

Steel Hawk Berhad

(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
SECOND HALF YEAR ENDED 31 DECEMBER 2022**

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YEAR ENDED 31 DECEMBER 2022**

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2022 RM'000	31 December 2021 RM'000
Assets		
Property, plant and equipment	3,320	3,082
Right-of-use assets	104	220
Total non-current assets	3,424	3,302
Inventories	158	369
Contract assets	11,410	5,689
Trade and other receivables	11,368	767
Cash and cash equivalents	15,412	6,039
Total current assets	38,348	12,864
Total assets	41,772	16,166
Equity		
Share capital	7,808	7,808
Other reserve	(3,108)	(3,108)
Retained earnings	10,242	5,056
Total equity attributable to owners of the Company	14,942	9,756
Liabilities		
Loans and borrowings	3,323	1,164
Lease liabilities	34	46
Deferred tax liabilities	168	132
Total non-current liabilities	3,525	1,342
Loans and borrowings	7,736	719
Lease liabilities	77	183
Trade and other payables	13,344	3,248
Current tax liabilities	2,148	918
Total current liabilities	23,305	5,068
Total liabilities	26,830	6,410
Total equity and liabilities	41,772	16,166
Net assets per share attributable to owners of the Company (sen)	9.34	6.10

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND HALF YEAR ENDED 31 DECEMBER 2022

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual 6 months ended		Cumulative 12 months ended	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Revenue	40,945	14,952	66,326	24,845
Cost of sales	(33,124)	(8,357)	(51,242)	(14,029)
Gross profit	7,821	6,595	15,084	10,816
Other income	67	92	76	172
Administrative expenses	(3,436)	(4,103)	(6,521)	(7,586)
Results from operating activities	4,452	2,584	8,639	3,402
Finance income	12	3	25	12
Finance costs	(373)	(130)	(470)	(270)
Profit before tax	4,091	2,457	8,194	3,144
Tax expense	(1,316)	(891)	(2,384)	(1,064)
Net profit and total comprehensive income attributable to owners of the Company	2,775	1,566	5,810	2,080
Basic earnings per ordinary share (sen)	1.74	0.98	3.64	1.30

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND HALF YEAR ENDED 31 DECEMBER 2022

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Non-distributable</i>			<i>Distributable</i>	
	Share capital RM'000	Invested equity ⁽¹⁾ RM'000	Other reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2021	*	1,500	-	2,976	4,476
Effect of restructuring ⁽²⁾	4,608	(1,500)	(3,108)	-	-
Issuance of new shares	3,200	-	-	-	3,200
Net profit and total comprehensive income for the financial year	-	-	-	2,080	2,080
At 31 December 2021	7,808	-	(3,108)	5,056	9,756
At 1 January 2022	7,808	-	(3,108)	5,056	9,756
Net profit and total comprehensive income for the financial year	-	-	-	5,810	5,810
Dividend paid	-	-	-	(624)	(624)
At 31 December 2022	7,808	-	(3,108)	10,242	14,942

* Denotes RM2

⁽¹⁾ This invested equity represents the Company's investment in Steel Hawk Engineering Sdn. Bhd. ("SHESB").

⁽²⁾ The effect of restructuring arose from the restructuring exercises undertaken by the Company in conjunction with the listing of the Company's shares on the LEAP market and Bursa Malaysia Securities Berhad.

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND HALF
YEAR ENDED 31 DECEMBER 2022**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative 12 months ended	
	31 December 2022	31 December 2021
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	8,194	3,144
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	593	541
Depreciation of right-of-use asset	194	187
Gain on disposal of plant and equipment	(10)	(9)
Gain on remeasurement of lease liabilities	(6)	-
Gain on derecognition of right-of-use asset	-	(3)
Interest expense	470	270
Interest income	(25)	(12)
Operating profit before changes in working capital	9,410	4,118
Changes in working capital:		
Inventories	211	(31)
Trade and other receivables	(10,601)	214
Trade and other payables	10,096	1,923
Contract assets	(5,721)	(4,503)
Cash generated from operations	3,395	1,721
Tax paid	(1,118)	(1,049)
Net cash from operating activities	2,277	672
Cash flows for investing activities		
Acquisition of property, plant and equipment	(671)	(950)
Proceeds from disposal of plant and equipment	10	12
Interest income	25	12
Changes in pledged deposits	(3,892)	1,164
Net cash (used in)/from investing activities	(4,528)	238
Cash flows for financing activities		
Interest expense	(470)	(270)
Net drawdown/(repayment) of term loan	3,197	(330)
Net drawdown/(repayment) of trade financings	363	(479)
Net repayment of hire purchase	(218)	(200)
Repayment to lease liabilities	(190)	(186)
Dividend paid	(624)	-
Proceeds from the issuance of new shares	-	3,200
Net cash from financing activities	2,058	1,735
Net decrease in cash and cash equivalents	(193)	2,645
Cash and cash equivalents at beginning of the year	5,910	3,265
Cash and cash equivalents at end of the year	5,717	5,910

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND HALF
YEAR ENDED 31 DECEMBER 2022**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	31 December 2022	31 December 2021
	RM'000	RM'000
Cash and cash equivalents	15,412	6,039
Bank overdraft	(5,674)	-
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	9,738	6,039
Pledged deposits	(4,021)	(129)
	<hr/>	<hr/>
	5,717	5,910

(ii) Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1.1.2021	Acquisition of new lease	Net changes from financing cash flows	Derecognition	At 31.12.2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Term loans	1,628	-	(330)	-	1,298
Trade financings	479	-	(479)	-	-
Hire purchase liabilities	527	258	(200)	-	585
Lease liabilities	208	268	(186)	(61)	229
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	2,842	526	(1,195)	(61)	2,112

	At 1.1.2022	Acquisition of new lease	Net changes from financing cash flows	Remeasur- ent of lease liabilities	At 31.12.2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Term loans	1,298	-	3,197	-	4,495
Trade financings	-	-	363	-	363
Bank Overdraft	-	-	5,674	-	5,674
Hire purchase liabilities	585	160	(218)	-	527
Lease liabilities	229	80	(190)	(8)	111
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	2,112	240	8,826	(8)	11,170

A. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2022

1. BASIS OF PREPARATION

The condensed consolidated interim financial report is unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134, *Interim Financial Reporting* and in compliance with the LEAP Market Listing Requirements of Bursa Securities.

The explanatory notes attached to the condensed consolidated interim financial report provide explanations of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2021.

The condensed consolidated interim financial report has been prepared on the historical cost basis and on the assumption that the Group is a going concern.

2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

Except as described below, the same accounting policies and methods of computation are followed in this consolidated financial report as compared with the audited consolidated financial statements for the financial year ended 31 December 2021.

As of 1 January 2022, the Group has adopted the following interpretations and amendments to MFRSs which are effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*

The initial application of these amendments did not have any material financial impact to the current period and prior period financial statements of the Group.

3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified audit report issued by the auditors in the audited consolidated financial statements in the preceding financial years.

4. SEASONAL AND CYCLICAL FACTORS

Our business is not materially affected by seasonal or cyclical effects as our customers generally operate throughout the year.

Nevertheless, the business of our Group is subject to PETRONAS group’s expenditure cycle and yearly pre-planned maintenance programs such as preventive maintenances, periodic maintenance, turnarounds and/ or shutdown maintenances.

5. EXCEPTIONAL ITEMS

There were no material exceptional items during the current financial period under review.

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates in the current financial period under review.

7. 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 period under review.

8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL PERIOD

There were no material events subsequent to the end of the current financial period.

9. MATERIAL CHANGES IN THE COMPOSITION OF THE GROUP

On 18 April 2022, the Company incorporated a wholly-owned subsidiary, known as Steel Hawk Defence Sdn. Bhd. with an issued share of RM100,000 comprising of 100,000 ordinary shares of RM1.00 each. The intended principal activity of the subsidiary is to supply, maintain and provide service for defence and security related equipment.

10. DIVIDENDS PAID

On 25 February 2022, the Board of Directors recommended a final single tier dividend of 0.39 sen per ordinary share amounting to approximately RM0.624 million in respect of the financial year ended 31 December 2021.

The dividend was paid on 23 June 2022.

11. DIVIDENDS

The Board of Directors of the Company declared an interim tax-exempt dividend of 0.55 sen per ordinary share in respect of the financial year ended 31 December 2022. The entitlement date is fixed on 2 March 2023 and payment will be made on 9 March 2023.

12. SEGMENTAL INFORMATION

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer ("CEO") reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Engineering, Procurement, Construction and Commissioning ("EPCC") services and facilities improvement/ maintenance
Includes the provision of EPCC services for chemical injection skids and improvement/maintenance in topside oil and gas ("O&G") facilities (i.e. onshore O&G terminal and/or offshore production platform).
- Installation and Maintenance ("I&M") of oilfield equipment
Includes the installation, repair, refurbishment and replacement of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment) in topside O&G facilities (i.e. onshore O&G terminals and/or offshore production platform).
- Supply of oilfield equipment
Includes the supply of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment), as well as their parts and components, undertaken through purchase orders on an ad-hoc basis.

Due to the high integration within all these three segments, performance of individual segment is measured based on revenue and gross profit, as included in the internal management reports that are reviewed by the Group's CEO. Hence, no other disclosure for segment assets, segment liabilities and segment capital expenditures.

12. SEGMENTAL INFORMATION (CONTINUED)

	EPCC services and facilities improvement/ maintenance RM'000	I&M of oilfield equipment RM'000	Supply of oilfield equipment RM'000	Total RM'000
Cumulative 12 months ended 31 December 2022				
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	57,788	7,310	1,228	66,326
Cost of sales	(44,157)	(6,506)	(579)	(51,242)
Gross profit	<u>13,631</u>	<u>804</u>	<u>649</u>	<u>15,084</u>

Cumulative 12 months ended 31 December 2021

*Included in the measure of
segment profit are:*

Revenue from external customers	18,240	5,235	1,370	24,845
Cost of sales	(11,580)	(1,856)	(593)	(14,029)
Gross profit	<u>6,660</u>	<u>3,379</u>	<u>777</u>	<u>10,816</u>

13. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

14. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets and contingent liabilities as at the date of this interim financial report.

15. CAPITAL COMMITMENTS

	Note	31 December 2022 RM'000	31 December 2021 RM'000
Capital expenditure commitments			
Property, plant and equipment			
<i>Authorised and contracted for</i>	15.1	2,400	-

15.1 Included within the capital expenditure commitments authorised and contracted for are deposits paid amounting to RM240,000.00.

16. SIGNIFICANT RELATED PARTY TRANSACTIONS

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group.

The Group has related party relationship with a Company in which a Director has financial interest and key management personnel.

Significant related party transactions

Significant related party transactions are as follows:

	31 December 2022 RM'000	31 December 2021 RM'000
Transactions		
Companies in which a Director has financial interest		
Payment in relation to acquisition of a building	-	700

17. FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The table flow analyses other financial instruments at fair value.

	Fair value of financial instruments not carried at fair value Level 3 RM'000	Carrying amount RM'000
31 December 2022		
Financial liabilities		
Term loans	4,859	4,495
Hire purchase liabilities	386	527
Lease liabilities	105	111
	5,350	5,133
31 December 2021		
Financial liabilities		
Term loans	1,361	1,298
Hire purchase liabilities	596	585
Lease liabilities	225	229
	2,182	2,112

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Term loans, hire purchase liabilities and lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowing of the Company at the reporting date.

18. PROFIT BEFORE TAX

	Individual 6 months ended		Cumulative 12 months ended	
	Unaudited		Unaudited	
	31	31	31	31
	December	December	December	December
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration				
- Audit fees	115	75	115	75
Material expenses/(income)				
Finance income	(7)	(3)	(25)	(12)
Gain on disposal of plant and equipment	(10)	(10)	(10)	(9)
Gain on derecognition of right-of-use assets	(6)	(1)	-	(3)
Gain on remeasurement of lease liabilities	-	-	(6)	-
Depreciation of property, plant and equipment	319	277	593	541
Depreciation of right-of-use assets	102	98	194	187
Personnel expenses (including key management personnel)				
- Contributions to state plans	236	189	433	363
- Wages, salaries and others	9,143	4,322	14,652	7,518
Wages subsidy	-	(84)	-	(109)
Net foreign exchange loss	51	17	71	17
Expenses arising from leases				
Expenses relating to short-term leases (i)	596	588	952	2,107

- (i) The Group leases equipment with contract terms of less than one year. These leases are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

19. TAX EXPENSE

	Individual 6 months ended Unaudited		Cumulative 12 months ended Unaudited	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Current tax expense				
Current year	1,316	912	2,348	1,137
Deferred tax expense				
Origination of temporary differences	-	(21)	36	(73)
	<u>1,316</u>	<u>891</u>	<u>2,384</u>	<u>1,064</u>
Effective tax rate	29%	26%	29%	34%

The overall effective tax rate of 29% for the current financial period was higher than the statutory tax rate of 24% due to the increase non-deductible expenses incurred during the financial period.

20. REVIEW OF PERFORMANCE

Financial year to date against preceding financial year

The Group recorded revenue of RM66.326 million for the current financial year, representing an increase of 167% compared to the preceding financial year of RM24.845 million. Growth in revenue was recorded mainly from EPCC segment representing an increase of 384% which is RM39.548 million mainly due to new work orders secured by the Group.

The Group's profit after tax increased by 179% to RM5.810 million for the financial year ended 31 December 2022 from RM2.08 million in the preceding financial year. The increase was mainly contributed by the increase the in gross profit margin of RM4.268 million during the financial year.

21. COMMENTARY ON PROSPECTS

The current trajectory of the oil and gas industry is expected to continue, given modest recovery in demand underpinned by improvements of economic activities globally. Steel Hawk Berhad will remain steadfast in driving operational and commercial excellence to improve its liquidity and profitability, in pursuit of its growth strategy.

22. LOANS AND BORROWINGS

Particulars of the Group's loans and borrowings are as follows:

	Note	31 December 2022 RM'000	31 December 2021 RM'000
Non-current			
<i>Secured:</i>			
Term loans		3,065	935
Hire purchase liabilities	22.1	258	229
		3,323	1,164
Current			
<i>Secured:</i>			
Term loans		1,430	363
Trade financing		363	-
Hire purchase liabilities	22.1	269	356
Bank overdrafts		5,674	-
		7,736	719
		11,059	1,883

22.1 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
31 December 2022			
Less than one year	293	24	269
Between one to five years	274	16	258
	567	40	527
31 December 2021			
Less than one year	377	21	356
Between one to five years	251	22	229
	628	43	585

23. EARNINGS PER ORDINARY SHARE

The calculations of earnings per ordinary share as at 31 December 2022 and 2021, was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Individual 6 months ended		Cumulative 12 months ended	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to owners of the Company	2,775	1,566	5,810	2,090
Earnings per ordinary share attributable to owners of the Company				
Number of ordinary shares	160,000	160,000	160,000	160,000
Basic earnings per ordinary share (sen)	1.74	0.98	3.64	1.31

The Company has no potential ordinary shares in issue as at the date of the statement of financial position. Diluted earnings per share is equal to basic earnings per share.