA, whichever is the later, or such other date as may be mutually agreed in writing between the parties to the SPA
"Conditions Precedent"	:	The conditions precedent to the SPA as set out in section 2.10.1 of this circular
"Consideration Shares"	:	20,505,000 new Shares to be issued at an issue price of about RM6.6813 each as part satisfaction of the Purchase Consideration
"Core PAT"	:	Core PAT for a particular Core PAT Period, which is determined in the manner set out in paragraph 2.10.3(i) of this circular
"Core PAT Period"	:	The period used to determine the Core PAT, being each of the 2 FYEs 31 October 2018 and 2019, the term of which may be extended if a force majeure event occurs
"Core PAT Shortfall"	:	The 2018 Core PAT Shortfall and the 2019 Core PAT Shortfall, collectively
"Cozena"	:	Cozena Limited
"Cozena Group"	:	Cozena and Kevenoll, collectively
"Cut-Off Date"	:	The latest date for the fulfilment of the Conditions Precedent, being 11 April 2018, with an automatic extension of 30 days
"Deposit"	:	A sum of RM137.0 million which has been paid in cash by TCSB to the Vendor's solicitors as stakeholders in accordance with the SPA
"EGM"	:	Extraordinary general meeting
"EPS"	:	Earnings per share
"Escrow Sum"	:	A sum of RM68.5 million to be provided as security against, among others, any breach by the Vendor of any of its obligations or warranties under the SPA and any Core PAT Shortfall
"Escrow Sum Bank Undertaking"	:	A bank undertaking to be obtained from the Vendor's bank for the Escrow Sum, under which TCSB's solicitors may make claims for the matters set out in paragraph 2.10.4(i)(b) of this circular
"ESOS 2008/2018"	:	The existing ESOS of our Company, which was established on 1 August 2008 and will expire on 1 August 2018
"EUR"	:	Euro, the lawful currency of the European Union
"Expiry Date"	:	A period of 24 months from the Completion Date, during which the Escrow Sum Bank Undertaking will be effective

"Finessis Gloves"	:	Surgical gloves manufactured using Flexylon™ polymer and related manufacturing processes and technologies which are currently marketed under the trademarks Finessis Aegis®, Finessis Corium®, Finessis Zero® (of which Lucenxia Prescience AG and certain subsidiaries of Aspion are the registered proprietor and/or beneficial owner) or other similar original equipment manufacturer brands
"Finessis Incentive"	:	Incentive payments to be made to the Vendor for the Finessis PAT achieved for each of the 3 FYEs 31 October 2018 to 2020
"Finessis PAT"	:	PAT derived from the sale of Finessis Gloves for a particular Finessis PAT Period, which is determined in the manner set out in section 2.2.2 of this circular
"Finessis PAT Period"	:	The period used to determine the Finessis PAT, being each of the 3 FYEs 31 October 2018, 2019 and 2020, the term of which may be extended if a force majeure event occurs
"FYE"	:	Financial year ended/ending, as the case may be
"GDP"	:	Gross domestic product
"HKD"	:	Hong Kong dollars, the lawful currency of Hong Kong
"HLIB" or the "Principal Adviser" or the "Transaction Adviser"	:	Hong Leong Investment Bank Berhad
"Hong Kong"	:	Hong Kong Special Administrative Region of the PRC
"IP Deed of Assignment"	:	The deed of assignment of intellectual property to be entered into between Lucenxia Prescience AG and our Company assigning all the intellectual property rights for the Finessis Gloves currently registered under or owned by Lucenxia Prescience AG in favour of our Company
"Kevenoll"	:	Kevenoll S.A.
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	31 January 2018, being the latest practicable date prior to the date of this circular
"Market Day"	:	A day on which the stock market of Bursa Securities is open for trading in securities
"MFRS"	:	Malaysian Financial Reporting Standard
"NA"	:	Net assets attributable to equity holders
"Outstanding Options"	:	Options comprising 1,953,260 Shares which have been granted under the ESOS 2008/2018 and are still outstanding as at the LPD
"PAT"	:	Profit after tax
"PBT"	:	Profit before tax

"PE Multiple"	:	Price-to-earnings multiple
"PRC"	:	People's Republic of China
"Proposed Acquisition"	:	Proposed acquisition of 270,850,119 Aspion Shares, representing the entire equity interest in Aspion, from ACPL for the Purchase Consideration plus the Finessis Incentive
"Purchase Consideration"	:	The purchase consideration for the Proposed Acquisition of RM1,370.0 million
"Q2 2017"	:	Second quarter of 2017
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively, the lawful currency of Malaysia
"RMB"	:	Renminbi, the lawful currency of the PRC
"SGD"	:	Singapore dollars, the lawful currency of the Republic of Singapore
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shares"	:	Ordinary shares in our Company
"SPA"	:	The conditional share purchase agreement dated 12 January 2018 entered into between our Company as guarantor, TCSB as purchaser and ACPL for the Proposed Acquisition
"Tax Escrow Sum"	:	A sum of RM3.8 million as security against certain tax claims or costs that may be incurred by the Aspion Group following Completion
"Tax Escrow Sum Bank Undertaking"	:	A bank undertaking to be obtained from the Vendor's bank for the Tax Escrow Sum, under which TCSB's solicitors may make claims for the matters set out in paragraph 2.10.4(ii)(b) of this circular
"TCSB"	:	Top Care Sdn Bhd, our wholly owned subsidiary
"Term Sheet"	:	The term sheet dated 24 November 2017 entered into between our Company and ACPL for the Proposed Acquisition
"Top Glove" or the "Company"	:	Top Glove Corporation Bhd
"UK"	:	United Kingdom
"US"	:	United States of America
"VWAMP"	:	Volume-weighted average market price

All references to "**our Company**" in this circular are to Top Glove, references to "**our Group**" are to our Company and our subsidiaries, collectively, and references to "**we**", "**us**", "**our**" and "**ourselves**" are to our Company and, except where the context requires, include our subsidiaries.
All references to "**you**" in this circular are to the shareholders of our Company.

Words denoting the singular only include the plural and vice versa and words denoting the masculine gender include, where applicable, the feminine and neuter genders and vice versa. References to persons include corporations, unless otherwise specified.

All references to enactment in this circular are references to that enactment as for the time being amended or re-enacted.

All references to the time of day in this circular is a reference to Malaysian time.

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TOP GLOVE
TOP QUALITY, TOP EFFICIENCY

TOP GLOVE CORPORATION BHD

(Company No. 474423-X)
(Incorporated in Malaysia)

Registered Office:

Level 21, Top Glove Tower
16, Persiaran Setia Dagang
Setia Alam, Seksyen U13
40170 Shah Alam
Selangor Darul Ehsan

14 February 2018

Directors:

Tan Sri Dr Lim Wee Chai *(Executive Chairman)*
Tan Sri Dato' Seri Utama Arshad bin Ayub *(Senior Independent Non-Executive Director)*
Tan Sri Rainer Althoff *(Independent Non-Executive Director)*
Dato' Lee Kim Meow *(Managing Director)*
Puan Sri Tong Siew Bee *(Executive Director)*
Lim Hooi Sin *(Executive Director)*
Lim Cheong Guan *(Executive Director)*
Dato' Lim Han Boon *(Independent Non-Executive Director)*
Datuk Noripah binti Kamso *(Independent Non-Executive Director)*
Sharmila Sekarajasekaran *(Independent Non-Executive Director)*
Tay Seong Chee, Simon *(Independent Non-Executive Director)*
Datuk Dr. Norma Mansor *(Independent Non-Executive Director)*

To: Our shareholders

Dear Sir/Madam,

PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN ASPION SDN BHD

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1. INTRODUCTION

On 24 November 2017, our Company entered into the Term Sheet with ACPL to negotiate exclusively for the acquisition of the entire equity interest in Aspion, a wholly owned subsidiary of ACPL. Subsequently, on 12 January 2018, HLIB announced, on behalf of our Board, that our Company as guarantor and TCSB as purchaser have entered into the SPA with ACPL on the same day to acquire 270,850,119 Aspion Shares, representing the entire equity interest in Aspion, for the Purchase Consideration of RM1,370.0 million.

On 29 January 2018, Bursa Securities granted its approval for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities, subject to the conditions set out in section 8 below.

The purpose of this circular is to provide you with details and information on the Proposed Acquisition as well as to seek your approval for the resolution in relation to the Proposed Acquisition. The notice of EGM and the form of proxy are enclosed with this circular.

WE ADVISE YOU TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTION IN RELATION TO THE PROPOSED ACQUISITION.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Information on Aspion

Aspion was incorporated in Malaysia on 5 July 2012 as a private limited company under its present name. Aspion is principally an investment holding company. Its subsidiaries are principally involved in, among others, the manufacturing and distribution of disposable sterile surgical gloves and medical examination and protection gloves.

Please refer to Appendix I of this circular for further information on the Aspion Group.

2.2 Basis of and justification for the purchase consideration

The total purchase consideration for the Proposed Acquisition will comprise the following:

(i) the Purchase Consideration of RM1,370.0 million; and

(ii) the Finessis Incentive to be paid to the Vendor in relation to the Finessis PAT derived from the sale of Finessis Gloves for each of the 3 FYEs 31 October 2018, 2019 and 2020. The Finessis Incentive to be paid for each Finessis PAT Period, if any, will be paid within 7 days after the determination of each of the 2018 Finessis Incentive, 2019 Finessis Incentive and the 2020 Finessis Incentive.

Finessis Gloves are chemical- and allergen-free synthetic surgical gloves developed in-house by the Aspion Group. Finessis Gloves are manufactured using a molecular layer technology manufacturing process with Flexylon™ polymer, a high performance synthetic polymer that mimics the physical attributes of natural rubber latex without the drawbacks of latex proteins and chemical accelerators. Please refer to section 4 below for further information on Finessis Gloves.

2.2.1 Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis based on a PE Multiple of 16.93 times to the 2018 Target Core PAT and after taking into consideration the following:

(i) the guarantee by the Vendor to reimburse TCSB for any Core PAT Shortfall arising from the 2018 Target Core PAT of RM80.9 million and 2019 Target Core PAT of RM108.3 million, subject to an aggregate maximum limit of RM100.0 million (details of which are set out in section 2.10.3 below);

(ii) the rationale for the Proposed Acquisition as set out in section 4 below; and

(iii) the future earnings potential of the Aspion Group in light of the outlook for the medical devices industry and its consequential impact on the demand for surgical and examination gloves.

For the avoidance of doubt, the Core PAT for a particular Core PAT Period will exclude any Finessis PAT achieved. As such, Finessis PAT do not form part of the 2018 Target Core PAT of RM80.9 million and the 2019 Target Core PAT of RM108.3 million. Please refer to section 2.10.3(i) below and sections 3 and 4 of Appendix II of this circular for further details in relation to the Core PAT.

To assess the reasonableness of the PE Multiple of 16.93 times, our Board has compared the PE Multiple to the 2018 Forward PE Multiples of the following Comparable Companies listed on the Main Market of Bursa Securities and the Mainboard of the SGX-ST which are generally involved in similar businesses as the Aspion Group:

Comparable Company	**Stock exchange listed**	**Principal activities of the Comparable Company and its subsidiaries (other than investment holding and excluding dormant subsidiaries)**
Hartalega Holdings Berhad	Bursa Securities	Manufacturing of latex gloves, sales, marketing, retail and wholesale of gloves, research and development and leasing of property
Kossan Rubber Industries Bhd	Bursa Securities	Provision of management services to subsidiaries, manufacturing and trading of latex examination gloves, manufacturing of surgical, procedure and examination gloves, manufacturing and marketing of rubber based parts and products, manufacturing of and dealing in rubber products and cleanroom products, fabrication and installation of machinery, trading of cleanroom products, distribution and property holding
Riverstone Holdings Limited	SGX-ST	Manufacturing and distribution of cleanroom gloves and finger cots, processing and packing of cleanroom gloves, manufacturing of plastic bags and trading of latex products and distribution of cleanroom products
Supermax Corporation Berhad	Bursa Securities	Manufacturing, marketing, sale, trading, importing, exporting and distribution of latex gloves, manufacturing, sale, marketing, importing and distribution of related healthcare products, generation of biomass energy and property holding
Comfort Glove Berhad	Bursa Securities	Manufacturing and trading of latex gloves

While the Comparable Companies were selected based on their core business activities in glove manufacturing, they may not be identical to the Aspion Group as a result of differences in products sold, geographical coverage of business activities, scale of operations, reputation, historical profitability, financial strength, risk profile, asset base and future prospects. In addition, the Comparable Companies may also have profitability objectives that are fundamentally different from those of the Aspion Group.

The 2018 Forward PE Multiples of the Comparable Companies are set out below:

Comparable Company	[1]Last traded price	Market capitalisation	[2]Forward EPS	[3]2018 Forward PE Multiple
	(RM)	(RM mil)	(sen)	(times)
Hartalega Holdings Berhad	10.92	18,049.7	27.82	39.25
Kossan Rubber Industries Bhd	8.50	5,435.5	36.43	23.33
Riverstone Holdings Limited	[4]3.23	[4]2,393.7	20.55	15.72
Supermax Corporation Berhad	2.24	1,468.7	15.83	14.15
Comfort Glove Berhad	1.14	637.0	7.00	16.29
			High	**39.25**
			Low	**14.15**
			Average	**21.75**
Top Glove	**8.70**	**10,919.9**	**32.95**	**26.40**
Aspion				**16.93**

(Source: Bloomberg L.P.)

Notes:

(1) Based on the last traded price as at 11 January 2018, being the last Market Day immediately before the date of the SPA.

(2) Based on the consensus estimates of the EPS for the 12-month period ending 31 October 2018 as compiled by Bloomberg L.P.

(3) Calculated as the last traded price divided by the forward EPS.

(4) Converted based on an exchange rate of SGD1.00:RM2.9913 as published by BNM as at the close of business on 11 January 2018.

Our Board is of the view that the Purchase Consideration is justified based on the following:

(i) the PE Multiple of 16.93 times is within the range of the forward PE Multiples of the Comparable Companies of between 14.15 times and 39.25 times; and

(ii) the PE Multiple of 16.93 times is lower than the average 2018 Forward PE Multiple of 21.75 times and our 2018 Forward PE Multiple of 26.40 times.

For information purposes, based on the audited consolidated financial statements of Aspion for the 3 FYEs 31 October 2014 to 2016 and its unaudited consolidated financial information for the FYE 31 October 2017, the Core PAT of the Aspion Group were as follows:

	FYE 31 October			
	2014	**2015**	**2016**	**2017**
	(RM mil)	**(RM mil)**	**(RM mil)**	**(RM mil)**
PAT from continuing operations	20.9	36.4	31.6	44.0
Adjustments:				
• Extraordinary items[1]	1.1	1.3	(1.9)	-
• Unrealised or mark to market gains or losses	(1.6)	9.2	(1.6)	3.0
• Finessis PAT	-	-	-	[2](1.0)
Core PAT	**20.4**	**46.9**	**28.1**	**46.0**

Notes:

(1) Extraordinary items for the financial years tabulated above includes the following:

(i) impairment of goodwill;

(ii) gains on disposal of property, plant and equipment; and

(iii) non-recurring expenses such as pre-operating and set-up costs for the Aspion Group's manufacturing facility in Kulim, Kedah, as well as one-off legal and secretarial expenses.

(2) In accordance with the terms of the SPA, certain adjustments need to be made to arrive at the Finessis PAT (as described in section 2.2.2 below). However, for the FYE 31 October 2017, no adjustments were required to be made.

Taking into consideration the growth in the Core PAT of the Aspion Group from RM18.3 million for the FYE 31 October 2014 to RM46.0 million for the FYE 31 October 2017, which represented a 3-year CAGR of 36.0%, as well as the prospects of the Aspion Group as set out in section 5.5 below, our Board is of the view that the 2018 Target Core PAT and the 2019 Target Core PAT are realistic and achievable.

2.2.2 Finessis Incentive

In addition to the Purchase Consideration, we have agreed to provide the Finessis Incentive arising from the Finessis PAT derived from the sale of Finessis Gloves for each of the 3 FYEs 31 October 2018, 2019 and 2020.

The Finessis PAT for a particular Finessis PAT Period (the period of which may be extended in the manner set out in section 2 of Appendix II of this circular) will be determined as the PAT for that Finessis PAT Period derived from the following:

(i) the sale of Finessis Gloves by the Aspion Group; and

(ii) fees, royalties and income received by the Aspion Group and our Group for the use of any rights relating to Finessis Gloves,

after adjusting for certain items as set out in section 1 of Appendix II of this circular.

Under the Finessis Incentive, the Vendor will be entitled to the following payments:

Finessis PAT Period	**Percentage subject to Finessis Incentive[(1)]**	**PAT multiple[(2)]**	**Finessis Incentive (based on the Finessis PAT achieved for each Finessis PAT Period)**
FYE 31 October 2018	20.0%	16.93	Finessis PAT[(3)] × 20.0% × 16.93
FYE 31 October 2019	30.0%	16.93	Finessis PAT × 30.0% × 16.93
FYE 31 October 2020	50.0%	16.93	Finessis PAT × 50.0% × 16.93

Notes:

(1) As Finessis Gloves form a new product range of the Aspion Group, the Company has negotiated for a gradual ramp-up in the percentage of Finessis PAT which is subject to the Finessis Incentive so that a larger proportion is deferred to a later stage, which reduces the upfront initial investment by the Group.

(2) Based on the PE Multiple of Aspion implied by the Purchase Consideration divided by the 2018 Target Core PAT.

(3) The Finessis PAT used to determine the 2018 Finessis Incentive will be the actual Finessis PAT achieved for the FYE 31 October 2018 less the 2018 Core PAT Shortfall, if any. For the avoidance of doubt, there will not be any 2018 Finessis Incentive payable if the entire Finessis PAT for the FYE 31 October 2018 is used to offset the 2018 Core PAT Shortfall.

For information purposes, the Finessis PAT achieved for the FYE 31 October 2017, being the first financial year during which the Finessis Gloves were commercialised, was about RM1.0 million.

The payment of the Finessis Incentive, which is not subject to any maximum limit, will not be regarded as an expense of our Group. Instead, the estimated total Finessis Incentive to be paid will form part of the total purchase consideration for the Proposed Acquisition and will be capitalised as part of our Group's cost of investment. The amount to be capitalised has not been determined at this juncture and will depend on, among others, our Board's and management's estimate of the Finessis PAT for each of the 3 FYEs 31 October 2018 to 2020 and the probability of achieving such estimated Finessis PAT. Our Board will make an announcement once the actual amount to be capitalised is determined. At the end of each Finessis PAT Period, our Board will also announce the actual amount of the Finessis Incentive to be paid to the Vendor for that Finessis PAT Period.

Our Board is of the view that the basis for determining the Finessis Incentive is justified as it:

(i) provides an avenue for our Company to align the interests of the Vendor with those of our Group as the Vendor will continue to have a stake in the sales of Finessis Gloves for the near future; and

(ii) allows our Group to expand our portfolio to include Finessis Gloves without requiring substantial upfront initial investment from us as the Finessis Incentive will be staggered over a period of 3 years.

2.3 Mode of payment

On Completion, the Purchase Consideration will be fully satisfied in the following manner:

Payment term		**Amount**	
		(RM mil)	**(%)**
(i)	Cash[1]	1,233.0	90.0
(ii)	Issuance of 20,505,000 Consideration Shares to the Vendor[2]	137.0	10.0
		1,370.0	**100.0**

Notes:

(1) On the Completion Date, TCSB will pay:

(i) RM1,160.7 million to the Vendor; and

(ii) RM72.3 million to the Vendor's bank in exchange for the Escrow Sum Bank Undertaking and the Tax Escrow Sum Bank Undertaking, details of which are set out in section 2.10.4 below.

(2) If we are not able to issue the Consideration Shares for any reason, the portion of the Purchase Consideration which is intended to be settled via the issuance of the Consideration Shares will be paid in cash.

On 12 January 2018, TCSB paid the Deposit of RM137.0 million to the Vendor's solicitors as stakeholders in accordance with the SPA. On Completion, the Deposit will be refunded to TCSB together with all accrued interest after the payment of the Purchase Consideration in the manner set out above and the provision of other completion documents, including the relevant share certificates, instruments of transfer and the IP Deed of Assignment[1], in accordance with the SPA.

The Finessis Incentive to be paid for each Finessis PAT Period, if any, will be paid in cash within 7 days after the determination of each of the 2018 Finessis Incentive, 2019 Finessis Incentive and the 2020 Finessis Incentive.

2.4 Basis of and justification for issue price of the Consideration Shares

The issue price of the Consideration Shares of about RM6.6813 each is equal to the 5-day VWAMP of our Shares as traded on Bursa Securities up to and including 24 November 2017, being the date of the Term Sheet.

Our Board is of the view that the part settlement of the Purchase Consideration via the issuance of the Consideration Shares will allow our Group to conserve part of our cash flows for our day-to-day operational purposes, while at the same time allow us to enlarge our capital base, as opposed to settlement of the entire Purchase Consideration via bank borrowings.

In justifying the issue price of the Consideration Shares, our Board has compared the PE Multiple implied by the issue price to the PE Multiples of the Comparable Companies. The PE Multiples of the Comparable Companies are set out below:

Comparable Company	**FYE**	**(1)Last traded price**	**(2)EPS**	**(3)PE Multiple**
		(RM)	**(sen)**	**(times)**
Hartalega Holdings Berhad	31 March 2017	9.35	17.24	(5)54.23
Kossan Rubber Industries Bhd	31 December 2016	7.95	26.13	30.42
Riverstone Holdings Limited	31 December 2016	(4)3.27	16.24	20.14
Supermax Corporation Berhad	30 June 2017	2.09	10.03	20.84
Comfort Glove Berhad	31 January 2017	1.05	4.63	22.68
			High	**30.42**
			Low	**20.14**
			Average	**23.52**
Consideration Shares		**(6)6.6813**	**26.22**	**25.48**

(Sources: Bloomberg L.P. and the latest available annual reports of the Comparable Companies)

1 Under the IP Deed of Assignment, which will be provided to our Company on Completion, all intellectual property rights for the Finessis Gloves currently registered under or owned by Lucenxia Prescience AG will be assigned to us. Lucenxia Prescience AG is a company owned solely by Bruno Bosshard, a Swedish national. It is principally involved in the research, development, production and trade of medical products and pharmaceuticals, distribution of products and facilities in the field of innovative methods and technologies. The said intellectual property rights are currently licensed by Aspion under an oral agreement between Lucenxia Prescience AG and Aspion.

Notes:

(1) Based on the last traded price as at 24 November 2017, being the date of the Term Sheet.

(2) Based on the basic EPS as stated in the latest available annual reports of the Comparable Companies and our Company as at 24 November 2017.

(3) Calculated as the last traded price divided by the EPS.

(4) Converted from SGD to RM based on an exchange rate of SGD1.00:RM3.0557 as published by BNM as at the close of business on 24 November 2017.

(5) Excluded from the computation of the average and range of PE Multiples due to the PE Multiple being deemed as an outlier.

(6) Based on the issue price of the Consideration Shares, which was determined on the Term Sheet date to avoid any changes in the issue price arising from fluctuations in the market price of our Shares between the announcement of the Term Sheet and execution of the SPA.

The issuance of the Consideration Shares at a PE Multiple of 25.48 times, which is higher than the average PE Multiple of the Comparable Companies (excluding outlier) of 23.52 times, implies that the issue price accords a higher value to our Group as compared to the Comparable Companies, which effectively reduces the number of shares required to be issued by us for the Proposed Acquisition and results in lesser dilution to our existing shareholders.

For information purposes, the issue price of the Consideration Shares of about RM6.6813 each represents a discount of RM2.2919 or about 25.5% to the 5-day VWAMP of our Shares as traded on Bursa Securities up to and including 11 January 2018, being the last Market Day immediately before the date of the SPA, of RM8.9732. Notwithstanding the above, our Board is of the view that the issue price of the Consideration Shares of about RM6.6813 each is reasonable after taking into consideration the following:

(i) the issue price of the Consideration Shares was determined based on the 5-day VWAMP of our Shares up to and including the date of the Term Sheet, being the date our Group commenced exclusive negotiations for the Proposed Acquisition; and

(ii) the Proposed Acquisition is expected to contribute positively to the future earnings of our Group based on the 2018 Target Core PAT, the 2019 Target Core PAT and the guarantee by the Vendor to reimburse TCSB for any Core PAT Shortfall, subject to an aggregate maximum limit of RM100.0 million.

2.5 Source of funding

The total cash portion of the Purchase Consideration amounting to RM1,233.0 million will be funded entirely from a combination of conventional term loan and Islamic term financing.

If our Company is required to pay cash as a result of us not being able to issue the Consideration Shares, such additional cash requirement, together with the cash required to be paid to the Vendor for the Finessis Incentive, will be funded through a combination of internally generated funds of our Group and bank borrowings, if required.

2.6 Ranking of the Consideration Shares

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.

2.7 Listing of and quotation for the Consideration Shares

Bursa Securities has, via its letter dated 29 January 2018, approved the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities.

2.8 Liabilities to be assumed

Save for the liabilities incurred in the ordinary course of business of the Aspion Group and the Finessis Incentive, we will not assume any additional liabilities, including contingent liabilities and guarantees, in connection with the Proposed Acquisition.

2.9 Additional financial commitment required

We are not required to make additional financial commitments to put the assets and business of the Aspion Group on-stream.

2.10 Other salient terms of the SPA

Pursuant to the SPA, TCSB will acquire all the Aspion Shares from the Vendor free from all encumbrances together with all rights attaching to them with effect from the Completion Date. Upon Completion, Aspion will become a wholly owned subsidiary of TCSB.

The other salient terms of the SPA are set out in the ensuing sections.

2.10.1 Conditions Precedent

The sale and purchase of the Aspion Shares under the SPA is conditional upon the following being obtained on or before the Cut-Off Date:

(i) your approval for the Proposed Acquisition at our forthcoming EGM; and

(ii) an undertaking letter from the Vendor's bank undertaking to:

  (a) provide to TCSB the Escrow Sum Bank Undertaking and the Tax Escrow Sum Bank Undertaking upon receipt of the sum of RM72.3 million from TCSB; and

  (b) refund the sum to TCSB if the Vendor's bank does not issue the Escrow Sum Bank Undertaking and the Tax Escrow Sum Bank Undertaking in accordance with the terms of the SPA.

If the Conditions Precedent are not fulfilled on or before the Cut-Off Date or such later date as the parties to the SPA may agree, the Vendor or TCSB may elect to terminate the SPA. If the non-fulfilment of the Conditions Precedent is due to a breach by TCSB or our Company of our respective undertakings under the SPA, the Vendor is entitled to forfeit and keep the Deposit, but any accrued interest will be released to TCSB. In any other case, the Deposit will be released together with all accrued interest to TCSB.

2.10.2 Completion

Under the SPA, the Completion Date will be 14 days from the date the Conditions Precedent are fulfilled or waived or 3 months from the date of the SPA (being 11 April 2018), whichever is the later, or such other date as may be mutually agreed in writing between the parties to the SPA.

If the Vendor, TCSB or our Company fails to comply with any material obligation under the SPA on the Completion Date, the Vendor (in the case of non-compliance by TCSB or our Company or both) or TCSB (in the case of non-compliance by the Vendor) will be entitled, in addition to all other rights or remedies available to the relevant party, by written notice to the other party:

(i) to fix a new Completion Date, being not more than 14 days after the date initially scheduled for Completion, subject to payment of interest at the rate of 10.0% per annum;

(ii) to proceed with Completion so far as practicable having regard to the defaults which have occurred; or

(iii) to terminate the SPA, upon which the terms in section 2.10.6 below will apply.

2.10.3 Guarantee by the Vendor to reimburse the Core PAT Shortfall

(i) Core PAT

The Core PAT for a particular Core PAT Period (the period of which may be extended in the manner set out in section 4 of Appendix II of this circular) is determined as the consolidated PAT of Aspion for that Core PAT Period after adjusting for certain items as set out in section 3 of Appendix II of this circular.

(ii) 2018 Target Core PAT

If the actual Core PAT for the FYE 31 October 2018 is less than the 2018 Target Core PAT, the difference, being the 2018 Core PAT Shortfall, will be:

(a) offset by the Finessis PAT for the FYE 31 October 2018 (if the Finessis PAT is greater than zero); and

(b) any remaining shortfall will be paid by the Vendor to TCSB.

(iii) 2019 Target Core PAT

If the actual Core PAT for the FYE 31 October 2019 is less than the 2019 Target Core PAT, the difference, being the 2019 Core PAT Shortfall, will be paid by the Vendor to TCSB.

(iv) Aggregate maximum limit

The aggregate amount to be paid by the Vendor due to the Core PAT Shortfall will not exceed RM100.0 million.

(v) Right of recourse

If the Vendor fails to pay the Core PAT Shortfall in accordance with the terms of the SPA, TCSB may instruct its solicitors to demand from the Vendor's bank under the Escrow Sum Bank Undertaking for such sum due by the Vendor arising from the Core PAT Shortfall and pay such sum to TCSB.

If the Escrow Sum is insufficient to cover the Core PAT Shortfall and the Vendor fails to pay such shortfall to TCSB, TCSB may commence legal proceedings against the Vendor for such sum due by the Vendor to TCSB.

2.10.4 Bank undertaking

Upon payment of the Purchase Consideration, the Vendor must deliver to TCSB's solicitors the Escrow Sum Bank Undertaking and the Tax Escrow Sum Bank Undertaking within 2 business days from the Completion Date.

(i) Escrow Sum Bank Undertaking

(a) The Escrow Sum Bank Undertaking is for a period of 24 months from the Completion Date.

(b) The Vendor and TCSB are entitled to, upon giving the other party at least 7 days' prior written notice of its intention to do so, instruct TCSB's solicitors to make a demand on the Vendor's bank under the Escrow Sum Bank Undertaking for:

(1) the amount which has been finally determined, or the amount which has been agreed between the Vendor and TCSB, to be the losses and damages suffered by TCSB or any company within the Aspion Group as a result of any breach by the Vendor of any of its obligations under the SPA or the Vendor's warranties in the SPA;

(2) the sum due by the Vendor to TCSB arising from the Core PAT Shortfall; and

(3) if TCSB has made a claim under the SPA on or before the Expiry Date but the claim has not been finally determined, resolved by agreement between the Vendor and TCSB, or withdrawn or deemed withdrawn by the Expiry Date, the amount determined by TCSB, in consultation with the Vendor, to be a reasonable estimate of the losses relating to such claim.

(ii) Tax Escrow Sum Bank Undertaking

(a) The Tax Escrow Sum Bank Undertaking is for a period of 36 months from the Completion Date.

(b) The Vendor and TCSB are entitled to, upon giving the other party at least 7 days' prior written notice of its intention to do so, instruct TCSB's solicitors to make a demand on the Vendor's bank under the Tax Escrow Sum Bank Undertaking for any sum of money payable by the Vendor to TCSB for tax claims or costs that may be incurred by the Aspion Group following Completion.

2.10.5 Management of the Aspion Group

With effect from Completion and until the final determination of the 2020 Finessis Incentive, Low Chin Guan will be appointed as the managing director or special adviser of the Aspion Group in accordance with the employment agreement to be entered into between Aspion and Low Chin Guan on the Completion Date.

Low Chin Guan will continue to have full autonomy over the Aspion Group, provided that he acts in the best interest of the Aspion Group and within pre-agreed growth-oriented budgets for capital expenditure and operational expenditure as set out in the business plan agreed in writing between the Vendor and TCSB.

2.10.6 Termination

(i) The SPA may be terminated as follows:

(a) by TCSB, at any time before Completion, if the Vendor is in breach of the fundamental warranties of the SPA comprising the authority and capacity of the Vendor to enter into the SPA, the ownership of the Aspion Shares by the Vendor and information on the companies in the Aspion Group and the ownership of the shares in such companies and, if such breach is capable of being remedied, the Vendor refuses or neglects to remedy such breach within 14 days' written notice by TCSB to the Vendor;

(b) by the Vendor, at any time before Completion, if TCSB or our Company or both are in breach of any of our respective undertakings or obligations under the SPA and, if such breach is capable of being remedied, TCSB or our Company or both refuse or neglect to remedy such breach within 14 days' written notice by the Vendor to us;

(c) by the Vendor, at any time before Completion, if TCSB or our Company or both are in breach of any of our warranties and, if such breach is capable of being remedied, TCSB or our Company or both refuse or neglect to remedy such breach within 14 days' written notice by the Vendor to us;

(d) by either the Vendor or TCSB, in the manner set out in section 2.10.1 above; or

(e) by either the Vendor or TCSB, in the manner set out in paragraph 2.10.2(iii) above.

(ii) If TCSB is the defaulting party as a result of paragraphs 2.10.6(i)(b), (c) or (e) above, but the Vendor is willing and able to complete the SPA and has not failed to comply with any terms of the SPA, the interest accrued on the Deposit will be returned to TCSB and the Vendor will be entitled to forfeit the Deposit as agreed liquidated damages and the SPA will be terminated.

(iii) If the Vendor is the defaulting party as a result of paragraphs 2.10.6(i)(a) or (e) above, but TCSB is willing and able to complete the SPA and has not failed to comply with any terms of the SPA, the Deposit and all accrued interest will be returned to TCSB and the Vendor will pay to TCSB an amount equivalent to the Deposit as agreed liquidated damages and the SPA will be terminated.

(iv) Notwithstanding the foregoing, the non-defaulting party is entitled to compel the other party by way of specific performance to complete the transactions contemplated in the SPA without prejudice to all other rights or remedies available in law. The right to specific performance will not be automatically granted if the Vendor, as determined in arbitration, has wrongfully terminated the SPA under paragraphs 2.10.6(i)(b) or (c) above.

(v) If the Vendor is the defaulting party under paragraph 2.10.6(i)(a) above but TCSB elects to proceed to Completion, the Vendor will not be liable in respect of any claim made against it under the SPA arising from such breach (save where TCSB or our Company had no actual knowledge of the breach before Completion).

3. INFORMATION ON THE VENDOR

ACPL was incorporated in Singapore on 6 July 2012 as a private limited company under its present name. ACPL is principally an investment holding company.

As at the LPD, the issued share capital of ACPL is RM270,850,117 comprising 152,785,770 ordinary shares, of which 6,269,593 shares are held as treasury shares. The directors and substantial shareholders of ACPL as well as their respective shareholdings in ACPL are as follows:

		Direct		Indirect	
Director	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Wong Chin Toh	Malaysian	-	-	-	-
Eugene Paul Lai Chin Look	Singaporean	-	-	-	-
Low Chin Guan	Malaysian	63,734,537	43.5	-	-

		Direct		Indirect	
Substantial shareholder	**Country of incorporation/ Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Low Chin Guan	Malaysian	63,734,537	43.5	-	-
Safe Hands Investments Pte. Ltd. ("**Safe Hands Investments**")	Singapore	82,781,640	56.5	-	-
Mulberry Asia Fund II L.P. ("**MAF**")	Cayman Islands	-	-	(1)82,781,640	56.5
Southern Capital Equity Limited ("**SCEL**")	Cayman Islands	-	-	(2)82,781,640	56.5
Tan Sri Tan Teong Hean	Malaysian	-	-	(3)82,781,640	56.5

Notes:

(1) Deemed interested by virtue of its interest in Safe Hands Investments in ACPL, which is held by Southern Capital Partners II Limited ("**SCPL**"), the general partner of Southern Capital Partners II L.P. (an exempt limited partnership under the laws of the Cayman Islands), which in turn is the general partner of MAF (an exempt limited partnership under the laws of the Cayman Islands). SCPL indirectly holds the shares in ACPL on trust for and on behalf of MAF, in its capacity as the general partner of the general partner of MAF.

(2) Deemed interested by virtue of its interest in SCPL.

(3) Deemed interested by virtue of his interest in SCEL.

4. RATIONALE FOR THE PROPOSED ACQUISITION

We are principally engaged in the manufacturing, processing and distribution of gloves globally with manufacturing operations principally in Malaysia, Thailand and the PRC. We manufacture and distribute gloves such as natural rubber, nitrile, surgical, vinyl, cleanroom, household, industrial/long length high risk, cast polyethylene and thermoplastic elastomer gloves.

As part of our Group's strategy to effectively and sustainably grow our business, our Board has continually explored both organic expansion plans by constructing new facilities and optimising existing facilities as well as inorganic expansion plans by acquiring or merging with businesses that synergise with our current business. The Proposed Acquisition represents an initiative by our Board to inorganically grow our business through a product extension merger with the Aspion Group, which is a significant player in the surgical glove market. As such, the Proposed Acquisition will provide us with an expanded product range as well as the use of technologies and innovations of the Aspion Group, thereby reinforcing our Group's market presence as the world's largest rubber glove manufacturer.

The Proposed Acquisition is expected to add value to our Group by merging and leveraging on the skills and experience, management talent as well as valued customers and suppliers of both our Group and the Aspion Group, thereby strengthening our growth profile and long-term value creation potential. In particular, we will be able to serve our 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 innovative glove products.

Assuming the Proposed Acquisition is completed, our Group expects to realise the following benefits:

(i) Establish our Group as the largest surgical glove exporter in Malaysia and a major surgical glove manufacturer globally

The Aspion Group is one of the world's largest manufacturer of surgical gloves by capacity. The Aspion Group owns 3 manufacturing facilities in Malaysia with a total operational annual production capacity of about 1.5 billion pieces of surgical gloves and 3.1 billion pieces of examination gloves as at the LPD.

Our Group will be able to tap into the manufacturing facilities of the Aspion Group and increase the total annual production capacities of our Group for surgical and examination gloves from about 1.0 billion pieces and 50.9 billion pieces each year as at the LPD to about 2.5 billion pieces and 54.0 billion pieces each year. This will enable us to establish ourselves as a major surgical glove manufacturer globally in addition to our existing leadership in examination gloves manufacturing.

The increased production capacity will also allow us to enjoy better economies of scale and efficiency. With this, our enlarged Group is expected to be able to compete more effectively in the global market and capture a greater market share, especially from multinational companies in the glove industry who are moving towards outsourcing their production capacities.

(ii) Overcome barriers to entry into surgical glove market

The Proposed Acquisition will enable us to overcome the barriers to entry into surgical glove markets faced by new entrants into the surgical glove market. These barriers to entry include:

(a) Manufacturing-related barriers to entry

These include production technology challenges such as developing the appropriate production lines, blending formulation, sterilisation and customised packing facilities for the gloves. These require significant capital investments, acquired technical know-how and research and development, which act as major deterrents to new entrants.

Surgical gloves also require significantly higher capital investment in packaging to ensure preservation of sterility. Additionally, surgical gloves are subject to very rigorous quality standards and the requirement to meet relevant stipulations such as acceptable quality levels (also known as AQL), which pose strong barriers to entry for new entrants.

(b) Regulations-related barriers to entry

Surgical gloves are typically required to undergo a lengthy product approval and registration process. In addition, regulatory requirements tend to vary across different jurisdictions, countries and regions. This creates a barrier to entry for new entrants who may not have the capabilities to manage long lead time for product launches.

(c) Customer-related barriers to entry

Customers within the industry typically have a low propensity for brand-switching as they prefer to remain with brands that they are already familiar with. Hence, new entrants may face difficulties in replacing existing suppliers which are already established in the market, which creates an additional barrier to entry.

(iii) Acquire access to new, innovative technologies in surgical glove manufacturing process know-how and proprietary materials

The Aspion Group also continuously undertakes research and development to improve its production process, ensure the quality of its products and develop new products. The accumulated production experience as well as research and development efforts have enabled the Aspion Group to produce surgical gloves using a breakthrough synthetic material and manufacturing process.

Finessis Gloves are synthetic surgical gloves manufactured using Flexylon™ polymer, which is a high performance synthetic polymer developed using in-house proprietary technology. Finessis Gloves are produced using molecular layer technology, which is an advanced process in which the polymer molecules form a strong and high density material that greatly reduces the tendency for pinholes to occur. As such, Finessis Gloves have very significantly low level of pinholes, which is a key consideration in the use of surgical gloves.

Finessis Gloves are also chemical- and allergen-free, which reduces the likelihood of allergic reactions occurring. This allows Finessis Gloves to be used in a wider range of medical scenarios. They are also designed to mimic the physical attributes of natural rubber latex in terms of softness, comfort and elasticity, making them well-suited for surgical procedures which may be time consuming and require high levels of sensitivity.

Certain Finessis Gloves are also designed to contain a disinfecting liquid, which aims to provide added protection against potential virus transmissions. This technology has an advantage over antimicrobial coating properties utilised by other glove manufacturers as the disinfectant is only activated when the gloves are punctured and not based on continuous contact between the antimicrobial agent and the skin, since antimicrobial coating may give rise to potential risks of developing skin irritations and creating bacterial resistance.

Finessis Gloves have been launched in selective markets and has received regulatory approvals from the Food and Drug Administration, the European Union and the Therapeutic Goods Administration. To date, the Aspion Group has not encountered any registration refusals for Finessis Gloves.

(iv) Expand our Group's surgical gloves portfolio to include specialised surgical gloves and move our Group up the value chain

Surgical gloves evolve slowly and often in response to user feedback on comfort and allergies. The global trend of adoption and upgrading leads to increasing usage and average selling prices of surgical gloves over time.

With the Proposed Acquisition, we expect to be able to enhance our capability to compete in the powdered, powder-free and synthetic surgical glove segments through the Aspion Group's existing range of products, as well as gain access to the Aspion Group's specialised surgical gloves product range. Our enlarged Group's product mix is expected to shift towards synthetic surgical gloves in line with the regulation-driven trend in developed regions. This is expected to allow us to tap on developed regions such as North America, Europe and Japan, which constitute a major segment of the global surgical glove market.

(v) Expand our Group's presence in surgical gloves into new regions and countries

As at the LPD, the Aspion Group exports its surgical and examination gloves to more than 100 countries worldwide, with well-established distribution channels and long-term strategic relationships with its customers in these countries. Due to the requirement for sterile products for use in a highly regulated environment, customers typically only purchase from manufacturers with a proven reliability track record in terms of product quality.

The Aspion Group's geographical coverage is also complementary to our Group's markets. The Aspion Group has an established market presence in the surgical glove market in regions and countries such as North America, Western Europe and Japan, which we do not currently have a substantial presence. Through the Aspion Group and with Finessis Gloves in our product portfolio, our enlarged Group will gain immediate access into these developed regions and countries, thereby enabling us to establish ourselves as one of the leading provider of quality surgical gloves.

(vi) Improve the financial performance of our Group

Surgical gloves typically command higher average selling prices as they have more specialised usage. As such, the sale of surgical gloves generally provide higher gross profit margin as compared to the sale of other types of gloves, including examination gloves.

The Aspion Group's advances in innovation, as demonstrated by the development of Finessis Gloves and other high-end synthetic surgical gloves, have allowed the Aspion Group to broaden its product range to encompass a wide range of customer segments and requirements. In turn, this has enabled the Aspion Group to offer differentiated surgical gloves to capture a broader range of demand and achieve higher market share and sales growth.

With the Proposed Acquisition, our enlarged Group's product mix is expected to shift towards a greater proportion of surgical gloves, which provide higher gross profit margins. With the inclusion of the sales of surgical gloves by the Aspion Group, the contribution of surgical gloves to our enlarged Group's annual revenue is expected to increase from about 5.0% to about 13.0%. This in turn is expected to contribute positively to the profitability of our enlarged Group.

Taking into consideration the above and barring any unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to our future financial performance.

5. INDUSTRY OVERVIEW AND PROSPECTS

5.1 Overview and outlook of the global economy

Global economic activity continued to expand in the third quarter of 2017. High-frequency indicators such as the global purchasing manager indices and industrial production in the advanced economies and most major countries in Asia registered further improvements. This reaffirms that economic growth is becoming increasingly more entrenched across countries.

Third quarter GDP releases showed sustained growth in the advanced economies, supported by private consumption and investment. This continued to provide support to global demand, as imports from the advanced economies expanded further. Domestic demand in the PRC remained supportive of growth and global trade, albeit at a marginally more moderate pace. As a result, Asia continued to benefit from these favourable external developments, augmenting the strength in domestic demand.

Global trade continued to show a firmer growth momentum, recording broad-based expansion across product categories and destinations. Continuous improvements in investment in the advanced economies and sustained infrastructure and property construction in the PRC provided the impetus to global trade.

(Source: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2017, BNM)

Global GDP is forecast to expand 3.7% in 2018 (2017: 3.6%), driven by sustained growth in the advanced economies and a better performance in the emerging market and developing economies. The advanced economies are projected to register a growth of 2% (2017: 2.2%), supported by strong domestic and external demand. Growth in the US is anticipated to continue to expand 2.3% (2017: 2.2%), contributed by resilient domestic demand following strong consumer spending, rising investment activities and improved external demand. In the euro area, growth is projected to moderate 1.9% (2017: 2.1%) due to slower investment, despite favourable financing conditions backed by the ECB's stimulus programme. Similarly, growth in the UK is expected to be at a slower pace of 1.5% (2017: 1.7%) owing to post-Brexit uncertainties that may continue to affect business and consumer confidence. Japan's economy is projected to grow at a slower pace of 0.7% (2017: 1.5%) due to the withdrawal of fiscal stimulus.

In the emerging market and developing economies, GDP is expected to improve 4.9% (2017: 4.6%), mainly supported by higher global demand and rising market confidence. The PRC is anticipated to grow 6.5% (2017: 6.8%) amid continuous structural reforms and efforts to contain risks in its financial and property markets. India's growth is projected to strengthen 7.4% (2017: 6.7%), largely contributed by strong private consumption and increased investment through key structural reforms. Meanwhile, the Association of Southeast Asian Nations economies are expected to record a steady growth of 5.1% (2017: 4.9%), underpinned by strong consumption and increased external demand.

(Source: Economic Report 2017/2018, Ministry of Finance, Malaysia)

5.2 Overview and outlook of the Malaysian economy

The Malaysian economy recorded a stronger growth of 6.2% in the third quarter of 2017 (Q2 2017: 5.8%). Private sector spending continued to be the main driver of growth. The external sector also contributed positively to growth, as real exports expanded at a faster pace (11.8%; Q2 2017: 9.6%), supported by stronger demand from major trading partners. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.8% (Q2 2017: 1.3%).

Domestic demand grew by 6.6% in the third quarter of the year (Q2 2017: 5.7%), supported by continued expansion in both private sector expenditure (7.3%; Q2 2017: 7.2%) and public sector spending (4.1%; Q2 2017: 0.2%). Private consumption expanded by 7.2% (Q2 2017: 7.1%), underpinned by better labour market conditions. In particular, private sector wages were sustained amid stronger employment growth. Private investment registered a stronger growth of 7.9% (Q2 2017: 7.4%), mainly in the services and manufacturing sectors. Within the manufacturing sector, both export- and domestic-oriented subsectors undertook higher capital spending during the quarter. Business sentiments also remained above the optimism threshold, in line with favourable external and domestic demand conditions.

On the supply side, growth was supported by continued expansion across all sectors. The services sector registered a higher growth in the third quarter of 2017. Growth of the wholesale and retail trade sub-sector was supported by continued growth in household spending. The information and communication sub-sector remained strong, driven by higher demand for data communication services, while the transportation and storage sub-sector benefited from the robust trade activities.

The manufacturing sector grew at a faster pace during the quarter, supported by broad-based improvements in both export- and domestic-oriented industries. Export-oriented industries benefitted from robust global demand for semiconductors and higher petroleum-related refinery activity. Domestic-oriented industries were supported by continued demand for food-related products and construction-related materials, in addition to stronger growth in transport equipment driven by auto parts and ship building activities.

(Source: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2017, BNM)

The Malaysian economy is projected to continue its strong growth momentum with real gross domestic product expanding between 5.0% and 5.5% in 2018 (2017: 5.2% and 5.7%). Growth will be mainly driven by resilient domestic demand amid favourable external sector. Given the robust economic development, gross national income per capita is estimated to increase 5.1% to RM42,777 (2017: 7.7%; RM40,713). Despite the strong growth momentum, Malaysia as an open economy is not immune to external headwinds. These include rising protectionism; policy uncertainties in the advanced countries; and volatility in the financial markets. Nevertheless, structural reforms undertaken over the years to diversify the economy and strengthen the financial system have provided sufficient buffer to weather these external challenges.

(Source: Economic Report 2017/2018, Ministry of Finance, Malaysia)

5.3 Overview and outlook of the rubber and rubber products industry

Value added of the rubber subsector turned around 20.8% during the first half of the year (January to June 2016: -9.7%). The growth was supported by higher prices coupled with increased yields following favourable weather conditions. During the first eight months of 2017, production of rubber rebounded 19.1% to 495,049 tonnes (January to August 2016: -9.3%; 415,502 tonnes). For the year, rubber production is expected to expand 3.9% to 700,000 tonnes (2016: -6.7%; 673,513 tonnes). The average rubber prices (standard Malaysian rubber grade 20) increased to RM7.44 per kilogramme ("**kg**") during the first nine months of the year (January to September 2016: RM5.17 per kg) largely due to supply disruption following flood in Thailand coupled with higher demand from expansion in the global vehicle fleet. In 2017, the subsector is expected to record a strong growth momentum of 10.8% with prices averaging at RM7.30 per kg (2016: -6.3%; RM5.68 per kg).

Output of rubber products remained strong at 6.9% (January to August 2016: 5%). Growth was led by production of rubber gloves which rose 8.1% (January to August 2016: 5.7%) following greater manufacturing efficiency as well as strong demand from the medical and healthcare industries, especially in Germany, Japan and the US.

Export earnings from rubber products grew strongly by 35.6% (January to August 2016: 1%) mainly driven by rubber gloves and rubber tyres, which increased 24% and 20.8%, respectively. Robust demand for rubber gloves was on account of rising standards of health-related procedures and hygiene awareness globally. During the period, higher exports of rubber products were recorded to the PRC, Germany, Japan and the US.

(Source: Economic Report 2017/2018, Ministry of Finance, Malaysia)

5.4 Overview and outlook of the medical devices industry

Because of remarkable advances in science and technology, including those in the health care industry, life expectancy in many countries has been steadily growing. As a result, the expanding proportion of elderly people promises further growth of demand for medical devices. The total combined quantitative rankings reflect the degree to which they are existent in each market; aging populations in developing economies now tend to expect therapies for health conditions that previous generations simply endured or that were life-ending.

Aging populations worldwide, coupled with extended life expectancy, create a sustainable demand for medical devices. As elderly populations' healthcare is frequently government-subsidised in markets around the world, home healthcare is also becoming of increased importance, as related technologies become more effective, and healthcare budgets are more closely scrutinised.

Besides leading the world in the production of medical devices, the US is the largest medical devices consumer. The US medical device market is valued at more than USD140.0 billion in 2015, which accounts for approximately 45% of the global market. The US exports of medical devices were valued at approximately USD45.0 billion in 2015, and imports were valued at USD54.0 billion. Over the past decade the value of imported medical devices has steadily increased. The majority of imports are lower technology products, such as surgical gloves and instruments.

The Japanese market for medical devices is large and established, reaching USD33.3 billion in 2013. This market is expected to increase due to Japan's aging population, continued demands for advanced medical technologies and the Government of Japan's measures to promote the healthcare industry.

Germany the third largest market in the world after the US and Japan, and is also the largest European market. The medical devices industry is valued at EUR25.2 billion in 2014, and accounts for 40% of the entire European Union market for medical devices. There is a stable demand for high quality advanced diagnostic and therapeutic equipment, innovative technologies and minimally invasive equipment. Furthermore, the German medical market experiences a clear trend toward personalised medicine based on individual patient requirements. This reflects on medical packaging with increased demand for flexible and compact packaging machines.

(Source: 2016 Medical Devices Top Markets Report, International Trade Administration, US Department of Commerce)

The medical devices sector represents an area which has allowed Malaysia to spur growth, recording RM9.7 billion in exports in 2016 from RM9.5 billion in 2015 and RM5.1 billion in 2011. The exports have continued its upward trajectory as overseas demand was strong for products such as surgical and examination gloves; catheters, syringes, needles and sutures; electromedical equipment, ophthalmic lenses (including contact lenses); sheath contraceptives; orthopaedic appliances and medical and surgical X-ray apparatus. The US represents the top purchaser of Malaysian-made medical goods, followed by South Korea, Belgium, Germany, Singapore, Japan, the PRC, the Netherlands, Australia and Indonesia.

Moving forward, the demand for healthcare is expected to surge in an era of rising chronic and lifestyle diseases, aging populations in both developed and developing nations and a growing middle class with improving disposable income in various developing regions.

(Source: National Transformation Programme Annual Report 2016, Performance Management and Delivery Unit, Prime Minister's Department)

5.5 Prospects of the Aspion Group and future plans

The demand for surgical and examination gloves has increased in recent years. On the back of this rising demand, the Aspion Group witnessed strong growth in revenue from the sales of surgical and examination gloves, which increased at a 2-year CAGR of about 24.4% from RM336.6 million for the FYE 31 October 2014 to RM520.9 million for the FYE 31 October 2016. The demand for surgical and examination gloves is expected to continue to grow given the strong demand for healthcare in both developed and developing nations. As such, the Aspion Group should be able to grow its business in line with the increasing demand for surgical and examination gloves globally.

Further, the Aspion Group's demonstrated ability to apply research and development efforts to expand its product range and create new products, such as the Finessis Gloves, is expected to support the Aspion Group's ability to differentiate itself from its peers and to broaden its market access and customer base. This is expected to further increase the Aspion Group's market share in the surgical and examination gloves segment.

Taking into consideration the above, our Board is of the view that the prospects of the Aspion Group is positive. After the completion of the Proposed Acquisition, our Board intends to implement the following plans to realise the benefits identified in section 4 above:

(i) Increase the Group's market share in the surgical glove market

The Aspion Group currently has an annual production capacity of about 1.5 billion pieces for surgical gloves and about 3.1 billion pieces for examination gloves. Our Board plans to increase utilisation of our enlarged Group's production capacity by consolidating our marketing efforts to simultaneously target our Group's existing export markets as well as regions and countries where the Aspion Group currently has an established presence, such as North America, Western Europe and Japan. This consolidation will reduce duplication in our enlarged Group's marketing efforts and increase utilisation rates of our manufacturing facilities. If these efforts are successful, our enlarged Group should be able to compete more effectively against our peers, thereby allowing our enlarged Group to capture a greater share of the global market, especially in the market for surgical gloves.

(ii) Integrate improvements in production processes

The Aspion Group has made substantial investments in research and development with a view to improve its production process, ensure the quality of its products and develop new products. Our Board plans to identify areas where advancements achieved by the Aspion Group in manufacturing processes and product quality may be adopted by our enlarged Group, thereby complementing our existing research and development efforts. Should these endeavours be successful, our operational efficiency and future financial performance are expected to improve.

(iii) Leverage on the Aspion Group's branding

The Aspion Group has long-term strategic relationships with its customers, who rely on surgical and examination gloves with a proven reliability track record in terms of product quality. Our Board plans to leverage on the Aspion Group's branding to complement our Group's existing distribution channels and gain footprint in countries where demand for surgical and examination gloves is still nascent. This is expected to allow our enlarged Group to increase our sales volume, which in turn is expected to improve the future financial performance of our enlarged Group.

Barring unforeseen circumstances, the future plans for the Aspion Group as set out above, if successfully implemented, should contribute positively to our future financial performance.

6. RISK FACTORS

Our Board does not anticipate that the Proposed Acquisition will result in a material change to the risk profile of our enlarged Group as both the Aspion Group and our Group are principally involved in the glove manufacturing industry. However, there are certain other risks that may arise from or are associated with the Proposed Acquisition. These risks include:

6.1 Integration risk

As set out in section 4 above, the Proposed Acquisition is expected to generate synergies arising from the combination of our businesses with those of the Aspion Group. However, there is no guarantee that the manufacturing processes, systems and personnel of the Aspion Group will be successfully integrated into those of our Group. This may be caused by the following:

(i) issues with the integration of the combined workforce, overlapping job functions and redundant business units; and

(ii) loss of customers or accounts, which may disrupt the operations of the Aspion Group.

Any of the above as well as other integration-related issues may result in our enlarged Group not being able to fully realise the anticipated synergies arising from the Proposed Acquisition. If such benefits cannot be fully realised, our financial performance may be materially affected.

In mitigation, our Board has identified areas where integration issues may arise and will endeavour to carefully monitor the integration between both businesses after the completion of the Proposed Acquisition. Further, we will also be able to rely on our experience in the glove manufacturing industry to ensure that the integration between both businesses is completed in a timely and efficient manner.

6.2 Business risk

Both the Aspion Group and our Group are exposed to business risks inherent in the glove manufacturing industry, which include:

(i) increased competition from existing glove manufacturers as well as potential new entrants into the market;

(ii) changes in customer preference and regulations which may affect the demand for certain types of gloves, such as the shift in demand towards synthetic gloves;

(iii) fluctuations in the prices of raw materials, such as the prices of natural rubber and synthetic latex, as well as other ancillary costs, such as the price of natural gas; and

(iv) changes in manufacturing technology and processes driven by frequent product innovations and continuous research and development.

Our Group will seek to limit the impact of these business risks on our future financial performance by leveraging on the combined experience, manufacturing expertise and competitive strengths of both our Group and the Aspion Group as well as the expanded product range to further improve our competitiveness and enhance the future prospects of our enlarged Group. We will also continue to practise prudent management policies, maintain good relationships with our suppliers and customers, review our operations to identify areas for improvement and emphasise on research and development to further improve our competitiveness, cost efficiencies and quality in the glove manufacturing industry.

6.3 New product risk

Finessis Gloves have only been introduced into the surgical glove market in 2016. Although the product was developed by the Aspion Group's research and development team over the course of 5 years, has been subject to numerous testing and has received regulatory approvals in several jurisdictions, there is limited track record of Finessis Gloves in the market. As such, as with any new product, its long-term market acceptance cannot be guaranteed.

If the Finessis Gloves fail to yield the anticipated level of economic benefits, the financial performance of our enlarged Group may be affected. However, our enlarged Group will still be able to maintain our business operations through the continued marketing of the Aspion Group's existing range of other surgical and examination gloves in addition to our proven products. Nonetheless, our enlarged Group will seek to increase market acceptance of the Finessis Gloves by continuing research and development efforts to further improve product quality.

6.4 Loss of key personnel

The Aspion Group depends on its senior management to oversee the management and implementation of its strategies and plans. The future growth of the Aspion Group also relies on its technical personnel such as chemists and product engineers to continue its research and development efforts to improve production process, ensure the quality of products and develop new products. The availability of such personnel, especially those with the necessary experience and expertise, is scarce, and competition for such personnel in the industry is intense. The loss of such personnel without a suitable and timely replacement may have a material impact on the future business and operations of the Aspion Group.

Under the SPA, the Aspion Group will continue to be, led by Low Chin Guan, its current managing director, and the current management team will also be retained. In addition, in recognition of Low Chin Guan's contribution to the business of the Aspion Group, our Company intends to nominate Low Chin Guan to be appointed to our Board as an executive director of our Company. While this is expected to provide continuity to the senior management of the Aspion Group and minimise disruption to our enlarged Group's businesses and operations, there is no guarantee that the current senior management of the Aspion Group will remain with us.

Notwithstanding the above, we will endeavour to retain key personnel of the Aspion Group by continuing to provide competitive remuneration packages in line with our existing remuneration policies. We will also ensure that sufficient succession planning is in place to minimise the occurrence of future disruptions arising from the loss of any key personnel.

6.5 Goodwill and impairment risk

We expect to recognise goodwill arising from the Proposed Acquisition, the amount of which will depend on the fair value of the Aspion Group's identifiable assets (including intangible assets) and liabilities acquired as at the Completion Date and the estimated total Finessis Incentive expected to be paid to the Vendor.

The identifiable assets and liabilities of the Aspion Group will initially be recorded at their provisional fair values as at the acquisition date pending the completion of the purchase price allocation exercise, which is expected to be completed by August 2018. The outcome of such purchase price allocation exercise may result in a decrease in goodwill and a corresponding increase in the value of the identifiable assets acquired or a decrease in the value of identifiable liabilities assumed. This is in accordance with the requirements of MFRS 3 on business combinations. However, the outcome of the purchase price allocation exercise cannot be determined at this juncture. In addition, the estimated total Finessis Incentive expected to be paid is currently being assessed by our Board and management. As such, the quantum of the Finessis Incentive to be recognised also cannot be determined at this juncture.

Any subsequent fair value adjustments allocated to the identifiable assets acquired and liabilities assumed as well as the effects of the amortisation of intangible assets, if any, arising from the Proposed Acquisition may materially affect our enlarged Group's financial performance. Additionally, any impairment on the carrying amount of the intangible assets (such as goodwill arising from the Proposed Acquisition) as a result of impairment tests may also materially affect our enlarged Group's financial performance.

To mitigate such risk, we will conduct an asset revaluation exercise after the completion of the Proposed Acquisition as well as closely monitor the financial performance of the Aspion Group and implement appropriate strategies as and when needed to ensure that the Aspion Group achieves its financial targets.

6.6 Foreign exchange risk

The Aspion Group derives the majority of its sales from the export market, which are predominantly denominated in foreign currencies such as the USD, while its purchases are mainly denominated in RM and USD. As such, the Aspion Group is exposed to foreign exchange risk arising from the mismatch in currencies transacted. Any adverse movements in foreign exchange rates may affect the Aspion Group's competitiveness in terms of product pricing, which may have a material impact on its financial performance.

Notwithstanding the above, our Group already has in place procedures to monitor fluctuations in foreign exchange rates and enter into forward currency contracts, if necessary, as the majority of our Group's sales are denominated in foreign currencies. After the completion of the Proposed Acquisition, we will continue to monitor our exposure to foreign exchange rate by keeping abreast with political, economic and regulatory developments in the countries that our customers and suppliers operate. We will also take the necessary steps to minimise exposure to foreign exchange risk in line with our Group's hedging policy by entering into forward currency contracts to hedge expected future sales to customers for which our Group has firm commitments. Nevertheless, there is no assurance that any adverse fluctuations in foreign exchange rates will not have a material impact on our enlarged Group financial performance.

6.7 Non-completion risk

The completion of the Proposed Acquisition is conditional upon the Conditions Precedent being fulfilled or waived. In addition, as a term of Completion, certain completion documents will need to be provided to us, including the relevant share certificates, instruments of transfer and the IP Deed of Assignment. There is no assurance that the Conditions Precedent can be fulfilled or that the completion documents will be provided within the respective timeframes stipulated under the SPA. Any delay in fulfilling the Conditions Precedent or obtaining the completion documents may lead to a delay in Completion or termination of the Proposed Acquisition, which may result in our Group not being able to fully realise the anticipated benefits arising from the Proposed Acquisition.

Notwithstanding the above, we will endeavour to take all reasonable steps so that the Conditions Precedent which are within our control are met and the completion documents are provided to us within the respective timeframes stipulated in the SPA.

7. EFFECTS OF THE PROPOSED ACQUISITION

7.1 Share capital

For illustration purposes, the pro forma effects of the Proposed Acquisition on our issued share capital are as follows:

	No. of Shares	Share capital
	('000)	(RM '000)
Existing as at the LPD	1,257,840	642,037
Consideration Shares to be issued pursuant to the Proposed Acquisition	20,505	137,000
Enlarged issued share capital	**1,278,345**	**779,037**

7.2 Substantial shareholders' shareholdings

For illustration purposes, the pro forma effects of the Proposed Acquisition on the shareholdings of our substantial shareholders are as follows:

	As at the LPD				After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
Substantial shareholders	**No. of Shares**	**[1]%**	**No. of Shares**	**[1]%**	**No. of Shares**	**[1]%**	**No. of Shares**	**[1]%**
	('000)		('000)		('000)		('000)	
Employees Provident Fund Board	75,926	6.0	-	-	75,926	6.0	-	-
Tan Sri Dr Lim Wee Chai	368,822	29.4	[2]88,222	7.0	368,822	28.9	[2]88,222	6.9
Puan Sri Tong Siew Bee	3,615	0.3	[3]453,429	36.1	3,615	0.3	[3]453,429	35.5
Lim Hooi Sin	20,282	1.6	[4]436,745	34.8	20,282	1.6	[4]436,745	34.2
Lim Jin Feng	17	*	[4]436,745	34.8	17	*	[4]436,745	34.2
Firstway United Corp	64,308	5.1	-	-	64,308	5.0	-	-

Notes:

* Less than 0.1%.

(1) Excluding 2,164,400 Shares which are held as treasury shares by our Company.

(2) Deemed interested through the direct interests of Puan Sri Tong Siew Bee, Lim Hooi Sin, Lim Jin Feng and Firstway United Corp in our Company.

(3) Deemed interested through the direct interests of Tan Sri Dr Lim Wee Chai, Lim Hooi Sin, Lim Jin Feng and Firstway United Corp in our Company.

(4) Deemed interested through the direct interests of Tan Sri Dr Lim Wee Chai, Puan Sri Tong Siew Bee and Firstway United Corp in our Company.

7.3 NA and gearing

For illustration purposes, the pro forma effects of the Proposed Acquisition on our NA, NA per Share and gearing are as follows:

	Audited as at 31 August 2017	(I) (1)Adjustments for subsequent events	(II) After (I) and the Proposed Acquisition
	(RM '000)	**(RM '000)**	**(RM '000)**
Share capital	636,644	642,037	779,037
Treasury shares	(9,739)	(9,739)	(9,739)
Other reserves	62,499	62,499	62,499
Retained earnings	1,313,876	1,313,876	(3)1,308,276
NA attributable to owners of the Company	**2,003,280**	**2,008,673**	**2,140,073**
No. of Shares outstanding(2) ('000)	1,254,134	1,255,675	1,276,180
NA per Share (RM)	1.60	1.60	1.68
Total borrowings (RM '000)	376,394	376,394	(4)1,903,593
Gearing (times)	0.19	0.19	0.89

Notes:

(1) After adjusting for the exercise of 1,541,400 options under the ESOS 2008/2018 from 1 September 2017 up to and including the LPD at an average exercise price of RM3.50.

(2) Excluding 2,164,400 Shares which are held as treasury shares by our Company.

(3) After deducting estimated expenses of about RM5.6 million for the Proposed Acquisition, which includes professional fees, fees payable to the relevant authorities, stamp duty, costs of convening our forthcoming EGM and other incidental expenses in relation to the Proposed Acquisition (excluding borrowing costs).

(4) After taking into consideration the unaudited bank borrowings of the Aspion Group as at 31 October 2017 of RM294.2 million as well as the conventional term loan and Islamic term financing used to fund the cash portion of the Purchase Consideration of RM1,233.0 million as set out in section 2.5 above.

Save for the potential impact as disclosed in section 7.4 below, the Finessis Incentive, which forms part of the total purchase consideration for the Proposed Acquisition as described in section 2.2.2 above, will not have any immediate effect on our NA and gearing. The amount of the total Finessis Incentive to be capitalised (as required in accordance with the requirements of MFRS 3 on business combinations) is currently being assessed by our Board and management and will depend on, among others, the estimated Finessis PAT for each of the 3 FYEs 31 October 2018 to 2020 and the probability of achieving such estimated Finessis PAT.

7.4 Earnings and EPS

Following completion of the Proposed Acquisition and in accordance with MFRS 10 on consolidated financial statements, the entire earnings of the Aspion Group (including the Finessis PAT) will be consolidated as part of our Group's earnings. Barring unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to our earnings and EPS for the FYE 31 August 2018.

For illustration purposes, based on our audited consolidated financial statements for the FYE 31 August 2017 and the audited consolidated financial statements of Aspion for the FYE 31 October 2016, and assuming that the Proposed Acquisition has been completed on 1 September 2016, the pro forma effects of the Proposed Acquisition on our earnings and EPS are as follows:

	Audited FYE 31 August 2017	**(1)After the Proposed Acquisition**
	(RM '000)	**(RM '000)**
PAT attributable to owners of our Company	328,571	356,804
Weighted average no. of Shares ('000)	1,253,286	1,273,791
EPS (sen)	26.22	28.01

Note:

(1) After taking into consideration the audited consolidated PAT attributable to owners of Aspion of about RM28.2 million for the FYE 31 October 2016.

In addition, as stated in section 2.2.2 above, our Group will capitalise the estimated total Finessis Incentive to be paid as part of our Group's cost of investment. Subsequently, any excess actual Finessis Incentive paid as compared to the amount capitalised will be regarded as an expense to our Group, and any shortfall will be recognised as an income to our Group. However, the actual impact on our Group's future earnings and EPS cannot be determined at this juncture as it will depend on the actual Finessis Incentive paid.

7.5 Convertible securities

As at the LPD, save for the Outstanding Options, our Company does not have any convertible securities in issue.

The Proposed Acquisition will not have any effect on the terms and conditions of the Outstanding Options.

8. APPROVALS REQUIRED

The Proposed Acquisition is subject to your approval being obtained at our forthcoming EGM.

The listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities is subject to approval being obtained from Bursa Securities. The approval of Bursa Securities, which was obtained via its letter dated 29 January 2018, is subject to the following conditions:

	Conditions imposed	**Status of compliance**
(i)	Our Company and HLIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition;	To be complied
(ii)	Our Company and HLIB to inform Bursa Securities upon the completion of the Proposed Acquisition;	To be complied
(iii)	Our Company to furnish Bursa Securities with a written confirmation of our compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed; and	To be complied
(iv)	Our Company to furnish Bursa Securities with a certified true copy of the resolution passed by our shareholders at our forthcoming EGM for the Proposed Acquisition.	To be complied

9. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

On 9 November 2017, HLIB announced, on behalf of our Board, that our Company proposed to establish a new employees' share option scheme of up to 10% of the total number of issued Shares (excluding treasury shares) for the eligible employees and executive directors of our Group (excluding dormant subsidiaries) ("**New ESOS**"). Subsequently, our shareholders approved the New ESOS at our EGM held on 9 January 2018. Barring unforeseen circumstances, the New ESOS is intended to be established by the fourth quarter of the FYE 31 August 2018.

Save as disclosed above, there are no other corporate proposals which have been announced but have yet to be completed as at the date of this circular.

The Proposed Acquisition is not conditional upon any other corporate exercise.

10. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of our Shares as traded on the Main Market of Bursa Securities for the past 12 months from February 2017 to January 2018 are as follows:

	High	Low
	(RM)	(RM)
2017		
February	5.21	5.00
March	5.27	4.92
April	5.03	4.56
May	5.59	4.57
June	5.94	5.25
July	5.80	5.50
August	5.79	5.41
September	5.71	5.33
October	6.80	5.45
November	7.05	6.37
December	8.19	6.35
2018		
January	10.00	7.85

The last transacted market price of our Shares:

- immediately before the announcement of the Proposed Acquisition — RM8.70
- on the LPD — RM9.27

(Source: Bloomberg L.P.)

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

None of our directors, major shareholders and persons connected with them have any interest in the Proposed Acquisition.

12. DIRECTORS' RECOMMENDATION

Our Board, having considered all aspects of the Proposed Acquisition (including the rationale for and effects of the Proposed Acquisition, the bases of and justifications for the Purchase Consideration, the Finessis Incentive and the issue price of the Consideration Shares as well as the prospects of the Aspion Group), is of the opinion that the Proposed Acquisition is in the best interest of our Company.

Accordingly, our Board recommends that you vote in favour of the resolution in relation to the Proposed Acquisition to be tabled at our forthcoming EGM.

13. EXPECTED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed in the first half of 2018.

The indicative timing for the implementation of the Proposed Acquisition is set out below:

Indicative timing	Event
8 March 2018	EGM
Mid-April 2018	Fulfilment of all Conditions Precedent under the SPA
End April 2018	Listing of and quotation for the Consideration Shares and completion of the Proposed Acquisition

14. EGM

Our forthcoming EGM, the notice of which is set out in this circular, will be 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, Malaysia on Thursday, 8 March 2018 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modification, the resolution to give effect to the Proposed Acquisition.

If you are unable to attend and vote in person at our forthcoming EGM, you may complete, sign and return the Form of Proxy in accordance with the instructions contained therein, to be deposited at the office of our Share Registrar at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than 48 hours before the time set for our forthcoming EGM.

The lodging of the form of proxy will not preclude you from attending and voting in person at our forthcoming EGM should you subsequently wish to do so.

15. FURTHER INFORMATION

You are requested to refer to the enclosed appendices for further information.

Yours faithfully,
For and on behalf of the Board of
TOP GLOVE CORPORATION BHD

TAN SRI DR LIM WEE CHAI
Executive Chairman

INFORMATION ON ASPION

1. INCORPORATION AND HISTORY

Aspion was incorporated in Malaysia on 5 July 2012 as a private limited company under its present name.

On 30 November 2012, Aspion completed the acquisition of, among others, the surgical glove and examination glove manufacturing businesses of Adventa Berhad, a company listed on the Main Market of Bursa Securities. Following the completion of the acquisition, the Aspion Group embarked on several endeavours to grow its business and operations, including streamlining underperforming businesses and identifying strategic acquisitions.

During the FYE 31 October 2014, the Aspion Group commenced procedures to dispose Cozena, a previously wholly owned subsidiary of Aspion, and Kevenoll, the wholly owned subsidiary of Cozena. The Cozena Group, through Kevenoll, principally carried out manufacturing of medical examination gloves in Uruguay. The disposal was undertaken to streamline the business of the Aspion Group following a review of the Kevenoll's operations, as Kevenoll had incurred persistent losses for 3 consecutive years. The disposal was completed on 31 March 2015.

Subsequently, on 31 March 2016, the Aspion Group acquired Suizze Health Limited, which holds 70.0% equity interest in Kevenoll Do Brasil Produtos Medicos Hospitalares LTDA, a company incorporated in Brazil that is principally involved in the distribution of medical products and medical devices.

2. BUSINESS

Aspion is principally an investment holding company. Through its subsidiaries, it is principally involved in, among others, the manufacturing and distribution of disposable sterile surgical gloves as well as medical examination and protection gloves.

As at the LPD, the Aspion Group operates in Malaysia, Germany and Brazil.

2.1 Principal markets for products and raw materials

The Aspion Group sells its surgical and examination gloves to more than 100 countries worldwide. A breakdown of the principal markets by region and the percentage of sales for the 4 FYEs 31 October 2014 to 2017 is set out below:

	Revenue for the FYE 31 October							
Region	**2014**		**2015**		**2016**		**2017**	
	(RM '000)	**(%)**	**(RM '000)**	**(%)**	**(RM '000)**	**(%)**	**(RM '000)**	**(%)**
North America	73,955	22.0	83,788	19.1	55,263	10.6	64,429	10.3
Europe	155,348	46.2	208,852	47.8	232,249	44.6	286,489	45.7
Central and South America	37,108	11.0	47,963	11.0	94,356	18.1	113,306	18.1
Asia, Middle East and Africa	70,156	20.8	96,562	22.1	139,075	26.7	162,474	25.9
Total revenue	**336,567**	**100.0**	**437,165**	**100.0**	**520,943**	**100.0**	**626,698**	**100.0**

In addition, the Aspion Group produces energy and electricity using biomass technology through its wholly owned subsidiary, Cytotec (M) Sdn Bhd. The energy and electricity is sold entirely to Terang Nusa (Malaysia) Sdn Bhd for its glove manufacturing operations.

The Aspion Group uses natural and synthetic latex as the main raw materials to produce surgical and examination gloves. For the 4 FYEs 31 October 2014 to 2017, the Aspion Group purchased raw materials both locally and overseas, mainly from Thailand.

2.2 Manufacturing facilities

The Aspion Group owns and operates 3 manufacturing facilities in Malaysia. The details of the manufacturing facilities are as follows:

Manufacturing facility/ Location	Products	Built-up area		FYE 31 October			
				2014	2015	2016	2017
		(square metres)					
Kota Bharu Plant, Kota Bharu, Kelantan	Surgical gloves	51,563	Annual production capacity (million pieces)	616.0	616.0	616.0	616.0
			Utilisation rate (%)	97.8	79.0	95.7	74.0
Kluang Plant, Kluang, Johor	Examination gloves	37,622	Annual production capacity (million pieces)	2,847.0	2,847.0	2,847.0	2,847.0
			Utilisation rate (%)	60.2	81.6	88.8	97.8
Kulim Plant, Kulim, Kedah(1)	Surgical and examination gloves	33,004	Annual production capacity (million pieces)	-	277.0	625.0	763.6
			Utilisation rate (%)	-	65.7	59.8	75.2

Note:

(1) The Kulim Plant is currently undergoing capacity expansion to increase its production capacity to about 2.4 billion pieces annually. The Kulim Plant was originally constructed in a modular format in order to ensure effective utilisation of available capacity, with phase 1 fully completed in the FYE 31 October 2017. The construction of phase 2 started in December 2017 and is expected to be completed in 2019, with the total cost estimated at about RM114.0 million. Phases 1 and 2 of the Kulim Plant will be housed in separate blocks and the construction of phase 2 is not expected to affect the production of phase 1. The expansion is being undertaken as part of the Aspion Group's growth strategy to meet the overall increase in demand for its products.

2.3 Research and development

The Aspion Group continuously undertakes research and development to improve its production process, ensure the quality of its products and develop new products.

For the past 4 FYEs 31 October 2014 to 2017, the research and development costs incurred by the Aspion Group were as follows:

	FYE 31 October			
	2014	2015	2016	2017
	(RM '000)	(RM '000)	(RM '000)	(RM '000)
Research and development costs incurred	2,327	2,768	3,238	3,940

As at the LPD, the Aspion Group employs a total of 25 research and development personnel.

3. SHARE CAPITAL

As at the LPD, the issued share capital of Aspion is RM270,850,119 comprising 270,850,119 Aspion Shares.

4. DIRECTORS

As at the LPD, the directors of Aspion and their respective shareholdings in Aspion are as follows:

			Direct		Indirect	
Director	**Designation**	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Low Chin Guan	Managing Director	Malaysian	-	-	[1]270,850,119	100.0
Kwek Siew Leng	Director	Malaysian	-	-	-	-
Wong Chin Toh	Director	Malaysian	-	-	-	-

Note:

(1) Deemed interested through the direct interest of ACPL in Aspion.

5. SUBSTANTIAL SHAREHOLDER

As at the LPD, Aspion is a wholly owned subsidiary of ACPL.

6. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, Aspion has the following subsidiaries:

Name of subsidiary	Date/ Country of incorporation	Share capital	Effective equity interest	Principal activities
		(RM, unless otherwise indicated)	**(%)**	
Adventa Health Sdn Bhd and its subsidiary:	4 February 2005/ Malaysia	500,000	100.0	Distribution of medical gloves and other hospital related products
• Beijing Adventa Health Supplies Co. Ltd.	2 March 2011/ PRC	RMB1,000,000	100.0	Distribution of medical products and medical devices
Terang Nusa (Malaysia) Sdn Bhd	2 September 1991/ Malaysia	42,200,000	100.0	Manufacturing and distribution of surgical and medical examination gloves
Cytotec (M) Sdn Bhd	24 March 1999/ Malaysia	100,000	100.0	Generation and supply of energy and electricity using biomass technology
Purnabina Sdn Bhd	6 March 1984/ Malaysia	10,000,000	97.2	Manufacturing and distribution of medical gloves
Sentienx Sdn Bhd	28 September 2009/ Malaysia	1,000,000	100.0	Manufacturing and distribution of medical and protection gloves
Terang Nusa Sdn Bhd	18 September 1987/ Malaysia	2,000,000	100.0	Dormant
Ulma International GmbH	15 January 2003/ Germany	EUR25,000	100.0	Distribution of medical gloves and other hospital related products
Suizze Health Limited and its subsidiary:	21 January 2005/ Hong Kong	HKD10,000	100.0	Investment holding
• Kevenoll Do Brasil Produtos Medicos Hospitalares LTDA ("**KDB**")	26 November 2010/ Brazil	BRL580,000	70.0	Distribution of medical products and medical devices

As at the LPD, Aspion does not have any associated companies.

7. SUMMARY FINANCIAL INFORMATION

A summary of the audited consolidated financial information of Aspion for the 3 FYEs 31 October 2014 to 2016 and its unaudited consolidated financial information for the FYE 31 October 2017 is set out below:

	Audited FYE 31 October 2014	Audited FYE 31 October 2015	Audited FYE 31 October 2016	Unaudited FYE 31 October 2017
	(RM '000)	(RM '000)	(RM '000)	(RM '000)
Continuing operations				
Revenue	336,567	437,165	520,943	626,698
Gross profit	68,437	107,695	98,945	107,427
PBT	22,786	46,516	42,702	47,868
PAT	20,874	36,424	31,560	44,003
PAT attributable to owners of Aspion	20,920	36,145	28,233	41,380
Weighted average no. of shares in issue ('000)	270,850	270,850	270,850	270,850
Gross EPS (sen)	8.41	17.17	15.77	17.67
Net EPS (sen)	7.72	13.35	10.42	15.28
Discontinued operations				
Loss after tax	(51,597)	(1,452)	-	-

	Audited as at 31 October 2014	Audited as at 31 October 2015	Audited as at 31 October 2016	Unaudited as at 31 October 2017
	(RM '000)	(RM '000)	(RM '000)	(RM '000)
Share capital	270,850	270,850	270,850	270,850
NA	272,429	307,809	284,684	326,814
Total borrowings	250,836	293,133	280,570	294,199
NA per share (RM)	1.01	1.14	1.05	1.21
Gearing ratio (times)	0.92	0.95	0.99	0.90
Current ratio (times)	1.46	1.37	1.22	1.44

There was no audit qualification on the audited consolidated financial statements of Aspion for the 3 FYEs 31 October 2014 to 2016. Aspion has not adopted any accounting policies which are peculiar to its operations for the 3 FYEs 31 October 2014 to 2016.

Financial commentary:

FYE 31 October 2015 compared to FYE 31 October 2014

For the FYE 31 October 2015, the Aspion Group recorded higher revenue from continuing operations of RM437.2 million, which represented an increase of RM100.6 million or 29.9% from RM336.6 million recorded for the preceding financial year. The increase in revenue was mainly due to an increase in the overall volume of gloves sold (both surgical and examination gloves) of 32.8% from the preceding financial year.

Cost of sales increased by RM61.4 million or 22.9% from RM268.1 million for the FYE 31 October 2014 to RM329.5 million for the FYE 31 October 2015. The increase in cost of sales was mainly due to the increase in the cost of raw materials, labour and utilities as a result of higher production of surgical and examination gloves during the FYE 31 October 2015.

As a result of the above, the Aspion Group recorded an improvement in gross profit margin from 20.3% to 24.6%, with the gross profit increasing by RM39.3 million or 57.5% from RM68.4 million for the FYE 31 October 2014 to RM107.7 million for the FYE 31 October 2015.

The Aspion Group achieved higher PBT of RM46.5 million for the FYE 31 October 2015, marking an increase of RM23.7 million or 103.9% from RM22.8 million for the preceding financial year. The higher PBT was mainly the result of higher gross profit achieved during the financial year, which was offset by the following:

(i) an increase in selling and marketing expenses of RM1.0 million or 7.5% from RM13.3 million for the FYE 31 October 2014 to RM14.3 million for the FYE 31 October 2015 due to increased marketing efforts undertaken by the Aspion Group to target Asian markets;

(ii) an increase in administrative expenses of RM3.0 million or 27.8% from RM10.8 million for the FYE 31 October 2014 to RM13.8 million for the FYE 31 October 2015 due to additional costs incurred with the commencement of operations of the Kulim Plant; and

(iii) an increase in other operating expenses of RM17.6 million or 160.0% from RM11.0 million for the FYE 31 October 2014 to RM28.6 million for the FYE 31 October 2015 primarily as a result of unrealised foreign exchange losses of about RM13.5 million arising from a US dollar-denominated loan taken to finance the new Kulim Plant and pre-operating costs incurred to set up the plant.

During the FYE 31 October 2014, the Aspion Group commenced procedures to dispose the Cozena Group. Arising from an impairment test conducted on the assets of the Cozena Group, the Aspion Group recognised impairment losses amounting to about RM48.8 million for the FYE 31 October 2014, which related primarily to impairment recognised on intra-group loans to the Cozena Group as well as impairment losses on property, plant and equipment and inventories of the Cozena Group. For the FYE 31 October 2015, the Aspion Group incurred a loss after tax from discontinued operations of about RM1.5 million, which related mainly to the operations of the Cozena Group between 1 November 2014 and 31 March 2015. Save for the above, the Aspion Group did not recognise any gain or loss on the disposal of the Cozena Group.

FYE 31 October 2016 compared to FYE 31 October 2015

The Aspion Group achieved higher revenue of RM520.9 million for the FYE 31 October 2016, an increase of RM83.7 million or 19.1% from RM437.2 million registered for the preceding financial year. The increase in revenue was due to a combination of the following:

(i) an increase in the overall volume of gloves sold of 11.1% from the preceding financial year; and

(ii) an increase in the overall average selling price of about 7.8% from the preceding financial year.

Cost of sales increased by RM92.5 million or 28.1% from RM329.5 million for the FYE 31 October 2015 to RM422.0 million for the FYE 31 October 2016. The higher cost of sales was primarily the result of higher cost of raw materials, labour and utilities associated with higher production of surgical and examination gloves. In addition, the Aspion Group wrote off RM32.1 million in inventory during the FYE 31 October 2016 due to product obsolescence.

As a result of the above, the gross profit margin of the Aspion Group decreased from 24.6% to 19.0%. Gross profit fell by RM8.8 million or 8.2% from RM107.7 million for the FYE 31 October 2015 to RM98.9 million for the FYE 31 October 2016.

On the back of lower gross profit, the Aspion Group recorded lower PBT of RM42.7 million for the FYE 31 October 2016, representing a decrease of RM3.8 million or 8.2% from RM46.5 million for the preceding financial year.

FYE 31 October 2017 compared to FYE 31 October 2016

For the FYE 31 October 2017, the Aspion Group achieved higher revenue of RM626.7 million, marking an increase of RM105.8 million or 20.3% from RM520.9 million recorded for the preceding financial year. The increase in revenue was due to the following:

(i) an increase on the overall volume of gloves sold, particularly in the higher margin powder-free and synthetic gloves segments, which increased by 33.0% and 58.0% respectively compared to the preceding financial year, as well as the examination gloves segment, which increased by 19.0% compared to the preceding financial year; and

(ii) an increase in the overall average selling price of about 10.0% from the preceding financial year.

Cost of sales increased by RM97.3 million or 23.1% from RM422.0 million to RM519.3 million. The higher cost of sales was mainly due to higher cost of raw materials, driven by an increase in latex price of about 39.0% from the preceding financial year, as well as increase in labour and utilities costs associated with higher volume of surgical and examination gloves produced for the FYE 31 October 2017.

While gross profit increased from RM98.9 million for the FYE 31 October 2016 to RM107.4 million for the FYE 31 October 2017, which represented an increase of RM8.5 million or 8.6%, gross profit margin fell to 17.1% for the FYE 31 October 2017 mainly due to the higher latex price as disclosed above which suppressed margins.

On the back of higher gross profit, the Aspion Group achieved higher PBT of RM47.9 million for FYE 31 October 2017, representing an increase of RM5.2 million or 12.2% from RM42.7 million for the preceding financial year.

8. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the Board of Aspion is not aware of any material commitments contracted or known to be contracted by the Aspion Group which may have a material impact on its financial position:

	RM '000
Approved and contracted for:	
• Plant and machinery	8,919

As at the LPD, the Board of Aspion is not aware of any contingent liabilities which, upon being enforceable, may have a material impact on its financial position or profitability.

9. MATERIAL CONTRACTS

The Aspion Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding the date of this circular.

10. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

Save as disclosed below, as at the LPD, the Aspion Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board of Aspion is not aware of any proceedings pending or threatened against Aspion or any of its subsidiaries or of any facts likely to give rise to any proceeding which might materially affect its financial position or profitability:

- **Claim no. 0312442-62.2017.8.24.0008 – 2nd Civil Court from Blumenau, Santa Catarina, Brazil**

  On 7 August 2017, MDC Participações LTDA ("**MDC**") filed an action against KDB, Suizze Health Limited and Victor Daniel Angenscheidt Baridon ("**Victor**") to declare that the meeting of the partners of KDB held on 11 July 2017 ("**Partners' Meeting**") was invalid as the quorum to convene the meeting was not met. MDC requested for an annulment of the decisions during the meeting, more specifically:

  (i) the payment of interest to Adventa Health Sdn Bhd and the payment of expenses related with Mr. Mário Breneli, who was engaged to mediate the conflict between MDC and Suizze Health Limited;

  (ii) that Victor is not dismissed from the management of KDB; and

  (iii) no payment of dividends by KDB to MDC of the sum of BRL1,760,872.50.

  On 17 August 2017, the judge denied the injunction sought by MDC to suspend the effects of the decisions taken on the Partners' Meeting. On 4 September 2017, MDC filed an interlocutory appeal challenging such decision. On 29 November 2017, MDC filed a motion requesting the judge to grant an injunction for the payment of dividends to MDC of the sum of BRL1,760,872.50. On 30 November 2017, KDB filed a motion rebutting MDC's request. The judge has not analysed MDC's request and the lawsuit is currently pending a conciliatory hearing on 6 March 2018, where the conciliator will try to reach an agreement between the parties.

The directors of Aspion are of the opinion that KDB has a good chance of succeeding in this case as the Partners' Meeting was held in accordance with the Partners' Agreement dated 8 April 2013 and the constitution of KDB.

11. AUDITED FINANCIAL STATEMENTS

The audited consolidated financial statements (together with the notes to the financial statements) of Aspion for the FYE 31 October 2016 and the corresponding auditor's report are set out on the ensuing pages.

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Aspion Sdn. Bhd.
(1008712-T)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 October 2016

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Aspion Sdn. Bhd.
(Incorporated in Malaysia)

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Aspion Sdn. Bhd.
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Directors' report

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 October 2016.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 12 to the financial statements.

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

Results

	Group RM	Company RM
Profit net of tax	31,559,623	32,599,286
Profit attributable to:		
Owner of the parent	28,233,327	32,599,286
Non-controlling interest	3,326,296	-
	31,559,623	32,599,286

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The amount of dividends in respect of the financial year ended 31 October 2016 were as follows:

	RM
First interim dividend of 4.20% tax exempt dividend on 270,850,119 ordinary shares declared on 15 October 2016 and paid on 20 October 2016	11,375,705
Second interim dividend of 7.08% tax exempt dividend on 270,850,119 ordinary shares declared on 20 October 2016 and paid on 28 October 2016	19,176,188
	30,551,893

The directors do not recommend the payment of any final dividends for the current financial year.

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Aspion Sdn. Bhd.
(Incorporated in Malaysia)

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Low Chin Guan	
Kwek Siew Leng	
Eugene Paul Lai Chin Look	(appointed on 4 November 2016)
Wong Chin Toh	(resigned on 4 November 2016)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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 Note 24 to the financial statements.

Directors' interests

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

	Number of ordinary shares			
	1.11.2015	**Acquired**	**Sold**	**31.10.2016**
Holding company				
Direct interest				
Ordinary shares of the holding company (Adventa Capital Pte. Ltd.)				
Low Chin Guan *	66,461,810	-	-	66,461,810

* Deemed interested by virtue of his 43.5% equity interest in Adventa Capital Pte. Ltd.

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Aspion Sdn. Bhd.
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Directors' interests (cont'd.)

	Number of ordinary Class B shares of RM1 each			
	1.11.2015	**Acquired**	**Sold**	**31.10.2016**
Subsidiary - Purnabina Sdn. Bhd.				
Direct interest ^				
Kwek Siew Leng	200,000	-	-	200,000

^ Shares held in trust on behalf of the Company

The other director of the Company did not have any interest in the Company and its related corporations during the financial year.

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 there were no known bad debts 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) it necessary to write off any bad debts or the amount of the provision for doubtful debts in respect of 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 methods 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.

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Aspion Sdn. 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 and 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.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 4 July 2017.

Low Chin Guan

Kwek Siew Leng

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Aspion Sdn. Bhd.
(Incorporated in Malaysia)

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

We, Low Chin Guan and Kwek Siew Leng, being two of the directors of Aspion Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 84 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 October 2016 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 4 July 2017.

Low Chin Guan

Kwek Siew Leng

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

I, Kwek Siew Leng, being the director primarily responsible for the financial management of Aspion Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 84 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 Kwek Siew Leng at
Kota Bharu in the state of Kelantan
Darul Naim on 4 July 2017

Kwek Siew Leng

Before me,

PESURUHJAYA SUMPAH
D 071
MOHD. SUHAIMI BIN ALI
MALAYSIA

PT 190, Tingkat 2,
Jalan Mahmood,
15200 Kota Bharu, Kelantan.

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Ernst & Young AF: 0039
GST Reg No: 001556430848
Chartered Accountants
Tingkat 4, Bangunan PKINK
Jalan Tengku Maharani
15000 Kota Bharu
Kelantan, Malaysia

Tel: +609 744 0088
Fax: +609 744 0089
ey.com

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Independent auditors' report to the member of Aspion Sdn. Bhd. (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Aspion Sdn. Bhd., which comprise the statements of financial position as at 31 October 2016 of the Group and of the Company, the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 84.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements 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 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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Independent auditors' report to the member of Aspion Sdn. Bhd. (cont'd.) (Incorporated in Malaysia)

Auditors' responsibility (cont'd.)

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

Opinion

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

Report on other legal and regulatory requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 12 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

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Independent auditors' report to the member of
Aspion Sdn. Bhd. (cont'd.)
(Incorporated in Malaysia)

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Sandra Segaran a/l Muniandy@Krishnan
02882/01/2019 J
Chartered Accountant

Kota Bharu, Kelantan Darul Naim, Malaysia
4 July 2017

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Aspion Sdn. Bhd.
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 October 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Continuing operations					
Revenue	3	520,942,875	437,164,985	32,870,000	53,500,000
Cost of sales		(421,997,799)	(329,469,525)	-	-
Gross profit		98,945,076	107,695,460	32,870,000	53,500,000
Other item of income					
Other income		10,122,346	8,335,108	81,361	13,581,055
Other items of expense					
Administrative expenses		(15,364,386)	(13,764,142)	(35,035)	(30,013)
Selling and marketing expenses		(13,239,457)	(14,317,242)	(1,837)	-
Other operating expenses		(26,673,452)	(28,615,596)	(250,794)	(397,260)
Profit from operations		53,790,127	59,333,588	32,663,695	66,653,782
Finance costs	4	(11,087,973)	(12,818,037)	-	-
Profit before tax from continuing operations	5	42,702,154	46,515,551	32,663,695	66,653,782
Income tax expense	8	(11,142,531)	(10,091,414)	(64,409)	(46,875)
Profit from continuing operations, net of tax		31,559,623	36,424,137	32,599,286	66,606,907
Discontinued operations					
Loss from discontinued operations, net of tax		-	(1,452,451)	-	-
Profit net of tax		31,559,623	34,971,686	32,599,286	66,606,907
Other comprehensive income:					
Foreign currency translation, representing other comprehensive income for the year	23	832,897	223,599	-	-
Total comprehensive income for the year		32,392,520	35,195,285	32,599,286	66,606,907

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Aspion Sdn. Bhd.
(Incorporated in Malaysia)

Statements of comprehensive income (cont'd.)
For the financial year ended 31 October 2016

		Group		Company	
	Note	**2016 RM**	**2015 RM**	**2016 RM**	**2015 RM**
Profit attributable to:					
Owner of the parent		28,233,327	34,693,437	32,599,286	66,606,907
Non-controlling interest		3,326,296	278,249	-	-
		31,559,623	34,971,686	32,599,286	66,606,907
Total comprehensive income attributable to:					
Owner of the parent		29,066,224	34,917,036	32,599,286	66,606,907
Non-controlling interest		3,326,296	278,249	-	-
		32,392,520	35,195,285	32,599,286	66,606,907
Earnings per share attributable to owner of the parent (sen per share)					
- Basic	9	10.42	12.81		
Earnings per share from continuing operations attributable to owner of the parent (sen per share)					
- Basic	9	10.42	13.35		
Loss per share from discontinued operations attributable to owner of the parent (sen per share)					
- Basic	9	-	(0.54)		

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

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Aspion Sdn. Bhd.
(Incorporated in Malaysia)

Statements of financial position
As at 31 October 2016

		Group		Company	
	Note	2016	2015	2016	2015
		RM	RM	RM	RM
Assets					
Non-current assets					
Property, plant and equipment	10	356,076,250	350,544,596	-	-
Intangible assets	11	68,226,916	65,728,968	-	-
Investments in subsidiaries	12	-	-	294,002,386	247,296,667
Development costs	13	8,644,578	5,472,923	-	-
Deferred tax assets	14	1,695,016	3,007,537	-	-
		434,642,760	424,754,024	294,002,386	247,296,667
Current assets					
Inventories	15	134,718,530	119,476,620	-	-
Trade and other receivables	16	107,888,602	133,757,801	1,155,926	173,869,787
Prepayments		4,527,507	3,687,213	-	-
Tax recoverable		1,098,308	1,228,440	38,664	58,268
Cash and bank balances	18	16,563,371	37,980,241	142,017	17,778,351
		264,796,318	296,130,315	1,336,607	191,706,406
Total assets		699,439,078	720,884,339	295,338,993	439,003,073
Equity and liabilities					
Current liabilities					
Trade and other payables	19	89,669,614	87,660,924	3,890,772	3,901,629
Derivative liabilities	17	308,384	769,168	-	-
Income tax payables		1,950,659	147,159	-	-
Loans and borrowings	20	125,643,604	127,944,996	-	33,750,000
		217,572,261	216,522,247	3,890,772	37,651,629
Net current assets/(liabilities)		47,224,057	79,608,068	(2,554,165)	154,054,777

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Aspion Sdn. Bhd.
(Incorporated in Malaysia)

Statements of financial position (cont'd.)
As at 31 October 2016

		Group		Company	
	Note	**2016 RM**	**2015 RM**	**2016 RM**	**2015 RM**
Non-current liabilities					
Trade and other payables	19	21,081,112	20,309,005	-	-
Loans and borrowings	20	154,926,820	165,188,259	-	100,450,616
Deferred tax liabilities	14	16,015,088	10,305,007	-	-
		192,023,020	195,802,271	-	100,450,616
Total liabilities		409,595,281	412,324,518	3,890,772	138,102,245
Net assets		289,843,797	308,559,821	291,448,221	300,900,828
Equity attributable to owner of the parent					
Share capital	21	270,850,119	270,850,119	270,850,119	270,850,119
Preference shares	21	-	1,150,000	-	1,150,000
Share premium	21	-	10,350,000	-	10,350,000
Foreign currency translation reserve	23	1,771,334	409,376	-	-
Retained earnings		12,062,729	25,049,406	20,598,102	18,550,709
		284,684,182	307,808,901	291,448,221	300,900,828
Non-controlling interest		5,159,615	750,920	-	-
Total equity		289,843,797	308,559,821	291,448,221	300,900,828
Total equity and liabilities		699,439,078	720,884,339	295,338,993	439,003,073

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

INFORMATION ON ASPION *(Cont'd)*

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Aspion Sdn. Bhd.
(Incorporated in Malaysia)

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

		Attributable to owner of the parent							
			Non distributable					Distributable	
	Equity, total RM	Equity attributable to owner of the parent, total RM	Share capital RM	Preference shares RM	Share premium RM	Foreign currency translation reserve RM	Reserve of disposal group classified as held for sale RM	Retained earnings/ (accumulated losses) RM	Non-controlling interest RM
Group									
At 1 November 2014	272,901,630	272,428,959	270,850,119	1,150,000	10,350,000	185,777	(462,906)	(9,644,031)	472,671
Total comprehensive income	35,195,285	34,917,036	-	-	-	223,599	-	34,693,437	278,249
Reversal from disposal of investment in subsidiaries	462,906	462,906	-	-	-	-	462,906	-	-
At 31 October 2015	308,559,821	307,808,901	270,850,119	1,150,000	10,350,000	409,376	-	25,049,406	750,920
Total comprehensive income	32,392,520	29,066,224	-	-	-	832,897	-	28,233,327	3,326,296
Transactions with owner									
Redemption of preference shares	(11,500,000)	(11,500,000)	-	(1,150,000)	(10,350,000)	-	-	-	-
Acquisition of a subsidiary	(9,056,651)	(10,139,050)	-	-	-	529,061	-	(10,668,111)	1,082,399
Dividend paid (Note 22)	(30,551,893)	(30,551,893)	-	-	-	-	-	(30,551,893)	-
At 31 October 2016	289,843,797	284,684,182	270,850,119	-	-	1,771,334	-	12,062,729	5,159,615

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

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Aspion Sdn. Bhd.
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Statements of changes in equity (cont'd.)
For the financial year ended 31 October 2016

		|------Non distributable		------|	Distibutable
	Equity, total RM	**Share capital RM**	**Preference shares RM**	**Share premium RM**	**Retained earnings/ (accumulated losses) RM**
Company					
At 1 November 2014	234,293,921	270,850,119	1,150,000	10,350,000	(48,056,198)
Total comprehensive income	66,606,907	-	-	-	66,606,907
At 31 October 2015	300,900,828	270,850,119	1,150,000	10,350,000	18,550,709
Total comprehensive income	32,599,286	-	-	-	32,599,286
Transaction with owner					
Dividend paid (Note 22)	(30,551,893)	-	-	-	(30,551,893)
Redemption of preference shares	(11,500,000)	-	(1,150,000)	(10,350,000)	-
At 31 October 2016	291,448,221	270,850,119	-	-	20,598,102

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

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Aspion Sdn. Bhd.
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Statements of cash flows
For the financial year ended 31 October 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Operating activities					
Profit before tax from continuing operations		42,702,154	46,515,551	32,663,695	66,653,782
Loss before tax from discontinued operations		-	(1,332,075)	-	-
Profit before tax, total		42,702,154	45,183,476	32,663,695	66,653,782
Adjustments for:					
Finance costs	4	11,087,973	13,087,939	-	-
Dividend income	3	-	-	(32,870,000)	(53,500,000)
Depreciation of property, plant and equipment	5	27,188,635	21,608,640	-	-
Fair value (gain)/loss on derivative	5	(460,784)	802,526	-	-
Gain on disposal of investment in subsidiaries	5	-	-	-	(13,323,959)
Gain on disposal of property, plant and equipment	5	(1,902,836)	-	-	-
Property, plant and equipment written off	5	12,477	-	-	-
Impairment loss on inventories	5	32,144,853	-	-	-
Amortisation of deferred development cost	5	101,356	-	-	-
Impairment loss on trade receivables	5	7,456,984	171,122	-	-
Interest income	5	(283,885)	(502,270)	(81,361)	(257,095)
Net unrealised foreign exchange (gain)/loss	5	(1,128,029)	8,258,304	-	-
Total adjustments		74,216,744	43,426,261	(32,951,361)	(67,081,054)

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Aspion Sdn. Bhd.
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Statements of cash flows (cont'd.)
For the financial year ended 31 October 2016

		Group		Company	
	Note	**2016 RM**	**2015 RM**	**2016 RM**	**2015 RM**
Operating activities (cont'd.)					
Operating profit/(loss) before working capital changes		116,918,898	88,609,737	(287,666)	(427,272)
Increase in inventories		(47,386,763)	(31,580,647)	-	-
Decrease/(increase) in trade and other receivables		18,699,950	(36,973,743)	11,789,218	(50,663,431)
(Decrease)/increase in trade and other payables		(4,877,381)	55,201,111	(10,857)	1,155,123
Cash flows from/(used in) operations		83,354,704	75,256,458	11,490,695	(49,935,580)
Interest paid		(3,419,569)	-	-	-
Taxes paid		(1,126,789)	(622,611)	(48,664)	(46,875)
Tax refunded		3,859	460,873	3,859	-
Net cash flows from/(used in) operating activities		78,812,205	75,094,720	11,445,890	(49,982,455)
Investing activities					
Dividend received		-	-	32,870,000	53,500,000
Interest received		283,885	502,270	81,361	257,095
Addition of intangible assets		(2,497,948)	-	-	-
Cash outflow arising on acqusition of investment in subsidiary		(3,327,414)	-	(5,000,000)	-
Cash inflow arising on disposal of investment in subsidiaries		-	-	-	13,323,960
Proceeds from disposal of property, plant and equipment		7,189,474	-	-	-
Addition in development costs	13	(3,273,011)	-	-	-
Purchase of property, plant and equipment	10	(37,375,725)	(101,153,265)	-	-
Net cash flows (used in)/from investing activities		(39,000,739)	(100,650,995)	27,951,361	67,081,055

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Aspion Sdn. Bhd.
(Incorporated in Malaysia)

Statements of cash flows (cont'd.)
For the financial year ended 31 October 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Financing activities					
Drawdown from borrowings		298,523,913	193,772,417	-	-
Interest paid		(7,668,404)	(13,087,939)	-	-
Withdrawal/(placement) of deposits with licensed banks		12,566,008	(3,790,593)	-	(3,702,719)
Redemption of preference shares		(11,500,000)	-	(11,500,000)	-
Repayments of obligations under finance lease		(281,357)	(148,065)	-	-
Dividend paid		(30,551,893)	-	(30,551,893)	-
Repayments of borrowings		(311,112,553)	(151,327,085)	(6,250,000)	(8,402,519)
Net cash flows (used in)/from financing activities		(50,024,286)	25,418,735	(48,301,893)	(12,105,238)
Cash and cash equivalents:					
Net (decrease)/increase in cash and cash equivalents		(10,212,820)	(137,540)	(8,904,642)	4,993,362
Effects of foreign exchange rate changes		1,361,958	350,254	-	-
Cash and cash equivalents at beginning of year		22,914,233	22,701,519	9,046,659	4,053,297
Cash and cash equivalents at end of year	18	14,063,371	22,914,233	142,017	9,046,659

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

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Aspion Sdn. Bhd.
(Incorporated in Malaysia)

Notes to the financial statements - 31 October 2016

1. Corporate information

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Lot 345, Aras 2, Seksyen 27, Jalan Pengkalan Chepa, 15400 Kota Bharu, Kelantan Darul Naim.

The holding company of the Company is Adventa Capital Pte. Ltd., which is incorporated in Singapore.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 12.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM").

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 November 2015, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 November 2015.

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Aspion Sdn. Bhd.
(Incorporated in Malaysia)

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

2.2 Changes in accounting policies (cont'd.)

Description	Effective for annual periods beginning on or after
Annual improvement to MFRS 2012-2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and FRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Intiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016

Adoption of the above new and amended MFRS did not have any significant effect on the financial statements of the Group and the Company.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed 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
Amendments to MFRS 10 and MFRS 128: Sale of Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	1 January 2017

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Aspion Sdn. Bhd.
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2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

Description	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019

The directors expect that the adoption of the above amendments and standards will have no material impact on the financial statements of the Group and of the Company in the period of initial application except as discussed below:

MFRS 9: *Financial Instruments*

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

MFRS 15: *Revenue from Contracts with Customers*

MFRS 15 established a new five-step models 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, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

2.3 Standards issued but not yet effective (cont'd.)

MFRS 15: *Revenue from Contracts with Customers (cont'd.)*

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 anticipate that the application of MFRS 15 will have no significant impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

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 plans to assess the potential effect of MFRS 16 on its financial statements in year 2017.

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

2.4 Fair value measurement

The Group and the Company measure financial instruments, such as, embedded derivatives, and non-financial assets such as property, plant and equipment, biological assets and investment property at fair value at each reporting date.

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:

(a) In the principal market for the asset or liability, or

(b) 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 and the Company.

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.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available 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.

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

2.4 Fair value measurement (cont'd.)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine 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.

2.5 Subsidiaries and basis of consolidation

(a) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in statement of comprehensive income.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and event in similar circumstances.

All intra-group balances, income, expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable asssets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

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

2.5 Subsidiaries and basis of consolidation (cont'd.)

(b) Basis of consolidation (cont'd.)

Any excess of the cost of the acquisition over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 2.9.

Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of the business combination is recognised as income in profit or loss on the date of acquisition.

When the Group acquires a business, embedded derivitives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.6 Discontinued operation

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

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Aspion Sdn. Bhd.
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2. Summary of significant accounting policies (cont'd.)

2.7 Transactions with non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets in subsidiary not held by the Group and is presented separately in profit or loss of the Group and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Transactions with non-controlling interest is accounted for using the entity concept method, whereby, transactions with non-controlling interest are accounted for as transactions with owner. On acquisition of non-controlling interest, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interest is recognised directly in equity.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group derecognises the carrying amount of the replaced parts and includes the costs of the replacement parts in the asset's carrying amount or recognises such costs as individual assets with specific useful lives and depreciation, as appropriate. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Assets work-in-progress are also not depreciated as these assets are not yet available for use. Long term leasehold land is depreciated over the period of the respective leases that range from 60 to 66 years. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets, at the following annual rates:

Buildings	2% - 10%
Plant and equipment	2% - 20%
Motor vehicles	10% - 20%
Office equipment, renovation, furniture and fittings	10% - 20%

The carrying values of property, plant and equipment are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable.

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Aspion Sdn. Bhd.
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2. Summary of significant accounting policies (cont'd.)

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

The residual values, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively if appropriate to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

2.9 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated, from the acquisition date, to each of the Group's cash-generating units ("CGUs") that are expected to benefit from the synergies of the combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill form part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

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Aspion Sdn. Bhd.
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2. Summary of significant accounting policies (cont'd.)

2.9 Intangible assets (cont'd.)

(b) Other intangible assets (cont'd.)

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(i) Trademark and patents

The trademark and patents were acquired in business combinations. The useful lives of the trademark and patents are estimated to be indefinite because based on the current market share of the trademark and patents, management believes there is no foreseeable limit to the period over which the trademark and brand are expected to generate net cash inflows for the Group.

(ii) Development costs

Deferred development costs arising from development expenditures on an individual project are recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during development. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project on a straight line basis.

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Aspion Sdn. Bhd.
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2. Summary of significant accounting policies (cont'd.)

2.10 Inventories

Inventories are stated at lower of cost and net realisable value.

Costs incurred in bringing raw materials inventories to their present location and condition are accounted for as purchase costs on a first-in first-out basis.

Costs incurred in bringing finished goods and work-in-progress inventories to their present location and condition are accounted for as costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, assigned on a first-in first-out basis.

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

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.12 Leases

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the 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 charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated 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 and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

2.13 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company have become a party to the contractual provisions of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of its financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as either current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on their settlement dates.

The Group and the Company have not designated any financial assets as at fair value through profit or loss.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

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

2.13 Financial assets (cont'd.)

(b) Loans and receivables (cont'd.)

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

The Group and the Company have not designated any financial assets as held to maturity investments.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group and the Company commit to purchase or sell the asset.

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

2.14 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

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

2.15 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately indentifiable cash flows (i.e. CGUs).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

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

2.16 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(b) 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 method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

2.16 Financial liabilities (cont'd.)

(c) Financial guarantee contracts

The Company provided financial guarantee to banks in connection with bank loans and other banking facilities granted to its subsidiaries. The Company did not recognise the unexpired financial guarantees issued by the Company as financial liabilities as the financial guarantee granted is the pre-condition for getting credit facilities by the subsidiaries rather than in exchange for reducing interest rates.

A financial liability is derecognised when the obligation under the liability is extinguished. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Dividend income

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

(c) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

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

2.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 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 pays 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 the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

2.20 Foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

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

2.20 Foreign currencies (cont'd.)

(b) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

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

2.21 Provisions

Provisions are recognised when the Group has a present obligation 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 of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2.22 Income taxes

(a) Current tax

Current tax assets and liabilities 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 by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred taxes

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 temporary differences, except 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.

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 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.

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

2.22 Income taxes (cont'd.)

(b) Deferred taxes (cont'd.)

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 utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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.

(c) Goods and Services Tax ("GST")

The net amount of GST, being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in trade and other payables or trade and other receivables in the statements of financial position.

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on its products and services which are indepently 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 Company 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 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

2.24 Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

There were no significant judgements made in applying the Group's accounting policies which may have significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at 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 discussed below:

(i) 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 the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Depreciation of plant and equipment

The cost of plant and equipment for the manufacture of gloves and generation of components is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and equipment to be within 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore future depreciation charges could be revised.

(iii) Deferred tax assets

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

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

2.24 Significant accounting estimates and judgements (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(iv) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 16.

3. Revenue

	Group 2016 RM	2015 RM	Company 2016 RM	2015 RM
Continuing operations				
Sale of goods, net of discounts	520,942,875	437,164,985	-	-
Dividend income from a subsidiary	-	-	32,870,000	53,500,000
	520,942,875	437,164,985	32,870,000	53,500,000
Discontinued operations				
Sale of goods, net of discounts	-	3,352,628	-	-
	520,942,875	440,517,613	32,870,000	53,500,000

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4. Finance costs

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Continuing operations				
Interest expense on:				
Export credit refinancing, bankers' acceptances, trade loan financing and revolving credit	5,449,936	3,115,092	-	-
Obligation under finance lease	47,316	15,092	-	-
Term loans and medium term notes	5,590,721	9,687,853	-	-
	11,087,973	12,818,037	-	-
Discontinued operations				
Interest expense on:				
Trade loan financing	-	269,902	-	-
	11,087,973	13,087,939	-	-

5. Profit before tax

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration				
- Continuing	170,113	133,158	20,000	20,000
- Discontinuing	-	12,000	-	-
Depreciation of property, plant and equipment				
- Continuing	27,188,635	21,519,105	-	-
- Discontinuing	-	89,535	-	-
Amortisation of development costs	101,356	-	-	-
Employee benefits expenses (Note 6)				
- Continuing	71,299,170	61,246,081	-	-
- Discontinuing	-	816,618	-	-

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5. Profit before tax (cont'd.)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Hire of machinery and vehicle				
- Continuing	79,826	36,545	-	-
- Discontinuing	-	21,794	-	-
Impairment loss on financial assets:				
Inventories	32,144,853	-	-	-
Trade receivables (Note 16(a))	7,456,984	171,122	-	-
Non-executive directors' remuneration excluding benefits-in-kind (Note 7)	96,000	96,000	-	-
Rental expenses	1,328,253	1,253,520	-	-
Fair value (gain)/loss on derivative	(460,784)	802,526	-	-
Gain on disposal of investment in subsidiaries	-	-	-	(13,323,959)
Gain on disposal of property, plant and equipment	(1,902,836)	-	-	-
Property, plant and equipment written off	12,477	-	-	-
Interest income				
- Continuing	(283,885)	(468,304)	(81,361)	(257,095)
- Discontinuing	-	(33,966)	-	-
Net foreign exchange (gain)/loss:				
- Continuing				
Realised	(895,809)	(178,974)	-	-
Unrealised	(1,128,029)	8,412,135	-	-
- Discontinuing				
Realised	-	251,593	-	-
Unrealised	-	(153,831)	-	-

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6. Employee benefits expenses

	Group 2016 RM	2015 RM
Salaries and wages		
Continuing operations	65,534,551	56,848,176
Discontinued operations	-	816,618
Contributions to defined contribution plan	2,704,524	1,879,086
Social security contributions	544,298	392,608
Other benefits	2,515,797	2,126,211
	71,299,170	62,062,699

Included in employee benefits expense of the Group is executive directors' remuneration amounting to RM2,386,940 (2015: RM2,168,180) as further disclosed in Note 7.

7. Directors' remuneration

	Group 2016 RM	2015 RM
Executive directors' remuneration (Note 6):		
Other emoluments	2,386,940	2,168,180
Non-executive directors' remuneration (Note 5):		
Fees	96,000	96,000
Total directors' remuneration	2,482,940	2,264,180
Estimated money value of benefit-in-kind	-	28,934
Total directors' remuneration including benefit-in-kind	2,482,940	2,293,114

The details of remuneration of directors of the Group are analysed as follows:

	Group 2016 RM	2015 RM
Executive:		
Salaries and other emoluments	2,100,507	1,822,000
Contributions to defined contribution plan	286,433	346,180
Estimated money value of benefit-in-kind	-	28,934
	2,386,940	2,197,114

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7. Directors' remuneration (cont'd.)

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2016	**2015**
Executive directors:		
RM550,001 - RM600,000	1	1
RM1,500,001 - RM1,550,000	-	1
RM1,700,001 - RM1,750,000	1	-
Non-executive director:		
RM50,001 - RM100,000	1	1

8. Income tax expense

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Current year tax - continuing operations:				
Malaysian income tax	1,532,644	96,002	-	46,875
Foreign tax	2,487,023	47,620	-	-
	4,019,667	143,622	-	46,875
Under/(over) provision in prior years:				
Malaysian income tax	100,262	(500)	64,409	-
	4,119,929	143,122	64,409	46,875
Deferred income tax - continuing operations (Note 14):				
Relating to origination and reversal of temporary differences	8,650,326	7,295,629	-	-
(Over)/under provision in prior years	(1,627,724)	2,652,663	-	-
	7,022,602	9,948,292	-	-
Income tax attributable to continuing operations	11,142,531	10,091,414	64,409	46,875
Income tax attributable to discontinued operations	-	120,376	-	-
Income tax expense recognised in profit or loss	11,142,531	10,211,790	64,409	46,875

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8. Income tax expense (cont'd.)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group	
	2016	**2015**
	RM	**RM**
Profit before tax from continuing operations	42,702,154	46,515,551
Loss before tax from discontinued operations	-	(1,332,075)
Profit before tax	42,702,154	45,183,476
Income tax at Malaysian statutory tax rate of 24% (2015: 25%)	10,248,517	11,295,869
Effect of changes in tax rates on opening balance of deferred tax	-	(34,074)
Effect of income not subject to tax	(13,737,414)	(6,377,273)
Effect of pioneer income not subject to tax	(2,463,484)	(1,468,008)
Effect of expenses not deductible for tax purposes	18,581,889	4,521,082
Reduction in income tax rate	-	(245,568)
Deferred tax assets recognised on reinvestment allowances, unabsorbed capital allowances and unused tax losses	-	(38,297)
Deferred tax assets not recognised in respect of current year's tax losses	40,485	-
Deferred tax impact on post revaluation	-	(94,104)
Under/(over) provision of income tax in prior years	100,262	(500)
(Over)/under provision of deferred tax in prior years	(1,627,724)	2,652,663
Income tax expense recognised for the year	11,142,531	10,211,790

	Company	
	2016	**2015**
	RM	**RM**
Profit before tax	32,663,695	66,653,782
Income tax at Malaysian statutory tax rate of 24% (2015: 25%)	7,839,287	16,663,446
Effect of income not subject to tax	(7,888,800)	(16,705,990)
Effect of expenses not deductible for tax purposes	9,028	89,419
Deferred tax assets not recognised in respect of current year's tax losses	40,485	-
Under provision of income tax in prior years	64,409	-
Income tax expense for the year	64,409	46,875

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

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9. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owner of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The following tables reflect the profit and share data used in the computation of basic earnings per share for the year ended 31 October:

	Group	
	2016	**2015**
	RM	**RM**
Profit net of tax attributable to owner of the parent	28,233,327	34,693,437
Add back:		
Loss from discontinued operations, net of tax, attributable to owner of the parent	-	1,452,451
Profit net of tax from continuing operations attributable to owner of the parent used in the computation of basic earnings per share	28,233,327	36,145,888

	Number of shares	
	2016	**2015**
Weighted average number of ordinary shares in issue for basic earnings per share computation	270,850,119	270,850,119
Basic earnings per share (sen per share)	10.42	12.81
Basic earnings per share from continuing operations (sen per share)	10.42	13.35
Basic loss per share from discontinued operations (sen per share)	-	(0.54)

There is no dilution effect to the earnings per share of the Group.

(a) Continuing operations

Basis earnings per share amounts are calculated by dividing profit for the year from continuing operations, net of tax, attributable to owner of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Discontinued operations

The basic loss per share from discontinued operations are calculated by dividing the loss from discontinued operations, net of tax, attributable to owner of the parent by the weighted average number of ordinary shares for basic loss per share computation.

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10. Property, plant and equipment

Group	Freehold land RM	Long term leasehold land RM	Buildings RM	Plant and equipment RM	Other assets* RM	Assets work-in-progress RM	Total RM
Cost							
At 31 October 2014	568,601	23,871,383	60,516,007	231,751,516	7,256,970	32,299,900	356,264,377
Additions	-	39,498,701	24,675,794	33,419,088	1,893,532	2,513,711	102,000,826
Reclassifications	-	-	850,151	6,021,532	-	(6,871,683)	-
Disposals	-	-	-	(646,717)	-	-	(646,717)
Exchange differences	-	-	-	-	15,566	-	15,566
At 31 October 2015	568,601	63,370,084	86,041,952	270,545,419	9,166,068	27,941,928	457,634,052
Additions	-	455,790	80,926	13,220,845	1,625,735	22,299,595	37,682,891
Reclassifications	-	-	5,762,939	35,468,903	-	(41,231,842)	-
Disposals	-	(5,790,000)	-	(1,990)	-	-	(5,791,990)
Written off	-	-	-	-	(12,477)	-	(12,477)
Exchange differences	-	-	-	-	20,991	-	20,991
Acquisition of subsidiary	-	-	100,839	354,922	72,998	-	528,759
At 31 October 2016	568,601	58,035,874	91,986,656	319,588,099	10,873,315	9,009,681	490,062,226

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

	Freehold land RM	Long term leasehold land RM	Buildings RM	Plant and equipment RM	Other assets* RM	Assets work-in-progress RM	Total RM
Group (cont'd.)							
Accumulated depreciation							
At 31 October 2014	-	1,458,265	4,154,192	76,995,232	3,197,989	-	85,805,678
Depreciation charge for the year	-	653,945	1,348,673	18,581,749	1,024,273	-	21,608,640
Disposals	-	-	-	(340,264)	-	-	(340,264)
Exchange differences	-	-	-	-	15,402	-	15,402
At 31 October 2015	-	2,112,210	5,502,865	95,236,717	4,237,664	-	107,089,456
Depreciation charge for the year	-	1,110,003	1,746,637	23,190,609	1,141,386	-	27,188,635
Disposals	-	(505,158)	-	(194)	-	-	(505,352)
Exchange differences	-	-	-	-	22,223	-	22,223
Acquisition of subsidiary	-	-	11,455	121,782	57,777	-	191,014
At 31 October 2016	-	2,717,055	7,260,957	118,548,914	5,459,050	-	133,985,976
Net carrying amount							
At 31 October 2015	568,601	61,257,874	80,539,087	175,308,702	4,928,404	27,941,928	350,544,596
At 31 October 2016	568,601	55,318,819	84,725,699	201,039,185	5,414,265	9,009,681	356,076,250

* Other assets comprise of motor vehicles, office equipment, furniture, fittings and renovation.

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

(a) During the financial year, the Group acquired property, plant and equipment at aggregate cost of RM37,682,891 (2015: RM102,000,826) of which RM307,166 (2015: RM847,561) was acquired by means of finance lease. The carrying amounts of property, plant and equipment held under finance lease are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Motor vehicles	1,052,192	837,339

Details of the terms and conditions of the hire purchase arrangements are disclosed in Note 28(b).

(b) The Group's assets work-in-progress include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of buildings and plant and machinery. During the financial year, the borrowing costs capitalised as cost of assets work-in-progress amounted to RM762,534 (2015: RM1,498,576).

(c) The net carrying amounts of property, plant and equipment pledged as securities for loans and borrowings (Note 20) are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Leasehold land and buildings	135,021,757	72,653,607
Plant and equipment	71,391,744	45,037,947
Assets work-in-progress	3,604,267	24,520,384
Motor vehicles	1,020,722	78,315
	211,038,490	142,290,253

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11. Intangible assets

Group	Goodwill RM	Trademark, patents and software license RM	Total RM
Cost/net carrying amount			
At 1 November 2015	65,728,968	-	65,728,968
Acquisition of a subsidiary (Note 12)	2,474,403	-	2,474,403
Addition	-	23,545	23,545
At 31 October 2016	68,203,371	23,545	68,226,916

Impairment testing of goodwill

Goodwill arising from business combinations has been allocated to two individual cash-generating units ("CGU") for impairment testing as follows:

- Healthcare products
- Energy provider

The carrying amounts of goodwill allocated to each CGU are as follows:

	Group 2016 RM'000	2015 RM'000
Healthcare products	61,302,604	59,832,283
Energy provider	5,896,685	5,896,685
	67,199,289	65,728,968

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period.

	Healthcare products 2016	2015	Energy provider 2016	2015
Budgeted gross margins	18%	24%	33%	37%
Growth rates	20%	33%	-3%	-8%
Pre-tax discount rates	6.60%	6.85%	3%	3%

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11. Intangible assets (cont'd.)

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Budgeted gross margins – The basis used to determine the value assigned to the key assumption is average gross margin achieved in the year immediately before the budget period, increased for expected efficiency improvement.

Growth rates – The management believes that the average growth rates used are consistent with the medium-term average growth rate of the economy.

Pre-tax discount rates – The discount rates are pre-tax and reflect specific risks relating to the relevant activities.

12. Investments in subsidiaries

	Company	
	2016	**2015**
	RM	**RM**
Unquoted shares at cost	294,002,386	247,296,667

Details of subsidiaries

Names of subsidiaries	**Country of incorporation**	**Principal activities**	**Proportion of ownership interest**	
			2016	**2015**
Adventa Health Sdn. Bhd.	Malaysia	Distribution of medical gloves and other hospital related products	100%	100%

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12. Investments in subsidiaries (cont'd.)

Details of subsidiaries (cont'd.)

Names of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2016	2015
Terang Nusa (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing and distribution of surgical and medical examination gloves	100%	100%
Cytotec (M) Sdn. Bhd.	Malaysia	Generation and supply of energy and electricity using biomass technology	100%	100%
Purnabina Sdn. Bhd.	Malaysia	Manufacturing and distribution of medical gloves	97.2%	97.2%
Sentienx Sdn. Bhd.	Malaysia	Manufacturing and distribution of medical and protection gloves	100%	100%
Terang Nusa Sdn. Bhd.	Malaysia	Dormant	100%	100%
Nusaco Sdn. Bhd.	Malaysia	Dormant	100%	100%
Utama Associates Sdn. Bhd.	Malaysia	Dormant	100%	100%
Ulma International GmbH *	Germany	Distribution of medical gloves and other hospital related products	100%	100%

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12. Investments in subsidiaries (cont'd.)

Details of subsidiaries (cont'd.)

Names of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2016	2015
Beijing Adventa Supplies Co. Ltd. * ##	China	Distribution of medical products and medical devices	100%	100%
Suizze Health Limited *	Hong Kong	Investment holding	100%	-
Kevenoll Do Brasil Produtos Medicos Hospitalares LTDA *#	Brazil	Distribution of medical products and medical devices	70%	-
Aspion Health Limited ###	Hong Kong	Dormant	100%	-

* Audited by firms other than Ernst & Young
\# Subsidiary of Suizze Health Limited
\## Subsidiary of Adventa Health Sdn. Bhd.
\### Based on management account

(a) The unaudited financial statements of Aspion Health Limited were used for consolidation in Group financial statements as the subsidiary was not required by its local legislation to have its financial statements audited.

(b) The Company acquired 100% of Suizze Health Limited (SH) during the financial year. Kevenoll Do Brasil Produtos Medicos Hospitalares LTDA (KDB) which was 70% owned by SH was consolidated into Group financial statements after the date of SH acquisition. The non controlling interest of 30% shareholding in KDB have no relation to the directors of the group of companies.

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12. Investments in subsidiaries (cont'd.)

Details of subsidiaries (cont'd.)

(b) The fair values of the identifiable assets and liabilities of the above acquisition as at the date of acquisiton were:

	RM
Property, plant and equipment	337,745
Inventories	10,942,881
Trade and other receivables	6,099,987
Cash and bank balances	1,672,586
Trade and other payables	(15,403,449)
Tax payables	(41,754)
Net assets acquistion	3,607,996
Non-controlling interest	(1,082,399)
Total acquisiton proceeds	(5,000,000)
Goodwill to the Group	(2,474,403)

The cash outflow on acquisition is as follows:	
Total purchase consideration satisfied by cash, representing total acquisiton proceeds	(5,000,000)
Cash and cash equivalents of subsidiaries acquired	1,672,586
Net cash outflow of the Group	(3,327,414)

Provisional accounting of acquisition
The fair values of the identifiable assets and liabilities were determined on a provisional basis.

Acquisition effect on the Group's financial results	RM
Revenue	59,450,144
Profit from operations	12,329,703
Net profit for the year	9,662,773

(c) During the financial year, the Company has increased its investment in Terang Nusa (Malaysia) Sdn. Bhd. by way of capitalisation of amount due from Terang Nusa (Malaysia) Sdn. Bhd. amounting to RM41,700,000.

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13. Development costs

	Group	
	2016	**2015**
Cost/Net carrying amount	**RM**	**RM**
At 1 November	5,472,923	5,472,923
Addition	3,273,011	-
Less: Amortisation during the year	(101,356)	-
At 31 October	8,644,578	5,472,923

Development costs are related to the development of new designs of gloves.

The amortisation of development cost are included in the "Administrative expenses" line items in the statement of comprehensive income respectively.

14. Deferred tax

	Group	
	2016	**2015**
	RM	**RM**
At 1 November	7,297,470	(2,650,822)
Recognised in profit or loss (Note 8)	7,022,602	9,948,292
At 31 October	14,320,072	7,297,470
Presented after appropriate offsetting as follows:		
Deferred tax assets	(1,695,016)	(3,007,537)
Deferred tax liabilities	16,015,088	10,305,007
	14,320,072	7,297,470

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Property, plant and equipment	**Provisions**	**Total**
	RM	**RM**	**RM**
At 1 November 2014	2,685,224	336,617	3,021,841
Recognised in profit or loss	7,237,863	45,303	7,283,166
At 31 October 2015	9,923,087	381,920	10,305,007
Recognised in profit or loss	5,255,718	454,363	5,710,081
At 31 October 2016	15,178,805	836,283	16,015,088

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14. Deferred tax (cont'd.)

Deferred tax assets of the Group:

	Unutilised reinvestment and capital allowances RM	Unabsorbed tax losses RM	Provisions RM	Total RM
At 1 November 2014	(5,672,663)	-	-	(5,672,663)
Recognised in profit or loss	4,404,409	(74,311)	(1,664,972)	2,665,126
At 31 October 2015	(1,268,254)	(74,311)	(1,664,972)	(3,007,537)
Recognised in profit or loss	1,268,254	74,311	(30,044)	1,312,521
At 31 October 2016	-	-	(1,695,016)	(1,695,016)

15. Inventories

	Group 2016 RM	2015 RM
At cost		
Raw materials	15,297,837	15,407,260
Packaging materials	15,574,004	5,972,970
Work-in-progress	49,585,316	71,088,283
Finished goods	54,261,373	27,008,107
	134,718,530	119,476,620

During the financial year, the amount of inventories recognised as an expenses in cost of sales of the Group was RM342,415,283 (2015: RM262,701,350).

16. Trade and other receivables

	Group 2016 RM	2015 RM	Company 2016 RM	2015 RM
Trade receivables				
Third parties	104,510,700	111,551,455	-	-
Allowance for impairment	(7,601,726)	(192,091)	-	-
Trade receivables, net	96,908,974	111,359,364	-	-

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Other receivables				
Amounts due from subsidiaries	-	-	-	158,486,463
Sundry receivables	5,427,914	17,873,187	1,155,926	15,383,324
Deposits	1,842,938	912,371	-	-
Goods and Services Tax ("GST")	3,708,776	3,612,879	-	-
	10,979,628	22,398,437	1,155,926	173,869,787
Total trade and other receivables	107,888,602	133,757,801	1,155,926	173,869,787
Less: GST receivables	(3,708,776)	(3,612,879)	-	-
Add: Cash and bank balances (Note 18)	16,563,371	37,980,241	142,017	17,778,351
Total loans and receivables	120,743,197	168,125,163	1,297,943	191,648,138

(a) Trade receivables

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

Ageing analysis of trade receivables

	Group	
	2016	**2015**
	RM	**RM**
Neither past due nor impaired	3,101,664	61,760,021
1 to 30 days past due not impaired	26,718,689	28,746,200
31 to 60 days past due not impaired	19,367,623	14,066,325
61 to 90 days past due not impaired	15,996,159	5,143,021
More than 91 days past due not impaired	31,724,839	1,643,797
	93,807,310	49,599,343
Impaired	7,601,726	192,091
	104,510,700	111,551,455

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

(a) Trade receivables (cont'd.)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records 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 RM93,807,310 (2015: RM49,599,343) that are past due at the reporting date but not impaired.

Based on past experience and no adverse information to date, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

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 Individually impaired	
	2016	**2015**
	RM	**RM**
Trade receivables - norminal amounts	7,601,726	192,091
Allowance for impairment	(7,601,726)	(192,091)
	-	-

Movement in allowance accounts:

	2016	**2015**
	RM	**RM**
At 1 November	192,091	20,969
Additional for acquisition of new subsidiary	123,773	-
Charged for the year (Note 5)	7,456,984	171,122
Written off	(171,122)	-
At 31 October	7,601,726	192,091

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

(a) Trade receivables (cont'd.)

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

(b) Other receivables

Amounts due from subsidiaries bear interest from Nil % (2015: 4.10% to 6.19%) per annum. All subsidiaries' receivables are unsecured and are to be settled in cash.

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

17. Derivatives

	Group			
	2016		2015	
	Contract/ Notional amount RM	Liabilities RM	Contract/ Notional amount RM	Liabilities RM
Non-hedging derivatives:				
Current				
Forward currency contracts	17,504,835	308,384	7,404,920	769,168

The Group uses forward currency to manage sales and purchases transactions exposure. These contracts are not designated as cash flow or value hedges and entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales and purchases denominated in United States Dollars and Euro, extending to March 2017 (2015: March 2016).

During the financial year, the Group recognised a gain of RM460,784 (2015: loss of RM802,526) arising from fair value changes of derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rate. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 25.

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18. Cash and cash equivalents

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Cash in hand and at banks	14,063,371	22,914,233	142,017	9,046,659
Deposits with licensed banks	2,500,000	15,066,008	-	8,731,692
	16,563,371	37,980,241	142,017	17,778,351

Deposits with licensed banks of the Group and of the Company amounting to RM2,500,000 and RMNil (2015: RM11,566,008 and RM8,731,692) are pledged as securities for borrowings (Note 20).

The weighted average effective interest rates of deposits of the Group and of the Company at reporting date range from 3.15% to 3.42% and 3.15% to 3.42% (2015: 3.15% to 3.42% and 3.15% to 3.42%) per annum respectively. The average maturity of deposits of the Group and of the Company is 90 to 365 days and 90 to 365 days (2015: 90 to 365 days and 90 to 365 days) respectively.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the reporting date:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Cash in hand and at banks	16,563,371	37,980,241	142,017	17,778,351
Deposits with licensed banks with maturity more than 3 months	(2,500,000)	(15,066,008)	-	(8,731,692)
Cash and cash equivalents	14,063,371	22,914,233	142,017	9,046,659

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19. Trade and other payables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Current				
Trade payables				
Third parties	65,045,377	63,456,080	-	-
Other payables				
Amount due to subsidiary	-	-	1,600,000	-
Sundry payables	14,731,894	14,346,326	2,267,072	2,957,349
Accrued operating expenses	9,892,343	9,858,518	23,700	944,280
	24,624,237	24,204,844	3,890,772	3,901,629
	89,669,614	87,660,924	3,890,772	3,901,629
Non-current				
Other payable				
Sundry payables	21,081,112	20,309,005	-	-
Total trade and other payables	110,750,726	107,969,929	3,890,772	3,901,629
Add: Loans and borrowings (Note 20)	280,570,424	293,133,255	-	134,200,616
Total financial liabilities carried at amortised cost	391,321,150	401,103,184	3,890,772	138,102,245

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2015: 30 to 90 days).

(b) Other payables

Included in sundry payables (current and non-current) of the Group is an amount of RM20,309,005 due to third party in respect of a piece of leasehold land purchased by the Group at Lot No.3568, Bandar Kulim, Kedah Darul Aman for a total consideration of RM37,609,268, shall be payable as the following:

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19. Trade and other payables (cont'd.)

(b) Other payables (cont'd.)

	Group 2016 RM
Current	
On demand or not later than 1 year	6,769,668
Non-current	
Later than 1 year and not later than 2 years	6,769,668
Later than 2 years and not later than 5 years	6,769,669
	13,539,337
	20,309,005

The term of the leasehold land is 60 years and being used for the purpose of construction of factory building for manufacturing facility for allied medical equipment and surgical supplies with research and development facilities.

20. Loans and borrowings

	Maturity	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Current					
Secured:					
Bankers' acceptances	2017	26,569,918	41,526,053	-	-
Obligation under finance lease	2017	277,210	226,292	-	-
Revolving credit	2017	41,539,000	38,927,298	-	-
Term loan Base Lending Rate ("BLR") minus 1.5% per annum	2017	-	1,259,305	-	-
Term loan BLR plus 0.2% per annum	2017	460,433	435,254	-	-

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20. Loans and borrowings (cont'd.)

		Group		Company	
	Maturity	**2016 RM**	**2015 RM**	**2016 RM**	**2015 RM**
Current (cont'd.)					
Term loan Cost of Fund ("COF") plus 2.25% per annum	2017	-	33,750,000	-	33,750,000
Term loan COF plus 2.6% per annum	2017	27,048,432	5,304,884	-	-
Term loans (fixed rate)	2017	10,301,978	960,678	-	-
Trade loan financing	2017	19,446,633	5,555,232	-	-
		125,643,604	127,944,996	-	33,750,000
Non-current					
Secured:					
Obligation under finance lease	2018	681,090	706,199	-	-
Revolving credit	2018-2024	43,792,852	-	-	-
Medium term notes	2018	-	100,450,616	-	100,450,616
Term loan BLR plus 0.2% per annum	2018	-	977,959	-	-
Term loan COF plus 2.25% per annum	2018	508,998	-	-	-
Term loan COF plus 2.6% per annum	2018-2019	58,479,065	63,053,485	-	-
Term loans (fixed rate)	2018-2023	51,464,815	-	-	-
		154,926,820	165,188,259	-	100,450,616

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20. Loans and borrowings (cont'd.)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Total loans and borrowings				
Bankers' acceptances	26,569,918	41,526,053	-	-
Obligation under finance lease	958,300	932,491	-	-
Medium term notes	-	100,450,616	-	100,450,616
Revolving credit	85,331,852	38,927,298	-	-
Term loan BLR minus 1.5% per annum	-	1,259,305	-	-
Term loan BLR plus 0.2% per annum	460,433	1,413,213	-	-
Term loan COF plus 2.25% per annum	508,998	33,750,000	-	33,750,000
Term loan COF plus 2.6% per annum	85,527,497	68,358,369	-	-
Term loans (fixed rate)	61,766,793	960,678	-	-
Trade loan financing	19,446,633	5,555,232	-	-
	280,570,424	293,133,255	-	134,200,616

The remaining maturities of the loans and borrowings are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
On demand or not later than 1 year	125,643,604	127,944,996	-	33,750,000
Later than 1 year and not later than 2 years	26,785,151	11,156,398	-	-
Later than 2 years and not later than 5 years	128,141,669	154,031,861	-	100,450,616
	280,570,424	293,133,255	-	134,200,616

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20. Loans and borrowings (cont'd.)

The interest rates at the reporting date for loans and borrowings, excluding obligation under finance lease, were as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	%	**%**	**%**	**%**
Medium term notes	-	4.10 - 4.55	-	4.10 - 4.55
Term loans (fixed rate)	5.05 - 5.09	5.05 - 5.09	-	-
Other trade facilities	1.40 - 5.42	1.40 - 5.42	-	-

The banking facilities, medium term notes and term loans are secured by the following:

(i) legal charge over certain assets of the Group as disclosed in Note 10(c);

(ii) cash margin of 10% against utilisation of the facility;

(iii) corporate guarantees by the Company; and

(iv) specific debenture incorporating a fixed charge over the machinery financed by the banks.

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21. Share capital, preference shares and share premium

	Ordinary shares (Number of shares of RM1 each)	Preference shares (Number of shares of RM0.10 each)	Ordinary shares RM	Preference shares RM
Group and Company				
Authorised share capital				
At 31 October 2015/2016	495,000,000	50,000,000	495,000,000	5,000,000

	Share capital (Number of shares of RM1 each)	Preference shares (Number of shares of RM0.10 each)	Share capital RM	Preference shares RM	Share premium RM	Total RM
Issued and fully paid						
At 1 November 2015	270,850,119	11,500,000	270,850,119	1,150,000	10,350,000	282,350,119
Redemption of preference shares	-	(11,500,000)	-	(1,150,000)	(10,350,000)	(11,500,000)
At 31 October 2016	270,850,119	-	270,850,119	-	-	270,850,119

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

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22. Dividend

	2016 RM	2015 RM
Recognised during the financial year:		
In respect of financial year ended 31 October 2016:		
First interim dividend of 4.20% tax exempt dividend, on 270,850,119 ordinary shares declared on 15 October 2016 and paid on 20 October 2016	11,375,705	-
Second interim dividend of 7.08% tax exempt dividend, on 270,850,119 ordinary shares declared on 20 October 2016 and paid on 28 October 2016	19,176,188	-
	30,551,893	-

The directors do not recommend the payment of any final dividends for the current financial year.

23. Foreign currency translation reserve

	Group RM
At 1 November 2014	185,777
Foreign currency translation	223,599
At 31 October 2015	409,376
Foreign currency translation	832,897
Acquisition of subsidiary	529,061
At 31 October 2016	1,771,334

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.

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24. Related party disclosures

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
A director:				
Rental expenses	166,200	105,200	-	-
Subsidiary:				
Gross dividends received	-	-	32,870,000	53,500,000

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follow:

	Group	
	2016	**2015**
	RM	**RM**
Short-term employee benefits	2,196,507	1,918,000
Defined contribution plan	286,433	346,180
	2,482,940	2,264,180

Included in the total remuneration of key management personnel are:

	Group	
	2016	**2015**
	RM	**RM**
Directors' remuneration (Note 7)	2,482,940	2,264,180

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25. Fair value of financial instruments

A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Note	Group Carrying amount RM	Group Fair value RM	Company Carrying amount RM	Company Fair value RM
At 31 October 2016					
Financial liabilities					
Non-current:					
Obligation under finance lease	20	681,090	638,015	-	-
Term loans (fixed rate)		51,464,815	36,117,411	-	-
At 31 October 2015					
Financial liabilities					
Non-current:					
Medium term notes	20	100,450,616	94,991,062	100,450,616	94,991,062
Obligation under finance lease	20	706,199	602,166	-	-

B. Determination of fair value

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	16
Trade and other payables	19
Loans and borrowings (current)	20
Loans and borrowings (non-current)	
- Term loan BLR plus 0.2% per annum	20
- Term loan COF plus 2.25% per annum	20
- Term loan COF plus 2.6% per annum	20

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25. Fair value of financial instruments (cont'd.)

B. Determination of fair value (cont'd.)

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 carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of current 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.

Finance lease obligations, fixed rate bank loans and medium term notes

The fair values of these financial instruments 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.

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 foreign exchange spot and forward rates.

26. Financial risk management objectives and policies

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing its interest rate risk (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's and the Company's policy that no trading in derivative financial instruments shall be undertaken.

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

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group and the Company have no significant interest-bearing financial assets, the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 30 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM174,000 (2015: RM32,500) 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.

(b) Foreign currency risk

The Group and the Company are exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Euro (EUR), Great British Pound (GBP), Singapore Dollars (SGD) and United States Dollars (USD). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

The Group and the Company maintain a natural hedge, whenever possible, by borrowing in the currency of the country in which the investments are located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

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

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

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

Functional currency of companies in the Group	Net financial assets/(liabilities) held in non-functional currencies			
	EUR RM	**USD RM**	**BRL RM**	**CNY RM**
At 31 October 2016				
Ringgit Malaysia	(937,958)	(228,521)	-	-
Euro	786,981	-	-	-
Brazilian Real	-	-	10,298,132	-
Chinese Yuan	-	-	-	1,429,545
	(937,958)	(228,521)	-	(1,166,479)

	EUR RM	**SGD RM**	**USD RM**	**Total RM**
At 31 October 2015				
Ringgit Malaysia	307,402	102,771	(48,363,719)	(47,953,546)
Euro	-	-	(324,472)	(324,472)
	307,402	102,771	(48,688,191)	(48,278,018)

As at reporting date, the Group had entered into forward foreign exchange contracts with maturity within one year at the following notional amounts:

	Currency	**Total notional amount RM**
At 31 October 2016		
Forwards used to hedge trade receivables	USD	17,504,835
At 31 October 2015		
Forwards used to hedge trade receivables	USD	6,632,472
Forwards used to hedge trade payables	EUR	772,448
		7,404,920

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

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

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 EUR, GBP, SGD, USD, CNY and BRL exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group 2016 RM Profit net of tax
EUR/RM	- strengthened 3%	588,561
	- weakened 3%	(588,561)
GBP/RM	- strengthened 23%	763,538
	- weakened 23%	(763,538)
SGD/RM	- strengthened 1%	10,834
	- weakened 1%	(10,834)
USD/RM	- strengthened 2%	3,202,185
	- weakened 2%	(3,202,185)
CNY/RM	- strengthened 7%	43,534
	- weakened 7%	(43,534)
BRL/RM	- strengthened 22%	2,770,246
	- weakened 22%	(2,770,246)

		Group 2015 RM Profit net of tax
EUR/RM	- strengthened 14%	44,105
	- weakened 14%	(44,105)
GBP/RM	- strengthened 25%	28,211
	- weakened 25%	(28,211)
SGD/RM	- strengthened 20%	20,058
	- weakened 20%	(20,058)
USD/RM	- strengthened 31%	28,236,149
	- weakened 31%	(28,236,149)

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

(c) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

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.

	Group			
	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
31 October 2016				
Financial liabilities:				
Trade and other payables	68,588,502	21,081,112	21,081,112	110,750,726
Loans and borrowings	125,686,746	154,978,465	-	280,665,211
Total undiscounted financial liabilities	194,275,248	176,059,577	21,081,112	391,415,937
31 October 2015				
Financial liabilities:				
Trade and other payables	107,969,929	-	-	107,969,929
Loans and borrowings	127,989,287	165,183,625	-	293,172,912
Total undiscounted financial liabilities	235,959,216	165,183,625	-	401,142,841

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

(c) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

	Company			
	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
31 October 2016				
Financial liabilities:				
Trade and other payables, representing total undiscounted financial liabilities	3,890,772	-	-	3,890,772
31 October 2015				
Financial liabilities:				
Trade and other payables	3,901,629	-	-	3,901,629
Loans and borrowings	33,750,000	100,450,616	-	134,200,616
Total undiscounted financial liabilities	37,651,629	100,450,616	-	138,102,245

(d) Credit risk

The Group's credit risk is primarily attributable to trade receivables. 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 and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the head of credit control. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, marketable securities and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

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

(d) Credit risk (cont'd.)

Credit risk concentration profile

	Group			
	2016 RM	%	2015 RM	%
By country:				
Malaysia	78,691,474	81%	109,880,817	99%
Brazil	17,017,309	18%	-	0%
Germany	1,200,191	1%	1,478,547	1%
	96,908,974	100%	111,359,364	100%
By industry sector:				
Hospital products	96,908,974	100%	111,359,364	100%

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 16. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16.

27. Capital management

The primary objective of the Group's and 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 to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 October 2015 and 31 October 2016.

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27. Capital management (cont'd.)

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 and trade and other payables, less cash and bank balances. Capital represents equity attributable to the owner of the parent.

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Loans and borrowings	20	280,570,424	293,133,255	-	134,200,616
Trade and other payables	19	110,750,726	107,969,929	3,890,772	3,901,629
Less: Cash and bank balances	18	(16,563,371)	(37,980,241)	(142,017)	(17,778,351)
Net debt		374,757,779	363,122,943	3,748,755	120,323,894
Equity attributable to the owner of the parent, representing total capital		284,684,182	307,808,901	291,448,221	300,900,828
Capital and net debt		659,441,961	670,931,844	295,196,976	421,224,722
Gearing ratio		57%	54%	1%	29%

28. Commitments

(a) Capital commitments

	Group	
	2016	2015
	RM	RM
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	10,629,986	16,496,695

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28. Commitments (cont'd.)

(b) Finance lease commitments

The Company has finance lease for certain items of property, plant and equipment.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Minimum lease payments:		
Not later than 1 year	320,352	270,583
Later than 1 year but not later than 2 years	267,671	445,512
Later than 2 years but not later than 5 years	465,064	256,053
Total minimum lease payments	1,053,087	972,148
Future finance charges	(94,787)	(39,657)
Present value of minimum lease payments	958,300	932,491
Present value of payments:		
Not later than 1 year	277,210	226,292
Later than 1 year but not later than 2 years	350,673	428,323
Later than 2 years but not later than 5 years	330,417	277,876
Present value of minimum lease payments	958,300	932,491
Amount due within 12 months (Note 20)	(277,210)	(226,292)
Amount due after 12 months (Note 20)	681,090	706,199

The Group has obligation under finance lease for certain items of property, plant and equipment (see Note 10(a)). There are no restrictions placed upon the Group by entering into these obligation and no arrangements have been entered into for contingent rental payments.

The obligation under finance lease bore interest at the reporting date at rate from 2.34% to 2.44% (2015: 2.34% to 2.44%) per annum.

29. Segment information

(a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

29. Segment information (cont'd.)

(b) Business segments

The Group comprises the following three major business segments:

(i) Manufacturing, distribution and trading of healthcare products.

(ii) Generation and supply of energy and electricity using biomass technology.

(iii) Investment company.

(c) Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. The Group's three business segments operate in four geographical areas:

(i) Malaysia - the operations in this area are principally manufacturing, distribution and trading of healthcare products. Other operations include generation and supply of energy and electricity and provision of management services.

(ii) Germany - the operations in this area are principally distribution of healthcare products.

(iii) Brazil - the operations in this area are principally manufacturing and distribution of healthcare products.

(iv) Hong Kong - the operations in this area include provision of management services.

(d) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

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29. Segment Information (cont'd.)

Business segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segments:

	Healthcare products		Energy provider		Corporate		Discontinued operations		Adjustments and eliminations			Per consolidated financial statements	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM	Note	2016 RM	2015 RM
Revenue:													
External customers	520,942,875	437,405,751	-	-	-	-	-	2,871,095	-	(3,111,861)		520,942,875	437,164,985
Inter-segment	540,874,119	448,155,268	21,624,375	22,402,500	32,870,000	53,500,000	-	240,767	(595,368,494)	(524,298,535)	B	-	-
Total revenue	1,061,816,994	885,561,019	21,624,375	22,402,500	32,870,000	53,500,000	-	3,111,862	(595,368,494)	(527,410,396)		520,942,875	437,164,985
Results:													
Interest income	202,524	211,209	-	-	81,361	257,095	-	33,966	-	(33,966)		283,885	468,304
Fair value (gain)/loss	(460,784)	802,526	-	-	-	-	-	-	-	-	A	(460,784)	802,526
Depreciation of property, plant and equipment	26,385,234	21,024,131	803,401	825,376	-	-	-	89,535	-	(419,937)		27,188,635	21,519,105
Other non-cash expenses	39,601,837	171,122	-	-	-	-	-	-	-	-	C	39,601,837	171,122
Segment profit	35,097,147	38,424,895	7,036,348	8,140,139	32,663,695	66,653,782	-	-	(32,095,036)	(66,703,265)	D	42,702,154	46,515,551
Assets:													
Additions to non-current assets	40,434,176	101,300,123	521,726	700,703	-	-	-	-	-	-	E	40,955,902	102,000,826
Segment assets	708,853,249	705,461,612	23,100,952	44,034,834	295,338,992	439,003,073	-	23,456,511	(327,854,115)	(491,071,691)	F	699,439,078	720,884,339
Segment liabilities	490,295,653	551,179,328	9,100,268	8,556,261	3,890,772	138,102,245	-	9,656,304	(93,691,412)	(295,169,620)	G	409,595,281	412,324,518

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29. Segment information (cont'd.)

Discontinued operations

	Total Healthcare products 2016 RM	2015 RM
Revenue:		
External customers, representing total revenue	-	3,111,862
Results:		
Interest income	-	33,966
Depreciation of property, plant and equipment	-	89,535
Segment assets	-	23,456,511
Segment liabilities	-	9,656,304

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29. Segment information (cont'd.)

A The amount relating to the certain products within healthcare products, energy provider and corporate segment have been excluded to arrive at amounts shown in the consolidated statement of comprehensive income as they are presented separately in the statement of comprehensive income within one line item, "profit from discontinued operation, net of tax".

B Inter-segment revenues are eliminated on consolidation.

C Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2016 RM	2015 RM
Impairment loss on inventories	5	32,144,853	-
Impairment loss on trade receivables	5	7,456,984	171,122
		39,601,837	171,122

D The following items are (deducted from)/added to segment profit to arrive at "Profit before tax" presented in the consolidated statement of comprehensive income:

	Note	2016 RM	2015 RM
Segment results of discontinued operations		-	1,062,173
Profit from inter-segment sales		(21,007,063)	(54,947,401)
Finance costs	4	(11,087,973)	(12,818,037)
		(32,095,036)	(66,703,265)

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29. Segment information (cont'd.)

E Additions to non-current assets consist of:

	Note	2016 RM	2015 RM
Property, plant and equipment	10	37,682,891	102,000,826
Development costs	13	3,273,011	-
		40,955,902	102,000,826

F The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	Note	2016 RM	2015 RM
Deferred tax assets	14	1,695,016	3,007,537
Tax recoverable		1,098,308	1,228,440
Inter-segment assets		(330,647,439)	(495,307,668)
		(327,854,115)	(491,071,691)

G The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Note	2016 RM	2015 RM
Deferred tax liabilities	14	16,015,088	10,305,007
Loans and borrowings	20	280,570,424	293,133,255
Inter-segment liabilities		(390,276,924)	(598,607,882)
		(93,691,412)	(295,169,620)

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29. Segment information (cont'd.)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2016	2015	2016	2015
	RM	RM	RM	RM
Malaysia	446,431,270	426,484,297	434,212,858	424,710,126
Germany	14,656,517	10,680,688	48,816	43,898
China/Hong Kong	404,944	-	-	-
Brazil	59,450,144	-	381,086	-
	520,942,875	437,164,985	434,642,760	424,754,024

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	Note	2016	2015
		RM	RM
Property, plant and equipment	10	356,076,250	350,544,596
Intangible assets	11	68,226,916	65,728,968
Development costs	13	8,644,578	5,472,923
Deferred tax assets	14	1,695,016	3,007,537
		434,642,760	424,754,024

30. Authorisation of financial statements for issue

The financial statements for the year ended 31 October 2016 were authorised for issue in accordance with a resolution of the directors on 4 July 2017.

ADDITIONAL INFORMATION ON THE DETERMINATION OF CORE PAT AND FINESSIS PAT

1. ADJUSTMENTS TO ARRIVE AT FINESSIS PAT

The following items will be adjusted for in arriving at the Finessis PAT for a particular Finessis PAT Period:

	Adjustments	Consequential effects on Finessis PAT
(i)	Any extraordinary items (whether positive or negative);	Increase or decrease
(ii)	Any unrealised gains or losses on foreign exchange or mark to market gains or losses on fair value of foreign exchange contracts;	Increase or decrease
(iii)	To the extent caused by a change in tax planning by TCSB, any deductions of income tax, whether paid or not, deferred or capitalised if the Aspion Group is liable to pay higher or more corporate tax than the rate of corporate tax payable as at the date of the SPA;	Increase
(iv)	Set-up costs, consultancy costs and pre-operation costs in respect of any businesses commenced after the date of the SPA or any new facilities (including new factories, warehouses or distribution centres) being constructed in the relevant financial year, but deducting only a "deemed amortisation" amount had the cost been amortised based on the same amortisation rate or policy applicable to the relevant facility or business (if applicable) and that carried forward from the preceding periods (if any);	Increase
(v)	Any deduction for depreciation to the extent identifiable as unique to Finessis Gloves to the extent the amount exceeds the amount which would have otherwise been deducted had there been no change to the accounting policy adopted by the Aspion Group before Completion;	Increase
(vi)	Any gains or losses from the disposal of assets, liabilities or investments other than in the ordinary course of the business of Aspion to the extent identifiable as unique to Finessis Gloves;	Increase or decrease
(vii)	All amounts expended but not capitalised for any research and development and brand development (excluding normal trade shows), but deducting only a deemed amortisation amount had the cost been amortised over a period of 5 years and that carried forward from the preceding periods (if any);	Increase
(viii)	All cost and expenses incurred for or in connection with registration or protection of intellectual property rights, including expenses incurred for defending or protecting intellectual property rights, but deducting only a deemed amortisation amount had the cost been amortised over a period of 5 years and that carried forward from the preceding periods (if any);	Increase

ADDITIONAL INFORMATION ON THE DETERMINATION OF CORE PAT AND FINESSIS PAT *(Cont'd)*

Adjustments		Consequential effects on Finessis PAT
(ix)	All cost and expenses allocated or charged by our Company, TCSB and affiliates controlled by us for intellectual property rights of TCSB including the intellectual property rights transferred under the IP Deed of Assignment; and	Increase
(x)	Cost allocated by our Company, TCSB and affiliates controlled by us for the shared facilities and shared services and change of service providers (except the auditors of Aspion) to the extent incremental cost is incurred.	Increase

2. EXTENSION TO THE FINESSIS PAT PERIOD

If during any Finessis PAT Period:

(i) any event or series of events including acts of God, acts of government, economic sanctions, riots and flooding; or

(ii) any local, national, regional or international outbreak or escalation of hostilities or other declaration of a national or international state of emergency or calamity or crisis,

which has a material disruptive effect on Malaysia or any one or more of the countries in which the Aspion Group conducts business, is materially adverse to the Aspion Group as a whole and results in a reduction of 25.0% or more of the month's sales volume of the Finessis Gloves in the month when the event occurs in comparison with the average monthly sales volume over the period of 3 months immediately before the month of the event (each an "**FM Event**"), that particular Finessis PAT Period and the entire period of 36 months commencing on 1 November 2017 and ending on 31 October 2020 (as may be extended in accordance with the SPA) ("**Entire Finessis PAT Period**") will be changed as follows:

(i) the FM Period (as defined below) will be excluded from that particular Finessis PAT Period and the Entire Finessis PAT Period; and

(ii) that particular Finessis PAT Period and the Entire Finessis PAT Period will be extended by an equal number of months comprised within the FM Period.

An "**FM Period**" will start on the first day of the month of the FM Event and will end on the date to be determined as follows:

(i) the parties to the SPA will first ascertain the average monthly sales volume over the period of 3 months immediately preceding the FM Event ("**X period**");

(ii) the parties to the SPA will again ascertain the average monthly sales volume over a running period of 3 months after the FM Event ("**Y period**");

(iii) the FM Period will expire when the average monthly sales volume in the Y period is equal to or exceeds the average monthly sales volume in the X period; and

(iv) the date on which the FM Period expires is the last day of the second month in the relevant Y period, provided that the FM Period must not exceed 18 months in aggregate from the start of the FM Period.

3. ADJUSTMENTS TO ARRIVE AT CORE PAT

The following items will be adjusted for in arriving at the Core PAT for a particular Core PAT Period:

Adjustments			Consequential effects on Core PAT
(i)	Adding back any cost, expense and negative impact on the profitability arising from TCSB taking any action, omitting to take any action or causing, prohibiting or restricting any Aspion Group company from taking or omitting to take any action or refraining from taking any action to prevent the achievement, operation, fulfilment or effect of the undertakings by the parties in the SPA during the Entire Finessis PAT Period ("**Negative Impact Adjustment**"), assuming that the events giving rise to the Negative Impact Adjustment did not occur;		Increase
(ii)	Excluding the Finessis PAT for the Core PAT Period; and		Decrease
(iii)	Without taking into account the following items, if such items would otherwise be used in determination of PAT:		
	(a)	any extraordinary items (whether positive or negative);	Increase or decrease
	(b)	any unrealised gains or losses on foreign exchange or mark to market gains or losses on fair value of foreign exchange contracts;	Increase or decrease
	(c)	to the extent caused by tax planning by TCSB, any deductions of income tax, whether paid or not, deferred or capitalised, if corporate tax is higher than 24%, being the corporate tax rate as at the date of the SPA;	Increase
	(d)	any deductions for interest expense accrued, whether paid or not, deferred or capitalised arising from borrowings incurred after Completion which cost exceeds the cost of borrowing to the Aspion Group from the sources available to the Aspion Group as at the date of the SPA;	Increase
	(e)	any deduction for depreciation to the extent that the amount exceeds the amounts which would have otherwise been deducted had there been no change to the accounting policy adopted by the Aspion Group before Completion;	Increase

ADDITIONAL INFORMATION ON THE DETERMINATION OF CORE PAT AND FINESSIS PAT *(Cont'd)*

Adjustments		Consequential effects on Core PAT
(f)	any gains or losses from the disposal of assets, liabilities or investments other than in the ordinary course of the business of Aspion;	Increase or decrease
(g)	set-up costs, consultancy costs and pre-operation costs in respect of any businesses commenced after the date of the SPA or any new facilities (including new factories, warehouses or distribution centres) being constructed in the relevant financial year, but deducting only a "deemed amortisation" amount had the cost been amortised based on the same amortisation rate or policy applicable to the relevant facility or business (if applicable) and that carried forward from the preceding periods (if any);	Increase
(h)	cost allocated by our Company, TCSB and affiliates controlled by us for the shared facilities and shared services and change of service providers (except Aspion's auditors) to the extent incremental cost is incurred;	Increase
(i)	the Aspion Group's cost of acquisition of new companies and businesses which are not included in the business plan and not capitalised on the balance sheet of the Aspion Group;	Increase
(j)	all amounts expended but not capitalised for any research and development and brand development (excluding normal trade shows), but deducting only a deemed amortisation amount had the cost been amortised over a period of 5 years and that carried forward from the preceding periods (if any); and	Increase
(k)	all cost and expenses incurred for or in connection with registration or protection of intellectual property rights, including expenses incurred for defending or protecting intellectual property rights, but deducting only a deemed amortisation amount had the cost been amortised over a period of 5 years and that carried forward from the preceding periods (if any).	Increase

4. EXTENSION TO THE CORE PAT PERIOD

If during any Core PAT Period:

(i) any event or series of events including acts of God, acts of government, economic sanctions, riots and flooding; or

(ii) any local, national, regional or international outbreak or escalation of hostilities or other declaration of a national or international state of emergency or calamity or crisis, which has a material disruptive effect on Malaysia or any one or more of the countries in which the Aspion Group conducts business, which is materially adverse to the Aspion Group as a whole and results in a reduction of 15.0% or more of the month's sales volume of the Aspion Group in the month when the event occurs in comparison with the average monthly sales volume over the period of 3 months immediately before the month of the event (each a "**Core PAT FM Event**"), that particular Core PAT Period and the entire period of 24 months commencing on 1 November 2017 and ending on 31 October 2019 (as may be extended in accordance with the SPA) ("**Entire Core PAT Period**") will be changed as follows:

(i) the Core PAT FM Period (as defined below) shall be excluded from that particular Core PAT Period and the Entire Core PAT Period; and

(ii) that particular Core PAT Period and the Entire Core PAT Period will be extended by an equal number of months comprised within the Core PAT FM Period.

A "**Core PAT FM Period**" will start on the first day of the month of the Core PAT FM Event and will end on the date to be determined as follows:

(i) the parties to the SPA will first ascertain the average monthly sales volume over the period of 3 months immediately preceding the Core PAT FM Event ("**A period**");

(ii) the parties to the SPA will again ascertain the average monthly sales volume over a running period of 3 months after the Core PAT FM Event ("**B period**");

(iii) the Core PAT FM Period will expire when the average monthly sales volume in the B period is equal to or exceeds the average monthly sales volume in the A period; and

(iv) the date on which the Core PAT FM Period expires is the last day of the second month in the relevant B period,

provided that the Core PAT FM Period must not exceed 18 months in aggregate from the start of the Core PAT FM Period.

DIRECTOR'S REPORT ON ASPION

aspion

Registered Office:

Lot 345, Aras 2
Seksyen 27, Jalan Pengkalan Chepa
15400 Kota Bharu
Kelantan Darul Naim

14 February 2018

To: **The shareholders of Top Glove Corporation Bhd**

Dear Sir/Madam,

On behalf of the board of directors of Aspion Sdn Bhd ("**Aspion**") ("**Board**"), I wish to report that, after due enquiry in relation to the period from 31 October 2016 (being the date which the last audited consolidated financial statements of Aspion have been made up) up to the date of this letter (being a date not earlier than 14 days before the issuance of the circular), that:

(i) the businesses of Aspion and its subsidiaries (collectively, the "**Aspion Group**") have, in the opinion of the Board, been satisfactorily maintained;

(ii) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of Aspion which have adversely affected the trading or the value of the assets of the Aspion Group;

(iii) the current assets of the Aspion Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) there are no other contingent liabilities which have arisen by reason of any guarantee or indemnity given by the Aspion Group;

(v) since the last audited consolidated financial statements of Aspion, there has been no default or any known events that could give rise to a default situation, on payments of either interest or principal sums in relation to any borrowings in which the directors are aware of; and

(vi) to the best knowledge of the Board, since the last audited consolidated financial statements of Aspion, there have been no material adverse changes to the published reserves or any unusual factors affecting the profits of the Aspion Group.

Yours faithfully
For and on behalf of the board of directors of
ASPION SDN BHD

LOW CHIN GUAN
Managing Director

Aspion Sdn. Bhd. (1008712-T)
1, Jalan 8, Pengkalan Chepa 2 Industrial Zone,
16100 Kota Bharu, Kelantan. **Tel : +609 774 7171** **Fax : +609 771 3072**

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

Our Board has seen and approved this circular and our Board collectively and individually accepts full responsibility for the accuracy of the information given in this circular and confirms that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this circular misleading.

2. CONSENT AND CONFLICT OF INTEREST

HLIB, being our Principal Adviser and Transaction Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this circular.

HLIB has confirmed that there is no conflict of interest existing or is likely to exist in its capacity as our Principal Adviser and Transaction Adviser for the Proposed Acquisition.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, our Board is not aware of any material commitments contracted or known to be contracted by our Group which may have a material impact on our financial position:

	RM '000
Approved and contracted for:	
• Property, plant and equipment	144,776

Save as disclosed below, as at the LPD, our Board is not aware of any contingent liabilities which, upon being enforceable, may have a material impact on our financial position or profitability:

	RM '000
• Corporate guarantees provided by our Company to banks for subsidiaries' bank loans	517,148

4. MATERIAL LITIGATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware of any proceedings pending or threatened against our Group or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Group.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection by our shareholders at our Registered Office at Level 21, Top Glove Tower of 16, Persiaran Setia Dagang, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan, Malaysia during normal office hours from Mondays to Fridays (except public holidays) from the date of this circular up to and including the date of our forthcoming EGM:

(i) our constitution;

(ii) our audited consolidated financial statements for the past 2 FYEs 31 August 2016 and 31 August 2017 and our latest quarterly financial results for the 3-month financial period ended 30 November 2017;

(iii) the constitution of Aspion;

(iv) the audited consolidated financial statements of Aspion for the past 2 FYEs 31 October 2015 and 2016 and its latest unaudited financial results for the FYE 31 October 2017;

(v) the Term Sheet;

(vi) the SPA;

(vii) the cause papers in relation to the material litigation referred to in section 10 of Appendix I; and

(viii) the letter of consent referred to in section 2 of this Appendix.

TOP GLOVE

TOP QUALITY, TOP EFFICIENCY

TOP GLOVE CORPORATION BHD

(Company No. 474423-X)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be 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, Malaysia on Thursday, 8 March 2018 at 10.00 a.m. and at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications the following resolution:

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")

"**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."

By Order of the Board

CHUA SIEW CHUAN	**CHIN MUN YEE**
(MAICSA 0777689)	(MAICSA 7019243)
Chartered Secretary	Chartered Secretary

SHAH ALAM
14 February 2018

Notes:

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 1 March 2018 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.*
2. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
3. *Where a holder appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.*
5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *The instrument appointing a proxy must be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn Bhd, at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting or at any adjournment thereof.*

TOP GLOVE
TOP QUALITY, TOP EFFICIENCY

TOP GLOVE CORPORATION BHD

(Company No. 474423-X)
(Incorporated in Malaysia)

ADMINISTRATIVE DETAILS FOR THE EXTRAORDINARY GENERAL MEETING ("EGM")

Date	:	Thursday, 8 March 2018
Time	:	10.00 a.m.
Venue of Meeting	:	TG Grand Ballroom 1 **Level 9, Top Glove Tower** of 16, Persiaran Setia Dagang, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan, Malaysia
Time & Place of Registration	:	From 8.30 a.m. onwards **Level 2, Top Glove Tower** of 16, Persiaran Setia Dagang, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan, Malaysia

REGISTRATION

1. Registration will commence at 8.30 a.m. and will remain open until the conclusion or adjournment of the EGM or such time as may be determined by the Chairman of the meeting.
2. Please produce your ORIGINAL National Registration Identification Card ("NRIC")/Passport during registration for verification. Kindly ensure that you collect your NRIC/Passport upon completion of registration. No person will be allowed to register on behalf of another person even with the original NRIC/Passport of the other person.
3. Upon registration, you will be given a barcoded wristband, gift bag, voucher for breakfast box redemption and EGM question form.

   A shareholder or a proxy-holder is only entitled for one (1) gift bag and one (1) breakfast voucher each. In the event that a shareholder is also an appointed proxy/proxies; or if there is any subsequent appointment(s) to an already appointed proxy, he/she will be entitled for another one (1) gift bag and one (1) breakfast voucher only. Henceforth, any one (1) shareholder/proxy may be entitled to a maximum of two (2) gift bags and two (2) breakfast vouchers.
4. Please fill up the EGM question form if you have any question to ask in the EGM and submit the completed form at the help desk counter located at Level 2 before 9.30 a.m. or alternatively, you could ask the question during the EGM.
5. Only those with barcoded wristband will be allowed to enter the meeting hall. If you are attending as shareholder as well as proxy, you will only be given one identification barcoded wristband.
6. To place your votes, please produce your barcoded wristband at the designated e-voting stations in the meeting hall.
7. Should you have any queries or are unable to register, please proceed to the Help Desk counter for clarifications.

BREAKFAST BOX REDEMPTION

Upon registration, please proceed to redeem your breakfast box located at the same floor as the registration.

PARKING

Parking is complimentary at Top Glove Tower ONLY. Please produce your parking ticket for validation at the help desk counter.

HELP DESK

Please proceed to Help Desk for the following matters:

1. Parking ticket validation;
2. Registration of Corporate Member;
3. Any revocation of Proxy's Appointment or any clarifications or queries or feedbacks; and
4. Submission of EGM question form.

GENERAL MEETING RECORD OF DEPOSITORS

Depositors whose names appear in the Record of Depositors as at 1 March 2018 shall be entitled to attend, speak and vote at the EGM or appoint proxies to attend, speak and vote on depositors' behalf.

VOTING PROCEDURE

The voting at the EGM will be conducted by poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll, respectively. Poll voting for the resolution will be conducted upon the conclusion of the deliberations of all the businesses indicated in the Notice of the EGM. The registration for attendance will be closed to facilitate the commencement of the poll voting.

PROXY

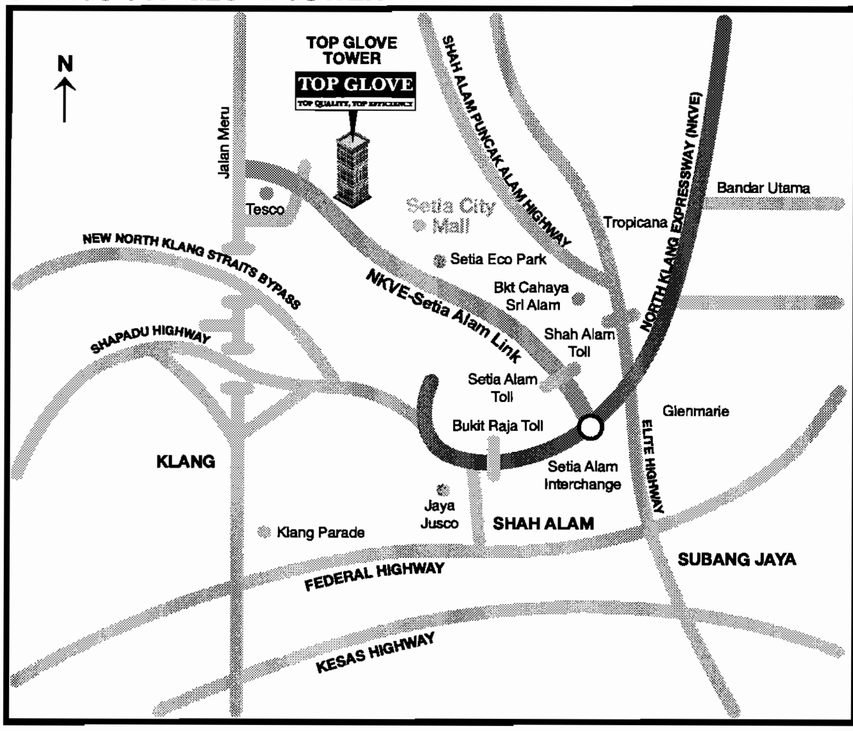
1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies, to attend and vote on his/her behalf. If you are unable to attend the Meeting and wish to appoint a proxy to vote on your behalf, please submit your Form of Proxy in accordance with the notes and instructions printed therein.
2. If you wish to attend the Meeting yourself, please do not submit any Form of Proxy for the Meeting that you wish to attend. You will not be allowed to attend the Meeting together with a proxy appointed by you.
3. If you have submitted your Form of Proxy prior to the Meeting and subsequently decided to attend the Meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy.
4. Please also ensure that the original Form of Proxy is deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting or at any adjournment thereof.

ENQUIRY

Please email to egm2018@topglove.com.my, if you have queries in relation to the EGM, Form of Proxy, Administrative Details for the EGM and the Circular on the Proposed Acquisition of Aspion Sdn Bhd. This email account was created for EGM enquiries and will only be valid from Wednesday, 14 February 2018 to Monday, 12 March 2018.

Alternatively, you may contact our Share Registrar at Tel: +603-2084 9000, during office hours:
1. Mr. Wong Piang Yoong (piang.yoong.wong@sshsb.com.my);
2. Encik Mohd Hisham Hashim (hishamh@sshsb.com.my); or
3. Puan Nurhayati Ang (nurhayati.ang@sshsb.com.my).

MAP TO TOP GLOVE TOWER



1) Search "Top Glove Tower" in Waze

2) GPS Coordinate:
3.108945, 101.458866

Top Glove Tower
16, Persiaran Setia Dagang
Setia Alam, Seksyen U13
40170 Shah Alam, Selangor D.E.
Malaysia

Tel: +603-3362 3098
Fax: +603-3362 3860

FORM OF PROXY

TOP GLOVE
TOP QUALITY, TOP EFFICIENCY

*I/We, ____

NRIC/Passport/Company No.: ______________________ Tel: ______________________

CDS Account No.: ______________________ Number of Shares Held: ______________

Address: ____

____

being a member of **TOP GLOVE CORPORATION BHD (474423-X)** hereby appoint:

1) Name of Proxy: ______________________ NRIC/Passport No.: ______________

Address: ____

______________ Tel: ______________ Percentage of Shares Represented: _____ %

2) Name of Proxy: ______________________ NRIC/Passport No.: ______________

Address: ____

______________ Tel: ______________ Percentage of Shares Represented: _____ %

or failing *him/her, the CHAIRMAN OF THE MEETING, as *my/our proxy to attend and vote for *me/us, and on *my/our behalf at the Extraordinary General Meeting of the Company to be 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, Malaysia on Thursday, 8 March 2018 at 10.00 a.m. and at any adjournment thereof.

Please indicate with "**X**" how you wish your vote to be casted. In the absence of specific instruction, your Proxy will vote or abstain from voting at his/her discretion.

ORDINARY RESOLUTION	**FOR**	**AGAINST**
Proposed Acquisition		

Signed on this ______ day of ________________ 2018.

____

Signature of Member/Common Seal

Notes:

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 1 March 2018 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.*
2. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
3. *Where a holder appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.*
5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *The instrument appointing a proxy must be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn Bhd, at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting or at any adjournment thereof.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar

TOP GLOVE CORPORATION BHD (474423-X)

c/o: Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan
Malaysia

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