

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

- I. PROPOSED ACQUISITION BY HANDAL OF 408,000 ORDINARY SHARES OF BORNEO SEAOFFSHORE ENGINEERING SDN BHD ("BSOE"), REPRESENTING 51.0% EQUITY INTEREST IN BSOE FROM SEAOFFSHORE CAPITAL SDN BHD FOR A PURCHASE CONSIDERATION OF RM25,500,000 TO BE SATISFIED BY WAY OF ISSUANCE AND ALLOTMENT OF 42,857,100 NEW ORDINARY SHARES IN HANDAL ("HANDAL SHARE(S)" OR "SHARE(S)") AT AN ISSUE PRICE OF RM0.37 PER HANDAL SHARE ("CONSIDERATION SHARE(S)") AND ISSUANCE AND ALLOTMENT OF 26,061,819 NEW IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES IN HANDAL AT AN ISSUE PRICE OF RM0.37 ("CONSIDERATION ICPS") PER CONSIDERATION ICPS ("PROPOSED ACQUISITION");
- II. PROPOSED AMENDMENT TO THE CONSTITUTION OF HANDAL ("PROPOSED AMENDMENT"); AND
- III. PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF HANDAL (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME ("PROPOSED ESOS")

("COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

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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 the following:-

- i. Handal had on 16 April 2019, entered into a conditional shares sale agreement ("**SSA**") with SeaOffshore Capital Sdn Bhd ("**SOC**" or the "**Vendor**") for the proposed acquisition of 408,000 ordinary shares of BSOE ("**Sale Shares**"), representing 51.0% equity interest in BSOE for a purchase consideration of RM25,500,000 ("**Purchase Consideration**").

The Purchase Consideration shall be satisfied in the following manner:

- a. RM15,857,127 via the issuance and allotment of 42,857,100 Consideration Shares to the Vendors at an issue price of RM0.37 per Consideration Share; and the balance
- b. RM9,642,873 via the issuance and allotment of 26,061,819 Consideration ICPS to the Vendor at an issue price of RM0.37 per Consideration ICPS.

The Consideration Shares and Consideration ICPS shall be collectively referred to as the "**Consideration Securities**".

- ii. proposed amendment to the Constitution of Handal; and
- iii. proposed establishment of an employees' share option scheme ("**ESOS**") of up to 10% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time.

The Proposed Acquisition is deemed as a related party transaction ("**RPT**") in accordance with Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"). Details of the interests of the directors and major shareholders of Handal and/ or persons connected to them in relation to the Proposed Acquisition are set out in **Section 10.1** of this announcement.

In view that the Proposed Acquisition is an RPT, FHMH Corporate Advisory Sdn Bhd has been appointed as the Independent Adviser to comment as to whether the Proposed Acquisition is fair and reasonable in so far as the non-interested Directors and shareholders of the Company are concerned.

In conjunction with the Proposed Acquisition, Handal intends to enter into a shareholders agreement with SOC and BSOE to regulate the relationship amongst the shareholders of BSOE in respect of, amongst others, the financial, administrative and other arrangements in relation to BSOE and the manner in which the affairs of BSOE are to be regulated upon the terms and conditions contained in the shareholders agreement ("**Shareholder Agreement**"). The details of the Shareholder Agreement will be set out in the Circular to shareholders. The Shareholder Agreement is intended to be executed prior to the completion of the Proposed Acquisition and the Company will make the necessary announcement upon the execution of the Shareholder Agreement.

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

## 2. DETAILS OF THE PROPOSALS

### 2.1 Proposed Acquisition

On 16 April 2019, Handal entered into the SSA with the Vendor for the proposed acquisition of 408,000 Sale Shares, representing 51.0% equity interest in BSOE for a total purchase consideration of RM25,500,000, which shall be satisfied in the following manner:

	<b>RM</b>
Issuance of 42,857,100 new Consideration Shares at RM0.37 per Consideration Share	15,857,127
Issuance of 26,061,819 new ICPS Consideration at RM0.37 per Consideration ICPS	9,642,873
<b>Total</b>	<b><u>25,500,000</u></b>

Subject to the terms and conditions of the SSA, the Sale Shares will be acquired free from all liens, charges and encumbrances and with full legal and beneficial title with all rights, benefits and advantages attaching thereto (including all dividends and distributions (if any) which may be declared, made or paid in respect thereof) and on the basis of the warranties provided by the Vendor.

Upon completion of the Proposed Acquisition, Handal will hold 51.0% equity interest in BSOE and accordingly, BSOE will become a subsidiary company of Handal.

#### 2.1.1 Information on BSOE

BSOE was incorporated in Malaysia on 1 August 2002 as a private limited company under the Companies Act 1965. In 2016, BSOE commenced its current business in the provision of maintenance of riser and pipeline isolation services located at offshore platforms and/ or offshore rigs. BSOE provides maintenance services for the upstream oil and gas players in Malaysia who are primarily in the drilling and production segment.

For information purposes, risers are conduits that serve to transfer crude oil from the seafloor to the production facilities and BSOE typically performs scheduled maintenance works which includes blasting and painting works to ensure the risers are in optimal condition. Isolation services involve the maintenance of pipelines located at the seafloor level which are connected to the offshore platforms and/ or offshore rigs by carrying out maintenance of the pipeline and replacement and/ or upgrade of parts when necessary.

As at 15 April 2019, being the latest practicable date of this announcement ("LPD"), the issued share capital of BSOE is RM800,000 comprising 800,000 ordinary shares ("**BSOE Share(s)**"). The directors of BSOE are Mohamad bin Ismail, Sunildeep Singh Dhaliwal and YM Tengku Munawir Islahuddin.

The details of the directors and/ or substantial shareholders of BSOE and their respective direct and indirect shareholdings in BSOE as at the LPD are as follows:

Substantial shareholders	Country of incorporation/ Nationality	<-----Direct----->		<-----Indirect----->	
		No. of BSOE Shares	%	No. of BSOE Shares	%
SOC	Malaysia	800,000	100.0	-	-
Mohamad bin Ismail	Malaysian	-	-	800,000 <sup>*1</sup>	100.0
Sunildeep Singh Dhaliwal	Malaysian	-	-	800,000 <sup>*1</sup>	100.0
YM Tengku Munawir Islahuddin	Malaysian	-	-	800,000 <sup>*1</sup>	100.0

**Note:**

<sup>\*1</sup> Deemed interest through the shares held in SOC

Directors	Country of incorporation/ Nationality	<-----Direct----->		<-----Indirect----->	
		No. of BSOE Shares	%	No. of BSOE Shares	%
Mohamad bin Ismail	Malaysian	-	-	800,000 <sup>*1</sup>	100.0
Sunildeep Singh Dhaliwal	Malaysian	-	-	800,000 <sup>*1</sup>	100.0
YM Tengku Munawir Islahuddin	Malaysian	-	-	800,000 <sup>*1</sup>	100.0

**Note:**

<sup>\*1</sup> Deemed interest through the shares held in SOC

As at the LPD, BSOE does not have any subsidiary or associate company.

A summary of the financial information of BSOE for the past 3 financial years up to the financial year ended ("FYE") 30 June 2018 is set out below:-

	<----- Audited FYE 30 June----->		
	2016	2017	2018
	RM	RM	RM
Revenue	-	18,677,929	68,537,389
Gross Profit ("GP")	5,461	4,107,256	10,290,454
Profit/ (Loss) before taxation ("PBT or LBT")	(171,045)	1,774,314	6,627,469
Profit/ (Loss) after taxation ("PAT or LAT")	(171,045)	1,450,323	5,002,466
Total Equity/ Net assets ("NA")	794,855	2,361,153	5,904,284
Total borrowings	-	-	1,807,793
Dividend declared for the financial year	-	-	1,470,000
Total issued shares (number)	800,000	800,000	800,000
Current Asset	1,552,859	7,190,823	35,219,785
Current Liabilities	820,851	5,223,774	29,786,772
GP margin (%)	-	21.99	15.01
PBT margin (%)	-	9.50	9.67
PAT margin (%)	-	7.76	7.30
Gross earnings/ (Loss) per share ("EPS or LPS") (RM)	(0.21)	1.81	6.25
Net EPS/ (LPS) (RM)	(0.21)	1.81	6.25
NA per share (RM)	0.99	2.95	7.38
Current ratio (times)	1.89	1.38	1.18
Gearing (times)	-	-	0.31

BSOE commenced its operations in the maintenance of risers and pipeline isolation services in April 2016 and as such, no revenue was recorded for the FYE 30 June 2016.

For the FYE 30 June 2017, BSOE recorded revenue of RM18.68 million mainly due to contracts secured for the provision of various maintenance and repair works as well as provision for pipeline isolation services for offshore platforms/ offshore rigs located in East Malaysia. The PAT of RM1.45 million recorded was in line with the increase in revenue recorded during the financial year under review. GP margin recorded for the financial year under review was 21.99%.

For the FYE 30 June 2018, BSOE recorded revenue of RM68.54 million mainly due to additional contracts secured for the provision of pipeline isolation services and riser maintenance services. The PAT of RM5.00 million recorded was in line with the increase in revenue recorded during the financial year under review. Notwithstanding the increase in revenue and PAT recorded, GP margin decreased from 21.99% to 15.01% mainly due to BSOE securing contracts which were tendered at competitive prices resulting in lower GP margin recorded during the financial year.

As at the LPD, BSOE's had an outstanding order book of RM215.43 million. Further details on BSOE's outstanding order book are set out in Section 5.3 of this announcement.

### 2.1.2 Original dates and cost of investment

The original dates and cost of investment in BSOE by SOC is set out as follows:-

Date	No. of BSOE Shares	RM
18 December 2015	800,000	800,000

### 2.1.3 Basis and justification of arriving at the Purchase Consideration

The purchase consideration of RM25,500,000 was arrived at, on a willing-buyer willing-seller basis, after taking into consideration the profit guarantee of RM5,000,000 provided by the Vendor to Handal for the financial year ending 30 June 2020 ("**Profit Guarantee**").

For avoidance of doubt, the profit attributable to Handal based on the Profit Guarantee would be RM2,550,000, calculated based on the 51% equity interest of BSOE to be acquired by Handal. Therefore, the Purchase Consideration represents a price-to-earnings multiple of 10 times based on the Profit Guarantee attributable to Handal.

For clarification purpose, the Vendor had provided the profit guarantee for the financial year ending 30 June 2020 in view that the Proposed Acquisition is only expected to be completed by the third quarter of 2019 and as such, there would not be any contribution to Handal from BSOE for the financial year ending 30 June 2019.

Further, the Purchase Consideration was arrived at after taking into consideration the outstanding order book of BSOE and the future prospects of BSOE and the enlarged Handal Group as set out in Section 5.3 of this announcement.

### 2.1.4 Basis and justification of arriving at the issue price of the Consideration Securities

The Consideration Securities will be issued at RM0.37 each, and each Consideration ICPS will be convertible into 1 new Handal Share ("**Conversion Ratio**") details as set out in Section 2.1.13 of this announcement. Based on the Conversion Ratio, the implied conversion price is RM0.37 for every 1 new Handal Share ("**Implied Conversion Price**"). A total of 26,061,819 Handal Shares will be issued upon full conversion of the Consideration ICPS (subject to adjustments to the Conversion Ratio in accordance with the terms of the Consideration ICPS).

The issue price of the Consideration Securities and the Implied Conversion Price was determined on a willing-buyer willing-seller basis, after taking into consideration the 5-day volume weighted average price ("**VWAP**") of Handal Shares up to and including 15 April 2019, being the last market date immediately preceding the date of SSA of RM0.37.

The issue price of the Consideration Securities represents a premium/ (discount) to the following VWAPs:-

	Share price RM	Premium/ (Discount) RM %	
Last transacted price as at 15 April 2019	0.350	0.020	5.71
VWAP up to and including the LPD			
5-day VWAP	0.370	-	-
1-month VWAP	0.375	(0.005)	(1.33)
3-month VWAP	0.371	(0.001)	(0.27)
6-month VWAP	0.363	0.007	1.93
12-month VWAP	0.40	(0.03)	(7.50)

(Source: Bloomberg)

Based on the above, the issue price and the Implied Conversion Price represents a discount ranging from approximately 0.27% to approximately 7.50% to the 1-month VWAP, 3-month VWAP and 12-month VWAP, whilst it represents a premium of approximately ranging from approximately 1.93% to approximately 5.71% to the last transacted market price on 15 April 2019 and the 6-month VWAP of Shares up to and including the date prior to the date of the SSA.

#### **2.1.5 Ranking of Consideration Securities**

The Consideration Shares and the new Handal Shares arising from the conversion of the Consideration ICPS shall, upon allotment and issuance, rank *pari passu* in all respects with each other and with the existing Handal Shares, save and except that the Consideration Shares shall not be entitled to participate in any dividends, rights, allotment and/ or other distributions ("**Distributions**") which are declared, made or paid to the shareholders of Handal for which the entitlement date for the said Distributions precedes the date of allotment and issuance of the Consideration Shares.

The Consideration ICPS shall, upon allotment and issuance, rank in priority to the Handal Shares in respect of the payment of dividends and in the event of a liquidation but *pari passu* among themselves in all respects.

#### **2.1.6 Listing of and quotation for the Consideration Securities**

An application will be made to Bursa Securities for the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities.

The Consideration ICPS to be issued pursuant to the Proposed Acquisition will not be listed on the Main Market of Bursa Securities.

#### **2.1.7 Listing of and quotation for the new Handal Shares arising from the conversion of the Consideration ICPS**

An application will be made to Bursa Securities for the listing of and quotation for the new Handal Shares arising from the conversion of the Consideration ICPS.

### 2.1.8 Mode of Settlement of the Purchase Consideration

Pursuant to the terms of the SSA, the mode of settlement of the Purchase Consideration comprises Consideration Shares and Consideration ICPS which shall be satisfied on the Completion Date in the following manner:-

	No. of securities	RM	%
Consideration Shares	42,857,100	15,857,127	62.18
Consideration ICPS	26,061,819	9,642,873	37.82
<b>Total</b>		<b>25,500,000</b>	<b>100.0</b>

The issuance and allotment of the Consideration Securities to the Vendor shall be completed within 60 business days upon the fulfilment of all conditions precedent as stated in Section 2.1.12(iii) of this announcement or such other extended date the parties may mutually agree in writing.

### 2.1.9 Liabilities to be assumed by Handal

Save for the obligation and liabilities in and arising from, pursuant to or in connection with the SSA for the Proposed Acquisition, there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by Handal arising from the Proposed Acquisition.

### 2.1.10 Additional financial commitment required

Save for the Purchase Consideration, there is no additional financial commitment required by Handal to put the business of BSOE on-stream as it is an ongoing business entity with existing operations.

### 2.1.11 Information on the Vendor

SOC was incorporated in Malaysia on 15 June 2010 as a private limited company under the Companies Act 1965. SOC is principally an investment holding company.

As at the LPD, the issued share capital of SOC is at RM200,000 comprising 200,000 shares, the details of its directors and shareholders together with their respective direct and indirect shareholdings in SOC are as follows:

Name	Designation	Nationality	<----Direct----->		<----Indirect----->	
			No. of shares	%	No. of shares	%
Mohamad bin Ismail	Director	Malaysian	50,000	25.0	-	-
Sunildeep Singh Dhaliwal	Director	Malaysian	90,000	45.0	-	-
YM Tengku Munawir Islahuddin	Director	Malaysian	60,000	30.0	-	-

## **2.1.12 Salient terms of the SSA**

### **i. Sale and Purchase of the Sale Shares**

The Vendor has agreed to sell and the Company has agreed to purchase the Sale Shares:-

- a. free from all liens, charges and encumbrances and with full legal and beneficial title;
- b. with all rights, benefits and advantages attaching thereto (including all dividends and distributions (if any) which may be declared, made or paid in respect thereof) with effect from the date of the SSA; and
- c. on the basis of the warranties, representation and undertakings of the Vendor contained in the SSA

at the Purchase Consideration which is to be satisfied via the issuance and allotment of Consideration Securities.

### **ii. Purchase Consideration**

The parties agree that the Purchase Consideration shall be fully satisfied by the Company to the Vendor within 60 business days upon the date on which all the conditions precedent as specified in Section 2.1.12(iii) of this announcement are fulfilled or such other extended date the parties may mutually agree in writing via the issuance and allotment of Consideration Securities at the issue price of RM0.37 which was determined based on the 5-day VWAP of Handal Shares up to and including 15 April 2019, being the last market day preceding the date of the SSA.

### **iii. Conditions precedent**

The obligations of the parties that are set out in the SSA are conditional upon the following being fulfilled or obtained within 120 days ("**Conditional Period**") from the date of the SSA or such other extended date the parties may mutually agree in writing:-

- a. the Company having obtained the approval of the non-interested shareholders of the Company at an extraordinary general meeting to be convened for the Proposed Acquisition and the allotment and issuance of the Consideration Securities;
- b. the approval from Bursa Securities for the listing and quotation of the Consideration Shares and the listing and quotation of the ordinary shares of the Company upon conversion of the Consideration ICPS;
- c. the Company shall have completed its due diligence process on BSOE to its satisfaction;
- d. the execution of the Shareholder Agreement between the Vendor and the Company in respect of BSOE;



- e. all parties shall ensure that should the requirements arise, all the respective approvals, consents, authorisations, permits, licenses or waivers of any regulatory agency, authority or parties (if necessary) for the Proposed Acquisition have been procured by the respective party hereto; and
- f. the Vendor to procure, if required, the written consents of its bankers for the sale of the Sale Shares to the Company herein and the consequent change of shareholders in BSOE.

The parties covenant to the other (as the case may be) that they shall use their best endeavors to do all acts or things as may be necessary, to procure the fulfilment of the conditions precedent within the Conditional Period.

In the event that any one of the conditions precedent is not or cannot be fulfilled or waived during the Conditional Period or such other extended date the parties mutually agree in writing, either party shall be entitled, by written notice to the other, to terminate the SSA and upon such notice being served on the other, the SSA shall be null and void and be of no further effect.

#### **iv. Events on Completion**

The completion of the sale and purchase of the Sale Shares will take place upon the satisfaction of the Purchase Consideration in accordance with Section 2.1.12(ii) of this announcement, at such place as may be agreed between the parties.

The Vendor shall execute and deposit the following documents with the Company's Solicitors as stakeholder for the parties herein within 7 days from the date of receipt by the Vendor of a stamped copy of the SSA:-

- a. the instrument of transfer (pursuant to Section 105 of the Companies Act 2016 in respect of the Sale Shares, duly completed and signed by the Vendor in favor of the Company; and
- b. the original share certificates in respect of Sale Shares free from all liens, charges and encumbrances and with full legal and beneficial title duly registered in the name of the Vendor.

The Company may at its absolute discretion waive any requirements stated above but shall not be obliged to complete the purchase of any of the Sale Shares unless the requirements stated above have been fulfilled.

**v. Profit Guarantee**

- a. In consideration of the Company acquiring all the Sale Shares in BSOE owned by the Vendor, the Vendor, being shareholder of BSOE hereby guarantees and covenants with the Company as the aggregate of the audited after tax profits of BSOE for the financial year commencing from 1 July 2019 and ending on 30 June 2020 ("**FYE 2020**"), the PAT of BSOE for FYE 2020 (which for avoidance of doubt, shall exclude any gains or losses resulting from reversal(s) of provision for doubtful debts, recovery of bad debts written off or reversal(s) of any deferred tax asset(s), if any) ("**PAT 2020**") shall not be less than RM5,000,000 ("**Guaranteed Amount**") ("**Profit Guarantee**").
- b. As the security for the Guaranteed Amount, the Vendor hereby undertakes that it will not convert up to 13,513,514 Consideration ICPS, with a nominal value equivalent to the Guaranteed Amount ("**Guaranteed ICPS**") until after the adoption of the audited consolidated financial statement for the FYE 2020 which shall include any notes thereon and any reports, statements or documents annexed or attached thereto by the shareholder(s) of BSOE ("**FYE 2020 Accounts**") and fulfilment and satisfaction of all the terms and conditions in relation to the profit guarantee as stipulated therein ("**Undertaking**").
- c. The Vendor and the Company agree to engage the Share Registrar of the Company to monitor the conversion of the Consideration ICPS by the Vendor, such that at all time, the Guaranteed ICPS which shall be the security for the Guaranteed Amount:-
- shall not be transferable; and
  - shall not be converted into the ordinary shares of the Company,
- until the fulfilment and satisfaction of the Profit Guarantee in accordance with Section 2.1.12(v)(g) of this announcement.
- d. For the purpose of Section 2.1.12(v)(c) of this announcement, the Company shall calculate the value of the Consideration ICPS from time to time at its absolute discretion provided that there shall be at least 2 calculations made prior to the adoption of the FYE 2020 Accounts by the shareholders(s) of BSOE, with the first calculation being undertaken within 3 months after the date of issuance and allotment of Consideration ICPS, based on the 5-days VWAP (as quoted by Bloomberg, Malaysia) immediately prior to the date of calculation.
- e. In the event that the aggregate value of the Consideration ICPS calculated in the manner as set out in Section 2.1.12(v)(d) of this announcement shall be less than the Guaranteed Amount, the Company shall notify the Vendor in writing of the same and the additional Consideration ICPS that the Vendor shall undertake not to convert.

- f. Upon the adoption of the FYE 2020 Accounts by the shareholder(s) of BSOE:-
- the Company shall calculate the market value of the new Handal shares to be listed on Bursa Securities subsequent to the conversion of the Consideration ICPS; and
  - the Company shall notify the Vendor in writing the PAT 2020; whether there is any shortfall between PAT 2020 and the Guaranteed Amount; and if there is a shortfall, the shortfall amount.
- g. The Company shall inform the Share Registrar of the Company to nullify the Undertaking provided by the Vendor if:-
- the PAT 2020 is equivalent or more than the Guaranteed Amount; or
  - the shortfall amounting to a sum equivalent to the difference between PAT 2020 and the Guaranteed Amount multiplied by the percentage of the Company's shareholding in BSOE and other monies outstanding and payable to the Company, has been fully paid by the Vendor to the Company within 30 days upon the receipt of the demand from the Company; However, in the event that BSOE suffers a loss in the FYE 2020, then the shortfall amount shall be the sum amounting to the total amount of the audited loss after tax for FYE 2020 and the Guaranteed Amount multiplied by the percentage of the Company's shareholding in BSOE and other monies outstanding and payable to the Company.
- h. Upon the demand by the Company, all sums or moneys for the time being owing under the SSA by the Vendor to BSOE shall immediately become payable by the Vendor or their personal representatives, successors-in-title or assigns to the Company and shall be recoverable by the Company with interest thereon as default charges at the rate of 8% per annum calculated from the date the said sums or money became due until such time the said outstanding sums or money are fully settled.

**(i) Breach/ Termination**

The SSA will continue and remain in full force and effect, unless terminated either by way of issuance of notice of termination or rescission pursuant to any of the provisions in the SSA and the consequential effects thereafter shall be governed under this section.

(a) The Company's right to terminate

- Termination upon due diligence review

If upon completion of the due diligence review, the financial position of BSOE as stated in BSOE's audited financial statement for the financial year ended 30 June 2018 shall be found to be materially inaccurate and/or incorrect; and/or incomplete or not to the satisfaction of the Company at the Company's absolute discretion, the Company shall at its absolute discretion, be entitled (but not obliged) to terminate the SSA.

- Termination for material adverse change

If, prior to the completion of the SSA, the Company gives the Vendor a notice of termination that the completion will not proceed due to an event or circumstance which has resulted in, or could reasonably be expected to result in, an adverse change in the financial condition, business or prospects of BSOE; or information which has been discovered by, or provided to the Company which existed at the date of the SSA but was previously undisclosed to the Company, which in the reasonable opinion of the Company, has resulted in, or could reasonably be expected to result in a material adverse change to, or have a material adverse effect on, the Company's assessment of the purchase of the Sale Shares, the Company shall, at its absolute discretion be entitled (but not obliged) to terminate the SSA.

- Termination due to breach of term or warranty

If prior to the completion, any of the undertakings, representations and warranties on the part of the Vendor has not been carried out or complied with or are in any material respect untrue or incorrect (and in respect of any breach which is capable of remedy, the Vendor has failed to remedy such breach within 14 days after the Company's written notice to the Vendor requiring the same to be remedied, the Company shall be entitled by a notice of termination to the Vendor to terminate the SSA (whether or not any notification shall been given by the Vendor to the Company) and without prejudice to the Company's rights and remedies at law and hereunder in respect of the Vendor's misrepresentation and/or breach of warranty or undertaking.

In the event the Vendor shall fail to complete the sale and purchase herein for any reasons as stipulated above whatsoever or shall fail to comply with any of the terms or conditions of the SSA and provided that the Company shall complied with the terms of the SSA, the Company shall be entitled to claim for specific performance, damages and/or all such reliefs as may be awarded by the Court, or in the alternative, the Company may by notice of termination to the Vendor terminate the SSA whereupon the Vendor shall pay to the Company, 10% of the Purchase Consideration as agreed liquidated damages and thereafter the SSA shall be null and void and of no further force or effect and neither party shall have any claim against the other save and except for any antecedent breaches.

(b) The Vendor's right to termination

The Vendor may, at any time up to and on the Completion Date and while such any default on the part of the Company subsists, give a notice of termination to the Company in the event that the Company defaults in any of its obligations under the SSA or is otherwise in fundamental breach of its obligations under the SSA and the Vendor shall be entitled to:-

- 10% of the Purchase Consideration (as agreed liquidated damages) to be paid by the Company to the Vendor; and
- all documents held by one party shall be returned to the other;

and thereafter the SSA shall be null and void and of no further force or effect and neither party shall have any claim against the other in respect thereof save and except for any antecedent breaches.

(c) Termination in event of insolvency

A party may, at any time prior to completion, give a notice of termination to the other party if:-

- the other party is or becomes, or is adjudicated or found to be, bankrupt or insolvent or suspends payment of its debts or is (or is deemed to be) unable to or admits inability to pay its debts as they fall due or proposes or enters into any composition or other arrangement for the benefit of its creditors generally or proceedings are commenced in relation to that party under any law, regulation or procedure relating to reconstruction or adjustment of debts; or
- an administrator or receiver and manager is appointed over, or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of the other party.

Within 7 days after the issuance of the notice of termination, the Company must return all documents, if any, delivered to them by or on behalf of the Vendor to the Vendor with all the Vendor's rights and interest in the Company intact; and the Vendor must return all documents, if any, delivered to them by or on behalf of the Company to the Company.

### 2.1.13 Salient terms of the Consideration ICPS

- Issue size** : 26,061,819 Consideration ICPS
- Issue price** : RM0.37
- Nominal value in issue** : RM9,642,873
- Voting rights** : The Consideration ICPS shall carry no right to vote at any general meeting of Handal except with regard to:
- (a) on any proposal to wind-up Handal or during the winding-up of Handal;
  - (b) on any proposal that affects the rights and privileges of the Consideration ICPS holders;
  - (c) on any proposal to reduce the share capital of Handal; or
  - (d) on any proposal for the disposal of the whole or a substantial part of the property, business and undertaking of Handal.

In any case above, the Consideration ICPS holders shall be entitled to vote together with the holders of ordinary shares and to 1 vote and if voting by way of a poll, the Consideration ICPS holder shall have 1 vote for each Consideration ICPS held.

- Ranking** : The Consideration ICPS to be issued pursuant to the Proposed Acquisition are unsecured and shall upon allotment and issue, rank *pari passu* in all respect between the holders thereof except that:
- (a) they will not be entitled to any rights, allotments and/or other distribution (except dividends) that may be declared by Handal; and
  - (b) the Consideration ICPS shall carry no right to vote at any general meeting of Handal except with regard to any proposal to wind-up Handal, during the winding-up of Handal, any proposal that affects the rights and privileges of the Consideration ICPS holders, any proposal to reduce Handal's share capital or any proposal for the disposal of the whole or a substantial part of Handal's property, business and undertaking. In any such case, the Consideration ICPS holders shall be entitled to vote together with the holders of ordinary shares and to 1 vote for each Consideration ICPS held.

- Tenure** : 5 years from and inclusive of the date of issue.
- Maturity Date** : The market day immediately before the 5th anniversary of the date of issue. "**Market Day**" means a day on which the stock market of Bursa Securities is open for trading in securities.
- Dividend Rate** : The dividends for the Consideration ICPS shall be determined solely at the discretion of the Board.
- Conversion ratio** : Each Consideration ICPS is convertible into 1 new Handal Share and will be subject to the adjustments in certain circumstances under the provisions of Handal's constitution. For avoidance of doubt, the conversion shall be deemed to be satisfied by the holders of Consideration ICPS tendering and surrendering the Consideration ICPS and no cash money shall be payable.
- Conversion Period/ Status** : (a) The Consideration ICPS shall be convertible into new Handal Shares based on the Conversion Ratio at any time upon the issuance of Consideration ICPS up to and including the Maturity Date; and
- (b) any Consideration ICPS that remains outstanding on the Maturity Date shall be automatically converted into Handal Shares.
- Adjustment to Conversion Ratio and right to conversion** : The Conversion Ratio may from time to time be adjusted by the Directors of Handal as and when they deem necessary and expedient, in consultation with the auditor of the Company in all or any of the following cases:
- (a) an alteration of the value of ordinary shares in Handal by reason of consolidation or subdivision;
- (b) a bonus issue of fully paid-up ordinary shares by Handal;
- (c) a capital distribution or repayment to shareholders whether by way of reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by assets);
- (d) a rights issue of ordinary shares by Handal;
- (e) capitalisation of the reserves of Handal; or
- (f) any other circumstances which in the opinion of the directors of Handal be deemed necessary.

No adjustment to the Conversion Ratio and/or number of ordinary shares in Handal to be issued arising from conversion of the Consideration ICPS shall be made unless it has been certified by the auditor of the Company. For avoidance of doubt, any fraction of new Handal Shares arising from the conversion in favour of a holder of Consideration ICPS otherwise entitled thereto shall be dealt with at the discretion of the directors of Handal.

<b>Conversion Rights</b>	:	The Consideration ICPS holders will have the right to convert the Consideration ICPS into new Handal Shares at any time on any Market Day upon the issuance of Consideration ICPS up to and including the Maturity Date.
<b>Redemption</b>	:	Not redeemable for cash.
<b>Transferability</b>	:	Fully transferable with the prior approvals of the relevant authorities, if any and if required.
<b>Listing</b>	:	The Consideration ICPS will not be listed on Bursa Securities. However, an application for approval-in-principle of Bursa Securities will be made for the listing of and quotation for the new Handal Shares to be issued arising from the conversion of the Consideration ICPS on the Main Market of Bursa Securities.
<b>Ranking of new Handal Shares from conversion</b>	:	All new Handal Shares to be issued upon the conversion of the Consideration ICPS shall upon allotment and issuance, rank <i>pari passu</i> in all respects with the then existing Handal Shares, save and except that the new Handal Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of such new Handal Shares.
<b>Rights of holders on the liquidation of Handal</b>	:	In the event of any form of winding-up of, or return of capital by Handal, the Consideration ICPS holders shall be entitled to receive payment (after payment to creditors of Handal, whether secured or unsecured) of the nominal amount of the Consideration ICPS held by them together with any arrears of dividend (whether earned or declared or not) calculated to the date of such payment in priority to the members of Handal, on a <i>pari passu</i> basis amongst the other holders of the Consideration ICPS, but shall have no other right to participate in the assets or profits of Handal.
<b>Rights to receive notices, reports and accounts and attend meetings</b>	:	Consideration ICPS holders shall have the right to receive notices, reports and accounts and attend meetings, being the same as those which ordinary shareholder are entitled.
<b>Participation rights of Consideration ICPS holders in any distributions and/or offer of further securities</b>	:	The Consideration ICPS holders shall not have any right to participate in any distribution and/or offers of further securities by Handal unless otherwise resolved by members of Handal at a general meeting.
<b>Governing Law</b>	:	Laws and regulations of Malaysia.

## 2.2 Proposed Amendment

The Proposed Amendment involves consequential amendments to the Constitution of Handal to facilitate the issuance of the ICPS under the Proposed Acquisition.



## 2.3 Proposed ESOS

The Proposed ESOS involves the granting of ESOS options to the employees and executive Directors of Handal and its subsidiary companies ("**Handal Group**" or the "**Group**"), which are not dormant, who meet the criteria of eligibility for participation in the Proposed ESOS as set out in the by-laws of the Proposed ESOS ("**By-Laws**") ("**Eligible Person(s)**") to subscribe for new ordinary shares in Handal ("**Handal Share(s)**" or "**Share(s)**") at specified prices to be determined in the manner set out in Section 2.3.5 of this announcement ("**ESOS Option(s)**" or "**Option(s)**").

The Proposed ESOS will be administered by a committee to be appointed and duly authorised by the Board ("**ESOS Committee**") and shall be governed by the By-Laws.

The salient features of the Proposed ESOS are set out below:-

### 2.3.1 Maximum number of Handal Shares available under the Proposed ESOS

The maximum number of new Handal Shares, which may be allotted pursuant to the Proposed ESOS shall not exceed in aggregate 10% of the total number of issued shares of the Company (excluding treasury shares, if any) or any limit prescribed by any guidelines, rules and regulations of the relevant authorities, at any point in time throughout the duration of the ESOS as set out in Section 2.3.4 of this announcement.

### 2.3.2 Basis of allotment and maximum allowable allotment

The maximum number of new Handal Shares that may be offered to an Eligible Person under the Proposed ESOS shall be determined at the discretion of the ESOS Committee after taking into consideration, amongst others and where relevant, the performance, contribution, employment grade, seniority and/ or length of service of the Eligible Person and shall be subject to the following:-

- i. The executive Directors and senior management of the Group (excluding dormant subsidiaries) do not participate in the deliberation or discussion of their own allocation of ESOS Options; and
- ii. The allocation to an Eligible Person, who either singly or collectively, through persons connected to the Eligible Person, holds 20% or more of the total number of issued shares of Handal (excluding treasury shares, if any), must not exceed 10% of the total number of new Handal Shares to be issued under the Proposed ESOS.

### 2.3.3 Eligibility

Only Eligible Persons of the Group (excluding dormant subsidiaries), who meet the criteria of eligibility for participation in the Proposed ESOS as set out in the By-Laws are eligible to participate.

In the case of a Director or a chief executive or a major shareholder of Handal and/ or persons connected to them who is an Eligible Person, their specific allotments under the Proposed ESOS shall be approved by the shareholders of Handal in a general meeting.

#### **2.3.4 Duration**

The Proposed ESOS, when implemented, shall be in force for a period of 5 years from the effective date of implementation of the Proposed ESOS ("**Effective Date**").

On or before the expiry of the above initial 5-year period, the Proposed ESOS may be extended by the ESOS Committee at its absolute discretion, without having to obtain approval from the Company's shareholders in general meeting, for a further period of up to 5 years immediately from the expiry of the first 5 years, but will not in aggregate exceed 10 years from the Effective Date or such longer period as may be allowed by the relevant authorities.

#### **2.3.5 Basis of determining the subscription price**

Subject to any adjustments made under the By-laws and pursuant to the Listing Requirements, the subscription price shall be based on the 5-day weighted average market price of the Handal Shares immediately preceding the date on which an offer is made by the ESOS Committee in writing ("**Date of Offer**"), with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities and/ or any other relevant authorities from time to time during the duration of the ESOS, at the ESOS Committee's discretion.

#### **2.3.6 Ranking of the ESOS Options and new Handal Shares to be issued arising from the exercise of the ESOS Options**

The Eligible Persons who have accepted the offer ("**Grantee(s)**") will not be entitled to any voting right or participation in any form of distribution and/ or offer of further securities in the Company until and unless such Grantees exercise their ESOS Options into new Handal Shares.

The new Handal Shares to be issued arising from the exercise of the ESOS Options shall, upon allotment and issuance, rank *pari passu* in all respects with the existing issued Handal Shares, except that the new Handal Shares will not be entitled to any Distributions that may be declared, made or paid to shareholders, for which the entitlement date for the Distributions precedes the date of allotment and issuance of the new Handal Shares. The new Handal Shares will be subject to all provisions of the Memorandum and Articles of Association or Constitution of Handal relating to transfer, transmission or otherwise.

#### **2.3.7 Holding of Handal Shares**

The new Handal Shares to be allotted and issued to the Grantees (other than the Non-Executive Directors of the Group) pursuant to the exercise of the ESOS Options will not be subject to any holding period or restriction on transfer, disposal and/ or assignment.

A Grantee who is a Non-Executive Director of the Group must not sell, transfer or assign any new Handal Shares obtained through the exercise of the ESOS Options offered to him pursuant to the Proposed ESOS within 1 year from the Date of Offer.

#### **2.3.8 Listing of and quotation for the new Handal Shares to be issued arising from the exercise of the ESOS Options**

An application will be made to Bursa Securities for the listing of and quotation for the new Handal Shares to be issued pursuant to the exercise of the ESOS Options on the Main Market of Bursa Securities.

### 3. UTILISATION OF PROCEEDS FOR THE PROPOSED ESOS

The actual amount of proceeds to be raised from the Proposed ESOS will depend on the number of ESOS Options granted and exercised at the relevant point of time and the subscription price payable upon the exercise of the ESOS Options.

The proceeds arising from the exercise of the ESOS Options will be utilised for the working capital requirements of the Handal Group, as and when received, within the tenure of the ESOS. As such, the exact timeframe for utilisation of the proceeds cannot be determined at this juncture.

The proceeds for working capital will be utilised to finance the Group's operational expenses which may include, but not limited to, staff costs, payment to trade creditors and general expenses. Notwithstanding the foregoing, the detailed allocation to each component of the working capital cannot be determined at this juncture as there is no certainty in the timing and amount to be raised from the exercise of the ESOS Options.

### 4. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

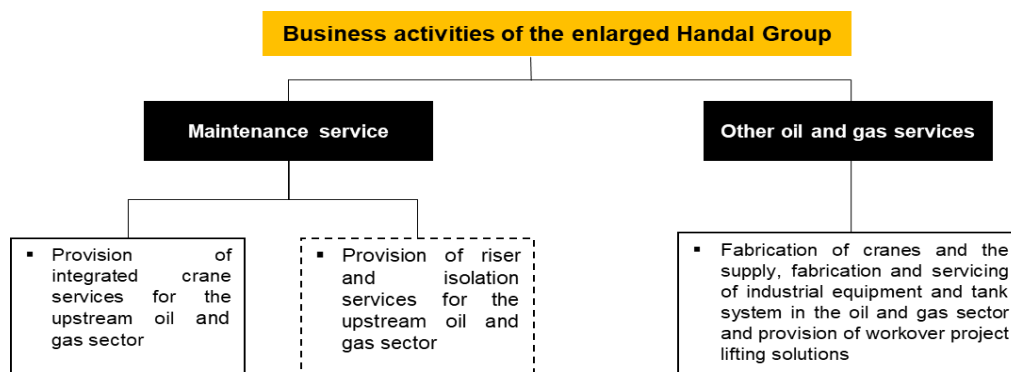
#### 4.1 Proposed Acquisition

Handal is principally an investment holding company and through its subsidiaries is principally an oil and gas solutions provider. The subsidiaries of Handal are involved in the overhaul and maintenance of offshore pedestal crane, offshore crane fabrication, engineering project support services and provision of technologies and solutions for the upstream oil and gas sector.

As detailed in Section 2.1.1 of this announcement, BSOE is principally involved in the provision of maintenance services of riser and pipeline isolation services located at offshore platforms and/ or offshore rigs. The Proposed Acquisition will allow Handal to immediately expand its service offerings to its existing clients due to the similar business nature of both Handal and BSOE which is in the provision of maintenance services for the upstream oil and gas sector.

The Proposed Acquisition represents a horizontal expansion of Handal's existing business operations and would enable Handal to expand its maintenance service offerings to include the maintenance of risers and pipeline isolation services in addition to its current maintenance service offering for the maintenance of offshore pedestal cranes.

The core business activities of the enlarged Handal Group subsequent to the Proposed Acquisition is illustrated below:-



**Note:-**

--- Being the additional service offering under the provision of maintenance service segment of Handal after the completion of the Proposed Acquisition

In addition to the above, the Proposed Acquisition allows Handal to expand its customer base whereby upon completion of the Proposed Acquisition, Handal will be able to leverage on BSOE's customer base to offer maintenance services for offshore pedestal cranes.

Since its commencement of its business in the provision of maintenance services for risers and pipeline isolation services, BSOE has been generating profits for the past 2 years up to the audited FYE 30 June 2018. The Proposed Acquisition also comes with a Profit Guarantee of RM5.00 million (of which attributable to the Group is RM2.55 million based on the 51% equity interest to be acquired). Based on the historical result and the Profit Guarantee provided by the Vendor, the Proposed Acquisition is expected to contribute positively to the future earnings of the enlarged Handal Group.

#### **4.2 Proposed Amendment**

The Proposed Amendment is undertaken to facilitate the implementation of the Proposed Acquisition.

#### **4.3 Proposed ESOS**

The implementation of the Proposed ESOS primarily serves to align the interests of the Eligible Persons to the corporate goals of Handal Group. The Proposed ESOS will provide the Eligible Persons with an opportunity to have equity participation in the Company and help achieve the positive objectives as set out below:-

- i. To recognise the contribution of the Eligible Persons whose services are valued and considered vital to the operations and continued growth of Handal Group;
- ii. To reward the Eligible Persons by allowing them to participate in the Group's profitability and eventually realise any potential capital gains arising from possible appreciation in the value of Handal Shares, upon exercising of the ESOS Options;
- iii. To motivate the Eligible Persons towards improved performance through greater productivity and loyalty; and
- iv. To inculcate a greater sense of belonging and dedication as the Eligible Persons are given the opportunity to participate directly in the equity of the Company.

### **5. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF BSOE AND THE ENLARGED HANDAL GROUP**

#### **5.1 Overview and outlook of the Malaysian economy**

##### **Overview for the Malaysian Economy 2018**

The Malaysian economy expanded at a more moderate pace of 4.7% in 2018 (2017: 5.9%). Despite a positive start to 2018, the economy subsequently was confronted with several external and domestic challenges. Major policy and political shifts, arising partly from the global trade tensions and the historic change of government in Malaysia, became sources of uncertainty for the economy. Unanticipated supply disruptions in the mining and agriculture sectors, as well as commodity exports adversely affected Malaysia's economic performance, resulting in a larger-than-expected moderation in growth.

Domestic demand continued to anchor growth, supported mainly by private sector expenditure. Private consumption growth, in particular, recorded the fastest rate since 2012 at 8.1% in 2018 (2017: 7.0%). Favourable wage and employment growth continued to drive household spending with additional support from the three-month tax holiday (1 June – 31 August) following the zerorisation of the Goods and Services Tax (GST) rate, as well as other Government measures such as the fixing of the retail fuel price of RON95 petrol and special payments to civil servants and pensioners.

In line with the Government's commitment to reprioritise expenditures, public consumption growth moderated to 3.3% in 2018 (2017: 5.4%). Gross fixed capital formation (GFCF) expanded at a slower pace of 1.4% in 2018 (2017: 6.2%) due to a contraction in public investment and the slower expansion in private investment. Public investment declined by 5.2% in 2018 (2017: 0.1%) following lower spending by public corporations. Private investment grew at a slower pace of 4.5% in 2018 (2017: 9.3%) amid heightened uncertainty stemming from both external and domestic developments. However, firms, particularly in the export-oriented sectors, continued to increase production capacity and improve efficiency to meet demand.

On the supply side, most economic sectors recorded an expansion, with the exception of commodity-related sectors. The services sector's growth improved to 6.8% in 2018 (2017: 6.2%), the highest since 2011, as better consumer sentiments and favourable labour market conditions spurred spending, in particular during the tax holiday period. The manufacturing sector expanded by 5.0% in 2018 (2017: 6.0%) supported primarily by a continued expansion in the electrical and electronics (E&E) cluster. The construction sector recorded a moderate growth of 4.2% in 2018 (2017: 6.7%) due to weaknesses in the property segment. Growth in the mining sector, however, contracted by 1.5% in 2018 (2017: 1.0%) due to the decline in natural gas production, while adverse weather and production constraints that affected palm oil and rubber production led to a decline in growth in the agriculture sector (2018: -0.4%, 2017: 7.2%).

In 2018, headline inflation declined to 1.0% in 2018 (2017: 3.7%). The moderation mainly reflected the impact of the fixing of retail fuel prices and the zerorisation of the GST rate. These factors more than offset upward cost pressures that remained present for some parts of 2018. Core inflation averaged lower at 1.6% in 2018 (2017: 2.3%) amid smaller cost pass-through to retail prices and the absence of excessive demand pressures.

Overall, the strong fundamentals and highly diversified structure of the Malaysian economy have accorded Malaysia the ability to weather the headwinds and challenges. Policies were flexible and pre-emptive to ensure risks were minimised. Malaysia's external position remained healthy, with a current account surplus, adequate international reserves and manageable external debt exposure. These strengths in the external position, along with a flexible exchange rate and a well-developed financial system, effectively mitigated the impact of volatile shifts in capital flows on domestic financial markets. Appropriate foreign exchange intervention and the implementation of financial market measures during this period of volatility also underscored the importance of pragmatic, timely policy responses in managing risks and supporting growth.

*(Source: Bank Negara Malaysia Annual Report 2018)*

## Outlook for the Malaysian Economy 2019

In 2019, the global economy is projected to expand moderately, following slower growth in both advanced and major emerging market economies. In the advanced economies, economic activity is projected to moderate. While labour market strength will continue to support domestic demand, moderating investments and external demand will affect overall growth. In People's Republic of China ("**PR China**"), ongoing structural reforms to rebalance the economy are leading to slower, but more sustainable growth. In other Asian economies, growth will likely moderate despite stable domestic demand, as exports react to the slowdown in the advanced economies and PR China. Global trade developments will remain a key factor affecting the 2019 outlook. Prolonged policy uncertainty could adversely affect investment decisions and thus, longer-term productivity growth. Elevated investor uncertainty and bouts of volatility in the financial markets will pose further risks of greater volatility in capital flows to emerging market economies. Overall, the balance of risks to the global growth outlook is tilted to the downside.

Against the backdrop of a challenging global environment, the Malaysian economy is expected to sustain its growth momentum, expanding by 4.3% – 4.8% in 2019 (2018: 4.7%). Domestic demand will remain the anchor of growth, underpinned by continued expansion in private sector activity. Private consumption growth is expected to moderate, but remain firm supported by stable labour market conditions and continued wage growth. The implementation of several government measures, particularly aimed at alleviating rising cost of living, is expected to further support consumption spending, especially by lower income households. Private investment activity will be supported by the implementation of on-going multi-year projects, particularly in the manufacturing and services sectors. The normalisation of destocking activities by firms after the strong demand during the tax holiday period in 2018 will serve as an additional support to growth. Public sector expenditure, however, is expected to weigh on growth. The projected contraction in public investment will be due mainly to lower investment by public corporations following the completion of large-scale projects, while the expectations for a moderate growth in public consumption reflect the continued reprioritisation of government spending.

On the supply side, all economic sectors are expected to expand with the services and manufacturing sectors remaining the key contributors to overall growth. Both the mining and agriculture sectors are projected to record positive growth rates amid recovery in natural gas production and higher palm oil output. Growth in the construction sector is expected to moderate due to the completion of large petrochemical projects in the civil engineering sub-sector.

Headline inflation is expected to be broadly stable, with a projected annual average of 0.7% – 1.7% in 2019. The inflation projection incorporates some cost pass-through from domestic cost factors, but the upward impact will be offset by the expected lower global oil prices and the implementation of price ceilings on domestic retail fuel prices. Underlying inflation, as measured by core inflation, is expected to be sustained amid the steady expansion in economic activity and in the absence of excessive demand pressure.

Overall, the domestic growth projection is subject to several downside risks. As a small open economy, the unresolved trade tensions between the United States ("**US**") and PR China, and a slower-than-expected global growth will affect Malaysia primarily via the trade and investment channel. The uncertain pace of the monetary policy normalisation in the US could heighten financial market volatility across emerging market economies, leading to volatile two-way capital flows and currency fluctuations. Volatility in global oil prices would also affect export performance and mining sector investment. On the domestic front, a re-occurrence of commodity supply disruptions, partly from unanticipated weather patterns, could affect the recovery in the mining and agriculture sectors. In addition, the oversupply situation in the property market could dampen activity in the construction sector.

Malaysia's strong fundamentals and the diversified nature of the economy will help to weather these risks and vulnerabilities while preserving macroeconomic and financial stability. These strong fundamentals include a healthy labour market, stable inflation rate, continued surplus in the current account of the balance of payments, deep financial markets as well as a strong financial sector. Exchange rate flexibility and sufficient level of international reserves further enhance the economy's capability to withstand external shocks. Moreover, commitment by the Government to fiscal, structural and institutional reforms will contribute to inclusive and sustainable growth going forward.

## 5.2 Overview and outlook of the oil and gas industry in Malaysia

Global oil upstream investments required over the period 2018–2040 are estimated at \$8.3 trillion. Most of this is in non-Organization of the Petroleum Exporting Countries ("**OPEC**") countries, and over the medium-term they are estimated to invest on average around \$350 billion per annum ("**p.a.**") The medium-term number for OPEC Member Countries is an estimated average of more than \$40 billion p.a., and then over \$60 billion annually in the long-term. Average annual long-term upstream investment requirements for non-OPEC are forecast to decline to around \$280 billion on the back of declining crude supply. The Organisation for Economic Co-operation and Development ("**OECD**")'s share in global investment is anticipated to be more than 60% of the global total given the high costs – for both conventional and unconventional crudes – and decline rates.

The total investment volume of the three downstream categories – known projects, required additions and maintenance/capacity replacement – is estimated at just under \$1.5 trillion in the period 2018–2040. Of this, \$283 billion is expected to be invested in known medium-term projects, while \$306 billion is anticipated to be invested into additions beyond known projects in the long-term. The investment requirement for maintenance and replacement is estimated at around \$895 billion for the whole period 2018–2040. Overall, including midstream investments of around \$1 trillion, in the period up to 2040 the required global oil sector investment is estimated at almost \$11 trillion.

Oil sees a relatively low growth rate of 0.6% on average between 2015 and 2040. However, due to a large initial base, oil demand is expected to increase by almost 15 million barrels of oil equivalent per day ("**mboe/d**") to just above 101 mboe/d in 2040. Consequently, the share of oil in the energy mix is projected to decline from around 31.5% in 2015 to just below 28% in 2040. Nevertheless, oil is expected to remain the fuel with the largest share in the energy mix in 2040, ahead of both gas and coal.

Oil prices have generally been on a rising path, with the OPEC Reference Basket (ORB) increasing from levels around \$60 per barrel ("**/b**") during the last two months of 2017 to above \$77/b in the second half of May 2018, before moderating to levels close to \$70/b during the summer months of 2018. It is to be noted, however, that the sharp price rises during April and May 2018 was primarily driven by increasing geopolitical tensions, rather than being a reflection of market fundamentals.

Reflecting assumed developments in regional economic activity, policy measures and price levels, as well as considering the structural changes taking place in oil markets, oil demand at the global level is expected to continue growing at healthy rates over the medium-term to reach a level of 104.5 million barrels per day ("**mb/d**") by 2023. This represents an average annual increase of 1.2 mb/d over the forecast period, with a total incremental demand of 7.3 mb/d compared to 2017.

Total non-OPEC supply is expected to grow from 57.5 mb/d in 2017 to 66.1 mb/d in 2023, an increase of 8.6 mb/d, or an average annual increment of 1.4 mb/d. As such, non-OPEC supply exceeds the rise in demand in this period, which averages an annual 1.2 mb/d. The overwhelming majority of additional oil supply (nearly 80%) comes from OECD countries, and two-thirds stems from the US. The US alone sees total liquids supply growth of 5.6 mb/d, almost exclusively from tight oil. Regionally, the most important contributors to non-OPEC supply growth remain OECD America and Latin America, which add some 6.3 mb/d and 1.5 mb/d, or 74% and 17% respectively, thus making up 91% of incremental medium-term supply. Eurasia is expected to grow by 0.3 mb/d in the period 2017–2023, while OECD Europe makes a smaller contribution of around 0.2 mb/d, and 'Other Asia' declines by 0.1 mb/d. In terms of individual countries' contributions to non-OPEC supply growth, the picture is dominated by three, which account for most of the new barrels in the 2017–2023 period. The US, Brazil and Canada are estimated to collectively add 7.9 mb/d of the total medium-term non-OPEC supply growth of 8.6 mb/d.

*(Source: World Oil Outlook 2040, Organization of the Petroleum Exporting Countries)*

The prospects are bright for the Malaysian oilfield services sector as it is poised to take advantage of the upswing in confidence in the global oil and gas industry. Investments in the upstream sphere are slowly coming back on track again in Southeast Asia and industry experts report an average capital expenditure of US\$17.8 billion per year will be spent on 336 oil and gas fields in Southeast Asia between 2018 and 2020.

Malaysia, strategically located in the heart of Association of South East Asian Nations ("**ASEAN**"), at the intersect of east-west shipping lanes, and with established economic relations with its ASEAN neighbours is well positioned to be a hub for the growth of oil and gas services for the region. The oil and gas services sector covers the upstream (oil and gas field services), midstream (transportation and storage), and maintenance of machinery and equipment.

The year 2018 saw a total of ten projects approved with investments of RM930.7 million for the oil and gas manufacturing and services sectors. Foreign investments totalling RM620.8 million contributed the bigger share than domestic investments, amounting to RM309.9 million. These projects generated a total of 231 employment opportunities. From the total, seven were oil and gas manufacturing projects worth RM244.4 million in the machinery and equipment, petroleum products including petrochemicals, and fabricated metal products industries. Meanwhile, the other three were for the oil and gas services with investments of RM686.3 million. Out of the three, two were new projects dealing with terminal storage and pipe bending and heat treatment, while one was an expansion/ diversification project to undertake support services for the upstream sector.

Malaysian Industrial Development Authority ("**MIDA**") encourages more joint ventures or collaborations between local and foreign players with expertise to enhance local capabilities via knowledge transfer. Therefore, local experts would be able to market their services globally in the long run.

In the past year, MIDA has heightened its efforts in wooing potential investors through various industry conferences, such as actively participating in the World Energy Cities Partnership (WECP), hosted in Kuala Lumpur last year. Not only was Kuala Lumpur the host, it is the only ASEAN city represented in WECP. This highlights the importance of Kuala Lumpur specifically, and Malaysia at large, in the world's energy industry especially among the cities and countries in the WECP.



MIDA also works closely with the related ministries, Malaysian Government Linked Companies and State Governments to provide the necessary infrastructure to support and facilitate investments in the industry. For example, Ministry of International Trade and Industry and MIDA together collaborated with Petroliam Nasional Bhd to produce the Oil and Gas Services and Equipment (OGSE) Incentive Booklet. It outlines tax incentives designed to spur growth and activities in selected segments, such as general investments, high technology companies, integrated logistics services, selected industries, small scale companies, reinvestment allowance for manufacturing.

*(Source: Inspiring Technological Transformation, Malaysia Investment Performance Report 2018, Malaysian Investment Development Authority)*

### **5.3 Prospects of BSOE and the enlarged Handal Group**

As set out in Section 2.1.1 of this announcement, BSOE is principally engaged in the provision of maintenance services for the upstream oil and gas sector, i.e. maintenance of riser and pipeline isolation services located at offshore platforms and/ or offshore rigs.

As at the LPD, BSOE has a total of 7 on-going projects with local oil and gas players, with a total estimated contract value of RM234.62 million with an estimated outstanding order book of RM215.43 million which provides earnings visibility for approximately the next 3 years.

As BSOE has similar business activities as Handal, i.e. the provision of maintenance services works for the upstream oil and gas industry, the Proposed Acquisition increase the maintenance service offerings of the enlarged Handal Group in the maintenance services subsector of the oil and gas industry, where the enlarged Handal Group will be able to provide complete maintenance services for offshore platforms i.e. offshore pedestal cranes, risers and pipelines. The additional capability of the enlarged Handal Group to undertake maintenance services for risers and pipelines could possibly enable the enlarged Handal Group to tender for contracts that require maintenance services for offshore cranes, risers and pipelines (which are all commonly utilised by offshore platforms and/ or offshore rigs), thereby improving the enlarged Handal Group's ability to secure additional contracts of such nature.

The Proposed Acquisition is also expected to provide synergistic benefits to the enlarged Handal Group possibly through the streamlining of the enlarged Handal Group's workforce as both Handal and BSOE carry out maintenance services for offshore platforms and/ or offshore rigs.

Barring any unforeseen circumstances, the Board (save for the Interested Director) having considered all the relevant aspect, including the financial performance of BSOE and the Profit Guarantee provided, the rationale and justification for the Proposed Acquisition as set out in Section 4.1 of this announcement and the industry outlook as set out in Section 5.2 of this announcement, is of the view that the Proposed Acquisition is expected to contribute positively to the future financial performance of the enlarged Handal Group and may potentially enhance shareholders' value of Handal in the future.

*(Source: Management of Handal)*

## **6. RISK FACTORS**

Save as disclosed below, the Board does not foresee any material risk pursuant to the Proposed Acquisition except for the inherent risk factors associated with the oil and gas industry, of which the Group is already involved in, and will be addressed as part of the Group's ordinary course of business. Additional potential risks that may have an impact on the enlarged Handal Group, which may not be exhaustive pertaining to the Proposed Acquisition are set out below:-

### **6.1 Investment risks**

It is expected that upon completion of the Proposed Acquisition, both Handal and BSOE will be able to leverage on each other's strategic alliances and the potential cross-marketing is anticipated to contribute positively to the Group's future financial performance. However, the various synergistic benefits to be realised from the Proposed Acquisition are dependent upon the successful integration of BSOE into the enlarged Handal Group. Further, there can be no assurance that the business of BSOE will continue to generate the expected return on investment as the success and profitability of its business depend on various factors.

Moving forward, the Board is confident that it can manage such risk by leveraging on the Group's strong management expertise.

### **6.2 BSOE's reliance on contractual agreements**

The revenue from the contracts which had been secured is dependent on work orders issued by clients. Revenues from these contracts are not generated at the time the contracts are awarded unless the work orders are requested for by the clients and carried out in accordance with the terms of the contracts. The results from BSOE's operations and financial conditions may be materially affected if there is a decrease in work orders issued.

In addition, any non-renewal or termination of these contracts or decrease work orders being requested for by the clients could adversely affect the business, financial condition and results of operations of BSOE.

### **6.3 Completion risk**

The completion of the Proposed Acquisition is conditional upon the conditions precedent of the SSA being fulfilled or waived, details of which are as set out in Section 2.1.12 of this announcement. There can be no assurance that such conditions will be fulfilled or waived within the timeframe stipulated in the SSA. In the event that the condition precedents are not met / waived, the SSA will be terminated and the Proposed Acquisition will not be completed.

Nevertheless, the Board will take reasonable steps to ensure that the conditions precedents are met in a timely manner and that every effort is made to obtain all necessary approvals for the Proposed Acquisition within the stipulated timeframe.

## **7. EFFECTS OF THE PROPOSALS**

The Proposed Amendment will not have any effect on the issued share capital and substantial shareholders' shareholdings of the Company as well as the NA, gearing, earnings and EPS of the Group.

As at the LPD, the total issued share capital of Handal was RM85,030,451 comprising 175,968,900 Handal Shares (including 310,200 treasury shares).

For illustrative purposes, throughout this announcement, the effects of the Proposed Acquisition and the Proposed ESOS 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 Acquisition and Proposed ESOS

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

## 7.1 Issued share capital

The Proposed ESOS is not expected to have an immediate effect on the existing issued share capital of the Company until such time when the ESOS Options to be granted under the Proposed ESOS are exercised. The issued share capital of the Company will increase progressively depending on the number of new Handal Shares to be issued arising from the exercise of the ESOS Options that may be granted under the Proposed ESOS.

The Purchase Consideration will be satisfied via a combination of Consideration Shares and Consideration ICPS. The pro forma effects of the Proposed Acquisition and the Proposed ESOS, based on the assumption that the number of ESOS Options granted amounts to 10% of the total number of issued shares of Handal subsequent to the completion of the Proposed Acquisition and assuming full conversion of the ICPS on the issued share capital of Handal are set out as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD	175,968,900	85,030,451	175,968,900	85,030,451
Less: Treasury shares	(310,200)	(72,044)	-	-
	175,658,700	84,958,407	175,968,900	85,030,451
Consideration Shares to be issued pursuant to the Proposed Acquisition	42,857,100	15,857,127 <sup>*1</sup>	42,857,100	15,857,127 <sup>*1</sup>
Assuming full conversion of Consideration ICPS	26,061,819	9,642,873 <sup>*2</sup>	26,061,819	9,642,873 <sup>*2</sup>
	244,577,619	110,458,407	244,887,819	110,530,451
Shares to be issued assuming full exercise of the ESOS Options granted	24,457,762	9,049,372 <sup>*3</sup>	24,488,782	9,060,849 <sup>*3</sup>
	<b>269,035,381</b>	<b>119,507,779</b>	<b>269,376,601</b>	<b>119,591,300</b>

### Notes:

<sup>\*1</sup> Computed based on the issue price of RM0.37 per Consideration Share

<sup>\*2</sup> Computed based on the issue price of RM0.37 per Consideration ICPS

<sup>\*3</sup> Purely for illustrative purpose only, calculated based on RM0.37, being the 5-day VWAP of Handal Shares up to and including the LPD of RM0.37 per Handal Share

## 7.2 NA per Share and gearing level

### 7.2.1 Proposed ESOS

The Proposed ESOS is not expected to have an immediate effect on the NA per Share and gearing of the Group until such time when the ESOS Options to be granted under the Proposed ESOS are exercised. The effects on the NA per Share and gearing of the Group will depend on, amongst others, the subscription price of the ESOS Options, the number of new Handal Shares to be issued upon the exercise of the ESOS Options and the potential effect on the future earnings of the Group arising from the adoption of the Malaysia Financial Reporting Standards ("MFRS") 2 on share-based payment.

For illustrative purposes, upon exercise of the ESOS Options under the Proposed ESOS, the NA per Share of the Group is expected to:-

- i. Increase if the exercise price of the ESOS Options is higher than the NA per Share of the Group; or
- ii. Decrease if the exercise price of the ESOS Options is lower than the NA per Share of the Group,

at such point of exercise of the ESOS Options.

### 7.2.2 Proposed Acquisition

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 Acquisition on the NA per Share and gearing of the Group are set out as follows:

#### *Minimum Scenario*

	Audited as at 31 December 2017 RM	I After adjusting for subsequent events <sup>*1</sup> RM	II After I and after the Proposed Acquisition <sup>*2</sup> RM	III After II and assuming full conversion of ICPS <sup>*3</sup> RM
Share capital	80,028,992	85,030,451	100,887,578	110,530,451
Consideration ICPS	-	-	9,642,873	-
Treasury shares	(72,044)	(72,044)	(72,044)	(72,044)
Other reserves	16,375,097	16,275,097	15,675,097	15,675,097
<b>Shareholders' fund/ NA</b>	<b>96,332,045</b>	<b>101,233,504</b>	<b>126,133,504</b>	<b>126,133,504</b>
Non-controlling interests	(12,784)	(12,784)	2,818,276	2,818,276
<b>Total equity</b>	<b>96,319,261</b>	<b>101,220,720</b>	<b>128,951,780</b>	<b>128,951,780</b>
No. of Shares in issue (excluding treasury shares)	159,689,800	175,658,700	218,515,800	244,577,619
NA per Share (RM)	0.60	0.58	0.58	0.52
Total borrowings (RM)	27,449,783	27,449,783	29,291,358	29,291,358
Gearing ratio (times)	0.28	0.27	0.23	0.23

**Notes:-**

<sup>1</sup> After adjusting for the issuance of 15,968,900 Handal Shares ("**Placement Shares**") at an issue price of RM0.3132 per Placement Share pursuant to the private placement exercise ("**Private Placement**") which was announced on 7 March 2019 and completed on 11 April 2019 and deducting estimated expenses of RM100,000 in relation to the Private Placement

<sup>2</sup> After the issuance and allotment of 42,857,100 Consideration Shares at an issue price of RM0.37 per Consideration Share and deducting estimated expenses of RM600,000 in relation to the Proposals

<sup>3</sup> Assuming all 26,061,819 Consideration ICPS are converted into new Handal Shares at a conversion price of RM0.37 per Consideration ICPS

**Maximum Scenario**

	I	II	III	IV
Audited as at 31 December 2017 RM	After adjusting for subsequent events <sup>1</sup> RM	After I and assuming all treasury shares are resold RM	After II and after the Proposed Acquisition <sup>2</sup> RM	After III and assuming full conversion of ICPS <sup>3</sup> RM
Share capital	80,028,992	85,030,451	85,030,451	100,887,578
Consideration ICPS	-	-	-	9,642,873
Treasury shares	(72,044)	(72,044)	-	-
Other reserves	16,375,097	16,275,097	16,275,097	15,675,097
<b>Shareholders' fund/ NA</b>	<b>96,332,045</b>	<b>101,233,504</b>	<b>101,305,548</b>	<b>126,205,548</b>
Non-controlling interests	(12,784)	(12,784)	(12,784)	2,818,276
<b>Total equity</b>	<b>96,319,261</b>	<b>101,220,720</b>	<b>101,292,764</b>	<b>129,023,824</b>
No. of Shares in issue	159,689,800	175,658,700	175,968,900	218,826,000
NA per Share (RM)	0.60	0.58	0.58	0.58
Total borrowings (RM)	27,449,783	27,449,783	27,449,783	29,291,358
Gearing ratio (times)	0.28	0.27	0.27	0.23

**Notes:**

<sup>1</sup> After adjusting for the issuance of 15,968,900 Placement Shares at an issue price of RM0.3132 per Placement Share pursuant to the Private Placement which was announced on 7 March 2019 and completed on 11 April 2019 and deducting estimated expenses of RM100,000 in relation to the Private Placement

<sup>2</sup> After the issuance and allotment of 42,857,100 Consideration Shares at an issue price of RM0.37 per Consideration Share and deducting estimated expenses of RM600,000 in relation to the Proposals

<sup>3</sup> Assuming all 26,061,819 Consideration ICPS are converted into new Handal Shares at a conversion price of RM0.37 per Consideration ICPS

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### 7.3 Substantial shareholding structure

The Proposed ESOS is not expected to have an immediate effect on the substantial shareholders' shareholdings in Handal until such time when the ESOS Options to be granted under the Proposed ESOS are exercised. Any potential effect on the substantial shareholdings in Handal will depend on the number of ESOS Options granted and new Handal Shares to be issued arising from the exercise of the ESOS Options at any point in time.

The Proposed Acquisition will have an effect on the substantial shareholders' shareholdings in Handal as the Purchase Consideration for the Proposed Acquisition will be satisfied via the issuance and allotment of Considerations Shares and Consideration ICPS.

The pro forma effects of the Proposed Acquisition and Proposed ESOS on the substantial shareholdings of Handal are set out below:-

#### **Minimum Scenario**

Substantial shareholders	As at the LPD				After the Proposed Acquisition			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Mohsin Abdul Halim	10,088,887	5.74	13,062,596 <sup>*1</sup>	7.44	10,088,887	4.62	13,062,596 <sup>*1</sup>	5.98
Mallek Rizal Bin Mohsin	13,062,596	7.44	10,088,887 <sup>*2</sup>	5.74	13,062,596	5.98	10,088,887 <sup>*2</sup>	4.62
Joel Emanuel Heaney	8,167,200	4.65	-	-	8,167,200	3.74	-	-
Borneo Seaoffshore Sdn Bhd	17,790,000	10.13	-	-	17,790,000	8.14	-	-
SOC	8,300,000	4.72	17,790,000 <sup>*3</sup>	10.13	51,157,143	23.41	17,790,000 <sup>*3</sup>	8.14
Sunildeep Singh Dhaliwal	-	-	26,090,000 <sup>*4</sup>	14.85	-	-	68,947,143 <sup>*4</sup>	31.55
YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz	-	-	26,090,000 <sup>*4</sup>	14.85	-	-	68,947,143 <sup>*4</sup>	31.55
Mohammad Bin Ismail	-	-	26,090,000 <sup>*4</sup>	14.85	-	-	68,947,143 <sup>*4</sup>	31.55
Chan Cheu Leong	18,344,800	10.44	-	-	18,344,800	8.40	-	-

Substantial shareholders	II				III			
	After I and assuming full conversion of the Consideration ICPS				After II and assuming maximum shares are granted and vested under the Proposed ESOS by issuance of new Handal Shares <sup>6</sup>			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	
Dato' Mohsin Abdul Halim	10,088,887	4.06	13,062,596 <sup>*1</sup>	5.26	10,088,887	3.75	13,062,596 <sup>*1</sup>	4.86
Mallek Rizal Bin Mohsin	13,062,596	5.26	10,088,887 <sup>*2</sup>	4.06	13,062,596	4.86	10,088,887 <sup>*2</sup>	3.75
Joel Emanuel Heaney	8,167,200	3.29	-	-	8,167,200	3.04	-	-
Borneo Seaoffshore Sdn Bhd	17,790,000	7.16	-	-	17,790,000	6.61	-	-
SOC	81,157,143	32.66	17,790,000 <sup>*3,5</sup>	7.16	81,157,143	28.70	17,790,000 <sup>*3</sup>	6.61
Sunildeep Singh Dhaliwal	-	-	98,947,143 <sup>*4,5</sup>	39.82	-	-	98,947,143 <sup>*4</sup>	35.31
YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz	-	-	98,947,143 <sup>*4,5</sup>	39.82	-	-	98,947,143 <sup>*4</sup>	35.31
Mohammad Bin Ismail	-	-	98,947,143 <sup>*4,5</sup>	39.82	-	-	98,947,143 <sup>*4</sup>	35.31
Chan Cheu Leong	18,344,800	7.38	-	-	18,344,800	6.82	-	-

**Notes:**

<sup>\*1</sup> Deemed interest pursuant to Section 8 of the Act by virtue of his family relationship with Mallek Rizal bin Mohsin

<sup>\*2</sup> Deemed interest pursuant to Section 8 of the Act by virtue of his family relationship with Dato' Mohsin Abdul Halim

<sup>\*3</sup> Deemed interest through the shares held in Borneo Seaoffshore Sdn Bhd

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

<sup>\*5</sup> Upon conversion of the Consideration ICPS held by SOC, SOC's shareholdings will increase to 32.66% and collectively, SOC and the persons acting in concert ("**PACs**") with it (namely, Borneo Seaoffshore Sdn Bhd, Sunildeep Singh Dhaliwal, YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz and Mohammad Bin Ismail) shareholdings will increase to 39.82%. SOC and the PACs are mindful of the obligation to extend a mandatory general offer pursuant to the Rules on Take-overs, Mergers and Compulsory Acquisition ("**Rules**") should their collective shareholdings exceed 33%. SOC and the PACs will observe and monitor their shareholdings and will ensure not to trigger the obligation to extend a mandatory general offer for all the remaining Handal shares not already owned by them

It is not the intention of SOC and the PACs to make a general offer for the remaining Handal shares not already owned by them and will be mindful of the threshold of 33.00% when converting the Consideration ICPS. Accordingly, should SOC wish to exercise the Consideration ICPS such that its shareholdings together with the PACs collectively exceeds 33.00%, SOC and the PACs may make an application to the Securities Commission Malaysia to seek an exemption for itself and the PACs under paragraph 4.08 of the Rules from the obligation to extend a mandatory general offer for all the remaining Handal Shares not already owned by them upon conversion of the Consideration ICPS, the application which may be made at a later date but prior to triggering the mandatory general offer obligation

<sup>6</sup> For illustration purposes only, assuming the ESOS Options are not offered to the employees or executive Directors of Handal who are also substantial shareholders above

### Maximum Scenario

Substantial shareholders	I As at the LPD				II After the Proposed Acquisition			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Mohsin Abdul Halim	10,088,887	5.74	13,062,596 <sup>*1</sup>	7.44	10,088,887	4.61	13,062,596 <sup>*1</sup>	5.97
Mallek Rizal Bin Mohsin	13,062,596	7.44	10,088,887 <sup>*2</sup>	5.74	13,062,596	5.97	10,088,887 <sup>*2</sup>	4.61
Joel Emanuel Heaney	8,167,200	4.65	-	-	8,167,200	3.73	-	-
Borneo Seaoffshore Sdn Bhd	17,790,000	10.13	-	-	17,790,000	8.13	-	-
SOC	8,300,000	4.72	17,790,000 <sup>*3</sup>	10.13	51,157,143	23.38	17,790,000 <sup>*3</sup>	8.13
Sunildeep Singh Dhaliwal	-	-	26,090,000 <sup>*4</sup>	14.85	-	-	68,947,143 <sup>*4</sup>	31.51
YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz	-	-	26,090,000 <sup>*4</sup>	14.85	-	-	68,947,143 <sup>*4</sup>	31.51
Mohammad Bin Ismail	-	-	26,090,000 <sup>*4</sup>	14.85	-	-	68,947,143 <sup>*4</sup>	31.51
Chan Cheu Leong	18,344,800	10.44	-	-	18,344,800	8.38	-	-
	II After I and assuming full conversion of the Consideration ICPS				III After II and assuming maximum shares are granted and vested under the Proposed ESOS by issuance of new Handal Shares <sup>*6</sup>			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Mohsin Abdul Halim	10,088,887	4.05	13,062,596 <sup>*1</sup>	5.25	10,088,887	3.75	13,062,596 <sup>*1</sup>	4.85
Mallek Rizal Bin Mohsin	13,062,596	5.25	10,088,887 <sup>*2</sup>	4.05	13,062,596	4.85	10,088,887 <sup>*2</sup>	3.75
Joel Emanuel Heaney	8,167,200	3.28	-	-	8,167,200	3.03	-	-
Borneo Seaoffshore Sdn Bhd	17,790,000	7.15	-	-	17,790,000	6.60	-	-



Substantial shareholders	II				III			
	After I and assuming full conversion of the Consideration ICPS				After II and assuming maximum shares are granted and vested under the Proposed ESOS by issuance of new Handal Shares <sup>6</sup>			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	
SOC	81,157,143	32.62	17,790,000 <sup>*3*5</sup>	7.15	81,157,143	28.67	17,790,000 <sup>*3</sup>	6.60
Sunildeep Singh Dhaliwal	-	-	98,947,143 <sup>*4*5</sup>	39.77	-	-	98,947,143 <sup>*4</sup>	35.27
YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz	-	-	98,947,143 <sup>*4*5</sup>	39.77	-	-	98,947,143 <sup>*4</sup>	35.27
Mohammad Bin Ismail	-	-	98,947,143 <sup>*4*5</sup>	39.77	-	-	98,947,143 <sup>*4</sup>	35.27
Chan Cheu Leong	18,344,800	7.37	-	-	18,344,800	6.81	-	-

**Notes:**

<sup>\*1</sup> Deemed interest pursuant to Section 8 of the Act by virtue of his family relationship with Mallek Rizal bin Mohsin

<sup>\*2</sup> Deemed interest pursuant to Section 8 of the Act by virtue of his family relationship with Dato' Mohsin Abdul Halim

<sup>\*3</sup> Deemed interest through the shares held in Borneo Seaoffshore Sdn Bhd

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

<sup>\*5</sup> Upon conversion of the Consideration ICPS held by SOC, SOC's shareholdings will increase to 32.62% and collectively, SOC and the PACs shareholdings will increase to 39.77%. SOC and the PACs are mindful of the obligation to extend a mandatory general offer pursuant to the Rules should their collective shareholdings exceed 33%. SOC and the PACs will observe and monitor their shareholdings and will ensure not to trigger the obligation to extend a mandatory general offer for all the remaining Handal shares not already owned by them

It is not the intention of SOC and the PACs to make a general offer for the remaining Handal shares not already owned by them and will be mindful of the threshold of 33.00% when converting the Consideration ICPS. Accordingly, should SOC wish to exercise the Consideration ICPS such that its shareholdings together with the PACs collectively exceeds 33.00%, SOC and the PACs may make an application to the Securities Commission Malaysia to seek an exemption for itself and the PACs under paragraph 4.08 of the Rules from the obligation to extend a mandatory general offer for all the remaining Handal Shares not already owned by them upon conversion of the Consideration ICPS, the application which may be made at a later date but prior to triggering the mandatory general offer obligation

<sup>\*6</sup> For illustration purposes only, assuming the ESOS Options are not offered to the employees or executive Directors of Handal who are also substantial shareholders above

## 7.4 Earnings and EPS

### 7.4.1 Proposed Acquisition

The Proposed Acquisition is not expected to have any effect on the consolidated earnings of the Group for the FYE 30 June 2019 as the Proposed Acquisition is only expected to be completed in the third quarter of 2019.

Purely for illustration purposes only, assuming that the Proposed Acquisition had been effected on 1 January 2017 (being the beginning of the latest audited FYE 31 December 2017 of Handal), the pro forma effects on the earnings and the EPS of Handal Group from the Proposed Acquisition is as follows:

#### *Minimum Scenario*

	Audited financial results RM	I After adjusting for subsequent events <sup>*3</sup> RM	II After I and after the Proposed Acquisition RM	III After II and assuming full conversion of ICPS RM
LAT attributable to shareholders) <sup>*1</sup>	(2,430,462)	(2,430,462)	(2,430,462)	(2,430,462)
Share of profit from BSOE (attributable to shareholders) <sup>*2</sup>	-	-	2,551,258	2,551,258
<b>Total PAT/ (LAT)</b>	<b>(2,430,462)</b>	<b>(2,430,462)</b>	<b>120,796</b>	<b>120,796</b>
Total number of Shares in issue (excluding treasury shares) (units)	159,689,800	175,658,700	218,515,800	244,577,619
Basic EPS/ (LPS) (sen)	(1.52)	(1.38)	0.05	0.05

#### **Notes:**

<sup>\*1</sup> Based on the latest audited financial results of Handal for the FYE 31 December 2017

<sup>\*2</sup> Based on the latest audited financial results of BSOE for the FYE 30 June 2018, represented by 51% equity interest to be acquired by Handal

<sup>\*3</sup> After adjusting for the issuance of 15,968,900 Handal Shares pursuant to the Private Placement which was announced on 7 March 2019 and completed on 11 April 2019

### Maximum Scenario

	I	II	III	IV
	After adjusting for subsequent events <sup>3</sup>	After I and assuming all treasury shares are resold	After II and after the Proposed Acquisition	After III and assuming full conversion of ICPS
	RM	RM	RM	RM
LAT attributable to shareholders <sup>1</sup>	(2,430,462)	(2,430,462)	(2,430,462)	(2,430,462)
Share of profit from BSOE <sup>2</sup>	-	-	2,551,258	2,551,258
<b>Total PAT/ (LAT)</b>	<b>(2,430,462)</b>	<b>(2,430,462)</b>	<b>(2,430,462)</b>	<b>120,796</b>
Total number of Shares in issue (units)	159,689,800	175,658,700	175,968,900	218,826,000
Basic EPS/ (LPS) (sen)	(1.52)	(1.38)	(1.38)	0.05

#### Notes:

<sup>1</sup> Based on the latest audited financial statements of Handal for the FYE 31 December 2017

<sup>2</sup> Based on the latest audited financial statements of BSOE for the FYE 30 June 2018, represented by 51% equity interest to be acquired by Handal

<sup>3</sup> After adjusting for the issuance of 15,968,900 Handal Shares pursuant to the Private Placement which was announced on 7 March 2019 and completed on 11 April 2019

#### 7.4.2 Proposed ESOS

The Proposed ESOS may have an effect on the earnings of the Group for the financial year ending 30 June 2020 and up to ten (10) years due to the possible impact of the MFRS 2 on share-based payment. However, any potential effect on the EPS of Handal Group in the future would depend on the number of ESOS Options granted and exercised, and the subscription price payable upon the exercise of the ESOS Options, as well as the impact of the MFRS 2 on share-based payment.

Under the MFRS 2 on share-based payment, the cost arising from the issuance of the ESOS Options is measured by the fair value of the ESOS Options, which is expected to vest at each Date of Offer and is recognised in the statement of comprehensive income, thereby reducing the earnings of Handal Group. The fair value of the ESOS Options is determined after taking into consideration, amongst others, the historical volatility of Handal Shares, the risk-free rate, the subscription price of the ESOS Options and time to maturity of the ESOS Options from the vesting date of the ESOS Options. Hence, the potential effect on the EPS of Handal Group, as a consequence of the recognition of the said cost, cannot be determined at this juncture.

Nevertheless, the Company has taken note of the potential impact of the MFRS 2 on Handal Group's future earnings and shall take into consideration such impact on the allocation and granting of ESOS Options to the Eligible Persons.

## 7.5 Convertible securities

As at the LPD, Handal does not have any outstanding convertible securities.

## 8. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

- i. Bursa Securities for the following:
  - a. admission of the Consideration Shares to the Official List of Bursa Securities;
  - b. listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition and the new Shares arising from the conversion of the Consideration ICPS on the Main Market of Bursa Securities; and
  - c. listing of and quotation for the new Handal Shares to be issued arising from the exercise of the ESOS Options on the Main Market of Bursa Securities.
- ii. The shareholders of Handal for the Proposals at an EGM to be convened; and
- iii. Any other relevant authority and/ or party, if required.

The conditionality of the Proposals are as follows:-

- i. The Proposed Acquisition and Proposed Amendment are inter-conditional upon each other;
- ii. The Proposed ESOS is not conditional upon the Proposed Acquisition and Proposed Amendment; and
- iii. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

## 9. HIGHEST PERCENTAGE RATIOS

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements is approximately 44.02%, calculated based on total assets of BSOE against the total assets of Handal Group.

## 10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED WITH THEM

### 10.1 Proposed Acquisition and Proposed Amendment

Save as disclosed below, none of the Directors and/ or major shareholders of Handal and/ or person connected to them have any interest, whether direct or indirect, in the Proposed Acquisition and Proposed Amendment.

The Proposed Acquisition is deemed to be an RPT under Paragraph 10.08 of the Listing Requirements. SOC who is the Vendor for the Proposed Acquisition, is also a major shareholder of Handal by virtue of its direct and indirect shareholdings in Handal. Mohamad bin Ismail, Sunildeep Singh Dhaliwal and YM Tengku Munawir Ishaiddin are deemed interested in the Proposed Acquisition by virtue of their direct shareholdings in SOC and indirect interest in Handal. ("**Interested Major Shareholders**").

Borneo Seaoffshore Sdn Bhd, a major shareholder of Handal by virtue of its direct shareholdings in Handal, is a person connected to SOC by virtue of the shares held by SOC in Borneo Seaoffshore Sdn Bhd, is also deemed interested in the Proposed Acquisition.

Sunildeep Singh Dhaliwal is also deemed interested in the Proposed Acquisition by virtue of him being the Managing Director of Handal and a major shareholder and director of SOC ("**Interested Director**").

Accordingly, the Interested Director has abstained and will continue to abstain from deliberating and voting for the Proposed Acquisition at the relevant Board meetings. The Interested Director and Interested Major Shareholders will abstain and have undertaken to ensure that persons connected to them will abstain from voting in respect of their respective direct and/ or indirect shareholdings in Handal, if any, on the resolutions pertaining to the Proposed Acquisition and Proposed Amendment at the EGM.

The Interested Director's and Interested Major Shareholders' direct and indirect shareholdings in Handal as at the LPD are set out below:

<b>Interested Director</b>	<b>&lt;----Direct-----&gt;</b>		<b>&lt;----Indirect-----&gt;</b>	
	<b>No. of Shares</b>	<b>%</b>	<b>No. of Shares</b>	<b>%</b>
Sunildeep Singh Dhaliwal	-	-	26,090,000 <sup>*1</sup>	14.85

**Note:**

<sup>\*1</sup> Deemed interest through the shares held in SOC and Borneo Seaoffshore Sdn Bhd

<b>Interested Major Shareholders/ Person connected</b>	<b>&lt;----Direct-----&gt;</b>		<b>&lt;----Indirect-----&gt;</b>	
	<b>No. of Shares</b>	<b>%<sup>*1</sup></b>	<b>No. of Shares</b>	<b>%</b>
Borneo Seaoffshore Sdn Bhd	17,790,000	10.13	-	-
SOC	8,300,000	4.72	17,790,000 <sup>*1</sup>	10.13
Sunildeep Singh Dhaliwal	-	-	26,090,000 <sup>*2</sup>	14.85
YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz	-	-	26,090,000 <sup>*2</sup>	14.85
Mohammad Bin Ismail	-	-	26,090,000 <sup>*2</sup>	14.85

**Notes:**

<sup>\*1</sup> Deemed interest through the shares held in Borneo Seaoffshore Sdn Bhd

<sup>\*2</sup> Deemed interest through the shares held in SOC and Borneo Seaoffshore Sdn Bhd

## 10.2 Proposed ESOS

All the Directors of Handal are eligible to participate in the Proposed ESOS, and are therefore deemed interested to the extent of their respective allocations under the Proposed ESOS. Accordingly, the Directors of Handal have abstained and will continue to abstain from deliberating, expressing an opinion and making any recommendations at all relevant Board meetings in relation to their respective allocations as well as allocations to persons connected to them, if any, under the Proposed ESOS. The Directors of Handal will also abstain from voting in respect of their direct and/ or indirect shareholdings, if any, at an EGM of the Company on the ordinary resolutions to be tabled for their respective proposed allocation, if any, as well as the proposed allocations to the persons connected to them, if any. The Directors of Handal undertake to ensure that persons connected to them, if any, will abstain from voting in respect of their direct and/ or indirect shareholdings, if any, in the Company on the ordinary resolutions pertaining to their respective proposed allocation and the proposed allocations to the persons connected to them to be tabled at an EGM of the Company to be convened.

The major shareholders of Handal, namely Mallek Rizal bin Mohsin and Sunildeep Singh Dhaliwal are also Eligible Persons under the Proposed ESOS, will abstain from voting in respect of their direct and/ or indirect shareholdings in the Company on the ordinary resolutions pertaining to the proposed allocation to them, as well as the proposed allocations to the persons connected to them under the Proposed ESOS, if any, to be tabled at an EGM of the Company to be convened. Mallek Rizal bin Mohsin and Sunildeep Singh Dhaliwal will also undertake to ensure that persons connected to them, if any, will abstain from voting in respect of their direct and/ or indirect shareholdings in the Company on the ordinary resolutions pertaining to the proposed allocation to them and the proposed allocations to the persons connected to them under the Proposed ESOS, if any, to be tabled at an EGM of the Company to be convened.

## 11. AMOUNT TRANSACTED WITH THE VENDOR FOR THE PRECEDING 12 MONTHS

There have been no transactions entered into between the Company and the Vendor during the 12 months preceding the date of this announcement.

## 12. DIRECTORS' STATEMENT

### 12.1 Proposed Acquisition and Proposed Amendment

The Board (save for the Interested Director), after having considered all aspects of the Proposed Acquisition and Proposed Amendment, including the rationale and justification for the Proposed Acquisition and Proposed Amendment, the salient terms of the SSA and the Consideration ICPS, the basis and justification of arriving at the Purchase Consideration and the Implied Consideration Price, the effects of the Proposed Acquisition and the future prospects of BSOE, is of the opinion that the Proposed Acquisition are in the best interests of the Company and the terms and conditions of the SSA are fair and reasonable. Accordingly, the Board (save for the Interested Director), recommends that you **VOTE IN FAVOUR** of the resolutions pertaining to the Proposed Acquisition and Proposed Amendment to be tabled at the forthcoming EGM of the Company.

## **12.2 Proposed ESOS**

The Board, having considered all aspects of the Proposed ESOS such as the rationale and the effects of the Proposed ESOS, is of the opinion that the Proposed ESOS is in the best interest of the Group.

Accordingly, the Board recommends that the shareholders of Handal **VOTE IN FAVOUR** of the resolution pertaining to the Proposed ESOS at the forthcoming EGM of the Company to be convened.

However, in view that all the Directors of Handal are eligible to participate in the Proposed ESOS, they have abstained from deliberating and making any recommendations at all relevant Board meetings in relation to their allocations as well as allocations to persons connected to them, if any, under the Proposed ESOS. They will also abstain and ensure that persons connected to them, if any, from voting in respect of their direct and/or indirect interests in Handal, on the resolutions pertaining to their respective allocations as well as allocations to persons connected to them, if any, under the Proposed ESOS at the forthcoming EGM of the Company to be convened.

## **13. AUDIT COMMITTEE'S STATEMENT**

The Audit Committee of Handal, after taking into consideration the advice of the Independent Adviser, namely FMMH Corporate Advisory Sdn Bhd, is of the opinion that the Proposed Acquisition is:

- i. in the best interest of the Company;
- ii. fair, reasonable and on normal commercial terms; and
- iii. not detrimental to the interest of the non-interested shareholders of Handal.

In forming its views, the Audit Committee of Handal has taken into consideration, amongst others, the following:

- i. the rationale and justification of the Proposed Acquisition;
- ii. the salient terms of the SSA;
- iii. the basis and justification of arriving at the Purchase Consideration; and
- iv. the financial effects of the Proposed Acquisition.

## **14. APPLICATION TO THE AUTHORITIES**

Barring any unforeseen circumstances, the application to the relevant authorities in relation to the Proposals is expected to be made within a period of 2 months from the date of this announcement.

## **15. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposals are expected to be completed by the third quarter of 2019.

**16. PRINCIPAL ADVISER**

UOBKH has been appointed by the Company to act as the Principal Adviser for the Proposals.

**17. FINANCIAL ADVISER**

Thinkat Advisory Sdn Bhd has been appointed by the Company to act as the Financial Adviser for the Proposals.

**18. INDEPENDENT ADVISER**

In view of the interest of SOC, Mohamad bin Ismail, Sunildeep Singh Dhaliwal and YM Tengku Munawir Islahuddin in BSOE, the Proposed Acquisition is deemed as an RPT pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, FHMH Corporate Advisory Sdn Bhd has been appointed by the Company to act as the Independent Adviser to undertake the following in relation to the Proposed Acquisition:

- i. Comments as to:
  - a. whether the Proposed Acquisition is fair and reasonable in so far as the non-interested Directors and shareholders of the Company are concerned; and
  - b. whether the Proposed Acquisition is to the detriment of the non-interested Directors and shareholders of the Company,and such opinions must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinions;
- ii. Advise the non-interested shareholders of the Company whether they should vote in favour of the Proposed Acquisition; and
- iii. Take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in subsections (i) and (ii) above.

**19. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the SSA will be made available for inspection at the registered office of Handal at 22-09, Menara 1MK, No.1 Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur, Wilayah Persekutuan, Malaysia, during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

**This announcement is dated 16 April 2019.**