

## **BCM ALLIANCE BERHAD ("BCM" OR "COMPANY")**

### **PROPOSED SPECIAL ISSUE OF UP TO 60,197,000 NEW ORDINARY SHARES IN BCM TO BUMIPUTERA INVESTORS TO BE IDENTIFIED AND/OR APPROVED BY MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY MALAYSIA ("PROPOSED SPECIAL ISSUE")**

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#### **1. INTRODUCTION**

On behalf of the Board of Directors of BCM ("**Board**"), M&A Securities Sdn Bhd ("**M&A Securities**") wishes to announce that the Company proposes to implement a special issue of up to 60,197,000 new ordinary shares in BCM ("**BCM Shares(s)**" or "**Share(s)**"), representing approximately 14.29% of the Company's existing issued share capital to Bumiputera investors to be identified and/or approved by Ministry of International Trade and Industry Malaysia ("**MITI**").

Kindly refer to the ensuing section for further details of the Proposed Special Issue.

#### **2. DETAILS OF THE PROPOSED SPECIAL ISSUE**

BCM was listed on ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**ACE Market**") on 24 October 2016 under the condition that the Company is required to allocate the difference between the prescribed equity requirement of 12.50% of its issued and paid-up share capital and the actual equity interests of Bumiputera investors (pursuant to the public issue shares via balloting) upon listing, to Bumiputera investors to be approved by the MITI within 1 year after the date on which the Company achieve the profit track record requirement ("**Profit Track Record Requirements**") for companies seeking for listing on the Main Market of Bursa Securities, or 5 years after being listed on the ACE Market, whichever is the earlier ("**Bumiputera Equity Requirements**") ("**Triggering Date**").

The Company has met the Profit Track Record Requirements on 30 December 2018 based on the audited financial statements for the financial year ended ("**FYE**") 30 December 2018. BCM has achieved a cumulative PAT position of RM28.26 million for the FYE 2014 to FYE 2018. As such, the Company is required to comply with the Bumiputera Equity Requirements within one year from the Triggering Date (i.e. before 31 December 2019).

On 24 June 2019, M&A Securities, had on behalf of the Company, submitted to Securities Commission ("**SC**") the application seeking approval from SC for an extension of time up to 31 December 2020 ("**EOT Deadline**") to comply with the Bumiputera Equity Requirements ("**EOT Application**"). The EOT Application was approved by the SC on 11 November 2019.

On 13 April 2020, M&A Securities had, on behalf of the Company, submitted an application to the SC to seek the SC's approval for the proposal to comply with the Bumiputera Equity Requirements, which was subsequently revised to the Proposed Special Issue on 8 May 2020 and approved by the SC vide its letter dated 11 June 2020.

Pursuant thereto, the Board proposes to implement the Proposed Special Issue to comply with the Bumiputera Equity Requirements and to raise funds for the purposes as set out in Section 4.

## 2.1 Size of the Proposed Special Issue

As at 1 June 2020 (being the latest practicable date prior to this announcement) ("**LPD**"), the existing issued share capital of BCM is RM32,119,897 comprising 421,250,200 BCM Shares. The Company does not have any outstanding convertible securities which remain unexercised or unconverted.

The Company proposes to undertake a special issue of up to 14.29% of the Company's issued Shares, representing 60,197,000 new BCM Shares ("**Special Issue Shares**") to Bumiputera investors to be identified and/or approved by MITI at an issue price to be determined later after obtaining all relevant regulatory authorities' approvals.

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

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

The Company had obtained the general mandate from its shareholders at its 4th Annual General Meeting ("**AGM**") convened on 26 June 2019, to authorise the Board to allot and issue new BCM Shares not exceeding 10% of the total issued shares of the Company ("**Current Shareholders' Mandate**"). Therefore, the Proposed Special Issue will only be implemented after the renewal of the Current Shareholders' Mandate to the 20% General Mandate at the forthcoming AGM of the Company to be convened ("**New Shareholders' Mandate**").

## 2.2 Placement Arrangement

The Special Issue Shares are proposed to be placed to independent third party Bumiputera investor(s) to be identified and/or approved by MITI, where such investor(s) shall be person(s) qualified under Schedule 6 and/or 7 of the Capital Markets and Services Act, 2007 and no prospectus will be issued in respect of the Proposed Special Issue.

In accordance with Rule 6.05 of the ACE Market LR, the Special Issue Shares will not be placed to the following parties:-

- (a) the interested director, interested major shareholder or interested chief executive of BCM ("**Interested Person**");
- (b) person(s) connected with the Interested Person; and
- (c) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

## 2.3 Pricing of the Special Issue Shares

Subject to the prevailing market condition, the Proposed Special Issue may be implemented in multiple tranches, if required, after the receipt of all relevant approvals for the Proposed Special Issue (depending on Bumiputera investors' interest at the point of implementation).

The issue price of each tranche of the Special Issue Shares, where applicable, shall then be determined separately and fixed by the Board at a later date taking into consideration the prevailing market conditions and the provisions of Rule 6.05(a) of the ACE Market LR, at a discount of not more than 10% to the 5-day volume weighted average market price ("**5D-VWAMP**") of BCM Shares immediately preceding the price fixing date(s) ("**Special Issue Price**"). The mechanism to determine the Special Issue Price will be in accordance with market based principles.

For illustration purpose, the Special Issue Price is assumed to be RM0.255 each ("**Indicative Issue Price**"). The Indicative Issue Price represents a discount of approximately 8.27% or RM0.023 to the 5D-VWAMP of BCM Shares up to LPD of RM0.2780.

## 2.4 Ranking of the Special Issue Shares

The Special Issue Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing BCM Shares, save and except that the holders of the Special Issue Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid to the shareholders of the Company, for which the relevant entitlement date precedes the date of issuance of the Special Issue Shares.

## 2.5 Listing of and quotation for the BCM Shares

An application will be made to Bursa Securities for the listing of and quotation for the Special Issue Shares on the ACE Market.

## 3. RATIONALE OF THE PROPOSED SPECIAL ISSUE

The Proposed Special Issue is undertaken to comply with the Bumiputera Equity Requirements and to allow the Company to raise funds for the purposes highlighted in Section 4 below. After due consideration, the Board is of the opinion that the Proposed Special Issue is the most appropriate method for the Company to meet the Bumiputera Equity Requirements after taking into consideration:

- (a) The equity issuance will enable the Company to raise new funds for the Group's business without having to incur additional financing cost associated with traditional borrowings; and
- (b) The Proposed Special Issue will strengthen the Company's financial position with enhanced shareholders' funds

#### 4. UTILISATION OF PROCEEDS

The exact amount of the proceeds to be raised from the Proposed Special Issue will depend on the actual issue price and the actual number of Special Issue Shares to be issued, which will be determined at a later date. For illustrative purposes only, assuming the Indicative Special Issue Shares are issued at the Indicative Issue Price, the Proposed Special Issue is expected to raise a gross proceeds of up to RM15,350,235 which are expected to be utilised in the following manner:-

Utilisation of proceeds	Note	RM	#Expected time frame for the utilisation of proceeds
Purchase of new devices and equipment	(a)	9,750,235	Within 24 months
Working capital	(b)	5,400,000	Within 12 months
Estimated expenses for the Proposed Special Issue	(c)	200,000	Within 1 month
<b>Total estimated proceeds</b>		<b>15,350,235</b>	

##### Notes:-

# From the date of listing of the Special Issue Shares on the ACE Market.

(a) The proceeds earmarked for the purchase of new devices and equipment will be utilised to purchase new medical devices<sup>(1)(2)</sup> and commercial laundry equipment<sup>(3)</sup> for distribution purpose, the breakdown of which is as follows:

No.	Description	RM
1	Digital radiographic system, mobile X-Ray system, digital radiography/fluoroscopy system, MRI (magnetic resonance imaging) system and CT (computed tomography) scanner system; Mobile C-Arm system, CR (computed radiography) system; Medical printing system; Medical beds (ICU (intensive care unit) and patient beds); Ripple mattress; Safe patient handling products and consumable products	3,100,000
2.	Steam steriliser, electric steam generators, liquid chemical sterilant processing system, low temperature sterilisation system, washer/disinfector, sonic energy equipment, consumables for sterile assurance products, instrument cleaning chemistries and disinfectants, surgical tables, surgical lighting and pendant system; Table top steam steriliser and consumable products	3,100,000
3.	Washer, dryer, washer extractor, tumble dryer, dry cleaning machine, continuous batch washer, batch dryer, feeder, flatwork ironer, folder, presses and vended laundry equipment system	3,550,235
<b>Total</b>		<b>9,750,235</b>

The above devices and equipment are procured whenever there is purchase order from customers. The proceeds raised from the Proposed Special Issue will be a war chest for the Company to have readily available cash-in-hand to immediately make the purchase of new medical devices and commercial laundry equipment when required. This will give the Company the flexibility to make purchase and reduce their reliance on bank borrowings or trade facilities.

(b) The proceeds earmarked for working capital will be utilised to finance the day-to-day operations of BCM and its subsidiaries which includes, amongst others, salaries and wages, utilities charges, staff related expenses and other operating expenses incurred in the ordinary course of business.

- (c) This includes payment of fees to the relevant authorities, advisory fees and placement fees. If the actual expenses are higher than the amount budgeted, the deficit will be funded out of the working capital. Conversely, if the actual expenses are lower than the amount budgeted, the excess will be utilised for the working capital. The breakdown of estimated expenses for the Proposed Special Issue is as follows:-

<b>No.</b>	<b>Description</b>	<b>RM</b>
(i)	Advisory and placement fees	150,000
(ii)	Others (fees to relevant authorities and miscellaneous)	50,000
	<b>Total</b>	<b>200,000</b>

The actual proceeds to be raised from the Proposed Special Issue are dependent on the Special Issue Price and the actual number of Special Issue Shares issued. Any excess or shortfall of the actual proceeds raised will be adjusted from the amount earmarked for the working capital.

Pending the full utilisation of the proceeds raised from the Proposed Special Issue, the Company intends to place these proceeds (including accrued interest, if any) or the balance thereof in interest-bearing deposit accounts with licensed financial institution(s) or in short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of the Company.

## 5. EFFECTS OF THE PROPOSED SPECIAL ISSUE

### 5.1 Issued share capital

The pro forma effects of the Proposed Special Issue on the issued share capital of BCM are as follows:-

	<b>No. of BCM Shares</b>	<b>RM</b>
Issued share capital as at the LPD	421,250,200	32,119,897
To be issued pursuant to the Proposed Special Issue	<sup>(a)</sup> 60,197,000	<sup>(b)</sup> 15,350,235
<b>Enlarged issued share capital</b>	<b>481,447,200</b>	<b>47,470,132</b>

**Notes:-**

(a) Based on 60,197,000 Special Issue Shares.

(b) Based on the Indicative Issue Price of RM0.255 per Special Issue Share.

### 5.2 Net asset ("NA") and gearing

Based on the latest audited financial statement of BCM as at 31 December 2018, the pro forma effects of the Proposed Special Issue on the consolidated NA per share and gearing of the BCM are set out below:-

	<b>Audited as at 31 December 2018</b>	<b>After Proposed Special Issue</b>
	<b><u>RM</u></b>	<b><u>RM</u></b>
Share capital	32,119,897	<sup>(a)(b)</sup> 47,470,132
Merger reserves	(16,049,000)	(16,049,000)
Retained earnings	30,504,900	<sup>(c)</sup> 30,304,900
<b>Equity attributable to owners of the Company</b>	<b>46,575,797</b>	<b>61,726,032</b>
Non-controlling interests	2,554,052	2,554,052
<b>Total equity</b>	<b>49,129,849</b>	<b>64,280,084</b>
No. of issued shares	421,250,200	<sup>(a)</sup> 481,447,200
NA per share	0.11	0.13
Borrowings	6,373,836	6,373,836
Gearing (times)	0.14	0.10

**Notes:-**

- (a) Based on 60,197,000 Indicative Special Issue Shares.
- (b) Assuming the Special Issue Shares are issued at the Indicative Issue Price of RM0.255 per Special Issue Share.
- (c) After taking into account the estimated expenses of RM200,000 in relation to the Proposed Special Issue.

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

The Proposed Special Issue is not expected to have any material effect on the earnings and EPS of BCM for the FYE 2020. However, there may be a corresponding dilution in the EPS of the Company as a result of the increase in the number of BCM Shares to be issued pursuant to the Proposed Special Issue.

Nevertheless, the proceeds earmarked for the purchase of new medical devices and commercial laundry equipment is expected to contribute positively to the future earnings of BCM.

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#### 5.4 Substantial shareholder's shareholdings

The pro forma effects of the Proposed Special Issue on the shareholding of the substantial shareholders of BCM based on the Company's Register of Substantial Shareholders as at the LPD are set out in the table below:-

	As at the LPD				After the Proposed Special Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Liaw Chong Lin	43,728,200	10.38%	-	-	43,728,200	9.08%	-	-
Hew Chun Shun	43,648,600	10.36%	-	-	43,648,600	9.07%	-	-
Koh Lap Hing	39,675,900	9.42%	-	-	39,675,900	8.24%	-	-
Chung Eng Lam	37,721,700	8.95%	-	-	37,721,700	7.84%	-	-
Lim Jit Wei	34,767,500	8.25%	-	-	34,767,500	7.22%	-	-
MITI Bumiputera investor(s)	-	-	-	-	60,197,000	12.50%	-	-

## **5.5 Dividends**

The Proposed Special Issue will not have any effect on the dividend policy of the Company, if any. Future dividends to be declared by the Company will be dependent on, *inter-alia* the future financial performance as well as cash position of the Company, after taking into consideration the working capital requirements, capital expenditures need for future growth and business expansion.

## **5.6 Convertible securities**

As at the LPD, the Company does not have any convertible securities in issuance.

## **6 OTHER APPROVALS REQUIRED**

The Proposed Special Issue is subject to the approval of the following:-

- (a) SC for the proposal to comply with the Bumiputera Equity Requirements which was obtained on 11 June 2020;
- (b) Bursa Securities, for the approval in principle for the listing of and quotation for the Special Issue Shares to be issued pursuant to the Proposed Special Issue;
- (c) MITI, for identification and/or recognition of Bumiputera investors as approved Bumiputera shareholders;
- (d) Shareholders of BCM for the New Shareholders' Mandate at the forthcoming AGM of the Company; and
- (e) Any other relevant authorities, if required.

The Proposed Special Issue is not conditional upon any other corporate proposals undertaken or to be undertaken by BCM.

## **7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

None of the directors and/or major shareholders of BCM, and/or persons connected to them has any interest, whether direct or indirect, in the Proposed Special Issue.

## **8. DIRECTORS' RECOMMENDATION**

The Board having considered all aspects of the Proposed Special Issue, including but not limited to the rationale and effects of the Proposed Special Issue, is of the opinion that the Proposed Special Issue is in the best interest of the Company to meet the Bumiputera Equity Requirements.

In addition, the Board is of the opinion that the 20% General Mandate is in the best interest of the Company and its shareholders as the increase in the limit for the general mandate will provide additional flexibility to the Company to raise funds expeditiously, if required, in view of the current challenging times resulted from the Covid-19 Pandemic.

## **9. ADVISER AND PLACEMENT AGENT**

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



#### **10. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances, all relevant applications to the authorities in relation to the Proposed Special Issue will be made within 2 months from the date of this announcement.

Subject to all relevant approvals being obtained, the Proposed Special Issue is expected to be completed by the fourth quarter of 2020.

This announcement is dated 19 June 2020