

THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

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BORNEO OIL BERHAD

(Company No. 121919-H)

(Incorporated in Malaysia)

STATEMENT TO SHAREHOLDERS

IN RELATION TO

PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY

The above proposal will be tabled as Special Business at the Company’s 34th Annual General Meeting (“AGM”) of Borneo Oil Berhad to be held at 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007, W.P.Labuan, on Wednesday, 12 December 2018 at 8.00 a.m. The Notice of the 34th AGM and the Form of Proxy, are enclosed in the Annual Report for the financial period ended 30 June 2018 which is dispatched together with this Statement.

If you are unable to attend and vote in person at the forthcoming AGM, you should complete and return the Form of Proxy enclosed in the aforesaid Annual Report in accordance with the instructions therein as soon as possible and in any event so as to arrive at the registered office at 1st and 2nd floor, Victoria Point, Jalan OKK Awang Besar, 87007, W.P. Labuan on or before the date and time indicated below or any adjournment thereof. The completion and return of the Form of Proxy does not preclude you from attending and voting in person at the AGM should you subsequently wish to do so, but if you do, your proxy shall be precluded from attending the AGM.

Last day and time to lodge the Form of Proxy : Tuesday, 11 Dec 2018 at 8.00 a.m

Date and time of the 34th AGM : Wednesday, 12 Dec 2018 at 8.00 a.m

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Statement:-

Act	: The Companies Act, 2016 and any amendments made thereto from time to time, and includes every statutory modification or any re-enactment thereof for the time being in force.
AGM	: Annual General Meeting
Board	: Board of Directors of Borneo Oil
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W)
Code	: The Malaysian Code On Take-Over and Mergers, 2010 (and any amendments thereto)
Directors	: Shall have the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007
EPS	: Earnings Per Share
Listing Requirements	: The Main Market Listing Requirements of Bursa Malaysia Securities Berhad (and any amendments thereto)
NA	: Net Assets attributable to ordinary equity holders of Borneo Oil.
Purchased Shares	: Borneo Oil's shares to be purchased by the Company pursuant to Section 127 of the Act.
Proposed Renewal	: Proposed renewal of authority for the Company to purchase its own shares of up to 10% of its issued and paid-up share capital.
Treasury Shares	: Purchased Shares which will be retained by the Company (as defined in Section 127(4)(b) of the Act)
RM and Sen	: Ringgit Malaysia and Sen, respectively
Borneo Oil or Company	: Borneo Oil Berhad (121919-H)
Share(s) or Borneo Oil Share(s)	: Ordinary share(s) in Borneo Oil
Borneo Oil Group	: Borneo Oil and its subsidiary companies (as defined in section 5 of the Act Collectively)
Substantial Shareholders	: A person who has an interest in one or more voting shares in the Company and the nominal amount of those shares, or the aggregate thereof is not less than 5% of the aggregate of the nominal amounts of all the voting shares in the Company. For the purpose of this definition, "interest in shares" shall have the meaning given in Section 8 of the Act.
WAMP	: Weighted Average Market Price
SC	: Securities Commission Malaysia

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Statement shall be a reference to Malaysian time, unless otherwise specified.

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BORNEO OIL BERHAD
(Company No. 121919-H)
(Incorporated in Malaysia)

Registered Office:

1st & 2nd Floor,
Victoria Point,
Jalan OKK Awang Besar,
87007, W.P. Labuan

31 October 2018

Board of Directors

Tan Kok Chor (Chairman - Independent Non-Executive Director)
Teo Kiew Leong (Executive Director)
Chan Keng Leong (Executive Director)
Michael Moo Kai Wah (Independent Non-Executive Director)
Seroop Singh Ramday (Senior Independent Non-Executive Director)

To: The Shareholders of Borneo Oil Berhad

Dear Sir/Madam,

STATEMENT TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY ALLOWING THE COMPANY TO PURCHASE ITS OWN SHARES OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY

1. INTRODUCTION

- (a) The Company had, at its 33rd AGM which was held on 31st July 2017, obtained the shareholders' approval for the Company to purchase its own shares of up to 10% of its issued and paid-up share capital.
- (b) The authority to undertake the Share Buy-Back shall, in accordance with Chapter 12 of the Listing Requirements, lapse at the conclusion of the forthcoming 34th AGM to be held on 12 December 2018 unless the authority is renewed.
- (c) Accordingly, the Board proposes to seek the shareholders' approval to renew this authority at the forthcoming 34th AGM of the Company to be convened at 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007, W.P. Labuan on 12 December 2018.
- (d) This Statement serves to provide you with the relevant information on the Proposed Renewal of Share Buy-Back Authority and to seek your approval for the ordinary resolution, as set out in the Agenda Notice, to be tabled at the forthcoming 34th AGM. The Notice of the AGM and the Form of Proxy are set out in the Company's 2018 Annual Report accompanying this Statement.

2. INFORMATION AND DETAILS OF THE PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY

- (a) The authority, if so renewed shall be effective upon the passing of the ordinary resolution at the 34th AGM and will remain in effect until the conclusion of the next AGM of Borneo Oil or until the expiry of the period within which the next AGM is required by law to be held unless the authority is revoked or varied by an ordinary resolution passed by the shareholders in general meeting, whichever occurs first.
- (b) Pursuant to Chapter 12.09 of the Main Market Listing Requirements, the Company must not purchase its own shares or hold any of its own shares as Treasury shares if this results in the aggregate of the shares purchased or held exceeding 10% of its total number of issued shares.

- (c) In accordance with Section 127 of the Act, the Purchased Shares may be dealt with by the Board in the following manner:
- (i) cancel the shares so purchased; or
 - (ii) retain the shares so purchased in treasury to be re-sold on Bursa Securities if the opportunity arises for the Company to realise gains from the resale ; or to be distributed to shareholders as share dividends to reward shareholders of the Company; and
 - (iii) retain part of the shares purchased as Treasury Shares and cancel the remainder.
- (d) The decision to purchase the shares as to their quantum, prices and timing would depend on the prevailing market conditions and the financial position of the Company and after having considered its potential advantages and benefits to the Company and shareholders.
- (e) Upon each purchase, re-sale or cancellation, an immediate announcement has to be made to Bursa Securities.
- (f) Under Section 127 (9) of the Act, the rights attached to the Treasury Shares as to voting, dividends and participation in any other distributions or otherwise are suspended and they shall not be taken into account in calculating the number or percentage of shares or of a class of shares for any purposes including calculation of 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.

3. RATIONALES FOR THE PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY

The rationales for the Proposed Renewal are as follows:

- (a) It allows the Company to undertake Share Buy Back at any time the Board deems proper and necessary which would benefit the Company and shareholders while the said authority as approved and granted by the shareholders is still in force:-
- (b) It allows the Company a greater flexibility in managing its capital structure.
- (c) It allows the Company to reap the potential benefits and advantages as stated in paragraph (4) below.

4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY

(a) Potential Advantages

The potential advantages are as follows:

- (i) The Company's ability to manage its capital structure which would invariably stabilise and possibly enhance its share price in the future will give confidence to the shareholders and the investing public at large.
- (ii) It allows the Company to utilise its surplus financial resources which is not immediately required for other uses to purchase Borneo Oil shares from the market. In the event of them being re-sold at higher price than the original purchased price, the resultant gain would contribute additional cash to the group's overall cash flow.
- (iii) In the event the Purchased Shares are cancelled, the resultant reduction in the issued and paid up share capital will increase the NA and EPS of the Company.

(b) Potential Disadvantages

The potential disadvantages are as follows:

- (i) It is expected to temporarily reduce the financial resources of the Group which would otherwise be deposited with the financial institutions to earn interest incomes.
- (ii) It would deprive the Group of available financial resources to be utilised for potential viable business or investment opportunities that may arise in the future.

The Proposed Renewal however is not expected to cause any potential material disadvantages to the Group and its shareholders as the Board will be prudent and only implement it after due and careful consideration has been given to the availability of the Group's financial resources, its impact and the resultant benefits and advantages that would be achieved.

5. EFFECTS OF THE PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY

The effects of the Proposed Renewal are as follows:

(a) Share Capital

In the event the Company purchases up to a maximum of 10% of the total number of issued Ordinary Shares of 5,340,383,754 based on the latest audited financial statements for the period ended 30 June 2018 the effects will be as follows:

- (i) If all the Purchased Shares are cancelled, the Company's total number of issued Ordinary Shares will be reduced correspondingly by 10% to 4,806,345,378.
- (ii) If they are retained as Treasury Shares, then there will be no effect on the issued and paid-up share capital except only that their various rights are suspended under Section 127(9) of the Act.

(b) Net Assets, Cash Flow and Working Capital

- (i) The Proposed Renewal will reduce the Group's overall cash flow for working capital or investment opportunities that may arise if they are retained as Treasury Shares or being cancelled. However, should the same, either in full or part thereof are subsequently re-sold at a gain, it would increase the Group's cash flow.
- (ii) In the event of cancellation, the resultant reduction in the Company's paid-up share capital will increase the Company and Group NA and EPS.

6. THE SOURCE OF FUNDING

The maximum amount of funds to be utilised by the Company for the Proposed Renewal Of Authority to buy back its own shares shall not exceed the latest audited retained earnings of the Company.

Based on Borneo Oil's latest audited financial statements as at 30 June 2018, the retained earnings of the Company stood at RM 18,849,308.

Depending on the number of shares purchased and the purchase consideration, the Proposed Renewal Of Authority to Buy Back its own shares by the Company will be financed through internally generated funds and/or from bank borrowings if necessary. Any use of internally generated funds is not expected to have a material impact on the cash flow position of the Company. If it is financed by borrowings, the Company will ensure its capability of repaying such borrowings and such repayment is not expected to have a material impact on the cash flow position of the Company.

The amount and proportion of funding will depend on the quantum of purchase and consideration, the availability of funds at the time of purchase(s) and other relevant cost factors.

7. PUBLIC SHAREHOLDING SPREAD

The public shareholding spread of the Company based on the Record of Depositors as at 30 June 2018 is 70.02%. According to paragraph 8.02(1) of the Listing Requirements, Borneo Oil will only undertake a Share Buy-Back to the extent that at least 25% of the total issued share capital of the Company (excluding treasury shares) is held in the hands of public shareholders at all times.

The Board is mindful of the requirement and will ensure that the Company complies with the public shareholding spread requirements by refraining from buying back the Company's own shares if the purchase would result in the public shareholding spread falling below the 25% level.

8. IMPLICATION ON THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS

Pursuant to the code, a person and any person acting in concert with him, will be required to make a mandatory offer for the remaining shares of the Company not already owned by him/them if his/their voting shares or voting rights in the Company is increased to beyond 33% or if his/their shareholding is more than 33% but less than 50% of the voting shares and increases by more than 2% in any six(6) month period. However, an exemption may be granted by the SC under paragraph 24 of Practice Note 9 of the Code before a mandatory offer obligation is triggered.

The Company does not intend to undertake the Proposed Renewal such that it will trigger any obligation on the substantial shareholders and/or persons acting in concert with them to undertake a mandatory general offer pursuant to the Code. However, in the event an obligation to undertake a mandatory general offer should arise with respect to any parties resulting from the Proposed Renewal, the relevant parties shall make the necessary application to the Securities Commission for a waiver from having to undertake a mandatory general offer.

9. DETAILS OF SHARES PURCHASED, CANCELLED AND RETAINED AS TREASURY SHARES AS AT 30th JUNE 2018

Date of Purchase	Date of Re-Sale	No. of Shares Purchased (Re-Sale)	Share Price RM Per Share Lowest	Share Price RM Per Share Highest	Net Consideration Purchased (Re-Sale)
Balance b/f		171,350,000			
	3.3.2017	(41,000,000)	0.175	0.175	(7,175,000.00)
	6.3.2017	(30,000,000)	0.175	0.175	(5,250,000.00)
	7.3.2017	(61,000,000)	0.170	0.175	(10,570,019.00)
	8.3.2017	(31,000,000)	0.170	0.170	(5,270,000.00)
	9.3.2017	(8,350,000)	0.170	0.170	(1,419,500.00)
2.10.2017		300,000	0.100	0.100	30,000.00
3.10.2017		200,000	0.095	0.095	19,000.00
4.10.2017		300,000	0.100	0.100	30,000.00
5.10.2017		4,000,000	0.100	0.100	400,000.00
6.10.2017		10,000,000	0.100	0.100	1,000,000.00
9.10.2017		2,100,000	0.095	0.100	199,999.80
10.10.2017		23,000,000	0.095	0.095	2,185,000.00
9.11.2017		500,000	0.095	0.095	47,500.00
10.11.2017		500,000	0.095	0.095	47,500.00
13.11.2017		15,971,000	0.095	0.095	1,517,245.00
14.11.2017		5,300,000	0.095	0.095	503,500.00
15.11.2017		10,500,000	0.090	0.095	995,001.00
15.12.2017		30,900,000	0.090	0.090	2,781,000.00
18.12.2017		8,705,000	0.090	0.090	783,450.00
19.12.2017		5,000,000	0.090	0.090	450,000.00
21.12.2017		6,000,000	0.090	0.090	540,000.00
23.1.2018		820,000	0.090	0.090	73,800.00
25.1.2018		200,000	0.090	0.090	18,000.00
26.1.2018		100,000	0.090	0.090	9,000.00
7.2.2018		500,000	0.085	0.085	42,500.00
6.4.2018		1,900,000	0.075	0.075	142,500.00
9.4.2018		1,950,000	0.075	0.075	146,250.00

Note: As at 30 June 2018, the Company has 128,746,000 Ordinary shares held as Treasury shares.

10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the Directors of the Company, substantial shareholders and/or persons connected to them, have any interest, direct or indirect, in the Proposed Renewal.

11. APPROVAL REQUIRED

The Proposed Renewal Of Authority to buy back its own shares by the Company is subject to the approval of the shareholders at the forthcoming 34th AGM.

12. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, after having considered all aspects of the Proposed Renewal Of Authority to buy back its own shares by the Company is of the opinion that the Proposed Renewal is fair, reasonable and in the best interest of the Company and accordingly recommends that the shareholders of Borneo Oil vote in favour of the Ordinary resolution at the forthcoming 34th AGM of the Company.

13. AGM

The 34th AGM will be held at 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007, W.P. Labuan on Wednesday, 12 December 2018 at 8.00 a.m. for the purpose of considering and if thought fit, passing the Ordinary resolution which is tabled as Special Business to give effect to the Proposed Renewal.

The Notice of the 34th AGM and the Form of Proxy, are enclosed in the Annual Report for the financial period ended 30 June 2018 which is dispatched together with this Statement.

If you are unable to attend and vote in person at the forthcoming AGM, you should complete , sign and return the Form of Proxy enclosed in the aforesaid Annual Report in accordance with the instructions printed therein as soon as possible and in any event so as to arrive at our registered office at 1st and 2nd floor, Victoria Point, Jalan OKK Awang Besar, 87007, W.P. Labuan, at least twenty-four(24) before the time set for holding the 34th AGM which will be voted by poll pursuant to paragraph 8.29A(1) of Bursa Securities Main Market Listing Requirements or any adjournment thereof.

The completion and return of the Form of Proxy does not preclude you from attending and voting in person at the 34th AGM should you subsequently wish to do so, but if you do, your proxy shall be precluded from attending the AGM.

14. FURTHER INFORMATION

Shareholders are requested to refer to Appendix 1 for further information.

Yours faithfully,
For and on behalf of the Board of Directors of
BORNEO OIL BERHAD

Michael Moo Kai Wah
(Independent Non-Executive Director)

APPENDIX I – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Directors of Borneo Oil and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which, would make any statement herein misleading.

2. MATERIAL LITIGATION

The Company or any of its subsidiary companies are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Directors are not aware of any material proceedings, claims or arbitration pending or threatened, against Borneo Oil Group or of any facts likely to give rise to any proceedings, claims or arbitration which might materially affect the position or business of Borneo Oil Group.

3. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into the ordinary course of business) which have been entered into by Borneo Oil and its subsidiary companies within the two(2) years immediately preceding the date of this Statement.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company following the publication of this Statement from Monday to Friday (except Public Holidays) during business trip hours up to and including the date of the AGM:

- (a) the Constitution of Borneo Oil ;
- (b) the audited consolidated financial statements of Borneo Oil for each of the past two (2) financial year/period ended 31 January 2017 and 30 June 2018.

APPENDIX II

EXTRACT OF RESOLUTION TO BE TABLED AT 34th ANNUAL GENERAL MEETING

AS ORDINARY RESOLUTION 9

1. Proposed Renewal of Authority to Buy Back its own shares by the Company

“That authority be given to the Company to buy back an aggregate number of shares in the Company (“Authority to Buy Back Shares”) as may be determined by the Directors from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company provided that at the time of purchase, the aggregate number of shares which may be purchased and/or held by the Company as treasury shares pursuant to this resolution does not exceed ten percent (10%) of the issued and paid-up share capital of the Company and that the maximum funds to be allocated for the Authority to Buy Back Shares shall not exceed the latest audited retained earnings of the Company;

THAT the shares purchased by the Company pursuant to Authority to Buy Back Shares may be dealt with by the Directors in all or any of the following manner:

- (a) distribute the shares as share dividends to the shareholders; or
- (b) resell the shares or any of the shares on Bursa Malaysia Securities Berhad; or
- (c) transfer the shares or any of the shares for the purpose of or under an Employees’ Shares Options Scheme; or
- (d) transfer the shares or any of the shares as purchase consideration; or
- (e) cancel the shares or any of the shares; or
- (f) sell, transfer or otherwise use the shares for such other purposes as allowed by the Companies Act 2016.

AND THAT the Directors of the Company be and are hereby empowered to do all such acts and things to give full effect to the Authority to Buy Back Shares with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities AND THAT such Authority shall commence upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting (“AGM”) of the Company following the passing of this ordinary resolution or the expiry of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of a purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Malaysia Securities Berhad or any other relevant authority.”