

**JOHORE TIN BERHAD ("JTB" OR THE "COMPANY")**

- (I) PROPOSED RIGHTS ISSUE WITH WARRANTS;**
  - (II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND**
  - (III) PROPOSED M&A AMENDMENTS**
- (COLLECTIVELY REFERRED TO AS THE "PROPOSALS")**
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**1. INTRODUCTION**

On behalf of the Board of Directors of JTB ("Board"), OSK Investment Bank Berhad ("OSK") wishes to announce that JTB proposes to undertake the following corporate proposals:-

- (i) Proposed renounceable rights issue of 23,326,333 new ordinary shares of RM1.00 each in JTB ("Rights Share(s)") together with 23,326,333 free detachable warrants ("Warrant(s)") on the basis of one (1) Rights Share and one (1) Warrant for every three (3) existing ordinary shares of RM1.00 each in JTB ("JTB Share(s)" or "Share(s)") held on an entitlement date to be determined later ("Proposed Rights Issue with Warrants");
- (ii) Proposed increase in authorised share capital of JTB from RM100,000,000 comprising 100,000,000 JTB Shares to RM200,000,000 comprising 200,000,000 JTB Shares by the creation of an additional 100,000,000 new JTB Shares ("Proposed Increase in Authorised Share Capital"); and
- (iii) Proposed amendments to the Memorandum and Articles of Association ("M&A") of JTB ("Proposed M&A Amendments").

Further details on the Proposals are set out in the following sections.

**2. DETAILS OF THE PROPOSALS**

**2.1 Proposed Rights Issue with Warrants**

Based on the total issued and paid-up share capital of JTB as at 2 August 2012 of RM69,979,000 comprising 69,979,000 JTB Shares, the Proposed Rights Issue with Warrants would entail an issuance of 23,326,333 Rights Shares together with 23,326,333 Warrants on the basis of one (1) Rights Share together with one (1) free detachable warrant for every three (3) existing JTB Shares held on the entitlement date to be determined later. The Proposed Rights Issue with Warrants is renounceable in full or in part.

The Warrants shall only be issued to the entitled shareholders of the Company who subscribe for the Rights Shares pursuant to the Proposed Rights Issue with Warrants. Although the Rights Shares with Warrants are renounceable in full or in part, the Rights Shares and the Warrants are not separately renounceable. Accordingly, the entitled shareholders can only renounce or subscribe for their entitlements to the Rights Shares with free Warrants in full or in part in the proportion allocated. Any unsubscribed Rights Shares with the attached Warrants shall be offered to other shareholders of JTB under the excess Rights Shares application.

The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded.

Any fractional entitlements under the Proposed Rights Issue with Warrants shall be dealt with in such manner as the Board shall in their absolute discretion deem fit and expedient in the best interests of the Company.

#### **2.1.1 Basis of determining the issue price of the Rights Shares**

The issue price of the Rights Shares will be determined by the Board at a later date, based on a discount that is deemed appropriate after taking into consideration, amongst others, the theoretical ex-rights price of JTB Shares based on the five (5)-day volume weighted average price ("WAMP") of JTB Shares immediately preceding the price-fixing date, subject to the minimum par value of RM1.00 each.

For illustrative purposes, the Rights Shares are assumed to be issued at an indicative issue price of RM1.10 each representing a discount of approximately 27.4% to the theoretical ex-rights price of JTB Shares of RM1.51, based on the five (5)-day WAMP of JTB Shares up to and including 2 August 2012 of RM1.6530.

#### **2.1.2 Basis of determining the exercise price of the Warrants**

The Warrants attached to the Rights Shares will be issued free to the entitled shareholders who subscribe for the Rights Shares.

The exercise price of the Warrants will be determined by the Board on a later date, after taking into consideration the theoretical ex-rights price of the existing JTB Shares at a price-fixing date to be determined by the Board, subject to the exercise price not being less than the par value of the existing JTB Shares.

For illustrative purposes, the Warrants are assumed to be exercised at RM1.51 per Warrant, representing the theoretical ex-rights price of RM1.51 based on the five (5)-day WAMP of JTB Shares up to and including 2 August 2012 of RM1.6530.

#### **2.1.3 Ranking of the Rights Shares and new JTB Shares arising from the exercise of the Warrants**

All the Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the existing JTB Shares, except that they will not be entitled to any dividends, rights, allotment and/or other distributions that may be declared, made or paid prior to the allotment and issue of the Rights Shares.

The new JTB Shares arising from the exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the existing JTB Shares except that they shall not be entitled to any dividends, rights, allotment and/or other distributions that may be declared, made or paid prior to the relevant allotment date of the said new JTB Shares.

An application will be made for the admission of the Warrants on the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") as well as the listing of and quotation for the Rights Shares, Warrants and new JTB Shares to be issued pursuant to the exercise of the Warrants, on the Main Market of Bursa Securities.

#### 2.1.4 Irrevocable undertaking from the substantial shareholders and key management of JTB

The Company will procure irrevocable written undertakings from the relevant shareholders and key management of the Company ("Relevant Parties") to subscribe and/or cause to subscribe in full for their respective entitlements for the Rights Shares. The Company will also procure written irrevocable undertakings from the Relevant Parties to subscribe for additional rights entitlements in the event of under-subscription of the Proposed Rights Issue with Warrants, details of which will be determined at a later date.

The Board confirms and undertakes that JTB will apportion the undertaking of the substantial shareholders and key management of JTB such that it will not give rise to any mandatory general offer obligation pursuant to the Malaysian Code on Take-Over and Mergers, 2010.

The Proposed Rights Issue with Warrants will not be undertaken on a minimum subscription basis.

#### 2.1.5 Utilisation of proceeds

The Proposed Rights Issue with Warrants is expected to raise an estimated gross proceeds of approximately RM25.659 million based on the indicative issue price of RM1.10 per Rights Share. The proceeds are expected to be utilised in the following manner:-

	<b>RM'000</b>	<b>Expected timeframe for the utilisation of proceeds</b>
Purchase of land and construction of warehouse and factory <sup>(1)</sup>	15,000	Within eighteen (18) months
Purchase of machineries and equipment <sup>(2)</sup>	5,000	Within eighteen (18) months
Working capital <sup>(3)</sup>	5,159	Within twelve (12) months
Estimated expenses for the Proposals <sup>(4)</sup>	500	Within one (1) month
<b>Total</b>	<b>25,659</b>	

Notes:-

- (1) *As part of the Group's expansion plans, the Board has earmarked approximately RM15.0 million for the purchase of land and the construction of warehouse and factory in Teluk Panglima Garang, Selangor, which is nearby one of its existing facilities. The land purchase together with the construction of the facilities is expected to be completed within 18 months from the receipt of funds from the Proposed Rights Issue, subject to amongst others, the finalisation of negotiations for the land purchase and timely approval(s) from the relevant authorities for the factory building plans. The estimated breakdown of the RM15.0 million is set out below.*

	<b>RM'000</b>
<i>Land acquisition cost</i>	<i>5,000</i>
<i>Construction of factory and warehouse</i>	<i>10,000</i>
	<b><u>15,000</u></b>

*Details of the land purchase will be separately announced to Bursa Securities upon finalisation of the terms of the Land Purchase Agreement.*

- (2) *The Group has also earmarked RM5.0 million for the following:-*
- (a) *Upgrading works for the Group's existing facilities in Seelong and Kluang in Johor, and Teluk Panglima Garang in Selangor; and*
  - (b) *Purchase of new machineries and equipment for its existing facilities and new factory to be constructed;*
- (3) *The Group has earmarked RM5.2 million for the Group's day-to-day operations such as the purchase of raw material and payment of overheads.*
- (4) *Include fees payable for the professional services rendered of the principal advisers, reporting accountants, solicitors and other incidental expenses in connection with the Proposals.*

Any variation in the actual proceeds raised from the Proposed Rights Issue with Warrants will be adjusted to or from the amount allocated for working capital.

Pending utilisation of the proceeds from the Proposed Rights Issue with Warrants for the above purposes the proceeds will be placed in deposits with financial institutions or short-term money market instrument(s).

The proceeds to be raised from the exercise of Warrants are dependent on the total number of Warrants to be exercised during the tenure of the Warrants as well as the exercise price of the Warrants, which will be determined at a later date. Such proceeds will be used for the Group's working capital requirements which include amongst others, purchase of raw material and payment of overheads.

#### **2.1.6 Indicative principal terms of the Warrants**

The Warrants will be immediately detached from the Rights Shares upon issuance and separately traded. The Warrants will be issued in registered form and constituted by a Deed Poll to be executed by the Company.

The indicative salient terms of Warrants are set out in **Section 1 of Appendix I**.

## **2.2 Proposed Increase in Authorised Share Capital**

The present authorised share capital of JTB is RM100,000,000 comprising 100,000,000 JTB Shares. Upon completion of the Proposed Rights Issue with Warrants and full exercise of the Warrants, the issued and paid-up share capital of JTB will increase to RM116,631,666 comprising 116,631,666 Shares. As such, the Board proposes to increase the authorised share capital to RM200,000,000 comprising 200,000,000 JTB Shares, by the creation of an additional 100,000,000 new JTB Shares.

## **2.3 Proposed M&A Amendments**

In order to accommodate the implementation of the Proposed Increase in Authorised Share Capital and to be in line with the recent amendments to the Main Market Listing Requirements of Bursa Securities, the Company is required to amend the relevant clauses and articles of the M&A.

### 3. RATIONALE FOR THE PROPOSALS

After due consideration of the various fund raising options available, the Board is of the view that the Proposed Rights Issue with Warrants is currently the most appropriate avenue for JTB, as it will:-

- (i) raise equity capital for JTB and strengthen its capital base;
- (ii) raise funds without incurring interest costs, as compared to bank borrowings. The funds raised will be utilised for the purposes highlighted in Section 2.1.5 of this announcement;
- (iii) provide the shareholders of JTB with an opportunity to increase their equity participation in the Company; and
- (iv) the Warrants attached to the Rights Shares are expected to provide the shareholders of JTB with an incentive to subscribe for the Rights Shares. Pursuant thereto, the entitled shareholders may also benefit from the potential capital appreciation of the Warrants. In addition, the Company would also be able to raise further proceeds as and when any of the Warrants are exercised.

The Proposed Increase in Authorised Share Capital and Proposed M&A Amendments are undertaken to accommodate the increase in the issued and paid-up share capital of JTB arising from the Proposed Rights Issue with Warrants. It will also facilitate any further issuance of new Shares from future corporate exercises.

### 4. EFFECTS OF THE PROPOSALS

The Proposed Increase in Authorised Share Capital and Proposed M&A Amendments will not have any effect on the share capital, net assets ("NA") per share and gearing, earnings per share ("EPS"), substantial shareholders' shareholdings and dividend of the Company.

#### 4.1 Share capital

The proforma effects of the Proposed Rights Issue with Warrants on the issued and paid-up share capital of JTB are set out in **Section 1** of Appendix II of this announcement.

#### 4.2 NA per share and gearing

The proforma effects of the Proposed Rights Issue with Warrants on the NA per share based on the audited consolidated balance sheets of JTB for the financial year ended ("FYE") 31 December 2011 are set out in **Section 2** of Appendix II of this announcement.

#### 4.3 EPS

Based on the assumption that the Proposed Rights Issue with Warrants is expected to be completed in the fourth quarter of 2012, the EPS of the Group for FYE 31 December 2012 may be diluted as a result of the increase in the number of shares in issue after the Proposed Rights Issue with Warrants and as and when the Warrants are exercised into new shares.

The Proposed Rights Issue with Warrants is expected to contribute positively to the future earnings of JTB Group as and when the returns/benefits from the utilisation of funds as described in Section 2.1.5 of this announcement, are realised.

#### **4.4 Substantial shareholder's shareholdings**

The effects of the Proposed Rights Issue with Warrants on the substantial shareholders' shareholdings in the Company are set out in **Section 3** of Appendix II of this announcement.

#### **4.5 Convertible securities**

As at the date of this announcement, JTB does not have any existing convertible securities.

### **5. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED**

None of the Directors, major shareholders and/or persons connected to them has any interest, direct or indirect, in the Proposals apart from their respective entitlements under the Proposed Rights Issue with Warrants.

### **6. APPROVALS REQUIRED**

The Proposals are subject to the approvals being obtained from the following:-

- (i) Bursa Securities for the following:-
  - (a) the listing of and quotation for the Rights Shares and Warrants to be issued pursuant to the Proposed Rights Issue with Warrants;
  - (b) the admission of the Warrants to be issued pursuant to the Proposed Rights Issue with Warrants to the Official List of Bursa Securities; and
  - (c) the listing of and quotation for the new JTB shares to be issued pursuant to the exercise of the Warrants.
- (ii) Controller of Foreign Exchange (via Bank Negara Malaysia), for the issuance of Warrants to non-resident subscribing shareholders pursuant to the Proposed Rights Issue with Warrants;
- (iii) the shareholders of JTB at an EGM to be convened; and
- (iv) any other relevant authorities, if required.

The Proposed Rights Issue with Warrants, Proposed Increase in Authorised Share Capital and Proposed M&A Amendments are inter-conditional upon each other. The Proposals are not conditional upon any other corporate proposals of the Company.

### **7. STATEMENT BY DIRECTORS**

The Board, having considered all aspects of the Proposals is of the opinion that the Proposals are in the best interest of the Company.

**8. ADVISER**

OSK has been appointed as the Adviser for the Proposals.

**9. APPLICATION TO THE RELEVANT AUTHORITIES**

Barring any unforeseen circumstances, the applications to the relevant authorities will be made within one (1) month from the date of this announcement.

**10. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to receipt of all required approvals, the Board expects the Proposals to be completed in the fourth quarter of 2012.

**This announcement is dated 8 August 2012.**

## Section 1- Indicative salient terms of the Warrants

The indicative salient terms of the Warrants are as follows:-

- Issue size : 23,326,333 new Warrants to be issued in conjunction with the Proposed Rights Issue with Warrants to the entitled shareholders of JTB on the basis of one (1) Warrant for one (1) Rights Share successfully subscribed.
- Form and denomination : The Warrants, which are issued with the Rights Shares, are immediately detached upon issuance and will be separately traded. The Warrants will be issued in registered form and constituted by the Deed Poll to be executed by the Company.
- Exercise Rights : Each Warrant entitles the registered holder, at any time during the Exercise Period, to subscribe for one (1) new share at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.
- Exercise Period : Exercisable at any time within five (5) years commencing on and including the date of issuance of the Warrants. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.
- Exercise Price : The exercise price of Warrants will be determined at a later date, after taking into consideration the theoretical ex-rights price of shares at a price fixing date to be determined by the Board, subject to the exercise price not being less than the par value of the Shares.
- Mode of exercise : The registered holder of a Warrant is required to lodge a subscription form with the Company's registrar, duly completed, signed and stamped together with payment of the Exercise Price by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia.
- Mode of transfer : The Warrants are transferable by an instrument of transfer in the usual or common form or such other form as the Directors of JTB and Bursa Securities may approve.
- Board lot : For the purpose of trading on the Bursa Securities, a board lot of Warrants shall comprise 100 Warrants carrying the right to subscribe for 100 new shares at any time during the Exercise Period, or such denomination as determined by Bursa Securities.
- Listing status : An application will be made to Bursa Securities for the admission of the Warrants to the Official List of Bursa Securities, and for the listing of and quotation for the Warrants and new shares arising from the exercise of Warrants.
- Ranking of new shares : The new shares to be issued pursuant to the exercise of the Warrants, shall upon allotment and issue, rank pari passu in all respects with the then existing shares, save and except that they will not be entitled to any dividends, rights, allotment, and/or other distributions that may be declared, made or paid prior to the relevant allotment date of the said new shares.
- Rights of warrant holder(s) : Warrant holders are not entitled to vote in any general meeting of JTB or to participate in any distribution and/or offer of further securities in the Company unless and until the warrant holder becomes a shareholder by exercising his/her Warrants.
- Adjustments in the exercise price and/or number of warrants : The Exercise Price and/or number of unexercised Warrants may be adjusted by our Directors, in consultation with its professional advisers, in the event of alteration to the share capital of the Company, capital distribution or issue of shares or any other events in accordance with the provisions of the Deed Poll.
- Governing Law : Laws and regulations of Malaysia.



**Section 1 – Effects on the Share Capital of JTB**

	RM	No. of shares	Par value (RM)
Existing issued and paid-up share capital as at 31 December 2011	69,979,000	69,979,000	1.00
<i>To be issued pursuant to the Proposed Rights Issue with Warrants</i>	23,326,333	23,326,333	1.00
After the Proposed Rights Issue with Warrants	93,305,333	93,305,333	1.00
<i>To be issued pursuant to the full exercise of Warrants</i>	23,326,333	23,326,333	1.00
<b>Enlarged issued and paid-up share capital after exercise of Warrants</b>	<b>116,631,666</b>	<b>116,631,666</b>	1.00

**Section 2 - Effects on the consolidated NA per share and gearing of the JTB Group**

	Audited consolidated as at 31 December 2011 (RM'000)	Pro forma I After the Proposed Rights Issue with Warrants <sup>(1)</sup> (RM'000)	Pro forma II After I and full exercise of warrants <sup>(3)</sup> (RM'000)
Share capital	69,979	93,305	116,632
Reserves	36,247	38,079 <sup>(2)</sup>	49,976
<b>Shareholders' equity / NA</b>	<b>106,226</b>	<b>131,385</b>	<b>166,608</b>
No. of ordinary shares in issue ('000)	69,979	93,305	116,632
<b>NA per ordinary share (RM)</b>	<b>1.52</b>	<b>1.41</b>	<b>1.43</b>
Borrowings (RM'000)	47,131	47,131	47,131
<b>Gearing<sup>(4)</sup> (times)</b>	<b>0.44</b>	<b>0.36</b>	<b>0.28</b>

Notes:-

- (1) Assuming the indicative issue price of RM1.10 per Rights Share.  
(2) After deducting estimated expenses of RM500,000 incurred in relation to the Proposals.  
(3) Assuming an indicative exercise price of RM1.51 per Warrant.  
(4) Gearing ratio = Total borrowings / Shareholders' equity

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**Section 3 – Effects on the substantial shareholders' shareholdings in the Company based on the Register of Substantial Shareholders of JTB as at 2 August 2012**

Substantial Shareholders	Shareholdings as at 2 August 2012				Pro forma I After the Proposed Rights Issue with Warrants <sup>(1)</sup>				Pro forma II After I and full exercise of warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
Goh Mia Kwong	9,859	14.09	4,765	6.81 <sup>(2)</sup>	13,145	14.09	6,354	6.81 <sup>(2)</sup>	16,431	14.09	7,942	6.81 <sup>(2)</sup>
Lim Hun Swee	8,040	11.49	-	-	10,720	11.49	-	-	13,400	11.49	-	-
Chua Tai Boon	5,006	7.15	-	-	6,675	7.15	-	-	8,344	7.15	-	-
Genting Perwira Sdn Bhd	3,708	5.30	-	-	4,944	5.30	-	-	6,180	5.30	-	-
Edward Goh Swee Wang	3,538	5.06	11,086	15.84 <sup>(3)</sup>	4,718	5.06	14,781	15.84 <sup>(3)</sup>	5,897	5.06	18,476	15.84 <sup>(3)</sup>
Ng Keng Hoe	3,440	4.92	560	0.80 <sup>(4)</sup>	4,587	4.92	747	0.80 <sup>(4)</sup>	5,733	4.92	933	0.80 <sup>(4)</sup>
Datuk Kamaludin Bin Yusoff	58	0.08	3,729	5.33 <sup>(5)</sup>	77	0.08	4,973	5.33 <sup>(5)</sup>	97	0.08	6,216	5.33 <sup>(5)</sup>
Datin Fawziah Binti Hussein Sazally	22	0.03	3,766	5.38 <sup>(6)</sup>	29	0.03	5,021	5.38 <sup>(6)</sup>	36	0.03	6,276	5.38 <sup>(6)</sup>
<b>Total</b>	<b>33,671</b>	<b>48.12</b>			<b>44,895</b>	<b>48.12</b>			<b>56,118</b>	<b>48.12</b>		

Notes:-

- (1) Assuming all shareholders subscribe for their entitlement of Rights Shares.
- (2) Deemed interested by virtue of the shareholdings of his children in the Company under Section 6A of the Companies Act, 1965 ("Act").
- (3) Deemed interested by virtue of the shareholdings of his father and sister in the Company under Section 6A of the Act.
- (4) Deemed interested by virtue of the shareholdings of his wife in the Company under Section 6A of the Act.
- (5) Deemed interested by virtue of the shareholdings of his spouse in Genting Perwira Sdn Bhd and in the Company under Section 6A of the Act.
- (6) Deemed interested by virtue of her shareholdings in Genting Perwira Sdn Bhd and the shareholdings of her spouse in the Company under Section 6A of the Act.