



**HANDAL RESOURCES BERHAD (816839-X)**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FIFTH QUARTER ENDED 31 MARCH 2019**

	Individual Quarter		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	1 January 2019 to 31 March 2019 RM'000	1 January 2018 to 31 March 2018 RM'000	1 January 2018 to 31 March 2019 RM'000	1 January 2017 to 31 March 2018 RM'000
<b>Revenue</b>	9,234	-	65,020	-
Cost of sales	(5,265)	-	(40,831)	-
<b>Gross profit</b>	3,969	-	24,189	-
Other operating income	183	-	1,599	-
Administration and other operating expenses	(5,811)	-	(32,139)	-
Depreciation and amortisation cost	(891)	-	(3,639)	-
Finance costs	(373)	-	(2,162)	-
<b>(Loss)/Profit before taxation</b>	(2,923)	-	(12,152)	-
Income tax expense	4	-	33	-
<b>(Loss)/Profit after tax for the period</b>	(2,919)	-	(12,119)	-
<b>Other comprehensive income</b>	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	-
<b>Total comprehensive (loss)/profit for the period</b>	(2,919)	-	(12,119)	-
<b>Profit attributable to:</b>				
Equity holders of the parent	(2,870)	-	(11,117)	-
Non-controlling Interest	(49)	-	(1,002)	-
<b>Total comprehensive (loss)/profit for the period</b>	(2,919)	-	(12,119)	-
Weighted average no. of ordinary shares in issue ('000)	159,690	159,690	159,690	159,690
(Loss)/Earning per share - Basic (sen)	(1.83)	0.00	(7.59)	0.00
(Loss)/Earning per share - Diluted (sen)	(1.83)	0.00	(7.59)	0.00

**Notes:**

- (i) Basic/Diluted (loss)/earning per share for the quarter and financial period is calculated based on the net (loss)/profit divided by the weighted average number of ordinary shares for the quarter and financial period respectively
- (ii) The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying notes attached to this quarterly financial report
- (iii) The financial year end of the Company was changed from 31 December to 30 June. Accordingly, the current financial statements are prepared for 15 months from 1 January 2008 to 31 March 2019 and as a result, the comparative figures stated in the income statement, statement of changes in equity, cash flow statement and the related notes are not comparable

**HANDAL RESOURCES BERHAD (816839-X)**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2019**

	Unaudited As at 31 March 2019 RM'000	Audited As at 31 December 2017 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	28,874	29,294
Intangible asset	8,680	8,680
Goodwill arising on consolidation (Note II)	4,250	-
	41,804	37,974
<b>Current Assets</b>		
Inventories	10,321	11,664
Work-in-progress	783	1,782
Trade receivables (Note III)	22,188	49,712
Amount due by customers for contract works	7,088	1,704
Other receivables, deposits & prepayment	1,764	491
Financial assets held for trading	4,766	7,024
Short term investment	83	80
Fixed deposits with licensed banks	13,414	12,932
Cash on hand and at bank	4,233	988
Asset held for sale	10,186	10,186
	74,826	96,563
<b>Total Assets</b>	<b>116,630</b>	<b>134,537</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	80,029	80,029
Treasury shares	(72)	(72)
Reserves	5,258	16,375
Shareholders' Fund	85,215	96,332
Minority Interests	(249)	(13)
Total equity	84,966	96,319
<b>Non-current liabilities</b>		
Hire purchase creditors	689	419
Long term borrowings	-	-
Deferred taxation	3,849	3,849
	4,538	4,268
<b>Current Liabilities</b>		
Trade payables	3,281	2,792
Other payables and accruals	4,783	2,937
Hire purchase creditors	327	188
Amount due to customers for contract works	36	-
Short term borrowings	18,668	26,843
Amount due to a director (Note IV)	31	366
Tax payables	-	824
	27,126	33,950
<b>Total liabilities</b>	31,664	38,218
<b>Total equity and liabilities</b>	<b>116,630</b>	<b>134,537</b>
<b>Notes:</b>		
Net Assets Per Share Attributable to ordinary equity holders of the Company	0.53	0.60

**Notes:**

- (I) The Condensed Consolidated Statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying notes attached to this quarterly financial report.
- (II) Goodwill on consolidation - arise from surplus of purchase consideration from acquisition of a subsidiary over the fair value of the net assets of the said subsidiary.
- (III) Trade Receivable consist of Trade Debtors RM18.13 million (FYE17: RM21.74 million) and Accrued Revenue RM4.06 million (FYE17: RM27.97 million).
- (IV) The amount owing to a director is unsecured, interest-free and repayable on demand.

**HANDAL RESOURCES BERHAD (816839-X)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FIFTH QUARTER ENDED 31 MARCH 2019**

	Attributable to equity holders of the Company					
	Share Capital	Treasury Shares	Retained Profits	Shareholders' Fund	Non- controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Balance as at 1 Jan 2018</b>	<b>80,029</b>	<b>(72)</b>	<b>16,375</b>	<b>96,332</b>	<b>(13)</b>	<b>96,319</b>
Total comprehensive loss for the quarter	-	-	(11,117)	(11,117)	(1,002)	(12,119)
Non-controlling interest arising on business combination	-	-	-	-	766	766
<b>Balance as at 31 March 2019</b>	<b>80,029</b>	<b>(72)</b>	<b>5,258</b>	<b>85,215</b>	<b>(249)</b>	<b>84,966</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying notes attached to this quarterly financial report.

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

	Current Year To Date 1 January 2018 to 31 March 2019 RM'000	Preceding Year Corresponding Period 1 January 2017 to 31 March 2018 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	(12,152)	-
<b>Adjustments for Non Cash items</b>	969	-
<b>Operating profit before working capital changes</b>	<b>(11,183)</b>	-
Decrease/(Increase) in inventories	1,344	-
Decrease/(Increase) in work-in-progress	888	-
Decrease/(Increase) in trade receivables	26,251	-
Decrease/(Increase) in amount due from customers for contract works	(5,347)	-
(Decrease)/Increase in payables	2,957	-
<b>Cash generated from operations</b>	<b>14,910</b>	-
Tax paid	(1,012)	-
Tax refunded	-	-
<b>Net cash generated from operating activities</b>	<b>13,898</b>	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Placement of fixed deposits	(483)	-
Purchase of property, plant and equipment	(2,885)	-
Interest received	486	-
Disposal of financial assets held for trading	2,670	-
Proceeds from disposal of non-current assets held for sale	-	-
Proceeds from disposal of property, plant and equipment	36	-
Share repurchased	-	-
<b>Net cash generated from/ (used in) investing activities</b>	<b>(176)</b>	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(2,061)	-
Drawdown/(Repayment) of term loan	(1,244)	-
Increase/(Repayment) of hire purchase creditors	(267)	-
Net increase/(decrease) in bills payable	(2,284)	-
Advances from a director	31	-
<b>Net cash used in financing activities</b>	<b>(5,825)</b>	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7,897</b>	-
<b>Currency translation difference</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>(19,852)</b>	<b>-</b>
<b>Cash and cash equivalents at end of the period</b>	<b>(11,955)</b>	<b>-</b>
<b>Cash and cash equivalents comprises :-</b>		
Short term investment and fixed deposits with licenced banks	13,498	-
Cash and bank balances	4,233	-
Bank overdraft	(16,272)	-
	1,459	-
FD pledged with licenced banks	(13,414)	-
	<b>(11,955)</b>	<b>-</b>

**Notes:**

- (i) The Condensed Consolidated Statement of Cashflow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying notes attached to this quarterly financial report
- (ii) The financial year end of the Company was changed from 31 December to 30 June. Accordingly, the current financial statements are prepared for 15 months from 1 January 2008 to 31 March 2019 and as a result, the comparative figures stated in the income statement, statement of changes in equity, cash flow statement and the related notes are not comparable

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIFTH QUARTER ENDED  
31 MARCH 2019****NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FIFTH  
QUARTER ENDED 31 MARCH 2019****A1. Basis of Preparation**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group and the Company are consistent with those applied in the previous financial year other than the application of the amendments to MFRSs as disclosed in Note A2

**A2. Application of Amendments to MFRSs**

During the financial period, the Group and the Company have applied the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") which are effective for accounting period beginning on or after 1 January 2018 :-

MFRS 9, Financial Instruments (IFRS 9 issued in July 2014) MFRS 15, Revenue from Contracts with Customers

Clarifications to MFRS 15, Revenue from Contracts with Customers

Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts

Amendments to MFRS 140 - Transfers of Investment Property

Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle"

Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standard

Amendments to MFRS 128, Investments in Associates and Joint Ventures

IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

The application of the Amendments has no significant impact on the Group's and on the Company's financial statements.

**A3. New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue And Take  
Effective and Have Been Adopted****Effective for annual periods beginning on or after 1 January 2019**

MFRS 16, Leases

Amendments to MFRS 9, Prepayments Features with Negative Compensation

Amendments to MFRS 128, Long Term Interests in Associate and Joint Ventures

Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2015 - 2017 Cycle":

- Amendments to MFRS 3, Business Combinations (Previously Held Interest in a Joint Operation)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIFTH QUARTER ENDED  
31 MARCH 2019**

- Amendments to MFRS 11, Joint Arrangements (Previously Held Interest in a Joint Operation)
  - Amendments to MFRS 12, Income Taxes (Income Taxes Consequences of Payments on Financial Instruments Classified as Equity)
  - Amendments to MFRS 123, Borrowing Costs (Borrowing Costs Eligible for Capitalisation)
- IC Interpretation 23, Uncertainty over Income Tax Treatments

**Effective for annual periods beginning on or after 1 January 2021**

MFRS 17, Insurance Contracts

**Effective for annual periods beginning on or after a date to be determined by MASB**

Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures

The Group and the Company will apply the above new MFRSs, IC Interpretation and amendments to MFRSs that are applicable once they become effective. Their main features are summarised below.

**A3.1 Effective for annual periods beginning on or after 1 January 2019****MFRS 16, Leases**

MFRS 16 will supersede the existing MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* and it sets out the principles for the recognition, measurement, presentation and disclosures of leases.

Under the existing MFRS 117, lessees and lessors are required to classify their leases as either finance leases or operating leases and account for those two types of leases differently. It requires a lessee to recognise assets and liabilities arising from finance leases but not from operating leases.

The new MFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for the rights and obligations arising from all leases and hence eliminates the distinction between finance leases and operating leases. As a consequence, a lessee recognises right-of-use assets and lease liabilities arising from operating leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in the profit or loss.

The financial effects arising from the application of this Standard are still being assessed by the management.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIFTH QUARTER ENDED  
31 MARCH 2019****A4. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the preceding audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2017 did not contain any qualification.

**A5. Items of Unusual Nature**

There were no items affecting the assets, liabilities, equity, net income or cash flow of the Group that are unusual because of their nature, size or incidence for the financial quarter under review.

**A6. Changes in Estimates**

There were no changes in estimates of amounts reported in prior financial years that have had a material effect in the current financial quarter.

**A7. Changes in Debt and Equity Securities**

There were no issuance and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter under review.

**A8. Dividend Paid and Distributed**

There were no dividends paid in the current period.

**A9. Segmental Information**

The Group is organized into the following operating segments:-

- a) Integrated crane services contracts ("Integrated Crane Services");
- b) Manufacturing and fabrication of new offshore pedestal cranes ("Fabrication of Cranes");
- c) Workover Projects Lifting Solutions;
- d) Manpower Services;
- e) Supply, Fabrication & Servicing Industrial Equipments & Tank Systems;
- f) Consultants in Engineering Project Support Services;
- g) Machining;
- h) Fabrication work; and
- i) Research and Development in Oil & Gas Industry.

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIFTH QUARTER ENDED 31 MARCH 2019**

Period ended 31 March 2019	Investment holding	Integrated crane services	Fabrication of cranes	Workover projects lifting solutions	Manpower Service	Machining	Supply, fabrication & servicing industrial equipments & tank systems	Consultants In Engineering project support services	Research & Development in Advance Composite Material	Fabrication work	Eliminations	Consolidated
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
<b>Revenue</b>												
Revenue from external parties	-	42,473	10,708	5,916		21	2,173	-	3,666	63		65,020
Inter-segment revenue	-	-	-	-	1,444	169	-	-	-	385	(1,997)	-
<b>Total revenue</b>	<b>-</b>	<b>42,473</b>	<b>10,708</b>	<b>5,916</b>	<b>1,444</b>	<b>190</b>	<b>2,173</b>	<b>-</b>	<b>3,666</b>	<b>448</b>	<b>(1,997)</b>	<b>65,020</b>
<b>Results</b>												
<b>Profit from operations</b>	-	16,969	1,916	4,293	1,071	160	381	-	(670)	205	(136)	<b>24,189</b>
Other operating income												1,599
GP Margin	-	40%	18%	73%	74%	84%	18%	-	-18%	46%		
Administration & Other operation expenses												(32,139)
Depreciation & amortization												(3,639)
Finance cost												(2,162)
<b>Loss before tax</b>												<b>(12,152)</b>
Taxation												33
<b>Loss after tax</b>												<b>(12,119)</b>
<b>Assets</b>												
Segment assets	<b>54,470</b>	<b>62,707</b>	<b>21,615</b>	<b>3,990</b>	<b>917</b>	<b>238</b>	<b>1,284</b>	<b>10,338</b>	<b>3,709</b>	<b>1,362</b>	<b>(42,556)</b>	<b>118,074</b>
<b>Liabilities</b>												
Segment liabilities	<b>2,157</b>	<b>20,837</b>	<b>7,183</b>	<b>1,326</b>	<b>305</b>	<b>39</b>	<b>2,508</b>	<b>1,998</b>	<b>4,070</b>	<b>299</b>	<b>(7,614)</b>	<b>33,108</b>





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### UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIFTH QUARTER ENDED 31 MARCH 2019

#### A10. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current financial quarter.

#### A11. Capital Commitments

There are no material capital commitments as at the date of this report.

#### A12. Material events subsequent to the end of period reported

Saved as disclosed below, there were no material events subsequent to the end of the period reported.

1. On 10 April 2019, the Company entered into the following agreements:-

- i. Share sale agreement between Shanghai EB Pipeline Engineering Ltd (“SHEB”) and Handal (“SSA”); and
- ii. Novation agreement entered between SHEB, Kemuncak Lanai Sdn Bhd (“Kemuncak”) and Handal (“Novation Agreement”).

for the disposal of 765,000 ordinary shares in Handal Simflexi Sdn. Bhd. (formerly known as Simflexi Sdn. Bhd.) (“HSSB”), representing 51% of the total issued share capital of HSSB (“Sale Shares”), to SHEB for a total consideration of RM3,260,000 only (“Disposal Consideration”). Upon completion of the Disposal, HSSB will cease to be a subsidiary of Handal.

2. On 16 April 2019, the Company announced to undertake the following:-

- i. Proposed acquisition 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”) 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 10.0% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time (“Proposed ESOS”).

#### A13. Changes in composition of the Group

Saved as disclosed belows, there were no changes in composition of the Group for the financial quarter under review.

A wholly-owned subsidiary of the Company, Handal Offshore Services Sdn. Bhd. (“HOSSB”), had on 14 February 2019 incorporated a new wholly-owned subsidiary company in the United States with the name “HANDAL ENERGY, LLC” (“Handal Energy”) and had on 14 March 2019 subscribed for 70,000 new ordinary shares in TK Precision Solution Sdn. Bhd. (“TPSSB”), resulting in it becoming a 70% subsidiary of HOSSB.



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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIFTH QUARTER ENDED  
31 MARCH 2019**

**A14. Contingent liabilities or contingent assets**

There were no material contingent liabilities or contingent assets to be disclosed as at the date of this report.

**A15. Significant Related Party Transactions**

The Group had the following transactions during the current financial quarter with related parties in which a director of the Group has substantial financial interest :-

<b>Name of Related Parties</b>	<b>Nature of Transaction</b>	<b>Amount of Transaction (RM'000)</b>
Excell Crane & Hydraulics Inc	Material and spare parts supply	101
Borneo Seaoffshore Engineering Sdn Bhd	Fabrication work	63



**HANDAL RESOURCES BERHAD (816839-X)**

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIFTH QUARTER ENDED  
31 MARCH 2019**

**NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FIFTH QUARTER ENDED 31 MARCH 2019**

**PART B – ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)**

**B1. Review Of Performance Of The Group - Period ended 31 March 2019**

**(a) Current Quarter (Q5 2019) vs Preceding Year Corresponding Quarter (Q5 2018)**

	Individual Period (5th quarter)		Variance	
	Current Quarter	Preceding Year Corresponding Quarter		
	31 March 2019	31 March 2018	RM' 000	%
	RM' 000	RM' 000	RM' 000	%
Revenue	9,234	-	9,234	100
Gross Profits	3,969	-	3,969	100
Profit/(Loss) Before Interest and Tax	(2,550)	-	(2,550)	100
Profit/(Loss) Before Tax	(2,923)	-	(2,923)	100
Profit/(Loss) After Tax	(2,919)	-	(2,919)	100
Loss Attributable to Ordinary Equity Holders of the Parent	(2,870)	-	(2,870)	100

For the current quarter, the Group posted a loss after tax of RM2.92 million. This is mainly due to lower revenue reported of RM9.23 million and lower gross profit margin reported of 40% by our business segments.

Performance of the respective operating business segments for the 5th Quarter 2019 is analysed as follows:-

**1) Integrated Crane Services**

The revenue of this business segment reported RM7.44 million for maintenance and overhaul jobs completed during the current quarter.

The overall gross profit margin of 46% for integrated crane services during the current quarter.



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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIFTH QUARTER ENDED 31 MARCH 2019**

**2) Fabrication of Cranes**

The revenue of this business segment is recognized based on the percentage (%) completion method. The revenue reported RM1.46 million with gross profit margin of 20% in the current quarter.

**3) Workover Project Lifting Solutions**

This business segment reported a revenue of RM0.14 million in the current quarter (5Q18: Nil). This is due to credit notes issued upon finalisation and verification of completed works during the quarter.

**4) Supply, Fabrication & Servicing of Industrial Equipments & Tank Systems**

This business segment record a revenue of RM0.11 million during the quarter.

**(b) Current Year to Date vs. Preceding Year**

	Cumulative Period		Variance	
	Cumulative Year to Date	Preceding Year Period ended		
	31 March 2019	31 March 2018		
	RM' 000	RM' 000	RM' 000	%
Revenue	65,020	-	65,020	100
Gross Profits	24,189	-	24,189	100
Profit/(Loss) Before Interest and Tax	(9,990)	-	(9,990)	100
Profit/(Loss) Before Tax	(12,152)	-	(12,152)	100
Profit/(Loss) After Tax	(12,119)	-	(12,119)	100
Loss Attributable to Ordinary Equity Holders of the Parent	(11,117)	-	(11,117)	100

The Group recorded a loss after tax of RM12.12 million for the 15-months period ended 31 March 2019. The overall gross profit margin of 37% reported in the current period.

The overall administration & other operating expenses approximately to RM32.14 million for 15-months period ended 31 March 2019. There is additional increase in overall administrative & other operating expenses due to internal restructuring costs incurred by the Group for the cessation of non-performing business operations and additional new subsidiaries.

The performance of the respective operating business segments for period ended 31 March 2019 as compared to the preceding year is analysed as follows:-



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### UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIFTH QUARTER ENDED 31 MARCH 2019

#### 1) **Integrated Crane Services**

The revenue of this business segment reported RM42.47 million in the current 15-months period ended 31 March 2019 with the gross profit margin of 40%.

#### 2) **Fabrication of Cranes**

The revenue of this business segment is recognized based on the percentage (%) of completion method. The revenue of this business segment reported RM10.71 million in the current 15-months period ended 31 March 2019. There is increase in number of new cranes orders secured during the year.

The overall gross profit margin of 18% for the business segment during the period due to better margins secured for new cranes.

#### 3) **Workover Project Lifting Solutions**

The revenue of this business segment reported RM5.92 million in the current 15-months period ended March 2019. This is primarily due to the commencement of Well Maintenance Campaign by a major oil company that targets underperforming wells for maintenance which includes workover. This have benefited Handal as we are able to rent out our cranes as the workover rigs requires offshore cranes and manpower during the workover maintenance period.

The business segment also reported a gross profit margin of 73% for the 15-months period ended 31 March 2019.

#### 4) **Supply, Fabrication & Servicing of Industrial Equipments & Tank Systems**

The revenue of this business segment reported RM2.17 million in the 15-months period ended March 2019, which is due to the lower call-outs by clients and thus lower maintenance works carried out.

The gross profit margin of 18% due to the fixed rate agreed upon in the contract.

#### 5) **Research and Development in Oil & Gas Industry**

With the completion of the acquisition of 51% in Handal Simflexi Sdn Bhd (formally known as Simflexi Sdn Bhd) on 14 March 2018, the Group had ventured into the pipeline engineering, advanced composite material, pipeline connector, sub-sea flexible tank system and research and development for oil and gas industry.

This is inline with the RM3.67 million revenue recorded in this segment during the 15-months period ended 31 March 2019. However, the negative gross profit margin of 18% under this segment have been lower than expected due to additional costs incurred for the research and development activities carried out.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIFTH QUARTER ENDED  
31 MARCH 2019**
**B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter**

	Current Quarter	Immediate Preceding Quarter	Variance	
	31 March 2019	31 December 2018	RM' 000	%
	RM' 000	RM' 000		
Revenue	9,234	15,190	(5,956)	-39
Gross Profits	3,969	5,580	(1,611)	-29
Profit/(Loss) Before Interest and Tax	(2,550)	(1,520)	(1,030)	68
Profit/(Loss) Before Tax	(2,923)	(1,991)	(932)	47
Profit/(Loss) After Tax	(2,919)	(1,995)	(924)	46
Loss Attributable to Ordinary Equity Holders of the Parent	(2,870)	(1,886)	(984)	52

During the current quarter, the Group recorded a loss after tax of RM2.92 million as compared to a loss after tax of RM2.00 million in the preceding quarter. This is mainly due to the lower revenue reported (Q52019: RM9.23 million vs Q42018: RM15.19 million) during the current quarter. However, the overall gross margin reported during the current quarter has improved (Q52018: 43% vs Q42018 37%) as compared to the previous quarter.

In addition, the administration and other operating expenses have also reduced by RM1.01 million or 14.09% during the current quarter (Q52019: RM5.81 million vs Q42018 RM6.82 million).

**B3. Prospects**

The Group performance is expected to be challenging for the current 18-months financial period ended 30 June 2019 in view of the uncertainty and volatility of global oil supply. This have caused most oil majors to be more prudent in their spending and conservative in any future capital commitment. The management is not overly optimistic on the performance of the Group for the rest of the current financial period ended 30 June 2019 and is working tirelessly to successfully bid for new contracts. However, the Group have an outstanding orderbook of approximately RM65.0 million (as at 31 March 2019) which comprise mostly from the Integrated Crane Services and Fabrication of Cranes business segment. This is sufficient to keep Group occupied and self-sustaining while the management implements the turnaround plan for the Group.

The implementation of a four (4) year turnaround plan is essentially built around three core pillars; (i) strengthening the core crane maintenance business (ii) geographic diversification of crane maintenance business into East Malaysia and (iii) diversification of earnings base into related business in the oil & gas industry. The management have also put in place several core improvements to support the future growth and to preserve sustainable gross margins for the Group which includes improvements and efficiencies in the cost and process management, enhancing the Company's capital base as well as placing priority in the development of talent within the Group.

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These measures are not only expected to bring positive impact to the Group's financial position moving forward, but also to supporting a dynamic working culture and environment at Handal. Barring any unforeseen circumstances, the Board remains optimistic on the medium-term prospect of the Group.

**B4. Profit Forecast**

The Group has not issued any profit forecast for the current financial period.

**B5. Taxation**

	Current quarter ended 31 March 2019 RM' 000	For the period ended 31 March 2019 RM' 000
Current tax	-	(33)
Deferred tax	-	-
	-	(33)

**B6. Status of Corporate Proposals**

There was no corporate proposal announced for the current reporting quarter.

**B7. Group Borrowings and Debt Securities**

The Group's borrowings, all of which are secured, are as follows:

	As at 31 March 2019 <u>RM'000</u>	As at 31 December 2017 <u>RM'000</u>
<b>Short term borrowings- Secured</b>		
Bank overdrafts	16,272	20,919
Bankers' acceptances/Invoice Financing (IVF)	2,396	4,680
Term Loan	-	1,244
Hire Purchase liabilities	327	188
	18,995	27,031
<b>Long term borrowings- Secured</b>		
Hire Purchase liabilities	689	419
	689	419
<b>Total Borrowings</b>	<b>19,684</b>	<b>27,450</b>



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#### B8. Material Litigation

Save as disclosed below, there is no other material litigation as at the date of issuance of this quarterly report.

The Board of Directors of Handal Resources Berhad (the “Defendant”) had on 24 January 2019 announced that the Company had on 24 January 2019 been served a copy of the Writ of Summons and Statement of Claim both dated 22 January 2019 (“Suit”) from Kemuncak Lanai Sdn Bhd (“Kemuncak”).

The Company and Kemuncak entered into a share sale agreement dated 22 January 2018 (“SSA”) to acquire 51% equity interest in Handal Simflexi Sdn Bhd (previously known as Simflexi Sdn Bhd). Pursuant to the SSA, the Company will purchase 51,000 shares in Handal Simflexi Sdn Bhd for a total consideration of RM5,100,000. The sum of RM2,550,000 had been paid by the Company to Kemuncak. Kemuncak provided the following profit guarantee on the financial performance of Handal Simflexi Sdn Bhd:-

Warranty Period	Financial Year	Guaranteed Profit
Warranty Period 1	1 January 2018 to 31 December 2018	Not less than RM 2,500,000.00
Warranty Period 2	1 January 2019 to 31 December 2019	Not less than RM 3,500,000.00
Warranty Period 3	1 January 2020 to 31 December 2020	Not less than RM 5,750,000.00

The balance purchase sum of RM2,550,000 shall only be made upon Kemuncak paying the Company all the shortfall on the guaranteed profit.

In the Suit, Kemuncak is making a claim for:-

- A declaration that the profit guarantee provided in Clause 6 of the SSA is void and be severed from the SSA;
- the payment of the balance purchase sum of RM2,550,000.00;
- general damages;
- interests of 5% per annum calculated from the date of Writ of Summons until date of full realisation;
- costs; and
- any other and further reliefs that the Court deems necessary and appropriate.

On 11 April 2019, the Company announced that, among others, the signing of the Share Sale Agreement dated 10 April 2019 (“SSA”) and the Novation Agreement dated 10 April 2019 (“Novation Agreement”) will bring an end to the ongoing litigation between Kemuncak Lanai Sdn. Bhd. (“Kemuncak”) and the Company to announce that:

- Kemuncak had on 19 April 2019 withdrawn its claim in the Suit with no order as to costs;
- the Company had withdrawn its Counter Claim in the Suit against Kemuncak with no order as to costs; and
- upon the completion of the SSA, Kemuncak shall have no further claim against the Company.



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**B9. Earnings/ (Loss) Per Share**

	<b>Cumulative Quarter</b>	
	<b>Cumulative Year To Date 31-March-19 RM'000</b>	<b>Corresponding Year To Date 31-March-18 RM'000</b>
	<b>BASIC EARNINGS PER SHARE</b>	
Loss for the period attributable to ordinary equity holders of the company	(11,117)	(2,430)
Weighted average number of ordinary shares in issue ('000)	159,690	159,690
Loss earning per share (sen)	(6.96)	(1.52)

**B10. Profit/ (Loss) before Taxation**

Profit/ (Loss) before taxation is arrived at after crediting/ (charging) the following income/ (expenses):

	<b>Current Quarter ended 31 March 2019 RM'000</b>	<b>Cumulative Quarter ended 31 March 2019 RM'000</b>
- Interest Income	100	482
- Foreign exchange gain/(loss)	(8)	(272)
- Short Term Investment Income	71	415
- Depreciation and amortization	(891)	(3,639)
- PPE write-off	(243)	(243)

**B11. Dividends**

Dividends have not been recommended for the current quarter ended 31 March 2019.



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**B12. Trade Receivables**

The analysis of the Group's trade receivables are as follows:

	<b>As at 31 March 2019 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Neither past due nor impaired	7,786	39,197
1 to 30 days past due not impaired	3,304	5,457
31 to 60 days past due not impaired	3,322	2,107
61 to 90 days past due not impaired	4,149	672
More than 90 days past due not impaired	3,627	2,279
	14,402	10,515
Past due and impaired	-	237
	22,188	49,950
Less: Impairment losses	-	(237)
	<u>22,188</u>	<u>49,712</u>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM14.40 million (31 December 2017: RM10.52 million) that are past due at the reporting date but not impaired. These are unsecured in nature.

Subsequent to the current reporting quarter, the Group has collected RM6.62 million from these outstanding trade receivables based on the latest practical date of 15 May 2019.



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**B13. Realised and Unrealised Profits/(Losses) Disclosure**

The retained profits as at 31 March 2019 analysed as follows:-

	As At End of Current Quarter
	31/03/2019
	RM'000
Total retained profits of the Company and the subsidiaries:-	
- Realised	24,493
- Unrealised	<u>(3,849)</u>
	20,644
Less: Consolidation adjustment	<u>(15,385)</u>
Total group retained profits as per consolidated income statements	<u><u>5,258</u></u>