TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : NON RELATED PARTY TRANSACTIONS TOP GLOVE CORPORATION BHD ("TOP GLOVE" OR THE "COMPANY") PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN ASPION SDN BHD ("PROPOSED ACQUISITION")

TOP GLOVE CORPORATION BHD

Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) NON RELATED PARTY TRANSACTIONS
Description	TOP GLOVE CORPORATION BHD ("TOP GLOVE" OR THE "COMPANY") PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN ASPION SDN BHD ("PROPOSED ACQUISITION")

We refer to the announcement dated 24 November 2017 in relation to the term sheet entered into by the Company and Adventa Capital Pte. Ltd. ("**ACPL**") for the Proposed Acquisition.

On behalf of the board of directors of Top Glove, Hong Leong Investment Bank Berhad wishes to announce that the Company as guarantor and Top Care Sdn Bhd, a wholly owned subsidiary of Top Glove, as purchaser have entered into a conditional share purchase agreement with ACPL on 12 January 2018 to acquire 270,850,119 ordinary shares in Aspion Sdn Bhd ("**Aspion**"), representing the entire equity interest in Aspion, for a purchase consideration of RM1,370.0 million.

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

This announcement is dated 12 January 2018.

Please refer attachment below.

Attachments

Top Glove Corporation Bhd - Proposed Acquisition.pdf
169.3 kB

Announcement Info

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TOP GLOVE CORPORATION BHD ("TOP GLOVE" OR THE "COMPANY")

PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN ASPION SDN BHD

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1. INTRODUCTION

On 24 November 2017, the Company entered into a term sheet ("**Term Sheet**") with Adventa Capital Pte. Ltd. ("**ACPL**" or the "**Vendor**") to negotiate exclusively for the acquisition of the entire equity interest in Aspion Sdn Bhd ("**Aspion**"), a wholly owned subsidiary of ACPL.

On behalf of the board of directors of Top Glove ("**Board**"), Hong Leong Investment Bank Berhad ("**HLIB**") now wishes to announce that the Company as guarantor and Top Care Sdn Bhd ("**TCSB**"), a wholly owned subsidiary of Top Glove, as purchaser have entered into a conditional share purchase agreement ("**SPA**") with ACPL on 12 January 2018 to acquire 270,850,119 ordinary shares in Aspion ("**Aspion Shares**"), representing the entire equity interest in Aspion, for a purchase consideration of RM1,370.0 million ("**Proposed Acquisition**").

Part of the purchase consideration amounting to 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 the Company ("**Shares**") at an issue price of about RM6.6813 each ("**Consideration Shares**").

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 announcement for further information on Aspion and its subsidiaries (collectively, 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) a purchase consideration of RM1,370.0 million ("**Purchase Consideration**"); and

(ii) incentive payments for the profit after tax ("**PAT**") derived from the sale of any surgical gloves manufactured using Flexylon™ polymer and related manufacturing processes and technologies which are currently marketed under Finessis Aegis®, Finessis Corium®, Finessis Zero® or other similar brands ("**Finessis Gloves**") ("**Finessis PAT**") for each of the 3 financial years ending ("**FYEs**") 31 October 2018, 2019 and 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(iii) 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 after taking into consideration the following:

(i) the target core PAT of the Aspion Group ("**Core PAT**") of RM80.9 million for the FYE 31 October 2018 ("**2018 Target Core PAT**") and RM108.3 million for the FYE 31 October 2019 ("**2019 Target Core PAT**"), together with the guarantee by the Vendor to reimburse TCSB for any shortfall in the actual Core PAT for the relevant financial years ("**Core PAT Shortfall**"), 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 purpose of determining the Core PAT of the Aspion Group for a particular financial year (the term of which may be extended if a force majeure event occurs) ("**Core PAT Period**"), any Finessis PAT achieved for that Core PAT Period will be excluded. As such, the Purchase Consideration effectively represents the payment to be made for the entire business and operations of the Aspion Group excluding the Finessis Gloves.

Based on the Purchase Consideration and the 2018 Target Core PAT, the implied price-to-earnings multiple ("**PE Multiple**") for the Proposed Acquisition is 16.93 times. To assess the reasonableness of the Purchase Consideration, the Board has compared the implied PE Multiple to the consensus estimates of the forward PE Multiples for the 12-month period ending 31 October 2018 ("**2018 Forward PE Multiples**") of the following companies listed on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") which are generally involved in similar businesses as the Aspion Group ("**Comparable Companies**"):

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

Comparable Company	Stock exchange listed	Principal activities of the Comparable Company and its subsidiaries (other than investment holding and excluding dormant subsidiaries)
Supermax Corporation Berhad	Bursa Securities	Manufacturing, marketing, sale, trading, distribution, importing and exporting of latex gloves, manufacturing, sale, marketing 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 earnings per share ("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	[4]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 from Singapore dollars ("**SGD**") to RM based on an exchange rate of SGD1.00:RM2.9913 as published by Bank Negara Malaysia ("**BNM**") as at the close of business on 11 January 2018.

As the implied PE Multiple of 16.93 times is within the range of the 2018 Forward PE Multiples of the Comparable Companies of between 14.15 times and 39.25 times, and is lower than the average 2018 Forward PE Multiple of 21.75 times and the 2018 Forward PE Multiple of the Company of 26.40 times, the Board is of the view that the Purchase Consideration is justified.

2.2.2 Finessis Incentive

In addition to the Purchase Consideration, the Company has agreed to provide the Finessis Incentive arising from the Finessis PAT derived from the sale of Finessis Gloves for each of the 3 financial years ending 31 October 2018, 2019 and 2020.

The Finessis PAT for a particular financial year (the term of which may be extended if a force majeure event occurs) ("**Finessis PAT Period**") 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 the Company and its subsidiaries (collectively, the "**Group**") for the use of any rights relating to Finessis Gloves,

subject to adjustments in accordance with the terms of the SPA, which include, among others, adjustments to exclude extraordinary items and unrealised gains or losses on foreign exchange.

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 that will be 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 Finessis Incentive for the FYE 31 October 2018 ("**2018 Finessis Incentive**") will be the actual Finessis PAT achieved less the Core PAT Shortfall for the FYE 31 October 2018, 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 Core PAT Shortfall for the FYE 31 October 2018.

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

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

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

2.3 Mode of satisfaction of the Purchase Consideration

On completion of the Proposed Acquisition in accordance with the terms of the SPA ("**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 date of Completion ("**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 following:

(a) a bank undertaking to be obtained from the Vendor's bank for the sum of RM68.5 million 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**"); and

(b) a bank undertaking to be obtained from the Vendor's bank for the 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**").

Details of the Escrow Sum Bank Undertaking and the Tax Escrow Sum Bank Undertaking are set out in section 2.10.4 below.

(2) If the Company is 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 a sum of RM137.0 million in cash ("**Deposit**") 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 to the Vendor in accordance with the SPA.

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 volume-weighted average market price ("**VWAMP**") of the Shares as traded on Bursa Securities up to and including 24 November 2017, being the date of the Term Sheet.

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

In justifying the issue price of the Consideration Shares, the 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	**Financial year ended**	**[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)

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 the 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.

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 higher value to the Group as compared to the Comparable Companies, which effectively reduces the number of Shares required to be issued by the Company for the Proposed Acquisition and results in lesser dilution to the existing shareholders of the Company.

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 the 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.

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 the Company is required to pay cash as a result of the Company 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 the 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

An application will be made to Bursa Securities for 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, the Group will not assume any additional liabilities, including contingent liabilities and guarantees, in connection with the Proposed Acquisition.

2.9 Additional financial commitment required

The Group is 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 11 April 2018, with an automatic extension of 30 days ("**Cut-Off Date**"):

(i) the approval of the shareholders of the Company for the Proposed Acquisition at an extraordinary general meeting to be convened; 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 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 and the Company of their 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.

If the Vendor, TCSB or the 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 the 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 term of which may be extended if a force majeure event occurs) is determined as the consolidated PAT of Aspion for that Core PAT Period after adjustments made in accordance with the terms of the SPA, which include, among others, the exclusion of the Finessis PAT, extraordinary items and unrealised gains or losses on foreign exchange.

(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 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 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.

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 ("**Expiry 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 as 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 Finessis Incentive for the FYE 31 October 2020, 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 the Company or both are in breach of any of their respective undertakings or obligations under the SPA and, if such breach is capable of being remedied, TCSB or the Company or both refuse or neglect to remedy such breach within 14 days' written notice by the Vendor to them;

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

   (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 the Company had no actual knowledge of the breach prior to 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 31 December 2017, being the latest practicable date prior to the date of this announcement ("**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	-	-

	Country of	←Direct→		←Indirect→	
Substantial shareholder	**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, 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

The Group is principally engaged in the manufacturing, processing and distribution of gloves globally with manufacturing operations principally in Malaysia, Thailand and the People's Republic of China ("**PRC**"). The Group manufactures and distributes gloves such as natural rubber, nitrile surgical, vinyl, cleanroom, household, industrial/long length high risk, cast polyethylene and thermoplastic elastomer gloves.

As part of the Group's strategy to effectively and sustainably grow its business, 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 Acquisition represents an initiative by the Board to inorganically grow the Group's 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 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 presence as the world's largest rubber glove manufacturer.

The Proposed Acquisition is expected to add value to the Group by merging and leveraging on the skills and experience, management talent as well as valued customers and suppliers of both the Group and the Aspion Group, 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 surgical gloves, examination gloves as well as market-leading innovative glove products.

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

(i) Establish the 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.

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 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 the enlarged Group to establish itself as a major surgical glove manufacturer globally in addition to its existing leadership in examination gloves manufacturing.

The increased production capacity will also allow the Group to enjoy better economies of scale and efficiency. With this, the 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 the Group 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 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 chemical allergic reactions. 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 the Group's surgical gloves portfolio to include specialised surgical gloves and move the 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, the Group expects to enhance its 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. The 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 the Group to grow further in developed regions such as North America, Europe and Japan, which constitute a major segment of the global surgical glove market.

(v) Expand the 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 the Group's export markets. The Aspion Group has an established market presence in the surgical glove market in developed regions and countries such as North America, Western Europe and Japan, which the Group does not currently have a substantial presence. Through the Aspion Group and with Finessis Gloves in its product portfolio, the enlarged Group will gain immediate access into these developed regions and countries, thereby enabling the enlarged Group to establish itself as one of the leading provider of quality surgical gloves.

(vi) Improve the financial performance of the 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, the 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 the 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 the enlarged Group.

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

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 gross domestic product ("**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 United States of America ("**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 United Kingdom 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 (second 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 US dollars ("**USD**") 140.0 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 25.2 billion Euros 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 RM5.05 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 compounded annual growth rate of about 24.4% from RM336.6 million for the financial year ended 31 October 2014 to RM520.9 million for the financial year ended 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, the Board is of the view that the prospects of the Aspion Group is positive. After the completion of the Proposed Acquisition, the 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. The Board plans to increase utilisation of the enlarged Group's production capacity by consolidating its marketing efforts to simultaneously target the 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 the enlarged Group's marketing efforts and increase utilisation rates of its manufacturing facilities. If these efforts are successful, the enlarged Group should be able to compete more effectively against its peers, thereby allowing the 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. The Board plans to identify areas where advancements achieved by the Aspion Group in manufacturing processes and product quality may be adopted by the enlarged Group, thereby complementing the Group's existing research and development efforts. Should these endeavours be successful, the operational efficiency and future financial performance of the enlarged Group 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. The Board plans to leverage on the Aspion Group's branding to complement the 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 the enlarged Group to increase its sales volume, which in turn is expected to improve the future financial performance of the enlarged Group.

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

6. RISK FACTORS

The Board does not anticipate that the Proposed Acquisition will result in a material change to the risk profile of the enlarged Group as both the Aspion Group and the 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 the businesses of the Group with 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 the 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 the enlarged Group not being able to fully realise the anticipated synergies arising from the Proposed Acquisition. If such benefits cannot be fully realised, the financial performance of the enlarged Group may be materially affected.

In mitigation, the 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, the Group will also be able to rely on its experience in the glove manufacturing industry to ensure that the integration between both businesses is completed in a timely and efficient manner.

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

6.3 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, the Company intends to nominate Low Chin Guan to be appointed to the Board as an executive director of the Company. While this is expected to provide continuity to the senior management of the Aspion Group and minimise disruption to the enlarged Group's businesses and operations, there is no guarantee that the current senior management of the Aspion Group will remain with the enlarged Group.

Notwithstanding the above, the Group will endeavour to retain key personnel of the Aspion Group by continuing to provide competitive remuneration packages in line with its existing remuneration policies. The Group 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.

6.4 Goodwill and impairment risk

Top Glove expects 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 the Malaysian Financial Reporting Standard 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 the 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 the 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 the enlarged Group's financial performance.

To mitigate such risk, the Group 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.

6.5 Non-completion risk

The completion of the Proposed Acquisition is conditional upon the Conditions Precedent being fulfilled or waived. There is no assurance that the Proposed Acquisition can be completed within the timeframe stipulated under the SPA. Any delay in fulfilling the Conditions Precedent may lead to a delay in the completion or termination of the Proposed Acquisition, which may result in the Group not being able to fully realise the anticipated benefits arising from the Proposed Acquisition.

Notwithstanding the above, the Company will endeavour to take all reasonable steps so that the Conditions Precedent which are within its control are met within the timeframe stipulated in the SPA.

7. EFFECTS OF THE PROPOSED ACQUISITION

7.1 Share capital

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

	No. of Shares	Share capital
	('000)	(RM '000)
Existing as at the LPD	1,257,323	640,225
Consideration Shares to be issued pursuant to the Proposed Acquisition	20,505	137,000
Enlarged issued share capital	**1,277,828**	**777,225**

7.2 Substantial shareholders' shareholdings

For illustration purposes, the pro forma effects of the Proposed Acquisition on the shareholdings of the substantial shareholders of the Company 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	76,132	6.1	-	-	76,132	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	35.4
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 the Company.

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

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

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

7.3 Net assets ("NA") and gearing

For illustration purposes, the pro forma effects of the Proposed Acquisition on the NA, NA per Share and gearing of the Group 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	640,225	777,225
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**	**2,006,861**	**2,138,261**
No. of Shares outstanding[2] ('000)	1,254,134	1,255,159	1,275,664
NA per Share (RM)	1.60	1.60	1.68
Total borrowings (RM '000)	376,394	376,394	[4]1,889,964
Gearing (times)	0.19	0.19	0.88

Notes:

(1) After adjusting for the exercise of 1,024,700 options under the employees' share option scheme of the Company ("**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 the 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 the extraordinary general meeting and other incidental expenses in relation to the Proposed Acquisition (excluding borrowing costs).

(4) Includes the bank borrowings of the Aspion Group as at 31 October 2016 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.

The pro forma effects as illustrated above do not take into consideration the Finessis Incentive, which forms part of the total purchase consideration for the Proposed Acquisition (please refer section 2.2.2 above). The quantum of the Finessis Incentive to be recognised is currently being assessed by the Board and management of Top Glove 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

Barring unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the earnings and EPS of the Group for the FYE 31 August 2018.

For illustration purposes, based on the audited consolidated financial statements of the Company for the financial year ended 31 August 2017 and the audited consolidated financial statements of Aspion for the financial year ended 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 the earnings and EPS of the Group are as follows:

	Audited financial year ended 31 August 2017	[(1)]After the Proposed Acquisition
	(RM '000)	(RM '000)
PAT attributable to owners of the 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 financial year ended 31 October 2016.

7.5 Convertible securities

As at the LPD, save for 2,469,960 options which are outstanding under the ESOS 2008/2018 ("**Outstanding Options**"), Top Glove 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. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition under Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities is 68.4%.

9. APPROVALS REQUIRED

The Proposed Acquisition is subject to approval being obtained from the shareholders of Top Glove at an extraordinary general meeting to be convened.

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. However, as set out in section 2.3 above, if the Company is 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.

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

10. 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 Acquisition.

11. DIRECTORS' STATEMENT

The 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 the Company.

12. ADVISER

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

13. EXPECTED TIME FRAME FOR APPLICATION TO THE RELEVANT AUTHORITIES AND COMPLETION

Barring any unforeseen circumstances, the application to Bursa Securities for the listing of and quotation for the Consideration Shares is expected to be made within 1 month from the date of this announcement. Subject to all approvals being obtained, the Proposed Acquisition is expected to be completed in the first half of 2018.

This announcement is dated 12 January 2018.

INFORMATION ON ASPION

1. INCORPORATION, HISTORY AND BUSINESS

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. The principal activities of its subsidiaries are set out in section 5 of this Appendix.

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 financial year ended 31 October 2014, the Aspion Group commenced procedures to dispose Cozena Limited ("**Cozena**"), a previously wholly owned subsidiary of Aspion, and Kevenoll S.A. ("**Kevenoll**"), the wholly owned subsidiary of Cozena (collectively, the "**Cozena Group**"). 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.

As at the LPD, the Aspion Group operates in Malaysia, Germany and Brazil. The Aspion Group sells its surgical and examination gloves to more than 100 countries worldwide.

2. SHARE CAPITAL

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

3. DIRECTORS

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

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

Note:

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

4. SUBSTANTIAL SHAREHOLDER

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

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, Aspion has the following subsidiaries:

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

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

6. SUMMARY FINANCIAL INFORMATION

A summary of the audited consolidated financial information of Aspion for the 3 financial years ended 31 October 2014 to 2016 is set out below:

	Audited financial year ended 31 October		
	2014	**2015**	**2016**
	(RM '000)	**(RM '000)**	**(RM '000)**
Continuing operations			
Revenue	336,567	437,165	520,943
Gross profit	68,437	107,695	98,945
Profit before tax ("**PBT**")	22,786	46,516	42,702
PAT	20,874	36,424	31,560
PAT attributable to owners of Aspion	20,920	36,145	28,233
Weighted average no. of shares in issue ('000)	270,850	270,850	270,850
Gross EPS (sen)	8.41	17.17	15.77
Net EPS (sen)	7.71	13.45	11.65
Discontinued operations			
Loss after tax	(51,597)	(1,452)	-

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

Financial commentary:

Financial year ended 31 October 2015 compared to 31 October 2014

For the financial year ended 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 about 32.8% from the preceding financial year.

Cost of sales increased by RM61.4 million or 22.9% from RM268.1 million for the financial year ended 31 October 2014 to RM329.5 million for the financial year ended 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 financial year ended 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 financial year ended 31 October 2014 to RM107.7 million for the financial year ended 31 October 2015.

The Aspion Group achieved higher PBT of RM46.5 million for the financial year ended 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 financial year ended 31 October 2014 to RM14.3 million for the financial year ended 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 financial year ended 31 October 2014 to RM13.8 million for the financial year ended 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 financial year ended 31 October 2014 to RM28.6 million for the financial year ended 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 financial year ended 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 financial year ended 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 financial year ended 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.

Financial year ended 31 October 2016 compared to 31 October 2015

The Aspion Group achieved higher revenue of RM520.9 million for the financial year ended 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 about 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 financial year ended 31 October 2014 to RM422.0 million for the financial year ended 31 October 2015. 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 financial year ended 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 financial year ended 31 October 2015 to RM98.9 million for the financial year ended 31 October 2016.

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