

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020**

	Individual Quarter		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Period To Date	Preceding Year Corresponding Period
	1 Oct 2020 to 31 December 2020 RM'000	1 Oct 2019 to 31 December 2019 RM'000	1 July 2020 to 31 December 2020 RM'000	1 July 2019 to 31 December 2019 RM'000
<b>Revenue</b>	19,313	26,252	36,345	58,580
Cost of sales and services	(14,101)	(16,406)	(24,336)	(38,499)
<b>Gross profit</b>	5,212	9,846	12,009	20,081
Other operating income	2,999	336	3,188	436
Administration and other operating expenses	(5,555)	(8,278)	(11,115)	(16,302)
Depreciation	(669)	(684)	(1,452)	(1,344)
Finance costs	(411)	(523)	(749)	(929)
Gain on disposal of a subsidiary (Note 1)	-	-	-	1,933
<b>Profit before taxation</b>	1,576	697	1,881	3,875
Income tax expense	(24)	-	(178)	-
<b>Profit after tax for the period</b>	1,552	697	1,703	3,875
<b>Other comprehensive income</b>	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	-
<b>Total comprehensive profit for the period</b>	<b>1,552</b>	<b>697</b>	<b>1,703</b>	<b>3,875</b>
<b>Total comprehensive profit attributable to:</b>				
Equity holders of the parent	456	1,285	84	2,692
Non-controlling Interest	1,096	(588)	1,619	1,183
	<b>1,552</b>	<b>697</b>	<b>1,703</b>	<b>3,875</b>
Weighted average no. of ordinary shares in issue ('000) (Note 2)	218,516	218,516	218,516	218,516
(Loss)/ Earning per share attributable to Owners of the Company				
- Basic (sen)	0.21	0.59	0.04	1.23
(Loss)/ Earning per share - Diluted (sen)	0.21	0.59	0.04	1.23

**Notes:**

- Gain on disposal of subsidiary Handal Simflexi Sdn Bhd in July 2019.
- Basic/ Diluted earnings/ (loss) per share for the quarter and financial period are calculated based on the net profit/ (loss) divided by the by the weighted average number of ordinary shares for the quarter

*The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 and the accompanying notes attached to this quarterly financial report.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Unaudited As at 31 December 2020 RM'000	Audited As at 30 June 2020 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	31,977	30,827
Right of Use Assets	630	1,170
Intangible assets (Note 1)	34,410	34,410
	<u>67,017</u>	<u>66,407</u>
<b>Current Assets</b>		
Inventories	9,761	10,054
Trade receivables	25,959	27,193
Other receivables	4,328	5,404
Contract cost assets	3,634	2,034
Tax recoverable	1,168	908
Short term investment	102	100
Fixed deposits with licensed banks	20,686	20,193
Cash in hand and at bank	943	1,946
	<u>66,581</u>	<u>67,832</u>
Assets directly associated with non-current assets classified as held-for-sale	-	-
	<u>66,581</u>	<u>67,832</u>
<b>Total Assets</b>	<b>133,598</b>	<b>134,239</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	100,469	100,469
Irredeemable Convertible Preference Shares	9,408	9,408
Treasury shares	(72)	(72)
Accumulated losses	(31,193)	(31,277)
Equity attributable to owners of the Company	78,612	78,528
Non-controlling interests	(1,187)	(2,806)
<b>Total equity</b>	<u>77,425</u>	<u>75,722</u>
<b>Non-current liabilities</b>		
Lease liabilities	1,451	1,225
Deferred taxation	2,492	2,492
	<u>3,943</u>	<u>3,717</u>
<b>Current Liabilities</b>		
Trade payables	18,746	15,756
Other payables	4,112	7,800
Lease liabilities	741	1,274
Short term borrowings	28,249	29,871
Amount owing to a Director	108	100
Current tax liabilities	274	46
	<u>52,230</u>	<u>54,802</u>
<b>Total liabilities</b>	<u>56,173</u>	<u>58,518</u>
<b>Total equity and liabilities</b>	<b>133,598</b>	<b>134,239</b>
Net Assets Per Share attributable to Owners of the Company (RM)	0.36	0.36

**Note:**

- Intangible assets include: (i) Intellectual property, and (ii) Goodwill arising from surplus of purchase consideration from acquisition of subsidiaries over the fair value of the net assets of the said subsidiaries.

*The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 and the accompanying notes attached to this quarterly financial report.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

For 6 months ended 31 December 2020	Attributable to equity holders of the Company							
	Non-distributable			Distributable		Total	Non-controlling Interest	Total Equity
	Share Capital	Irredeemable Convertible Preference Shares	Treasury Shares	Accumulated Losses				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 July 2020	100,469	9,408	(72)	(31,277)	78,528	(2,806)	75,721	
Total comprehensive profit for the year	-	-	-	84	84	1,619	1,703	
<b>Balance as at 31 December 2020</b>	<b>100,469</b>	<b>9,408</b>	<b>(72)</b>	<b>(31,193)</b>	<b>78,612</b>	<b>(1,187)</b>	<b>77,425</b>	

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 and the accompanying notes attached to this quarterly financial report.

**HANDAL ENERGY BERHAD**
**(Company Registration No. 200801015549 (816839-X))**
**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Current Year To Date 1 July 2020 to 31 December 2020 RM'000	Preceding Year Corresponding Period 1 July 2019 to 31 December 2019 RM'000
<b>Cash flows from operating activities</b>		
(Loss)/Profit before taxation	1,881	3,875
Adjustments for:		
Depreciation of property, plant and equipment	914	1,344
Depreciation of right-of-use assets	539	-
Interest income	(166)	(196)
Interest expense	749	929
Fair value changes on financial assets at fair value through profit or loss	(2)	(61)
(Gain)/Loss on disposal of property, plant and equipment	(1)	-
Loss on disposal of investment in a subsidiary company	-	(1,933)
Write-off of:		
- Property, plant and equipment	-	35
Operating loss before changes in working capital	3,913	3,993
Changes in working capital:		
Inventories	293	(726)
Trade and other receivables	2,481	(37,673)
Contract cost assets	(1,599)	25,862
Contract cost liabilities	(2,166)	-
Trade and other payables	1,462	8,387
Amount owing by director	(1)	-
Net cash generated from operations	4,381	(158)
Interest received	166	196
Interest paid	(749)	(929)
Tax paid	(193)	(514)
Net cash generated/ (used in) from operating activities	3,606	(1,405)
<b>Cash flows from investing activities</b>		
Proceeds from disposal of financial assets at fair value through profit or loss	-	4,800
Proceeds from disposal of property, plant and equipment	75	350
Construction of PPE	390	(15,442)
Proceeds from disposal of non-current assets held for sale	-	1,956
Purchase of property, plant and equipment	(1,818)	(1,080)
Acquisition of subsidiary companies, net of cash acquired	(405)	5,379
Net cash (used in)/ generated from investing activities	(1,758)	(4,387)

The Condensed Consolidated Statement of Cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 and the accompanying notes attached to this quarterly financial report.

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Current Year To Date 1 July 2020 to 31 December 2020 RM'000	Preceding Year Corresponding Period 1 July 2019 to 31 December 2019 RM'000
<b>Cash flows from financing activities</b>		
Increase/ (decrease) in pledged fixed deposits	(492)	(1,866)
Repayment (advance) to a Director	-	(647)
(Repayment of)/Drawdown from trade financing	(7,035)	4,130
Repayment of lease liabilities and borrowings	(736)	(198)
Net cash generated from/(used in) financing activities	<u>(8,263)</u>	<u>1,418</u>
Net (decrease)/increase in cash and cash equivalents	(6,415)	(4,373)
Cash and cash equivalents at the beginning of the financial year/period	<u>(14,331)</u>	<u>(5,884)</u>
Cash and cash equivalents at the end of the financial year/period	<u>(20,747)</u>	<u>(10,257)</u>
Cash and cash equivalents at the end of the financial year/period comprises:		
Cash and bank balances	943	3,314
Fixed deposits	20,686	19,558
Bank overdrafts	(21,690)	(13,572)
	(61)	9,301
<b>Less: Fixed deposits pledged with licensed banks</b>	<u>(20,686)</u>	<u>(19,558)</u>
	<u>(20,747)</u>	<u>(10,257)</u>

*The Condensed Consolidated Statement of Cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 and the accompanying notes attached to this quarterly financial report.*



HANDAL ENERGY BERHAD

(Company Registration No. 200801015549 (816839-X))

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED  
31 DECEMBER 2020

## THE INTERIM FINANCIAL REPORT

### A. EXPLANATORY NOTES PURSUANT TO MFRS 134

#### A1. Basis of Preparation

The unaudited condensed interim financial statements of the Company and its subsidiaries (the "Group") has been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 14 and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standard Board.

The interim financial report is unaudited and should be read in conjunction with the Group's audited consolidated financial statements for the financial year ended 30 June 2020. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2020.

#### A2. Application of New and Amendments to MFRSs

The Group has not early adopted any new and amendments standards issued but not yet effective for the accounting period beginning 1 July 2020. The initial application of the MFRSs, Amendment to MFRSs and IC interpretations, which will be applied prospectively, or which requires extended disclosures, is not expected to have any significant financial impact on the interim financial statements of the Group.

The accounting policies applied by the Group are consistent with those applied in the previous financial year other than the change in accounting policy for revenue and income recognition and application of the amendments to MFRSs as disclosed below.

##### **Change in accounting policy for revenue and income recognition.**

Effective 1 July 2020, revenue from fabrication of cranes is recognized over time in the period in which services are rendered as the entity's performance does not create an asset with an alternative use and the entity has an enforceable right compensation for performance completed to date should the project is cancellable. The Group uses input method where the percentage of completion is determined by the proportion of cost incurred. This method of recognition is more representative of the progress of the existing project within the group.

##### **Change of accounting policies following the amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB")**

During the financial year, the Group 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 July 2020: -

**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**

- Amendments to References to the Conceptual Framework in MFRS Standards:
  - Amendments to MFRS 2, “Share Based Payments”
  - Amendments to MFRS 3, “Business Combinations”
  - Amendments to MFRS 6, “Exploration for and Evaluation of Mineral Resources”
  - Amendments to MFRS 14, “Regulatory Deferral Accounts”
  - Amendments to MFRS 101, “Presentation of Financial Statements”
  - Amendments to MFRS 108, “Accounting Policies, Changes in Accounting Estimates and Errors”
  - Amendments to MFRS 134, “Interim Financial Reporting”
  - Amendment to MFRS 137, “Provisions, Contingent Liabilities and Contingent Assets”
  - Amendment to MFRS 138, “Intangible Assets”
  - Amendment to IC Interpretation 12, “Service Concession Arrangements”
  - Amendment to IC Interpretation 19, “Extinguishing Financial Liabilities with Equity Instruments”
  - Amendment to IC Interpretation 20, “Stripping Costs in the Production Phase of a Surface Mine”
  - Amendment to IC Interpretation 22, “Foreign Currency Transactions and Advance Considerations”
  - Amendments to IC Interpretation 132, “Intangible Assets- Web Site Costs”
- Amendments to MFRS 3, “Business Combinations” (Definition of a Business)
- Amendments to MFRS Standards arising from Definition of Material:
  - Amendments to MFRS 101, “Presentation of Financial Statements”
  - Amendments to MFRS 108, “Accounting Policies, Changes in Accounting Estimates and Errors”
- Amendments to MFRS Standards arising from Interest Rate Benchmark Reform:
  - Amendments to MFRS 7, “Financial Instruments: Disclosures”
  - Amendments to MFRS 9, “Financial Instruments”
  - Amendments to MFRS 139, “Financial Instruments: Recognition and Measurement”

The application of the Amendments has no significant impact to the condensed financial statements.

**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)****A3. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the preceding audited financial statements of the Group and the Company for the financial period ended 30 June 2020 did not contain any qualification.

**A4. Items of Unusual Nature**

There were no items affecting the assets, liabilities, equity, net income or cash flow of the Group that are unusual because of their nature, size or incidence for the financial quarter under review.

**A5. Changes in Estimates**

There were no changes in estimates of amounts reported in prior financial years that have had a material effect in the current financial quarter.

**A6. Changes in Debt and Equity Securities**

There were no issuance and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial quarter.

**A7. Dividend Paid and Distributed**

There were no dividends paid in the current financial period.

**A8. Segmental Information**

The Group is organized into the following operating segments: -

- (I) Investment Holding  
Investment holding activities in subsidiaries, joint venture and other investments.
- (II) Integrated Cranes Services  
Provision of crane rental, overhaul and maintenance, fabrication, workover project, lifting solution, manpower and parts supply, etc.
- (III) Pipeline Engineering Services  
Provision of fabrication, maintenance and engineering services for risers, pig traps and pipeline isolations, etc.



**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**

(IV) Others

Supply fabricate and servicing industrial equipment and tank systems; Consultancy services in engineering project and well services, and pre-operating entities.

**The result of the current quarter ended 31 December 2020**

For 3 Months Period ended 31 December 2020	Investment holding	Integrated Crane Services	Pipeline Engineering Services	Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>						
Revenue from external	-	10,812	7,748	753	-	19,313
Inter-segment	-	-	-	-	-	-
<b>Total revenue</b>	<b>-</b>	<b>10,812</b>	<b>7,748</b>	<b>753</b>	<b>-</b>	<b>19,313</b>
<b>Results</b>						
Gross Profit	-	1,768	3,163	281	-	5,212
GP Margin	-	16%	41%	37%	-	27%
Other operating income	2,780	189	1	29	-	2,999
Administrative and Other operation expenses	(2,041)	(2,549)	(612)	(353)	-	(5,555)
Impairment loss on trade receivables	-	-	-	-	-	-
Depreciation	(149)	(271)	(215)	(34)	-	(669)
Finance cost	(1)	(301)	(101)	(8)	-	(411)
Impairment losses	-	-	-	-	-	-
Share of results in a joint venture	-	-	-	-	-	-
<b>Profit/ (Loss) before tax</b>	<b>589</b>	<b>(1,164)</b>	<b>2,236</b>	<b>(85)</b>	<b>-</b>	<b>1,576</b>
Taxation	-	(61)	1	36	-	(24)
<b>Profit/ (Loss) after tax</b>	<b>589</b>	<b>(1,225)</b>	<b>2,237</b>	<b>(49)</b>	<b>-</b>	<b>1,552</b>
<b>Assets</b>						
Segment assets	<b>3,479</b>	<b>75,644</b>	<b>18,859</b>	<b>71,407</b>	<b>-</b>	<b>169,389</b>
<b>Liabilities</b>						
Segment liabilities	<b>1,411</b>	<b>31,850</b>	<b>20,061</b>	<b>18,858</b>	<b>-</b>	<b>72,180</b>

**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**

The result of the financial period ended 31 December 2020

Financial Period ended 31 December 2020	Investment holding	Integrated Crane Services	Pipeline Engineering Services	Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>						
Revenue from external	-	21,943	12,532	1,870	-	36,345
Inter-segment	-	17	-	-	(17)	-
<b>Total revenue</b>	<b>-</b>	<b>21,960</b>	<b>12,532</b>	<b>1,870</b>	<b>(17)</b>	<b>36,345</b>
<b>Results</b>						
Gross Profit	-	6,399	5,142	468	-	12,009
GP Margin	-	29%	41%	25%	-	33%
Other operating income	2,782	370	3	33	-	3,188
Administrative and Other operation expenses	(3,829)	(5,142)	(1,356)	(788)	-	(11,115)
Depreciation	(314)	(803)	(279)	(56)	-	(1,452)
Finance cost	(3)	(600)	(125)	(20)	-	(749)
Impairment losses	-	-	-	-	-	-
<b>Profit/(Loss) before tax</b>	<b>(1,364)</b>	<b>224</b>	<b>3,385</b>	<b>(363)</b>	<b>-</b>	<b>1,881</b>
Taxation	-	(122)	(92)	36	-	(178)
<b>Profit/(Loss) after tax</b>	<b>(1,364)</b>	<b>102</b>	<b>3,293</b>	<b>(327)</b>	<b>-</b>	<b>1,703</b>
<b>Assets</b>						
Segment assets	<b>3,479</b>	<b>75,644</b>	<b>18,859</b>	<b>71,407</b>	<b>-</b>	<b>169,389</b>
<b>Liabilities</b>						
Segment liabilities	<b>1,411</b>	<b>31,850</b>	<b>20,061</b>	<b>18,858</b>	<b>-</b>	<b>72,180</b>

**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)****A8. Segmental Information (Continued)**

The presentation of segmental information for current financial quarter has no changes compared to preceding quarters. The previously reported business segments of integrated crane services, fabrication of cranes, workover project lifting solutions, machinery and fabrication works have been grouped under “Integrated Cranes Business”; provision of maintenance and services for risers and pipeline isolations are grouped under “Pipeline Engineering Services, and; supply, fabrication and servicing industrial equipment and tank systems, consultancy services for engineering projects are grouped as “Others”. There was no change in “Investment Holding” business segment.

**A9. Valuation of property, plant and equipment**

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

**A10. Capital Commitments**

There were no material capital commitments in current financial quarter.

**A11. Material events subsequent to the end of financial period reported**

There is no material subsequent event for the current period ended 31 December 2020

**A12. Changes in composition of the Group**

On 1 July 2020, the Company signed a shares sale agreement with Seaoffshore Capital Sdn Bhd (a company controlled by the Directors of the Company) for acquisition of 100% interests in Borneo Seaoffshore Resources Sdn. Bhd. (“BSOR”) at purchase consideration of RM347,128, based on the audited net assets. BSOR became a wholly owned subsidiary of the Company on 28 July 2020.

**A13. Contingent liabilities or contingent assets**

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

**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)****A14. Significant Related Party Transactions**

The Group had no significant transactions during the current financial quarter with related parties in which a director of the Group has substantial financial interest.

<b>Name of Related Parties</b>	<b>Nature of Transaction</b>	<b>Current Quarter 31 December 2020</b>	<b>Preceding quarter 30 December 2019</b>
		<b>RM' 000</b>	<b>RM '000</b>
Seaoffshore Capital Sdn Bhd	Payment of shortfall from profit guarantee for Borneo Seaoffshore Engineering Sdn Bhd (BSOE) acquisition	2,767	-

**A15. Material Litigation**

In March 2019, the Company entered into a shareholder's agreement with Singapore Oil and Energy Pte Ltd ("SOEPL") to incorporate a jointly controlled company in Malaysia namely Handal Oceans Assets Sdn Bhd ("HOASB") and its subsidiary namely Calm Oceans Sdn Bhd ("COSB") to own and to undertake the construction of a patented asset: Mono-Column Platform("MCP") in connection with a Letter of Award from Petronas Carigali Sdn Bhd to the Consortium of Borneo Seaoffshore Engineering Sdn Bhd – Handal Engineering Sdn Bhd ("BSHJV"). Due to non-delivery of assets within the contractual period by HOASB and COSB, the aforesaid Letter of Award was subsequently terminated upon voluntarily withdrawal by BSHJV with waiver of damages claim from Petronas Carigali Sdn Bhd. The aforesaid event of non-delivery of contracts has resulted in disputes between the Company and SOEPL, and gave rise to the following two litigations involved the Company, its subsidiaries and its directors.

- a. On 9 June 2020, Tracy Chang and Brian Chang (the directors of SOEPL) has filed an Originating Summons against three directors of the Company, Sunildeep Singh Dhaliwal, Mallek Rizal Bin Mohsin, Terry Busing as well as COSB as the 4th Defendant ("the Defendants"). Among others, Tracy Chang and Brian Chang are seeking leave (permission) from the Court to commence legal proceedings on behalf of COSB against the Company and Handal Floaters Sdn Bhd ("HFSB") for, among others, allegedly inducing COSB to breach its subcontract for the Provision of Water Injection Module (WIM) Supply on MOU (Mobile Offshore Unit) for the Mobile Water Injection Facilities ("Bare Boat Charter") with the Consortium of BSHJV.

On 6 August 2020, the 1<sup>st</sup> to 3<sup>rd</sup> Defendants filed an affidavit to oppose the Originating Summons and to reply to the allegations raised by Tracy Chang and Brian Chang ("the Defendants' Affidavit in Reply").

The Plaintiffs filed their Affidavit in Reply on 22 September 2020 ("the Plaintiffs' 2<sup>nd</sup> Affidavit"). The 1<sup>st</sup> to 3<sup>rd</sup> Defendants then requested for leave from Court to file a further Affidavit in Reply. The Judge, via a letter dated 8 October 2020 allowed the Defendants' request.



**HANDAL ENERGY BERHAD**

**(Company Registration No. 200801015549 (816839-X))**

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED**

**31 DECEMBER 2020**

**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**

On 15 October 2020, the 1<sup>st</sup> to 3<sup>rd</sup> Defendants filed the Defendants' Affidavit in Reply (No.2).

On 5 November 2020 the Plaintiffs filed the Plaintiffs' 3<sup>rd</sup> Affidavit (affirmed by Tracy Chang), the Plaintiffs' 4<sup>th</sup> Affidavit (affirmed by Emily Soon) and then Plaintiffs' 5<sup>th</sup> Affidavit (affirmed by Luke Chang). Parties filed their respective Written Submissions and Bundles of Authorities on 23 November 2020. Parties then filed their respective Reply Submissions on 7.12.2020

Hearing for this action has been fixed for 10 May 2021 before the Judge in the Commercial Division of the Kuala Lumpur High Court.

- b. On 3 August 2020, the Company and its two subsidiaries, Borneo Seaoffshore Engineering Sdn Bhd ("BSOE") and Handal Engineering Sdn Bhd ("HESB") (the "Plaintiff") filed a legal suit against Brian Chang, Tracy Chang, Emily Soon Wai Chin, Calm Oceans Pte Ltd ("COPL") and Brian Chang Holdings Ltd (the "Defendants"). The suit is premised on, among others, the Deceit and Negligent Misstatement of the Defendants wherein the Defendants misled the Plaintiffs on the cost efficiency of the MCP. The Plaintiffs relied on Defendants' misleading representations to their own detriment, causing the Plaintiffs to suffer loss and damage. The Plaintiffs are seeking, among others, the following relief from the Court: -
- i. Special damages amounting to the Plaintiffs' Investment being RM10,589,823.00;
  - ii. Special damages amounting to the Plaintiffs' Expenses being RM1,676,121.91;
  - iii. General Damages of RM140,153,860.03;
  - iv. Aggravated damages to be assessed and/or determined by the Court;
  - v. Interest at 5% per annum from 27.9.2020 until full settlement; and
  - vi. Costs.

The Plaintiffs solicitors successfully served the court document on the Defendants in Singapore and the British Virgin Islands.

On 15 December 2020, the Defendants solicitors entered appearance on their behalf in this suit.

On 28 December 2020, the Defendants' solicitors filed an application to stay proceedings including the filing of the Defence on the basis that the suit should be referred to arbitration (the "Stay Application"). The affidavit in support of the Stay Application was affirmed by Tracy Chang on 11 January 2021.

The hearing of the Stay Application was conducted on 22 March 2021 at 2pm in the Civil Division of the Kuala Lumpur High Court by Zoom hearing. The 2<sup>nd</sup> Plaintiff ("BSOE") withdrew its action leaving the Company and HESB as the main Plaintiffs wherein the Court allowed the withdrawal with costs of RM 5,000.00 without liberty but that BSOE was not precluded from initiating Arbitration proceedings against COPL. Further, the Court dismissed the Stay Application with no order as to costs and directed the Defendants to file their Defence by 12.4.2021 and the Plaintiffs Reply by 26.4.2021. The Court also fixed case Management of the Suit on 5.5.2021 to issue pre trial directions.

**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENT BY BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**
**B1. Review of Performance**
**(a) Current Quarter (Q2 FY2021) vs Preceding Quarter (Q2 FY2020)**

	Individual Period		Variance	
	Current Quarter	Preceding Quarter		
	31 December 2020	31 December 2019		
	RM' 000	RM' 000	RM' 000	%
Revenue	19,313	26,252	(6,939)	(26)
Gross Profit	5,212	9,846	(4,634)	(47)
Profit Before Interest and Tax	1,987	1,220	767	63
Profit Before Tax	1,576	697	879	126
Profit After Tax	1,552	697	855	123

The Group's revenue decreased by RM6.9 million or 26% from RM 26.3 million in the corresponding quarter to RM 19.3 million in the current quarter. The decrease was mainly due to lower revenue from pipeline isolation work and crane rental services. The lower performance in the current quarter was mainly attributable to the ongoing outbreak of Covid-19 pandemic since March 2020 and was continued up to this quarter which led to significant negative impact to the oil and gas industry.

The administrative and other operating expenses decreased by RM2.5 million or 30% from RM8.3 million in the corresponding quarter to RM 5.8 million in the current quarter.

Included in the profit before tax is income from shortfall of profit guarantee upon acquisition of a subsidiary amounting to RM 2.7 million. Consequently, the Group recorded a profit after tax of RM1.6 million as compared to RM0.7 million registered in the preceding year corresponding quarter.

**Review of Performance by segments**
**(i) Integrated Crane Services**

The revenue of this business segment has decreased by RM3.8 million or 26% from RM14.6 million in previous year corresponding quarter to RM10.8 million in the current quarter. The decrease was mainly contributed by the overhaul maintenance and crane rental activities as result of deferment of our customers' offshore activities. The gross profit reported for current quarter of RM1.8 million and loss after tax of RM1.2 million.

**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENT BY BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**
**B1. Review of Performance (Continued)**
**(ii) Pipeline Engineering Services**

The revenue of this business segment has decreased by RM2.6 million or 25% from RM10.3 million in previous year corresponding quarter to RM7.7 million in the current quarter. The decrease from last quarter mainly attributable to decrease in contribution from pig trap maintenance services. The gross profit reported for current quarter of RM3.2 million and profit after tax of RM2.2 million.

**(iii) Investment holding and other businesses**

There was an income from shortfall of profit guarantee amounting to RM2.7 million included as other income in the investment holding and income from other businesses. The gross profit reported for current quarter of RM0.28 million and profit after tax of RM0.5 million.

**(b) Current Year to Date vs Preceding Year**

	Cumulative Period		Variance	
	Current Period to Date	Preceding Year Corresponding Period		
	31 December 2020	31 December 2019		
	RM' 000	RM' 000	RM' 000	%
Revenue	36,345	58,580	(22,235)	(38)
Gross Profit	12,009	20,081	(8,072)	(40)
Profit Before Interest and Tax	2,629	4,804	(2,175)	(45)
Profit Before Tax	1,881	3,875	(1,994)	(51)
Profit After Tax	1,703	3,875	(2,172)	(56)

The Group's revenue decreased by RM22.2 million or 38% from RM58.6 million in the corresponding period to RM36.3 million in the current period. The lower revenue mainly from pipeline isolation work and crane rental services.

The administrative and other operating expenses decrease by RM4.9 million or 30% from RM16.3 million in the corresponding period to RM11.4 million in the current period.

**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENT BY BURSA MALAYSIA  
SECURITIES BERHAD (CONTINUED)****B1. Review of Performance (Continued)**

Included in the profit before tax is income from shortfall of profit guarantee upon acquisition of a subsidiary amounting to RM2.7 million. Consequently, the Group recorded a profit after tax of RM1.7 million as compared to RM3.8 million in the preceding corresponding year.

The performance of the respective operating business segments for period ended 31 December 2020 as compared to the preceding year is analysed as follows: -

**(i) Integrated Crane Services**

The revenue of this business segment has decreased by RM8.2 million or 27% from RM30.1 million in previous year corresponding period to RM21.9 million in the current period. The decrease was mainly contributed by the overhaul maintenance and crane rental activities as result of deferment of our customers' offshore activities. The gross profit reported for current period of RM6.4 million and profit after tax of RM0.1 million.

**(ii) Pipeline Engineering Service**

The revenue of this business segment has decreased by RM14.4 million or 54% from RM26.9 million in previous year corresponding period to RM12.5 million in the current period. The decrease was mainly by piping isolation work and pig trap maintenance services. The gross profit reported for current period of RM5.1 million and profit after tax of RM3.2 million.

**(iii) Investment Holding and Other Businesses**

There was an income from shortfall of profit guarantee amounting to RM2.7 million included as other income in the investment holding company and income from other businesses. The gross profit reported for current period of RM0.5 million and loss after tax of RM1.7 million.



**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENT BY BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**
**B2. Material Changes in The Quarterly Results Compared to The Results of The Preceding Quarter**

	Individual Quarter		Variance	
	Current Quarter Ended	Immediate Preceding Quarter Ended		
	31 December 2020	30 September 2020		
	RM' 000	RM' 000	RM' 000	%
Revenue	19,313	17,032	2,281	13
Gross Profit / (Loss)	5,212	6,797	(1,585)	(23)
Profit / (Loss) Before Interest and Tax	1,987	642	1,345	210
Profit / (Loss) Before Tax	1,576	305	1,271	417
Profit / (Loss) After Tax	1,552	151	1,400	925

The Group posted a profit after tax of RM1.6 million in the current quarter as compared to a net profit after tax of RM0.15 million registered in the immediate preceding quarter. The Group's revenue for the reporting quarter was 19.3 million, an increase of 13% compared to RM17.0 million recorded in the immediate preceding quarter. The profit after tax is higher by RM1.4 million in the current quarter was mainly due to income from the shortfall of profit guarantee upon acquisition of a subsidiary amounting to RM 2.7 million.

**B3. Prospects**

The outlook of oil and gas industry remains challenging in short to medium term with the continued uncertainty arising from Covid-19 pandemic. Whilst some recovery has been seen in the past few months, the Covid-19 pandemic have constrained the industry, with major oil and gas exploration activities and capital expenditure being deferred coupled with reduced operating budgets.

The Group has responded by undertaking cost optimization measures and cashflow management by restructuring banking facilities and stepping up collections. In addition, the Group has been aggressively pursuing business development strategies which have started bearing fruit in the form of several new contracts including the following:

- a) Contract from ExxonMobil Exploration & Production Malaysia Inc ("**ExxonMobil**") for the provision of pipeline isolation services to ExxonMobil operated platforms for a duration of five (5) years with a one (1) year extension option;
- b) Contract from MDC Oil & Gas (SK320) Ltd, a unit of Mubadala Petroleum ("**Mubadala**") for the provision of offshore pedestal cranes maintenance services and spare parts to Mubadala for a duration of four (4) years;

**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENT BY BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**

**B3. Prospects (Continued)**

- c) Contract from EnQuest Petroleum Production Malaysia Ltd (“**EnQuest**”) for the provision of offshore cranes operator services to EnQuest for a duration of three (3) years with a one (1) year extension option; and
- d) Contract from Carigali Hess Operating Company Sdn Bhd (“**CarigaliHess**”) for the provision of offshore pedestal crane inspection and maintenance services to CarigaliHess for a duration of three (3) years with a two (2) year extension option.

The result of these efforts is reflected in the current quarter’s financial performance. The Group aims to maintain this business growth momentum and profitability in the current financial year.

Against these developments and barring any unforeseen circumstances, the Board remains cautiously optimistic on the prospects of the Group.

**B4. Profit Forecast and profit guarantee**

The Group has not issued any profit forecast nor profit guarantee for the current financial period.

**B5. Taxation**

	Current Year Quarter 1 Oct 2020 to 31 December 2020 RM’000	Preceding Year Corresponding Quarter 1 Oct 2019 to 31 December 2019 RM’000	Current Period To Date 1 July 2020 to 31 December 2020 RM’000	Preceding Year Corresponding Period 1 July 2019 to 31 December 2019 RM’000
Current tax	(24)	-	(178)	-
Underprovision in prior year	-	-	0	-
	<u>(24)</u>	<u>-</u>	<u>(178)</u>	<u>-</u>

**B6. Status of Corporate Proposals**

On 12 January 2021, the Group has announced a proposal to issue up to 49,480,000 new Handal Shares (“Placement Shares”), representing up to 20% of the enlarged total number of issued shares of the Company.

**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENT BY BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)****B6. Status of Corporate Proposals**

The First Tranche Placement has been completed following the listing of and quotation for 9 million Placement Shares on the Main Market of Bursa Securities on 9 March 2021.

**B7. Borrowings and Debt Securities**

	As at 31 December 2020 RM'000	As at 30 June 2020 RM'000
<b>Short-term borrowings - Secured</b>		
Bank overdrafts	21,690	16,277
Trade financing	6,559	13,594
Lease liabilities	741	1,274
	29,234	31,145
<b>Long-term borrowings – Secured</b>		
Lease liabilities	1,451	1,225
	1,451	1,225
<b>Total Borrowings</b>	<b>30,685</b>	<b>32,370</b>

The fixed deposit of the Group has been pledged as security for Trade Financing and Bank overdraft. All borrowings are denominated in Ringgit Malaysia (RM)

**B8. Material Litigation**

Please refer to Item A15.

**B9. Dividends**

Dividends have not been recommended for the current quarter ended 31 December 2020.

**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENT BY BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**

**B10. Earning Per Share**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended	Preceding Quarter Ended	Current Period to Date	Preceding Period to Date
	RM'000	RM'000	RM'000	RM'000
<b>Basic Earning Per Share</b>				
Profit for the period attributable to equity holders of the company	456	1,285	84	2,692
Weighted average of ordinary shares in issued ("000)	218,516	218,516	218,516	218,516
Earning Per Share (Sen)	0.21	0.59	0.04	1.23

**B11. Profit before Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended	Preceding Quarter Ended	Current Period to Date	Preceding Period to Date
	RM'000	RM'000	RM'000	RM'000
This is arrived at after (crediting)/ charging:				
Interest Income	(111)	(164)	(166)	(196)
Interest expenses	411	523	749	929
Foreign exchange gain	(7)	(19)	(23)	(21)
Fair value changes in financial assets at fair value through profit or loss	(1)	(1)	(2)	(61)
Gain/(loss) on disposal of property, plant	1	-	(1)	-
Gain on disposal of a subsidiary	-	-	-	(1,933)
Depreciation	669	684	1,452	1,344
Property, plant and equipment write off	-	-	-	(35)