

# MULTIPLE PROPOSALS TOP GLOVE CORPORATION BHD (I) PROPOSED BONUS ISSUE; (II) PROPOSED BONDS ISSUE; AND (III) PROPOSED AMENDMENTS

## TOP GLOVE CORPORATION BHD

Type	Announcement
Subject	MULTIPLE PROPOSALS
Description	TOP GLOVE CORPORATION BHD  (I) PROPOSED BONUS ISSUE;  (II) PROPOSED BONDS ISSUE; AND  (III) PROPOSED AMENDMENTS

## TOP GLOVE CORPORATION BHD (“TOP GLOVE” OR THE “COMPANY”)

(I) PROPOSED BONUS ISSUE OF UP TO 1,280,267,624 NEW ORDINARY SHARES IN TOP GLOVE (“TOP GLOVE SHARES”) (“BONUS SHARES”) ON THE BASIS OF 1 BONUS SHARE FOR EVERY 1 EXISTING TOP GLOVE SHARE HELD (“PROPOSED BONUS ISSUE”);

(II) PROPOSED ISSUANCE OF GUARANTEED EXCHANGEABLE BONDS (“BONDS”) WITH AN AGGREGATE PRINCIPAL AMOUNT OF UP TO UNITED STATES DOLLARS (“USD”) 300 MILLION (“PROPOSED BONDS ISSUE”); AND

(III) PROPOSED AMENDMENTS TO THE CONSTITUTION OF TOP GLOVE (“PROPOSED AMENDMENTS”),

(COLLECTIVELY, THE “PROPOSALS”)

On behalf of the Board of Directors of the Company, CIMB Investment Bank Berhad, wishes to announce that the Company proposes to implement the Proposals.

The details of the Proposals are set out in the attachment.

This announcement is dated 20 April 2018.

Please refer attachment below.

### Attachments

[Top Glove - Announcement \(20042018\).pdf](#)  
344.3 kB

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### Announcement Info

Company Name	TOP GLOVE CORPORATION BHD
Stock Name	TOPGLOV
Date Announced	20 Apr 2018
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### 1. INTRODUCTION

On behalf of the Board of Directors of the Company (“**Board**”), CIMB Investment Bank Berhad (“**CIMB**”), wishes to announce that the Company proposes to implement the Proposals.

### 2. DETAILS OF THE PROPOSALS

#### 2.1 Proposed Bonus Issue

##### 2.1.1 Basis and number of Bonus Shares

The Proposed Bonus Issue involves the issuance of up to 1,280,267,624 Bonus Shares on the basis of 1 Bonus Share for every 1 existing Top Glove Share held by the shareholders of the Company whose names appear in the record of securities holders of the Company established by Bursa Malaysia Depository Sdn Bhd (“**Bursa Depository**”) under the rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act 1991, as amended from time to time, on the entitlement date to be determined and announced later by the Board of the Company (“**Entitlement Date**”). For avoidance of doubt, the treasury shares would be entitled to the Bonus Shares pursuant to Section 127(11) of the Companies Act 2016 and such Bonus Shares will be treated as treasury shares held by the Company at the time the Bonus Shares are allotted.

As at 4 April 2018, being the latest practicable date prior to this announcement (“**LPD**”), there are 1,278,948,824 Top Glove Shares (including 2,164,400 treasury shares) in issue. In addition, the Company also has 1,318,800 options under Top Glove’s employees’ share option scheme for the eligible employees and executive directors of the Company and its subsidiaries (“**Top Glove Group**” or “**Group**”) (“**ESOS Options**”).

Assuming that on or prior to the Entitlement Date, none of the ESOS Options are exercised and all existing treasury shares are retained by the Company, 1,278,948,824 Bonus Shares will be issued and the enlarged issued share capital of the Company immediately after the Proposed Bonus Issue will comprise of 2,557,897,648 Top Glove Shares (including 4,328,800 treasury shares).

Assuming that on or prior to the Entitlement Date, all of the 1,318,800 ESOS Options are exercised and all 2,164,400 existing treasury shares are resold by the Company, 1,280,267,624 Bonus Shares will be issued and the enlarged issued share capital of the Company immediately after the Proposed Bonus Issue will comprise of 2,560,535,248 Top Glove Shares.

In determining entitlements under the Proposed Bonus Issue, fractional entitlements, if any, will be dealt with in such manner as the Board of the Company in its sole and absolute discretion deems fit and expedient, and in the best interest of the Company.

The price of the Top Glove Shares will be adjusted for the Proposed Bonus Issue. For illustrative purpose only, based on the 3-month volume weighted average market price of the Top Glove Shares up to and including the LPD of RM9.50, the theoretical ex-bonus price (“**TEBP**”) of Top Glove Shares pursuant to the Proposed Bonus Issue is RM4.75.

The Proposed Bonus Issue will not be implemented in stages over a period of time.

### **2.1.2 Capitalisation of reserves**

The Bonus Shares will be issued as fully paid shares, at nil consideration and without capitalisation from the Company’s reserves.

Pursuant to the Companies Act 1965, shares may not be issued at a discount to the par value and an amount must be capitalised from the retained earnings or reserves and be transferred to the share capital account in connection with an issuance of new shares. Under the Companies Act 2016 which came into effect on 31 January 2017, replacing the Companies Act 1965, the concept of par value for shares in companies incorporated in Malaysia has been abolished.

Under the Companies Act 2016, such requirements are no longer applicable and there is no stipulation that cash consideration must be paid or transferred in connection with the issuance of new shares. As a result, a bonus issue can now be undertaken either:

- (i) by way of capitalisation of the retained earnings/accumulated profits of a company;
- (ii) by way of capitalisation from the amount standing to the credit of the share premium account or capital redemption reserves of a company (applicable only during the 24 months transitional period as stipulated under Section 618(3)(c) of the Companies Act 2016 and Practice Note 1/2017 dated 8 February 2017 issued by the Companies Commission of Malaysia); or
- (iii) without capitalisation, where a company may issue and allot the bonus shares at nil consideration.

Given the above and the rationale of the Proposed Bonus Issue as set out in section 4.1 of this announcement, the Board has resolved that the Bonus Shares shall be issued as fully paid shares at nil consideration, and without any capitalisation from the Company’s reserves.

### **2.1.3 Ranking of Bonus Shares**

The Bonus Shares will upon allotment and issue, rank equally in all respects with the then existing issued Top Glove Shares. However, the Bonus Shares will not be entitled to any dividends, rights, allotments and/or other distributions unless such Bonus Shares were made on or prior to the Entitlement Date of such dividends, rights, allotments and/or other distributions.

### **2.1.4 Listing and quotation of the Bonus Shares**

An application will be made to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing and quotation of the Bonus Shares on the Main Market of Bursa Securities.

## 2.2 Proposed Bonds Issue

The Bonds will be issued by Top Glove Labuan Ltd ("**Top Glove Labuan**" or "**Issuer**"), a wholly-owned subsidiary of Top Glove, and will be irrevocably and unconditionally guaranteed by Top Glove.

In the primary market, the Bonds will be offered exclusively to (1) persons in Labuan or outside of Malaysia or entities established or registered under the laws of Labuan and (2) person falling within the categories of excluded offers and invitations of debentures as set out in Section 8(5) of the Labuan Financial Services and Securities Act 2010, as amended from time to time ("**LFSSA**") and to certain non-United States resident persons as defined in Section 902(k) of Regulation S in offshore transactions under the United States Securities Act of 1933, as amended from time to time (the "**U.S. Securities Act**") subject to the relevant selling restrictions on the offer, sale and transfer of the Bonds, in, among others, the United States, United Kingdom, European Economic Area (excluding the United Kingdom), Labuan, Hong Kong, Singapore and Japan.

The Bonds and the new Top Glove Shares to be issued upon exchange of the Bonds have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States of America except in certain transactions exempted from the registration requirements of the U.S. Securities Act.

The Bonds may be exchanged at the option of the holders of the Bonds ("**Bondholders**") into new Top Glove Shares.

The number of new Top Glove Shares to be issued in the event of exchange of the Bonds will depend on, among others, the exchange price and the principal amount of the Bonds exchanged during the Exchange Period (as defined below in section 2.2.1).

The Bonds may be redeemed by Top Glove Labuan in cash at the maturity date or pursuant to the Issuer's option or the Bondholders' option before the maturity date, as set out in section 2.2.1 below.

The Proposed Bonds Issue will not be undertaken on a minimum subscription basis. The Bonds will not be underwritten and the offering of the Proposed Bonds Issue will be conducted on a best effort basis.

### 2.2.1 Indicative salient terms of the Bonds

Issuer	:	Top Glove Labuan.
Guarantor	:	Company.
Issue size	:	Up to USD300 million.
Issue Price	:	100% of the principal amount.
Tenure of issue	:	5 years from the issue date.
Coupon	:	The coupon rate for the Bonds shall be determined on the Pricing Date (as defined below in section 2.2.2) based on, among others, the prevailing market conditions.
Guarantee	:	The Company will unconditionally and irrevocably guarantee (the " <b>Guarantee</b> "):  (i) the due payment of all sums expressed to be payable by the Issuer under the trust deed to be made between the Issuer, the Company as Guarantor and the trustee to be appointed for the holders of the Bonds (" <b>Trustee</b> ") (" <b>Trust Deed</b> ") and the Bonds; and

- (ii) the due and punctual performance of all the Issuer's obligations under the Trust Deed and the Bonds.

The payment obligations of the Guarantor under the Guarantee will, save for such exceptions as may be provided by applicable laws and subject to the Negative Pledge (as defined below in this section 2.2.1), at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations.

Rating	:	The Bonds will not be rated.
Form and denomination	:	The Bonds will be issued in registered form in the denomination of USD200,000 each and integral multiples of USD1,000 in excess thereof.
Selling restrictions	:	In the primary market, the Bonds will be offered exclusively to (1) persons in Labuan or outside of Malaysia or entities established or registered under the laws of Labuan and (2) person falling within the categories of excluded offers and invitations of debentures as set out in Section 8(5) of the LFSSA and to certain non-United States resident persons as defined in Section 902(k) of Regulation S in offshore transactions under the U.S. Securities Act subject to the relevant selling restrictions on the offer, sale and transfer of the Bonds, in, among others, the United States, United Kingdom, European Economic Area (excluding the United Kingdom), Labuan, Hong Kong, Singapore and Japan.
Redemption Price	:	100% of principal amount or at a premium or discount to be determined by the Issuer on the Pricing Date (as defined below in section 2.2.2).
Reference Share Price	:	The closing share price of Top Glove Shares on or immediately preceding the Pricing Date (as defined below in section 2.2.2).
Exchange Premium	:	Range between 10% to 40% above the Reference Share Price. The final Exchange Premium will be determined on the Pricing Date (as defined below in section 2.2.2).
Exchange Price	:	The Exchange Price shall be determined on the Pricing Date (as defined below in section 2.2.2), based on the Reference Share Price after applying the Exchange Premium.
Fixed Exchange Rate	:	The Fixed Exchange Rate shall be the Bloomberg "BFIX" USDMYR Spot Mid Price at 12:00pm Malaysia time on or immediately preceding the Pricing Date (as defined below in section 2.2.2).
Exchange Ratio	:	Such number of new Top Glove Shares per Bond denomination based on the Exchange Price and the Fixed Exchange Rate.

- Exchange Property : The Bonds may be exchanged into new Top Glove Shares at the option of the Bondholders during the Exchange Period.
- Fractions of new Top Glove Shares will be disregarded and not be delivered on exchange and no cash adjustments will be made, subject to certain conditions to be set out in the Trust Deed.
- Exchange Period : The period during which the Bonds may be exchanged into new Top Glove Shares, which shall be determined on the Pricing Date (as defined below in section 2.2.2).
- Adjustment to Exchange Price : The Exchange Price is subject to adjustments pursuant to certain events (including but not limited to subdivision, or consolidation of shares, capitalisation of profits or reserves, capital distribution, rights issues and other dilutive events) as set out in the Trust Deed. Any such adjustments will be subject to and the applicable rules and laws (including but not limited to the Main Market Listing Requirements (“MMLR”)).
- Redemption at maturity : All Bonds which are not redeemed, exchanged, or purchased and cancelled in the manner allowed pursuant to the terms and conditions of the Bonds shall be redeemed in cash by the Issuer on the maturity date at the Redemption Price together with accrued but unpaid interest.
- Redemption at the option of Issuer : (a) Issuer Call:  
 During a period which will be determined prior to the issuance of the Bonds, in whole but not in part, at the early redemption amount to be determined together with accrued but unpaid interest if the closing price of Top Glove Shares meets certain agreed threshold.
- (b) Clean Up Call:  
 At any time, in whole but not in part, at the early redemption amount to be determined together with accrued but unpaid interest in the event that at least 90% of the Bonds issued have been previously redeemed, exchanged, repurchased or cancelled.
- (c) Tax Call:  
 At any time, in whole but not in part, at the early redemption amount to be determined together with accrued but unpaid interest in the event of certain changes affecting taxes in the relevant jurisdictions.
- Redemption at the option of Bondholders : Upon the occurrence of certain events to be determined prior to issuance of the Bonds, the Bondholders may be entitled to exercise a one-time right prior to the maturity date to require the Issuer to redeem in cash, all or part of the Bonds at the early redemption amount to be determined together with accrued but unpaid interest.

- Status : Subject to the Negative Pledge (as defined below) and save for such exceptions as may be provided by applicable laws, the Bonds constitute direct, unconditional, unsubordinated, unsecured obligations of the Issuer and will at all time rank equally and without any preference or priority among themselves.
- Trust Deed : The Bonds shall be constituted by, inter alia, a trust deed, which shall be administered by a trustee acting on behalf of the Bondholders.
- Events of default : Customary events of default including, without limitation (i) default in payment on the Bonds, (ii) the Issuer's or the Guarantor's failure to comply with its obligations under the conditions of the Bonds and/or the Guarantee, (iii) insolvency and winding-up proceedings against the Guarantor and the Issuer or (iv) cross default. Events of default will be subject to agreed exceptions, qualifications, grace periods, thresholds and reservations to be agreed. The rights of the Bondholders upon an event of default occurring will be set out in the Trust Deed.
- Negative Pledge : The Issuer and the Group may provide negative pledge in respect of security interests to secure certain international investment securities, subject to exceptions and qualifications to be agreed.
- Modification and Waiver : The Bondholders may, by special resolution, sanction, inter-alia, any modification or compromise of their rights and consent to any modification to the Trust Deed or the Bonds subject to and in accordance with applicable rules and laws (including but not limited to the MMLR).
- The Trustee may at any time, but shall not be obliged to without any consent of the Bondholders, concur with the Issuer in making any modification to the Bonds or the Trust Deed which in the Trustee's opinion is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law.
- Governing Law : English law.

### 2.2.1 Basis of determining and justification for the Issue Price and Exchange Price of the Bonds

The Issue Price of the Bonds is fixed at 100% of the principal amount.

The Board will determine and fix the Exchange Price of the Bonds at a later date after receipt of all relevant approvals but prior to issuance of the Bonds ("**Pricing Date**"), taking into consideration the following:

- (i) the Reference Share Price; and
- (ii) the Exchange Premium.

## 2.2.2 Ranking of the new Top Glove Shares to be issued upon exchange of the Bonds

The new Top Glove Shares to be issued arising from the exchange of the Bonds, will upon allotment and issue, rank equally in all respects with the then existing issued Top Glove Shares. However, such new Top Glove Shares will not be entitled to any dividends, rights, allotments and/or other distributions unless such new Top Glove Shares were allotted and issued on or before the Entitlement Date of such dividends, rights, allotments and/or other distributions.

## 2.2.3 Listing and quotation of the Bonds and new Top Glove Shares to be issued upon exchange of the Bonds

The Company intends to seek a listing of the Bonds on Bursa Securities (under an exempt regime where the Bonds will be listed but not quoted for trading), and Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and/or such other stock exchange(s) to be identified.

An application will be made to Bursa Securities for the listing and quotation of the new Top Glove Shares to be issued arising from the exchange of the Bonds, on the Main Market of Bursa Securities.

## 2.3 Proposed Amendments

The Proposed Amendments involve amendments to the constitution of Top Glove to facilitate the issuance of the Bonus Shares under the Proposed Bonus Issue.

The constitution of Top Glove shall be amended as follows:

- (i) By amending the existing Clause 5 of Top Glove’s Memorandum of Association in relation to the authorised share capital of Top Glove as follows:

Clause No.	Existing Clauses	Proposed Amendments
5	The capital of the Company is RM800,000,000 Malaysian Currency divided into 1,600,000,000 ordinary shares of RM0.50 each. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.	<del>The capital of the Company is RM800,000,000 Malaysian Currency divided into 1,600,000,000 ordinary shares of RM0.50 each.</del> The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.



(ii) By deleting the following articles in Top Glove's Articles of Association ("**Articles**"):

Article No.	Existing Articles	Proposed Amendments
6	<p>While the shares are held as treasury shares, the rights attached to such shares as to voting, dividends and participation in other distribution and otherwise are suspended and the treasury shares shall not be taken into account in calculating the number of percentage of shares or of a class of shares in the Company for any purposes including, without limiting the generality of Section 67A(3C) of the Act, the provisions of any law or requirements of the Articles of Association of the Company of the Listing Requirements or Relevant Regulations on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.</p>	<p>To delete in its entirety.</p>
7	<p>The authorised share capital of the Company is RM800,000,000 (Malaysian Ringgit: Eight Hundred Million) divided into 1,600,000,000 ordinary shares of RM0.50 (Malaysian Sen: Fifty) each.</p>	<p>To delete in its entirety.</p>

### 3. USE OF PROCEEDS

The exact amount of proceeds to be raised from the Proposed Bonds Issue cannot be determined at this juncture as the amount would depend on the actual issue size and the Fixed Exchange Rate.

For illustrative purposes only, based on the maximum issue size of USD300 million and the exchange rate of RM3.8643:USD1.00 (based on Bloomberg "BFIX" Spot Mid Price as at 12.00 p.m. on the LPD), the Proposed Bonds Issue is expected to raise gross proceeds of approximately RM1,159.3 million, to be used in the following manner:

<u>Purpose</u>	<u>Estimated timeframe for utilisation</u>	<u>Amount</u> <u>RM million</u>
Repayment of bank borrowings <sup>(1)</sup>	Within 12 months	Up to 1,146.1
Estimated expenses for the Proposals <sup>(2)</sup>	Within 1 month	13.2
<b>Total gross proceeds</b>		<u>Up to 1,159.3</u>

**Notes:**

- (1) *As at the LPD, the total bank borrowings of Top Glove Group are about RM2,087.4 million. Top Glove intends to repay the Group's existing bank borrowings which were used to fund the Group's investments including the acquisition of Aspion Sdn Bhd and the Group's working capital. The Group will then be able to utilise these facilities again for future investments and working capital.*

*The exact amount of interest savings cannot be determined at this juncture as the amount would depend on among others, the final terms of the Bonds. For illustrative purpose only, based on among others, the interest rates of the Group's existing bank borrowings which ranges from 2.5% to 3.2% per annum and an illustrative yield of the Bonds of 1.0% per annum, the repayment of bank borrowings is expected to result in an average interest savings of about RM22.6 million per annum.*

- (2) *Comprising professional fees, fees payable to relevant authorities, printing and despatch costs, and other incidental expenses relating to the Proposals. Any surplus under the estimated expenses of the Proposals will be adjusted against the allocation for repayment of bank borrowings.*

Pending use of the proceeds from the Proposed Bonds Issue for the above purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used to finance the future working capital requirement of the Group.

## 4. RATIONALE FOR THE PROPOSALS

### 4.1 Proposed Bonus Issue

The Company undertakes the Proposed Bonus Issue to reward the Company's shareholders in the form of Bonus Shares which will enable the shareholders to have greater participation in the equity of Top Glove in terms of number of shares while retaining their percentage of equity interest held. In addition, the Proposed Bonus issue will increase the number of Top Glove Shares in issue, which may potentially improve the liquidity and marketability of Top Glove Shares.

### 4.2 Proposed Bonds Issue

The Company is undertaking the Proposed Bonds Issue to raise funds for the Group mainly to repay bank borrowings as set out under section 3 above.

After due consideration of the various methods of fund-raising and other types of instruments as well as the capital structure of the Company, the Board is of the opinion that the Proposed Bonds Issue is the most appropriate means for raising funds due to the following:

- (i) it will enable the Group to raise proceeds which are to be used in the manner as set out in section 3 of this announcement;
- (ii) the Bonds are expected to have a lower cost of funding due to the exchangeable feature;
- (iii) as the Bonds bear interest at a fixed coupon rate, this will reduce the Group's exposure to fluctuating interest rates and enable Top Glove Group to manage its cash flows more efficiently;
- (iv) it will enable the Company's debt profile to be of longer term in nature, given that the proceeds raised for the Proposed Bonds Issue will be mainly used to repay the existing borrowings which are of shorter term in nature;
- (v) a USD denominated funding instrument will be naturally hedged against the Group's revenue from its export business which are mainly denominated in USD;
- (vi) USD denominated bonds will allow the Group to access the global equity-linked bond market which will enable it to access a larger pool of investors and raise its profile in the global marketplace;
- (vii) it will enable the Group to diversify its source of funding;
- (viii) the Bondholders will have the option to exchange the Bonds into new Top Glove Shares at the Exchange Price. To the extent this option is exercised, the new Top Glove Shares issued will reduce the outflow of funds required from the Company to redeem the Bonds upon maturity. In addition, as compared to funds raised via conventional borrowings, the exchange of the Bonds prior to its maturity will result in interest savings to Top Glove Group as the Company will no longer be required to pay coupon (if any) on any such portion of the Bonds exchanged;
- (ix) the new Top Glove Shares to be issued upon exchange of the Bonds by the Bondholders are expected to strengthen the Company's equity base, lower its gearing ratios, increase its shareholding spread and potentially enhance the liquidity of Top Glove Shares; and
- (x) it will minimise the immediate dilutive effect on the Group's basic earnings per share ("**EPS**") as the Bonds are only expected to be exchanged over a period of time during the Exchange Period.

### 4.3 Proposed Amendments

The Proposed Amendments are undertaken to facilitate the implementation of the Proposed Bonus Issue.

## 5. EFFECTS OF THE PROPOSALS

The Proposed Amendments will not have any effect on the issued share capital and substantial shareholders' shareholdings of the Company as well as the net assets ("NA"), NA per Top Glove Share, gearing and EPS of the Group.

For illustrative purposes only, the pro forma effects of the Proposed Bonus Issue and Proposed Bonds Issue have taken into consideration the following:

- (i) as at the LPD, the Company has the following securities:
  - (a) 1,278,948,824 Top Glove Shares (including 2,164,400 treasury shares) in issue; and
  - (b) 1,318,800 ESOS Options;
- (ii) An illustrative Bonds issue size of USD300 million in principal amount, exchanged to RM1,159.3 million (based on the exchange rate of RM3.8643:USD1.00, being the Bloomberg "BFIX" Spot Mid Price as at 12.00 p.m. Malaysian time on the LPD); and
- (iii) An illustrative Exchange Price of RM6.18 per Top Glove Share, which represents 30% premium over the illustrative TEBP of RM4.75 per Top Glove Share after the Proposed Bonus Issue.

The effects of the Proposed Bonus Issue and Proposed Bonds Issue are shown based on the following scenarios:

<b>Minimum Scenario</b>	<b>Maximum Scenario</b>
Assuming:	Assuming:
(a) all the 2,164,400 existing treasury shares are retained by the Company prior to the implementation of the Proposed Bonus Issue and Proposed Bonds Issue; and	(a) all the 2,164,400 treasury shares are resold prior to the implementation of the Proposed Bonus Issue and Proposed Bonds Issue; and
(b) none of the outstanding ESOS Options are exercised prior to the implementation of the Proposed Bonus Issue and Proposed Bonds Issue	(b) all outstanding ESOS Options are exercised resulting in the issuance of 1,318,800 new Top Glove Shares prior to the implementation of the Proposed Bonus Issue and Proposed Bonds Issue

## 5.1 Issued share capital

The pro forma effects of the Proposed Bonus Issue and Proposed Bonds Issue on the Company's issued share capital are as follows:

	<u>Minimum Scenario</u>		<u>Maximum Scenario</u>	
	<b>No. of Top Glove Shares</b>	<b>RM</b>	<b>No. of Top Glove Shares</b>	<b>RM</b>
	<b>million</b>	<b>million</b>	<b>million</b>	<b>million</b>
As at the LPD (including treasury shares)	1,278.9	782.3	1,278.9	782.3
Arising from the full exercise of the ESOS Options	-	-	1.3	5.9
	1,278.9	782.3	1,280.2	788.2
Arising from the Proposed Bonus Issue	1,278.9	-	1,280.2	-
	2,557.8	782.3	2,560.4	788.2
Arising from the Proposed Bonds Issue	-	-	-	-
	2,557.8	782.3	2,560.4	788.2
Arising from the full exchange of Bonds into new Top Glove Shares	187.6	1,146.1	187.6	1,146.1
<b>Enlarged issued share capital</b>	<b>2,745.4</b>	<b>1,928.4</b>	<b>2,748.0</b>	<b>1,934.3</b>

## 5.2 NA, NA per share and gearing

The pro forma effects of the Proposed Bonus Issue and Proposed Bonds Issue on the NA, NA per Share and gearing of Top Glove Group are as follows:

### 5.2.1 Minimum Scenario

	Audited as at 31 August 2017	(I) After adjustment for completed events <sup>(1)</sup>	(II) After (I) and Proposed Bonus Issue	(III) After (II) and Proposed Bonds Issue <sup>(2)</sup>	(IV) After (III) and full exchange of the Bonds into new Top Glove Shares
	RM million				
Share capital	636.6	782.3	782.3	782.3	1,928.4
Other reserves	62.5	61.1	61.1	142.2	61.1
Retained earnings	1,313.9	1,308.3	1,308.3	1,308.3	1,308.3
Treasury shares	(9.7)	(9.7)	(9.7)	(9.7)	(9.7)
Shareholders' funds/NA	2,003.3	2,142.0	2,142.0	2,223.1	3,288.1
Number of Top Glove Shares in issue (excluding treasury shares) (million)	1,254.1	1,276.8	2,553.6	2,553.6	2,741.2
NA per Top Glove Share (RM)	1.60	1.68	0.84	0.87	1.20
Total borrowings (RM million)	376.4	1,890.0	1,890.0	1,808.9	743.9
Total cash and bank balances (RM million)	240.1	258.4	258.4	258.4	258.4
Gearing (times) <sup>(3)</sup>	0.19	0.88	0.88	0.81	0.23
Net gearing (times) <sup>(4)</sup>	0.07	0.76	0.76	0.70	0.15

**Notes:**

- (1) Completed events after 31 August 2017 comprises of:
- (a) the exercise of 2,145,060 ESOS Options between 1 September 2017 and the LPD; and
  - (b) acquisition by the Company of the entire equity interest in Aspion Sdn Bhd which was completed on 4 April 2018 ("**Aspion Acquisition**"). The purchase consideration was satisfied by:
    - (i) RM1,233.0 million in cash, which was funded via conventional term loan and Islamic term financing; and
    - (ii) the issuance of 20,505,000 new Top Glove Shares at an issue price of about RM6.6813 per Top Glove Share.
- For information purposes, the acquisition by the Company of the entire equity interest in Eastern Press Sdn Bhd for a cash purchase consideration of RM46.3 million, which was completed on 5 January 2018, is not included as it is not deemed material for the pro forma illustration.*
- (2) After taking into account the estimated expenses of about RM13.2 million. A total of RM12.3 million of the expenses will be capitalised as transaction cost of the liability component of the Bonds and the remaining expenses of RM0.9 million will be capitalised as transaction cost of the equity components of the Bonds.
- (3) Calculated as total borrowings divided by equity/NA attributable to owners of Top Glove.
- (4) Calculated as total borrowings less total cash and bank balances divided by equity/NA attributable to owners of Top Glove.

## 5.2.2 Maximum Scenario

	(I)	(II)	(III)	(IV)	(V)
Audited as at 31 August 2017	After adjustment for completed events <sup>(1)</sup>	After (I) and full exercise of ESOS Options and resale of treasury shares <sup>(2)</sup>	After (II) and Proposed Bonus Issue	After (III) and Proposed Bonds Issue <sup>(3)</sup>	After (IV) and full exchange of the Bonds into new Top Glove Shares
	RM million				
Share capital	636.6	782.3	788.2	788.2	1,934.3
Other reserves	62.5	61.1	59.9	59.9	59.9
Retained earnings	1,313.9	1,308.3	1,319.1	1,319.1	1,319.1
Treasury shares	(9.7)	(9.7)	-	-	-
Shareholders' funds/NA	2,003.3	2,142.0	2,167.2	2,167.2	2,248.3
Number of Top Glove Shares in issue (excluding treasury shares) (million)	1,254.1	1,276.8	1,280.2	2,560.4	2,748.0
NA per Top Glove Share (RM)	1.60	1.68	1.69	0.85	1.21
Total borrowings (RM million)	376.4	1,890.0	1,890.0	1,890.0	1,808.9
Total cash and bank balances (RM million)	240.1	258.4	283.6	283.6	283.6
Gearing (times) <sup>(4)</sup>	0.19	0.88	0.87	0.87	0.80
Net gearing (times) <sup>(5)</sup>	0.07	0.76	0.74	0.74	0.68



**Notes:**

- (1) Completed events after 31 August 2017 comprises of:
- (a) the exercise of 2,145,060 ESOS Options between 1 September 2017 and the LPD; and
  - (b) Aspion Acquisition. The purchase consideration was satisfied by:
    - (i) RM1,233.0 million in cash, which was funded via conventional term loan and Islamic term financing; and
    - (ii) the issuance of 20,505,000 new Top Glove Shares at an issue price of about RM6.6813 per Top Glove Share..

*For information purposes, the acquisition by the Company of the entire equity interest in Eastern Press Sdn Bhd for a cash purchase consideration of RM46.3 million, which was completed on 5 January 2018, is not included as it is not deemed material for the pro forma illustration.*

- (2) Assuming treasury shares were resold at RM9.50 per treasury share, being the closing price of Top Glove Shares as at the LPD.
- (3) After taking into account the estimated expenses of about RM13.2 million. A total of RM12.3 million of the expenses will be capitalised as transaction cost of the liability component of the Bonds and the remaining expenses of RM0.9 million will be capitalised as transaction cost of the equity component of the Bonds.
- (4) Calculated as total borrowings divided by equity/NA attributable to owners of Top Glove.
- (5) Calculated as total borrowings less total cash and bank balances divided by equity/NA attributable to owners of Top Glove.

### 5.3 Substantial shareholdings structure

The pro forma effects of the Proposed Bonus Issue and Proposed Bonds Issue on the shareholdings of the substantial shareholders of the Company are as follows:

#### 5.3.1 Minimum Scenario

Name	As at the LPD				After the Proposed Bonus Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Top Glove Shares		No. of Top Glove Shares		No. of Top Glove Shares		No. of Top Glove Shares	
	million	%	million	%	million	%	million	%
Tan Sri Dr Lim Wee Chai	369.8	28.97	<sup>(2)</sup> 87.2	6.83	739.6	28.97	<sup>(2)</sup> 174.4	6.83
Puan Sri Tong Siew Bee	3.6	0.28	<sup>(3)</sup> 453.4	35.51	7.2	0.28	<sup>(3)</sup> 906.9	35.51
Lim Hooi Sin	19.3	1.51	<sup>(4)</sup> 437.7	34.28	38.6	1.51	<sup>(4)</sup> 875.5	34.28
Lim Jin Feng	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(4)</sup> 437.7	34.28	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(4)</sup> 875.5	34.28
Employees Provident Fund Board (“EPF”)	79.7	6.25	-	-	159.5	6.25	-	-
Firstway United Corp	64.3	5.04	-	-	128.6	5.04	-	-

  

Name	After the Proposed Bonds Issue				Assuming full exchange of the Bonds into new Top Glove Shares			
	Direct		Indirect		Direct		Indirect	
	No. of Top Glove Shares		No. of Top Glove Shares		No. of Top Glove Shares		No. of Top Glove Shares	
	million	%	million	%	million	%	million	%
Tan Sri Dr Lim Wee Chai	739.6	28.97	<sup>(2)</sup> 174.4	6.83	739.6	26.98	<sup>(2)</sup> 174.4	6.36
Puan Sri Tong Siew Bee	7.2	0.28	<sup>(3)</sup> 906.9	35.51	7.2	0.26	<sup>(3)</sup> 906.9	33.08
Lim Hooi Sin	38.6	1.51	<sup>(4)</sup> 875.5	34.28	38.6	1.41	<sup>(4)</sup> 875.5	31.94
Lim Jin Feng	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(4)</sup> 875.5	34.28	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(4)</sup> 875.5	31.94
EPF	159.5	6.25	-	-	159.5	5.82	-	-
Firstway United Corp	128.6	5.04	-	-	128.6	4.69	-	-

**Notes:**

- (1) *Represents less than 0.1 million Top Glove Shares. The percentage shareholding is negligible.*
- (2) *Deemed interested through the direct interests of Puan Sri Tong Siew Bee, Mr Lim Hooi Sin, Mr Lim Jin Feng and Firstway United Corp in the Company.*
- (3) *Deemed interested through the direct interests of Tan Sri Dr Lim Wee Chai, Mr Lim Hooi Sin, Mr Lim Jin Feng and Firstway United Corp in the Company.*
- (4) *Deemed interested through the direct interests of Tan Sri Dr Lim Wee Chai, Puan Sri Tong Siew Bee and Firstway United Corp in the Company.*

### 5.3.2 Maximum Scenario

Name	As at the LPD				After full conversion of ESOS Options and resale of treasury shares			
	Direct		Indirect		Direct		Indirect	
	No. of Top Glove Shares		No. of Top Glove Shares		No. of Top Glove Shares		No. of Top Glove Shares	
	million	%	million	%	million	%	million	%
Tan Sri Dr Lim Wee Chai	369.8	28.97	<sup>(2)</sup> 87.2	6.83	369.9	28.89	<sup>(2)</sup> 87.2	6.81
Puan Sri Tong Siew Bee	3.6	0.28	<sup>(3)</sup> 453.4	35.51	3.6	0.28	<sup>(3)</sup> 453.5	35.42
Lim Hooi Sin	19.3	1.51	<sup>(4)</sup> 437.7	34.28	19.3	1.51	<sup>(4)</sup> 437.8	34.20
Lim Jin Feng	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(4)</sup> 437.7	34.28	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(4)</sup> 437.8	34.20
EPF	79.7	6.25	-	-	79.7	6.23	-	-
Firstway United Corp	64.3	5.04	-	-	64.3	5.02	-	-

  

Name	After the Proposed Bonus Issue				After the Proposed Bonds Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Top Glove Shares		No. of Top Glove Shares		No. of Top Glove Shares		No. of Top Glove Shares	
	million	%	million	%	million	%	million	%
Tan Sri Dr Lim Wee Chai	739.8	28.89	<sup>(2)</sup> 174.4	6.81	739.8	28.89	<sup>(2)</sup> 174.4	6.81
Puan Sri Tong Siew Bee	7.2	0.28	<sup>(3)</sup> 907.0	35.42	7.2	0.28	<sup>(3)</sup> 907.0	35.42
Lim Hooi Sin	38.6	1.51	<sup>(4)</sup> 875.7	34.20	38.6	1.51	<sup>(4)</sup> 875.7	34.20
Lim Jin Feng	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(4)</sup> 875.7	34.20	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(4)</sup> 875.7	34.20
EPF	159.5	6.23	-	-	159.5	6.23	-	-
Firstway United Corp	128.6	5.02	-	-	128.6	5.02	-	-

**Assuming full exchange  
of the Bonds into new Top Glove Shares**

<b>Name</b>	<b>Direct</b>		<b>Indirect</b>	
	<b>No. of Top Glove Shares million</b>	<b>%</b>	<b>No. of Top Glove Shares million</b>	<b>%</b>
Tan Sri Dr Lim Wee Chai	739.8	26.92	<sup>(2)</sup> 174.4	6.35
Puan Sri Tong Siew Bee	7.2	0.26	<sup>(3)</sup> 907.0	33.01
Lim Hooi Sin	38.6	1.40	<sup>(4)</sup> 875.7	31.86
Lim Jin Feng	<sup>(1)</sup>	(1)	<sup>(4)</sup> 875.7	31.86
EPF	159.5	5.80	-	-
Firstway United Corp	128.6	4.68	-	-

**Notes:**

- (1) Represents less than 0.1 million Top Glove Shares. The percentage shareholding is negligible.
- (2) Deemed interested through the direct interests of Puan Sri Tong Siew Bee, Mr Lim Hooi Sin, Mr Lim Jin Feng and Firstway United Corp in the Company.
- (3) Deemed interested through the direct interests of Tan Sri Dr Lim Wee Chai, Mr Lim Hooi Sin, Mr Lim Jin Feng and Firstway United Corp in the Company.
- (4) Deemed interested through the direct interests of Tan Sri Dr Lim Wee Chai, Puan Sri Tong Siew Bee and Firstway United Corp in the Company.

## 5.4 Earnings and EPS

The Proposed Bonus Issue is not expected to have any material effect on the earnings of the Group for the financial year ending 31 August 2018. However, the Group's EPS will be proportionately diluted as a result of the increase in the number of Top Glove Shares issued pursuant to the Proposed Bonus Issue.

The effects of the Proposed Bonds Issue on the future earnings and EPS of the Group would depend on, among others, the issue size of the Bonds, the coupon rate, yield and the actual number of the new Top Glove Shares to be issued upon exchange of the Bonds.

The Proposed Bonds Issue is expected to contribute positively to the future earnings of the Group as repayment of the Group's existing borrowings is expected to reduce the interest expenses of the Group. However, the Group's EPS may be diluted as a result of the increase in the number of Top Glove Shares in issue arising from the exchange of the Bonds over time.

## 5.5 Convertible Securities

As at the LPD, save for the outstanding ESOS Options, the Company does not have any other convertible securities.

The Proposed Bonus Issue will give rise to adjustments to the exercise price and/or the number of ESOS Options as at the Entitlement Date in accordance with the by-laws governing the ESOS Options.

## 6. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

- (i) Bank Negara Malaysia, for the guarantee to be provided by the Company in relation to the Proposed Bonds Issue and the on-lending of the proceeds raised through the Proposed Bonds Issue to onshore Malaysia from the Issuer to the Company;
- (ii) Bursa Securities, for the following:
  - (a) listing and quotation of the Bonus Shares on the Main Market of Bursa Securities;
  - (b) listing and quotation of the new Top Glove Shares on the Main Market of Bursa Securities which may be issued arising from the exchange of the Bonds;
- (iii) the shareholders of the Company for the Proposals at an extraordinary general meeting to be convened; and
- (iv) any other relevant authorities/parties, if required.

Applications may be made to Bursa Securities, SGX-ST and/or such other stock exchange(s) to be identified for the listing of the Bonds.

The Proposed Bonus Issue and the Proposed Amendments are inter-conditional. The Proposed Bonds Issue and the Proposed Bonus Issue are not conditional to one another. The Proposed Bonds Issue and the Proposed Amendments are not conditional to one another.

**7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

**7.1 Proposed Bonus Issue**

None of the Directors and major shareholders of the Company and/or persons connected to them has any interest, whether direct or indirect, in the Proposed Bonus Issue other than their respective entitlements as shareholders of the Company.

**7.2 Proposed Bonds Issue**

None of the Directors and major shareholders of the Company and/or persons connected to them has any interest, whether direct or indirect, in the Proposed Bonds Issue.

**7.3 Proposed Amendments**

None of the Directors and major shareholders of the Company and/or persons connected to them has any interest, whether direct or indirect, in the Proposed Amendments.

**8. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposals, including the rationale for the Proposals as set out in section 4 of this announcement, is of the opinion that the Proposals are in the best interest of the Company.

**9. ADVISER**

CIMB has been appointed as the Principal Adviser for the Proposed Bonus Issue and the Proposed Bonds Issue.

CIMB and/or its affiliates and BNP Paribas Malaysia Berhad and/or its affiliates have been appointed as the Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners for the Proposed Bonds Issue.

**10. ESTIMATED TIME FRAME FOR COMPLETION**

Subject to all the required approvals being obtained and market conditions, the Board expects the Proposals to be completed by the 2<sup>nd</sup> half of 2018.

**11. APPLICATION TO THE AUTHORITIES**

The applications to the relevant authorities in relation to the Proposals are expected to be made within 3 months from the date of this announcement.

**This announcement is dated 20 April 2018.**