HANDAL RESOURCES BERHAD (816839-X)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2018

	Individual Quarter		Cumulative Period	
	Current Quarter Ended	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Revenue	14,107	14,326	14,107	14,326
Cost of sales	(8,138)	(7,210)	(8,138)	(7,210)
Gross profit	5,969	7,116	5,969	7,116
Other operating income	187	362	187	362
Administration and other operating expenses	(5,919)	(5,408)	(5,919)	(5,408)
Depreciation and amortisation cost	(698)	(683)	(698)	(683)
Finance costs	(474)	(416)	(474)	(416)
(Loss)/Profit before taxation	(935)	971	(935)	971
Income tax expense	(32)	(312)	(32)	(312)
(Loss)/Profit after tax for the period	(967)	659	(967)	659
Other comprehensive income	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive (loss)/profit for the period	(967)	659	(967)	659
Profit attributable to:				
Equity holders of the parent	(959)	659	(959)	659
Non-controlling Interest	(8)	-	(8)	-
Total comprehensive (loss)/profit for the period	(967)	659	(967)	659
Weighted average no. of ordinary shares in issue (' 000)	159,690	159,690	159,690	159,690
(Loss)/Profit per share - Basic (sen)	(0.60)	0.41	(0.60)	0.41

Notes:

(i) Basic (loss)/earnings per share for the quarter and financial period is calculated based on the net (loss)/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 2017 and the accompanying notes attached to this quarterly financial report.

HANDAL RESOURCES BERHAD (816839-X)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Unaudited As at 31 March 2018 RM'000	Audited As at 31 December 2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	26,146	29,294
Intangible asset	8,679	8,680
Goodwill arising on consolidation (Note II)	4,286	-
	39,111	37,974
Current Assets		
Inventories	12,070	11,664
Work-in-progress	2,025	1,782
Trade receivables (Note III)	39,839	49,712
Amount due by customers for contract works	3,005	1,704
Other receivables,deposits & prepayment	2,549	491
Financial assets held for trading	4,569	7,024
Short term investment	34	80
Fixed deposits with licensed banks	13,025	12,932
Cash on hand and at bank	6,998	988
Tax recoverable	26	-
Asset held for sale	10,186	10,186
	94,326	96,563
Total Assets	**133,437**	**134,537**
EQUITY AND LIABILITIES		
Equity		
Share capital	80,029	80,029
Treasury shares	(72)	(72)
Reserves	15,416	16,375
Shareholders' Fund	95,373	96,332
Minority Interests	(21)	(13)
Total equity	95,352	96,319
Non-current liabilities		
Hire purchase creditors	370	419
Long term borrowings	-	-
Deferred taxation	3,849	3,849
	4,219	4,268
Current Liabilities		
Trade payables	3,199	2,792
Other payables and accruals	5,364	2,937
Hire purchase creditors	191	188
Amount due to customers for contract works	36	-
Short term borrowings	22,554	26,843
Amount due to a director (Note IV)	-	366
Tax payables	2,522	824
	33,866	33,950
Total liabilities	38,085	38,218
Total equity and liabilities	**133,437**	**134,537**
Notes:		
Net Assets Per Share Attributable to ordinary equity holders of the Company	0.60	0.60

Notes:

(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 2017 and the accompanying notes attached to this quarterly financial report.

(II) Goodwill on consolidation - arise from surplus of purchase consideration from acquisition of a subsidiary over the fair value of the net assets of the said subsidiary.

(III) Trade Receivable consist of Trade Debtors RM26.41 million (FYE17: RM21.74 million) and Accrued Revenue RM13.43 million (FYE17: RM27.97 million).

(IV) The amount owing to a director is unsecured, interest-free and repayable on demand.

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HANDAL RESOURCES BERHAD (816839-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2018

	Attributable to equity holders of the Company						
	Share Capital	Share Premium	Treasury Shares	Retained Profits	Shareholders' Fund	Non- controlling Interest	Total Equity
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM'000
Balance as at 1 Jan 2018	**80,029**	**-**	**(72)**	**16,375**	**96,332**	**(13)**	**96,319**
Total comprehensive loss for the quarter	**-**		**-**	**(959)**	**(959)**	**(8)**	**(967)**
Balance as at 31 March 2018	**80,029**	**-**	**(72)**	**15,416**	**95,373**	**(21)**	**95,352**

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 2017 and the accompanying notes attached to this quarterly financial report.

HANDAL RESOURCES BERHAD (816839-X)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Current Year To Date 31 March 2018	Preceding Year Corresponding Period 31 March 2017
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(935)	971
Adjustments for Non Cash items	(605)	946
Operating profit before working capital changes	**(1,540)**	**1,917**
Decrease/(Increase) in inventories	(406)	(677)
Decrease/(Increase) in work-in-progress	(222)	(534)
Decrease/(Increase) in trade receivables	7,817	656
Decrease/(Increase) in amount due from customers for contract works	(1,300)	1,568
(Decrease)/Increase in payables	4,358	(758)
(Decrease)/Increase in amount due to customers for contract works	36	-
Cash generated from operations	**8,743**	**2,172**
Interest paid	(17)	(287)
Tax paid	(253)	(298)
Tax refunded	-	150
Net cash generated from operating activities	**8,473**	**1,737**
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of fixed deposits	(93)	(86)
Purchase of property, plant and equipment	(213)	(314)
Interest received	106	86
Effect of acquisition of a subsidiary, stakeholders fund	2,550	-
Net cash generated from/ (used in) investing activities	**2,350**	**(314)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(421)	(153)
Repayment of term loan	(1,244)	(1,040)
Increase/(Repayment) of hire purchase creditors	(101)	(98)
Net increase/(decrease) in bills payable	277	(1,064)
Purchase of Treasury Shares	-	(25)
Net cash used in financing activities	**(1,489)**	**(2,380)**
Net increase/(decrease) in cash and cash equivalents	9,334	(957)
Currency translation difference	-	-
Cash and cash equivalents at beginning of the period	(19,852)	(6,757)
Cash and cash equivalents at end of the period	**(10,518)**	**(7,714)**
Cash and cash equivalents comprises :-		
Short term investment and fixed deposits with licensed banks	13,106	12,716
Cash and bank balances	6,998	7,821
Bank overdraft	(17,597)	(15,613)
	2,507	4,924
FD pledged with licenced banks	(13,025)	(12,638)
	(10,518)	**(7,714)**

Notes:

The Condensed Consolidated Statement of Cashflow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying notes attached to this quarterly financial report.

NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

A1. Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group and the Company are consistent with those applied in the previous financial year other than the application of the amendments to MFRSs as disclosed in Note A2.

A2. Application of Amendments to MFRSs

During the financial year, the Group and the Company have applied the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") which are effective for accounting period 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

The application of the Amendments has no significant impact on the Group's and on the Company's financial statements.

A3. New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue And Take Effective and Have Been Adopted

The Group and the Company have not early adopted the following new MFRSs and IC Interpretation and amendments to MFRSs that have been issued by the MASB but are not yet effective :-

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

A3. New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue And Take Effective and Have Been Adopted (Cont'd)

Effective for annual periods beginning on or after 1 January 2018 (Cont'd)

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
Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle"
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards
- Amendments to MFRS 128, Investments in Associates and Joint Ventures

IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

MFRS 16, Leases
Amendments to MFRS 9, Prepayments Features with Negative Compensation Amendments to MFRS 128, Long Term Interests in Associate and Joint Ventures
Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2015 - 2017 Cycle":
- Amendments to MFRS 3, Business Combinations (Previously Held Interest in a Joint Operation)
- Amendments to MFRS 11, Joint Arrangements (Previously Held Interest in a Joint Operation)
- Amendments to MFRS 12, Income Taxes (Income Taxes Consequences of Payments on Financial Instruments Classified as Equity)
- Amendments to MFRS 123, Borrowing Costs (Borrowing Costs Eligible for Capitalisation)

IC Interpretation 23, Uncertainty over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2021

MFRS 17, Insurance Contracts

Effective for annual periods beginning on or after a date to be determined by MASB

Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures

The Group and the Company will apply the above new MFRSs, IC Interpretation and amendments to MFRSs that are applicable once they become effective. Their main features are summarised below.

A3. New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue And Take Effective and Have Been Adopted (Cont'd)

A3.1 Effective for annual periods beginning on or after 1 January 2018

(a) MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)

The Standard replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

The key enhancements of MFRS 9 are :

- Under MFRS 9, all recognised financial assets are required to be subsequently measured at either amortised cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") on the basis of both an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets as the numerous categories of financial assets under MFRS 139 had been replaced.

- Most of the requirements in MFRS 139 for classification and measurement of financial liabilities were carried forward unchanged to MFRS 9, except for the measurement of financial liabilities designated as at FVTPL. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

  However, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's own credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. Under MFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

A3. New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue And Take Effective and Have Been Adopted (Cont'd)

A3.1 Effective for annual periods beginning on or after 1 January 2018 (Cont'd)

(a) MFRS 9, Financial Instruments (IFRS 9 issued in July 2014) (Cont'd)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139 i.e. fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. MFRS 9 incorporates a new hedge accounting model that aligns the hedge accounting more closely with an entity's risk management activities. The new hedge accounting model has also expanded the scope of eligibility of hedge items and hedging instruments respectively.

(b) MFRS 15, Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 111, MFRS 118 and the related IC Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps :-

Step 1	Identify the contract(s) with a customer
Step 2	Identify the performance obligations in the contract
Step 3	Determine the transaction price
Step 4	Allocate the transaction price to the performance obligations in the contract
Step 5	Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. MFRS 15 also requires more extensive disclosures.

A3. New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue And Take Effective and Have Been Adopted (Cont'd)

A3.1 Effective for annual periods beginning on or after 1 January 2018 (Cont'd)

(c) Clarification to MFRS 15, Revenue from Contracts with Customers

The Amendments clarifies how certain principles should be applied in :-

(i) identifying whether performance obligations are distinct;
(ii) determining whether an entity is a principal or an agent; and
(iii) assessing whether revenue from a license of intellectual property is recognised over time or at a point in time.

(d) Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions

The Amendments to MFRS 2 *Share-based Payment* provides specific guidance on how to account for the following situations :-

(i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

(ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and

(iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

(e) Amendments to MFRS 140 - Transfers of Investment Property

The Amendments to MFRS 140 *Investment Property* clarify that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

A3. New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue But Not Effective and Have Not Been Early Adopted (Cont'd)

A3.1 Effective for annual periods beginning on or after 1 January 2018 (Cont'd)

(f) Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle"

The *Annual Improvements to MFRS Standards 2014 - 2016 Cycle* include amendments to the following MFRSs :-

(i) The Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* have removed certain provisions that have served their intended purposes.

(ii) The Amendments to MFRS 128 *Investments in Associates and Joint Ventures* clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

(g) IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

The IC Interpretation addresses which exchange rate to use in reporting foreign currency transactions that involve advance consideration paid or received.

The initial application of new MFRSs and IC Interpretation and amendments to MFRSs is not expected to have any significant impact on the Group's and the Company's financial statements other than the application of MFRS 9 and MFRS 15 as discussed below.

MFRS 9, Financial Instruments

The new requirements on classification of financial assets and financial liabilities under MFRS 9 are not expected to have any impact on the financial statements of the Company. However, the Company expects the application of the new expected credit losses impairment on its financial assets and also contract assets arising from the application of MFRS 15, Revenue from Contracts with Customers to result in additional allowance for impairment losses for these items in the financial statements of the Group and of the Company.

A3. New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue But Not Effective and Have Not Been Early Adopted (Cont'd)

A3.1 Effective for annual periods beginning on or after 1 January 2018 (Cont'd)

MFRS 15, Revenue from Contracts with Customers

The Group does not expect the application of the new revenue recognition model to result in any significant impact on the financial statements of the Group and the Company as the current revenue recognition basis as disclosed in Note 2.20 will continue to be appropriate under MFRS 15. However, revenue recognised from contract and for services rendered which is conditional on further performance obligation and progress billings of which performance obligation has yet to be satisfied relating to such contracts in progress shall be classified as contract assets and contract liabilities respectively with the contract assets to be subject to impairment assessment for expected credit losses under MFRS 9. In addition, there will be new disclosures on balance of transaction price allocated to performance obligations yet to be satisfied on contracts in progress and the timing of their recognition as revenue, and reconciliation of contract asset and liability balances with revenue recognised for the period.

A3.2 Effective for annual periods beginning on or after 1 January 2019

MFRS 16, Leases

MFRS 16 will supersede the existing MFRS 117 *Leases* , IC Interpretation *4 Determining whether an Arrangement contains a Lease* , IC Interpretation *115 Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* and it sets out the principles for the recognition, measurement, presentation and disclosures of leases.

Under the existing MFRS 117, lessees and lessors are required to classify their leases as either finance leases or operating leases and account for those two types of leases differently. It requires a lessee to recognise assets and liabilities arising from finance leases but not from operating leases.

The new MFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for the rights and obligations arising from all leases and hence eliminates the distinction between finance leases and operating leases. As a consequence, a lessee recognises right-of-use assets and lease liabilities arising from operating leases. The right- of-use asset is depreciated in accordance with the principle in MFRS 116 *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in the profit or loss.

The financial effects arising from the application of this Standard are still being assessed by the management.

A4. 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 2017 did not contain any qualification.

A5. 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.

A6. 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.

A7. 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.

A8. Dividend Paid and Distributed

There were no dividends paid in the current period.

A9. 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.
f) Pipeline engineering, advanced composite material, pipeline connector, sub-sea flexible tank system and research and development for oil and gas industry.

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HANDAL RESOURCES BERHAD (816839-X)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018

Period ended 31 March 2018	Investment holding	Integrated crane services	Fabrication of cranes	Workover projects lifting solutions	Supply,fabrication & servicing industrial equipments & tank systems	Consultants In Engineering project support services	Research & Development in Advanced Composite Material	Eliminations	Consolidated
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Revenue									
Revenue from external parties	-	10,332	1,960	694	121	-	1,000	-	14,107
Inter-segment revenue	-	-	-	-	-	17	-	(17)	-
Total revenue	**-**	**10,332**	**1,960**	**694**	**121**	**17**	**1,000**	**(17)**	**14,107**
Results									
Profit from operations	-	4,882	326	535	55	-	171	-	**5,969**
Other operating income									187
GP Margin	-	47%	17%	77%	45%	-	17%	-	
Administration & Other operation expenses									(5,919)
Depreciation & amortization									(698)
Finance cost									(474)
Loss before tax									**(935)**
Taxation									(32)
Loss after tax									**(967)**
Assets									
Segment assets	**79,448**	**81,807**	**24,545**	**2,389**	**1,203**	**10,295**	**1,981**	**(68,231)**	**133,437**
Liabilities									
Segment liabilities	**2,218**	**35,733**	**10,721**	**1,044**	**1,079**	**2,026**	**1,705**	**(16,441)**	**38,085**

A10. Valuation of property, plant and equipment

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

A11. Capital Commitments

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

A12. Material events subsequent to the end of period reported

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

A13. Changes in composition of the Group

On 22 January 2018, Handal Resources Berhad had entered into a conditional Share Sale Agreement ("SSA") with Kemuncak Lanai Sdn Bhd ("Kemuncak" or "Vendor") for the proposed acquisition of 51,000 ordinary shares ("Sales Shares") of Simflexi Sdn Bhd ("Simflexi") held by Kemuncak, representing 51% equity interest in Simflexi for a total consideration of RM5.1 million. The acquisition was completed on 14 March 2018 and Simflexi became a 51% owned subsidiary company on that date.

Simflexi was incorporated in Malaysia as a private limited company on 2 March 2017 with its registered office at No. 19-5-2 Diamond Square, Jalan Semarak Api 2, Off Jalan Gombak, 53000 Kuala Lumpur. Simflexi is principally engaged in pipeline engineering, advanced composite material, pipeline connector, sub-sea flexible tank system and research and development for oil and gas industry. Simflexi has changed its name to Handal Simflexi Sdn Bhd on 9 March 2018.

(a) Purchase consideration

Due Date of Payment	Mode of settlement	Amount RM
First 50% already released to the Vendor's solicitors, to hold as stakeholders pending compliance of the Conditions For First Payment (as defined in Clause 4.1 of the SSA) under the terms of the SSA.	Cash	2,550,000
Final 50% is to be paid by Handal Resources Berhad to the Vendors subject to the guaranteed profit provisions as set out in Clause 6 of the SSA.	Cash	2,550,000

(b) Profit Guarantee

The Vendor, as the Guarantor has agreed to warrant and guarantee that the total audited profit before tax of Simflexi computed in accordance with the general accounting standards in Malaysia and confirmed in writing by the auditors of Simflexi shall be as follows:-

Warranty Period	Financial Year	Guaranteed Profit
Period 1	1 January 2018 to 31 December 2018	Not less than RM2.5 million
Period 2	1 January 2019 to 31 December 2019	Not less than RM3.5 million
Period 3	1 January 2020 to 31 December 2020	Not less than RM5.75 million

The Vendor and Handal Resources Berhad agreed that the Guaranteed Profit for each of the Warranty Period shall be on a non-cumulative basis and if there is any shortfall amount in respect of any of the Warranty Period, the Vendor shall be responsible to pay to Handal Resources Berhad the Agreed Percentage of Shortfall amount being fifty one percent (51%) of the Shortfall amount within fourteen (14 days) from the Vendor's receipt of written demand from Handal Resources Berhad based on the written confirmation from the auditors of Handal Resources Berhad for the respective warranty period and non-compliance to this is a material breach of contract by the Vendor.

However, Handal Resources Berhad may permit the Vendor to accumulate the Agreed Percentage of Shortfall amount for Warranty Period 1 with Agreed Percentage of Shortfall amount for Warranty Period 2, whereupon in such instance, the Vendor shall pay to Handal Resources Berhad the accumulated Agreed Percentage of Shortfall for Warranty Period 1 and Warranty Period 2 (if any) within fourteen (14) days from the Vendor's receipt of written demand from Handal Resources Berhad.

If the Vendor fails to pay to Handal Resources Berhad all Agreed Percentage of Shortfall Amount for all Warranty Periods, Handal Resources Berhad shall have no obligation to pay the Final Payment to the Vendor within fourteen (14 days) from the Vendor's receipt of written demand from Handal Resources Berhad based on the written confirmation from the auditors of Handal Resources Berhad for the respective warranty period and the First Payment paid to the Vendor shall be the full consideration for the Sale Shares.

A14. Contingent liabilities or contingent assets

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

A15. 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 has substantial financial interest :-

Name of Related Parties	Nature of Transaction	Amount of Transaction (RM'000)
Excell Crane & Hydraulics Inc	Material and spare parts supply	769

NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

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 31 March 2018

(a) <u>Current Quarter (Q1 2018) vs Preceding Year Corresponding Quarter (Q1 2017)</u>

	Individual Period (1st quarter)		Variance	
	Current Quarter	Preceding Year Corresponding Quarter		
	31 March 2018	31 March 2017		
	RM' 000	RM' 000	RM' 000	%
Revenue	14,107	14,326	(219)	-2
Gross Profits	5,969	7,116	(1,147)	-16
(Loss)/Profit Before Interest and Tax	(461)	1,387	(1,848)	-133
(Loss)/Profit Before Tax	(935)	971	(1,906)	-196
(Loss)/Profit After Tax	(967)	659	(1,626)	-247
(Loss)/Profit Attributable to Ordinary Equity Holders of the Parent	(959)	659	(1,618)	-246

For the current quarter, the Group posted a loss before tax of RM0.94 million as compared to a profit before tax of RM0.97 million registered in the preceding year corresponding quarter.

This is mainly due to lower revenue, higher administration and operating expenses and lower operating income for majority of business segments.

Performance of the respective operating business segments for the 1st Quarter 2018 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 RM11.63 million to RM10.33 million due to decrease in maintenance activities during the current quarter.

The Gross profit margin (1Q18:47% vs. 1Q17:57%) has decreased due to lower operational efficiency resulting from transition of the old contracts to the new contracts.

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 RM1.96 million sales generated compared to RM2.05 million in the preceding year corresponding quarter.

The Gross profit margin (1Q18:17% vs. 1Q17:12%) has improved due to tighter cost control in the current quarter.

3) **Workover Project business**

There was a revenue of RM0.69 million in this current quarter (1Q17: Nil) due to start of the Well Maintenance Campaign by a major oil operator in the current quarter.

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

The revenue of this business segment decreased from RM0.65 million to RM0.12 million due to reduced activities in this business segment.

The Gross profit margin (1Q18:45% vs. 1Q17:30%) has improved due to higher margin in some jobs.

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

	Current Quarter	Immediate Preceding Quarter	Variance	
	31 March 2018	31 December 2017		
	RM' 000	RM' 000	RM' 000	%
Revenue	14,107	24,765	(10,658)	-43
Gross Profits	5,969	12,786	(6,817)	-53
(Loss)/Profit Before Interest and Tax	(461)	2,787	(3,248)	-117
(Loss)/Profit Before Tax	(935)	2,319	(3,254)	-140
Loss After Tax	(967)	(49)	(918)	1872
Loss Attributable to Ordinary Equity Holders of the Parent	(959)	(47)	(912)	1940

For the current quarter, the Group registered a loss before tax of RM0.94 million as compared to a profit before tax of RM2.32 million in the preceding quarter due to lower revenue in the current quarter as compared to preceding year corresponding quarter.

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.

However, with the improving oil prices, the Group expects market conditions to improve.

B4. Profit Forecast

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

B5. Taxation

	Current quarter ended 31 March 2018 RM' 000	For the period ended 31 March 2018 RM' 000
Current tax	32	32
Deferred tax	-	-
	32	32

The Group incurred tax expenses despite reporting a loss for the cumulative period ended 31 March 2018, principally due to losses of certain subsidiaries which cannot be offset against taxable profit made by Handal Offshore Services Sdn. Bhd. and certain expenses were not deductible for tax purpose.

B6. Status of Corporate Proposals

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

B7. Group Borrowings and Debt Securities

The Group's borrowings, all of which are secured, are as follows:

	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Short term borrowings- Secured		
Bank overdrafts	17,597	15,613
Bankers'acceptances	4,957	4,084
Term Loan	-	4,354
Hire Purchase liabilities	191	163
	22,745	24,214
Long term borrowings- Secured		
Term Loan	-	-
Hire Purchase liabilities	370	578
	370	578
Total Borrowings	**23,115**	**24,792**

B8. Material Litigation

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

B9. Earnings/ (Loss) Per Share

	Individual Period		Cumulative Quarter	
	Current Quarter Ended 31-March-18	Corresponding Quarter Ended 31-March-17	Cumulative Year To Date 31-March-18	Corresponding Year To Date 31-March-17
	RM'000	RM'000	RM'000	RM'000
BASIC (LOSS)/EARNINGS PER SHARE				
(Loss)/Profit for the period attributable to ordinary equity holders of the company	(959)	659	(959)	659
Weighted average number of ordinary shares in issue ('000)	159,690	159,690	159,690	159,690
Basic (loss)/earnings per share (sen)	(0.60)	0.41	(0.60)	0.41

B10. Profit/ (Loss) before Taxation

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

	Current Quarter ended 31 March 2018 RM'000	Cumulative Quarter ended 31 March 2018 RM'000
- Interest Income	93	93
- Foreign exchange gain/(loss)	(80)	(80)
- Short Term Investment Income	49	49
- Depreciation and amortization	(698)	(698)

B11. Dividends

Dividends have not been recommended for the current quarter ended 31 March 2018.

B12. Trade Receivables

The analysis of the Group's trade receivables are as follows:

	As at 31 March 2018 RM	**As at 31 March 2017 RM**
Neither past due nor impaired	31,909	18,916
1 to 30 days past due not impaired	2,838	2,793
31 to 60 days past due not impaired	935	2,843
61 to 90 days past due not impaired	218	297
More than 90 days past due not impaired	3,939	3,296
	7,930	9,229
Past due and impaired	237	237
	40,076	28,382
Less: Impairment losses	(237)	(237)
	39,839	28,145

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM7.93 million (31 December 2017: RM10.52 million) that are past due at the reporting date but not impaired. These are unsecured in nature.

Subsequent to the current reporting quarter, the Group has collected RM16.87 million from these outstanding trade receivables based on the latest practical date of 8th May 2018.

B13. Realised and unrealised profits/(losses) disclosure.

The retained profits as at 31 March 2018 analysed as follows:-

	As At End of Current Quarter
	31/3/2018
	RM'000
Total retained profits of the Company and the subsidiaries:-	
- Realised	23,460
- Unrealised	(3,851)
	19,609
Less: Consolidation adjustment	(4,193)
Total group retained profits as per consolidated income statements	15,416