



Top Glove Corporation Bhd

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PRESS RELEASE

For Immediate Release

TOP GLOVE INKS BILLION RINGGIT DEAL TO ACQUIRE SPION SDN BHD

World's largest manufacturer of gloves poised to become world's largest manufacturer of surgical gloves

Shah Alam, Friday, 12 Jan 2018 – Top Glove Corporation Bhd (“Top Glove” or the “Group”) today announced that it had entered into a share purchase agreement (SPA) with Adventa Capital Pte. Ltd (“Adventa Capital”), to acquire Aspion Sdn Bhd (“Aspion”), one of the largest surgical glove producers globally, for a purchase consideration of RM1.37 billion (the “Proposed Acquisition”).

Top Glove had on 24 November 2017, entered into a term sheet to negotiate definitive agreements for the Proposed Acquisition.

Upon completion of the proposed acquisition of Aspion, Top Glove will emerge the global leader in surgical glove manufacturing, further solidifying its status as the world's largest manufacturer of gloves.

The Proposed Acquisition is well-aligned with the Group's strategy to effectively and sustainably grow its business, representing an initiative to inorganically grow the business via a product extension merger, alongside Top Glove's organic expansion plans. Upon completion, the acquisition will not only provide Top Glove with an expanded product range, but full access to Aspion's technologies and innovations as well, reinforcing Top Glove's market leadership.

The Proposed Acquisition will see the merging of skills and experience, management talent as well as customers and suppliers of Top Glove and Aspion, which will strengthen the Group's growth profile and longterm value creation potential. In particular, Top Glove envisions it 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.

Top Glove expects to realise the following strategic and financial benefits upon completion of the Proposed Acquisition:

1. Instantly propels Top Glove to become the number one surgical glove manufacturer globally

With the addition of Aspion, the Group will increase its production capacities for surgical and examination gloves, enabling the enlarged Group to become the world's largest surgical glove manufacturer, in addition to cementing its global leadership in examination glove manufacturing. The increased production capacity will also allow the Group to enjoy better economies of scale and efficiency. With the ability to offer more choices at competitive costs, the Group will be able to compete more effectively in the global market, capturing a greater market share, particularly from multinational glove companies who are moving towards outsourcing their production capacities.

2. Overcome entry barriers into the surgical glove market

Prospective entrants to the surgical glove market face multiple barriers, particularly those which are manufacturing-related. These include production technology challenges such as developing the appropriate production lines, blending formulation, sterilisation and customised packaging facilities for the gloves, which require significant capital investments, acquired technical know-how and research and development. These serve as a major deterrence for new market entrants. Additionally, surgical gloves are subject to rigorous quality standards and required to meet acceptable quality levels ("AQL"), where regulatory clearance could take a long time. In addition, the surgical glove distribution chain is complex, where access to key distributors and regulatory stakeholders is required for efficient product distribution. High customer switching costs and long tender cycles also create further barriers for new entrants.

3. Acquire access to new, innovative technologies, surgical glove manufacturing processes know-how and proprietary materials

Aspion's accumulated production experience and intensive R&D efforts have allowed it to stay ahead of its peers and set industry-leading quality benchmarks. For instance, Aspion produces Finessis gloves, a new type of surgical glove made of Flexylon™ polymer, a high performance synthetic polymer developed using in-house proprietary technology. Produced using advanced molecular layer technology that greatly reduces the tendency of pinholes, Finessis gloves have a significantly low level of pinholes breakage factor, which is a key consideration in the selection of surgical gloves. Finessis gloves are free of chemicals and allergens, which eliminates the likelihood of chemical allergic reactions and allows wider applicability. 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 are lengthier and require high levels of sensitivity.

The Finessis glove range also includes a reactive surgical glove (ie. Finessis Aegis® Gloves) which is designed to contain a disinfecting liquid, thereby providing added protection against potential virus transmissions. This technology has a clear advantage over antimicrobial coating properties utilised by other glove manufacturers. In Finessis Aegis, the disinfectant is only activated when the gloves are punctured and not based on continuous contact between the antimicrobial agent and the skin; the latter may give rise to a risk of developing skin irritations and creating bacterial resistance.

4. *Widen Top Glove's surgical glove portfolio to specialized surgical gloves, thereby moving up the value chain*

Surgical gloves evolve slowly and often in response to user feedback on comfort and allergies; with the global trend of adoption and upgrading leading to increasing usage and average selling prices of surgical gloves over time. With the proposed acquisition of Aspion, Top Glove has diversified its product portfolio further, allowing it to participate in the powdered, powder-free, and synthetic glove space. Top Glove's product mix would shift towards synthetic gloves in line with developed regions' regulation-driven trends, which would allow Top Glove to grow further in developed regions such as North America, Europe and Japan (which constitute a major segment of the surgical glove market value). Top Glove also will gain access to Aspion's specialised surgical gloves product range.

5. *Substantial synergies through cross-leveraging Top Glove and Aspion's respective expertise in examination and surgical gloves*

Top Glove's efficiency in exam glove operations and Aspion's superior capabilities in optimising surgical glove operations will result in the transfer of operational best practices, creating significant cost savings for the Group. In terms of technology and R&D, the pooling of Top Glove's cost optimization know-how and Aspion's technology and R&D capabilities will create a low-cost, hightechnology platform. In addition, Top Glove's large global sales force and Aspion's marketing team, well-equipped with clinical knowledge of surgical gloves are the perfect complement and will combine well to create selling synergies.

6. *Expand the Group's presence in surgical gloves into new regions and countries*

Aspion 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. Aspion's geographical coverage is also complementary to the Group's export markets, with an established presence in the surgical glove market in developed regions and countries such as North America, Western Europe and Japan, where the Group currently does not have a substantial presence. With the extended product range spanning every type of medical glove used in the market, the enlarged Group will be able to meet virtually any requirement in any part of the world.

7. *The Proposed Acquisition is financially attractive for Top Glove*

With the Proposed Acquisition, the enlarged Group's product mix is expected to shift towards a greater proportion of surgical gloves, which provide higher profit margins and growth. With the inclusion of Aspion's revenues, the contribution of surgical gloves to the enlarged Group's annual revenue is expected to increase from around 5.0% to around 13.0%. This in turn is expected to contribute positively to the overall profitability and growth of the enlarged Group.

Tan Sri Dr Lim Wee Chai, Executive Chairman of Top Glove remarked, “We are pleased to move towards finalising the acquisition of Aspion, which marks an important milestone for Top Glove and bodes well for our future growth. We are confident our intended acquisition will further cement our leadership position in the glove industry and take our business to the next level of success”.

Upon completion of the Proposed Acquisition, Mr Low Chin Guan will be appointed Managing Director of Aspion. Given his many years of experience, Mr Low will drive the surgical glove business to enable the enlarged Group to capture a larger market share in this fast-growing segment. Mr Low also brings valuable experience in product development, which will be instrumental in developing new surgical glove products.

Mr Low remarked: “We are excited at the potential of our combined strengths and inspired by the knowledge that our customers will have greater opportunities in their markets.”

Of the total RM1,370 million purchase consideration, 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 Top Glove shares at an issue price of about RM6.6813 each (“Consideration Shares”). The issue price of the Consideration Shares is equal to the 5-day volume-weighted average market price of the Shares as traded on Bursa Securities up to and including 24 November 2017, being the date of the Term Sheet. The total cash portion will be funded entirely from bank borrowings, which will be a combination of a conventional term loan and Islamic term financing. The Proposed Acquisition comes with a Profit Guarantee of 2 years, up to a maximum of RM100 million. In addition, Top Glove has agreed to provide an incentive payment arising from the Finessis Profit After Tax derived from the sale of Finessis Gloves for each of the 3 financial years ending 31 October 2018, 2019 and 2020. Further details of the purchase consideration are available in the announcement which has been posted on Bursa Malaysia.

For the Proposed Acquisition, Hong Leong Investment Bank Berhad is acting as Transaction Adviser and Principal Adviser to Top Glove, and Credit Suisse is the Sole Financial Advisor to Adventa Capital. Top Glove has also mandated Citigroup Global Markets Asia Limited to coordinate a USD 310 million financing package consisting of conventional and Islamic facilities to partially finance the proposed acquisition.

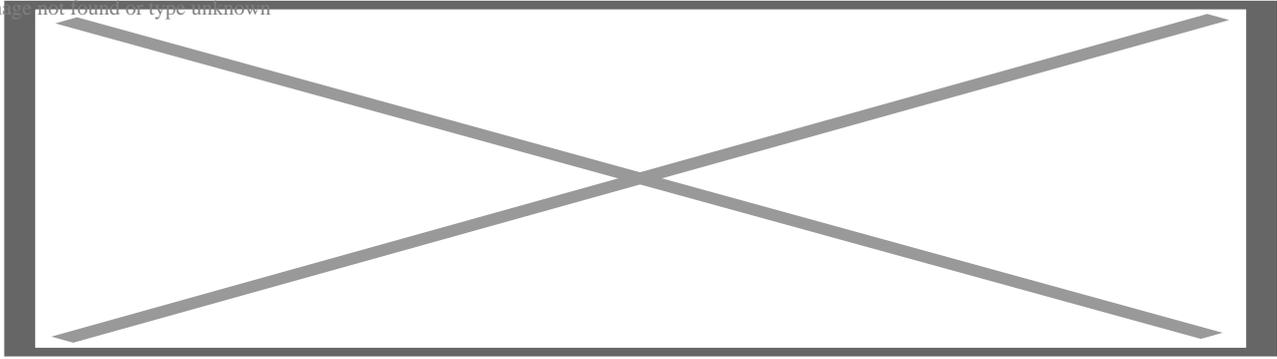
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About Top Glove Corporation Bhd

Top Glove Corporation Bhd is listed on the Bursa Malaysia Stock Exchange Main Board and Singapore Exchange Mainboard. It is also one of the component stocks of the FTSE Bursa Malaysia (“FBM”) Mid 70 Index, FBM Top 100 Index, FBM Emas Index, FBM Emas Syariah Index, FTSE Bursa Malaysia Hijrah Shariah Index and FTSE4Good Bursa Malaysia Index. Top Glove is currently the world’s largest rubber glove manufacturer with an established corporate culture and good business direction of producing consistently high quality, cost efficient gloves. Top Glove has over 2,000 customers worldwide and exports to more than 195 countries.

Summary of key information:

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About Aspion Sdn Bhd

Aspion Sdn Bhd 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 the manufacturing and distribution of surgical gloves, medical gloves, medical examination gloves and protection gloves. Aspion is a wholly owned subsidiary of Adventa Capital Pte. Ltd.