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If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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BORNEO OIL BERHAD

Registration No. 198901005309 (121919-H)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

PROPOSED PRIVATE PLACEMENT OF UP TO 1,940,337,390 NEW ORDINARY SHARES IN BORNOIL, REPRESENTING APPROXIMATELY 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser and Placement Agent



UOB KAY HIAN SECURITIES (M) SDN BHD

Registration No.: 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of extraordinary general meeting of Bornoil ("**EGM**") will be conducted at Kinabalu Room, Level 5, Sabah International Convention Centre, Tanjung Lipat, Jalan Tun Fuad Stephens, 88400 Kota Kinabalu, Sabah, Malaysia on Friday, 5 May 2023 at 10:00 a.m. or at any adjournment thereof, and the Form of Proxy are enclosed herein.

A member entitled to attend, speak and vote at the EGM is entitled to appoint a proxy/ proxies to attend, speak and vote on his/ her behalf. In such event, the completed and signed Form of Proxy should be lodged at the Company's Registered Office at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007, W.P. Labuan, not less than 48 hours before the time set for holding the EGM. The lodging of the Form of Proxy shall not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Wednesday, 3 May 2023 at 10.00 a.m.
Date and time of the EGM : Friday, 5 May 2023 at 10:00 a.m.

This Circular is dated 20 April 2023

DEFINITIONS

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

"Act"	:	The Companies Act 2016
"Board"	:	The Board of Directors of Borneoil
"Borneoil" or the "Company"	:	Borneo Oil Berhad
"Borneoil Group" or the "Group"	:	Borneoil and its subsidiary companies, collectively
"Borneoil Share(s)" or "Share(s)"	:	Ordinary shares in Borneoil
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Circular"	:	This circular dated 20 April 2023 in relation to the Proposed Private Placement
"Director(s)"	:	The director(s) of Borneoil and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007
"EGM"	:	Extraordinary General Meeting of the Company
"EPS/ (LPS)"	:	Earnings/ (Loss) per Share
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended
"GP/ (GL)"	:	Gross profit/ (loss)
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	18 April 2023, being the latest practicable date prior to the printing and despatch of this Circular
"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
"NA"	:	Net assets attributable to equity holders
"PAT/ (LAT)"	:	Profit/ (Loss) after tax
"PBT/ (LBT)"	:	Profit/ (Loss) before tax
"Placement Share(s)"	:	Up to 1,940,337,390 new Shares to be issued pursuant to the Proposed Private Placement
"Proposed Private Placement"	:	Proposed private placement of up to 1,940,337,390 Placement Shares, representing approximately 20% of the existing total number of issued shares of the Company

DEFINITIONS (CONT'D)

"RM" and "sen" : Ringgit Malaysia and sen, respectively

"UOBKH" or the "Adviser" or the "Placement Agent" : UOB Kay Hian Securities (M) Sdn Bhd

"VWAP" : Volume weighted average market price

All references to "**we**", "**us**", "**our**" and "**ourselves**" are made to Bornoil, and where the context requires, shall include our subsidiaries.

All references to "**you**" or "**your(s)**" in this Circular are made to our shareholders, who are entitled to attend and vote at the EGM.

Unless specifically referred to, words denoting incorporating the singular shall, where applicable include the plural and vice versa and words denoting incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular 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 and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Private Placement. You are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in arriving at a decision on the Proposed Private Placement before voting at the forthcoming EGM.

Key information	Description	Reference to Circular												
Summary	<p>The Company proposes to undertake a private placement of up to 1,940,337,390 Placement Shares, representing approximately 20% of the total number of issued shares of Bornoil to third party investor(s)</p> <p>The Placement Shares will be issued at issue price(s) of not more than 15% discount to the 5-day VWAP of Bornoil Shares immediately preceding the price-fixing date(s)</p>	Section 2												
Utilisation of proceeds	<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Details of utilisation</th> <th style="text-align: left;">Timeframe for utilisation</th> <th style="text-align: right;">RM'000</th> </tr> </thead> <tbody> <tr> <td>Working capital</td> <td>Within 12 months from completion</td> <td style="text-align: right;">30,701</td> </tr> <tr> <td>Estimated expenses</td> <td>Upon completion</td> <td style="text-align: right;">150</td> </tr> <tr> <td colspan="2">Total</td> <td style="text-align: right; border-top: 1px solid black;">30,851</td> </tr> </tbody> </table>	Details of utilisation	Timeframe for utilisation	RM'000	Working capital	Within 12 months from completion	30,701	Estimated expenses	Upon completion	150	Total		30,851	Section 2.6
Details of utilisation	Timeframe for utilisation	RM'000												
Working capital	Within 12 months from completion	30,701												
Estimated expenses	Upon completion	150												
Total		30,851												
Rationale and justification	<ul style="list-style-type: none"> (i) Enables Bornoil to raise the requisite funds to meet the Group's funding requirements; (ii) Enables Bornoil to raise additional funds without incurring interest costs as compared to conventional bank borrowings; (iii) Provides Bornoil with an expeditious way of raising funds from the capital market as opposed to other forms of fund raising; and (iv) Enables Bornoil to further strengthen its financial position from the enlarged capital base 	Section 3												
Approvals required and conditionality	<p>The Proposed Private Placement is subject to the following approvals:-</p> <ul style="list-style-type: none"> (i) Bursa Securities, which was obtained on 14 April 2023; and (ii) Shareholders of Bornoil at the EGM 	Section 7												
Interested parties	None of the Directors, major shareholders, chief executive of the Company and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement	Section 9												
Board's recommendation	The Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Private Placement to be tabled at the Company's forthcoming EGM	Section 10												



Registered Office

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

20 April 2023

Board of Directors

Tan Kok Chor (*Independent Non-Executive Chairman*)
Datuk Joseph Lee Yok Min @ Ambrose (*Managing Director*)
Sri Ganesh A/L K Balasubramaniam (*Executive Director*)
Georgia Suzanne Lingam @ Georgianne (*Executive Director*)
Susie Chung Kim Lan (*Independent Non-Executive Director*)
Seroop Singh Ramday (*Senior Independent Non-Executive Director*)
Michael Moo Kai Wah (*Independent Non-Executive Director*)

To: Our shareholders

Dear Sir/ Madam,

PROPOSED PRIVATE PLACEMENT

1. INTRODUCTION

On 24 February 2023, UOBKH had, on behalf of the Board, announced that the Company proposes to undertake a private placement of up to 1,940,337,390 Placement Shares, representing approximately 20% of the total number of issued shares of Borneoil.

On 17 April 2023, UOBKH had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 14 April 2023, resolved to approve the listing and quotation of up to 1,940,337,390 Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities, subject to the terms and conditions as set out in **Section 7** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED PRIVATE PLACEMENT, AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSED PRIVATE PLACEMENT TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED PRIVATE PLACEMENT TO BE TABLED AT THE EGM.

2. PROPOSED PRIVATE PLACEMENT

2.1 Placement size

As at the LPD, the total issued share capital of Bornoil is RM662,337,870 comprising 9,711,686,954 Bornoil Shares. Accordingly, the private placement of up to 1,940,337,390 Placement Shares represents approximately 20% of the total number of issued shares of the Company as at the LPD, on the basis that the warrants are out of money and are not envisaged to be exercised at the material time for which listing was sought from Bursa Securities.

2.2 Basis and justification of determining the issue price(s) of the Placement Shares

The Placement Shares will be issued at issue price(s) of not more than 15% discount to the 5-day VWAP of Bornoil Shares immediately preceding the price-fixing date(s), to be determined and fixed by the Board at a later date after receipt of all relevant approvals.

This provides the Board the flexibility to fix any price range up to a maximum discount of 15% in order to entice investors to subscribe for the Placement Shares. The Board intends to fully place out the Placement Shares at issue price deemed attractive as well as acceptable to both the Company and potential investors and also to meet Bornoil Group's funding objectives as set out in **Section 2.6** of this Circular.

For illustrative purpose only, the indicative issue price of the Placement Shares is assumed at RM0.0159 per Placement Share, which represents a discount of 14.52% to the 5-day VWAP of Bornoil Shares up to and including the LPD of RM0.0186 per Share.

2.3 Ranking of the Placement Shares

The Placement Shares will, upon allotment and issuance, rank equally in all respects with the existing Bornoil 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 precedes the relevant date of allotment and issuance of the Placement Shares.

2.4 Listing and quotation for the Placement Shares

The Placement Shares to be issued will be listed on the Main Market of Bursa Securities. Approval for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities have been obtained via Bursa Securities' approval letter dated 14 April 2023.

2.5 Allocation to places

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.

Additionally, the Placement Shares will not be placed out to the following parties:-

- (i) the Director, major shareholders or chief executive of Bornoil or a holding company of Bornoil, if applicable ("**Interested Person**");
- (ii) a person connected with an Interested Person; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

If the Board is unable to identify sufficient places 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

Based on the indicative issue price of RM0.0159 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM30.85 million. The proceeds are intended to be utilised in the following manner:-

Details of utilisation	Timeframe for utilisation	RM'000
Working capital ¹	Within 12 months from completion	30,701
Estimated expenses ²	Upon completion	150
Total		30,851

Notes:-

¹ The RM30.70 million earmarked for working capital shall be utilised to finance the day-to-day expenses of Bornoil Group. The actual utilisation for the working capital is subject to Bornoil Group's operational requirements at the time of utilisation, and as such can only be determined at a later stage. Notwithstanding that, the indicative breakdown is set out below:-

	Notes	RM'000	%
Food and franchise operations ("FFO")			
○ Sourcing of raw ingredients such as poultry, chillies and tomato sauces for in-house F&B products	(a)	3,218	10.48
Property investment and management ("PIM")			
○ Contractor fees for the construction of the Plant	(b)	2,413	7.86
Resources and sustainable energy ("RSE")			
○ Sourcing of trading materials such as gypsum, laterite and bauxite used in the production of clinker and cement	(c)	15,000	48.86
○ Transportation fees for the transportation of limestone to the relevant ports in Sabah	(d)	1,609	5.24
General expenses			
○ Rental, upkeep of building premises, machineries and motor vehicles, utilities cost and other staff-related expenses	(e)	8,461	27.56
Total		30,701	100.00

Notes:-

(a) The indicative breakdown for each in-house F&B products is as follows:-

	RM'000	%
SugarBun		
○ Sourcing of fresh ingredients such as fish, chicken, potatoes and wheat flour	1,609	50.00
Sabasco Chilli		
○ Sourcing of fresh chillies and glass bottles	483	15.00
Pezzo		
○ Sourcing of fresh meat and tomato sauces	1,126	35.00
Total	3,218	100.00

- (b) *Makin Teguh Sdn Bhd ("MTSB") is an existing 29.27%-owned associate company of Borneoil and that the Group has been managing the construction of MTSB's integrated clinker and cement manufacturing plant ("Plant") in Sabah since its appointment on 1 August 2017 via the Turnkey cum Project Management Agreement.*

The Plant is located at Ulu Segama, District of Lahad Datu, Sabah, with a total land area of 8.50 hectares. The construction of the Plant was completed in August 2022 at total cost of RM156 million. It was subsequently certified as fully commissioned on 27 March 2023 and is expected to be in commercial production by June 2023 due to ongoing production trials to improve product quality and the fine-tuning of manufacturing operations. The Plant is designed to have an estimated annual capacity of 220,000 metric tonnes of cement.

Being appointed as the project manager, Borneoil Group was tasked to oversee the development of the Plant, which includes the appointment of contractors to undertake construction work and the disbursement of payments to them for all services rendered. In return, MTSB would pay the Company a project management fee.

As at the LPD, the directors and shareholders of MTSB are as follows:-

Directors	Nationality
<i>Dato' Awang Bin Ahmad @ Awang Ariffin</i>	<i>Malaysian</i>
<i>Yong Yit Fui @ Steven</i>	<i>Malaysian</i>
<i>Dyidriyah Gapang</i>	<i>Malaysian</i>

Shareholders	Country of incorporation/ Nationality	No. of shares	%
<i>Leodi Gabarra Pabelona</i>	<i>Filipino</i>	<i>250,000</i>	<i>0.20</i>
<i>Gong Hang</i>	<i>PRC Chinese</i>	<i>1,000,000</i>	<i>0.79</i>
<i>Lei Shu Qinq</i>	<i>PRC Chinese</i>	<i>1,000,000</i>	<i>0.79</i>
<i>Xue Ming Ming</i>	<i>PRC Chinese</i>	<i>1,000,000</i>	<i>0.79</i>
<i>Silam Resources Ltd</i>	<i>Labuan, Malaysia</i>	<i>10,000,000</i>	<i>7.93</i>
<i>MT 23 Resources Ltd</i>	<i>Labuan, Malaysia</i>	<i>18,929,787</i>	<i>15.02</i>
<i>Borneoil</i>	<i>Malaysia</i>	<i>36,899,049</i>	<i>29.27</i>
<i>Global 2332 Ltd</i>	<i>Labuan, Malaysia</i>	<i>57,000,000</i>	<i>45.21</i>

*To date, the Group has recognised RM135 million in revenue from the management, construction, and sourcing of materials for the Plant since 2017 under the PIM Segment. Following which, the Board had in 2022 decided to acquire a 29.27% equity interest in MTSB as a viable opportunity to participate in the cement business. As set out in **Section 4.3** of this Circular, there is currently only one manufacturing plant in Sabah (other than MTSB) that produces cement for consumption in the entire state.*

The other shareholders of MTSB had also contributed to the development of the Plant by way of capital injection and the procurement of banking facilities of up to RM160 million.

- (c) *As the project manager of the Plant, Borneoil Group was also engaged to set up the operations of the cement business, including the procurement division as part of its scope of work since the Group possesses the relevant business network and experience in trading. For the avoidance of doubt, this sourcing arrangement is only one-off in nature. The management of the procurement process will eventually be handed over to MTSB after the cement business is put on-stream by June 2023.*

The management intends to maintain at least 90 days worth of buffer inventory in case of an emergency, supply chain failure, transportation delays, or an unexpected surge in demand which may affect the Plant's production schedule. Accordingly, RM15 million has been earmarked for the sourcing of raw materials to ensure that the Plant maintains a sufficient level of on hand inventory at all times.

For shareholders' information, the Plant's manufacturing operations begin with sourcing of raw materials with the appropriate quality and texture (such as gypsum, laterite and bauxite) from external suppliers. The raw materials are first crushed, grounded into finer particles and carefully stored in silos. The exact amount required are weighed out to a careful proportion and then burned in a cement kiln at temperatures up to 1,350 to 1,550°C. The burned product emerges from the kiln as small nodules of clinker. These pass into coolers, where the heat is transferred to incoming air and the product cooled. The clinker may be immediately ground to cement or stored in stockpiles for later use. The resulting cement is then packaged and transported to construction players.

(d) The transportation fee is for payment to third-party transporters for the delivery of limestone from Bornoil Group's quarries to the relevant ports in Sabah.

(e) The indicative breakdown for general expenses is as follows:-

	RM'000	%
Rental	200	2.36
Upkeep of building premises, machineries and motor vehicles	400	4.72
Utilities cost	500	5.91
Staff-related expenses	7,361	87.01
Total	8,461	100.00

² The estimated expenses include professional fees, placement fees, regulatory fees and other incidental expenses in relation to the Proposed Private Placement. Any variation in the actual expenses will be adjusted against the proceeds allocated for working capital of the Group.

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 variance in the actual gross proceeds raised will adjust against the amount allocated for working capital of the Group.

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 exercises in the past 12 months

The Company had on 26 May 2022, announced the private placement of up to 10% of the total number of issued shares of Bornoil pursuant to Sections 75 and 76 of the Act ("**Private Placement I**"). Private Placement I was completed on 13 December 2022, of which a total of 1,052,500,000 Bornoil Shares were placed out, raising gross proceeds of RM22.40 million:-

Details of utilisation	Timeframe for utilisation	Proposed utilisation RM'000	Amount utilised RM'000	Balance proceeds RM'000
Working capital expenses ^{*1}	Within 36 months	22,312	21,569	743
Estimated expenses	Upon completion	90	90	-
		22,402	21,659	743

Note:-

Details of utilisation	Proposed utilisation RM'000	Amount utilised RM'000	Balance proceeds RM'000
Payment of trade and other payables of Bornoil Group	8,961	8,961	-
Purchase of raw ingredients for the FFO Segment mainly being poultry and wheat flour	4,480	4,480	-
Payment to contractors for the construction works at the Plant	3,360	3,360	-
Purchase of diesel and spare parts for equipment used in the RSE Segment	1,120	377	743
Other expenses (e.g. staff-related expenses, rental of office and franchise premises, utilities, office upkeep and maintenance)	4,391	4,391	-
Total	22,312	21,659	743

Save for Private Placement I, the Company has not undertaken any other fund raising exercises in the 12 months prior to the date of this Circular.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement is undertaken by the Company to meet the Group's funding requirements as set out in **Section 2.6** of this Circular, of which RM15 million or 48.25% of the placement proceeds has been earmarked for the sourcing of trading materials used in the production of clinker and cement. Notwithstanding that the Plant would only be in commercial production by June 2023, it is however required to maintain at least 90 days worth of buffer inventory at all times in case of an emergency, supply chain failure, transportation delays, or an unexpected surge in demand which may affect the Plant's production schedule.

After due consideration of the various methods of fund raising, the Board opines that the Proposed Private Placement is the most appropriate avenue as it enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings which may affect the Group's bottom line.

The Proposed Private Placement also provides the Company an expeditious way of raising funds from the capital market as opposed to other forms of fund raising such as rights issue which usually requires a longer timeframe for implementation, also without certainty that the Company will be able to meet its fundraising objectives as the level of funds raised will depend on the subscription rate. Upon completion of the Proposed Private Placement, the enlarged capital base is also expected to further strengthen the financial position of the Company.

4. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The global gross domestic product ("**GDP**") growth in 2022 moderated to 3.4% reflecting the economic slowdown in advanced economies as well as emerging market and developing economies (EMDEs). Despite the softened global growth, Malaysia's economy recorded a strong growth of 8.7% in 2022, exceeding the initial projection of 6.5% - 7%, whereby real output value reached above the pre-pandemic level. The commendable performance was driven by domestic demand and improved labour market in line with the transition to the endemic phase. These resulted from an increase in economic activities which include household spending, investment and tourism. Subsequently, encouraging expansion in all economic sectors primarily the services and manufacturing have also provided continuous impetus to the significant economic growth in 2022. Furthermore, the growth was attributed to robust external demand, especially among Malaysia's major trading partners.

In 2023, global growth is expected to further soften at 2.9% on the back of persistent pressures such as inflation, tightening global financial conditions and economic deceleration among major economies. Meanwhile, Malaysia's economic growth is projected to moderate amid the signs of weakness in the global growth momentum. The growth will be mainly supported by steady domestic demand primarily private expenditure as well as initiatives under the Budget 2023 and development expenditure under the Twelfth Malaysia Plan, 2021 – 2025 (12MP). However, a slowdown in external demand is expected to moderate exports growth, particularly in the electrical and electronic (E&E) products and major commodities.

On the supply side, all economic sectors are expected to remain in the positive growth trajectory in 2023, driven by the services and manufacturing sectors. Other sectors, namely agriculture, mining and construction are also expected to grow further in line with the improvement in economic activities. However, downside risks such as prolonged geopolitical conflict, climate-related disasters and persistently high inflation are expected to further hampering the global economic growth, hence, affecting Malaysia's performance. Overall, the nation's GDP is forecast to grow approximately 4.5% in 2023.

(Source: Updates on Economic & Fiscal Outlook and Revenue Estimates 2023, Ministry of Finance of Malaysia)

4.2 Overview and outlook of the food services industry in Malaysia

The services sector grew by 10.9% in 2022, mainly supported by the wholesale and retail trade; transportation and storage; as well as real estate and business services subsectors. The performance was attributed to the upswing in tourism-related activities following the reopening of international borders, increased consumer spending, and higher adoption of digitalization across all sectors as well as improved demand for professional services.

The performance of food & beverages and accommodation subsector turned around significantly by 33.2% following continuous expansion in tourism-related activities in line with the substantial recovery in hotel occupancy rate and patronage at eateries.

The services sector is projected to expand by 5.3% in 2023, driven by domestic demand amid moderate global activities. The growth will continue to be buoyed by wholesale and retail trade; transportation and storage; information and communication; food & beverages and accommodation; and finance and insurance subsectors.

The food & beverages and accommodation subsector is forecast to continue its growth momentum attributed to continuous implementation of initiatives under the Tourism Recovery Plan 2022. The recovery plan focuses on strengthening the industry players to remain competitive and resilient. These include collaboration with the industry players to identify and produce tourism and cultural products that cater travellers' preferences as well as diversify business events towards emerging activities. In addition, the expansion of food and beverages franchise outlets is expected to further boost the subsector.

(Source: Updates on Economic & Fiscal Outlook and Revenue Estimates 2023, Ministry of Finance of Malaysia)

4.3 Overview and outlook of the clinker and cement industry in Malaysia

Cement is a very fine powdery binding agent (usually made up of substances such as limestone and clay) that sets and hardens to adhere to other materials predominantly used for building and civil engineering construction. Mortar that is used for binding bricks, blocks and stones in walls or as surface rendering is produced by mixing cement with sand or crushed stone (that is less than approximately 5 millimetres in size) produces. Concrete that is used for a large variety of constructional purposes is produced from a mixture of cement, sand or other fine aggregate and a coarse aggregate. Cement can be either non-hydraulic (does not set in wet conditions or under water) or hydraulic (set and become adhesive in wet conditions or under water). The commonly used cement today for construction is a type of hydraulic cement known as Portland cement which is made from raw materials such as limestone, clay, sand and iron ore. The major end-users of cement are contractors, ready-mixed concrete manufacturers and precast concrete manufacturers. A smaller quantity of cement may also be used by small-scale contractors and home owners for minor construction or renovation works.

Cement manufacturers can be non-integrated if they are only involved in cement production or integrated if they are able to produce both clinker and cement. Clinker is a nodular material that is used as the binder in many cement products. It is produced from the heating of raw materials (used in the production of cement), such as clay and limestone, in a kiln in high temperature.

Limestone is produced and consumed for cement manufacturing in Malaysia. It is one of the key raw materials of cement clinker. Limestone refers to a sedimentary rock composed mainly of calcium carbonate in the form of the mineral calcite or the double carbonate of calcium and magnesium (dolomite). There were 11 limestone quarries in Malaysia producing aggregates for cement manufacturing in 2019. These limestone quarries consisted of 5 limestone quarries located in Perak and one each in Kedah, Negeri Sembilan, Pahang, Perlis, Sarawak and Selangor. In Malaysia, the production of limestone for the manufacture of cement stood at 24.2 million tonnes in 2019 as compared to 25.3 million tonnes in 2018.

The cement market in Malaysia rebounded from a downturn year in 2020 that saw very harsh and strict lockdown measures imposed including labour and operating capacity restrictions leading to disruption in economic activities that included manufacturing, construction and mining activities. The cement market in Malaysia managed to register a better performance in 2021 in tandem with the easing of lockdown measures and resumption of more economic activities. In 2021, the sales value from the manufacture of hydraulic cement (which includes the manufacture of clinkers and hydraulic cements, including Portland, aluminous cement slag cement and superphosphate cements) in Malaysia stood at RM8.95 billion, an increase of 12.2% from RM8.47 billion registered in 2020. Cement is also one of the key building materials widely used in the construction industry in Malaysia. As more construction activities resumed, the value of sales derived from the manufacture of precast concrete, cement or artificial stone articles for use in construction improved 6.0% from RM13.26 billion in 2020 to RM14.06 billion in 2021.

In terms of production, total cement produced in Malaysia increased marginally from 19.9 million tonnes in 2020 to 20.0 million tonnes in 2021. The majority of cement production plants in Malaysia are concentrated in the Peninsular Malaysia with only a few cement production plants in East Malaysia. As of 30 June 2021, the largest cement manufacturer in Malaysia was Malayan Cement Berhad. At that time, the company has 5 integrated cement plants, i.e. those involved in the production of both clinker (an intermediary product produced in the manufacture of Portland cement) and cement, located at Langkawi in Kedah, Kanthan and Padang Rengas in Perak, Bukit Sagu in Pahang and Rawang in Selangor. In Sabah, a cement manufacturing plant was established in Sepanggar, Kota Kinabalu by Cement Industries (Sabah) Sdn Bhd to manufacture Portland cement for consumption in the state.

Malaysia remained a net exporter of cement (based on Harmonised System ("HS") Code 2523 that represents Portland cement, aluminous cement, slag cement, supersulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers) in 2021. In 2021, Malaysia exported 2.37 billion kilogrammes ("kg") of cement valued at United States dollar ("USD") 132.2 million (2020: 1.63 billion kg of cement valued at USD82.4 million) and imported 1.10 billion kg of cement valued at USD79.9 million (2020: 1.18 billion kg of cement valued at USD75.9 million).

In 2021, the prices of cement had been generally trending higher in most part of Malaysia particularly in the Peninsular Malaysia where all the states registered an increase in prices. In the Peninsular Malaysia, region A (Penang, Kedah and Perlis) registered an increase in unit price index for cement (July 2017 = 100) from 109.8 in December 2020 to 117.5 in December 2021, the highest increase in unit price index points among all the regions there. In Sabah, there were price increases for cement in Kota Kinabalu and Sandakan while the cement prices were flat in Tawau. Kota Kinabalu registered the highest increase in unit price index points among the regions in Sabah with 110.9 recorded in December 2021 as compared to 102.8 recorded in December 2020.

Moving forward, the cement market is expected to register an overall positive performance during the forecast period from 2022 to 2026. Protégé Associates has projected that the annual sales value from the manufacture of hydraulic cement in Malaysia is expected to increase from RM8.95 billion in 2021 to RM11.86 billion in 2026, registering a compound annual growth rate of 5.8%. The growth of the cement market in Malaysia during the forecast period is expected to be largely driven by the following factors:-

- The expected expansion in the Malaysian construction industry

As the Malaysian construction industry is a key end-user of cement, any positive development in the former will likely to bode well for the growth of the cement market in Malaysia. The Malaysian construction industry is forecast to expand from RM50.77 billion in 2021 to RM70.82 billion in 2026, registering a CAGR of 6.9%. Growth within the industry is expected to be supported by both building and infrastructure construction activities. The development expenditure allocation of RM95 billion, the largest ever, announced in Budget 2023 is expected to drive growth in the local construction industry. Sabah is also expected to continue benefitting after receiving a development expenditure allocation of RM6.3 billion in Budget 2023.

On a closer look at the construction industry, the Malaysian Government is also committed in supporting the development of the Malaysian real estate construction market as well as the Malaysian civil engineering and specialised trade works market. In Budget 2023, the Malaysian Government has continued to focus on home ownership. The National Affordable Housing Council has targeted the construction of 500,000 affordable homes by 2025. In addition, the stamp duty exemption will be increased from 50% to 75% with respect to property transfer documents and loan agreements for homes valued at more than RM500,000 to RM1 million effective until 31 December 2023. Besides that, the construction of new rural houses and renovation of rural houses will be increased from RM361 million to RM460 million in 2023 with the ceiling rate for building new houses being raised, for example, from RM68,000 to RM79,000 in Sabah and Sarawak. New homes to be built totalled 3,000 with more than half in Sabah and Sarawak.

As for the urban areas, an allocation of RM367 million is provided for the Program Perumahan Rakyat while the Rumah Mesra Rakyat programme will involve the construction of 4,250 housing units with an allocation of RM358 million. The Employees Provident Fund will continue the development of Kwasa Damansara with a total investment of more than RM3 billion until 2025 while Permodalan Nasional Berhad will also, through the Merdeka Tower 118 project, undertake a gross development value of more than RM10 billion. The Malaysian real estate construction market is forecast to expand from RM22.92 billion in 2022 to RM29.03 billion in 2026, registering a CAGR of 4.8%.

In the Malaysian civil engineering and specialised trade works market, a sizeable portion of the development expenditure allocation under Budget 2023 has been channelled towards bridging urban-rural infrastructure gap, enhancing the living standards of the people and promoting economic development. RM16.5 billion has been allocated for major infrastructure projects particularly the Pan Borneo Highway, Gemas-Johor Bahru Electrified Double-Tracking Project, East Coast Rail Link, Johor Bahru-Singapore Rail Transit System and Central Spine Road. The Malaysian Government is also committed to completing the Mass Rail Transit 3 project with a total project cost of RM50.2 billion, with projected expenditure for 2023 amounting to RM3.3 billion. In addition, RM11.4 billion has been allocated for the repair and maintenance of Federal roads and Government buildings. A total of RM2.55 billion has also been allocated for the improvement and enhancement of rural infrastructure facilities particularly in Sabah and Sarawak.

The Malaysian Government has allocated RM1.4 billion for the country's 5 main Corridor Regions to implement various programmes such as the Rapid Transit Bus Transport System in Johor with an allocation of RM80 million, the expansion of Sapangar Bay Container Port, Sabah with an allocation of RM250 million and Samalaju Water Supply Infrastructure Project Phase 3 with an allocation of RM100 million. Besides that, the Malaysian Government has planned to initiate development for towns at the border with Thailand and Kalimantan, Indonesia with a project cost of RM150 million. The towns involved include Bukit Kayu Hitam, Kedah; Kalabakan, Sabah as well as Tebedu and Bakelalan, Sarawak. The civil engineering and specialised trade works market in Malaysia is forecast to expand from RM27.85 billion in 2021 to RM41.79 billion in 2026, registering a CAGR of 8.5%.

- The availability of key industrial minerals in Malaysia to support production

Key raw materials required in the production of cement include industrial minerals such as limestone, clay and silica sand are found and produced in Malaysia. In 2019, Malaysia's production of limestone, clay and silica sand stood at 24.2 million tonnes, 9.2 million tonnes and 4.7 million tonnes respectively.

Based on the estimation of the Department of Mineral and Geoscience Malaysia, limestone resources in Malaysia totalled about 27,640 million tonnes as at end 2019 with the majority of them located in East Malaysia. Of this total, it was estimated that there were 5,626 million tonnes of limestone resources in Sabah. Malaysia had abundant clay resources with an estimated 826 million tonnes (which included ball clay resources of about 326 million tonnes) as at end 2019. There was also a large amount of silica sand resources in Malaysia amounting to about 214.9 million tonnes as at end 2019 according to the estimation by the Department of Mineral and Geoscience Malaysia. Of this total, it was estimated that Sabah had 73.2 million tonnes of silica sand resources.

Given the availability of key industrial materials in Malaysia, the Malaysian cement market can look forward to a steady supply of raw materials locally to drive its cement production.

On the flip side, the cement manufacturers in Malaysia need to be mindful of the following challenge:-

- Labour shortage and high dependency on foreign workers

The cement market in Malaysia has continued to grapple with labour shortage. Most locals shun these jobs as they view them as dangerous, dirty and difficult, and they expect higher wages. Therefore, the local cement market has been relying heavily on foreign workers. It does not help that policies on foreign workers have been constantly under close scrutiny and are vulnerable to frequent changes particularly on levy rates and number of foreign workers allowed to work in Malaysia. In 2023, the multi-tiered levy for foreign working is expected to commence. Companies which hire large numbers of foreign workers will have to pay a higher levy under this approach.

(Source: Independent Market Research Report, Protégé Associates Sdn Bhd)

4.4 Future prospects of Bornoil Group

Presently, Bornoil Group is primarily involved in food and franchise operations (FFO), property investment and management (PIM), as well as resources and sustainable energy (RSE). The revenue contribution from each business segment for the past 3 financial years up to the FYE 30 June 2022 is as follows:-

	-----Audited----->					
	FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022	
	RM'000	%	RM'000	%	RM'000	%
Revenue	88,289	100.0	51,409	100.0	87,494	100.0
FFO Segment	40,731	46.13	37,439	72.83	47,621	54.43
PIM Segment	30,946	35.05	6,253	12.16	22,093	25.25
RSE Segment	16,289	18.45	7,560	14.71	17,743	20.28
Others	323	0.37	157	0.30	36	0.04

The Board anticipates that the economic environment will likely remain challenging due to prevailing macroeconomic uncertainties. The US-China trade tension, along with the Russia-Ukraine conflict has created much disruption to the global supply chains and food security, which led to rising commodity prices and intensifying global inflationary pressure.

Notwithstanding the foregoing, Bornoil Group has initiated the following strategies and plans to enhance its business performance moving forward:-

FFO Segment - Following the successful launch of Sabasco and A1 Tok Sai chilli sauce, the Group will move upstream to promote the planting of Borneo niche products such as chilli, grain maize, Bario rice from Sarawak and Keladi rice from Sabah to expand its F&B product offerings. As part of the initiative to encourage community farming in Sarawak and Sabah, the Group will enter into offtake agreements with local farmers for the sourcing of these Borneo niche products.

PIM Segment - MTSB is an existing 29.27%-owned associate company of Borneoil and the Group has been managing the construction of MTSB's cement Plant since 2017. Notwithstanding that the construction of the Plant was completed in August 2022, the Company had on 28 October 2022 announced the proposed acquisition of an additional 30.73% equity interest in MTSB ("**Proposed Acquisition**"), together with the proposed diversification into the cement business ("**Proposed Diversification**"). For the avoidance of doubt, the Proposed Acquisition and Proposed Diversification are subject to shareholders' approval, which is yet to be obtained.

RSE Segment - Borneoil Group has been supplying limestone aggregates for construction materials and is now looking to explore the opportunities of providing limestone powder and granular limestone as fertiliser and poultry feed, respectively.

Despite the current economic condition, the Board is of the view that the new business strategies in place will improve the financial performance of Borneoil Group moving forward. The Group will focus on developing Borneo-centric resources (such as limestone reserves, chilli, grain maize, Bario rice from Sarawak and Keladi rice from Sabah) to create sustainable self-reliance and self-sufficiency.

(Source: Management of Borneoil)

5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

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:-

	No. of Shares	RM
Issued share capital as at the LPD	9,711,686,954	662,337,870
Issuance of Placement Shares	1,940,337,390	30,851,365 ^{*1}
Enlarged issued share capital	11,652,024,344	693,189,235

Note:-

^{*1} Computed based on the indicative issue price of RM0.0159 per Placement Share.

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 2022, 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:-

	Audited as at 30 June 2022 RM'000	As at the LPD ^{*1} RM'000	After the Proposed Private Placement RM'000
Share capital	640,238	662,338	693,189
Reserves	94,502	94,502	94,502
Retained earnings	140,769	140,769	140,619 ^{*2}
Shareholders' equity/ NA	875,509	897,609	928,310
No. of Shares in issue ('000)	8,233,117	9,711,686	11,652,024
NA per Share (RM)	0.11	0.09	0.08
Total borrowings (RM'000)	30,301	30,301	30,301
Gearing ratio (times)	0.03	0.03	0.03

Notes:-

*1 From 1 July 2022 up to the LPD, the share capital increased by RM22.10 million after adjusting for the following:-

- i. issuance of 1,052,500,000 Shares pursuant to Private Placement I;
- ii. issuance of 401,000,000 Shares pursuant to exercise of ESOS options;
- iii. issuance of 11,857,250 Shares pursuant to conversion of Warrants C; and
- iv. issuance of 13,212,625 Shares pursuant to conversion of Warrants D.

*2 After deducting estimated expenses of RM0.15 million.

5.3 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 2023. 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 Circular are realised.

5.4 Convertible securities

As at the LPD, the Company has the following convertible securities:-

- (i) 1,722,822,600 outstanding warrants 2015/2025 ("**Warrant(s) C**"). Warrants C is 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) 365,471,359 outstanding warrants 2017/2027 ("**Warrant(s) D**"). Warrants D is 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. As at the LPD, there are a total of 6,992,562 outstanding ESOS options which have yet to be exercised. All unexercised ESOS options will become null and void after the date of expiry on 20 June 2025.

Save for the above, the Company has no other convertible securities. 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.

5.5 Substantial shareholders' shareholding structure

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

	Shareholdings as at the LPD		After the Proposed Private Placement ¹	
	Direct No of Shares	% ²	Direct No of Shares	% ³
Victoria Limited	1,258,108,250	12.95	1,258,108,250	10.80
Datuk Joseph Lee Yok Min @ Ambrose	290,026,500	2.99	290,026,500	2.49
			1,282,437,810 ⁴	11.01

Notes:-

¹ Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s).

² Based on the total issued shares of 9,711,686,954 in Borneoil.

³ Based on the total issued shares of 11,652,024,344 in Borneoil.

⁴ Deemed interest by virtue of his shareholdings in Victoria Limited.

5.6 Existing shareholders' shareholding structure

The Proposed Private Placement is expected to result in share dilution on existing shareholders as set out below:-

	Shareholdings as at the LPD		After the Proposed Private Placement	
	No of Shares	% ¹	No of Shares	% ²
Existing shareholders	9,711,686,954	100.00	9,711,686,954	83.35
Placee(s)	-	-	1,940,337,390	16.65

Notes:-

¹ Based on the total issued shares of 9,711,686,954 in Borneoil.

² Based on the total issued shares of 11,652,024,344 in Borneoil.

6. HISTORICAL SHARE PRICES

The monthly highest and lowest transacted prices of Bornoil Shares for the past 12 months from the date of this Circular as traded on Bursa Securities from April 2022 to March 2023 are as follows:-

	High RM	Low RM
2022		
April	0.030	0.025
May	0.030	0.025
June	0.030	0.020
July	0.030	0.020
August	0.030	0.020
September	0.030	0.020
October	0.025	0.015
November	0.025	0.015
December	0.030	0.015
2023		
January	0.025	0.015
February	0.025	0.015
March	0.020	0.015
Last transacted market price on the LPD		0.015

(Source: Bloomberg)

7. APPROVALS REQUIRED/ OBTAINED AND CONDITIONALITY

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

- (i) Bursa Securities for the listing and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities. The approval of Bursa Securities was obtained vide its letter dated 14 April 2023 and subject to the following conditions:-

Conditions	Status of compliance
(a) Bornoil and UOBKH must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement	To be complied
(b) UOBKH to inform Bursa Securities upon the completion of the Proposed Private Placement	To be complied
(c) Bornoil/ UOBKH to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders approving the Proposed Private Placement, prior to the listing of the new shares to be issued pursuant to the Proposed Private Placement	To be complied
(d) UOBKH to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed	To be complied

- (ii) Shareholders of Bornoil at the EGM and the waiver of their pre-emptive rights under Section 85(1)*¹ of the Act to be offered new Bornoil Shares to be issued pursuant to the Proposed Private Placement at the forthcoming EGM of the Company, which will result in a dilution of their shareholding percentage in the Company.

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

Note:-

*1 Section 85(1) of the Act provides that:-

"Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders"

Clause 16 of the Constitution of the Company states that:-

"Subject to any direction to the contrary that may be given by the Company in general meeting, any shares or other convertible securities proposed to be issued shall before they are issued be offered to such persons as are at the date of the offer entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or convertible securities offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or convertible securities offered, the Directors may dispose of those shares or convertible securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new shares or convertible securities which (by reason of the ratio which the new shares or convertible securities bear to shares or securities held by the persons entitled to an offer of new shares or convertible securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution."

By voting in favour of the ordinary resolution for the Proposed Private Placement, the shareholders of the Company are deemed to have waived their pre-emptive rights pursuant to Section 85 of the Act and Clause 16 of the Constitution of the Company to be first offered the Bornoil Shares which will result in a dilution of their shareholding percentage in the Company.

8. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

On behalf of the Board, UOBKH had on 28 October 2022, announced that the Company:-

- (i) had on even date entered into a share sale agreement with Global 2332 Ltd to acquire 30.73% equity interest in Makin Teguh Sdn Bhd, an existing 29.27%-owned associate company of Bornoil, for a purchase consideration of RM100,000,000 to be satisfied entirely in cash; and
- (ii) proposes to diversify the existing principal activities of Bornoil Group to include the manufacturing and trading of clinker and cement.

At this juncture, the Company plans to revise and/ or reformulate the terms and structure of the proposals disclosed above, subject to signing of a supplemental agreement. In this respect, the Board envisages to make the necessary announcement on the revised and/ or reformulated proposals once the terms and structure have been finalised and deliberated thereupon.

Save as disclosed above and for the Proposed Private Placement (being subject matters of this Circular), the Board confirms that there are no other outstanding proposals which have been announced but not yet completed as at the date of this Circular.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM

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

10. DIRECTORS' STATEMENT AND RECOMMENDATION

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 it is in the best interest of the Company.

Accordingly, the Board recommends that you **vote in favour** of the ordinary resolution pertaining to the Proposed Private Placement to be tabled at the Company's forthcoming EGM.

11. 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 2023.

12. EGM

The EGM, the notice of which is enclosed in this Circular, will be conducted at Kinabalu Room, Level 5, Sabah International Convention Centre, Tanjung Lipat, Jalan Tun Fuad Stephens, 88400 Kota Kinabalu, Sabah, Malaysia on Friday, 5 May 2023 at 10:00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposed Private Placement.

A member entitled to attend, participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the completed and signed Form of Proxy should be lodged at the registered office of Borneoil at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007, Wilayah Persekutuan Labuan not less than 48 hours before the time set for holding the EGM as indicated below. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

13. FURTHER INFORMATION

Shareholders are advised to refer to the appendix set out in this Circular for further information.

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

DATUK JOSEPH LEE YOK MIN @ AMBROSE
Managing Director

APPENDIX I – ADDITIONAL INFORMATION ON BORNOIL

1. Financial performance and financial position of Bornoil

The audited financial information of Bornoil for the past 3 financial years up to the FYE 30 June 2022 and the latest unaudited quarterly results for the 6-month financial period ended FPE 31 December 2022, is set out below:-

	<-----Audited----->			<--Unaudited-->
	FYE 30 June 2020 RM'000	FYE 30 June 2021 RM'000	FYE 30 June 2022 RM'000	6-month FPE 31 December 2022 RM'000
Revenue	88,289	51,409	87,494	42,658
GP/ (GL)	28,589	11,057	19,035	8,680
PBT/ (LBT)	4,063	28,473	53,861	29,001
PAT/ (LAT)	1,598	28,484	54,099	28,748
EPS/ (LPS) (sen)	0.03	0.46	0.67	0.32
Total borrowings	16,164	18,244	30,301	29,925
Cash and bank balances	5,597	31,425	21,369	7,692
Gearing ratio (times)	0.02	0.02	0.03	0.03
Non-current assets	655,928	710,147	817,621	899,101
Current assets	73,559	113,144	127,044	103,162
Non-current liabilities	34,786	36,938	46,360	46,124
Current liabilities	22,892	18,912	22,795	20,187
Current ratio (times)	3.21	5.98	5.57	5.11
Shareholders' funds/ NA	671,808	767,442	875,509	935,952
No. of Shares ('000)	5,142,764	6,259,207	8,062,236	9,105,599
NA per Share (RM)	0.13	0.12	0.11	0.10

FYE 30 June 2020 compared to FYE 30 June 2019

For the FYE 30 June 2020, Bornoil recorded revenue of RM88.29 million, representing a decrease of RM4.88 million or 5.2% as compared to the preceding financial year of RM93.17 million. There was a decrease in revenue from the FFO and PIM segments as COVID-19 restrictions were imposed on restaurant operations and construction activities.

Bornoil recorded PBT of RM4.06 million for the FYE 30 June 2020, representing a decrease of RM1.23 million or 23.3% as compared to the preceding financial year of RM5.29 million. The Group recorded lower other income from the absence of fair value gain on investment properties, amounting to RM114.08 million during the preceding financial year.

FYE 30 June 2021 compared to FYE 30 June 2020

For the FYE 30 June 2021, Bornoil recorded revenue of RM51.41 million, representing a decrease of RM36.88 million or 41.8% as compared to the preceding financial year of RM88.29 million. There was a decrease in revenue from the PIM and RSE segments arising from the MCO, which delayed the completion of the Plant coupled with lesser demand for limestone.

Bornoil recorded PBT of RM28.47 million for the FYE 30 June 2021, representing an increase of RM24.41 million or 601.2% as compared to the preceding financial year of RM4.06 million. The Group recorded higher other income from the fair value gain of RM26.40 million on its investment in Verde Resources, Inc, together with the reversal of impairment loss on intellectual property rights amounting to RM18.29 million.

FYE 30 June 2022 compared to FYE 30 June 2021

For the FYE 30 June 2022, Bornoil recorded revenue of RM87.49 million, representing an increase of RM36.08 million or 70.2% as compared to the preceding financial year of RM51.41 million. There was an increase in revenue from the FFO, PIM and RSE segments arising from the uplift of the MCO, which led to the increase of dine-in consumers as well as full resumption of on-site installation activities for the Plant.

Bornoil recorded PBT of RM53.86 million for the FYE 30 June 2022, representing an increase of RM25.39 million or 89.2% as compared to the preceding financial year of RM28.47 million. This was mainly due to the lower ESOS expenses incurred in the current financial year, coupled with the fair value gain on quoted shares.

Further, the total borrowings of Bornoil stood at RM30.30 million as at 30 June 2022, representing an increase of RM12.06 million or 66.12% as compared to the preceding financial year of RM18.24 million. This was mainly due to the addition of RM1.50 million hire purchase for new machineries and vehicles, coupled with the drawdown of RM9.00 million term loan for infrastructure installation.

6-month FPE 31 December 2022 compared to 6-month FPE 31 December 2021

For the 6-month FPE 31 December 2022, Bornoil recorded revenue of RM42.66 million, representing an increase of RM13.23 million or 45.0% as compared to the preceding financial period of RM29.43 million. There was an increase in revenue from the FFO and PIM segments following the resumption of economic activities after the COVID-19.

Bornoil recorded PBT of approximately RM29.00 million for the 6-month FPE 31 December 2022, representing an increase of RM14.81 million or 96.1% as compared to the preceding financial period of RM14.19 million. This was mainly due to the fair value gain on quoted securities, partially offset by unrealised exchange loss.

2. Value creation and impact of the Proposed Private Placement to the Group and its shareholders

The Proposed Private Placement will facilitate the Group to raise funding for its immediate working capital requirements as set out in **Section 2.6** of this Circular. Such proceeds will provide the Group with more flexibility over the allocation of internal funds to meet its financial obligations and liabilities, whilst retaining an adequate level of cash surplus.

In addition, the Proposed Private Placement also serves as an expeditious way of raising funds from the capital market given that the placement funds will be received within 5 market days from the price-fixing date. This will enable the Group to tap into the equity market to raise funds without incurring additional interest costs associated with bank borrowings.

As illustrated in **Section 5** of this Circular, the Proposed Private Placement is expected to enlarge the share capital of the Company and its shareholders' funds by RM30.85 million. Further, the Proposed Private Placement is not expected to have any material effect on the earnings of the Group for the financial year ending 30 June 2023. However, the shareholdings of existing shareholders and the EPS of the Group are expected to be diluted as a result of the increase in number of Shares in issue upon the completion of the Proposed Private Placement.

3. Adequacy of the Proposed Private Placement in addressing the Group's financial concerns

The Board is of the view that the primary financial concern at this juncture is to secure sufficient funding requirements for the Group's recurring operating expenses amidst the current economic condition led by the US-China trade tension, along with the Russia-Ukraine conflict. The Group's operations have not been spared from the rising commodity prices arising from the global supply chain disruptions.

For the time being, the Board is of the view that the Proposed Private Placement is adequate in addressing the immediate financial needs of the Group, whilst retaining an adequate level of cash surplus to weather any operational headwinds in the short-term. Moving forward, further fundraising exercises, either via equity, debt or otherwise, may be contemplated, as and when deemed required and necessary at that material point in time to ensure that the Group's business continuity is not affected by cash flow constraints.

Internally, the Group had embarked on cost cutting measures, such as prudent cash flow management, optimisation of current human resources, recruitment of additional staff only when required and enhancement of management expertise to refine its operational efficiency. In terms of business growth, the Board will focus on developing Borneo-centric resources to create sustainable self-reliance and self-sufficiency as set out in **Section 4.4** of this Circular.

APPENDIX II – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein 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. CONSENT

UOBKH, being the Adviser and Placement Agent for the Proposed Private Placement has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTEREST

UOBKH has given its written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Adviser and Placement Agent for the Proposed Private Placement.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, the Board confirms that there are no material commitments incurred or known to be incurred by Bornoil Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of Bornoil Group.

5. MATERIAL COMMITMENT

As at the LPD, the Board confirms that there are no material commitments incurred or known to be incurred by the Group that has not been provided for which, may have a material impact on the financial results/ position of the Group.

6. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the Board confirms that there are no contingent liabilities incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the financial results/ position of the Group:-

	RM'000
Corporate guarantees given to banks and other financial institutions for credit facilities granted to subsidiary companies	36,546
Total	<u>36,546</u>

APPENDIX II – FURTHER INFORMATION (CONT'D)

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of Bornoil at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007, Wilayah Persekutuan Labuan, during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the EGM:-

- i. Constitution of Bornoil;
- ii. Audited consolidated financial statements of Bornoil Group for the past 3 financial years up to the FYE 30 June 2022, and its latest unaudited quarterly report for the 6-month FPE 31 December 2022;
- iii. letters of consent and declaration of conflict of interest referred to in **Sections 2 and 3** above respectively.



NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting ("**EGM**") of Borneo Oil Berhad ("**Bornoil**" or the "**Company**") will be conducted at Kinabalu Room, Level 5, Sabah International Convention Centre, Tanjung Lipat, Jalan Tun Fuad Stephens, 88400 Kota Kinabalu, Sabah, Malaysia on Friday, 5 May 2023 at 10:00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolution:-

ORDINARY RESOLUTION

PROPOSED PRIVATE PLACEMENT OF UP TO 1,940,337,390 NEW ORDINARY SHARES IN BORNOIL, REPRESENTING APPROXIMATELY 20% OF THE EXISTING TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY ("PROPOSED PRIVATE PLACEMENT")

"THAT subject to the passing of Ordinary Resolution and subject to all approvals being obtained from the relevant authorities and/ or parties, approval be and is hereby given to the Board of Directors of Bornoil ("**Board**") to issue and allot up to 1,940,337,390 new ordinary shares in the Company ("**Bornoil Shares**" or "**Shares**"), representing approximately 20% of the existing total number of issued shares of Bornoil ("**Placement Shares**") to third party investor(s) to be identified later at an issue price to be determined later by the Board ("**Price Fixing Date**") upon such terms and conditions as disclosed in the circular to the shareholders of the Company dated 20 April 2023 ("**Circular**").

THAT pursuant to Section 85 of the Companies Act, 2016 ("**Act**") read together with Clause 16 of the Constitution of the Company, approval be hereby given to waive the statutory pre-emptive rights of the existing shareholders of the Company to be offered new Shares ranking equally to the existing issued Bornoil Shares arising from any allotment and issuance of new Shares pursuant to the Proposed Private Placement.

THAT the issue price of the Placement Shares will be determined based on a discount of not more than 15% to the 5-day volume-weighted average market price of the Shares up to and including the last trading day immediately preceding the Price-Fixing Date.

THAT the Directors be and are hereby authorised to utilise the proceeds to be derived from the Proposed Private Placement for such purposes as set out in the Circular and the Board be and is hereby authorised with full power to vary the manner and/ or purpose of the utilisation of such proceeds from the Proposed Private Placement in the manner as the Board may deem fit, necessary and/ or expedient, subject (where required) to the approval of the relevant authorities and in the best interest of the Company.

THAT such Placement Shares will, upon allotment and issuance, rank equally in all respects with the existing Bornoil 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 precedes the relevant date of allotment and issuance of the Placement Shares.

THAT the Directors be and are hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/ or arrangements as may be necessary to give effect and complete the Proposed Private Placement and to assent to any conditions, modifications, variations and/ or amendments in any manner as may be required by the relevant authorities or as the Directors may deem necessary in the best interest of the Company and to take such steps as they may deem appropriate, necessary and/ or expedient in order to implement, finalise, give full effect and to complete the Proposed Private Placement.

AND THAT this resolution constitutes a specific approval for the issuance of securities in the Company contemplated herein and shall continue to be in full force and effect until all Placement Shares to be issued pursuant to or in connection with the Proposed Private Placement have been duly allotted and issued in accordance with the terms of the Proposed Private Placement."

Explanatory Note to Ordinary Resolution:

Section 85(1) of the Act provides that:-

"Subject to the constitution, where a company issue shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders"

Clause 16 of the Constitution of the Company states that:-

"Subject to any direction to the contrary that may be given by the Company in general meeting, any shares or other convertible securities proposed to be issued shall before they are issued be offered to such persons as are at the date of the offer entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or convertible securities offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or convertible securities offered, the Directors may dispose of those shares or convertible securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new shares or convertible securities which (by reason of the ratio which the new shares or convertible securities bear to shares or securities held by the persons entitled to an offer of new shares or convertible securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution."

By voting in favour of the proposed Ordinary Resolution, the shareholders of the Company are deemed to have waived their pre-emptive rights pursuant to Section 85 of the Act and Clause 16 of the Constitution of the Company to be first offered the Placement Shares which will result in a dilution of their shareholding percentage in the Company.

By Order of the Board

**CHIN SIEW KIM (SSM PRACTICING CERTIFICATE NO. 202008004110) (L.S. 0000982)
ANDREA HUONG JIA MEI (SSM PRACTICING CERTIFICATE NO. 202008003125) (MIA 36347)**

Company Secretaries
Labuan F.T.
20 April 2023

Notes:-

1. A member entitled to attend and vote at the EGM is entitled to appoint a proxy/ proxies to attend and vote for him but his attendance shall automatically revoke the proxy's authority. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. A member may appoint up to two (2) proxies to attend and vote at the EGM. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's Registered Office at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007, W.P. Labuan, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting, otherwise the instrument of proxy should not be treated as valid.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 27 April 2023 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/ or vote on his behalf.



FORM OF PROXY

BORNEO OIL BERHAD
Registration No. 198901005309 (121919-H)

CDS Account No.											
			-					-			

I/ We _____ Tel No. _____
(FULL NAME IN BLOCK CAPITAL)

NRIC No./ Company No. _____ of _____
(ADDRESS)

_____ being a
Member

of **BORNEO OIL BERHAD**, hereby appoint _____
(FULL NAME IN BLOCK CAPITALS)

NRIC No. _____ of _____
(ADDRESS)

_____ Tel No. _____ Email address _____

or failing him _____ NRIC No. _____
(FULL NAME IN BLOCK CAPITAL)

of _____
(ADDRESS)

Tel No. _____ Email address _____ or failing him,

the **CHAIRMAN OF THE MEETING**, as my/our proxy to vote on my/our behalf at the Extraordinary General Meeting of the Company which is scheduled to be conducted at Kinabalu Room, Level 5, Sabah International Convention Centre, Tanjung Lipat, Jalan Tun Fuad Stephens, 88400 Kota Kinabalu, Sabah, Malaysia on Friday, 5th May 2023 at 10:00 a.m., or at any adjournment thereof.

Item	Agenda	Resolution	FOR	AGAINST
1.	Proposed Private Placement	Ordinary Resolution		

Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand(s) this _____ day of _____, 2023.

Signature of Member

Number of Shares Held

For appointment of two (2) proxies, percentage of shareholdings to be represented by two (2) proxies		
	No. of Shares	Percentage
Proxy 1		
Proxy 2		
Total		100

Notes:-

1. A member entitled to attend and vote at the EGM is entitled to appoint a proxy/ proxies to attend and vote for him but his attendance shall automatically revoke the proxy's authority. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. A member may appoint up to two (2) proxies to attend and vote at the EGM. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.



4. *The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*
5. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's Registered Office at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007, W.P. Labuan, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting, otherwise the instrument of proxy should not be treated as valid.*
6. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 27 April 2023 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*

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AFFIX
STAMP

The Company Secretary
Borneo Oil Berhad
Registration No. 198901005309 (121919-H)
1st & 2nd Floor, Victoria Point,
Jalan OKK Awang Besar,
87007, W.P. Labuan

2nd Fold Here

Fold This Flap For Sealing
