

HANDAL ENERGY BERHAD
(formerly known as **HANDAL RESOURCES BERHAD**) (816839-X)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Unaudited As at 30 June 2019 RM'000	Audited As at 31 December 2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	29,274	29,294
Intangible asset	8,680	8,680
Goodwill arising on consolidation (Note II)	2,147	-
	40,101	37,974
Current Assets		
Inventories	9,785	11,664
Work-in-progress	2,630	1,782
Trade receivables (Note III)	17,705	49,712
Amount due by customers for contract works	5,064	1,704
Other receivables, deposits & prepayment	1,518	491
Financial assets held for trading	4,837	7,024
Short term investment	84	80
Fixed deposits with licensed banks	13,554	12,932
Cash in hand and at bank	5,321	988
Tax recoverable	742	-
Asset held for sale	-	10,186
	61,240	96,563
Total Assets	101,341	134,537
EQUITY AND LIABILITIES		
Equity		
Share capital	84,999	80,029
Treasury shares	(72)	(72)
Reserves	(9,417)	16,375
Shareholders' Fund	75,510	96,332
Minority Interests	1,087	(13)
Total equity	76,597	96,319
Non-current liabilities		
Hire purchase creditors	604	419
Deferred taxation	3,613	3,849
	4,217	4,268
Current Liabilities		
Trade payables	1,780	2,792
Other payables and accruals	5,994	2,937
Hire purchase creditors	333	188
Short term borrowings	12,376	26,843
Amount due to a director (Note IV)	-	366
Tax payables	43	824
	20,527	33,950
Total liabilities	24,744	38,218
Total equity and liabilities	101,341	134,537
Notes:		
Net Assets Per Share Attributable to ordinary equity holders of the Company	0.43	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 RM11.31 million (FYE17: RM21.74 million) and Accrued Revenue RM6.40 million (FYE17: RM27.97 million).
- (IV) The amount owing to a director is unsecured, interest-free and repayable on demand.



HANDAL ENERGY BERHAD
(formerly known as HANDAL RESOURCES BERHAD) (816839-X)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIXTH QUARTER ENDED 30 JUNE 2019

	Individual Quarter		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	1 April 2019 to 30 June 2019 RM'000	1 April 2018 to 30 June 2018 RM'000	1 January 2018 to 30 June 2019 RM'000	1 January 2017 to 30 June 2018 RM'000
Revenue	16,482	-	81,502	-
Cost of sales	(9,691)	-	(50,522)	-
Gross profit	6,791	-	30,980	-
Other operating income	(2)	-	1,597	-
Administration and other operating expenses	(19,208)	-	(51,347)	-
Depreciation and amortisation cost	(644)	-	(4,283)	-
Finance costs	(350)	-	(2,512)	-
(Loss)/Profit before taxation	(13,413)	-	(25,565)	-
Income tax expense	(75)	-	(42)	-
(Loss)/Profit after tax for the period	(13,488)	-	(25,607)	-
Other comprehensive income	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive (loss)/profit for the period	(13,488)	-	(25,607)	-
Profit attributable to:				
Equity holders of the parent	(14,675)	-	(25,792)	-
Non-controlling Interest	1,187	-	185	-
Total comprehensive (loss)/profit for the period	(13,488)	-	(25,607)	-
Weighted average no. of ordinary shares in issue ('000)	175,659	159,690	175,659	159,690
(Loss)/Earning per share - Basic (sen)	(7.68)	0.00	(14.58)	0.00
(Loss)/Earning per share - Diluted (sen)	(7.68)	0.00	(14.58)	0.00

Notes:

- (i) Basic/Diluted (loss)/earning 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
- (iii) The financial year end of the Company was changed from 31 December to 30 June. Accordingly, the current financial statements are prepared for 18 months from 1 January 2008 to 30 June 2019 and as a result, the comparative figures stated in the income statement, statement of changes in equity, cash flow statement and the related notes are not comparable

HANDAL

HANDAL ENERGY BERHAD
(formerly known as HANDAL RESOURCES BERHAD) (816839-X)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIXTH QUARTER ENDED 30 JUNE 2019

	Attributable to equity holders of the Company					
	Share Capital	Treasury Shares	Retained Profits/ Accumulated Losses)	Shareholders' Fund	Non- controlling Interest	Total Equity
	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
Allotment of new shares via private placement	4,970	-	-	4,970	-	4,970
Total comprehensive loss for the quarter	-	-	(25,792)	(25,792)	185	(25,607)
Non-controlling interest arising on business combination	-	-	-	-	915	915
Balance as at 30 June 2019	84,999	(72)	(9,417)	75,510	1,087	76,597

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 30 JUNE 2019**

	Current Year To Date 1 January 2018 to 30 June 2019 RM'000	Preceding Year Corresponding Period 1 January 2017 to 30 June 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(25,565)	-
Adjustments for Non Cash items	12,700	-
Operating profit before working capital changes	(12,865)	-
Decrease/(Increase) in inventories	1,879	-
Decrease/(Increase) in work-in-progress	(849)	-
Decrease/(Increase) in trade receivables	30,980	-
Decrease/(Increase) in amount due from customers for contract works	(3,359)	-
(Decrease)/Increase in payables	1,680	-
Cash generated from operations	17,466	-
Tax paid	(1,803)	-
Net cash generated from operating activities	15,663	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of fixed deposits	(623)	-
Purchase of property, plant and equipment	(3,415)	-
Interest received	627	-
Disposal of financial assets held for trading	2,670	-
Proceeds from disposal of property, plant and equipment	36	-
Net cash generated from/ (used in) investing activities	(705)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	4,970	-
Interest paid	(778)	-
Drawdown/(Repayment) of term loan	(1,244)	-
Increase/(Repayment) of hire purchase creditors	(347)	-
Net increase/(decrease) in bills payable	(3,588)	-
Net cash used in financing activities	(987)	-
Net increase/(decrease) in cash and cash equivalents	13,971	-
Currency translation difference	-	-
Cash and cash equivalents at beginning of the period	(19,852)	-
Cash and cash equivalents at end of the period	(5,881)	-
Cash and cash equivalents comprises :-		
Short term investment and fixed deposits with licensed banks	13,638	-
Cash and bank balances	5,321	-
Bank overdraft	(11,286)	-
	7,673	-
FD pledged with licenced banks	(13,554)	-
	(5,881)	-

Notes:

- (i) 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
- (ii) The financial year end of the Company was changed from 31 December to 30 June. Accordingly, the current financial statements are prepared for 18 months from 1 January 2008 to 30 June 2019 and as a result, the comparative figures stated in the income statement, statement of changes in equity, cash flow statement and the related notes are not comparable

**HANDAL ENERGY BERHAD
(FORMERLY KNOWN AS HANDAL RESOURCES BERHAD)
(816839-X)**

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED
30 JUNE 2019**

**NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE SIXTH
QUARTER ENDED 30 JUNE 2019**

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)

- Amendments to MFRS 11, Joint Arrangements (Previously Held Interest in a Joint Operation)

**HANDAL ENERGY BERHAD
(FORMERLY KNOWN AS HANDAL RESOURCES BERHAD)
(816839-X)**

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED
30 JUNE 2019**

- 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 ENERGY BERHAD
(FORMERLY KNOWN AS HANDAL RESOURCES BERHAD)
(816839-X)**

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED
30 JUNE 2019**

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

Saved as disclosed below, 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.

On 11 April 2019, the Company announced that 15,968,900 Placement Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), which marks the completion of the Private Placement.

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) Manpower Services;
- e) Supply, Fabrication & Servicing Industrial Equipments & Tank Systems;
- f) Consultants in Engineering Project Support Services;
- g) Machining;
- h) Fabrication work; and
- i) Research and Development in Oil & Gas Industry.

HANDAL ENERGY BERHAD
(formerly known as HANDAL RESOURCES BERHAD)
(816839-X)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED 30 JUNE 2019

Period ended 30 June 2019	Investment holding	Integrated crane services	Fabrication of cranes	Workover projects lifting solutions	Manpower Service	Machining	Supply, fabrication & servicing industrial equipments & tank systems	Consultants In Engineering project support services	Research & Development in Advance Composite Material	Fabrication work	Eliminations	Consolidated
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Revenue												
Revenue from external	-	55,547	13,609	3,980		294	3,354	-	4,669	105	(56)	81,502
Inter-segment revenue	-	-	-	-	370	55	-	-	-	855	(1,280)	-
Total revenue	-	55,547	13,609	3,980	370	349	3,354	-	4,669	960	(1,337)	81,502
Results												
Gross Profit	-	25,084	1,871	3,390	31	114	495	-	1,539	265	(136)	30,980
Other operating income												1,597
GP Margin	-	45%	14%	85%	9%	33%	15%	-	33%	28%		
Administration & Other operation expenses												(51,347)
Depreciation &												(4,283)
Finance cost												(2,512)
Loss before tax												(25,565)
Taxation												(42)
Loss after tax												(25,607)
Assets												
Segment assets	57,531	59,298	22,897	1,150	660	101	1,383	650	2,360	1,007	(45,696)	101,341
Liabilities												
Segment liabilities	3,245	18,372	6,943	349	200	6	2,081	2,006	336	5	(8,799)	24,744



HANDAL ENERGY BERHAD
(formerly known as HANDAL RESOURCES BERHAD) (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED
30 JUNE 2019**

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

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

1. On 3 July 2019, the Company announced that Bursa Securities had, vide its letter dated 2 July 2019, resolved to approve the listing of:-
 - (i) up to 26,061,819 new Handal Shares to be issued pursuant to the conversion of the Consideration Irredeemable convertible preference shares ("ICPS");
 - (ii) 42,857,100 Consideration Shares to be issued pursuant to the Proposed Acquisition of Borneo Seafshore Engineering Sdn Bhd ("BSOE"); and
 - (iii) such number of new Handal Shares representing up to 10% of the total number of issued shares in Handal (excluding treasury shares) to be issued pursuant to the exercise of ESOS Options under the Proposed Employees' Share Option Scheme ("ESOS").

On 5 August 2019, the Company announced that all the resolutions set out in the Notice of the Extraordinary General Meeting ("EGM") dated 12 July 2019 were duly passed by way of poll at the EGM of the Company held on 5 August 2019.

On 13 August 2019, the Company had announced that all conditions precedent pursuant to the SSA have been fulfilled and 42,857,100 Consideration Shares and 26,061,819 Consideration ICPS had been issued and allotted on 9 August 2019. The 42,857,100 Consideration Shares were listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m. on 13 August 2019, which marks the completion of the Proposed Acquisition.

2. Further to announcement dated 11 April 2019 on the disposal of 765,000 ordinary shares in Simflexi Sdn Bhd (formerly known as Handal Simflexi Sdn Bhd) representing 51% of its total issued share capital, to Shanghai EB Pipeline Engineering Ltd ("SHEB") for a cash consideration of RM3,260,000 ("Disposal Consideration") ("Disposal"), the Company had, on 31 July 2019, announced that it has received the balance Disposal Consideration amounting to RM1,956,000 from SHEB. With that, all the conditions as stipulated in the Share Sale Agreement dated 10 April 2019 have been met and the Disposal is deemed to have been completed on even date.
3. On 7 August 2019, the Company announced that the Company had received the Certificate of Incorporation on Change of Name of Company dated 7 August 2019 issued by the Companies Commission of Malaysia. Accordingly, the Company's name has been changed from "Handal Resources Berhad" to "Handal Energy Berhad" with effect from 7 August 2019.



HANDAL ENERGY BERHAD
(formerly known as HANDAL RESOURCES BERHAD) (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED
30 JUNE 2019**

A13. Changes in composition of the Group

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

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 related parties 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	1,359
Borneo Seaoffshore Engineering Sdn Bhd	Fabrication work	10

HANDAL ENERGY BERHAD
(formerly known as HANDAL RESOURCES BERHAD) (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED
30 JUNE 2019**

NOTES TO THE QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE SIXTH QUARTER ENDED 30 JUNE 2019

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 2019

(a) Current Quarter (Q6 2019) vs Preceding Year Corresponding Quarter (Q6 2018)

	Individual Period (6th quarter)		Variance	
	Current Quarter	Preceding Year Corresponding Quarter		
	30 June 2019	30 June 2018	RM' 000	%
	RM' 000	RM' 000	RM' 000	%
Revenue	16,482	-	16,482	100
Gross Profits	6,791	-	6,791	100
Profit/(Loss) Before Interest and Tax	(13,063)	-	(13,063)	100
Profit/(Loss) Before Tax	(13,413)	-	(13,413)	100
Profit/(Loss) After Tax	(13,488)	-	(13,488)	100
Loss Attributable to Ordinary Equity Holders of the Parent	(14,675)	-	(14,675)	100

For the current quarter, the Group posted a loss after tax of RM13.5 million. This is due to lower revenue reported amounting to RM16.5 million and lower gross profit margin reported by our business segments. Furthermore, there were also impairment losses arising from writedown of oil rig and impairment of goodwill amounted to RM9.6 million and RM2.1 million respectively in the current quarter.

Performance of the respective operating business segments for the 6th Quarter 2019 is analysed as follows:-

1) Integrated Crane Services

The business segment reported a revenue of RM13.1 million for maintenance and overhaul jobs completed during the current quarter and recorded an overall gross profit margin of 62% during the current quarter.



HANDAL ENERGY BERHAD
(formerly known as HANDAL RESOURCES BERHAD) (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED
30 JUNE 2019**

2) Fabrication of Cranes

The revenue of this business segment is recognized based on the percentage (%) completion method and RM2.90 million was reported in the current quarter.

3) Workover Project Lifting Solutions

The business segment reported over accrued revenue of RM1.9 million during the current quarter.

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

This business segment record a revenue of RM2.4 million during the quarter.

(b) Current Year to Date vs. Preceding Year

	Cumulative Period		Variance	
	Cumulative Year to Date	Preceding Year Period ended		
	30 June 2019	30 June 2018		
	RM' 000	RM' 000	RM' 000	%
Revenue	81,502	-	81,502	100
Gross Profits	30,980	-	30,980	100
Profit/(Loss) Before Interest and Tax	(23,053)	-	(23,053)	100
Profit/(Loss) Before Tax	(25,565)	-	(25,565)	100
Profit/(Loss) After Tax	(25,607)	-	(25,607)	100
Loss Attributable to Ordinary Equity Holders of the Parent	(25,792)	-	(25,792)	100

The Group recorded a loss after tax of RM25.6 million for the 18-months period ended 30 June 2019. An overall gross profit margin of 38% was reported in the current period.

The overall administration & other operating expenses was approximately RM32.3 million for 18-months period ended 30 June 2019. The increase in overall administrative & other operating expenses was due to internal restructuring costs incurred by the Group for the cessation of non-performing business operations and additional new subsidiaries. Furthermore, there were also impairment losses arising from writedown oil rig and impairment of goodwill amounted to RM9.6 million and RM2.1 million respectively for the 18-months period ended 30 June 2019.



HANDAL ENERGY BERHAD
(formerly known as HANDAL RESOURCES BERHAD) (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED
30 JUNE 2019**

The performance of the respective operating business segments for period ended 30 June 2019 as compared to the preceding year is analysed as follows:-

1) Integrated Crane Services

The business segment reported revenue of RM55.5 million in the current 18-months period ended 30 June 2019 with the gross profit margin of 45%.

2) Fabrication of Cranes

The revenue of this business segment is recognized based on the percentage (%) of completion method. The business segment reported a revenue of RM13.6 million in the current 18-months period ended 30 June 2019. The increase was due to increase in number of new cranes orders secured during the financial period.

The business segment reported an overall gross profit margin of 14% during the period, and this is due to better margins secured for new cranes.

3) Workover Project Lifting Solutions

The business segment reported a revenue of RM4.0 million in the current 18-months period ended June 2019. The higher revenue 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 85% for the 18-months period ended 30 June 2019.

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

The business segment reported a revenue of RM3.4 million in the 18-months period ended June 2019, which is due to the lower call-outs by clients and thus lower maintenance works carried out.

The gross profit margin of 15% 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 RM4.7 million revenue recorded in this segment during the 18-months period ended 30 June 2019. The business segment also reported a gross profit margin of 33% for the 18-months period ended 30 June 2019.

HANDAL ENERGY BERHAD
(formerly known as **HANDAL RESOURCES BERHAD**) (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED
30 JUNE 2019**

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

	Current Quarter	Immediate Preceding Quarter	Variance	
	30 June 2019	31 March 2019	RM' 000	%
	RM' 000	RM' 000		
Revenue	16,482	9,234	7,248	78
Gross Profits	6,791	3,969	2,822	71
Profit/(Loss) Before Interest and Tax	(13,063)	(2,550)	(10,513)	412
Profit/(Loss) Before Tax	(13,413)	(2,923)	(10,490)	359
Profit/(Loss) After Tax	(13,488)	(2,919)	(10,569)	362
Loss Attributable to Ordinary Equity Holders of the Parent	(14,675)	(2,870)	(11,805)	411

During the current quarter, the Group recorded a loss after tax of RM13.5 million as compared to a loss after tax of RM2.9 million in the preceding quarter. There is increase in revenue reported (Q62019: RM16.5 million vs Q52019: RM9.2 million) during the current quarter. However, the increase in revenue is offset by impairment loss of oil rig and impairment loss of goodwill amounted to RM9.6 million and RM2.1 million respectively.

B3. Prospects

The Group is expected to break-even in financial year 2020 and, thereafter, turn a profit in financial year 2021. The Group has an outstanding orderbook of approximately RM537.7 million (as at 30 June 2019) which comprise the Integrated Crane Services and Fabrication of Cranes business segment together with the Provision of Water Injection Module (WIM) Supply on Mobile Offshore Unit for Mobile Water Injection Facilities. With the approval from shareholders at EGM for the acquisition of Borneo Seaoffshore Engineering Sdn Bhd on 5 August 2019, there is additional outstanding orderbook of approximately RM151.1 million added to the Group. 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 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 ENERGY BERHAD
(formerly known as HANDAL RESOURCES BERHAD) (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED
30 JUNE 2019**

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 30 June 2019 RM' 000	For the period ended 30 June 2019 RM' 000
Current tax	327	294
Deferred tax	(252)	(252)
	<u>75</u>	<u>42</u>

B6. Status of Corporate Proposals

Saved as disclosed below, there was no corporate proposal announced for the current reporting quarter.

1. On 16 April 2019, the Company announced to undertake the following:-

i. Proposed acquisition of 408,000 ordinary shares of Borneo Seaoffshore Engineering Sdn Bhd ("BSOE"), representing 51.0% equity interest in BSOE from Seaoffshore Capital Sdn Bhd for a purchase consideration of RM25,500,000 to be satisfied by way of issuance and allotment of 42,857,100 new ordinary shares in Handal ("Handal Share") at an issue price of RM0.37 per Handal Share ("Consideration Share(s)") and issuance and allotment of 26,061,819 new irredeemable convertible preference shares in Handal at an issue price of RM0.37 ("Consideration ICPS") per Consideration ICPS ("Proposed Acquisition");

ii. proposed amendment to the Constitution of Handal ("Proposed Amendment"); and

iii. proposed establishment of an employees' share option scheme of up to 10.0% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time ("Proposed ESOS").

On 5 August 2019, the Company announced that all the resolutions set out in the Notice of the Extraordinary General Meeting ("EGM") dated 12 July 2019 for the above proposals were duly passed by way of poll at the EGM of the Company held on 5 August 2019.

On 13 August 2019, the Company had announced that all conditions precedent pursuant to the SSA have been fulfilled and 42,857,100 Consideration Shares and 26,061,819 Consideration ICPS had been issued and allotted on 9 August 2019. The 42,857,100 Consideration Shares were listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m. on 13 August 2019, which marks the completion of the Proposed Acquisition.

HANDAL ENERGY BERHAD
(formerly known as HANDAL RESOURCES BERHAD) (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED
30 JUNE 2019**

B7. Group Borrowings and Debt Securities

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

	As at 30 June 2019 <u>RM'000</u>	As at 31 December 2017 <u>RM'000</u>
Short term borrowings- Secured		
Bank overdrafts	11,286	20,919
Bankers' acceptances/Invoice Financing (IVF)	1,091	4,680
Term Loan	0	1,244
Hire Purchase liabilities	333	188
	12,709	27,031
Long term borrowings- Secured		
Hire Purchase liabilities	604	419
	604	419
Total Borrowings	13,313	27,450

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



HANDAL ENERGY BERHAD
(formerly known as HANDAL RESOURCES BERHAD) (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED
30 JUNE 2019**

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

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.

On 11 April 2019, the Company announced that, among others, the signing of the Share Sale Agreement dated 10 April 2019 (“SSA”) and the Novation Agreement dated 10 April 2019 (“Novation Agreement”) will bring an end to the ongoing litigation between Kemuncak Lanai Sdn. Bhd. (“Kemuncak”) and the Company to announce that:

- a) Kemuncak had on 19 April 2019 withdrawn its claim in the Suit with no order as to costs;
- b) the Company had withdrawn its Counter Claim in the Suit against Kemuncak with no order as to costs; and
- c) upon the completion of the SSA, Kemuncak shall have no further claim against the Company.

The Company had, on 31 July 2019, announced that it has received the balance Disposal Consideration amounting to RM1,956,000 from SHEB. With that, all the conditions as stipulated in the Share Sale Agreement dated 10 April 2019 have been met and the Disposal is deemed to have been completed on even date.

HANDAL ENERGY BERHAD
(formerly known as HANDAL RESOURCES BERHAD) (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED
30 JUNE 2019**

B9. Earnings/ (Loss) Per Share

	Individual Period		Cumulative Quarter	
	Current Quarter Ended	Corresponding Quarter Ended	Cumulative Year To Date	Corresponding Year To Date
	30-June-19	30-June-18	30-June-19	30-June-18
	RM'000	RM'000	RM'000	RM'000
BASIC EARNINGS PER SHARE				
Loss for the period attributable to ordinary equity holders of the company	(13,488)	-	(25,607)	-
Weighted average number of ordinary shares in issue ('000)	175,659	-	175,659	-
Basic (loss)/earning per share (sen)	(7.68)	-	(14.58)	-

B10. Profit/ (Loss) before Taxation

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

	Current Quarter ended 30 June 2019 RM'000	Cumulative Quarter ended 30 June 2019 RM'000
- Interest Income	140	622
- Foreign exchange gain/(loss)	(89)	(361)
- Short Term Investment Income	71	487
- Depreciation and amortization	(644)	(4,283)
- Property Plant & Equipment write-off	(70)	(313)
- Impairment of goodwill	(2,105)	(2,105)
- Inventory write-off	(796)	(796)
- Impairment of oil rig	(9,586)	(9,586)

B11. Dividends

Dividends have not been recommended for the current quarter ended 30 June 2019.



HANDAL ENERGY BERHAD
(formerly known as HANDAL RESOURCES BERHAD) (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED
30 JUNE 2019**

B12. Trade Receivables

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

	As at 30 June 2019 RM'000	As at 31 December 2017 RM'000
Neither past due nor impaired	9,362	39,197
1 to 30 days past due not impaired	2,495	5,457
31 to 60 days past due not impaired	1,120	2,107
61 to 90 days past due not impaired	1,614	672
More than 90 days past due not impaired	3,114	2,279
	8,343	10,515
Past due and impaired	-	237
	17,705	49,950
Less: Impairment losses	-	(237)
	17,705	49,712

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 RM8.3 million (31 December 2017: RM10.5 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 RM2.0 million from these outstanding trade receivables based on the latest practical date of 9 August 2019.



HANDAL ENERGY BERHAD
(formerly known as HANDAL RESOURCES BERHAD) (816839-X)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIXTH QUARTER ENDED
30 JUNE 2019**

B13. Realised and Unrealised Profits/(Losses) Disclosure

The retained profits as at 30 June 2019 analysed as follows:-

	As At End of Current Quarter
	30/06/2019 RM'000
Total retained profits of the Company and the subsidiaries:-	
- Realised	6,274
- Unrealised	<u>(3,597)</u>
	2,677
Less: Consolidation adjustment	<u>(12,094)</u>
Total group retained profits as per consolidated income statements	<u><u>(9,417)</u></u>