

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021

	Individual Quarter		Cumulative Year	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	1 October 2021 to 31 December 2021	1 October 2020 to 31 December 2020	1 July 2021 to 30 December 2021	1 July 2020 to 31 December
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	11,738	19,313	20,869	36,345
Cost of sales and services	(8,884)	(14,101)	(15,765)	(24,336)
<b>Gross profit</b>	2,854	5,212	5,104	12,009
Other operating income	149	2,999	338	3,188
Administration and other operating expenses	(5,289)	(5,555)	(10,872)	(11,115)
Depreciation	(691)	(669)	(1,178)	(1,452)
Finance costs	(349)	(411)	(611)	(749)
<b>(Loss)/Profit before taxation</b>	(3,326)	1,576	(7,219)	1,881
Income tax expense	(208)	(24)	528	(178)
<b>(Loss)/Profit after tax for the period</b>	(3,534)	1,552	(6,691)	1,703
<b>Other comprehensive income</b>	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	-
<b>Total comprehensive (loss)/profit for the period</b>	<b>(3,534)</b>	<b>1,552</b>	<b>(6,691)</b>	<b>1,703</b>
<b>Total comprehensive loss attributable to:</b>				
Equity holders of the parent	(1,992)	456	(5,138)	84
Non-controlling Interest	(1,542)	1,096	(1,553)	1,619
	<b>(3,534)</b>	<b>1,552</b>	<b>(6,691)</b>	<b>1,703</b>
Weighted average no. of ordinary shares in issue ('000) (Note 1)	231,091	218,516	231,091	218,516
<b>(Loss)/ Earning per share attributable to Owners of the Company</b>				
- Basic (sen)	(0.86)	0.21	(2.22)	0.04
<b>(Loss)/ Earning per share - Diluted (sen)</b>	<b>(0.86)</b>	<b>0.21</b>	<b>(2.22)</b>	<b>0.04</b>

Notes:

- 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 2021 and the accompanying notes attached to this quarterly financial report*

#### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021

	Unaudited As at 31 December 2021 RM'000	Audited As at 30 June 2021 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	30,172	30,934
Right of Use Assets	615	769
Intangible assets (Note 1)	41,537	41,538
	72,324	73,242
<b>Current Assets</b>		
Inventories	9,294	9,226
Trade receivables	17,790	16,831
Other receivables	8,127	13,262
Contract cost assets	4,419	7,679
Tax recoverable	533	393
Short term investment	-	102
Fixed deposits with licensed banks	12,216	13,381
Cash in hand and at bank	521	449
	52,900	61,323
<b>Total Assets</b>	<b>125,224</b>	<b>134,564</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	103,303	103,045
Irredeemable Convertible Preference Shares	9,408	9,408
Employees share options scheme ("ESOS") reserve	441	441
Treasury shares	(72)	(72)
Accumulated losses	(36,349)	(31,211)
Equity attributable to owners of the Company	76,731	81,610
Non-controlling interests	(1,425)	129
<b>Total equity</b>	75,306	81,739
<b>Non-current liabilities</b>		
Lease liabilities	458	1,104
Deferred taxation	1,198	1,841
	1,656	2,945
<b>Current Liabilities</b>		
Trade payables	22,238	25,304
Other payables	6,732	6,041
Lease liabilities	1,588	908
Short term borrowings	17,297	17,469
Amount owing to a Director	108	108
Contract liabilities	-	50
Current tax liabilities	299	1
	48,262	49,881
<b>Total liabilities</b>	49,918	52,825
<b>Total equity and liabilities</b>	<b>125,224</b>	<b>134,564</b>
Net Assets Per Share attributable to Owners of the Company (RM)	0.33	0.35

**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 2021 and the accompanying notes attached to this quarterly financial report.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021**

For 6 months ended 31 December 2021	Attributable to equity holders of the Company								
	Non-distributable Irredeemable				Distributable			Non- controlling Interest	Total Equity
	Share Capital	Convertible Preference Shares	Treasury Shares	ESOS Reserve	Accumulated Losses	Total			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Balance as at 1 July 2021</b>	103,045	9,408	(72)	441	(31,211)	81,611	128	81,739	
Issue of new share capital via private placement, net of transaction costs	258	-	-	-	-	258	-	258	
Total comprehensive loss for the year	-	-	-	-	(5,138)	(5,138)	(1,553)	(6,691)	
<b>Balance as at 31 December 2021</b>	<b>103,303</b>	<b>9,408</b>	<b>(72)</b>	<b>441</b>	<b>(36,349)</b>	<b>76,731</b>	<b>(1,425)</b>	<b>75,306</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 2021 and the accompanying notes attached to this quarterly financial report.*

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021**

	Current Year To Date 1 July 2021 to 31 Decemberr 2021 RM'000	Preceding Year Corresponding Period 1 July 2020 to 31 December 2020 RM'000
<b>Cash flows from operating activities</b>		
(Loss)/Profit before taxation	(7,219)	1,881
Adjustments for:		
Depreciation of property, plant and equipment	1,023	914
Depreciation of right-of-use assets	155	539
Interest income	(92)	(166)
Interest expense	611	749
Fair value changes on financial assets at fair value through profit or loss	-	(2)
(Gain)/Loss on disposal of property, plant and equipment	-	(1)
Operating loss before changes in working capital	(5,522)	3,913
Changes in working capital:		
Inventories	(69)	293
Trade and other receivables	4,477	2,481
Contract cost assets	3,260	(1,599)
Contract cost liabilities	(50)	(2,166)
Trade and other payables	(2,375)	1,462
Amount owing by director	-	(1)
Net cash generated from operations	(279)	4,382
Interest received	92	166
Interest paid	(611)	(749)
Tax paid	(258)	(193)
Tax refund	-	-
Net cash generated/ (used in) from operating activities	(1,056)	3,606
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	-	75
Construction of PPE	-	390
Private placement exercise	258	-
Purchase of property, plant and equipment	(260)	(1,818)
Acquisition of subsidiary companies, net of cash acquired	-	(405)
Disposal of financial assets at fair value through profit and	102	-
Net cash (used in)/ generated from investing activities	100	(1,758)

*The Condensed Consolidated Statement of Cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021 and the accompanying notes attached to this quarterly financial report.*

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021**

	Current Year To Date	Preceding Year Corresponding Period
	1 July 2021 to 31 Decemberr 2021	1 July 2020 to 31 December 2020
	RM'000	RM'000
<b>Cash flows from financing activities</b>		
Decrease/(Increase) in pledged fixed deposits	1,165	(492)
Drawdown from/(Repayment of) trade financing	2,067	(7,035)
Repayment of lease liabilities and borrowings	34	(736)
Net cash generated from/(used in) financing activities	<u>3,266</u>	<u>(8,263)</u>
Net (decrease)/increase in cash and cash equivalents	2,310	(6,415)
Cash and cash equivalents at the beginning of the financial year/period	(15,634)	(14,331)
Cash and cash equivalents at the end of the financial year/period	<u>(13,324)</u>	<u>(20,747)</u>
Cash and cash equivalents at the end of the financial year/period comprises:		
Cash and bank balances	521	943
Fixed deposits	12,216	20,686
Bank overdrafts	(13,845)	(21,690)
	(1,108)	(61)
<b>Less: Fixed deposits pledged with licensed banks</b>	<u>(12,216)</u>	<u>(20,686)</u>
	<u>(13,324)</u>	<u>(20,747)</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 2021 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 2021**

**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 2021. 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 2021.

**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 2021. 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 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 2021: -

- 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"

**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)****A2. Application of New and Amendments to MFRSs (Continued)****Change of accounting policies following the amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") (Continued)**

- 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 2021 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 other than disclosed in Note B6 – Status of Corporate Proposal.

**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.



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

**A8. Segmental Information (Continued)**

(III) Pipeline Engineering Services

Provision of fabrication, maintenance and engineering services for risers, pig traps and pipeline isolations, etc.

(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 financial period ended 31 December 2021**

For 3 Months Period ended 31 December 2021	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	-	6,238	5,253	248	-	11,738
Inter-segment	-	-	-	104	(104)	-
<b>Total revenue</b>	<b>-</b>	<b>6,238</b>	<b>5,253</b>	<b>352</b>	<b>(104)</b>	<b>11,738</b>
<b>Results</b>						
Gross Profit	-	3,617	(719)	(43)	-	2,854
GP Margin	-	31%	56%	44%	-	40%
Other operating income	-	20	554	(14)	(411)	149
Administrative and Other operation expenses	(171)	(2,589)	(2,790)	(148)	411	(5,289)
Depreciation	(238)	(341)	(84)	(29)	-	(691)
Finance cost	(12)	(192)	(104)	(41)	-	(349)
<b>Profit/(Loss) before tax</b>	<b>(420)</b>	<b>515</b>	<b>(3,145)</b>	<b>(276)</b>	<b>-</b>	<b>(3,326)</b>
Taxation	-	(208)	-	-	-	(208)
<b>Profit/(Loss) after tax</b>	<b>(420)</b>	<b>307</b>	<b>(3,145)</b>	<b>(276)</b>	<b>0</b>	<b>(3,534)</b>
<b>Assets</b>						
Segment assets	3,460	65,309	19,701	1,819	34,936	125,225
<b>Liabilities</b>						
Segment liabilities	2,057	20,807	23,979	3,893	(819)	49,918

The result of the financial period ended 31 December 2021

Financial Period ended 31 Decembr 2021	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	-	10,930	9,232	707	-	20,869
Inter-segment	-	-	-	230	(230)	-
<b>Total revenue</b>	<b>-</b>	<b>10,930</b>	<b>9,232</b>	<b>937</b>	<b>(230,393.41)</b>	<b>20,869</b>
<b>Results</b>						
Gross Profit	-	4,307	554	243	-	5,104
GP Margin	-	39%	6%	26%		24%
Other operating income		159	1,816	(10)	(1,628)	338
Administrative and Other operation expenses	(602)	(6,307)	(5,204)	(387)	1,628	(10,872)
Depreciation	(322)	(619)	(178)	(58)	-	(1,178)
Finance cost	(12)	(379)	(156)	(64)	-	(611)
<b>Profit/(Loss) before tax</b>	<b>(935)</b>	<b>(2,840)</b>	<b>(3,167)</b>	<b>(276)</b>	<b>-</b>	<b>(7,220)</b>
Taxation	-	528	0	0	-	528
<b>Profit/(Loss) after tax</b>	<b>(935)</b>	<b>(2,311)</b>	<b>(3,167)</b>	<b>(276)</b>	<b>-</b>	<b>(6,691)</b>
<b>Assets</b>						
Segment assets	3,460	65,309	19,701	1,819	34,936	125,225
<b>Liabilities</b>						
Segment liabilities	2,057	20,807	23,979	3,893	(819)	49,918

**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)****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 2021.

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

There is no changes in the composition of the Group for the current period ended 31 December 2021.

**A13. Contingent liabilities or contingent assets**

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

**A14. Significant Related Party Transactions**

The Group had the following transactions during the current financial quarter with related parties in which a director of the Group has substantial financial interest.

Name of Related Parties	Nature of transaction	Amount (RM)
Seaoffshore Engineering Sdn Bhd	Provision of services for Hot Section Exchange program for Gas Turbine Generator at KLIA District Cooling Plant.	63,234

**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)****A15. Material Litigation**

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 Mono-Column Platform (“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.

On 25 January 2021 the Plaintiffs’ filed an Affidavit in Reply to oppose the Stay Application, and in turn the Defendants filed the Defendants’ Affidavit in Reply on 8 February 2021.

On 19 February 2021, the Plaintiffs filed a further Affidavit in Reply to address certain matters raised in the Defendants’ Affidavit in Reply.

On 23 February 2021, the Plaintiffs filed a Notice of Discontinuance in respect of the 2nd Plaintiff, Borneo Seaoffshore Engineering Sdn Bhd. On this same day, the Defendants filed Written Submissions in respect of the Stay Application.

The said application was heard on 22 March 2021 whereby the Defendants’ application was dismissed with no order as to costs. Dissatisfied with the dismissal, the Defendants have filed an appeal to the Court of Appeal on 2 April 2021. The appeal has yet to be set down for hearing but in the meantime, the Defendants have filed a stay of proceedings in the High Court pending the resolution of the said appeal. This Stay of Proceedings application was heard and allowed on 28 June 2021.

**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**
**A15. Material Litigation (continued)**

On 24 January 2022, the Appeal was dismissed by the Court of Appeal. On 22 February 2022, the Defendants filed an application for leave to appeal to the Federal Court and an application to stay proceedings in the High Court until the Federal Court leave application is disposed of. A case management for the Federal Court leave application is fixed on 23 March 2022.

**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS BY BURSA MALAYSIA SECURITIES BERHAD**
**B1. Review of Performance**
**(a) Current Quarter (Q2 FY2022) vs Preceding Quarter (Q2 FY2021)**

	Individual Period		Variance	
	Current Quarter	Preceding Quarter		
	31 December 2021	31 December 2020	RM' 000	%
	RM' 000	RM' 000		
Revenue	11,738	19,313	(7,576)	(39)
Gross Profit	2,854	5,212	(2,358)	(45)
(Loss) / Profit Before Interest and Tax	(2,977)	1,987	(4,964)	(250)
(Loss) / Profit Before Tax	(3,326)	1,576	(4,902)	(311)
(Loss) / Profit After Tax	(3,534)	1,552	(5,085)	(328)

The Group's revenue decreased by RM 7.6 million or 39% from RM 19.3 million in the corresponding quarter to RM 11.7 million in the current quarter. The decrease was mainly due to lower revenue from integrated crane services and pipeline engineering services. The decrease for integrated crane services was mainly due to lower revenue from crane manufacturing, overhaul maintenance services and parts trading. The decrease for pipeline engineering services was mainly due to lower revenue from pipeline isolation services and pig trap maintenance.

Included in the other income in previous period was income from the shortfall of profit guarantee amounted RM 2.8 million.

The administrative and other operating expenses recorded at RM 5.3 million in current period which is lower by RM 0.2 million as compared to RM 5.6 million in previous period.

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

Consequently, the Group recorded a loss after tax of RM3.5 million as compared to profit of RM1.5 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 RM 4.6 million or 42% from RM10.8 million in previous period corresponding quarter to RM 6.2 million in the current quarter. The decrease for integrated crane services was mainly due to lower revenue from crane manufacturing by RM 3.2 million. The decrease was also contributed by lower revenue from parts trading due to lower activities and deferment of contract execution, which contributed about RM 2.3 million of revenue in prior period as compared to RM 1.2 million in current period. The gross profit for the current quarter was RM 3.6 million and profit after tax was RM 0.3 million.

**(ii) Pipeline Engineering Services**

The revenue of this business segment has decreased by RM 2.5 million or 31% from RM 7.7 million in previous year corresponding quarter to RM 5.2 million in the current quarter. The decrease for pipeline engineering services was mainly due to lower revenue from pipeline isolation services due to lower activities and deferment of contract execution, which contributed about RM 2.0 million of revenue in prior period as compared to RM 0.9 million in current period. The decrease was also contributed by lower revenue from riser maintenance which contributed about RM 3.2 million in prior period as compared to RM 1.9 million in current period. The loss after tax for the current quarter was RM 3.1 million.

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

The revenue for other businesses decreases from RM 0.7 million in previous year corresponding quarter as compared to RM 0.3 million in the current quarter.

**B2. The Quarterly Results Compared to The Results of The Preceding Quarter**

**(b) Current Period (Q2 FY2022) vs Preceding Period (Q2 FY2021)**

	Cumulative Period		Variance	
	Current Year to Date	Preceding Year		
	31 December 2021	31 December 2020		
	RM' 000	RM' 000	RM' 000	%
Revenue	20,869	36,345	(15,476)	(43)
Gross Profit	5,104	12,009	(6,905)	(58)
Profit Before Interest and Tax	(6,607)	2,629	(9,237)	(351)
(Loss) /Profit Before Tax	(7,219)	1,881	(9,099)	(484)
(Loss) /Profit After Tax	(6,691)	1,703	(8,394)	(493)

The Group's revenue decreased by RM15.5 million or 43% from RM36.3 million in the corresponding period to RM20.9 million in the current period. The lower revenue mainly from crane manufacturing, overhaul maintenance and pipeline isolation services.

The administrative and other operating expenses decreased by RM 0.2 million or 2.2% from RM11.1 million in the corresponding period to RM10.8 million in the current period.

Included in the profit before tax is income in prior year preceding period were income from shortfall of profit guarantee upon acquisition of a subsidiary amounting to RM2.8 million.

Consequently, the Group recorded a loss after tax of RM6.7 million as compared to profit after tax of RM1.7 million in the preceding corresponding period.

The performance of the respective operating business segments for period ended 31 December 2021 as compared to the preceding period is analysed as follows: -

**(i) Integrated Crane Services**

The revenue of this business segment has decreased by RM11.0 million or 50.2% from RM21.9 million in previous year corresponding period to RM10.9 million in the current period. The decrease was mainly contributed by the lower revenue from crane manufacturing, overhaul maintenance and crane rental activities as result of deferment of our customers' offshore activities. The gross profit reported for current period of RM4.3 million and loss after tax of RM2.3 million.

**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS BY BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**
**(ii) Pipeline Engineering Service**

The revenue of this business segment has decreased by RM3.3 million or 26.3% from RM12.5 million in previous year corresponding period to RM9.2 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 RM0.5 million and loss 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 in previous year corresponding period.

The gross profit reported for current period of RM0.2 million and loss after tax of RM0.3million.

**B2. The Quarterly Results Compared to The Results of The Preceding Quarter**

	Individual Quarter		Variance	
	Current Quarter Ended	Immediate Preceding Quarter Ended		
	31 December 2021	30 September 2021	RM' 000	%
	RM' 000	RM' 000	RM' 000	%
Revenue	11,738	9,131	2,606	29
Gross Profit / (Loss)	2,854	2,250	604	27
(Loss) / Profit Before Interest and Tax	(2,977)	(3,631)	654	(18)
(Loss) / Profit Before Tax	(3,326)	(3,893)	566	(15)
(Loss) / Profit After Tax	(3,534)	(3,157)	(377)	12

The Group posted a loss after tax of RM3.5 million in the current quarter as compared to loss after tax of RM3.2 million registered in the immediate preceding quarter. The Group's revenue for the reporting quarter was RM11.7 million, an increase of RM2.6 million or 28.6% as compared to RM9.1 million recorded in the immediate preceding quarter due to higher revenue realised in overhaul and maintenance and operational piggings as compared to preceding quarter.



**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS BY BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)****B3. Prospects**

Whilst there is still significant uncertainty over the COVID-19 pandemic with the emergence of new variants, prices of fossil fuels and other commodities have staged a strong rally in the past year with prices exceeding pre-pandemic levels. Strong oil prices coupled with the Federal Government's drive to accelerate vaccination levels are expected to result in a boost in oil and gas activities which should cascade down to service providers such as Handal. In addition to work from new contracts, we expect to benefit from the backlog arising from deferred contracts due to the pandemic and weak oil prices in the coming quarters.

Our business development strategies have started bearing fruit by securing several new contracts and also with the renewal of existing contracts. We attribute this to Handal's operational excellence processes as part of our turnaround drive that has resulted in successful delivery despite the global challenges due to the pandemic. Some of the recent new and renewed contracts are set out as follows:

- 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;
- 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;
- 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;
- e) Contract from Malaysia LNG Sdn Bhd ("**MLNG**") for the provision of pipeline isolation services for a duration of 14 months with a one (1) year extension option;
- f) Extension of Contract from Petronas Carigali Sdn Bhd ("**PCSB**") for the provision of engineering, procurement, fabrication, installation, commissioning, inspection and maintenances works for Pig Trap System for a duration of one (1) year effective from 23<sup>rd</sup> July 2021 until 22<sup>nd</sup> July 2022;

**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS BY BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)****B3. Prospects (continued)**

- g) Contract from PTTEP HK Offshore Ltd and/or PTTEP Sabah Oil Ltd and/ or PTTEP Sarawak Oil Ltd (“PTTEP”) for the provision of 2021 Sarawak (SK) turnaround management and coordination services for duration of one( 1) year; and
- h) Contract from ExxonMobil Exploration and Production Malaysia Inc.(“EMEPMI”) for the provision of crane operation and maintenance services for a duration of five (5) years effective from 15<sup>th</sup> June 2021 until 14<sup>th</sup> June 2026.
- i) Contract extension for SEA Hibiscus Sdn Bhd (“SEA Hibiscus”) is in relation to the provision of offshore crane maintenance services for SEA Hibiscus.The duration for the Contract Extension is for one (1) year and shall commence from 31 October 2021 until 30 October 2022.
- j) A new contract from Tanjung Offshore Services Sdn Bhd (“TOS”) for the provision of portable crane equipment and services package. The provision of equipment and services for the contract is for the plug and abandonment integrated services for Pulau A for PETRONAS Carigali Sdn.Bhd (“PCSB”). The contract commenced on 2 July 2021 and the estimated completion date is in December 2021
- k) A new contract from ExxonMobil Exploration and Production Malaysia Inc. (“ExxonMobil”) for the provision of crane overhaul, repair and refurbishment services (“Contract”) via a letter of award dated 9 September 2021. The contract shall be valid for five (5) years effective from 1 October 2021 until 30 September 2026.

With 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.

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

**B5. Taxation**

	Current Period Quarter 1 October 2021 to 31 December 2021 RM'000	Preceding Year Corresponding Quarter 1 October 2020 to 31 December 2020 RM'000	Current Period To Date 1 July 2021 to 31 December 2021 RM'000	Preceding Year Corresponding Period 1 July 2020 to 31 December 2020 RM'000
Deferred tax	(208)	-	528	-
Current tax	-	(24)	-	(178)
	<u>(208)</u>	<u>(24)</u>	<u>528</u>	<u>(178)</u>

The Group effective tax rate is lower than the statutory tax rate of 24% due to deferred tax asset not recognized for certain subsidiaries during the period.

**B6. Status of Corporate Proposals**

On 12 January 2021, the Group has announced a proposal to issue up to 49,480,000 new ordinary shares in Handal Energy Berhad, which represent up to 20% of the total number of issued shares of Handal ("Proposed Private Placement").

The first (1<sup>st</sup>) Tranche Placement has been completed following the listing of and quotation of 9,000,000 Placement Shares on the Main Market of Bursa Securities on 9 March 2021.

The second (2<sup>nd</sup>) Tranche Placement has been completed following the listing of and quotation of 1,065,000 shares Placement Shares on the Main Market of Bursa Securities on 19 March 2021.

The third (3<sup>rd</sup>) Tranche Placement has been completed following the listing of and quotation of 1,100,000 shares Placement Shares on the Main Market of Bursa Securities on 26 April 2021.

The fourth (4<sup>th</sup>) Tranche Placement has been completed following the listing of additional 1,100,000 ordinary shares via the private placement exercise on the Main Market of Bursa Securities on 9 July 2021.

In terms of utilization of funds from the placement shares, the Group has utilized it for the following: -

- (a) Working capital to finance the Group's payment to suppliers and sub-contractors as part of its business operations; and
- (b) The estimated expenses consist of professional fees, fees payable to authorities, placement fees and other miscellaneous expenses to be incurred in relation to the Proposed Private Placement.

**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS BY BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)****B7. Borrowings and Debt Securities**

	As at 31 December 2021 <u>RM'000</u>	As at 30 September 2021 <u>RM'000</u>
<b>Short term borrowings- Secured</b>		
Bank overdrafts	13,845	14,465
Trade financing	3,452	2,187
Lease Liabilities	1,016	1,360
	<u>18,314</u>	<u>18,011</u>
<b>Long term borrowings- Secured</b>		
Lease Liabilities	353	506
<b>Total Borrowings</b>	<u>18,668</u>	<u>18,517</u>

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 2021.

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

**B10. Earnings Per Share**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended	Preceding Quarter Ended	Current Year to Date	Preceding Year to Date
	RM'000	RM'000	RM'000	RM'000
<b>Basic Earnings Per Share</b>				
Earning/(Loss) for the period attributable to equity holders of the company	(1,992)	456	(5,138)	84
Weighted average of ordinary shares in issued ("000)	231,091	218,516	231,091	218,516
Earning/(Loss) Per Share (Sen)	<u>(0.86)</u>	<u>0.21</u>	<u>(2.22)</u>	<u>0.04</u>

The potential conversion of Irredeemable Convertible Preference Shares ("ICPS") is anti-dilutive as the conversion of the ICPS results in a reduction in diluted loss per share upon conversion.

**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	(80)	(111)	(92)	(166)
Interest expenses	349	411	611	749
Foreign exchange gain/(loss)	60	(7)	72	(23)
Fair value changes in financial assets at fair value through profit or loss	-	(1)	-	(2)
Gain on disposal of property, plant and equipment	-	1	-	(1)
Depreciation	691	669	1,178	1,452