

## HANDAL RESOURCES BERHAD ("HANDAL" OR THE "COMPANY")

### PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF HANDAL ("PROPOSED PRIVATE PLACEMENT")

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#### 1. INTRODUCTION

On behalf of the Board of Directors of Handal ("**Board**"), UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") wishes to announce that the Company proposes to undertake a private placement of up to 10% of the total number of issued shares of Handal to third party investor(s) to be identified later.

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

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

The Company had obtained the approval from its shareholders at the last annual general meeting ("**AGM**") convened on 23 May 2018, whereby pursuant to Sections 75 and 76 of the Companies Act, 2016 ("**Act**") ("**General Mandate**"), the Board has been authorised to allot new ordinary shares in Handal ("**Handal Share(s)**" or "**Share(s)**") provided that the number of new Handal Shares does not exceed 10% of the total number of issued shares of the Company. Such authority shall continue to be in force until the conclusion of the next AGM of the Company.

Further to the above, pursuant to Paragraph 6.03(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), the aggregate number of shares to be issued under the General Mandate must not exceed 10% of the total number of issued shares of the Company during the preceding 12 months. For avoidance of doubt, Handal had not issued any shares under any General Mandate during the preceding 12 months from the date of this announcement.

##### 2.1 Placement size

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

As at 27 February 2019 (being the latest practicable date prior to the date of this announcement) ("**LPD**"), the total issued share capital of Handal was RM80,028,992 comprising 160,000,000 Handal Shares (including 310,200 treasury shares). Assuming all the 310,200 treasury shares are resold at their respective acquisition price prior to the implementation of the Proposed Private Placement, a total of up to 16,000,000 new Handal Shares ("**Placement Share(s)**") may be issued pursuant to the Proposed Private Placement.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total issued Shares of the Company on a date to be determined later upon obtaining all relevant approvals as set out in Section 5 of this announcement, where applicable.

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

**Minimum Scenario** : Assuming all the 310,200 treasury shares are retained prior to the implementation of the Proposed Private Placement

**Maximum Scenario** : Assuming all the 310,200 treasury shares are resold at their respective acquisition price prior to the implementation of the Proposed Private Placement

## **2.2 Basis of determining the issue price of the Placement Shares**

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

Based on Paragraph 6.04(a) of the Listing Requirements, the Placement Shares may be issued based on a discount of not more than 10% to the 5-day volume weighted average market price ("**VWAMP**") of Handal Shares immediately preceding the price-fixing date.

For illustrative purposes only, the indicative issue price of the Placement Shares is assumed at RM0.3153 per Placement Share, which represents a discount of approximately 9.99% to the 5-day VWAMP of Handal Shares up to and including the LPD of RM0.3503 per Handal Share.

## **2.3 Ranking of the Placement Shares**

The Placement Shares will, upon allotment and issuance, rank *pari passu* in all respects with the then existing Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution ("**Distributions**") where the entitlement date of such Distributions precedes the relevant date of allotment and issuance of the Placement Shares.

## **2.4 Listing of and quotation for the Placement Shares**

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

## **2.5 Allocation to placees**

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

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

- i. The director, major shareholder, chief executive of Handal or person connected with a director, major shareholder or chief executive of Handal; and
- ii. Nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

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

## 2.6 Utilisation of proceeds

Based on the indicative issue price of RM0.3153 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM5.04 million. The proceeds are intended to be utilised by Handal and its subsidiary companies ("**Handal Group**" or the "**Group**") in the manner as follows:-

Details of utilisation	Timeframe for utilisation	<-----Amount of proceeds----->	
		Minimum Scenario RM'000	Maximum Scenario RM'000
Funding for potential new projects <sup>*1</sup>	Within 24 months	4,935	4,944
Estimated expenses <sup>*2</sup>	Upon completion	100	100
<b>Total</b>		<b>5,035</b>	<b>5,044</b>

### Notes:-

<sup>\*1</sup> Handal, through its wholly-owned subsidiary, Handal Offshore Services Sdn Bhd ("**HOSSB**"), provides integrated crane services which includes the provision of maintenance and services for offshore pedestal cranes (which includes overhaul, reconditioning and refurbishment of offshore pedestal cranes) in the upstream oil and gas sector. HOSSB also fabricates new offshore pedestal cranes and provides offshore crane rentals to clients. In addition, Handal, through its other subsidiaries, is actively expanding in other areas of oil and gas which includes provision of hydraulic workover units and other downstream maintenance support activities.

As at the LPD, Handal had tendered for projects in the oil and gas sector with a total expected contract value of RM125.00 million, the outcome of the aforementioned tendered projects is still unknown at this juncture. The proceeds earmarked for the funding for potential new projects will generally be utilised for capital expenditure which may include the purchase of additional equipment to enable Handal to carry out the increased volume of maintenance and services works and/ or purchase of offshore cranes to expand its fleet of rental cranes and related components as part of the overhaul, reconditioning and refurbishment of offshore pedestal cranes as well as general working capital which may be utilised for payment to suppliers and to defray project and administrative overheads.

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

	RM'000
Professional fees (i.e. adviser and placement agent)	35
Regulatory fees	25
Other incidental expenses in relation to the Proposed Private Placement	40
<b>Total</b>	<b>100</b>

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. 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.

### 3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED PRIVATE PLACEMENT

After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fund raising as the Proposed Private Placement:-

- i. Enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings;
- ii. Provides the Company with an expeditious way of raising funds from the capital market as opposed to other forms of fund raising; and
- iii. Increases the size and strength of the Company's shareholders' funds.

### 4. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

#### 4.1 Issued share capital

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

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD	160,000,000	80,028,992	160,000,000	80,028,992
Less: Treasury shares	(310,200)	(72,044)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	159,689,800	79,956,948	160,000,000	80,028,992
No. of Shares to be issued pursuant to the Proposed Private Placement	15,968,980	5,035,019 <sup>*1</sup>	16,000,000	5,044,800 <sup>*1</sup>
<b>Enlarged issued share capital</b>	<hr/> <b>175,658,780</b>	<hr/> <b>84,991,967</b>	<hr/> <b>176,000,000</b>	<hr/> <b>85,073,792</b>

**Note:-**

<sup>\*1</sup> Computed based on the indicative issue price of RM0.3153 per Placement Share

#### 4.2 Net Asset ("NA") per Share and gearing

Based on the latest audited consolidated statements of financial position of the Group as at 31 December 2017, the pro forma effects of the Proposed Private Placement on the NA per Share and gearing of the Group are set out as follows:-

##### **Minimum Scenario**

	Audited as at 31 December 2017 RM	After the Proposed Private Placement RM
Share capital	80,028,992	85,064,011 <sup>*1</sup>
Treasury shares	(72,044)	(72,044)
Other reserves	16,375,097	16,275,097 <sup>*2</sup>
<b>Shareholders' fund/ NA</b>	<hr/> <b>96,332,045</b>	<hr/> <b>101,267,064</b>
Non-controlling interests	(12,784)	(12,784)
<b>Total equity</b>	<hr/> <b>96,319,261</b>	<hr/> <b>101,254,280</b>

	Audited as at 31 December 2017 RM	After the Proposed Private Placement RM
No. of Shares in issue	159,689,800	175,658,780
NA per Share (RM)	0.60	0.58
Total borrowings (RM)	27,449,783	27,449,783
Gearing ratio (times)	0.28	0.27

**Notes:-**

<sup>\*1</sup> Assuming 15,968,980 Placement Shares to be issued at an indicative issue price of RM0.3153 per Placement Share

<sup>\*2</sup> After deducting estimated expenses of RM100,000 in relation to the Proposed Private Placement

**Maximum Scenario**

	Audited as at 31 December 2017 RM	I Assuming all treasury shares are resold RM	II After I and the Proposed Private Placement RM
Share capital	80,028,992	80,028,992	85,073,792 <sup>*1</sup>
Treasury shares	(72,044)	-	-
Other reserves	16,375,097	16,375,097	16,275,097 <sup>*2</sup>
<b>Shareholders' fund/ NA</b>	<b>96,332,045</b>	<b>96,404,089</b>	<b>101,348,889</b>
Non-controlling interests	(12,784)	(12,784)	(12,784)
<b>Total equity</b>	<b>96,319,261</b>	<b>96,391,305</b>	<b>101,336,105</b>
No. of Shares in issue ('000)	159,689,800	160,000,000	176,000,000
NA per Share (RM)	0.60	0.60	0.58
Total borrowings (RM)	27,449,783	27,449,783	27,449,783
Gearing ratio (times)	0.28	0.28	0.27

**Notes:-**

<sup>\*1</sup> Assuming 16,000,000 Placement Shares to be issued at an indicative issue price of RM0.3153 per Placement Share

<sup>\*2</sup> After deducting estimated expenses of RM100,000 in relation to the Proposed Private Placement

### 4.3 Substantial shareholding structure

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

#### **Minimum Scenario**

Substantial shareholders	Shareholdings as at the LPD				After the Proposed Private Placement <sup>*1</sup>			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Mohsin Abdul Halim	10,088,887	6.32	15,667,096 <sup>*2</sup>	9.81	10,088,887	5.74	15,667,096 <sup>*2</sup>	8.92
Mallek Rizal Bin Mohsin	15,667,096	9.81	10,088,887 <sup>*3</sup>	6.32	15,667,096	8.92	10,088,887 <sup>*3</sup>	5.74
Joel Emanuel Heaney	8,167,200	5.11	-	-	8,167,200	4.65	-	-
Borneo Seaoffshore Sdn Bhd	17,790,000	11.14	-	-	17,790,000	10.13	-	-
Seaoffshore Capital Sdn Bhd	8,300,000	5.20	17,790,000 <sup>*4</sup>	11.14	8,300,000	4.72	17,790,000 <sup>*4</sup>	10.13
Sunildeep Singh Dhaliwal	-	-	26,090,000 <sup>*5</sup>	16.34	-	-	26,090,000 <sup>*5</sup>	14.85
YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz	-	-	26,090,000 <sup>*5</sup>	16.34	-	-	26,090,000 <sup>*5</sup>	14.85
Mohammad Bin Ismail	-	-	26,090,000 <sup>*5</sup>	16.34	-	-	26,090,000 <sup>*5</sup>	14.85
Chan Cheu Leong	18,344,800	11.49	-	-	18,344,800	10.44	-	-

#### **Notes:-**

<sup>\*1</sup> Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s)

<sup>\*2</sup> Deemed interest pursuant to Section 8 of the Act by virtue of his family relationship with Mallek Rizal bin Mohsin

<sup>\*3</sup> Deemed interest pursuant to Section 8 of the Act by virtue of his family relationship with Dato' Mohsin Abdul Halim

<sup>\*4</sup> Deemed interest through the shares held in Borneo Seaoffshore Sdn Bhd

<sup>\*5</sup> Deemed interest through the shares held in Seaoffshore Capital Sdn Bhd and Borneo Seaoffshore Sdn Bhd

**Maximum Scenario**

Substantial shareholders	Shareholdings as at the LPD				After the Proposed Private Placement <sup>*1</sup>			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Mohsin Abdul Halim	10,088,887	6.32	15,667,096 <sup>*2</sup>	9.81	10,088,887	5.73	15,667,096 <sup>*2</sup>	8.90
Mallek Rizal Bin Mohsin	15,667,096	9.81	10,088,887 <sup>*3</sup>	6.32	15,667,096	8.90	10,088,887 <sup>*3</sup>	5.73
Joel Emanuel Heaney	8,167,200	5.11	-	-	8,167,200	4.64	-	-
Borneo Seaoffshore Sdn Bhd	17,790,000	11.14	-	-	17,790,000	10.11	-	-
Seaoffshore Capital Sdn Bhd	8,300,000	5.20	17,790,000 <sup>*4</sup>	11.14	8,300,000	4.71	17,790,000 <sup>*4</sup>	10.11
Sunildeep Singh Dhaliwal	-	-	26,090,000 <sup>*5</sup>	16.34	-	-	26,090,000 <sup>*5</sup>	14.82
YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz	-	-	26,090,000 <sup>*5</sup>	16.34	-	-	26,090,000 <sup>*5</sup>	14.82
Mohammad Bin Ismail	-	-	26,090,000 <sup>*5</sup>	16.34	-	-	26,090,000 <sup>*5</sup>	14.82
Chan Cheu Leong	18,344,800	11.49	-	-	18,344,800	10.42	-	-

**Notes:-**

<sup>\*1</sup> Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s)

<sup>\*2</sup> Deemed interest pursuant to Section 8 of the Act by virtue of his family relationship with Mallek Rizal bin Mohsin

<sup>\*3</sup> Deemed interest pursuant to Section 8 of the Act by virtue of his family relationship with Dato' Mohsin Abdul Halim

<sup>\*4</sup> Deemed interest through the shares held in Borneo Seaoffshore Sdn Bhd

<sup>\*5</sup> Deemed interest through the shares held in Seaoffshore Capital Sdn Bhd and Borneo Seaoffshore Sdn Bhd

#### **4.4 Earnings and earnings per share ("EPS")**

The Proposed Private Placement, which is expected to be completed by the second quarter of 2019, is not expected to have any material effect on the earnings and EPS of Handal Group for the 18-month financial period ending ("FPE") 30 June 2019. However, there will be a dilution in the EPS of the Group for the 18-month FPE 30 June 2019 due to the increase in the number of Handal Shares in issue arising from the Proposed Private Placement.

#### **4.5 Convertible securities**

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

### **5. APPROVALS REQUIRED**

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

- i. Bursa Securities, for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities; and
- ii. Any other relevant authority, if required.

The Company had obtained the approval from its shareholders at the last AGM convened on 23 May 2018, whereby pursuant to Sections 75 and 76 of the Act, the Board has been authorised to allot new Handal Shares provided that the number of new Handal Shares does not exceed 10% of the total number of issued shares of the Company. Such authority shall continue to be in force until the conclusion of the next AGM of the Company.

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

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

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

### **7. DIRECTORS' STATEMENT**

The Board, after having considered all aspects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

### **8. 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 second quarter of 2019.

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

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

**10. ADVISER AND PLACEMENT AGENT**

UOBKH has been appointed as the Adviser and the Placement Agent for the Proposed Private Placement.

**This announcement is dated 7 March 2019.**