

MEMORANDUM OF UNDERSTANDING TOP GLOVE CORPORATION BHD ("TOP GLOVE" OR THE "COMPANY") TERM SHEET FOR THE PROPOSED TRANSACTION INVOLVING THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN ASPION SDN BHD

TOP GLOVE CORPORATION BHD

Type	Announcement
Subject	MEMORANDUM OF UNDERSTANDING
Description	TOP GLOVE CORPORATION BHD ("TOP GLOVE" OR THE "COMPANY") TERM SHEET FOR THE PROPOSED TRANSACTION INVOLVING THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN ASPION SDN BHD

With reference to the Company's announcement dated 24 October 2017, on behalf of the board of directors of Top Glove, Hong Leong Investment Bank Berhad wishes to announce that, following further discussions and negotiations, the Company entered into a term sheet with Adventa Capital Pte. Ltd. ("**ACPL**") on 24 November 2017 to acquire the entire equity interest in Aspion Sdn Bhd, a wholly owned subsidiary of ACPL ("**Proposed Transaction**").

Kindly refer to the attached document for the details of the Proposed Transaction.

This announcement is dated 24 November 2017.

Please refer attachment below.

Attachments

[Top Glove - Proposed Transaction - Aspion Sdn Bhd.pdf](#)
26.7 KB

Announcement Info

Company Name	TOP GLOVE CORPORATION BHD
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TOP GLOVE CORPORATION BHD (“TOP GLOVE” OR THE “COMPANY”)

TERM SHEET FOR THE PROPOSED TRANSACTION INVOLVING THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN ASPION SDN BHD

1. INTRODUCTION

With reference to the Company’s announcement dated 24 October 2017, on behalf of the board of directors of Top Glove (“**Board**”), Hong Leong Investment Bank Berhad (“**HLIB**”) wishes to announce that, following further discussions and negotiations, the Company entered into a term sheet with Adventa Capital Pte. Ltd. (“**ACPL**” or the “**Vendor**”) (“**Term Sheet**”) on 24 November 2017 to acquire the entire equity interest in Aspion Sdn Bhd (“**Aspion**”), a wholly owned subsidiary of ACPL (“**Proposed Transaction**”).

The purpose of the term sheet is to set out the indicative terms of the Proposed Transaction and for both parties to further negotiate exclusively with each other with a view to enter into a definitive sale and purchase agreement for the Proposed Transaction (“**SPA**”) and other ancillary documents needed to effect the Proposed Transaction (together with the SPA, the “**Definitive Agreements**”).

2. SALIENT TERMS OF THE TERM SHEET

2.1 Indicative basis for the Purchase Consideration

The purchase consideration for the Proposed Transaction (“**Purchase Consideration**”) is envisaged to take into consideration the following:

- (i) the target profit after tax (“**PAT**”) of Aspion and its subsidiaries (collectively, the “**Aspion Group**”) of at least RM80.0 million for the financial year ending 31 October 2018 (“**2018 Target PAT**”);
- (ii) a contemplated guarantee by the Vendor to reimburse the Company for any shortfall in the 2018 Target PAT;
- (iii) a contemplated price-to-earnings multiple of 16.0 times to 18.0 times of the 2018 Target PAT; and
- (iv) the rationale for the Proposed Transaction as set out in Section 4 below.

2.2 Proposed mode of settlement of the Purchase Consideration

The Purchase Consideration is intended to be satisfied via a combination of cash and the issuance of new ordinary shares in the Company (“**Shares**”). The new Shares to be issued will comprise not more than 10.0% in value of the Purchase Consideration. The issue price of the new Shares will be determined at a later stage.

2.3 Management continuity

The Company shall continue with the existing leadership of the Aspion Group with Low Chin Guan and his management team.

2.4 Exclusivity

Pursuant to the Term Sheet, the Vendor has agreed to provide the Company with an exclusivity period from the date of the Term Sheet until 15 January 2018.

During this exclusivity period, the Vendor and its respective advisers must not solicit or engage in any discussion or negotiation regarding the Proposed Transaction or any investment in, or issuance or sale of the securities of Aspion with any third party, or engage in any of the aforementioned transactions. If any unsolicited proposal is received, the Vendor must inform the Company of such a proposal and provide details of such proposal.

3. 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 the manufacturing and distribution of surgical gloves, medical gloves, medical examination gloves and protection gloves. Aspion is a wholly owned subsidiary of ACPL. The directors of Aspion are Low Chin Guan, Kwek Siew Leng and Wong Chin Toh.

4. RATIONALE FOR THE PROPOSED TRANSACTION

As part of the strategy to effectively and sustainably grow the business of the Company and its subsidiaries (collectively, the “**Group**”), the 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 the current business of the Group.

The Proposed Transaction represents an initiative by the Board to inorganically grow the Group’s business by a products extension merger with the Aspion Group, which is a significant player in the surgical glove market. As such, the Proposed Transaction will provide the Group with an expanded product range as well as the use of technologies and innovations of the Aspion Group, thereby reinforcing the Group’s market leadership as the world’s largest medical glove producer.

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

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

(i) **Establish the Group as the largest surgical glove exporter in Malaysia and one of the largest surgical glove manufacturers globally**

The Group will be able to tap into the manufacturing facilities of the Aspion Group and increase the total annual production capacities of the Group for surgical and examination gloves. This will allow the enlarged Group to establish itself as the largest surgical glove exporter in Malaysia and one of the world’s largest surgical glove manufacturers in addition to its existing leadership in examination gloves manufacturing.

(ii) Acquire access to innovative new technologies and know-how in glove manufacturing processes and 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 and materials. The accumulated production experience as well as research and development efforts have enabled the Aspion Group to produce surgical gloves using a new breakthrough synthetic material.

(iii) Improve the gross profit margin of the Group

Surgical gloves, which have more specialised usage as compared to other types of gloves, typically command higher average selling prices. As such, the sale of surgical gloves generally provide higher gross profit margins as compared to the sale of other types of gloves, including examination gloves. The enlarged Group's product mix is expected to shift towards a greater proportion of surgical gloves which provide higher gross profit margins. This in turn is expected to contribute positively to the gross profit margin of the enlarged Group.

(iv) Expand the Group's presence in surgical gloves into new regions and countries

The Aspion Group's geographical coverage in the surgical gloves market is complementary to the Group's markets. Moving forward, the Group will be able to gain immediate access and expand its presence in surgical gloves into these regions and countries through the Aspion Group.

(v) Overcome strong barriers to entry into the surgical glove market

The Proposed Transaction enables the Group to overcome significant entry barriers which confront manufacturers eyeing the surgical glove market, which include rigorous quality standards, lengthy product approval and registration processes, as well as specialised technical know-how and manufacturing experience.

Taking into consideration the above and barring any unforeseen circumstances, assuming the Proposed Transaction is completed, the Proposed Transaction is expected to contribute positively to the future financial performance of the Group.

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

None of the directors and major shareholders of Top Glove and persons connected with them have any interest in the Proposed Transaction.

6. FURTHER DISCLOSURE ON THE PROPOSED TRANSACTION

A detailed announcement in relation to the Proposed Transaction will be made upon execution of the SPA.

7. ADVISER

HLIB has been appointed by Top Glove as the Principal Adviser and Transaction Adviser for the Proposed Transaction.

This announcement is dated 24 November 2017.