
PROPOSED DISPOSAL OF ASPEN GLOVE SDN BHD'S RIGHTS TITLE AND INTEREST IN LEASE LAND AND FACTORY BUILDING

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 7 October 2022 entered into a Sale and Purchase Agreement (“**SPA**”) with Cambridge Real Estate Partners Pte Ltd (“**Cambridge**”) to sell all rights, title and interest of AGSB in all that piece of land held under Geran No. 218490 Lot 60230 Seksyen 11 (formerly known as Hakmilik Sementara No. H.S.(D) 73801, No. PT 4065) Seksyen 11, Bandar Lunas, Daerah Kulim, Negeri Kedah measuring approximately 117,200.00 square meters (the “**Lease Land**”) and the factory building with a built-up area of approximately 426,194.98 square feet (the “**Factory**”) erected thereon for an aggregate cash consideration of RM200.0 million (approximately SGD 61,419,402.39¹) (“**Consideration**”) (the “**Proposed Disposal**”).

The Proposed Disposal will constitute a major transaction under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Listing Manual**”). Please refer to paragraph 5 of this announcement for further details.

Accordingly, the Proposed Disposal is subject to the approval of the shareholders of the Company (“**Shareholders**”) under Rule 1014 of the Listing Manual by way of an ordinary resolution. The Company will be seeking the approval of its Shareholders for the Proposed Disposal at an extraordinary general meeting (“**EGM**”) to be convened.

2. BACKGROUND OF THE PROPOSED DISPOSAL

2.1 Rationale of the Proposed Disposal

As previously announced by the Company on 8 June 2022, AGSB had significantly scaled down its operations taking into consideration the following factors:-

- (i) the increasing headwinds for the medical glove market resulting from a drastic reduction of demand owing mainly to the easing of the Covid-19 induced demand and high inventory levels of medical gloves, heightened competition, global supply chain challenges, higher shipping and logistics costs, high inflation and continuous decline in the average selling prices (“**ASP**”) of gloves;
- (ii) geopolitical tensions and risks of a global economic recession from the ongoing Russia-Ukraine conflict;
- (iii) further margin compression was expected due to the higher production costs; and
- (iv) amidst the falling ASP, glove buyers had refrained from stocking up on gloves to avoid locking in purchases at high prices. As a result, AGSB was unable to secure any significant new purchase orders from its existing or new customers.

¹Based on exchange rate of S\$ 1 : RM3.2563 as at 6 October 2022

Along with the scaling down of AGSB's operations, the Group had been evaluating various options on the future direction of AGSB, including recapitalisation, entering into a joint venture and/or disposal of the entire business and assets of AGSB.

The Proposed Disposal will enable the Group to unlock the value of the Lease Land and the Factory, realise cash and thereby place the Group in a better position to strengthen its financial position and improve the Group's working capital. Upon completion of the Proposed Disposal, AGSB will adopt an asset-light business model which will confer greater flexibility, reduce operational costs and risk, and focus on value creation.

In light of the above, the Board believes that the Proposed Disposal is in the best interests of the Group and the Shareholders.

2.2 Information on the Lease Land and the Factory

The Lease Land is an industrial land with a land area of approximately 117,200.00 square meters and is located at Kulim Hi-Tech Park, Daerah Kulim, Kedah.

The Lease Land is currently leased by AGSB from Kulim Technology Park Corporation Sdn. Bhd. ("**KTPC**") for a lease term of 60 years pursuant to a lease agreement entered between the parties on 1 September 2020 ("**Existing Lease**") for a consideration sum of RM51,107,040.00 ("**Existing Lease Consideration**"). The Existing Lease Consideration is to be paid in accordance with the payment schedule in the Existing Lease. As of to date, AGSB has paid KTPC an aggregate sum of RM25,553,520.00 in respect of the Existing Lease Consideration. Accordingly, AGSB is required to pay KTPC the balance sum of RM25,553,520.00 ("**Balance Existing Lease Consideration**") as and when it becomes due.

AGSB had constructed the Factory on the Lease Land for the purpose of manufacturing and distributing rubber and nitrile gloves and other related activities.

For securing the banking facilities granted by Standard Chartered Bank Malaysia Berhad ("**SCB**") to AGSB, AGSB has charged the Lease Land to SCB and issued a debenture over all present and future assets of AGSB which includes the Factory (the "**Encumbrances**").

Based on the Group's unaudited consolidated financial statements for the period ended 30 June 2022 ("**FY2022**"), the book value attributable to the Lease Land and the Factory is approximately RM185.1 million. RM26.2 million impairment loss on the Factory was provided based on the Valuation (as defined herein).

2.3 Information about Cambridge

The information on Cambridge provided below was provided to the Company by Cambridge and their representatives. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.

Cambridge, a Singapore-incorporated real estate fund manager, is the affiliate of: (i) Cambridge Real Estate Investment Management Holdings, whose principal's past dealings include the listing of Allco REIT in Singapore in 2004 and the takeover of Cambridge Industrial REIT in 2006 and its eventual sale to e-Shang in 2018; and (ii) JMD Group, a Singapore-based real estate investor and developer with more than 13 years of track record in investment and development of real estate globally.

Cambridge is not related to the Directors or controlling Shareholders of the Company and their respective associates.

2.4 Valuation and Use of Sale Proceeds

The Consideration for the Proposed Disposal was arrived at after arm's length negotiations between AGSB and Cambridge and on a willing-buyer and willing-seller basis, taking into account, *inter alia*, the market value of the Lease Land and the Factory of approximately RM200 million as appraised by Messrs. One Asia Property Consultants Pg Sdn Bhd (the "**Valuer**"), an independent property valuer for the Lease Land and the Factory which was appointed by AGSB, as at 30 June 2022 in its valuation report dated 22 September 2022 ("**Valuation**").

The Valuer had carried out the Valuation on both the Lease Land and the Factory together using both the comparison approach and depreciated replacement cost ("**DRC**") approach. The comparison method of valuation entails comparing the Lease Land and the Factory with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing, adjustments were made for differences in attributes and factors such as time differences, location, accessibility, size, land tenure and other relevant factors to arrive at the value of the Lease Land and the Factory. Under the DRC approach, the Valuer estimated the replacement cost new ("**RCN**") of the Factory and thereafter deducted for the loss of value caused by physical, functional and economic obsolescence. In arriving at the RCN of the Factory, the Valuer had taken into consideration the actual development cost of the Factory, actual development cost of similar type of building, made reference to handbook on cost of construction in Malaysia and made enquiries with contractors and quantity surveyors.

The Proposed Disposal is expected to result in a gain on disposal of approximately RM14.9 million.

The proceeds arising from the Proposed Disposal will be utilised for, amongst others, the general working capital and to discharge AGSB's payment obligations in respect of the Existing Lease.

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

3.1 Consideration

Pursuant to the terms of the SPA, the Consideration shall be paid by Cambridge to the Company in the following manner:-

- (i) a sum of RM20.0 million (which is equivalent to 10% of the amount of the Consideration) within fourteen (14) days from the signing of the SPA, to be held by Cambridge's solicitors as stakeholder; and
- (ii) the balance sum of RM180 million (which is equivalent to 90% of the amount of the Consideration) will be paid within twenty-one (21) days from the date all relevant documents to enable the registration of Cambridge's interest on the Lease Land are forwarded to Cambridge or its solicitors subject to an extension of time of fourteen (14) days.

3.2 Conditions Precedent

The SPA is conditional upon certain conditions precedent (“**Conditions Precedent**”), including amongst others, securing the Company’s shareholders’ approval in respect of the Proposed Disposal, securing the prior written consent of KTPC to the Proposed Disposal and the execution of the surrender of the Existing Lease and new lease in favour of Cambridge (the “**New Lease**”), approval of Kedah State Government pursuant to Section 433B of the National Land Code approving the New Lease and satisfactory due diligence results shall have been obtained by Cambridge and its financier.

The last of the Conditions Precedent shall be fulfilled within a period of three (3) months from the date of the SPA, subject to an automatic extension of time of one (1) month.

4. **FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

4.1 Assumptions

The pro forma financial effects in this section have been prepared based on the most recently completed consolidated financial statements of the Group for the financial year ended 30 June 2022 and under the following assumptions:

- (a) that the Proposed Disposal had been completed on 1 January 2021 for the purposes of illustrating the financial effects on the Group’s earnings per share (“**EPS**”); and
- (b) that the Proposed Disposal had been completed on 30 June 2022 for the purposes of illustrating the financial effects on the Group’s net tangible assets (“**NTA**”) per share.

The pro forma financial effects presented below are for illustrative purposes only and should not be taken as an indication of the actual financial performance or position of the Group following the Proposed Disposal nor a projection of the future financial performance or position of the Group after the completion of the SPA.

4.2 NTA per Share

	Before the Proposed Disposal	After the Proposed Disposal
NTA (RM'000)	409,957 ²	424,872
Number of Shares ('000)	1,083,270	1,083,270
NTA per Share (RM cent)	37.84	39.22

4.3 EPS

	Before the Proposed Disposal	After the Proposed Disposal
Net profit attributable to shareholders after tax from continuing operations (RM'000)	(156,445) ²	(141,530)
Number of weighted average shares	1,083,270	1,083,270

²Adjusted to include RM26.2 million of impairment loss on Lease Land and Factory.

Earnings per share (RM cent)	(14.44)	(13.07)
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5. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures of the Proposed Disposal computed on the bases set out in Rule 1006(a) to (d) of the Listing Manual based on the latest unaudited consolidated financial statements of the Company for FY2022, being the latest announced consolidated financial statements of the Company are as follows:

Listing Rule	Bases of Calculation	Relative Figure (%)
1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	27.27% ⁽¹⁾
1006(b)	The net profits/loss attributable to the assets acquired or disposed of, compared with the Group's net profits/loss.	Not applicable ⁽²⁾
1006(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	132.45% ⁽³⁾
1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽⁴⁾
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.	Not applicable ⁽⁵⁾

Note:

- (1) Under Rule 1002(3)(a) of the Listing Manual, "net assets" means total assets less total liabilities. Based on 75% of the net asset value of the Lease Land and the Factory of approximately RM138.8 million as at FY2022 and the net assets value of the Group of RM508.9 million as at FY2022. The Company currently holds 75% of ABSB's shares.
- (2) Rule 1006(b) of the Listing Manual is not applicable as the Group did not derive any income from the Lease Land and the Factory. Net profit/loss is defined to be profit or loss before income tax, minority interests and extraordinary items.
- (3) Consideration is RM200,000,000.00. The Consideration expressed as a percentage of the Company's market capitalisation of approximately RM151.0 (based on the exchange rate of S\$ 1 : RM3.2563) on 6 October 2022 being the last full market day on which shares of the Company were traded on the SGX-ST prior to this announcement. The Company's market capitalisation was determined by multiplying the number of shares in issue (1,083,269,594) by the weighted average price of such shares transacted on 6 October 2022 (S\$0.0428).
- (4) The Proposed Disposal is a disposal of asset not an acquisition of assets. No equity securities will be issued by the Company in connection with the Proposed Disposal.

(5) The Company is not a mineral, oil and gas company.

As the relative figure computed on the bases set out in Rules 1006(a) and 1006(c) of the Listing Manual for the Proposed Disposal exceeds 20%, the Proposed Disposal constitutes a major transaction and is accordingly subject to the approval of shareholders at an EGM to be convened pursuant to Rule 1014 of the Listing Manual.

The Company will be seeking specific Shareholders' approval for the Proposed Disposal at an EGM to be convened and further details of the Proposed Disposal will be provided in a circular that will be despatched to Shareholders in due course.

6. INTERESTS OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company (other than in their capacity as Directors or shareholders of the Company) has any interest, direct or indirect, in the Proposed Disposal.

7. CIRCULAR TO SHAREHOLDERS

A circular containing further details on the Proposed Disposal and enclosing a notice of EGM in connection therewith will be despatched to the Shareholders in due course.

8. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in the Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in its proper form and context.

10. DOCUMENTS FOR INSPECTION

A copy of the SPA and the Valuation will be available for inspection during normal business hours at the registered office of the Company at 80 Robinson Road #02-00 Singapore 068898 for a period of three (3) months commencing from the date of this announcement.

BY ORDER OF THE BOARD

Aspen (Group) Holdings Limited

Dato' Murly Manokharan
President and Group Chief Executive Officer
7 October 2022