BORNEO OIL BERHAD ("BORNOIL" OR THE "COMPANY")

PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF BORNOIL

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1. INTRODUCTION

On behalf of the Board of Directors of Bornoil ("**Board**"), UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") wishes to announce that the Company proposes to undertake a private placement of up to 10% of the total number of issued shares of Bornoil ("**Bornoil Share(s)**" or "**Share(s)**") to third party investor(s) to be identified later at an issue price to be determined later, pursuant to Sections 75 and 76 of the Companies Act 2016 ("**Act**") **("Proposed Private Placement")**.

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

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

The Company had obtained the approval from its shareholders at the last annual general meeting ("**AGM**") convened on 17 December 2021, whereby pursuant to Section 75 and Section 76 of the Act, the Board has been authorised to allot and issue new Bornoil Shares provided that the number of new Bornoil Shares does not exceed 10% of the total number of issued Shares (excluding treasury shares) ("**General Mandate**"). Such authority shall continue to be in force until the conclusion of the next AGM of the Company.

Further to the above, pursuant to Paragraph 6.03(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), the aggregate number of Shares to be issued under the General Mandate must not exceed 10% of the total number of issued Shares (excluding treasury shares) during the preceding 12 months. For information purpose, Bornoil has not issued any Shares under the General Mandate during the preceding 12 months from the date of this announcement.

2.1 Placement Size

The Proposed Private Placement entails an issuance of up to 10% of the total number of issued shares of Bornoil.

As at 20 May 2022, being the latest practicable date prior to this announcement ("**LPD**"), the total issued share capital of Bornoil was RM630,141,979 comprising 8,233,117,079 Bornoil Shares (including 745,236,000 treasury shares). In addition, as at the LPD, Bornoil has the following convertible securities:-

(i) 1,734,679,850 outstanding warrants 2015/ 2025 in the Company ("**Warrant(s) C**"). Warrants C are constituted by the deed poll dated 28 September 2015 (read together with the supplemental deed poll dated 30 May 2017)("**Deed Poll C**") and each Warrant C carries the entitlement to subscribe for 1 new Bornoil Share during the 10-year exercise period up to 8 November 2025 at the exercise price of RM0.07 per Warrant C;

(ii) 378,683,984 outstanding warrants 2017/ 2027 in the Company ("**Warrant(s) D"**). Warrants D are constituted by the deed poll dated 12 May 2017 ("**Deed Poll D**") and each Warrant D carries the entitlement to subscribe for 1 new Bornoil Share during the 10-year exercise period up to 29 May 2027 at the exercise price of RM0.07 per Warrant D; and

(iii) Such number of options to be offered to the eligible employees of Bornoil Group pursuant to employees' share option scheme ("**ESOS**"). The ESOS shall be in force for a period of 5 years from the implementation date of 22 June 2020. For shareholders' information, as at the LPD, there are a total of 30,000,000 outstanding ESOS options offered which have yet to be exercised, while a remaining of up to 151,467,562 ESOS options has yet to be offered by the Company. The unexercised ESOS options will become null and void after the date of expiry on 20 June 2025;

collectively, the "**Convertible Securities**".

Assuming all the 745,236,000 treasury shares are resold and all the outstanding Convertible Securities are exercised prior to the implementation of the Proposed Private Placement, the enlarged number of issued Shares will be 10,527,948,475 Bornoil Shares. As such, a total of up to 1,052,794,847 new Bornoil Shares ("**Placement Share(s)**") may be issued pursuant to the Proposed Private Placement.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total issued shares of the Company on a date to be determined and announced later, after receipt of all relevant approvals for the Proposed Private Placement.

For illustrative purpose, throughout this announcement, the effects of the Proposed Private Placement shall be illustrated based on the following 2 scenarios:-

Minimum Scenario	:	Assuming all the 745,236,000 treasury shares are retained and none of the Convertible Securities are exercised prior to the implementation of the Proposed Private Placement
Maximum Scenario	:	Assuming all the 745,236,000 treasury shares are resold and all the Convertible Securities are fully exercised prior to the implementation of the Proposed Private Placement

2.2 Basis of determining the issue price of the Placement Shares

The issue price of the Placement Shares will be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement.

Pursuant to Paragraph 6.04(a) of the Listing Requirements, the Placement Shares may be issued based on a discount of up to 10% to the 5-day volume-weighted average market price ("**VWAP**") of Bornoil Shares immediately preceding the price-fixing date.

In the event the Proposed Private Placement is implemented in tranches, the issue price of the Placement Shares will be determined for each tranche of the Proposed Private Placement. In any event, the Company will ensure payments for the Placement Shares are made by the placees to the Company within 5 market days from the price-fixing date for each tranche of the Proposed Private Placement.

For illustrative purpose only, the indicative issue price of the Placement Shares is assumed at RM0.0235 per Placement Share, which represents a discount of approximately 9.62% to the 5-day VWAP of Bornoil Shares up to and including the LPD of RM0.0260 per Share.

2.3 Ranking of the Placement Shares

The Placement Shares will, upon allotment and issuance, rank equally and carry the same rights with the current existing Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date of such distributions precedes the relevant date of allotment and issuance of the Placement Shares.

2.4 Listing of and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

2.5 Allocation to placee(s)

The Placement Shares will be placed out to third-party investor(s) to be identified at a later stage, where such investor(s) shall be person(s) who/ which qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

In accordance with Paragraph 6.04(c) and Paragraph 6.06(1) of the Listing Requirements, the Placement Shares will not be placed out to the following parties:-

(i) The Director, major shareholder, chief executive of Bornoil or person connected with a director, major shareholder or chief executive of Bornoil; and

(ii) Nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

In any event that the Board is unable to identify sufficient placees to subscribe for the entire portion of the Placement Shares at one time, the Proposed Private Placement may be implemented in tranches within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities.

2.6 Utilisation of proceeds

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. Based on the indicative issue price of RM0.0235 per Placement Share as set out in **Section 2.2** of this announcement, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM24.74 million. The proceeds are intended to be utilised by Bornoil and its subsidiaries ("**Bornoil Group**" or the "**Group**") in the manner as follows:-

		<-Amount of proceeds->	
Details of utilisation	**Timeframe for utilisation**	**Minimum Scenario RM'000**	**Maximum Scenario RM'000**
Working capital expenses*1	Within 36 months upon receipt of the placement funds from the Proposed Private Placement	17,507	24,651
Estimate expenses for the Proposed Private Placement*2	Upon completion of the Proposed Private Placement	90	90
Total		**17,597**	**24,741**

Notes:-

**1 As at the LPD, Bornoil Group is mainly engaged in the following businesses:-*

*i. Food and franchise operations ("**FFO**");*

*ii. Property investment and management ("**PIM**"); and*

*iii. Resources and sustainable energy ("**RSE**").*

Bornoil Group's FFO segment involves food processing, distribution, franchising and retailing of which the Group requires enough financial resources to purchase raw materials such as chicken meat and wheat flour for their products such as the SugarBun Brand pastries and Pezzo brand pizzas.

*The PIM segment of Bornoil Group involves investing and owning landed properties that have development potential in agricultural being food production, natural resources and tourism hospitality. One of the main projects of the PIM segment of the Group is the management of the construction of the Integrated Limestone Processing Plant ("**ILPP**") in Lahad Datu of which the Group will also be the main supplier of limestone and other materials like sand, laterite and fuels to the ILPP.*

Bornoil Group's other business segment is in the RSE segment which includes the mining of exploration of limestone, gold and other minerals as well as biofraction on palm oil biomass which is the extraction of palm oil waste into useful products such as biofuel and biogas.

Accordingly, the Board has earmarked up to approximately RM24.65 million to partially defray the general working capital expenses for its day-to-day operations, which include, but are not limited to, payment of trade and other payables of the Group, general administrative and daily operational expenses such as utilities and any other overhead expenditures.

The actual utilisation for working capital is subject to the Group's operational requirements at the time of utilisation and as such can only be determined at a later stage. Notwithstanding the above and on best estimate basis, the percentage of the allocation of the proceeds to be utilised for each component of the working capital are as follows, subject to the operating and funding requirements of the Group at the time of utilisation:-

Details of utilisation	***Estimated allocation of proceeds (%)***	***Minimum Scenario RM'000***	***Maximum Scenario RM'000***
Payment of trade and other payables of Bornoil Group	*40.00*	*7,003*	*9,860*
Payment of trade and other payables of FFO segment mainly relating to payables to raw ingredient suppliers for the raw ingredients such as poultry and wheat flour for the Group's products	*20.00*	*3,502*	*4,930*
Payment of trade and other payables of PIM segment mainly relating to payables to contractors for the construction works at the ILPP	*16.00*	*2,801*	*3,944*
Payment of trade and other payables of RSE segment mainly relating to payables to crushing operators and transportation of the Group's limestone to the relevant ports in Sabah	*4.00*	*700*	*986*
Purchase of raw ingredients for the FFO segment mainly being poultry and wheat flour	*20.00*	*3,502*	*4,930*
Payment to contractors for the construction works at the ILPP	*15.00*	*2,625*	*3,698*
Purchase of diesel and spare parts for equipments used in the RSE segment	*5.00*	*875*	*1,233*
Other expenses (e.g. staff-related expenses, rental of office and franchise premises, utilities, office upkeep and maintenance)	*20.00*	*3,502*	*4,930*
Total	***100.00***	***17,507***	***24,651***

The Group's trade and other payables amounted to RM19.59 million as at 31 December 2021. Accordingly, the proceeds earmarked for working capital will enable the Group to retain an adequate cash level and flexibility in respect of financial allocations for its operational requirements and short term obligations and liabilities, which in turn may enable the Group to carry out its day-to-day operations in a more efficient and timely manner.

*2 *The proceeds earmarked for estimated expenses in relation to the Proposed Private Placement will be utilised as set out below:-*

	RM'000
Professional fees (including all advisory fees and placement fee)	*60*
Regulatory fees	*25*
Other incidental expenses in relation to the Proposed Private Placement	*5*
Total	***90***

As mentioned above, the actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. Any shortfall between the actual gross proceeds raised and the intended gross proceeds to be raised from the Proposed Private Placement will be funded via internally generated funds and/ or bank borrowings, the exact quantum of which will be determined by the Board at a later date upon obtaining all the necessary approvals (if necessary).

Pending the utilisation of proceeds from the Proposed Private Placement for the above purposes, the proceeds would be placed as deposits with licensed financial institutions or short-term money market instruments.

2.7 Other fund raising exercise in the past 12 months

The Company had on 17 November 2020 entered into a conditional share subscription agreement with Macquarie Bank Limited ("**Investor**") ("**Subscription Agreement**") for the subscription of up to 1,205,827,550 new Bornoil Shares by the Investor in accordance with the terms and conditions of the Subscription Agreement ("**Subscription**"). On 26 January 2022, the Company completed the issuances and listing pursuant to the Subscription. A total of 1,205,827,550 Bornoil Shares had been issued pursuant to the Subscription at an issue price ranging from RM0.0250 to RM0.0400 per Bornoil Share, raising gross proceeds of approximately RM36.33 million.

The status of the utilisation of the said gross proceeds from the Subscription as at the LPD is set out below:-

Details of utilisation	**Expected timeframe for utilisation**	**Proposed utilisation RM'000**	**Amount utilised as at the LPD RM'000**
Business expansion and/ or new investments	Within 36 months from the receipt of placement funds	20,000	5,020
Gold exploration works at Hutan Simpan Bukit Ibam, Mukim Keratong, Pahang on Bukit Ibam Gold Prospect at Mukim Keratong, Malaysia	Within 36 months from the receipt of placement funds	10,000	7,691
Working capital expenses*	Within 36 months from the receipt of placement funds	12,410	12,410
Estimated expenses in relation to the Subscription	Upon completion of the Subscription	1,000	842
Total		**43,410**	**25,963**

Save for the Subscription, the Company has not undertaken any other fund raising exercises in the 12 months prior to the date of this announcement.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement is undertaken by the Company to raise the requisite funds to meet the Group's immediate funding requirements as set out in **Section 2.6** of this announcement.

After due consideration of the amount intended to be raised, optimal timing and various methods of fundraising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fundraising as the Proposed Private Placement:-

(i) enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings;

(ii) provides the Company with an expeditious fundraising alternative from the capital market as opposed to other forms of fundraising such as rights issue as the approval for the General Mandate from the shareholders had already been obtained; and

(iii) strengthen the Company's shareholders' funds and capital base pursuant to the Proposed Private Placement.

4. INDUSTRY OVERVIEW AND OUTLOOK AND FUTURE PROSPECTS OF THE GROUP

4.1 Overview and outlook of the Malaysian economy

After experiencing significant supply and demand shocks triggered by the COVID-19 pandemic in 2020, economic activity improved moderately in 2021. An incipient recovery which began in the second half of 2020 resumed in the first five months of 2021, despite the imposition of the Second Movement Control Order ("**MCO**") 2.0 and the Second Conditional Movement Control Order (CMCO 2.0), as most businesses were allowed to operate during these phases. Thus, together with continued policy support, domestic demand gradually improved. The recovery was further supported by robust exports performance amid favourable external demand.
The labour market also rebounded, as the unemployment rate fell from 4.9% in January 2021 to 4.5% in May 2021 and underemployment declined, amid a decline in jobless claims and an increase in the pace of hiring. The recovery momentum, however, was affected by the reimposition of nationwide containment measures under the first phase of the National Recovery Plan ("**NRP**") 10 in June 2021, following a rapid resurgence of cases due to the Delta variant. These measures weighed on household spending and investment activity in the third quarter of 2021, particularly affecting the services and construction sectors. Nevertheless, the severity of containment measures in 2021 was smaller compared to the first MCO in the second quarter of 2020, as essential economic sectors were allowed to operate. Additionally, businesses and households adapted better to the containment measures and standard operating procedures (SOPs) during the NRP Phase 1 period. Greater adoption of technology and digitalisation, more effective remote working arrangements, and increased automation helped mitigate further losses arising from the lockdowns. Meanwhile, the rapid progress of domestic vaccinations and phased lifting of restrictions under the NRP supported a safe economic reopening and gradual normalisation in economic activity towards the end of the year.

External demand provided robust support to growth in 2021. Strong global trade activity boosted Malaysia’s gross exports (2021: 26.0%, 2020: -1.1%). Recovery in economic conditions in advanced and regional economies resulted in strong demand from key trade partners. Similarly, the continued global technology upcycle and robust demand for semiconductors led to strong growth in electrical and electronic ("**E&E**") products.

As a key player in the global supply chain, Malaysia was also affected by the supply disruptions, although to a much lesser extent, as trade and manufacturing performance remained resilient during 2021. This is mainly attributed to firms having taken proactive measures to mitigate the impact of supply disruptions on their operations. Meanwhile, exports of services contracted for a second year in a row (-9.4%, 2020: -48.0%), reflecting weak tourist arrivals (2021: 0.1 million persons, 2020: 4.3 million persons), as most international borders remained closed.

The current account in the balance of payments remained in surplus during 2021. While exports recorded a robust performance, the improvement in external and domestic demand also resulted in a strong rebound in imports in 2021 (23.3%; 2020: -5.8%). In tandem with higher manufacturing production and exports, intermediate imports registered a double-digit growth. Capital and consumption imports also recovered during 2021, due to the pickup in investment and consumer spending. Overall, the goods account registered a higher surplus as exports growth outpaced imports growth. A larger decline in travel receipts, however, resulted in a higher services deficit, while the primary income deficit widened due to higher income accrued to foreign investors in Malaysia amid strong external demand for manufactured goods. These factors more than offset the larger goods surplus, contributing to a lower current account surplus of RM53.5 billion or 3.5% of gross domestic product ("**GDP**") in 2021 (2020: RM60.0 billion or 4.2% of GDP).

Headline inflation in 2021 increased to 2.5% (2020: -1.2%), reflecting mainly higher fuel inflation. Global supply-side disruptions also led to some upward price pressures, though the impact on consumer prices was relatively contained, as firms absorbed the higher cost. Underlying inflation, as measured by core inflation, remained relatively subdued at 0.7% in 2021 (2020: 1.1%), reflecting the spare capacity in the economy amid a moderate recovery in the labour market.

In 2021, accommodative monetary policy provided continuous broad-based support for economic recovery: The Overnight Policy Rate (OPR) was maintained at the historical low of 1.75% throughout the year. The thrust of monetary policy in 2021 was to ensure sustainable economic growth in an environment of manageable price pressures. Additionally, the extension of the Statutory Reserve Requirement (SRR) flexibility from 31 May 2021 to 31 December 2022 provided sustained liquidity support for financial intermediation throughout the year. Financial measures, such as credit guarantees and the Bank's various financing facilities, also provided targeted support for affected segments that were facing a more uneven recovery. Overall, financing remained supportive of the economic recovery, with continued flow of bank credit to households and businesses.

The Malaysian economy is expected to improve further, with growth projected to be between 5.3% and 6.3% in 2022. The economic recovery is underpinned by the continued expansion in external demand, full upliftment of containment measures, reopening of international borders, and further improvement in labour market conditions. In addition, the implementation of investment projects and targeted policy measures will provide further support to economic activity and aggregate demand.

Stronger private sector recovery, supported by labour market improvements, to be the main driver of growth in 2022. As economic activity picks up, the unemployment rate is expected to decline further in 2022 to around 4% of the labour force. The recovery in the labour market will be further supported by targeted measures to boost labour demand, facilitate re-skilling and up-skilling and reduce labour market frictions. A sustained recovery in employment and income is expected to drive an improvement in household spending. Additionally, progress in vaccinations and upliftment of containment measures will lead to an improvement in consumer confidence and some materialisation of pent-up demand. As a result, private consumption is expected to grow by 9.0% (2021: 1.9%). Private investment is also expected to recover, growing by 5.3% (2021: 2.6%), supported by the continued expansion in global demand and the implementation of new and ongoing investment projects.

(Source: Economic and Monetary Review 2021, Bank Negara Malaysia)

4.2 Overview and outlook of the mining industry in Malaysia

The mining sector rebounded by 3.5% in the first half of 2021, supported by higher natural gas production and increased crude oil and condensates output, particularly during the second quarter. It is projected to decline marginally by 0.7% in the second half of the year, weighed down by lower natural gas production. The reduction in output is also in line with heightened uncertainties in global oil and gas demand following concerns over the spread of the COVID-19 variants. Overall, the mining sector is expected to turn around by 1.5% in 2021.

The mining sector's performance will be mainly influenced by the duration of uncertainties surrounding the COVID-19 pandemic. The sector is forecast to decline marginally by 0.3%, attributed to lower crude oil and condensates production, following the scheduled shut down of oil and gas plants and facilities for maintenance. However, natural gas output is expected to increase, supported by the production from new gas fields in Sabah and motivated by high demand from major trading partners, especially China and Japan. In addition, the increase in global economic activities and reduction in COVID-19 infections are also anticipated to drive higher global energy consumption. Thus, the average Brent crude oil price is projected to increase to around USD66 per barrel in 2022, slightly lower than the expected price in 2021 at USD68 per barrel. However, the estimation is still subject to the global price movement, which is highly influenced by the level of oil production by the Organization of the Petroleum Exporting Countries and its allies (OPEC+) as well as the US oil stockpiles.

(Source: Economic Outlook 2022, Ministry of Finance Malaysia)

The World Bank's Precious Metals Index fell by 3 percent in the third quarter of 2021 due to declining investor sentiment stemming from higher real interest rates and a stronger U.S. dollar, as well as lower physical demand. Gold prices declined modestly, whereas silver and platinum prices recorded larger losses but were still at much higher levels compared to last year. The index is projected to average 5 percent higher in 2021 but fall by nearly 3 percent in 2022 on expectations of a tightening of monetary policy. Upside risks to this outlook include the threat of new virus variants, amplified geopolitical tensions, and more persistent inflation than anticipated.

(Source: Commodity Markets Outlook Octoberl 2021, World Bank)

The mining sector contracted at a slower pace of 0.9% (3Q 2021: -3.6%). Despite some facility closures for maintenance purposes during the quarter, growth was supported by higher production from oil and gas fields including the PETRONAS Floating Liquefied Natural Gas DUA (PFLNG2) facility located in offshore East Malaysia.

(Source: BNM Quarterly Bulletin Vol. 36 No.4.,Fourth Quarter 2021, Bank Negara Malaysia)

4.3 Overview and outlook of the food services industry in Malaysia

When the COVID-19 pandemic hit Malaysia, the services sector was the most badly impacted sector in 2020, with a contraction of 5.5%. Of this significant decline, the tourism industry was the worst-hit industry, with Gross Value Added of Tourism Industries1 contracted by 17.1% as tourist arrivals plunged by more than 80% due to worldwide travel bans and strict domestic movement restrictions. In addition, employment in the tourism industry contracted by 2.9% to 3.5 million. Since the tourism industry made up 24.4% of the services sector in 2020, the scarring effect of the tourism industry has continued to weigh on the performance of the services sector in 2021. As the pandemic continues to spread and movement restrictions continue to be imposed in 2021, the tourism industry is estimated to contract further by 19.5%.

As the number of new COVID-19 cases was trending up towards the end of 2020, the Government reimplemented the MCO starting January 2021 but with less strict standard operating procedures (SOPs) than the MCO 1.0. Hence, the services sector rose by 4.8% in the first half of 2021, mainly supported by the wholesale and retail trade; finance and insurance; and information and communication subsectors. The improved performance is attributed to the reopening of more services subsectors and relaxation of the MCOs, especially for businesses providing essential items. This was further supported by an increase in online transactions and payments. On the other hand, the food & beverages and accommodation subsector declined significantly due to movement restrictions which affected the tourism-related activities, despite a steady demand for online food purchases. The services sector is estimated to grow by 0.7% in the second half of the year, supported by the gradual opening of the economy. Overall, the sector is projected to grow by 2.6% in 2021, with most subsectors recording positive growth.

(Source: Economic Outlook 2022, Ministry of Finance Malaysia)

The manufacturing sector rebounded by 15.8% in the first half of 2021, supported by positive growth in all subsectors. The growth momentum is expected to continue in the second half with an expansion rate of 1.5%, mainly driven by the export-oriented industries. The main subsectors which will significantly contribute to the industries are electrical, electronics and optical products as well as petroleum, chemical, rubber and plastic products.

For 2021, the sector is expected to post a sturdy growth of 8.1% attributed to both the export- and domestic-oriented industries. Within the export-oriented industries, the E&E segment is projected to improve, following higher demand for semiconductor items, which is reflected by the rising sales across the range of chip products. In addition, the rubber and textiles segments are anticipated to expand, following increasing demand for rubber gloves and personal protective equipment amid the prolonged COVID-19 pandemic. Similarly, within the domestic-oriented industries, the basic pharmaceuticals and medicinal chemical products, and food products segments are projected to increase in line with the economic expansion.

The manufacturing sector is expected to expand by 4.7% in 2022, attributed to the steady performance of both export- and domestic-oriented industries. As one of the key players in the world semiconductor trade, the stronger global demand for E&E products will continue to provide the impetus for Malaysia's manufacturing sector. Stricter global healthcare regulations and increasing hygiene awareness will help in boosting production in the rubber and chemical related segments. Concurrently, the anticipation of more vibrant industrial and construction activities as well as higher demand for household-related products are expected to give an additional boost to the sector.

(Source: Macroeconomic Outlook, Economic Outlook 2022, Ministry of Finance Malaysia)

The food-processing sector account for about 10% of Malaysia's manufacturing output. Processed food contributed about RM21.76 billion and are exported to more than 200 countries, while import value of processed food is amounted RM20.27 billion in 2019. Advances in processing technology have widened the usage of local raw materials, expanding the range of products and increasing the investment absorbing capacity in the food industry.

Exports of processed food recorded a positive growth indicating the increasing acceptance of Malaysia's food products in overseas market. This is contributed mainly by products such as cocoa and cocoa preparations, prepared cereals and flour preparations, processed seafood and dairy products. The Association of Southeast Asian Nations (ASEAN), with a population of over 668 million has a vast market potential to be tapped and Malaysia is poised to become a major exporter of processed food for this region.

Investment opportunities abound in the food processing sector comprise of three thrust areas which are:-

Health Food/ Functional Food

Malaysia is moving towards organic farming. Besides organic products, health foods include low caloric, fibre/ nutrient enriched products, fruit juices and herbal products. New products using Malaysia's traditional herbs and resources are continuously being developed for Asian and global markets.

Convenience Food

Demand for convenience foods that can be prepared within minutes is a growing worldwide trend. Locally made convenience foods include frozen foods such as ready-to-eat meals, spiced fish and chicken, ethnic or traditional cuisine, instant powdered juice and retort pouch products. Malaysia is also in an excellent position to produce Asian recipes with convenience food technologies to meet the increasing global demand for specialty and ethnic foods.

Food Ingredients

Functional ingredients, food flavours, additives, colouring, seasonings and palm oil-based additives are some of the products that have vast potential for further development to enhance Malaysia's presence in the developed markets in the USA, the UK, Japan and Australia. The quality of these products is backed by continuous nutritional research.

(Source: Food Industry August 2020, Malaysian Investment Development Authority)

4.4 Prospects of the Group

As set out in **Section 2.6** of this announcement, Bornoil Group is principally engaged in the following businesses:-

i. Head office and others;

ii. Food and franchise operations, which is the FFO segment;

iii. Property investment and management, which is the PIM segment; and

iv. Resources and sustainable energy, which is the RSE segment.

The unprecedented COVID-19 pandemic has led the Malaysian Government to effect containment measures i.e. MCO (including subsequent phases of movement control orders) since mid-March 2020 nationwide. In view of the then continuing surge in daily COVID-19 cases in Malaysia, the Malaysian Government implemented the National Recovery Plan ("**NRP**") from 1 June 2021 throughout all states and territories in Malaysia. Such government lockdowns have limited physical movement and have adversely impacted general business, economic sectors, and trade activities in Malaysia. This has affected the business performance and operations of the Bornoil Group as the revenue contribution from all business segments saw a decline for the financial year ended 30 June 2021.

In addition, global market sentiment had been negatively impacted by the escalation of military action between Russia and Ukraine which has prompted many countries including the United States and the United Kingdom, to take action by imposing economic tariffs and sanctions on Russia. This has resulted in prices increases in food, energy and raw materials arising from shortages, as key exports of, amongst others, wheat, gas and fertilisers from Russia and Ukraine were interrupted by the Russia-Ukraine conflict.

Despite the subdued market sentiment, the Group's timely collaboration with food delivery companies and the launch of the Sabasco Momporok Chilli has shown encouraging responses in the food services industry. While the project management of an Integrated Limestone Processing Plant ("**ILPP**") under PIM segment was further delayed due to the MCO restrictions on construction activities, it is nearing completion and the Group is expected to benefit as it will be the main supplier of limestone and other materials like sand, laterite and fuels to the ILPP. Further, the RSE segment experienced lower demand for limestone as the construction activities came to a halt due to the ongoing pandemic. However, the Board remains optimistic that the newly completed Pilot Carbon-In-Leach Plant which is currently operational at Bukit Ibam, pending the issuance of relevant licenses and permits, will contribute positively to the RSE segment.

The NRP, which came to effect as of 1 June 2021, lays out guidelines on four different phases with the upliftment of restrictions, such as the reopening of non-essential economic sectors and the relaxation of limits on workforce capacity as states and federal territories move towards the last phase. States and federal territories have already begun to progress along the four phases of the NRP. Since 3 January 2022, all states of Malaysia have entered into Phase 4 of the NRP which allows for workplaces to operate at 100% capacity and relaxed travel restrictions.

The Board takes cognisance that the effects of COVID-19 pandemic are still prevalent in the recovery of the Malaysian economy, the mining industry and food services industry. There is no assurance that a resurgence of COVID-19 cases will not adversely impact the Group's existing business operations and financial position. Further, the prolonged Russia-Ukraine conflict could directly and indirectly affect the business operations and costs of the Group. Notwithstanding the above, the Board is in anticipation of a gradual recovery of the Malaysian economy, the mining industry and food services industry, which is in line with the nationwide COVID-19 immunisation programme implementation, as more economic and social sectors resume operations at full capacity.

Accordingly, the Board will continue to monitor the status and progress of COVID-19 pandemic and the Russian-Ukraine conflict and shall endeavour, to the extent possible, to review the performance and progress of the Group's operations and financial performance. In line with the above, the Group is undertaking the Proposed Private Placement to raise the necessary funds for the working capital requirements of the Group without relying solely on internally generated funds and/ or bank borrowings, which will allow the Group to retain an adequate cash level and flexibility in respect of financial allocations for its operational requirements and short term obligations and liabilities. Such financial flexibility may allow the Group to carry out its operations in a more timely and efficient manner.

Barring any unforeseen circumstances, after having considered all the relevant aspects including the current business operations and production, the abovementioned prospects and the mining and food services industry outlook, the Board is optimistic of the Group's future prospects and is of the view that the Proposed Private Placement is expected to place the Group in a better financial footing moving forward as well as deliver greater value to the shareholders of the Company.

(Source: Management of Bornoil)

5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

The effects of the Proposed Private Placement on the issued share capital, the net assets ("**NA**") per share and gearing, substantial shareholders' shareholdings of the Company, and earnings and earnings per share ("**EPS**") of the Group are as follows:-

5.1 Issued share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are set out below:-

	Minimum Scenario		Maximum Scenario	
	No. of Bornoil Shares	RM	No. of Bornoil Shares	RM
Issued share capital as at the LPD	8,233,117,079	630,141,979	8,233,117,079	630,141,979
Less: Treasury shares, at cost	(745,236,000)	(38,318,750)	-	-
	7,487,881,079	**591,823,229**	**8,233,117,079**	**630,141,979**
Assuming full exercise of Warrants C	-	-	1,734,679,850	121,427,590*1
Reversal of warrants reserve pursuant to the full exercise of Warrants C	-	-	-	93,441,422
Assuming full exercise of Warrants D	-	-	378,683,984	26,507,879*2
Reversal of warrants reserve pursuant to the full exercise of Warrants D	-	-	-	-
Assuming full conversion of outstanding ESOS options	-	-	30,000,000	690,000*3
Assuming full conversion of ESOS options yet to be offered	-	-	151,467,562	3,938,157*4
	7,487,881,079	**591,823,229**	**10,527,948,475**	**876,147,026**
Placement Shares to be issued pursuant to the Proposed Private Placement	748,788,107	17,596,521*5	1,052,794,847	24,740,679*5
Enlarged issued share capital	**8,236,669,186**	**609,419,750**	**11,580,743,322**	**900,887,705**

Note:-

*1 *Computed based on the exercise price of RM0.07 per Warrant C*

*2 *Computed based on the exercise price of RM0.07 per Warrant D*

*3 *Computed based on the outstanding ESOS options converted into new Shares at the exercise price of RM0.0230 per Share*

*4 *Assuming the ESOS options are offered and converted into new Shares at the exercise price of RM0.0260 per Share*

*5 *Based on the indicative issue price of RM0.0235 per Placement Share as set out in **Section 2.2** of this announcement*

5.2 NA per Share and gearing level

Based on the latest audited consolidated statements of financial position of the Group as at 30 June 2021, the pro forma effects of the Proposed Private Placement on the NA per Share and gearing level of the Group are set out as follows:-

<u>Minimum Scenario</u>

	Audited as at 30 June 2021 RM'000	I Subsequent adjustments up to the LPD[*1] RM'000	II After I and the Proposed Private Placement RM'000
Share capital	618,967,800	630,141,979	647,738,500[*2]
Warrant reserve	93,441,422	93,441,422	93,441,422
Treasury shares	(31,493,087)	(31,493,087)	(31,493,087)
Other Reserves	(144,922)	(144,922)	(144,922)
Retained earnings	86,670,559	86,670,559	86,580,559[*3]
Shareholders' equity/ NA	**767,441,772**	**778,615,951**	**796,122,472**
No. of shares in issue	7,450,289,529	8,233,117,079	8,981,905,186
NA per Share (RM)	0.10	0.09	0.09
Total borrowings	18,244,331	18,244,331	18,244,331
Gearing ratio (times)	0.02	0.02	0.02

Notes:-

*1 *From 30 June 2021 up to the LPD, the share capital had increased by approximately RM11.17 million after adjusting for the following:-*

i. issuance and allotment of 745,827,550 new Shares pursuant to the Subscription, which was completed on 26 January 2022; and

ii. a total of 37,000,000 ESOS options were exercised with an exercise price of RM0.0230

*2 *After the issuance of 748,788,107 Placement Shares based on the Minimum Scenario at the indicative issue price of RM0.0235 per Placement Share*

*3 *After deducting the estimated expenses of approximately RM0.09 million in relation to the Proposed Private Placement*

<u>Maximum Scenario</u>

	Audited as at 30 June 2021 RM'000	I Subsequent adjustments up to the LPD[*1] RM'000	II After I and assuming all Convertible Securities are fully exercised[*2] RM'000	III After II and the Proposed Private Placement[*3] RM'000
Share capital	618,967,800	630,141,979	876,147,026	900,887,705
Warrant reserve	93,441,422	93,441,422	-	-
Treasury shares	(31,493,087)	(31,493,087)	-	-
Other Reserves	(144,922)	(144,922)	(144,922)	(144,922)
Retained earnings	86,670,559	86,670,559	86,670,559	86,580,559[*4]
Shareholders' equity/ NA	**767,441,772**	**778,615,951**	**962,672,663**	**987,323,342**
No. of shares in issue	7,450,289,529	8,233,117,079	10,497,948,475	11,550,743,322
NA per share (RM)	0.10	0.09	0.09	0.09
Total borrowings	18,244,331	18,244,331	18,244,331	18,244,331
Gearing ratio (times)	0.02	0.02	0.02	0.02

Notes:-

[*1] *From 30 June 2021 up to the LPD, the share capital had increased by approximately RM10.67 million after adjusting for the following:-*

i. issuance and allotment of 745,827,550 new Shares pursuant to the Subscription, which was completed on 26 January 2022; and

ii. a total of 37,000,000 ESOS options were exercised with an exercise price of RM0.0230

[*2] *Assuming that:-*

i. 30,000,000 outstanding ESOS options offered which have yet to be exercised are exercised at the exercise price of RM0.0230 each;

ii. 151,467,562 ESOS options which have yet to be offered are offered and exercised at the exercise price of RM0.0260 each;

iii. 1,734,679,850 Warrants C are converted at the exercise price of RM0.07 each; and

iv. 378,683,984 Warrants D are converted at the exercise price of RM0.07 each;

[*3] *After the issuance of 1,052,794,847 Placement Shares based on the Maximum Scenario at the indicative issue price of RM0.0235 per Placement Share*

[*4] *After deducting the estimated expenses of approximately RM0.09 million in relation to the Proposed Private Placement*

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5.3 Substantial shareholders' shareholding structure

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholding of the Company are set out below:-

Minimum Scenario

	Shareholdings as at the LPD				I After the Proposed Private Placement			
	<----------------Direct---------------->		<-------------Indirect------------->		<----------------Direct---------------->		<-------------Indirect------------->	
	No. of Bornoil Shares	**%[*1]**	**No. of Bornoil Shares**	**%[*1]**	**No. of Bornoil Shares**	**%[*2]**	**No. of Bornoil Shares**	**%[*2]**
Victoria Limited	1,258,108,250	16.80	-	-	1,258,108,250	15.28	-	-

Notes:-

[*1] *Based on the total issued shares of 7,487,881,079 of the Company (excluding 745,236,000 treasury shares) as at the LPD*

[*2] *Based on the total issued shares of 8,236,669,186 of the Company after the Proposed Private Placement*

Maximum Scenario

	Shareholdings as at the LPD				I After assuming all Convertible Securities are fully exercised				II After I and the Proposed Private Placement[*3]			
	<----------Direct---------->		<------Indirect------>		<----------Direct---------->		<------Indirect------>		<----------Direct---------->		<------Indirect------>	
	No. of Bornoil Shares	**%[*1]**	**No. of Bornoil Shares**	**%[*1]**	**No. of Bornoil Shares**	**%[*2]**	**No. of Bornoil Shares**	**%[*2]**	**No. of Bornoil Shares**	**%[*3]**	**No. of Bornoil Shares**	**%[*3]**
Victoria Limited	1,258,108,250	16.80	-	-	1,258,108,250	11.95	-	-	1,258,108,250	10.86	-	-

Notes:-

[*1] *Based on the total issued shares of 7,487,881,079 of the Company (excluding 745,236,000 treasury shares) as at the LPD*

[*2] *Based on the total issued shares of 10,527,948,475 of the Company after assuming all Convertible Securities are fully exercised*

[*3] *Based on the total issued shares of 11,580,743,322 of the Company after the Proposed Private Placement*

For the avoidance of doubt, the pro forma effects of the Proposed Private Placement on the substantial shareholding structure of the Company is based on the assumption that the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s) in the Company

5.4 Earnings and EPS

The Proposed Private Placement, is not expected to have any material effect on the earnings of Bornoil Group for the financial year ending 30 June 2022. However, the EPS of Bornoil Group is expected to be diluted upon completion of the Proposed Private Placement as a result of the increase in the number of Bornoil Shares in issue arising from the Proposed Private Placement.

The Proposed Private Placement is expected to contribute positively to the future earnings of Bornoil Group when the benefits from the utilisation of proceeds to be raised from the Proposed Private Placement as set out in **Section 2.6** of this announcement are realised.

5.5 Convertible Securities

Save for the outstanding Warrants C, Warrants D and ESOS options, the Company does not have any other existing convertible securities as at the date of this announcement.

No adjustments will be made to the respective exercise prices and number of outstanding Warrants C, Warrants D and ESOS options pursuant to the Proposed Private Placement.

6. APPROVALS REQUIRED

The Proposed Private Placement is subject to the following approvals:-

(i) Bursa Securities, for the listing of and quotation for up to 1,052,794,847 Placement Shares on the Main Market of Bursa Securities pursuant to the Proposed Private Placement;

(ii) Any other relevant authority, if required.

The Company had obtained the approval from its shareholders at the last AGM convened on 17 December 2021, whereby pursuant to the Sections 75 and 76 of the Act, the Board has been authorised to allot and issue new Bornoil Shares provided that the number of new Bornoil Shares to be issued pursuant to the General Mandate does not exceed 20% of the total number of issued shares of the Company. Such authority shall continue to be in force until the conclusion of the next AGM of the Company.

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

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND PERSONS CONNECTED

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

8. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Private Placement, including but are not limited to, the basis, the rationale and the pro forma effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interests of the Company.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Private Placement is expected to be completed by the third quarter of calendar year 2022.

10. APPLICATION TO THE AUTHORITIES

The application to the relevant authorities shall be made within 2 months from the date of this announcement.

11. ADVISER AND PLACEMENT AGENT

UOBKH has been appointed by the Company to act as the Adviser and the Placement Agent for the Proposed Private Placement.

This announcement is dated 26 May 2022