

Submitting Merchant Bank	:	PERWIRA AFFIN MERCHANT BANK BERHAD
Company Name	:	BTM RESOURCES BERHAD
Stock Name	:	BTMRES
Date Announced	:	24/12/1999

Type : Announcement
Subject : BTM RESOURCES BERHAD ("BTM" or "the Company")

Proposed rights issue of 19,999,000 new ordinary shares of RM1.00 each at par together with 19,999,000 detachable warrants

Proposed acquisition of the entire equity interest in BTM Timber Industries Sdn Bhd (formerly known as Mizan Timber Industries Sdn Bhd) ("BTI")

Proposed employees' share option scheme("ESOS")

(collectively referred to as the "Proposals")

Contents :

1. INTRODUCTION

On behalf of the Board of Directors of BTM, Perwira Affin Merchant Bank Berhad ("PAMB") is pleased to announce that the Company intends to undertake the following:-

- (i) Proposed rights issue of 19,999,000 new ordinary shares of RM1.00 each in BTM ("Rights Share(s)") at par together with 19,999,000 detachable warrants ("Warrant(s)") on the basis of one (1) Rights Share together with one (1) Warrant for every one (1) existing ordinary share held ("Proposed Rights Issue");
- (ii) Proposed acquisition of the entire equity interests in BTI comprising 600,000 ordinary shares of RM1.00 each for a consideration of RM21,000,000 ("Proposed Acquisition"); and
- (iii) Proposed employees' share option scheme ("Proposed ESOS")

Set out in the ensuing paragraphs are further details on the Proposals.

2. DETAILS OF THE PROPOSED RIGHTS ISSUE

The Company intends to implement a rights issue of 19,999,000 Rights Shares at par with 19,999,000 Warrants on a renounceable basis of one (1) Rights Share with one (1) Warrant for every one (1) existing ordinary share held in the Company at a date to be determined later. The Warrants are detachable from the Rights Shares subsequent to issue and allotment and will be listed separately. The issue price of the Rights Shares will be payable in full upon acceptance and payment.

2.1 Basis of pricing of the Rights Shares

The issue price of RM1.00 per Rights Share was arrived at after taking into consideration the following:-

- (i) The par value of BTM shares

The par value of BTM shares of RM1.00 per share

- (ii) Weighted average market price

The weighted average market price of BTM shares for the past five (5) days and three (3) months ended 23 December 1999 as traded on the Kuala Lumpur Stock Exchange ("KLSE") of RM1.76 and RM1.80, respectively. The proposed issue price of RM1.00 per Rights Share represents a discount of 38 sen or 27.5% and 40 sen or 28.3% from the theoretical ex rights price per share of RM1.38 and RM1.40, respectively.

- (iii) Closing market price

The last transacted market price of BTM shares on 23 December 1999 was RM1.80 per share. The proposed issue price of RM1.00 represents a discount of 40 sen or 28.6% from the theoretical ex rights price per share of RM1.40.

2.2 Underwriting arrangement

The Board of Directors of BTM will be seeking an undertaking from the substantial shareholders of BTM to subscribe for their full entitlements to the Rights Shares.

The underwriting arrangement for the remaining Rights Shares will be arranged at a later date.

2.4 Principal indicative terms of the Warrants

Number of Warrants : 19,999,000 Warrants to subscribe for 19,999,000 new ordinary shares of RM1.00 each in BTM ("New Shares")

Form : The Warrants will be issued in registered form and will be immediately detached from the Rights Shares and will be separately traded upon issue

Board Lot : For purpose of trading on the KLSE, a Board Lot of Warrants will be 1,000 Warrants carrying the right to subscribe for 1,000 new ordinary shares of RM1.00 each in the Company

Warrant Entitlement : Subject to the provisions to be included in the Deed Poll, each Warrant will entitle the registered holder during the Exercise Period to subscribe for one (1) New Share at the Exercise Price

Exercise Period : The Warrants may be exercised at any time after the 1st anniversary of the date of issuance of the Warrants and ending on the 10th anniversary from the date of issuance of the Warrants. Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid

Exercise Price : The exercise price of the Warrants will be fixed at a premium over the weighted average ex-rights market price of BTM shares for a period of five (5) market days prior to the price fixing date which will be determined after the receipt of approval from the Securities Commission ("SC") but before the books closure date, subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll

Status of New Shares : New Shares to be issued upon exercise of the Warrants shall rank pari passu in all respect with the then existing issued ordinary shares in BTM save for any dividends, rights, allotments or other distributions, if the date of issue of the New Shares is on or before the record date for such dividends, rights, allotments and other distributions. Record date means the date as at the close of business on which shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions

Deed Poll : The Warrants will be constituted by a Deed Poll to be executed by the Issuer

Listing Status : Application will be made for the admission of the Warrants and New Shares to the Official List of the KLSE and the listing of and quotation for the Warrants and the New Shares on the KLSE

3. PROPOSED UTILISATION OF PROCEEDS

The total proceeds from the Proposed Rights Issue of approximately RM20.0 million will be utilised for the purposes set out in Table 1 below.

4. DETAILS OF THE PROPOSED ACQUISITION

On 23 December 1999, BTM entered into a conditional sale and purchase agreement with Dato' Seri Yusof bin Dato' Biji Sura @ Mohamad and Dato' Seri Yong Tu Sang (collectively referred to as the "Vendors") to acquire the entire equity interest in BTI for RM21,000,000. The purchase consideration will be satisfied partly by the issuance of 7,333,000 new ordinary shares of RM1.00 each in BTM at RM1.50 per share ("Consideration Shares") and the balance RM10,000,000 in cash. The purchase consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the audited net tangible assets of BTI as at 31 July 1998, the current earnings as reflected in the management accounts of BTI for the 14 months ended 30 September 1999 and the earnings potential of BTI.

The Vendors have also guaranteed a minimum profit after tax for BTI of RM3.0 million for each of the three (3) financial years ending 31 December 2003.

The shares of BTI shall be acquired free from all liens, pledges, charges and encumbrances and with all rights attaching thereto.

4.1. Background Information on BTI

BTI was incorporated under the Malaysian Companies Act, 1965 on 20 July 1973 as a private limited company. It has an authorised share capital of RM700,000 comprising 700,000 ordinary shares of RM1.00 each, of which 600,000 shares have been issued and fully paid-up.

BTI is in the business of sawmilling and timber trading and investment holding company. It has four (4) wholly owned subsidiary companies, Syarikat Rimba Timor Sdn Bhd, Syarikat Rimba Jaya Industries (1972) Sdn Bhd, Seri Indah Resorts Sdn Bhd and United Resun Enterprise Sdn Bhd, which are principally engaged in logging activities, property development and hotel management and property holding respectively.

The Vendor's total investment cost in BTI is equivalent to the shareholders' funds of the Company which is approximately RM20.9 million.

5. DETAILS OF THE PROPOSED ESOS

The principal features of the Proposed ESOS are as follows:-

(i) Quantum

The maximum number of new ordinary shares of RM1.00 each to be made available under the ESOS shall not exceed ten (10) percent of the enlarged issued and paid-up share capital of the Company at any point in time during the existence of the Proposed ESOS.

(ii) Eligibility for Participation

Eligibility for participation in the Proposed ESOS shall be at the absolute discretion of the option committee subject to the employees (including full-time executive directors) having been confirmed in the employment of BTM and its subsidiary companies and served at least one (1) year of continuous service on or prior to the date of offer.

(iii) Duration of the Proposed ESOS

The Proposed ESOS shall be in force for a period of five (5) years commencing from the date of the receipt of the last of the requisite approvals for the Proposed ESOS.

(iv) Option Price

The price at which the grantee is entitled to subscribe for each ordinary share of RM1.00 each under an option granted pursuant to the Proposed ESOS, shall be the average of the mean market quotation (calculated as the average of the highest and lowest prices transacted on the Kuala Lumpur Stock Exchange for the day) for the five (5) market days preceding the date of offer or at the par value of RM1.00, whichever is the higher.

6. RANKING OF THE RIGHTS SHARES, CONSIDERATION SHARES AND ESOS SHARES

The Rights Shares, Consideration Shares and ESOS Shares shall, upon issue and allotment, rank pari passu in all respects with one another and the existing ordinary shares of BTM except that they shall not be entitled to any dividend or other distributions that may be declared, made or paid in respect of the prior financial year or any interim dividend or any other distribution that may be declared before the allotment of the Rights Shares and Consideration Shares. In addition, the Proposed ESOS will be implemented after the Proposed Rights Issue while the Consideration Shares shall not be entitled to the Proposed Rights Issue.

7. RATIONALE

7.1 Proposed Rights Issue

The Proposed Rights Issue will allow the Company to strengthen the share capital base and shareholders funds of BTM, improve the liquidity of the Company's shares and provide an opportunity for the existing shareholders of BTM to increase their investment in the Company. The increase in BTM's share capital is also consistent with the SC's recent revision in its guidelines where all Second Board companies are to increase their issued share capital to at least RM40,000,000.

7.2 Proposed Acquisition

BTM is an integrated timber company with its operations encompassing upstream (logging), midstream (kiln drying and sawmilling) and downstream (manufacturing of timber mouldings and lamination boards) operations. Hence, the Proposed Acquisition is expected to improve the efficiency of the enlarged BTM Group through combined resources, thereby achieving economies of scale. The enlarged BTM Group would also enhance BTM's presence in the local timber industry.

7.3 Proposed ESOS

The Proposed ESOS is designed to motivate, retain and reward eligible employees and Executive Directors of the Group for contribution to the achievement of the Group, in furtherance to the attainment of the continued commitment and loyalty to the Group. Under the Proposed ESOS, the eligible employees and Executive Directors will have the opportunity to continue to participate in the equity of the Company and thereby, would serve to motivate them to excel and strive hard towards greater career achievement within the Group and their own improvement for the overall performance of the BTM Group. Further, the Proposed ESOS is also designed to attract prospective employees to fill key positions with the Group as and when necessary.

8. FINANCIAL EFFECTS

8.1 Share Capital

The effects of the Proposals on the issued and paid-up share capital of BTM are set out in Table 2 below.

8.2 Earnings

The Proposals will not have any effect on the earnings of BTM for the financial year ending 31 December 1999 as the exercises are expected to be completed in the next financial year. However, the Proposals are expected to have a positive impact on the future earnings of the BTM Group.

8.3 Net Tangible Assets ("NTA")

The proforma effect of the Proposals on the consolidated NTA of BTM based on the latest audited accounts as at 31 December 1998 are set out in Table 3 below.

9. APPROVALS REQUIRED

The Proposals are subject to the approvals of the following:-

- (i) The SC;
- (ii) The KLSE, for the listing of and quotation for the Rights Shares, Consideration Shares, Warrants and new ordinary shares in BTM arising from the exercise of the Warrants and Proposed ESOS;
- (iii) The Foreign Investment Committee, for the Proposed Acquisition;
- (iv) The Ministry of International Trade and Industry, for the Proposed Acquisition;
- (v) The shareholders of BTM at an extraordinary general meeting ("EGM") to be convened; and
- (vi) Any other relevant authorities, if required.

10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The Proposed Rights Issue will be implemented on a rights basis. In this regard, all entitled shareholders including the substantial shareholders and Directors of BTM in their personal capacities, if any, will be offered the rights on an equitable basis relative to their respective holdings.

Dato' Seri Yusof bin Dato' Biji Sura @ Mohamad and Dato' Seri Yong Tu Sang are deemed interested in the Proposed Acquisition by virtue of them being Directors and substantial shareholders of BTM and vendors of BTI.

Pursuant to the KLSE Listing Requirements, the Proposed Acquisition is deemed a related party transaction. Hence, Dato' Seri Yusof bin Dato' Biji Sura @ Mohamad and Dato' Seri Yong Tu Sang, have and will refrain from all deliberations at the board meetings on the Proposed Acquisition and shall abstain from voting in respect of their direct shareholdings on the resolution(s) pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

The Directors of the Company who hold executive functions are entitled to participate in the Proposed ESOS and are therefore deemed interested in respect of their entitlement under the Proposed ESOS. Those individuals will abstain from all Board deliberations on their specific maximum allowable allocations under the Proposed ESOS at the relevant meetings of the Board.

Save as disclosed above, none of the Directors or substantial shareholders of the Company have any interest, direct or indirect, in the Proposals.

11. ADVISER

PAMB has been appointed by BTM as the Adviser for the Proposals.

12. INDEPENDENT ADVISER

The Board of Directors of BTM has appointed Utama Merchant Bank Berhad as the independent adviser to advise the minority shareholders of BTM in relation to the Proposed Acquisition.

13. FURTHER INFORMATION

13.1 Statement by Directors

After consideration of all aspects of the Proposals, the Board of Directors of BTM is of the opinion that the Proposals are fair and reasonable and in the best interest of the Company and its shareholders.

13.2 Documents for Inspection

The share sale agreement dated 23 December for the Proposed Acquisition will be made available for inspection during the normal office hours (except public holidays) at the registered office at No 22-2, Jalan Tun Sambanthan 3, 50470 Kuala Lumpur, from the date of this announcement up to the date of the Proposed EGM.

14. APPLICATION TO THE SC, CIRCULAR TO SHAREHOLDERS AND NOTICE OF EGM

The application to the SC for the Proposals will be made within six (6) months from the date of this announcement.

A circular setting out full details of the Proposals and the Notice of EGM will be despatched to the shareholders of BTM in due course.

TABLE 1

	RM million
Proposed Acquisition	10.0
Repayment of borrowings	6.0
Working capital	2.5
Estimated expenses	1.5
	20.0

TABLE 2

	RM '000
Existing	19,999
To be issued pursuant to the Proposed Rights Issue	19,999
	39,998
To be issued pursuant to the Proposed Acquisition	7,333
Subtotal	47,331
After exercise of Warrants	19,999
Enlarged issued and paid-up share capital prior to the exercise of the ESOS options	67,330
To be issued upon full exercise of the ESOS options	4,733
Enlarged issued share capital	72,063

TABLE 3

	As at 31.12.98 RM '000	(i) After the Proposed Rights Issue RM '000	(ii) After the Proposed Acquisition RM '000	(iii) After (ii) and Exercise of Warrants [^] RM '000
Share capital	19,999	39,998	47,331	67,330
Share premium	6,460	6,460	8,627*	18,627
Accumulated profits	9,230	9,230	9,230	9,230
Shareholders' funds	35,689	55,688	65,188	95,187
Less:-				
Goodwill	-	-	1,072	1,072
NTA	35,689	55,688	64,116	94,115
NTA per share (RM)	1.78	1.39	1.35	1.40

* After deducting estimated expenses of RM1.5 million for the Proposed Rights Issue.

The goodwill arising from the Proposed Acquisition does not take into account the effects of two (2) of BTI's subsidiary companies, Seri Indah Resorts Sdn Bhd and United Resun Enterprise Sdn Bhd, as the said companies' accounts have not been consolidated into BTI Group's accounts for the year ended 31 July 1998. The accounts of the said companies were not consolidated as the directors of BTI were of the view that investments in the said companies were short term in nature.

[^] Assuming full exercise of the Warrants at RM1.50 per share