

TOP GLOVE EXPECTS ASPION TO MEET PROFIT PROJECTION IN 4 TO 7 YEARS

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SHAH ALAM: Top Glove Corp Bhd expects its newly acquired unit, Aspion Sdn Bhd, to meet its net profit projection of RM80 million within the next four to seven years, helped by technology advancement and Top Glove's track record of boosting the earnings of loss-making factories.

"The full-year (ended Aug 31, 2018) net profit of Aspion is estimated to be in the range of RM20 million to RM30 million," said Top Glove executive chairman Tan Sri Dr Lim Wee Chai, adding: It turns out that the company's contribution is much less than we expected."

The previous Aspion management had allegedly manipulated the company's financial statements, Lim said in a conference call on the group's financial results.

Top Glove, the world's largest rubber glove manufacturer, had in January agreed to buy surgical glovemaker Aspion from Adventa Capital Pte Ltd via a combination of RM1.23 billion cash and RM137 million from the issue of 20.51 million new Top Glove shares at RM6.68 apiece.

The proposed acquisition came with a two-year profit guarantee of RM100 million.

The acquisition, completed on April 4, also made Top Glove the world's largest producer of surgical gloves, with the annual revenue from the segment anticipated to rise to between 13% and 20% of group revenue, from 5% previously.

Top Glove subsequently took legal action against Adventa Capital and two directors of Aspion, Low Chin Guan and Wong Chin Toh, for RM714.86 million. It claimed the directors were in a conspiracy to defraud Top Glove by tricking it into acquiring Aspion for RM1.37 billion.

Lim said Top Glove expects the suit will take at least one year to resolve.

The trial in Malaysia will start early next year, while the arbitration in Singapore is also set to begin next year, he said.

Going forward, Lim said Top Glove will continue to expand its research and development (R&D) team.

He said the group plans to open two new research centres by next year, raising the total number to three. Concurrently, the group also intends to double the number of researchers to 400-500 people by next year.

Currently, the group allocates 4% of its net profit for the investment in R&D.

Despite increasing the numbers of researchers, Top Glove hopes to reduce the number of workers by improving the operational efficiency through automation and technology advancement.

For the past year, the group managed to cut its workforce by 14% from 2.9 workers per million glove pieces to 2.5 workers per million glove pieces.

Last week, the group announced that its net profit for the fourth quarter ended Aug 31, 2018 grew 7.5% to RM101.6 million from RM94.49 million a year ago, as revenue rose 34.8% to RM1.22 billion from RM902.42 million.

For the full year, Top Glove's net profit jumped 32% to RM433.62 million from RM328.57 million previously, while revenue rose 23.6% to RM4.2 billion from RM3.41 billion.

Top Glove's share price fell 10 sen or 0.86% to RM 11.50 yesterday, for a market capitalisation of RM14.37 billion.