

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

	Individual Quarter		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Revenue	15,190	24,765	55,786	63,637
Cost of sales	(9,610)	(13,147)	(35,566)	(34,941)
Gross profit	5,580	11,618	20,220	28,696
Other operating income	375	336	1,416	1,153
Administration and other operating expenses	(6,823)	(8,464)	(26,328)	(25,217)
Depreciation and amortisation cost	(652)	(704)	(2,748)	(2,761)
Finance costs	(471)	(467)	(1,789)	(1,810)
(Loss)/Profit before taxation	(1,991)	2,319	(9,229)	61
Income tax expense	(4)	(2,368)	29	(2,494)
(Loss)/Profit after tax for the period	(1,995)	(49)	(9,200)	(2,433)
Other comprehensive income	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive (loss)/profit for the period	(1,995)	(49)	(9,200)	(2,433)
Profit attributable to:				
Equity holders of the parent	(1,886)	(47)	(8,247)	(2,430)
Non-controlling Interest	(109)	(2)	(953)	(3)
Total comprehensive (loss)/profit for the period	(1,995)	(49)	(9,200)	(2,433)
Weighted average no. of ordinary shares in issue ('000)	159,690	159,690	159,690	159,690
(Loss)/Profit per share - Basic (sen)	(1.18)	(0.03)	(5.16)	(1.52)

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 DECEMBER 2018

	Unaudited As at 31 December 2018 RM'000	Audited As at 31 December 2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	28,760	29,294
Intangible asset	8,680	8,680
Goodwill arising on consolidation (Note II)	4,334	-
	41,774	37,974
Current Assets		
Inventories	10,811	11,664
Work-in-progress	1,079	1,782
Trade receivables (Note III)	31,541	49,712
Amount due by customers for contract works	7,055	1,704
Other receivables, deposits & prepayment	1,569	491
Financial assets held for trading	8,796	7,024
Short term investment	82	80
Fixed deposits with licensed banks	13,314	12,932
Cash on hand and at bank	3,182	988
Tax recoverable	54	-
Asset held for sale	10,186	10,186
	87,669	96,563
Total Assets	129,443	134,537
EQUITY AND LIABILITIES		
Equity		
Share capital	80,029	80,029
Treasury shares	(72)	(72)
Reserves	8,128	16,375
Shareholders' Fund	88,085	96,332
Minority Interests	(230)	(13)
Total equity	87,855	96,319
Non-current liabilities		
Hire purchase creditors	219	419
Long term borrowings	-	-
Deferred taxation	3,849	3,849
	4,068	4,268
Current Liabilities		
Trade payables	8,535	2,792
Other payables and accruals	3,851	2,937
Hire purchase creditors	200	188
Amount due to customers for contract works	36	-
Short term borrowings	24,866	26,843
Amount due to a director (Note IV)	-	366
Tax payables	32	824
	37,520	33,950
Total liabilities	41,588	38,218
Total equity and liabilities	129,443	134,537
Notes:		
Net Assets Per Share Attributable to ordinary equity holders of the Company	0.55	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 RM24.42 million (FYE17: RM21.74 million) and Accrued Revenue RM7.12 million (FYE17: RM27.97 million).
- (IV) The amount owing to a director is unsecured, interest-free and repayable on demand.



HANDAL RESOURCES BERHAD (816839-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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	-	-	-	(8,247)	(8,247)	(953)	(9,200)
Non-controlling interest arising on business combination	-	-	-	-	-	736	736
Balance as at 31 December 2018	80,029	-	(72)	8,128	88,085	(230)	87,855

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.

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

	Current Year To Date 31 December 2018 RM'000	Preceding Year Corresponding Period 31 December 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(9,229)	61
Adjustments for Non Cash items	(367)	7,350
Operating profit before working capital changes	(9,596)	7,411
Decrease/(Increase) in inventories	853	32
Decrease/(Increase) in work-in-progress	592	2,838
Decrease/(Increase) in trade receivables	17,093	(25,327)
Decrease/(Increase) in amount due from customers for contract works	(7,223)	3,271
(Decrease)/Increase in payables	7,223	5,598
Cash generated from operations	8,942	(6,177)
Interest paid	(69)	-
Tax paid	(1,012)	(3,953)
Tax refunded	-	261
Net cash generated from operating activities	7,861	(9,869)
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of fixed deposits	(382)	(380)
Purchase of property, plant and equipment	(1,449)	(587)
Interest received	2	382
Effect of acquisition of a subsidiary	2,550	-
Disposal/(Acquisition) of quoted non-equity investment	(3,980)	1,985
Proceeds from disposal of non-current assets held for sale	-	1639
Proceeds from disposal of property, plant and equipment	62	3
Share repurchased	-	(25)
Net cash generated from/ (used in) investing activities	(3,197)	3,015
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(83)	(1,810)
Drawdown/(Repayment) of term loan	(1,244)	(4,150)
Increase/(Repayment) of hire purchase creditors	(407)	(176)
Net increase/(decrease) in bills payable	1,007	(469)
Proceed from disposal of treasury shares	-	-
Advances from a director	-	366
Net cash used in financing activities	(727)	(6,240)
Net increase/(decrease) in cash and cash equivalents	3,937	(13,094)
Currency translation difference	-	(1)
Cash and cash equivalents at beginning of the period	(19,852)	(6,757)
Cash and cash equivalents at end of the period	(15,915)	(19,852)
Cash and cash equivalents comprises :-		
Short term investment and fixed deposits with licensed banks	13,397	13,013
Cash and bank balances	3,182	987
Bank overdraft	(19,180)	(20,919)
	(2,601)	(6,920)
FD pledged with licenced banks	(13,314)	(12,932)
	(15,915)	(19,852)

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.



HANDAL RESOURCES BERHAD (816839-X)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 period, 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 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

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

Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standard

Amendments to MFRS 128, Investments in Associates and Joint Ventures

IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

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

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)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2018**

- 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.

A3.1 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.



HANDAL RESOURCES BERHAD (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2018**

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; and
- e) Research and Development in Oil & Gas Industry.

HANDAL RESOURCES BERHAD (816839-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

Period ended 31 December 2018	Investment holding	Integrated crane services	Fabrication of cranes	Workover projects lifting solutions	Manpower Service	Supply, fabrication & servicing industrial equipments & tank systems	Consultants In Engineering project support services	Research & Development in Advance Composite Material	Eliminations	Consolidated
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Revenue										
Revenue from external parties	-	35,031	9,246	5,780		2,063	-	3,666		55,786
Inter-segment revenue	-	-	-	-	1,444	-	34	-	(1,478)	-
Total revenue	-	35,031	9,246	5,780	1,444	2,063	34	3,666	(1,478)	55,786
Results										
Profit from operations	-	13,554	1,630	4,425	1,071	378	-	(838)	-	20,220
Other operating income										1,416
GP Margin	-	39%	18%	77%	74%	18%	-	-23%		
Administration & Other operation expenses										(26,328)
Depreciation & amortization										(2,748)
Finance cost										(1,789)
Loss before tax										(9,229)
Taxation										29
Loss after tax										(9,200)
Assets										
Segment assets	56,996	65,380	26,869	3,643	1,254	1,275	10,436	4,033	(40,443)	129,443
Liabilities										
Segment liabilities	2,444	24,922	10,242	1,389	478	2,411	1,994	4,361	(6,653)	41,588



HANDAL RESOURCES BERHAD (816839-X)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

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

Save as disclosed below, there were no material events subsequent to the end of the period reported.

On 29 January 2019, the Board of Directors of Handal had announced that the Company had on 28 January 2019 received a notice in writing dated 28 January 2019 (“Notice”) from Messrs Folks DFK & Co. (“Folks DFK” or “the Auditors”) on their resignation as Auditors of the Company. Pursuant to Section 281(2) of the Companies Act, 2016, the Auditors' term of office will end after 21 days from 28 January 2019.

On 14 February 2019, the Board of Directors of Handal had announced that the Company had appointed Messrs Morison Anuarul Azizan Chew as the new external auditors of the Company and that the Board had approved the change in the financial year end from 31 December to 30 June. The next set of audited financial statement shall be for a period of 18 months from 1 January 2018 to 30 June 2019. Thereafter, the financial year end shall be on 30 June for each subsequent year.

A13. Changes in composition of the Group

Save as disclosed below, there were no changes in composition of the Group for the financial quarter under review.

Board of Directors of Handal had on 19 October 2018 and 6 December 2018 announced the incorporation of two new wholly-owned subsidiaries with the name of Handal Technologies Sdn Bhd and Handal Fabrication Sdn Bhd with the initial issued share capital of RM1.00 only respectively.

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 Group 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	1,896

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2018**
**NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FOURTH
QUARTER ENDED 31 DECEMBER 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 December 2018
(a) Current Quarter (Q4 2018) vs Preceding Year Corresponding Quarter (Q4 2017)

	Individual Period (4th quarter)		Variance	
	Current Quarter	Preceding Year Corresponding Quarter		
	31 December 2018	31 December 2017	RM' 000	%
	RM' 000	RM' 000	RM' 000	%
Revenue	15,190	24,765	(9,575)	-39
Gross Profits	5,580	11,618	(6,038)	-52
Profit/(Loss) Before Interest and Tax	(1,520)	2,786	(4,306)	-155
Profit/(Loss) Before Tax	(1,991)	2,319	(4,310)	-186
Profit/(Loss) After Tax	(1,995)	(49)	(1,946)	3956
Loss Attributable to Ordinary Equity Holders of the Parent	(1,886)	(47)	(1,839)	3913

For the current quarter, the Group posted a loss after tax of RM2.00 million as compared to a loss after tax of RM49,000 registered in the preceding year corresponding quarter. This is mainly due to lower revenue reported (4Q18: RM15.19 million vs 4Q17: RM24.77 million) and lower gross profit margin reported (4Q18: 37% vs 4Q17: 47%) by our business segments.

Nonetheless, the implementation of the cost rationalisation exercise undertaken by the Group has resulted in reduced its administration and other operating expenses by approximately 20% (4Q18: RM6.82 million vs 4Q17: RM8.46 million) during the current quarter as compared to preceding year corresponding quarter.

Performance of the respective operating business segments for the 4th Quarter 2018 as compared to the previous year corresponding quarter is analysed as follows:-



HANDAL RESOURCES BERHAD (816839-X)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

1) Integrated Crane Services

The revenue of this business segment has decreased from RM21.67 million in previous year corresponding quarter to RM9.38 million due to lower maintenance and overhaul completed during the current quarter.

The overall gross profit margin (4Q18: 47% vs 4Q17: 52%) has decreased due to more competitive pricing offered to clients during the tender to secure the contracts.

2) Fabrication of Cranes

The revenue of this business segment is recognized based on the percentage (%) completion method. Sales had increased from RM1.49 million in the previous year corresponding quarter to RM3.82 million in the current quarter. The increase in revenue is due to the increase in the number of new cranes orders secured and being fabricated during the quarter.

The gross profit margin (4Q18: 1% vs 4Q17: 20%) had decreased due to the timing of the project billing milestones.

3) Workover Project Lifting Solutions

This business segment reported a revenue of RM1.50 million in the current quarter (4Q17: Nil). This is primarily due to the commencement of Well Maintenance Campaign by a major oil company that targets underperforming wells for maintenance which includes workover. This have benefited Handal as we are able to rent out our cranes as the workover rigs requires offshore cranes and manpower during the workover maintenance period.

The business segment also reported a gross profit margin of 67% for the quarter.

4) Supply, Fabrication & Servicing of Industrial Equipments & Tank Systems

This business segment did not record any revenue during the quarter as there were no call-out maintenance carried out during the quarter. This segment has reported a revenue of RM1.71 million in the previous year corresponding quarter.

Consequently, there is no gross profit margin under this business segment during the current quarter (4Q18: Nil vs 4Q17: 14%).

5) Research and Development in Oil & Gas Industry

With the completion of the acquisition of 51% in Handal Simflexi Sdn Bhd (formally known as Simflexi Sdn Bhd) on 14 March 2018, the Group had ventured into the pipeline engineering, advanced composite material, pipeline connector, sub-sea flexible tank system and research and development for oil and gas industry.

This segment reported a revenue of RM0.5 million and gross profit margin of 35% during the current quarter (4Q17: Nil).



HANDAL RESOURCES BERHAD (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2018**

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

	Cumulative Period		Variance	
	Cumulative Year to Date	Preceding Year Corresponding Period ended		
	31 December 2018	31 December 2017		
	RM' 000	RM' 000	RM' 000	%
Revenue	55,786	63,637	(7,851)	-12
Gross Profits	20,220	28,696	(8,476)	-30
Profit/(Loss) Before Interest and Tax	(7,440)	1,871	(9,311)	-498
Profit/(Loss) Before Tax	(9,229)	61	(9,290)	-15138
Profit/(Loss) After Tax	(9,200)	(2,433)	(6,767)	278
Loss Attributable to Ordinary Equity Holders of the Parent	(8,247)	(2,430)	(5,817)	239

The Group recorded a loss after tax of RM9.20 million for the 12 months period ended 31 December 2018 as compared to a loss after tax of RM2.43 million in the preceding year corresponding period. The increase in loss before tax is due to lower revenue (YTD2018: RM55.79 million vs YTD2017: RM63.64 million) as well as lower overall gross profit margin (YTD2018: 36% vs YTD2017: 45%) reported in the current period as compared to the preceding year corresponding period.

The overall administration & other operating expenses had also increased by RM1.11 million or 4.4% (YTD2018: RM26.33 million vs YTD2017: RM25.22 million) in the current period as compared to the preceding year corresponding period.

The performance of the respective operating business segments for period ended 31 December 2018 as compared to the preceding year corresponding period is analysed as follows:-

1) Integrated Crane Services

The revenue of this business segment decreased from RM55.64 million in the preceding year corresponding period to RM35.03 million in the current 12 months period ended December 2018 due to lower maintenance and overhaul completed during the current period.

The gross profit margin had also decreased (YTD2018: 39% vs YTD2017: 50%) due to more competitive pricing offered to clients during the tender to secure the contracts.



HANDAL RESOURCES BERHAD (816839-X)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

2) Fabrication of Cranes

The revenue of this business segment is recognized based on the percentage (%) completion method. The revenue of this business segment had increased from RM4.50 million in the previous year corresponding period to RM9.25 million in the current 12 months period ended 31 December 2018. The increase is due to the increase in number of new cranes orders secured during the year.

The overall gross profit margin (YTD18: 18% vs YTD17: 12%) for the business segment had also increased during the period due to efficiency in operations resulting from higher number of cranes being fabricated at the same time.

3) Workover Project Lifting Solutions

There was minimal workover project lifting solutions recorded in the preceding year corresponding period as compared to RM5.78 million recorded in the current 12 months period ended December 2018. This is primarily due to the commencement of Well Maintenance Campaign by a major oil company that targets underperforming wells for maintenance which includes workover. This have benefited Handal as we are able to rent out our cranes as the workover rigs requires offshore cranes and manpower during the workover maintenance period.

The business segment also reported a gross profit margin of 77% for the 12 months period ended 31 December 2018.

4) Supply, Fabrication & Servicing of Industrial Equipments & Tank Systems

The revenue of this business segment has decreased from RM3.59 million in the preceding year corresponding period to RM2.06 in the 12 months period ended December 2018, which is due to the lower call-outs by clients and thus lower maintenance works carried out.

The gross profit margin (YTD2018: 18% vs YTD2017: 18%) has also been maintained due to the fixed rate agreed upon in the contract.

5) Research and Development in Oil & Gas Industry

With the completion of the acquisition of 51% in Handal Simflexi Sdn Bhd (formally known as Simflexi Sdn Bhd) on 14 March 2018, the Group had ventured into the pipeline engineering, advanced composite material, pipeline connector, sub-sea flexible tank system and research and development for oil and gas industry.

This is inline with the RM3.67 million revenue recorded in this segment during the 12 months period ended 31 December 2018. However, the gross profit margin (YTD2018: -23% vs YTD2017: Nil) under this segment have been lower than expected due to additional manpower hours incurred for the research and development activities carried out. In view of this, management is in the midst of negotiating a lower manhour rate for the additional hours incurred.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2018**
B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter

	Current Quarter	Immediate Preceding Quarter	Variance	
	31 December 2018	30 September 2018	RM' 000	%
	RM' 000	RM' 000		
Revenue	15,190	11,508	3,682	32
Gross Profits	5,580	2,050	3,530	172
Profit/(Loss) Before Interest and Tax	(1,520)	(5,631)	4,111	-73
Profit/(Loss) Before Tax	(1,991)	(6,042)	4,051	-67
Profit/(Loss) After Tax	(1,995)	(6,009)	4,014	-67
Loss Attributable to Ordinary Equity Holders of the Parent	(1,886)	(4,418)	2,532	-57

During the current quarter, the Group recorded a loss after tax of RM2.00 million as compared to a loss after tax of RM6.01 million in the preceding quarter. This is mainly due to the higher revenue reported (Q42018: RM15.19 million vs Q32018: RM11.51 million) during the current quarter. The overall gross margin reported during the current quarter has also improved (Q42018: 37% vs Q32018 18%) as compared to the previous quarter.

The administration and other operating expenses had also reduce by RM486,000 or 6.65% during the current quarter (Q42018: RM6.82 million vs Q32018 RM7.31 million).

B3. Prospects

The Group performance is expected to be challenging for the current 18-months financial period ended 30 June 2019 in view of the uncertainty and volatility of global oil supply. This have caused most oil majors to be more prudent in their spending and conservative in any future capital commitment. The management is not overly optimistic on the performance of the Group for the rest of the current financial period ended 30 June 2019 and is working tirelessly to successfully bid for new contracts. However, the Group have an outstanding orderbook of approximately RM56.9 million (as at 31 December 2018) which comprise mostly from the Integrated Crane Services and Fabrication of Cranes business segment. This is sufficient to keep Group occupied and self-sustaining while the management implements the turnaround plan for the Group.

The implementation of a four (4) year turnaround plan is essentially built around three core pillars; (i) strengthening the core crane maintenance business (ii) geographic diversification of crane maintenance business into East Malaysia and (iii) diversification of earnings base into related business in the oil & gas industry. The management have also put in place several core improvements to support the future growth and to preserve sustainable gross margins for the Group which includes improvements and efficiencies in the cost and process management, enhancing the Company's capital base as well as placing priority in the development of talent within the Group.



HANDAL RESOURCES BERHAD (816839-X)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

These measures are not only expected to bring positive impact to the Group's financial position moving forward, but also to supporting a dynamic working culture and environment at Handal. Barring any unforeseen circumstances, the Board remains optimistic on the medium-term prospect of the Group.

B4. Profit Forecast

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

B5. Taxation

	Current quarter ended 31 December 2018 RM' 000	For the period ended 31 December 2018 RM' 000
Current tax	4	(29)
Deferred tax	-	-
	<u>4</u>	<u>(29)</u>

The Group's tax write back for the current period ended 31 December 2018 is due to the adjustment of the provision in Handal Offshore Services Sdn Bhd as a result of the losses incurred by this subsidiary during the previous quarter. The Group's effective tax rate for the cumulative financial period is 0%.

B6. Status of Corporate Proposals

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

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2018**

B7. Group Borrowings and Debt Securities

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

	As at 31 December 2018 <u>RM'000</u>	As at 31 December 2017 <u>RM'000</u>
Short term borrowings- Secured		
Bank overdrafts	19,180	20,919
Bankers' acceptances/Invoice Financing (IVF)	5,686	4,680
Term Loan	-	1,244
Hire Purchase liabilities	200	188
	<u>25,066</u>	<u>27,031</u>
Long term borrowings- Secured		
Term Loan	-	-
Hire Purchase liabilities	219	419
	<u>219</u>	<u>419</u>
Total Borrowings	<u>25,285</u>	<u>27,450</u>

B8. Material Litigation

Save as disclosed below, there is no other material litigation as at the date of issuance of this quarterly report.

The Board of Directors of Handal Resources Berhad (the "Defendant") had on 24 January 2019 announced that the Company had on 24 January 2019 been served a copy of the Writ of Summons and Statement of Claim both dated 22 January 2019 ("Suit") from Kemuncak Lanai Sdn Bhd ("Kemuncak").

The Company and Kemuncak entered into a share sale agreement dated 22 January 2018 ("SSA") to acquire 51% equity interest in Handal Simflexi Sdn Bhd (previously known as Simflexi Sdn Bhd). Pursuant to the SSA, the Company will purchase 51,000 shares in Handal Simflexi Sdn Bhd for a total consideration of RM5,100,000. The sum of RM2,550,000 had been paid by the Company to Kemuncak. Kemuncak provided the following profit guarantee on the financial performance of Handal Simflexi Sdn Bhd:-

Warranty Period	Financial Year	Guaranteed Profit
Warranty Period 1	1 January 2018 to 31 December 2018	Not less than RM 2,500,000.00
Warranty Period 2	1 January 2019 to 31 December 2019	Not less than RM 3,500,000.00
Warranty Period 3	1 January 2020 to 31 December 2020	Not less than RM 5,750,000.00

The balance purchase sum of RM2,550,000 shall only be made upon Kemuncak paying the Company all the shortfall on the guaranteed profit.



HANDAL RESOURCES BERHAD (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2018**

In the Suit, Kemuncak is making a claim for:-

- a) A declaration that the profit guarantee provided in Clause 6 of the SSA is void and be severed from the SSA;
- b) the payment of the balance purchase sum of RM2,550,000.00;
- c) general damages;
- d) interests of 5% per annum calculated from the date of Writ of Summons until date of full realisation;
- e) costs; and
- f) any other and further reliefs that the Court deems necessary and appropriate.

The Suit is not expected to have any operational impact on Handal Group. Nonetheless, in the event the Company is not successful in defending the Suit, the estimated potential liability to Handal Group is expected to be as follows:-

- a) The payment of the balance purchase sum of RM2,550,000.00;
- b) The payment of interest of 5% per annum calculated from the date of Suit until date of full realisation (of which the quantum cannot be determined at this juncture); and
- c) The payment of any general damages, costs and any other and further reliefs that the Court deems necessary and appropriate (of which the quantum cannot be determined at this juncture).

The Company is currently seeking legal advice in relation to the Suit. The management's initial assessment is that Kemuncak's claim is misconceived and that the Company will contest it vigorously.

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HANDAL RESOURCES BERHAD (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2018**

B9. Earnings/ (Loss) Per Share

	Individual Period		Cumulative Quarter	
	Current Quarter Ended 31-December-18 RM'000	Corresponding Quarter Ended 31-December-17 RM'000	Cumulative Year To Date 31-December-18 RM'000	Corresponding Year To Date 31-December-17 RM'000
BASIC EARNINGS PER SHARE				
Loss for the period attributable to ordinary equity holders of the compan	(1,886)	(47)	(8,247)	(2,430)
Weighted average number of ordinary shares in issue ('000)	159,690	159,690	159,690	159,690
Basic earning per share (sen)	(1.18)	(0.03)	(5.16)	(1.52)

B10. Profit/ (Loss) before Taxation

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

	Current Quarter ended 31 December 2018 RM'000	Cumulative Quarter ended 31 December 2018 RM'000
- Interest Income	98	382
- Foreign exchange gain/(loss)	(23)	(264)
- Short Term Investment Income	104	344
- Depreciation and amortization	(652)	(2,748)

B11. Dividends

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



HANDAL RESOURCES BERHAD (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2018**

B12. Trade Receivables

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

	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Neither past due nor impaired	15,798	39,197
1 to 30 days past due not impaired	4,938	5,457
31 to 60 days past due not impaired	286	2,107
61 to 90 days past due not impaired	2,700	672
More than 90 days past due not impaired	7,819	2,279
	15,743	10,515
Past due and impaired	237	237
	31,779	49,950
Less: Impairment losses	(237)	(237)
	<u>31,541</u>	<u>49,712</u>

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 RM15.74 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 RM6.90 million from these outstanding trade receivables based on the latest practical date of 7 February 2019.



HANDAL RESOURCES BERHAD (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2018**

B13. Realised and Unrealised Profits/(Losses) Disclosure

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

	As At End of Current Quarter
	31/12/2018
	RM'000
Total retained profits of the Company and the subsidiaries:-	
- Realised	(3,443)
- Unrealised	(3,849)
	<hr/>
	(7,292)
Less: Consolidation adjustment	15,420
Total group retained profits as per consolidated income statements	<hr/>
	8,128