

**HANDAL RESOURCES BERHAD (816839-X)****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

	Individual Quarter		Cumulative Period	
	Current Quarter ended	Preceding Year Corresponding Quarter	Cumulative Year To Date	Preceding Year Corresponding Period
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Revenue	11,912	22,997	26,238	45,386
Cost of sales	(6,422)	(12,805)	(13,632)	(26,675)
<b>Gross profit</b>	<b>5,490</b>	<b>10,192</b>	<b>12,606</b>	<b>18,711</b>
Other operating income	260	186	622	332
Administration and other operating expenses	(6,084)	(6,337)	(11,492)	(13,176)
Depreciation and amortisation cost	(684)	(814)	(1,367)	(1,601)
Finance costs	(376)	(529)	(792)	(1,018)
<b>Profit/ (Loss) before taxation</b>	<b>(1,394)</b>	<b>2,698</b>	<b>(423)</b>	<b>3,248</b>
Income tax expense	98	(1,040)	(214)	(1,379)
<b>Profit/ (Loss) after tax for the period</b>	<b>(1,296)</b>	<b>1,658</b>	<b>(637)</b>	<b>1,869</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income/ (loss) for the period</b>	<b>(1,296)</b>	<b>1,658</b>	<b>(637)</b>	<b>1,869</b>
<b>Profit attributable to:</b>				
Equity holders of the parent	(1,295)	1,658	(636)	1,870
Non-controlling Interest	(1)	-	(1)	(1)
<b>Total comprehensive income/ (loss) for the period</b>	<b>(1,296)</b>	<b>1,658</b>	<b>(637)</b>	<b>1,869</b>
Weighted average no. of ordinary shares in issue ('000)	159,690	160,000	159,690	160,000
Earnings/(Loss) per share - Basic (sen)	(0.81)	1.04	(0.40)	1.17

**Notes:**

- (i) Basic earnings/ (loss) per share for the quarter and financial period is calculated based on the net profit/ (loss) divided by the weighted average number of 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 2016 and the accompanying notes attached to this interim financial report.

# HANDAL RESOURCES BERHAD (816839-X)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	UNAUDITED As at 30 June 2017 RM'000	AUDITED As at 31 December 2016 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	30,242	31,471
Intangible asset	11,305	11,305
	<u>41,547</u>	<u>42,776</u>
<b>Current Assets</b>		
Inventories	12,243	11,938
Work-in-progress	6,617	4,620
Trade receivables (Note II)	25,773	28,910
Amount due by customers for contract works	3,823	4,975
Other receivables, deposits & prepayment	1,648	605
Financial assets held for trading	8,557	8,687
Short term investment	79	78
Fixed deposits with licensed banks	12,730	12,552
Cash on hand and at bank	3,694	9,433
Tax recoverable	112	261
Asset held for sale	13,047	12,306
	<u>88,323</u>	<u>94,365</u>
<b>Total Assets</b>	<u><b>129,870</b></u>	<u><b>137,141</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	80,000	80,000
Treasury shares	(72)	(47)
Share Premium	29	29
Reserves	18,182	18,818
Shareholders' Fund	98,139	98,800
Minority Interests	(21)	(22)
Total equity	<u>98,118</u>	<u>98,778</u>
<b>Non-current liabilities</b>		
Long term borrowings	578	1,851
Deferred taxation	3,997	3,997
	<u>4,575</u>	<u>5,848</u>
<b>Current Liabilities</b>		
Trade payables	2,367	2,260
Other payables and accruals	1,710	2,378
Hire purchase creditors	113	176
Short term borrowings	21,924	25,566
Tax payables	1,063	2,134
	<u>27,177</u>	<u>32,515</u>
<b>Total liabilities</b>	<u>31,752</u>	<u>38,363</u>
<b>Total equity and liabilities</b>	<u><b>129,870</b></u>	<u><b>137,141</b></u>
Net Assets Per Share Attributable to ordinary equity holders of the Company (RM)	0.61	0.62

(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 2016 and the accompanying notes attached to this interim financial report.

(ii) Trade Receivable consist of Trade Debtors RM8.23million (FYE16: RM10.89 million) and Accrued Revenue RM17.54 million (FYE16: RM18.02 million); Accrued Revenue consist of contract jobs which have been completed and pending the issuance of documentation for invoicing.

**HANDAL RESOURCES BERHAD (816839-X)****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

	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
<b>Balance as at 1 Jan 2017</b>	<b>80,000</b>	<b>(47)</b>	<b>29</b>	-	<b>18,818</b>	<b>98,800</b>	<b>(22)</b>	<b>98,778</b>
Repurchase of Treasury Shares	-	(25)	-	-	-	(25)	-	(25)
Total comprehensive income/ (loss) for the year	-	-	-	-	(636)	(636)	1	(635)
<b>Balance as at 30 June 2017</b>	<b>80,000</b>	<b>(72)</b>	<b>29</b>	-	<b>18,182</b>	<b>98,139</b>	<b>(21)</b>	<b>98,118</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying notes attached to this interim financial report.

**HANDAL RESOURCES BERHAD (816839-X)****UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

	Period Ended 30 June 2017	Preceding year Corresponding Period 30 June 2016
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/ (Loss) before taxation	(423)	3,248
<b>Adjustments for Non Cash items</b>	<u>1,796</u>	<u>2,365</u>
<b>Operating profit before working capital changes</b>	<b>1,373</b>	<b>5,613</b>
Decrease/(Increase) in Inventories	(306)	(221)
Decrease/(Increase) in work-in-progress	(1,949)	(6,059)
Decrease/(Increase) in trade receivables	2,095	13,689
Decrease/(Increase) in amount due from customers for contract works	1,152	6,116
(Decrease)/Increase in payables	(968)	(10,023)
(Decrease)/Increase in amount due to customers for contract works	<u>-</u>	<u>107</u>
<b>Cash generated from operations</b>	<b>1,397</b>	<b>9,222</b>
Interest paid	(510)	(426)
Tax paid	(878)	(1,798)
Tax refunded	150	40
<b>Net cash from operating activities</b>	<u><b>159</b></u>	<u><b>7,038</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Placement of fixed deposits	(178)	(190)
Purchase of property, plant and equipment	(828)	(1,063)
Interest received	178	190
Net proceeds from disposal of quoted non-equity investment	310	-
<b>Net cash used in investing activities</b>	<u><b>(518)</b></u>	<u><b>(1,063)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(258)	(584)
Repayment of term loan	(1,600)	(655)
Increase/(Repayment) of hire purchase creditors	(210)	394
Net increase/(decrease) in bills payable	(2,135)	(2,491)
Purchase of Treasury Shares	(25)	-
<b>Net cash used in financing activities</b>	<u><b>(4,228)</b></u>	<u><b>(3,336)</b></u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(4,587)	2,639
<b>Cash and cash equivalents at beginning of the period</b>	<u><b>(6,757)</b></u>	<u><b>(5,440)</b></u>
<b>Cash and cash equivalents at end of the period</b>	<u><b>(11,344)</b></u>	<u><b>(2,801)</b></u>
<b>Cash and cash equivalents comprises :-</b>		
Short term investment and fixed deposits with licensed banks	12,809	12,404
Cash and bank balances	3,694	8,717
Bank overdraft	<u>(15,117)</u>	<u>(11,585)</u>
	1,386	9,536
FD pledged with licenced banks	<u>(12,730)</u>	<u>(12,337)</u>
	<u><b>(11,344)</b></u>	<u><b>(2,801)</b></u>

**Notes:**

The Condensed Consolidated Statement of Cashflow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying notes attached to this interim financial report.

**HANDAL RESOURCES BERHAD (816839-X)  
UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30  
JUNE 2017**

**NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE SECOND  
QUARTER ENDED 30 JUNE 2017**

**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A1. Basis of Preparation**

These condensed consolidated interim financial statements, for the period ended 30 June 2017, 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 2016, 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 2016.

**A2. Significant Accounting Policies**

**New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue 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 periods beginning on or after 1 January 2017***

Amendments to MFRS 107 *Disclosure Initiative*  
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*  
Amendments to MFRSs Classified as “Annual Improvements to MFRSs 2012 - 2014 Cycle”  
Amendments to MFRS 12 *Disclosure of Interests in Other Entities*

***Effective for annual periods beginning on or after 1 January 2018***

MFRS 9 *Financial Instruments (IFRS 9 issued in July 2014)*  
MFRS 15 *Revenue from Contracts with Customers*  
Clarifications to MFRS 15 *Revenue from Contracts with Customers*  
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*  
Amendments to MFRS 4 *Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts*  
Amendments to MFRS 140 *Transfers of Investment Property*

**HANDAL RESOURCES BERHAD (816839-X)  
UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30  
JUNE 2017**

*Amendments to MFRSs Classified as “Annual Improvements to MFRS Standards  
2014 - 2016 Cycle”*

Amendments to MFRS 1	<i>First-time Adoption of Malaysian Reporting Standards</i>
Amendments to MFRS 128	<i>Investments in Associates and Joint Ventures</i>
IC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>

***Effective for annual periods beginning on or after 1 January 2019***

MFRS 16	<i>Leases</i>
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***Effective for annual periods beginning on or after a date to be determined by MASB***

Amendments to MFRS 10 and MFRS 128	<i>Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures</i>
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The Group and the Company will apply the above new MFRSs, IC Interpretation and amendments to MFRSs that are applicable once they become effective.

**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 2016 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 except for the following:-

During the 8<sup>th</sup> Annual General Meeting held on 25<sup>th</sup> May 2016, the shareholders of the Company have approved the Company to purchase its own shares, where the maximum number of shares purchased shall not exceed 10 percent (10%) of the issued and paid up share capital of the company at any point in time.

Up to 31<sup>st</sup> March 2017, the Company bought back 100,000 ordinary shares of RM0.50 each at an average of RM0.2544 per share from the open market. The total consideration including transaction cost for the said shares bought back was RM25,440 and was

**HANDAL RESOURCES BERHAD (816839-X)  
UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30  
JUNE 2017**

financed by internally generated fund. The shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A) (b) of the Companies Act, 1965.

**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.

**HANDAL RESOURCES BERHAD (816839-X)**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

Segmental Reporting

Period ended 30 June 2017	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
Revenue from external customers	22,902	1,560	-	1,776	-	-	<b>26,238</b>
Inter-segment revenue					34	(34)	-
<b>Total revenue</b>	22,902	1,560	-	1,776	34	(34)	26,238
<b>Results</b>							
Profit from operations	12,106	105	-	395	-	-	<b>12,606</b>
Other operating income							622
GP MARGIN	53%	7%	-	22%	-		
Administration and Other operation expenses							(11,492)
Depreciation & amortization							(1,367)
Finance cost							(792)
<b>Loss before tax</b>							<b>(423)</b>
Taxation							(214)
<b>Loss after tax</b>							<b>(637)</b>



**HANDAL RESOURCES BERHAD (816839-X)  
UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED  
30 JUNE 2017**

**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 a related party in which a director of the Company have substantial financial interest :-

<b>Name of Related Parties</b>	<b>Nature of Transaction</b>	<b>Amount of Transaction (RM'000)</b>
Excell Crane & Hydraulics Inc	Material and spare parts supply	818

**HANDAL RESOURCES BERHAD (816839-X)**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED**  
**30 JUNE 2017**

**NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE**  
**SECOND QUARTER ENDED 30 JUNE 2017**

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

**B1. Review Of Performance Of The Group - Period ended 30 June 2017**

	Individual Quarter		Cumulative Period	
	Current Quarter 30 June 2017 RM' 000	Preceding Year Corresponding Quarter 30 June 2016 RM' 000	Cumulative Year to Date 30 June 2017 RM' 000	Preceding Year Corresponding Period ended 30 June 2016 RM' 000
Revenue	11,912	22,997	26,238	45,386
Gross profits	5,490	10,192	12,606	18,711
Profit/ (Loss) before tax	(1,394)	2,698	(423)	3,248
Profit/ (Loss) after tax	(1,296)	1,658	(637)	1,869
Gross profit margin (%)	46%	44%	48%	41%
Profit/ (Loss) before tax margin (%)	-12%	12%	-2%	7%
Profit/ (Loss) after tax margin (%)	-11%	7%	-2%	4%

**(a) Current Quarter (Q2 2017) vs Preceding Year Corresponding Quarter (Q2 2016)**

For the current quarter, the Group posted a loss before tax of RM1.39 million as compared to a profit before tax of RM2.70 million registered in the preceding year corresponding quarter. This is mainly due to lower revenue from most of the business segments as the result of difficult market condition in the oil and gas industry.

Subsequent to the second quarter, the Group has made announcement of the successful awards of contracts to the Group, following which the work activities are expected to increase in the coming quarters.

Performance of the respective operating business segments for the 2nd Quarter 2017 as compared to the previous year corresponding quarter is analysed as follows:-

**1) Integrated crane business**

The revenue of this business segment has decreased from RM16.11 million to RM10.78 million due to as the result of difficult market condition in the oil and gas industry. The Gross profit margin (2Q17:49% vs. 2Q16:53%) has decreased due to lower operational efficiency.

**HANDAL RESOURCES BERHAD (816839-X)**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED**  
**30 JUNE 2017**

**2) Fabrication of crane business**

The revenue of this business segment is recognized based on the percentage (%) completion method. As per current quarter, there were no sales generated compared to RM4.89 million in the preceding year corresponding quarter due to reduction in capex from the major oil operators.

**3) Workover Project business**

There was no workover project during this current quarter compared to RM1.6 million in the preceding year corresponding quarter primarily due to end of contracts and the slow start of new well maintenance campaign.

**4) Supply, fabrication & servicing industrial equipments & tank**

The revenue of this business segment increased from RM0.35 million to RM1.13 million due to increase business activities in the downstream sector of the industry.  
The Gross profit margin (2Q17:18% vs. 2Q16:36%) has decreased due to competitive market conditions.

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

The Group registered a loss before tax of RM0.42 million for the 6 months period ended June 2017 as compared to a profit before tax of RM3.25 million in the preceding year corresponding period. This is mainly attributable to lower revenue from most of the business segments as a result of difficult market condition in oil & gas conditions.

Performance of the respective operating business segments for financial half year ended 30 June 2017 as compared to the preceding year corresponding period is analysed as follows:-

**1) Integrated crane business**

The revenue of this business segment decreased from RM32.09 million to RM22.9 million due to lower business as a result of difficult market condition in oil and gas condition.

The Gross profit margin (YTD2017:53% vs. YTD2016:52%) has increased marginally due to tighter cost control in the current period.

**2) Fabrication of cranes business**

The revenue of this business segment has reduced from RM10.74 million to RM1.56 million. This is mainly due to reduction in capex from the major oil operators.  
The Gross profit margin has increased (YTD2017:7% vs. YTD2016:4%).

**3) Workover Project business**

The revenue of this business segment has decreased from RM2.03 million to zero as there was no business activity in the current period due to primarily due to end of contract.  
The Gross profit margin has decreased (YTD2017:0% vs. YTD2016:67%).

**HANDAL RESOURCES BERHAD (816839-X)  
UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED  
30 JUNE 2017**

**4) Supply, fabrication & servicing industrial equipments & tank**

The revenue of this business segment has increased from RM0.53 million to RM1.78 million due to increase in the work scope and activities in downstream sector of the industry.

The Gross profit margin (YTD2017:22% vs. YTD2016:37%) has decreased due to competitive market conditions.

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

For the current quarter, the Group registered a loss before tax of RM1.39 million as compared to a profit before tax of RM0.97 million in the preceding quarter as a result of difficult market condition in oil and gas industry.

**B3. Prospects**

The Group Performance is expected to be challenging for the current financial year in view of the global oil supply situation continuing to influence industry outlook.

**B4. Profit Forecast**

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

**B5. Taxation**

	Current quarter ended 30 June 2017 RM' 000	For the period ended 30 June 2017 RM' 000
Current tax	(98)	214
Deferred tax	-	-
	<u>(98)</u>	<u>214</u>

The Group's tax write back in the current quarter is due to the adjustment of tax provision in Handal Offshore Services Sdn. Bhd. as a result of the losses incurred by this subsidiary during the current quarter.

The Group's effective tax rates for the cumulative financial period is higher than the statutory tax rate of 25% principally due to losses of certain subsidiaries which cannot be offset against the cumulative taxable profit made by Handal Offshore Services Sdn Bhd.

**HANDAL RESOURCES BERHAD (816839-X)**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED**  
**30 JUNE 2017**

**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 30 June 2017 are as follows:

	Current RM'000	Non- Current RM'000	Total RM'000
Secured	22,037	578	22,615

**B8. Material Litigation**

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

**B9. Earnings Per Share**

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30-June-17	Corresponding Quarter Ended 30-June-16	Cumulative Year To Date 30-June-17	Corresponding Year To Date 30-June-16
	RM'000	RM'000	RM'000	RM'000
<b>BASIC EARNINGS PER SHARE</b>				
Profit/ (Loss) for the period attributable to ordinary equity holders of the company	(1,295)	1,658	(636)	1,870
Weighted average number of ordinary shares in issue ('000)	159,690	160,000	159,690	160,000
Basic earnings/ (loss) per share (sen)	(0.81)	1.04	(0.40)	1.17

**HANDAL RESOURCES BERHAD (816839-X)**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED**  
**30 JUNE 2017**

**B10. Profit before Taxation**

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

	Current Quarter ended	Cumulative Period ended
	30 June 2017	30 June 2017
	RM'000	RM'000
- Interest Income	92	178
- Foreign exchange gain/ (loss)	(9)	(39)
- Short Term Investment Income	88	181
- Depreciation and amortization	(684)	(1,367)

**B11. Dividends**

The Directors have not recommended any dividend for the current quarter ended 30 June 2017.

**B12. Realised and unrealized profits / (losses) disclosure.**

The retained profits as at 30 June 2017 is analysed as follows:-

	As At End of Current Quarter
	30/6/2017
	RM'000
Total retained profits of the Company and the subsidiaries:-	
- Realised	26,138
- Unrealised	(3,998)
	<hr/>
	22,140
Less: Consolidation adjustment	(3,958)
	<hr/>
Total group retained profits as per consolidated income statements	<u>18,182</u>