

HANDAL RESOURCES BERHAD (816839-X)
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

	Note	Individual Quarter		Cumulative Period	
		Current Quarter ended	Preceding Year Corresponding Quarter	Cumulative Year To Date	Preceding Year Corresponding Period
		31 March 2016	31 March 2015	31 March 2016	31 March 2015
		RM'000	RM'000	RM'000	RM'000
Revenue		22,389	20,277	22,389	20,277
Cost of sales		(13,870)	(11,219)	(13,870)	(11,219)
Gross profit		8,519	9,058	8,519	9,058
Other operating income		146	178	146	178
Administration and other operating expenses	(i)	(6,839)	(6,981)	(6,839)	(6,981)
Depreciation and amortisation cost		(787)	(776)	(787)	(776)
Finance costs		(489)	(445)	(489)	(445)
Loss on disposal of a subsidiary		0	0	0	-
Profit before taxation		550	1,034	550	1,034
Income tax expense		(339)	(505)	(339)	(505)
Profit after tax for the period		211	529	211	529
Other comprehensive income		0	0	-	-
Total other comprehensive income		-	-	-	-
Total comprehensive income for the period		211	529	211	529
Profit/(loss) attributable to:					
Equity holders of the parent		212	532	212	532
Non-controlling Interest		(1)	(3)	(1)	(3)
Total comprehensive income for the period		211	529	211	529
Weighted average no. of ordinary shares in issue ('000)		160,000	160,000	160,000	160,000
Earnings per share - Basic (sen)		0.13	0.33	0.13	0.33

Notes:

(i) Basic earnings per share for the quarter and financial period is calculated based on the net 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 2015 and the accompanying notes attached to this interim financial report.

HANDAL RESOURCES BERHAD (816839-X)**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	UNAUDITED	AUDITED
	As at	As at
	31 March 2016	31 December 2015
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	58,795	59,461
Intangible asset	11,959	11,959
Goodwill arising on consolidation	75	75
	70,828	71,495
Current Assets		
Inventories	12,213	12,149
Work-in-progress	8,828	5,265
Trade receivables (Note II)	41,529	52,075
Amount due by customers for contract works	7,536	10,740
Other receivables, deposits & prepayment	1,068	538
Financial assets held for trading	3,041	2,977
Short term investment	32	65
Fixed deposits with licensed banks	12,242	12,148
Cash on hand and at bank	9,830	8,612
Tax recoverable	246	224
	96,565	104,792
Total Assets	167,393	176,287
EQUITY AND LIABILITIES		
Equity		
Share capital	80,000	80,000
Share Premium	29	29
Reserves	32,572	32,361
Shareholders' Fund	112,601	112,390
Minority Interests	3	2
Total equity	112,604	112,393
Non-current liabilities		
Long term borrowings	8,269	5,701
Deferred taxation	4,178	4,177
	12,447	9,878
Current Liabilities		
Trade payables	7,080	13,909
Other payables and accruals	5,247	4,589
Hire purchase creditors	376	91
Amount due to customers for contract works	440	327
Short term borrowings	25,074	30,690
Tax payables	4,124	4,411
	42,342	54,016
Total liabilities	54,789	63,894
Total equity and liabilities	167,393	176,287
Net Assets Per Share Attributable to ordinary equity holders of the Company (RM)	0.70	0.70

(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 2015 and the accompanying notes attached to this interim financial report.

(ii) Trade Receivable consist of Trade Debtors RM24.57million (FYE15: RM23.61 million) and Accrued Revenue RM16.96 million (FYE15: RM28.47 million); Accrued Revenue consist of contract jobs which have been completed and pending the issuance of documentation for invoicing.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2016								
Attributable to equity holders of the Company								
	Share Capital	Treasury Shares	Share Premium	Warrant Reserve	Retained Profits	Shareholders' Fund	Non- controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 Jan 2016	80,000	-	29	2,660	29,700	112,389	2	112,391
Sales of Treasury Shares	-	-	-	-	-	-	-	-
Share Premium	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	212	212	1	213
Balance as at 31 March 2016	80,000	-	29	2,660	29,912	112,601	3	112,604
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 2015 and the accompanying notes attached to this interim financial report.								

Part A3 : ADDITIONAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER*	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE*	PRECEDING YEAR CORRESPONDING PERIOD
	1Q 2016	1Q 2015	YTD 2016	YTD 2015
	[dd/mm/yyyy]	[dd/mm/yyyy]	[dd/mm/yyyy]	[dd/mm/yyyy]
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Gross interest income	125	99	125	99
2 Gross interest expense	489	445	489	445
Remarks :				

Note: The above information is for the Exchange internal use only

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

	Period Ended 31 March 2016	Preceding year Corresponding Period 31 March 2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	550	1,034
Adjustments for Non Cash items	<u>1,150</u>	<u>1,086</u>
Operating profit before working capital changes	1,700	2,120
Decrease/(Increase) in Inventories	(64)	(496)
Decrease/(Increase) in work-in-progress	(3,468)	(2,171)
Decrease/(Increase) in trade receivables	10,016	10,318
Decrease/(Increase) in amount due from customers for contract works	3,203	1,297
(Decrease)/Increase in trade payables	(6,170)	(3,159)
(Decrease)/Increase in amount due to customers for contract works	<u>114</u>	<u>(1,329)</u>
Cash generated from operations	5,331	6,581
Interest paid	(217)	(115)
Tax paid	(687)	(412)
Tax refunded	40	-
Net cash from operating activities	<u>4,467</u>	<u>6,054</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Liquidate/(Placement) of fixed deposits	(94)	(92)
Purchase of property, plant and equipment	(184)	(1,092)
Interest received	94	-
Net cash (used in)/ from investing activities	<u>(184)</u>	<u>(1,184)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(272)	-
Repayment/Drawdown of term loan Interest	163	(185)
Repayment of hire purchase creditors	(53)	(63)
Net decrease in bills payable	(1,374)	(1,534)
Net cash used in financing activities	<u>(1,535)</u>	<u>(1,782)</u>
Net decrease in cash and cash equivalents	2,748	3,088
Currency translation difference	-	-
Cash and cash equivalents at beginning of the period	<u>(5,440)</u>	<u>3,071</u>
Cash and cash equivalents at end of the period	<u>(2,692)</u>	<u>6,159</u>
Cash and cash equivalents comprises :-		
Short term investment and fixed deposits with licensed banks	12,308	17,332
Cash and bank balances	9,830	10,903
Bank overdraft	<u>(12,588)</u>	<u>(10,230)</u>
	9,550	18,005
FD pledged with licenced banks	<u>(12,242)</u>	<u>(11,846)</u>
	<u>(2,692)</u>	<u>6,159</u>

The Condensed Consolidated Statement of Cashflow should be read in conjunction with the audited financial statements for the financial period ended 31 December 2015 and the accompanying notes attached to this interim financial report.

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NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FIRST
QUARTER ENDED 31 MARCH 2016

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 31 March 2016, 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 2015, 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 2015.

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 and have been applied by the Group:

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

Amendments to MFRS 2	<i>Share-based Payment</i>
Amendments to MFRS 3	<i>Business Combinations</i>
Amendments to MFRS 8	<i>Operating Segments</i>
Amendments to MFRS 13	<i>Fair Value Measurement</i>
Amendments to MFRS 116	<i>Property, Plant and Equipment</i>
Amendments to MFRS 119	<i>Defined Benefit Plans: Employee Contributions</i>
Amendments to MFRS 124	<i>Related Party Disclosures</i>
Amendments to MFRS 138	<i>Intangible Assets</i>
Amendments to MFRS 140	<i>Investment Property</i>
Annual improvements to MFRSs	<i>2010 – 2012 cycle</i>
Annual improvements to MFRSs	<i>2011 – 2013 cycle</i>

Effective for annual financial periods beginning on or after 1 January 2016:

MFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to MFRS 5	<i>Non-current Assets Held for Sales and Discontinued Operations</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures</i>

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Amendments to MFRS 10	<i>Sales or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to MFRS 10	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to MFRS 11	<i>Accounting for Acquisitions of Interest in Joint Operations</i>
Amendments to MFRS 12	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to MFRS 101	<i>Disclosure Initiative</i>
Amendments to MFRS 116	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to MFRS 116	<i>Agriculture: Bearer Plants</i>
Amendments to MFRS 119	<i>Employee Benefits</i>
Amendments to MFRS 127	<i>Equity Method in Separate Financial Statements</i>
Amendments to MFRS 128	<i>Sales or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to MFRS 128	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to MFRS 134	<i>Interim Financial Reporting</i>
Amendments to MFRS 138	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to MFRS 141	<i>Agriculture: Bearer Plants</i>
Annual improvements to MFRSs	<i>2012 – 2014 cycle</i>

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:

Effective for annual financial periods beginning on or after 1 January 2017:

MFRS 15	<i>Revenue from Contract with Customers</i>
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MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including MFRS 118 *Revenue*, MFRS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

Effective for annual financial periods beginning on or after 1 January 2018:

MFRS 9	<i>Financial Instruments (2014)</i>
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MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement*. MFRS 9 includes revised guidance on the reclassification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from MFRS 139.

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MFRS 14, Amendments to MFRS 140 and 141 will not have any financial impact to the Group and to the Company as it is not relevant to the Group's and the Company's operations.

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 2015 did not contain 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.

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) 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		Consultants in Engineering project support services		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	RM' 000	RM' 000
Period ended 31 March 2016														
Revenue from external customers	15,976	5,854	378	181	-	-	-	-	-	22,389				
Inter-segment revenue									17	(17)				-
Total revenue	15,976	5,854	378	181	17	(17)								22,389
Results														
Profit from operations	8,233	165	49	72	-	-								8,519
Other operating income														146
GP MARGIN	52%	3%	13%	40%										
Administration and Other operation expenses														(6,839)
Depreciation & amortization														(787)
Finance cost														(489)
Profit before tax														550
Taxation														(339)
Profit after tax														211

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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	2,154

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NOTES TO THE QUARTER REPORT ON THE CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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 March 2016

	Individual Quarter		Cumulative Period	
	Current Quarter ended 31 March 2016 RM' 000	Preceding Year Corresponding Quarter ended 31 March 2015 RM' 000	Cumulative Year to Date 31 March 2016 RM' 000	Preceding Year Corresponding Period ended 31 March 2015 RM' 000
Revenue	22,389	20,277	22,389	20,277
Gross profits	8,519	9,058	8,519	9,058
Profit before tax	550	1,034	550	1,034
Profit after tax	211	529	211	529
Gross profit margin (%)	38%	45%	38%	45%
Profit before tax margin (%)	2%	5%	2%	5%
Profit after tax margin (%)	1%	3%	1%	3%

(a) Current Quarter (Q1 2016) vs Preceding Year Corresponding Quarter (Q1 2015)

Despite higher revenue generated in the current quarter, the Group registered a lower profit before tax of RM549,000 as compared to RM1.03 million in the preceding year corresponding quarter. This is mainly due to lower Gross profit margin contributed by Crane Fabrication Division and Workover Division.

Performance of the respective operating business segments for the 1st quarter 2016 as compared to the previous year corresponding quarter is analysed as follows:-

1) Integrated crane business

The revenue of this business segment has increased from RM13.31 million to RM15.98 million.

The gross profit margin (1Q16:52% vs. 1Q15:48%) has improved due to increase in operational efficiency.

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2) Fabrication of crane business

The revenue of this business segment is recognized based on the percentage (%) completion method. As per current quarter, there was RM5.85 million sales generated compared to RM4.29 million in the preceding year corresponding quarter. Gross profit margin of this business segment has decreased (1Q16:3% vs 1Q15:31%).

This is mainly due to the competitive market condition in the current oil and gas industry.

3) Workover Project business

The revenue of this business segment reduced from RM1.84 million to RM378,000 due to decrease in business activities.

The gross profit margin (1Q16:13% vs 1Q15:70%) has decreased due to completion of the work involved in the current contract term.

4) Supply, fabrication & servicing industrial equipments & tank

The revenue of this business segment decreased from RM835,000 to RM181,000 due to lower business activities. The Gross profit margin of this business segment has improved (1Q16:40% vs 1Q15:9%).

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

For the current quarter, the Group registered a lower profit before tax of RM549,000 as compared to a profit before tax of RM5.41 million in the preceding quarter.

This is mainly due to lower revenue achieved in the current quarter as the result of competitive market condition in the oil and gas industry.

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 as well as servicing existing long term contracts.

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 March 2016 RM' 000	For the period ended 31 March 2016 RM' 000
Current tax	339	339
Deferred tax	-	-
	339	339

The Group's effective tax rates for the current quarter and cumulative financial period respectively are higher than the statutory tax rate of 25% 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 March 2016 are as follows:

	Current RM'000	Non- Current RM'000	Total RM'000
Secured	25,450	8,269	33,719

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-March-16	Corresponding Quarter Ended 31-March-15	Cumulative Year To Date 31-March-16	Corresponding Year To Date 31-March-15
	RM'000	RM'000	RM'000	RM'000
BASIC EARNINGS PER SHARE				
Profit for the period attributable to ordinary equity holders of the company	212	532	212	532
Weighted average number of ordinary shares in issue ('000)	160,000	160,000	160,000	160,000
Basic earning per share (sen)	0.13	0.33	0.13	0.33

B10. Profit before Taxation

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

	Current Quarter ended 31 March 2016 RM'000	Cumulative Quarter ended 31 March 2016 RM'000
- Interest Income	94	94
- Foreign exchange gain/(loss)	14	14
- Short Term Investment Income	30	30
- Depreciation and amortization	(787)	(787)

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.

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B11. Dividends

The Directors have not recommended any dividend for the current quarter ended 31 March 2016.

B12. Realised and unrealized profits/losses disclosure.

The retained profits as at 31 March 2016 analysed as follows:-

	As At End of Current Quarter
	31/3/2016 RM'000
Total retained profits of the Company and the subsidiaries:-	
- Realised	58,453
- Unrealised	<u>(4,176)</u>
	54,277
Less: Consolidation adjustment	<u>(24,365)</u>
Total group retained profits as per consolidated income statements	<u>29,912</u>