

TOP GLOVE INITIATES ARBITRATION AGAINST ADVENTA CAPITAL IN SINGAPORE

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KUALA LUMPUR (July 10): Top Glove Corp Bhd and its wholly-owned subsidiary Top Care Sdn Bhd have initiated arbitration proceedings against Adventa Capital Pte Ltd in Singapore today, claiming RM714.86 million in damages and losses suffered.

This follows the allegedly fraudulent misrepresentation made by Adventa Capital to induce Top Glove and Top Care into entering a share purchase agreement in April.

The world's largest manufacturer of gloves was replying to a Bursa Malaysia query today.

"Top Glove and Top Care will elect to affirm the SPA and only claim for damages," Top Glove said.

"If Top Glove and Top Care succeed in their arbitration proceedings against Adventa Capital, the tribunal may award interest at such rate and in respect of any period which the tribunal determines to be appropriate,"

it added.

Top Glove is alleging Aspion Sdn Bhd directors Low Chin Guan and Wong Chin Toh were in a conspiracy to defraud the group by tricking it into acquiring Aspion from its former parent Adventa Capital for RM1.37 billion earlier this year.

Top Glove went on to explain it had discovered irregularities in certain balance sheet items of Aspion such as inventories, and plant and machinery, after it took over the company in April.

"Upon such discovery, Top Glove conducted its own investigations and appointed an independent accounting firm to investigate irregularities in Aspion's accounts, as well as possible overstatement of the acquisition price for Aspion," it said.

"From the interim report given by the independent accounting firm, there is currently an overstatement of inventory, plant and machinery in Aspion's accounts, amounting to RM74.4 million.

"Furthermore, the interim report also states that the acquisition price of Aspion was overstated by RM640.5 million. The purchase consideration was based on a price earnings multiple of 16.93 times the FY18 profit after tax (PAT) target of RM80.9 million," it added.

"However, Top Glove and Top Care have since discovered that the past profitability used to project the FY18 PAT, was misrepresented. Thus, such misrepresentation resulted in Top Glove and Top Care agreeing to pay a purchase consideration far higher than they would have had, the truth being known to them," Top Glove noted.

Top Glove said it is currently seeking legal advice as to Low's position as a director in Top Glove. Low, 58, assumed his current post on April 4. Prior to that, he was leading Adventa Group.

Top Glove said it is also engaging with auditors of Aspion to assess if there is any effect to the audited financial statements of FY16. "If there is

any effect, it will be reflected in the FY17 audited financial statements, as an adjustment to the comparatives and opening balances as applicable," it added.

At this juncture, Top Glove said it is unable to determine the financial impact on the group, as the exercise of the purchase price allocation to establish the amount of goodwill is ongoing.

"In addition, management is also in the process of reassessing Aspion's profits and cashflow projection, in view of the latest development. The group endeavours to incorporate the financial impact, if any, in the coming fourth quarter financial results ending Aug 31, 2018," it added.

Nevertheless, Top Glove said it intends to proceed with the proposed one-for-one bonus issue and the proposed issuance of guaranteed exchangeable bonds with an aggregate principal amount of up to US\$300 million, announced on April 20 at this juncture.

Top Glove shares closed up 77 sen or 8.4% at RM9.90 today, with 49.41 million shares done, for a market capitalisation of RM12.67 billion.

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