

## HANDAL RESOURCES BERHAD (“HRB” OR THE “COMPANY”)

### PROPOSED PRIVATE PLACEMENT OF UP TO TEN PERCENT (10%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF HRB (“PROPOSED PRIVATE PLACEMENT”)

---

#### 1. INTRODUCTION

On behalf of the Board of Directors of HRB (“**Board**”), RHB Investment Bank Berhad (“**RHBIB**”) wishes to announce that the Company proposes to undertake a private placement of up to ten percent (10%) of the issued and paid-up share capital of the Company to investors to be identified (“**Proposed Private Placement**”) in accordance with Section 132D of the Companies Act, 1965 (“**Act**”). Further details on the Proposed Private Placement are set out in the ensuing sections.

The Company had obtained the approval of its shareholders pursuant to Section 132D of the Companies Act, 1965 (“**Act**”) at the last Annual General Meeting (“**AGM**”) convened on 30 May 2013, authorising the Board to issue and allot new ordinary HRB shares of RM0.50 each in HRB (“**HRB Share(s)**”) from time to time provided that the aggregate number of HRB Shares to be issued does not exceed ten percent (10%) of the issued and paid-up share capital of the Company. The approval shall continue to be in force, unless revoked or varied by the Company at a general meeting, until the conclusion of the next AGM of the Company.

#### 2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

##### 2.1 Placement size

As at 20 August 2013, the issued and paid-up share capital of the Company is RM80,000,000 comprising 160,000,000 HRB Shares.

Assuming full exercise of all outstanding 60,000,000 warrants (“**Warrant(s)**”), the issued and paid-up share capital of HRB will increase to RM110,000,000 comprising 220,000,000 HRB Shares. Accordingly, the Proposed Private Placement may entail the issuance of up to 22,000,000 HRB Shares to investors to be identified at a later stage (“**Placement Share(s)**”). The maximum number of Placement Shares was based on ten percent (10%) of the issued and paid-up share capital of HRB as at 20 August 2013.

Notwithstanding the above, the Company will ensure compliance with Paragraph 6.03 of Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) Main Market Listing Requirements (“**Listing Requirements**”), wherein the Placement Shares to be issued shall not exceed 10% of the nominal value of the issued and paid-up share capital (excluding treasury shares) of the Company taking into consideration the previous private placement exercise completed during the preceding twelve (12) months.

##### 2.2 Basis of arriving at the issue price of the Placement Shares

The issue price of the Placement Shares will be fixed by the Board at a future date, and shall be determined after obtaining the approval of the relevant authorities for the Proposed Private Placement.

Pursuant to Paragraph 6.04(a) of the Listing Requirement of Bursa Securities, the Placement Shares may be issued at a discount, if any, of not more than ten percent (10%) to the five (5)-days volume weighted average market price (“**VWAP**”) of HRB Shares immediately preceding the price-fixing date. In any case, the issue price of the Placement Shares will not be lower than the par value of HRB Shares of RM0.50 each.

For illustrative purposes, we have assumed that the indicative issue price of the Placement Share is RM0.50 per Share which represents a premium of 11% or RM0.05 to the five (5)-days VWAP of HRB Shares up to and including 10 September 2013 of RM0.45.

### 2.3 Ranking and listing of the Placement Shares

The Placement Shares shall, upon allotment and issue, rank *pari passu* in all respects with the existing Shares of the Company, save and except that the Placement Shares will not be entitled to any dividend, right, allotment and/or other distribution that may be declared, made or paid prior to the date of allotment of the said Placement Shares.

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

### 2.4 Allocation to placees

The Placement Shares will be placed out to third party investors to be identified at a later date. In accordance to Paragraph 6.04(c) of the Bursa Securities' Listing Requirements, the Placement Shares will not be placed to the following parties:-

- (i) the interested director, interested major shareholder or interested chief executive officer of HRB or a holding company of HRB ("**Interested Person(s)**");
- (ii) a person connected with an Interested Person; and/or
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

If the Board is unable to identify sufficient placees to subscribe for the entire portion of the Placement Shares at one time, the Proposed Private Placement may be implemented in tranches within six (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.

RHBIB will be appointed as the placement agent for the Proposed Private Placement after the receipt of all relevant approvals for the Proposed Private Placement.

### 2.5 Utilisation of proceeds

The Proposed Private Placement is expected to raise estimated gross proceeds up to RM11.0 million based on an indicative issue price of RM0.50 per Placement Share. The proceeds to be raised from the Proposed Private Placement are expected to be utilised in the following manner (as illustrated hereinafter) and shall be based on the following two (2) scenarios:-

**Minimum Scenario:** Assuming that none of the existing Warrants are exercised.

**Maximum Scenario:** Assuming that all of the existing Warrants are exercised into new HRB Shares.

Purpose		Minimum scenario	Maximum scenario	
		RM'000	RM'000	
Business expansion	(i)	4,100	4,100	Within 24 months after the completion of the Proposed Private Placement
Working capital	(ii)	3,700	6,700	Within 12 months after the completion of the Proposed Private Placement
Estimated listing expenses*		200	200	Upon the completion of the Proposed Private Placement
<b>Total</b>		<b>8,000</b>	<b>11,000</b>	

**Notes:-**

**(i) Business Expansion**

*The Company intends to utilise part of the proceeds to be raised from the Proposed Private Placement for the funding of the following:-*

- (a) The Company intends to utilise approximately RM2.1 million to finance the acquisition of a piece of 60-year leasehold land located in Kawasan Perindustrian Teluk Kalong, Kemaman, Terengganu measuring approximately 50,000 square metres. The Company had on 4 April 2013 accepted an offer from Unit Perancang Ekonomi Negeri Terengganu for the purchase of this piece of land which is located in the vicinity of Handal's existing fabrication yard. The land is intended to be used as an additional fabrication and warehousing facility. The acquisition of the land is expected to be completed by the fourth quarter of 2013.*
- (b) The Company has earmarked approximately RM2.0 million of the proceeds raised from the Proposed Private Placement to be utilised for its future acquisitions. At this juncture, the Company is still in the midst of identifying business opportunities for its Group's expansion within the oil & gas sector. The Company will make the necessary announcement(s) once it has finalised and deliberated on the details, risks and merits of investing/entering into any identified proposal(s).*

**(ii) Working Capital**

*The proceeds from the Proposed Private Placement has been earmarked to supplement the working capital requirements of HRB and its subsidiaries' ("HRB Group"). The cash proceeds will be used to fund the day-to-day operations of our Group's on-going businesses, which include amongst others, operating expenses, marketing expenses and research and development expenses as well as bank borrowings.*

- \* Comprises of professional fees, placement fees and other incidental expenses in relation to the Proposed Private Placement.*

Any variation in terms of the gross proceeds raised from the Proposed Private Placement will be adjusted against the amount allocated for working capital purposes. Pending utilisation of proceeds from the Proposed Private Placement, the proceeds will be placed with financial institutions or invested in short-term money market instruments.

The actual proceeds to be raised from the Proposed Private Placement are dependent on the issue price and actual number of Placement Shares to be issued. The amount is expected to be utilised within twenty four (24) months from the date of completion of the Proposed Private Placement.

**3. RATIONALE**

The Proposed Private Placement will enable HRB to raise funds without incurring interest cost compared to bank borrowings. The Board also views the Proposed Private Placement as the most appropriate avenue of raising funds given the expected timeframe for completion of the exercise. The Proposed Private Placement will serve to increase the capitalisation of the Company and to further strengthen the balance sheet of HRB.

**4. FINANCIAL EFFECTS OF THE PROPOSED PRIVATE PLACEMENT**

The effects of the Proposed Private Placement on the Company's issued and paid-up share capital, net assets ("NA") and gearing, earnings, and substantial shareholders' shareholdings are set out below, assuming the following scenario:-

**Minimum Scenario** : Assuming that none of the existing Warrants are exercised.

**Maximum Scenario** : Assuming that all of the existing Warrants are exercised into new HRB Shares.

#### 4.1 Share capital

The proforma effects of the Proposed Private Placement on the issued and paid-up share capital of HRB are as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Existing as at 20 August 2013	160,000,000	80,000,000	160,000,000	80,000,000
Assuming full exercise of Warrants	-	-	60,000,000	30,000,000
To be issued pursuant to the Proposed Private Placement	160,000,000	80,000,000	220,000,000	110,000,000
<b>Enlarged issued and paid-up share capital</b>	<b>176,000,000</b>	<b>88,000,000</b>	<b>242,000,000</b>	<b>121,000,000</b>

#### 4.2 NA and gearing

Based on the audited consolidated statement of financial position of HRB as at 31 December 2012, the proforma effects of the Proposed Private Placement on the NA and gearing of HRB are as follows:-

##### Minimum Scenario

	Audited as at 31 December 2012 (RM)	Proforma I Adjustment for subsequent events <sup>(2)</sup> (RM)	Proforma II After Proforma I and the Proposed Private Placement (RM)
Share capital	80,000,000	80,000,000	88,000,000
Treasury shares	(74,370)	-	-
Warrant reserve	2,660,465	2,660,465	2,660,465
Retained earnings	15,986,671	16,015,663	<sup>(3)</sup> 15,815,663
<b>Shareholders' equity / NA</b>	<b>98,572,766</b>	<b>98,676,128</b>	<b>106,476,128</b>
No. of ordinary shares in issue	<sup>(1)</sup> 159,830,000	160,000,000	176,000,000
<b>NA per ordinary share (RM)</b>	<b>0.62</b>	<b>0.62</b>	<b>0.60</b>
Borrowings (RM)	48,492,230	48,492,230	48,492,230
<b>Gearing (times)</b>	<b>0.49</b>	<b>0.49</b>	<b>0.46</b>

##### Notes:-

<sup>(1)</sup> Excluding treasury shares.

<sup>(2)</sup> After adjusting for the transactions involving treasury shares subsequent to 31 December 2012 but prior to the date of this Announcement.

<sup>(3)</sup> After deducting estimated expenses of RM200,000 relating to the Proposed Private Placement.

## Maximum Scenario

	Audited as at 31 December 2012 (RM)	Proforma I Adjustment for subsequent events <sup>(2)</sup> (RM)	Proforma II After Proforma I and assuming full exercise of Warrants (RM)	Proforma III After Proforma II and the Proposed Private Placement (RM)
Share capital	80,000,000	80,000,000	110,000,000	121,000,000
Treasury shares	(74,370)	-	-	-
Share premium	-	-	<sup>(3)</sup> 24,260,465	24,260,465
Warrant reserve	2,660,465	2,660,465	-	-
Retained earnings	15,986,671	16,015,663	16,015,663	<sup>(4)</sup> 15,815,663
<b>Shareholders' equity / NA</b>	<b>98,572,766</b>	<b>98,676,128</b>	<b>150,276,128</b>	<b>161,076,128</b>
No. of ordinary shares in issue	<sup>(1)</sup> 159,830,000	160,000,000	220,000,000	242,000,000
<b>NA per ordinary share (RM)</b>	<b>0.62</b>	<b>0.62</b>	<b>0.68</b>	<b>0.67</b>
Borrowings (RM)	48,492,230	48,492,230	48,492,230	48,492,230
<b>Gearing (times)</b>	<b>0.49</b>	<b>0.49</b>	<b>0.32</b>	<b>0.30</b>

### Notes:-

<sup>(1)</sup> Excluding treasury shares.

<sup>(2)</sup> After adjusting for the transactions involving treasury shares subsequent to 31 December 2012 but prior to the date of this Announcement.

<sup>(3)</sup> Based on the exercise price of RM0.86 per Warrant

<sup>(4)</sup> After deducting estimated expenses of RM200,000 relating to the Proposed Private Placement.

### 4.3 Earnings and earnings per share

The Proposed Private Placement is not expected to have any material effect on the earnings of the Group for the financial year ending ("FYE") 31 December 2013. However, the Placement Shares to be issued pursuant to the Proposed Private Placement may serve to dilute the Company's earnings per Share for the FYE 31 December 2013, depending on the number of Placement Shares placed out and the benefits to be derived from the utilisation of proceeds.

THE REST OF THESE PAGE HAS BEEN INTENTIONALLY LEFT BLANK

#### 4.4 Substantial shareholders' shareholdings

The effect of the Proposed Private Placement on the shareholdings of the substantial shareholders of HRB as at 20 August 2013 based on the Record of Depositors are as follows:-

##### Minimum Scenario

Substantial shareholders	Shareholdings as 20 August 2013				Proforma I ^ After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Mohsin Abdul Halim	25,288,887	15.81	<sup>(1)</sup> 11,583,696	7.24	25,288,887	14.37	<sup>(1)</sup> 11,583,686	6.58
Zahari bin Hamzah	15,097,166	9.44	-	-	15,097,166	8.58	-	-
Joel Emanuel Heaney	11,259,700	7.04	-	-	11,259,700	6.40	-	-
Mallek Rizal bin Mohsin	11,583,696	7.24	<sup>(2)</sup> 25,288,887	15.81	11,583,696	6.58	<sup>(2)</sup> 25,288,887	14.37
OSK Capital Partners Sdn Bhd	9,520,983	5.95	-	-	9,520,983	5.41	-	-

##### Maximum Scenario

Substantial shareholders	Shareholdings as at 20 August 2013				Proforma I Assuming all treasury shares held are in issue and full exercise of Warrants				Proforma II ^ After Proforma I and the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Mohsin Abdul Halim	25,288,887	15.81	<sup>(1)</sup> 11,583,696	7.24	34,622,219	15.74	<sup>(1)</sup> 16,285,226	7.40	34,622,219	14.31	<sup>(1)</sup> 16,285,226	6.73
Zahari bin Hamzah	15,097,166	9.44	-	-	19,379,366	8.81	-	-	19,379,366	8.01	-	-
Joel Emanuel Heaney	11,259,700	7.04	-	-	16,400,900	7.45	-	-	16,400,900	6.78	-	-
Mallek Rizal bin Mohsin	11,583,696	7.24	<sup>(2)</sup> 25,288,887	15.81	16,285,226	7.40	<sup>(2)</sup> 34,622,219	15.74	16,285,226	6.73	<sup>(2)</sup> 34,622,219	14.31
OSK Capital Partners Sdn Bhd	9,520,983	5.95	-	-	9,520,983	4.33	-	-	9,520,983	3.93	-	-

##### **Notes:-**

<sup>(1)</sup> Deemed interested by virtue of his relationship with Mallek Rizal bin Mohsin, his son.

<sup>(2)</sup> Deemed interested by virtue of his relationship with Dato' Mohsin Abdul Halim, his father.

#### **4.5 Convertible securities**

As at 20 August 2013, save for the Warrants, HRB does not have any other convertible securities.

#### **5. APPROVALS REQUIRED**

The Proposed Private Placement is conditional upon the approvals being obtained from the following:-

- (i) Bursa Securities, for the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement; and
- (ii) Any other relevant authority, if required.

The Proposed Private Placement is not conditional upon any other corporate proposal undertaken or to be undertaken by HRB.

#### **6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

None of the directors and/or major shareholders of HRB, and/or persons connected to them have any interest, whether direct or indirect, in the Proposed Private Placement.

#### **7. DIRECTORS' RECOMMENDATION**

After considering all aspects of the Proposed Private Placement, the Board is of the opinion that the Proposed Private Placement is in the best interests of the Company.

#### **8. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Proposed Private Placement is expected to be completed by the fourth quarter (4<sup>th</sup>) of 2013.

#### **9. APPLICATION TO THE AUTHORITIES**

The application to the relevant authorities on the Proposed Private Placement is expected to be made within a period of one (1) month from the date of this announcement.

#### **10. ADVISER**

RHBIB has been appointed by HRB to act as the Adviser for the Proposed Private Placement.

**This announcement is dated 17 September 2013.**