

**HANDAL RESOURCES BERHAD (816839-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31
DECEMBER 2014**

**NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FOURTH
QUARTER ENDED 31 DECEMBER 2014**

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 31 December 2014, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2013, the Group prepared its financial statements in accordance with Malaysia Financial Reporting Standards (“MFRS”).

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2013.

A2. Significant Accounting Policies

MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and Issues Committee (IC) Interpretation were issued but not yet effective and have not been applied by the Group:

Effective for annual financial periods beginning on or after 1 July 2014:

- *Defined Benefit Plan : Employee Contributions* (Amendments to MFRS 119)
- Amendments to MFRSs contained in the document entitled “*Annual Improvements to MFRSs 2010-2012 cycle*”
- Amendments to MFRSs contained in the document entitled “*Annual Improvements to MFRSs 2011-2013 cycle*”

Effective for annual financial periods beginning on or after 1 January 2015:

- MFRS 9 *Financial Instruments*
- Amendments to MFRS 9 *Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and the Company upon their initial application, except as described below:

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MFRS 9 *Financial Instruments*

MFRS 9, as issued, reflects the first phase of the International Accounting Standards Board's ["IASB's"] work on the replacement of MFRS 139 *Financial Instruments: Recognition and Measurement* and applies to classification and measurement of financial instruments as defined in MFRS 139 *Financial Instruments: Recognition and Measurement* ["MFRS 139"] and replaces the guidance in MFRS 139.

Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

A3. 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 2013 were not subject to any qualification.

A4. 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.

A5. 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.

A6. 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.

A7. Dividend Paid and Distributed

There were no dividends paid in the current period.

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A8. 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) Supply, fabrication & servicing industrial equipments & tank systems
- e) Supply of telecommunication & broadcasting system.
- f) Consultants in engineering project support services.

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Segmental Reporting

	Integrated crane services	Fabrication of cranes	Workover projects lifting solutions	Supply, fabrication & servicing industrial equipments & tank systems	Supply of telecommunication & broadcasting system	Consultants in Engineering project support services	Eliminations	Consolidated
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Period ended 31 December 2014								
Revenue from external customers	73,084	16,932	7,185	21,663	809	-	-	119,673
Inter-segment revenue						68	(68)	-
Total revenue	73,084	16,932	7,185	21,663	809	68	(68)	119,673
Results								
Profit/(loss) from operations	35,324	5,347	5,224	2,654	274	-		48,824
Other operating income								1,513
GP MARGIN	48%	32%	73%	12%	34%	0%		
Administration and Other operation expenses								(32,467)
Depreciation & amortization								(3,579)
Finance cost								(2,504)
Profit/(loss) before tax								11,787
Taxation								(5,467)
Profit/(loss) after tax								6,320

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A9. Valuation of property, plant and equipment

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

A10. Capital Commitments

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

A11. Material events subsequent to the end of period reported

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

A12. Changes in composition of the group

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

A13. Contingent liabilities or contingent assets

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

A14. Significant Related Party Transactions

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

Name of Related Parties	Nature of Transaction	Amount of Transaction (RM'000)
Excell Crane & Hydraulics Inc	Material and spare parts supply	3,934

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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

Review of Performance – Period ended 31 December 2014

	Individual Quarter		Cumulative Period	
	Current Quarter 31 December 2014 RM' 000	Preceding Year Corresponding Quarter 31 December 2013 RM' 000	Cumulative Year to Date 31 December 2014 RM' 000	Preceding Year Corresponding Period ended 31 December 2013 RM' 000
Revenue	45,725	39,537	119,673	100,747
Gross profits	19,739	16,016	48,824	35,901
Profit before tax	5,114	6,367	11,787	6,599
Profit after tax	2,717	2,467	6,320	1,940
Gross profit margin (%)	43%	41%	41%	36%
Profit before tax margin (%)	11%	16%	10%	7%
Profit after tax margin (%)	6%	6%	5%	2%

(a) Current Quarter (Q4 2014) vs Preceding Year Corresponding Quarter (Q4 2013)

For the current quarter, the Group registered a lower profit before tax of RM5.11 million as compared to a profit before tax of RM6.37 million in the preceding year corresponding quarter. This is mainly due to impairment of the carrying value of plant & equipment of a subsidiary company.

Performance of the respective operating business segments for the 4th quarter 2014 as compared to the previous year corresponding quarter is analysed as follows:-

1) Integrated crane business

*The revenue of this business segment has reduced from RM27.67 million to RM24.58 million.

*The gross profit margin (4Q14:47% vs. 4Q13:55%) has reduced due to higher material cost.

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2) Fabrication of cranes business

*The revenue of this business segment is based on the percentage (%) completion method. As per current quarter, there was RM13.36 million sales generated compared to RM2.13 million in the preceding year corresponding quarter.

*This business segment generated an improved gross profit margin (4Q14:34% vs 4Q13:-41%) during this quarter.

3) Workover Project business.

*The revenue of this business segment increased from RM0.06 million to RM2.97 million due to increase in our market share.

*The gross profit margin (4Q14:78% vs 4Q13:75%) has improved due to increase in operational efficiency.

4) Supply, fabrication & servicing industrial equipments & tank

*The revenue of this business segment decreased from RM9.48 million to RM4.39 million due to lower business activities.

*The Gross profit margin (4Q14:23% vs 4Q13:15%) has improved due to higher operational efficiency.

5)Supply of telecommunication & broadcasting system business

*The revenue of this business segment increased from RM107,000 to RM437,000 due to increased work scope & activities.

*The Gross profit margin (4Q14:61% vs. 4Q13:71%) has reduced.

(b) Current Year to Date vs. Preceding Year Corresponding Period

The Group registered a higher profit before tax of RM11.79 million for the 12 months period ended December 2014 as compared to a profit before tax of RM6.60 million in the preceding year corresponding period. This is mainly attributable to higher revenue resulting from improvement in core business.

Performance of the respective operating business segments for financial year ended 31 December 2014 as compared to the preceding corresponding year is analysed as follows:-

1)Integrated crane business

*The revenue of this business segment increased from RM70.28 million to RM73.08 million due to more activities in crane maintenance following the award of contracts by the oil and gas customers.

*The Gross profit margin (YE2014:48% vs. YE2013:39%) has improved due to operational efficiency.

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2) Fabrication of cranes business

*The revenue of this business segment have increased from RM7.24 million to RM16.93 million due to additional projects under this segment.

*The Gross profit margin (YE2014: 32% vs. YE2013: -4%) has improved due to better cost management on the project.

3) Workover Project business

*The revenue of this business segment have decreased from RM8.12 million to RM7.19 million due to late commencement of new contract.

*The Gross profit margin (YE2014:73% vs. YE2013:76%) has reduced during the period.

4) Supply, fabrication & servicing industrial equipments & tank

*The revenue of this business segment have increased from RM14.93 million to RM21.66 million due to increase in the work scope & activities during the period.

*The Gross profit margin (YE2014:12% vs. YE2013:18%) has decreased resulting from lower profit margin jobs in the current period.

5) Supply of telecommunication & broadcasting system business

*The revenue of this business segment increased from RM188,000 to RM809,000 due to increase in the work scope & activities.

*The Gross margin (YE14:34% vs YE13:81%) has dropped due to higher operation cost.

B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter

For the current quarter, the Group registered a higher profit before tax of RM5.11 million as compared to a profit before tax of RM3.83 million in the preceding quarter. This is mainly due to improved revenue of the core business.

B3. Prospects

The market condition is expected to be challenging for the current financial year.

Despite the current depressed oil price, the Group is expected to sustain its performance in view of the nature of the business activities in our niche market.

B4. Profit Forecast

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

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B5. Taxation

	Current quarter ended 31 December 2014 RM' 000	For the period ended 31 December 2014 RM' 000
Current tax	2,517	5,024
Deferred tax	(120)	443
	<u>2,397</u>	<u>5,467</u>

*The Group effective tax rate for current quarter and financial year respectively are higher than the statutory tax rate principally due to losses of certain subsidiaries which cannot be offset against taxable profit made by Handal Offshore Services Sdn Bhd.

B6. Status of Corporate Proposals and utilization of proceeds.

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

B7. Group Borrowing and Debts Securities

The Group's borrowing and debts securities as at 31 December 2014 are as follows:

	Current RM'000	Non-Current RM'000	Total RM'000
Secured	15,355	17,416	32,771

B8. Material Litigation

There were no material litigation as at the date of issuance of this quarterly report.

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B9. Earnings Per Share

	Individual Period		Cumulative Quarter	
	Current Quarter Ended 31-December-14	Corresponding Quarter Ended 31-December-13	Cumulative Year To Date 31-December-14	Corresponding Year To Date 31-December-13
	RM'000	RM'000	RM'000	RM'000
BASIC EARNINGS PER SHARE				
Profit for the period attributable to ordinary equity holders of the company	2,750	2,429	6,388	1,974
Weighted average number of ordinary shares in issue ('000)	160,000	160,000	160,000	160,000
Basic earning per share (sen)	1.72	1.52	3.99	1.23

B10. Profit before Taxation

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

	Current Quarter 31 December 2014 RM'000	Cumulative Quarter 31 December 2014 RM'000
- Interest Income	88	336
- Foreign exchange gain/(loss)	150	204
- Short Term Investment Income	(2)	29
- Depreciation and amortization	(913)	(3,579)

Save as disclosed above and in the Condensed Consolidated Statement of Comprehensive Income, the other items required by Bursa Malaysia Securities Berhad Main Market Listing Requirements, Chapter 9, Appendix 9B are not applicable to the Group.

B11. Dividends

The Directors have not recommended any dividend for the current quarter ended 31st December 2014.

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B12. Realised and unrealized profits/losses disclosure.

The retained profits as at 31 December 2014 analysed as follows:-

	As At End of Current Quarter
	31/12/2014 RM'000
Total retained profits of the Company and the subsidiaries:-	
- Realised	59,233
- Unrealised	<u>(3,370)</u>
	55,863
Less: Consolidation adjustment	<u>(31,473)</u>
Total group retained profits as per consolidated income statements	<u>24,390</u>