

ENTRY INTO MASTER SUPPLY AGREEMENT WITH HONEYWELL INTERNATIONAL INC FOR THE SUPPLY OF NITRILE MEDICAL GRADE EXAMINATION GLOVES FOR 2 YEARS VALUED AT USD210 MILLION

1. INTRODUCTION

The Board of Directors (the "**Board**") of Aspen (Group) Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's subsidiary, Aspen Glove Sdn. Bhd. ("**AGSB**") has, on 12 April 2021, entered into a Master Supply Agreement (the "**Agreement**") with Honeywell International Inc ("**Honeywell**") to sell part of Phase 1(b) production capacity from July 2021 to June 2023 for a consideration of USD210 million (RM868 million).

2. INFORMATION ON HONEYWELL

Honeywell is a Fortune 100 technology company that delivers industry specific solutions that include healthcare and life sciences, aerospace products and services; control technologies for buildings and industry; and performance materials globally.

3. SALIENT TERMS OF THE AGREEMENT

Pursuant to the terms and conditions of the Agreement, AGBS shall manufacture and supply nitrile medical grade examination gloves (the "**Product**") in accordance with Honeywell's specifications over a period of two (2) years from July 2021 to June 2023. The Product will be primarily supplied for the United States of America ("**US**") market.

4. CONSIDERATION

The total consideration for the supply of the Product shall be USD210 million. Pursuant to the Agreement, AGBS shall receive a deposit of USD20 million ("**Deposit**") in the following time and manner: -

- (a) USD10 million by April 2021; and
- (b) USD10 million by May 2021.

The Deposit shall be set off against the initial shipments to Honeywell. The consideration for subsequent shipments shall be paid by Honeywell monthly on the actual shipment size of the Product, subject to the terms and conditions of the Agreement.

5. RATIONALE

The Board is of the view that the entry into the Agreement is beneficial to AGSB for, inter alia, the following reasons: -

- (a) the sales from the Agreement will secure substantial revenue for three (3) financial years i.e. 2021, 2022 and 2023;
- (b) the sale of the AGSB's products to Honeywell, an international organization offering comprehensive healthcare solutions, will increase the brand awareness of AGSB as an original equipment manufacturer (OEM) which meets international quality standards;
- (c) the transaction allows AGSB to expand its customers base in the US market and to expand AGSB's global customer base; and
- (d) the Agreement will allow AGSB to expedite construction of Phase 2 building to house an additional 12 production lines and increase the total production capacity to approximately 7.2 billion gloves per annum by 4Q 2021.

The Agreement is expected to have a positive impact on the Group's earnings per share and net tangible asset per share for the financial year ending 31 December 2021, 31 December 2022 and 31 December 2023.

6. CUMULATIVE SALES VALUE OF AGSB

The Group announced on 13 January 2021 that AGSB entered into a sales and distribution agreement with a distributor for the offtake of its entire production capacity for Phase 1(a) from 1 May 2021 to 31 December 2021 valued at USD100 million. With the entry of the Agreement, AGSB has secured a cumulative sales value of USD310 million (RM1,281 million). The breakdown of the cumulative sales is as follows: -

Phase	Scheduled Delivery (calendar quarter)	Secured Contract Value	
		USD	RM
1(a)	2Q21 - 4Q21	100 million	413 million
1(b)	3Q21 - 2Q23	210 million	868 million
Total		310 million	1,281 million

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the directors or substantial shareholders of the Company has any interest, direct or indirect, in the Agreement, other than through their respective shareholdings in the Company (if any).

8. BUSINESS UPDATE

As earlier announced, the construction works for AGSB's Phase 1(a) has reached the final stages of completion and the plant is fully energized with electricity, water and natural gas connection in ready supply. The final inspections are being carried out in stages and testing of equipment and machinery are being commissioned. Correspondingly, AGSB is installing the machinery for its Phase 1(b) to include 6 additional production lines.

AGSB has also commenced the construction of Phase 2 of the manufacturing facility on 5 April 2021 and the construction is expected to be completed within 6 months. The completion of Phase 2 will bring the total annual production capacity of AGBS to approximately 7.2 billion gloves per annum. Production of gloves under Phase 2 is expected to commence in stages from Q4 2021 onwards and achieve full production capacity by 1Q 2022. AGBS is currently in the final stages of negotiation to sell the entire production capacity for Phase 2.

Recently, the Finance Minister of Malaysia granted 100% Investment Tax Allowance ("ITA") for a period of 10 years to AGBS for its business activity of designing, developing, and manufacturing of examination and surgical nitrile gloves. The grant of the ITA entitles AGBS, subject to compliance with imposed conditions, to an allowance of 100% of its capital expenditure (excluding land cost) for a period of 10 years. AGBS shall be entitled to offset the allowance against 100% of its statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised.

Demand for rubber gloves and its average selling prices are expected to remain elevated in the medium term driven by the vaccination programme¹ and heightened hygiene and health protocols across many major industries around the world. The long term demand is projected to increase 15% on a compounded annual growth rate basis². To ensure it remains well-positioned to meet the continued demand AGBS is currently working on plans to expedite the completion of Phase 3 and Phase 4 which will add another 7.2 billion pieces of gloves per annum. The completion of Phase 3 and Phase 4 will bring the total annual production capacity of AGBS to approximately 14.4 billion pieces of gloves per annum and is now projected to be achieved progressively in 2022. On the back of this, AGBS's cumulative production capacity will be as follows: -

Phase	Commencement of Production (calendar quarter)	No. of Production Lines	Estimated Production Capacity (billion pieces per annum)
1(a)	2Q21 (May)	6	1.8
1(b)	3Q21 (July)	6	1.8
2	4Q21	12	3.6
3	3Q22	12	3.6
4	4Q22	12	3.6
Total		48 lines	14.4 billion

BY ORDER OF THE BOARD

Aspen (Group) Holdings Limited

Dato' Murly Manokharan
President and Group Chief Executive Officer
13 April 2021

¹ <https://www.thestar.com.my/business/business-news/2021/02/17/vaccination-and-testing-to-drive-glove-demand-price>

² <https://www.nst.com.my/business/2021/03/671958/negative-glove-news-fade-affin-hwang>