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Less generous terms for SPAC promoters

Exercise price of warrants to be uniform for all stakeholders

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KUALA LUMPUR: Promoters of special purpose acquisition companies (SPACs) seem to be getting less attractive rewards as more of such asset class of investments come into the stock market.

The exercise price of the warrants for Sona Petroleum Bhd, the third SPAC to get the approval of the Securities Commission Malaysia, is uniform for both promoters and shareholders.

Its managing director Datuk Seri Hadian Hashim told reporters after the signing ceremony of the underwriting agreement between Sona Petroleum and four investment banks yesterday that regardless of the shareholders or the management, the exercise price of the warrants is the same at 35 sen.

Malaysia's first SPAC, Hibiscus Petroleum Bhd, had a two-tier exercise price for the warrants. It was 50 sen for ordinary shareholders and 10 sen for promoters.

The exercise price of the warrants for the second SPAC, Cliq Energy Bhd, was 50 sen for both the promoters and ordinary shareholders.

According to an investment banker, the conversion price of the warrants depends on the business



(From left) Kenanga Investment Bank group MD Chay Wai Leong, RHB Investment Bank officer-in-charge Mike Chan, Hadian, CIMB Investment Bank CEO Datuk Charon Wardini Mokani and MIDF Amanah head of corporate investment banking Jeyaratnam Tamotharam Pillai.

profile of the SPAC.

Towards this end, both Cliq Energy and Sona Petroleum are looking at producing assets in the oil and gas (O&G) industry while Hibiscus is more of a junior O&G exploration and production company.

Hadian said Sona Petroleum's business model was to acquire production assets.

"That's the main challenge for the management. Once we have a production asset, the revenue will start coming in," he said, adding

that the timeline of that would be three years.

Like the other two SPACs that have been approved, the promoters of Sona Petroleum — without the conversion of warrants — will hold 20% of the company at only one sen per share.

Apart from Hadian, the other key people in the management team are Datuk Maznah Jalil, Datuk Saw Choo Boon, Andria Anak Dundung @ Andria Gelayan and Dr Tan Teck Choon.

Apart from Maznah, the rest are

seasoned hands in the O&G industry. Maznah is a former investment banker who went on to join the corporate world with DRB-Hicom Bhd between 1998 and 2006.

Sona Petroleum is planning to raise up to RM550 million from the issuance of up to 1.1 billion new shares at 50 sen each. Each share comes with one free warrant.

Out of the 1.1 billion shares, 141 million shares are up for retail offering while the remaining 959 million are to be placed out.

If Sona Petroleum manages to raise the amount targeted, it will be the highest among SPACs.

Hibiscus raised RM235 million while Cliq Energy raised RM364.5 million.

The four underwriters appointed by Sona Petroleum for the public portion are CIMB Investment Bank Bhd, RHB Investment Bank Bhd, Kenanga Investment Bank Bhd and MIDF Amanah Investment Bank Bhd.

Sona Petroleum will utilise the funds raised to acquire operating companies or assets, otherwise known as qualifying assets (QA) in the O&G value chain.

On the industry's outlook, Hadian said from 2011 to 2013, the demand for O&G is expected to rise by 36%, driven partly by the growth in world population, which is set to increase to 8.4 billion by 2013.

"As a result of that, we will see the demand [for oil] growing 3% a year," he said, adding that the outlook for oil prices will continue to be robust.