



STEEL HAWK BERHAD

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

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2024**

STEEL HAWK BERHAD

(Registration No. 202001043293 (1399614-A))

(Incorporated in Malaysia)


**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED
30 JUNE 2024⁽¹⁾**

	Individual Quarter		Cumulative Quarter	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Audited RM'000
Revenue	19,294	18,732	39,030	32,175
Cost of sales	(10,981)	(13,399)	(22,326)	(23,431)
Gross profit	8,313	5,333	16,704	8,744
Other income	21	11	26	61
Administrative expenses	(2,854)	(1,035)	(6,272)	(2,989)
Results from operating activities	5,480	4,309	10,458	5,816
Finance income	13	11	25	24
Finance costs	(535)	(200)	(899)	(425)
Profit before tax	4,958	4,120	9,584	5,415
Tax expense	(1,958)	(1,009)	(3,350)	(1,394)
Net profit and total comprehensive income	3,000	3,111	6,234	4,021
Basic earnings per ordinary shares⁽²⁾ (sen)	0.61	0.63	1.27	0.82

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED
30 JUNE 2024⁽¹⁾ (CONTINUED)**

Notes:

1. The basis of the preparation of the Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the prospectus of Steel Hawk Berhad ("**Steel Hawk**" or the "**Company**") dated 16 August 2024 ("**Prospectus**") and the accompanying explanatory notes attached to this condensed consolidated interim financial report.
2. Basic and diluted earnings per share ("**EPS**") is calculated based on the Company's enlarged share capital of 490,000,000 shares upon the initial public offering ("**IPO**") of the Company. Diluted EPS is equivalent to the basic EPS as there were no potential dilutive securities in issue during the financial quarter under review.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024⁽¹⁾**

	30 June 2024	31 December 2023
	Unaudited RM'000	Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	6,736	6,387
Right-of-use assets	1,464	1,500
	<u>8,200</u>	<u>7,887</u>
Current assets		
Inventories	607	568
Contract assets	20,827	21,539
Trade and other receivables	13,292	4,301
Pledged deposits	7,271	6,705
Cash and cash equivalents	19,582	10,687
	<u>61,579</u>	<u>43,800</u>
Total assets	<u>69,779</u>	<u>51,687</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	7,808	7,808
Restructuring reserves ⁽²⁾	(3,108)	(3,108)
Retained earnings	22,817	16,583
Total equity	<u>27,517</u>	<u>21,283</u>



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2024⁽¹⁾ (CONTINUED)**

	30 June 2024	31 December 2023
	Unaudited RM'000	Audited RM'000
Non-current liabilities		
Loans and borrowings	3,727	4,089
Lease liabilities	466	465
Deferred tax liabilities	422	430
	<u>4,615</u>	<u>4,984</u>
Current liabilities		
Loans and borrowings	25,214	13,632
Lease liabilities	394	770
Trade and other payables	9,736	10,764
Current tax liabilities	2,303	254
	<u>37,647</u>	<u>25,420</u>
Total liabilities	42,262	30,404
Total equity and liabilities	69,779	51,687
Net assets per share⁽³⁾ (sen)	5.62	4.34



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024⁽¹⁾ (CONTINUED)**

Notes:

1. The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this condensed consolidated interim financial report.
2. The restructuring reserves comprises the difference between cost of investment recorded by the Company and the share capital of Steel Hawk Engineering Sdn. Bhd. ("**SHESB**") arising from the Company's restructuring exercise undertaken in conjunction with the listing of the Company's shares on the LEAP Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), where on 12 April 2021, the Company had entered into a conditional share sale agreement to acquire the issued share capital of SHESB of RM1,500,000 comprising 1,500,000 ordinary shares from the shareholders of SHESB for the purchase consideration of RM4,607,999.
3. Calculated based on net assets attributable to owners of the Company divided by the Company's enlarged share capital of 490,000,000 shares after the IPO of the Company.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2024⁽¹⁾**

	<u>Share capital</u> RM'000	<u>Non-distributable Restructuring reserves</u> RM'000	<u>Distributable Retained earnings</u> RM'000	<u>Total</u> RM'000
At 1 January 2024	7,808	(3,108)	16,583	21,283
Net profit and total comprehensive income for the financial period	-	-	6,234	6,234
At 30 June 2024	<u>7,808</u>	<u>(3,108)</u>	<u>22,817</u>	<u>27,517</u>
At 1 January 2023	7,808	(3,108)	10,243	14,943
Net profit and total comprehensive income for the financial period	-	-	4,021	4,021
<u>Distribution to owners of the Company:</u> Dividends paid to owners of the Company	-	-	(880)	(880)
At 30 June 2023	<u>7,808</u>	<u>(3,108)</u>	<u>13,384</u>	<u>18,084</u>

Note:

- The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this condensed consolidated interim financial report.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2024⁽¹⁾**

	30 June 2024	30 June 2023
	Unaudited RM'000	Audited RM'000
Cash flows from operating activities		
Profit before tax	9,584	5,415
<u>Adjustments:</u>		
Depreciation of property, plant and equipment	411	318
Loss/(Gain) on disposal of property, plant and equipment	48	(34)
Depreciation of right-of-use assets	36	53
Interest income	(25)	(24)
Interest expenses	899	425
	10,953	6,153
Operating profit before working capital changes		
<u>Changes in working capital:</u>		
Inventories	(39)	(468)
Contract assets	712	(10,560)
Trade and other receivables	(8,991)	8,049
Trade and other payables	(1,028)	34
	1,607	3,208
Cash generated from operations		
Tax paid	(1,309)	(2,730)
	298	478
Net cash from operating activities		
Cash flows from investing activities		
Acquisition of property, plant and equipment	(456)	(226)
Proceeds from disposal of property, plant and equipment	96	148
Changes in pledged deposits	(566)	(770)
Interest income	25	24
	(901)	(824)
Net cash used in investing activities		



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2024⁽¹⁾ (CONTINUED)**

	<u>30 June 2024</u>	<u>30 June 2023</u>
	Unaudited RM'000	Audited RM'000
Cash flows from financing activities		
Net repayment of term loans	(901)	(787)
Net drawdown of trade financing	8,201	2,483
Net repayment of hire purchase liabilities	(216)	(458)
Repayment of lease liabilities	(375)	(58)
Interest paid	(899)	(425)
Dividends paid	-	(880)
	<u>5,810</u>	<u>(125)</u>
Net cash from/(used in) financing activities	5,810	(125)
Net increase/(decrease) in cash and cash equivalents	5,207	(471)
Cash and cash equivalents at beginning of the financial period	4,465	6,417
	<u>9,672</u>	<u>5,946</u>
Cash and cash equivalents at end of the financial period	9,672	5,946

(a) Cash and cash equivalents

Cash and cash equivalents at the end of the financial period comprised of the following amounts:

	<u>30 June 2024</u>	<u>30 June 2023</u>
	Unaudited RM'000	Audited RM'000
Cash and cash equivalents	19,582	9,810
Bank overdraft	(9,910)	(3,864)
	<u>9,672</u>	<u>5,946</u>
	<u>9,672</u>	<u>5,946</u>



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2024⁽¹⁾ (CONTINUED)**

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

	<u>At 1 January</u> RM'000	<u>Acquisition of new hire purchase liabilities</u> RM'000	<u>Net changes from financing cash flows</u> RM'000	<u>At 30 June</u> RM'000
2024				
Term loans	4,966	-	(901)	4,065
Hire purchase liabilities	867	448	(216)	1,099
Trade financing	5,666	-	8,201	13,867
Lease liabilities	1,235	-	(375)	860
	<u>12,734</u>	<u>448</u>	<u>6,709</u>	<u>19,891</u>
2023				
Term loans	4,495	-	(787)	3,708
Hire purchase liabilities	527	730	(458)	799
Trade financing	363	-	2,483	2,846
Lease liabilities	111	-	(58)	53
	<u>5,496</u>	<u>730</u>	<u>1,180</u>	<u>7,406</u>

Note:

- The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this condensed consolidated interim financial report.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2024**

A. EXPLANATORY NOTES ON THE COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134

A1. BASIS OF PREPARATION

The condensed consolidated interim financial report of Steel Hawk and its subsidiaries (collectively, the "**Group**") is unaudited and has been prepared in accordance with MFRS 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("**MASB**") and Rule 9.22 and Appendix 9B of the Listing Requirements.

This condensed consolidated interim financial report should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this condensed consolidated interim financial report.

A2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation adopted by the Group in this condensed consolidated interim financial report are consistent with those adopted in preparation of the Accountants' Report as disclosed in the Prospectus dated 16 August 2024 except for the adoption of the following amendments/improvements to MFRSs, which are applicable during the current financial year.

Title	Effective date
Amendment to MFRS 16, <i>Leases – Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendment to MFRS 101, <i>Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 107, <i>Statement of Cash Flows</i> and MFRS 7, <i>Financial Instruments: Disclosures – Supplier Finance Arrangements</i>	1 January 2024

The initial application or adoption of the above amendments/improvements to MFRSs are not expected to have any material financial impact on these condensed consolidated interim financial statements.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
 FOR THE SECOND QUARTER ENDED 30 JUNE 2024**

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The following are accounting standards that have been issued by the MASB but are not yet effective for the Group:

Title	Effective date
Amendments to MFRS 121, <i>The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability</i>	1 January 2025
Amendments to MFRS 9, <i>Financial Instruments</i> and MFRS 7, <i>Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments</i>	1 January 2026
Amendments to MFRS 18, <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
Amendments to MFRS 19, <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The initial application of the above standards and amendments are not expected to have any material financial impacts to the condensed consolidated interim financial statements of the Group upon adoption.

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2023.

A4. SEASONAL OR CYCLICAL FACTORS

The business operations of the Group were not affected by any seasonal or cyclical trend during the current financial quarter under review.

Nevertheless, the Group's business is subject to Petroliaam Nasional Berhad ("**PETRONAS**") group's expenditure cycle and yearly pre-planned maintenance programs such as preventive maintenances, periodic maintenance, turnarounds and/or shutdown maintenances.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2024**

A5. MATERIAL UNUSUAL ITEMS

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no changes in estimates that have a material effect to the Group in the current financial quarter under review.

A7. DEBT AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities to the current quarter under review.

A8. DIVIDEND PAID

There was no dividend paid during the current financial quarter under review.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2024**

A9. SEGMENTAL INFORMATION

The Group's revenue is segmented as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>30 June</u> <u>2024</u> <u>Unaudited</u> <u>RM'000</u>	<u>30 June</u> <u>2023</u> <u>Unaudited</u> <u>RM'000</u>	<u>30 June</u> <u>2024</u> <u>Unaudited</u> <u>RM'000</u>	<u>30 June</u> <u>2023</u> <u>Audited</u> <u>RM'000</u>
Engineering, Procurement, Construction and Commissioning ("EPCC") services and facilities improvement/maintenance				
Revenue	15,903	16,877	31,793	29,233
Cost of sales	(9,187)	(12,450)	(18,448)	(21,730)
Gross profit	<u>6,716</u>	<u>4,427</u>	<u>13,345</u>	<u>7,503</u>
Installation and Maintenance ("I&M") of oilfield equipment				
Revenue	2,518	1,270	4,907	1,970
Cost of sales	(1,523)	(777)	(2,930)	(1,343)
Gross profit	<u>995</u>	<u>493</u>	<u>1,977</u>	<u>627</u>
Supply of oilfield equipment ("SOFE")				
Revenue	873	585	2,330	972
Cost of sales	(271)	(172)	(948)	(358)
Gross profit	<u>602</u>	<u>413</u>	<u>1,382</u>	<u>614</u>

The geographical location of the Group's customers predominantly operates within Malaysia.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2024**

A10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE QUARTER

Save as disclosed in Note B6 on the Status of Corporate Proposals, there were no other material events subsequent to the end of the current financial quarter under review that have not been reflected in this condensed consolidated interim financial report.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current financial quarter under review.

A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A13. MATERIAL CAPITAL COMMITMENT

There were no material capital commitments as at the date of this condensed consolidated interim financial report.

A14. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no valuation of property, plant and equipment as at the date of this condensed consolidated interim financial report.

A15. SIGNIFICANT RELATED PARTY TRANSACTIONS

There were no significant related party transactions during the current financial quarter under review.

A16. DERIVATIVE FINANCIAL INSTRUMENTS

There were no outstanding derivative financial instruments as at the end of the current financial quarter under review.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2024**

A17. FAIR VALUE OF FINANCIAL LIABILITIES

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

Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

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.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the current market rate of loans and borrowings of the Group at the end of the reporting period.

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the unaudited condensed consolidated statement of financial position.

	<u>30 June 2024</u>		<u>31 December 2023</u>	
	<u>Fair value of financial instruments not carried at fair value</u>	<u>Carrying amount</u>	<u>Fair value of financial instruments not carried at fair value</u>	<u>Carrying amount</u>
	<u>Level 3</u>		<u>Level 3</u>	
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>	<u>Audited</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Term loans	4,354	4,065	5,001	4,966
Hire purchase liabilities	1,136	1,099	1,342	1,235
Lease liabilities	867	860	951	867
	<u>6,357</u>	<u>6,024</u>	<u>7,294</u>	<u>7,068</u>

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2024**
**B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING
REQUIREMENTS**
B1. REVIEW OF PERFORMANCE

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>30 June</u> <u>2024</u> <u>Unaudited</u> <u>RM'000</u>	<u>30 June</u> <u>2023</u> <u>Unaudited</u> <u>RM'000</u>	<u>30 June</u> <u>2024</u> <u>Unaudited</u> <u>RM'000</u>	<u>30 June</u> <u>2023</u> <u>Audited</u> <u>RM'000</u>
Revenue	19,294	18,732	39,030	32,175
Profit before tax	4,958	4,120	9,584	5,415

Individual Quarter Ended 30 June 2024 against 30 June 2023

The Group's revenue for the current financial quarter was RM19.29 million, up by 3.00% or RM0.56 million from RM18.73 million in the same financial quarter last year. This increase was mainly driven by the I&M segment, which saw an increase of RM1.25 million due to new work orders from PETRONAS Carigali Sdn Bhd ("**PETRONAS Carigali**") for installation and maintenance of pig trap system. However, the revenue growth was partly offset by a RM0.98 million decrease in the EPCC segment, caused by reduced work orders from PETRONAS Carigali for the onshore facilities maintenance, construction and modification services.

The Group's profit before tax for the current financial quarter was RM4.96 million, up 20.34% or RM0.84 million from RM4.12 million in the same financial quarter last year. This increase was primarily due to a decrease in the cost of sales to RM10.98 million, which is 18.06% or RM2.42 million lower than the same financial quarter last year. The reduction in costs was due to savings achieved through bulk purchases of raw materials used in the construction and assembly of 25 chemical injection skids.

Cumulative Quarter Ended 30 June 2024 against 30 June 2023

For the current cumulative quarter, the Group's revenue reached RM39.03 million, marking a 21.31% increase or RM6.86 million from RM32.18 million in the same cumulative quarter last year. This increase was mainly driven by higher work orders across all business segments. The I&M segment recorded the largest increase due to new work orders from PETRONAS Carigali for the replacement and maintenance of fire rated doors for modularised offshore buildings and pig trap barrels that are part of a pipeline inspection gauge trap system. The EPCC segment also contributed to the revenue growth through a contract with PETRONAS Carigali for the provision of engineering, procurement, fabrication, construction, and delivery of 25 chemical injection skids for all Dulang platforms.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2024**
B1. REVIEW OF PERFORMANCE (CONTINUED)
Cumulative Quarter Ended 30 June 2024 against 30 June 2023 (continued)

For the current cumulative quarter, the Group's profit before tax was RM9.58 million, up 76.99% or RM4.17 million from RM5.42 million in the same cumulative quarter last year. This increase was driven by higher revenue generated and lower cost of sales, achieved through bulk purchases of raw materials and cost savings from negotiating better rates with subcontractors for large-scale fabrication and painting work related to the chemical injection skids project. In addition, the Group has incurred a one-off expense of RM1.18 million related to the transfer of listing from the LEAP Market of Bursa Securities to the ACE Market of Bursa Securities, compared to RM0.14 million in the same cumulative quarter last year.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER

	Current Quarter	Immediate Preceding Quarter	
	30 June	31 March	
	2024	2024	Changes
	RM'000	RM'000	%
Revenue	19,294	19,736	-2.24
Profit before tax	4,958	4,626	7.18
Net profit and total comprehensive income	3,000	3,234	-7.24

For the current financial quarter, the Group reported revenue of RM19.29 million, a slight decrease of 2.24% or RM0.44 million from RM19.74 million in the immediate preceding quarter. This decline is primarily due to the rescheduling of preventive maintenance, periodic maintenance, turnarounds and shutdown maintenance for the Group's on-going call contract for the onshore facilities maintenance, construction and modification services to the second half of the year.

Despite the lower revenue, the Group achieved a profit before tax of RM4.96 million, representing a 7.18% increase or RM0.33 million from the immediate preceding quarter. This was attributable to lower proportion of cost of sales incurred against the revenue generated in the current financial quarter coupled with lower expenses incurred associated with the Company's transfer from the LEAP Market of Bursa Securities to the ACE Market of Bursa Securities as compared to the immediate preceding quarter.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024

B3. PROSPECTS OF THE GROUP

According to the Independent Market Research Report prepared by Protégé Associates Sdn Bhd as disclosed in the Prospectus, the outlook for the local oil and gas services and equipment ("OGSE") industry is dependent to a large extent on the annual domestic capital expenditure ("CAPEX") of PETRONAS. The domestic CAPEX of PETRONAS stood at RM18.60 billion in 2022, which is an increase from the RM15.00 billion recorded in the previous year, driven by the growth of the Malaysian oil and gas industry. In recent years, the crude oil prices have been volatile due to the impact of COVID-19 pandemic, disruption of the global oil supply chain arising from the Russia-Ukraine war, as well as concerns over potential recession in major economies and the economic slowdown in China. Despite these challenges, PETRONAS has continued to strengthen its business and pursue CAPEX on exploration, development and production activities to sustain and grow production in Malaysia.

Furthermore, the Independent Market Research Report stated that moving forward, growth is expected to be supported by PETRONAS's commitment to its long-term target to sustaining and growing Malaysia's oil and gas production, coupled with expected high average crude oil prices environment that will facilitate PETRONAS' spending endeavors. As such, the annual domestic CAPEX of PETRONAS increased by 40.86% to RM26.20 billion in 2024. The annual domestic CAPEX of PETRONAS is projected to grow from RM26.50 billion in 2024 to RM28.00 billion in 2028, registering a compounded annual growth rate of 1.34% during the forecast period. PETRONAS will continue to invest in core business activities and growth projects in continuing their effort to support and contribute towards the resiliency of the OGSE industry. Additionally, the recent discovery of potential hydrocarbon reserves in the Langkasuka Basin presents further opportunities for future exploration and development, potentially contributing to the long-term sustainability of the industry.

By leveraging on the Group's past history and competitive strengths, the Group will continue to explore new business opportunities through its current and potential customers. The Group is cautiously optimistic that the development of the downstream sector of the local oil and gas industry is expected to gain further traction with the continuing investments in the petroleum products (including petrochemicals) industry in Malaysia. Moving forward, the Group will continue to focus on growing its market share and working toward achieving its management agenda and financial targets.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2024**

B4. PROFIT FORECAST

The Group did not issue any profit estimate, forecast, projection or internal targets in any public document.

B5. TAXATION

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>30 June 2024</u>	<u>30 June 2023</u>	<u>30 June 2024</u>	<u>30 June 2023</u>
	<u>Unaudited RM'000</u>	<u>Unaudited RM'000</u>	<u>Unaudited RM'000</u>	<u>Audited RM'000</u>
Current taxation	1,958	1,271	3,358	1,394
Deferred taxation	-	(262)	(8)	-
Total	<u>1,958</u>	<u>1,009</u>	<u>3,350</u>	<u>1,394</u>
Effective tax rate (%)	<u>39.49%</u>	<u>24.49%</u>	<u>34.95%</u>	<u>25.74%</u>

The overall effective tax rate for the current individual and cumulative financial quarter ended 30 June 2024 was higher than the statutory tax rate of 24.00%, mainly due to non-deductible expenses pertaining to the transfer of listing of the Company from the LEAP Market of Bursa Securities to the ACE Market of Bursa Securities of RM1.18 million.

STEEL HAWK BERHAD

(Registration No. 202001043293 (1399614-A))

(Incorporated in Malaysia)



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024

B6. STATUS OF CORPORATE PROPOSALS

On 16 August 2024, the Company issued its Prospectus in relation to the IPO of 134,700,000 ordinary shares in Steel Hawk in conjunction with the transfer of listing of the Company from the LEAP Market of Bursa Securities to the ACE Market of Bursa Securities comprising the following:-

- i. Public issue of 90,000,000 new shares ("**Issue Shares**") in the following manner:
 - (A) 24,500,000 new Issue Shares available for application by the Malaysian public;
 - (B) 12,250,000 new Issue Shares available for the Company's eligible directors, eligible employees and persons who have contributed to the success of Steel Hawk and its subsidiaries; and
 - (C) 53,250,000 new Issue Shares by way of private placement to selected investors;
- ii. Offer for sale of 44,700,000 existing shares made available for private placement to selected investors.

The transfer of listing of the Company from the LEAP Market of Bursa Securities to the ACE Market of Bursa Securities comprises the following:-

- i. the admission to the Official List and the listing of and quotation for the Company's entire enlarged issued share capital of 490,000,000 Shares on the ACE Market of Bursa Securities pursuant to Rules 3A.02(1) and 3A.02(2) of the Listing Requirements ("**Listing**"); and
- ii. the voluntary withdrawal of listing of the Company from the LEAP Market of Bursa Securities pursuant to Rules 8.05 and 8.06 of the LEAP Market Listing Requirements of Bursa Securities ("**Withdrawal**").

(Collectively referred to as the "**Transfer**")

The Transfer is pending completion as the Company is expected to be transferred to the ACE Market of Bursa Securities on 5 September 2024.

Save as disclosed above, there were no other corporate proposals announced by the Company but not completed as at the date of this condensed consolidated interim financial report.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
 FOR THE SECOND QUARTER ENDED 30 JUNE 2024**

B7. UTILISATION OF PROCEEDS FROM THE IPO

The gross proceeds from the IPO amounting to RM13.50 million is expected to be utilised in the following manner:

	Proposed utilisation RM'000	Actual utilisation RM'000	Balance to be utilised RM'000	Estimated timeframe for utilisation upon listing
Construction of the Proposed Teluk Kalung Facility 2	7,000	-	7,000	Within 24 months
Working capital	2,000	-	2,000	Within 18 months
Repayment of bank borrowings	1,000	-	1,000	Within 6 months
Estimated expenses for the Transfer	3,500	-	3,500	Within 3 months
	<u>13,500</u>	<u>-</u>	<u>13,500</u>	

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company. As at the date of this condensed consolidated interim financial report, the IPO is pending completion, hence there are no utilisation of proceeds by the Group yet.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2024**

B8. GROUP BORROWINGS AND DEBT SECURITIES

The details of the Group's borrowings are as follows:

	30 June 2024	31 December 2023
	Unaudited RM'000	Audited RM'000
Non-current liabilities		
<u>Secured:</u>		
Term loans	2,783	3,437
Hire purchase liabilities	944	652
	<u>3,727</u>	<u>4,089</u>
Current liabilities		
<u>Secured:</u>		
Term loans	1,282	1,529
Hire purchase liabilities	155	215
Trade financing	13,867	5,666
Bank overdraft	9,910	6,222
	<u>25,214</u>	<u>13,632</u>
	<u><u>28,941</u></u>	<u><u>17,721</u></u>

All the Group's borrowings are secured and denominated in Ringgit Malaysia.

B9. MATERIAL LITIGATION

There is no litigation or arbitration which has a material effect on the financial position of the Group. The Board is not aware of any pending proceedings or of any fact likely to give rise to any proceedings as at the date of this condensed consolidated interim financial report.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
 FOR THE SECOND QUARTER ENDED 30 JUNE 2024**

B10. DIVIDEND

There was no dividend declared or recommended for payment by the Board during the current financial quarter under review.

B11. BASIC/DILUTED EARNINGS PER SHARE

The basic and diluted EPS for the current quarter are computed as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>30 June</u> <u>2024</u> <u>Unaudited</u> <u>RM'000</u>	<u>30 June</u> <u>2023</u> <u>Unaudited</u> <u>RM'000</u>	<u>30 June</u> <u>2024</u> <u>Unaudited</u> <u>RM'000</u>	<u>30 June</u> <u>2023</u> <u>Audited</u> <u>RM'000</u>
Profit attributable to owners of the Company	3,000	3,111	6,234	4,021
Number of ordinary shares ('000)	490,000	490,000	490,000	490,000
Basic/Diluted EPS (sen) ⁽¹⁾	0.61	0.63	1.27	0.82

Note:

- Basic and diluted EPS is calculated based on the Company's enlarged share capital of 490,000,000 shares after the IPO of the Company. Diluted EPS is equivalent to the basic EPS as there were no potential dilutive securities in issue during the financial quarter under review.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2024**

B12. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>30 June 2024</u>	<u>30 June 2023</u>	<u>30 June 2024</u>	<u>30 June 2023</u>
	<u>Unaudited RM'000</u>	<u>Unaudited RM'000</u>	<u>Unaudited RM'000</u>	<u>Audited RM'000</u>
Auditors' remuneration	-	63	63	63
Material expenses/(income)				
Depreciation of property, plant and equipment	209	181	411	318
Loss/(Gain) on disposal of property, plant and equipment	25	(1)	48	(34)
Depreciation of right-of-use assets	15	8	36	53
Finance income	(13)	(11)	(25)	(24)
Personnel expenses (including key management personnel):				
- Contributions to state plans	135	101	260	196
- Directors' fees	150	62	283	140
- Wages, salaries and others	1,427	1,654	2,691	2,871
Outsourced staffing expenses	973	1,030	2,781	3,065
Net foreign exchange (gain)/loss	(8)	(5)	107	11
Listing expenses	562	-	1,176	137
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other expenses arising from leases				
Expenses relating to short-term leases	218	290	496	410
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Save as disclosed above, the other disclosure items pursuant to Note 16 of Appendix 9B of the Listing Requirements are not applicable.

BY ORDER OF THE BOARD
29 August 2024