

## **BTM RESOURCES BERHAD ("BTM" OR THE "COMPANY")**

### **PROPOSED PRIVATE PLACEMENT OF UP TO 20% OF THE ISSUED SHARES IN BTM**

---

#### **1. INTRODUCTION**

On behalf of the Board of Directors of BTM ("**Board**"), M&A Securities Sdn Bhd ("**M&A**") wishes to announce that the Company proposes to undertake a private placement of up to 20% of the issued shares of BTM ("**Proposed Private Placement**").

The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 ("**Act**") based on the limit prescribed under Paragraph 6.03 of the Main Market Listing Requirement ("**Listing Requirement**") ("**General Mandate Limit**"). In line with the 'Additional Temporary Relief Measures To Listed Issuers' announced by Bursa Malaysia Securities Berhad ("**Bursa Securities**") on 16 April 2020, Bursa Securities has increased the General Mandate Limit from 10% to 20% of the total issued shares (excluding treasury shares) of company listed in the Main Market ("**Listed Issuer**") ("**20% General Mandate**") provided that the following are being complied with:

- (a) the Listed Issuer procures its shareholder approval for the 20% General Mandate at a general meeting;
- (b) the Listed Issuers complies with all the relevant applicable legal requirements, including its constitution or relevant constituent document; and
- (c) in addition to the existing disclosure required in the statement accompanying the proposed resolution under Paragraph 6.03(3) of the Listing Requirement, the Listed Issuer must also disclose the views from its Board of Directors' that the 20% General Mandate is in the best interest of the Listed Issuer and its shareholders, as well as the basis for such views.

The Company had obtained the general mandate from its shareholders at its 25<sup>th</sup> Annual General Meeting ("**AGM**") convened on 29 May 2019, whereby the Board had been authorised to allot and issue new ordinary shares in BTM ("**BTM Share(s)**" or "**Share(s)**") not exceeding 10% of the total issued shares of the Company ("**Current Shareholders' Mandate**"). Therefore, any issuance of Shares exceeding 10% pursuant to the Proposed Private Placement will only be made after the renewal of the Current Shareholders' Mandate to the 20% General Mandate at the forthcoming AGM of the Company to be convened ("**New Shareholders' Mandate**").

Further details of the Proposed Private Placement are set out in the ensuing sections.

#### **2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT**

As at 4 June 2020, being the last practicable date of this announcement ("**LPD**"), BTM has:-

- (a) an issued share capital of RM29,037,856 comprising 141,344,188 BTM Shares; and
- (b) 26,295,146 outstanding issued on 24 October 2014 and expiring on 23 October 2024 ("**Warrants B**").

The Proposed Private Placement will entail the issuance of up to 28,268,000 new BTM Shares ("**Placement Share(s)**") representing not more than 20% of the issued shares of the Company as at the LPD at an issue price to be determined and announced at a later date (before the full exercise of Warrants).

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will be determined at a later date, after obtaining the relevant approvals.

Subject to the prevailing market conditions, the Proposed Private Placement may be implemented in multiple tranches, if required, within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement (depending on investors' interest at the point of implementation) or any extended period as may be approved by Bursa Securities, until the conclusion of the next AGM of the Company and provided that the Company must not issue the Placement Shares if the Placement Shares when aggregated with the nominal value of BTM Shares or convertible securities issued under a general mandate during the preceding 12 months, exceeds 20% of the nominal value of the issued share capital of BTM. As such, there could potentially be several price fixing dates depending on the number of tranches and timing of implementation.

## **2.1 Basis of arriving at the issue price of the Placement Shares**

The issue price of each tranche of the Placement Shares shall be determined separately and fixed by the Board at a later date after obtaining the relevant approvals for the Proposed Private Placement. The Board will take into consideration the prevailing market conditions and the provisions of Paragraph 6.04(a) of the Main Market Listing Requirements of Bursa Securities ("**MMLR**"), in determining the issue price. Based on the foregoing, the issue price shall be priced at a discount of not more than 10% to the volume weighted average market price of BTM Shares for the 5 market days ("**5D-VWAMP**") immediately preceding the price fixing dates.

For illustrative purposes, assuming the Placement Shares are issued at the indicative issue price of RM0.10 per Placement Share ("**Indicative Issue Price**"), based on the discount of approximately 6.02% to the 5D-VWAMP up to and including the LPD of RM0.1064 per BTM Share.

The mechanism to determine the issue price of the Placement Shares is in accordance with market based principles.

## **2.2 Placement arrangement**

The Placement Shares are proposed to be placed to independent investors ("**Placees**") to be identified at a later date. In accordance with Paragraph 6.04(c) of the MMLR, the Placement Shares will not be placed to the following parties:-

- (a) the interested director, interested major shareholder or interested chief executive of BTM or a holding company of BTM (if applicable), or interested persons connected with such director, major shareholder or chief executive; and
- (b) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Additionally, Placees shall also be persons or parties who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

### 2.3 Ranking of the Placement Shares

The Placement Shares shall, upon issuance and allotment, rank equally in all respects with the existing issued and fully paid-up BTM Shares, save and except that the holders of the Placement Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions for which the relevant entitlement date precedes the date of issuance and allotment of the Placement Shares.

### 2.4 Listing of and quotation for the Placement Shares

BTM shall make an application to Bursa Securities for the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities.

### 2.5 Utilisation of proceeds

For illustration purposes, based on the proposed placement size of up to 28,268,000 Placement Shares and assuming the Placement Shares are issued at an Indicative Issue Price, the Proposed Private Placement is expected to raise gross proceeds of up to RM2.83 million. The proceeds raised are expected to be utilised in the following manner:-

| <u>Details</u>                                        | <u>RM</u>               | <u>Notes</u> | <u>Expected time frame for utilisation of proceeds (from listing date)</u> |
|-------------------------------------------------------|-------------------------|--------------|----------------------------------------------------------------------------|
| Working capital                                       | 2,626,800               | (a)          | Within 12 months                                                           |
| Estimated expenses for the Proposed Private Placement | 200,000                 | (b)          | Within 1 months                                                            |
| <b>Total estimated proceeds</b>                       | <b><u>2,826,800</u></b> |              |                                                                            |

#### **Notes:-**

- (a) The Company principally involved in logging, saw milling, trading of sawn timber, logs and plywood, kiln-drying operations, timber moulding, manufacturing of finger jointed timber and lamination boards as well as manufacturing and sale of wood pellets. The proceeds are to be utilized as working capital to fund the day-to-day operations of BTM's businesses, the breakdown of which are as follows:-

| <u>Description</u>                                                                  | <u>RM'000</u>       |
|-------------------------------------------------------------------------------------|---------------------|
| Purchase of raw materials (i.e. timber, wood waste, sawdust, glue and paint)        | 1,577               |
| Staff related expenses                                                              | 600                 |
| Utilities charges                                                                   | 300                 |
| Sales & distribution expenses (i.e. freight, forwarding charges and transportation) | 150                 |
|                                                                                     | <b><u>2,627</u></b> |

- (b) The estimated expenses include estimated professional fees, fees payable to the relevant authorities, placement fees and other miscellaneous expenses. Any surplus or shortfall for the payment of expenses for the Proposed Private Placement will be adjusted accordingly from or to the amount allocated for the working capital purposes.

The actual proceeds to be raised from the Proposed Private Placement are dependent on the issue price and actual number of Placement Shares issued. Pending the full utilisation of the proceeds raised from the Proposed Private Placement, the Company intends to place these proceeds (including accrued interest, if any) or the balance thereof in interest-bearing deposit accounts with licensed financial institutions or in 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 as additional working capital of the Group.

### 3. RATIONALE

The Proposed Private Placement will allow the Group to raise the necessary funding to finance its working capital requirements which is proposed to be utilised to fund the day-to-day operations of the Group's on-going businesses, which includes purchase of raw materials, staff related expenses, utilities charges and sales and distribution expenses.

The Board is of the opinion that the Proposed Private Placement is the most cost-effective source of capital to meet the Group's working capital needs in the short-term and the most expeditious way of fund raising from the capital market as opposed to other forms of fund raising.

### 4. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

#### 4.1 Share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of BTM are as follows:

|                                                                    | <u>No. of Shares</u> | <u>RM</u>                |
|--------------------------------------------------------------------|----------------------|--------------------------|
| Issued share capital as at the LPD                                 | 141,344,188          | 29,037,856               |
| To be issued pursuant to the Proposed Private Placement            | 28,268,000           | <sup>(a)</sup> 2,626,800 |
| <b>Enlarged share capital after the Proposed Private Placement</b> | <b>169,612,188</b>   | <b>31,664,656</b>        |
| Assuming full exercise of Warrants B                               | 26,295,146           | <sup>(b)</sup> 5,259,029 |
| Reversal of warrants reserve to share capital                      | -                    | 3,602,435                |
| <b>Enlarged share capital assuming full exercise of Warrants B</b> | <b>195,907,334</b>   | <b>40,526,120</b>        |

**Note:-**

- (a) Based on the indicative issue price of RM0.10 per Placement Share, after deducting the estimated expenses of the Proposed Private Placement of RM0.20 million
- (b) Assuming that 26,295,146 Warrants B are exercised into the new BTM Shares at the exercise price of RM0.20 per Warrant B, as per the term of the deed poll governing the issuance of Warrant B dated 12 September 2014

#### 4.2 Net Assets ("NA") and gearing

For illustrative purposes, the pro forma effects of the Proposed Private Placement on the NA and gearing of the Group based on its audited consolidated financial statements as at 31 December 2018 are as follows:-

|                              | <u>Audited as at 31<br/>December 2018</u> | <u>After Proposed<br/>Private Placement</u> | <u>Assuming full<br/>exercise of<br/>Warrant B</u> |
|------------------------------|-------------------------------------------|---------------------------------------------|----------------------------------------------------|
|                              | <u>RM</u>                                 | <u>RM</u>                                   | <u>RM</u>                                          |
| Share capital                | 29,037,856                                | <sup>(a)</sup> 31,664,656                   | <sup>(b)</sup> 40,526,120                          |
| Revaluation reserve          | 19,024,859                                | 19,024,859                                  | 19,024,859                                         |
| Capital reserves             | 531,845                                   | 531,845                                     | 531,845                                            |
| Warrant reserve              | 3,602,435                                 | 3,602,435                                   | -                                                  |
| Accumulated losses           | (23,672,429)                              | (23,672,429)                                | (23,672,429)                                       |
| <b>Shareholders' fund/NA</b> | <b>28,524,566</b>                         | <b>31,151,366</b>                           | <b>36,410,395</b>                                  |
| Non-controlling interest     | (12,692)                                  | (12,692)                                    | (12,692)                                           |
| <b>Total Equity</b>          | <b>28,511,874</b>                         | <b>31,138,674</b>                           | <b>36,397,703</b>                                  |
| Number of Shares in issue    | 141,344,188                               | 169,612,188                                 | 195,907,334                                        |

|                            | <b>Audited as at 31<br/>December 2018</b> | <b>After Proposed<br/>Private Placement</b> | <b>Assuming full<br/>exercise of<br/>Warrant B</b> |
|----------------------------|-------------------------------------------|---------------------------------------------|----------------------------------------------------|
|                            | <b>RM</b>                                 | <b>RM</b>                                   | <b>RM</b>                                          |
| NA per ordinary share (RM) | 0.20                                      | 0.18                                        | 0.19                                               |
| Borrowings (RM)            | 3,123,685                                 | 3,123,685                                   | 3,123,685                                          |
| Gearing ratio (times)      | 0.11                                      | 0.10                                        | 0.09                                               |

**Notes:-**

- (a) Based on the indicative issue price of RM0.10 per Placement Share, after deducting the estimated expenses of the Proposed Private Placement of RM0.20 million
- (b) Assuming all the 26,295,146 outstanding Warrants B are exercised at the exercise price of RM0.20 per Warrant (amounting to RM5.26 million) the reversal of the warrant reserve to share capital pursuant to the full exercise of the outstanding Warrants B

#### **4.3 Earnings and earnings per Share ("EPS")**

The Proposed Private Placement is expected to be earnings accretive arising from the utilisation of proceeds from the Proposed Private Placement as set out above in the Section 2.5. The Proposed Private Placement is expected to contribute positively to the earnings of the Group for the financial year ending 31 December 2020 and for the future years as and when the benefit of the utilisation of proceeds are realised.

The EPS of the Group may however be proportionately diluted as a result of the increase in the number of Shares after the Proposed Private Placement.

#### **4.4 Dividends**

The Proposed Private Placement will not have any effect on the dividend policy of the Company. Future dividends to be declared by the Company will be dependent on, *inter-alia* the future financial performance as well as cash position of the Group.

#### **4.5 Convertible Securities**

Save for the outstanding Warrants B, the Company does not have any other existing convertible securities as at the LPD.

Pursuant to the deed poll dated 12 September 2014 constituting the Warrants B, the Proposed Private Placement will not have any effect on the convertible securities in issue. As such, no adjustments are required to be made to the exercise price and the number of the outstanding Warrants B. The Company does not have any other outstanding convertible securities as at the LPD.

#### 4.6 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Private Placement on the shareholding of the substantial shareholders of BTM as at the LPD are set out in the table below:-

| Substantial shareholder                      | As at the LPD |      |                           |       | After the Proposed Private Placement |      |                           |       |
|----------------------------------------------|---------------|------|---------------------------|-------|--------------------------------------|------|---------------------------|-------|
|                                              | Direct        |      | Indirect                  |       | Direct                               |      | Indirect                  |       |
|                                              | No. of Shares | %    | No. of Shares             | %     | No. of Shares                        | %    | No. of Shares             | %     |
| Dato' Seri Yong Tu Sang                      | 12,339,081    | 8.73 | <sup>(a)</sup> 27,814,399 | 19.68 | 12,339,081                           | 7.27 | <sup>(a)</sup> 27,814,399 | 16.40 |
| Yong Emmy                                    | 12,096,000    | 8.56 | <sup>(b)</sup> 28,057,480 | 19.85 | 12,096,000                           | 7.13 | <sup>(b)</sup> 28,057,480 | 16.54 |
| Ng Ah Heng                                   | 9,999,999     | 7.07 | <sup>(c)</sup> 30,153,481 | 21.33 | 9,999,999                            | 5.90 | <sup>(c)</sup> 30,153,481 | 17.78 |
| Tan Sri Datuk Seri Mohd Hussin bin Abd Hamid | 8,220,000     | 5.82 | <sup>(d)</sup> 1,458,400  | 1.03  | 8,220,000                            | 4.85 | <sup>(d)</sup> 1,458,400  | 0.86  |

  

| Substantial shareholder                      | Upon full exercise of Warrants |      |                           |       |
|----------------------------------------------|--------------------------------|------|---------------------------|-------|
|                                              | Direct                         |      | Indirect                  |       |
|                                              | No. of Shares                  | %    | No. of Shares             | %     |
| Dato' Seri Yong Tu Sang                      | <sup>(e)</sup> 14,629,502      | 7.47 | <sup>(a)</sup> 31,375,545 | 16.02 |
| Yong Emmy                                    | <sup>(f)</sup> 13,321,600      | 6.80 | <sup>(b)</sup> 32,683,447 | 16.68 |
| Ng Ah Heng                                   | <sup>(g)</sup> 10,666,665      | 5.44 | <sup>(c)</sup> 35,338,382 | 18.04 |
| Tan Sri Datuk Seri Mohd Hussin bin Abd Hamid | <sup>(h)</sup> 10,252,000      | 5.23 | <sup>(d)</sup> 1,719,600  | 0.88  |

#### Notes:-

- (a) Deemed interest by virtue of shares held by his spouse, children and son-in-law.
- (b) Deemed interest by virtue of share held by her parents, sister and brother-in-law.
- (c) Deemed interest by virtue of share held by her spouse, children and son-in-law.
- (d) Deemed interest by virtue of share held by his child.
- (e) After assuming full exercise of his 2,290,421 outstanding Warrants B.
- (f) After assuming full exercise of her 1,225,600 outstanding Warrants B.
- (g) After assuming full exercise of her 666,666 outstanding Warrants B.
- (h) After assuming full exercise of his 2,032,000 outstanding Warrants B.

## **5. APPROVALS REQUIRED**

The Proposed Private Placement is subject to the approvals being obtained from the following:

- (a) Bursa Securities, for the approval in principle for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities;
- (b) Shareholders of BTM for the New Shareholders' Mandate at the forthcoming AGM of the Company for any issuance of Placement Shares exceeding 10% of the Company's issued Shares; and
- (c) Any other relevant persons or authorities, if required.

The Proposed Private Placement is not conditional upon any other corporate proposals undertaken or to be undertaken by BTM.

## **6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

None of the Directors and/or major shareholders of BTM and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement.

## **7. DIRECTORS' RECOMMENDATION**

The Board, after having considered all aspects of the Proposed Private Placement (including, but not limited to the use of proceeds, rationale and effects as set out in Sections 2, 3 and 4, respectively of this announcement), is of the opinion that the Proposed Private Placement is in the best interest of the Group and its shareholders.

## **8. ADVISER AND PLACEMENT AGENT**

M&A Securities has been appointed as the Adviser and Placement Agent to the Company for the Proposed Private Placement.

## **9. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring unforeseen circumstances, the application to Bursa Securities in relation to the Proposed Private Placement is expected to be made within 2 months from the date of this announcement. The Proposed Private Placement is expected to be completed by the second half of 2020.

This announcement is dated 5 June 2020.